***The Good Bot: Artificial Intelligence, Health Care, and the Law* — AI's Hidden Power Grid: Data Centers, Subsea Cables, and the New Infrastructure Arms Race**
Host: Brett Mason
Guest: Alan Poole
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Brett Mason (00:04):

Welcome to *The Good Bot*, a podcast focusing on the intersection of artificial intelligence, health care and the law. I'm Brett Mason, your host, and as a partner and trial lawyer here at Troutman Pepper Locke, my primary focus is on litigating and trying cases for life sciences and health care companies. However, as a self-proclaimed tech enthusiast, I'm also deeply fascinated by the role of technology in advancing the health care industry in general. Our mission with this podcast is to equip you with a comprehensive understanding of artificial intelligence technology, its current and potential future applications in health care and beyond, and the legal implications of integrating this technology into healthcare and legal sectors. I'm excited to be joined today by Alan Poole. Alan is the General Counsel at DC BLOX and DC BLOX is a provider of secure, interconnected data center facilities and hyperscale ready, AI ready infrastructure. Really glad to have you on today, Alan.

Alan Poole (00:59):

Thanks. It's exciting to be here. I miss practicing law with you at Troutman Pepper, but having a great time at DC BLOX.

Brett Mason (01:04):

I know. We definitely miss having you here as well, but I'm glad we're able to chat today in your area of expertise. Let's just dive in. Before we do, let's level set. When people hear the term 'digital infrastructure', what does that actually include and what parts tend to be overlooked?

Alan Poole (01:23):

Digital infrastructure is not itself digital. It's the infrastructure that supports your digital world. It is a full ecosystem that spans from data centers, which house computing servers, which can do anything from make YouTube work and make your favorite apps work, to train new AI models. Those data centers only work if they are connected with power and with high-capacity fiber optic cabling. We also develop fiber optic routes that run hundreds of miles throughout the southeast to connect our data centers. Power is an increasingly important part of this ecosystem. It used to be fairly overlooked, but given the increase in demand of AI data centers and cloud computing data centers, it's becoming a central part of not just my world, but of public life.

Brett Mason (02:16):

For many years, much of what you've just talked about, that infrastructure has operated kind of quietly in the background, keeping everything running the way that we want it to. But what's changed recently to bring it more into the public conversation?

Alan Poole (02:30):

I'd pin it to two things. One, the speed and scale at which the increase in need for power and space has surprised pretty much everyone in this industry, and it seems like it gets more surprising every month. It's just such a large concern now that it's a new and developing business that affects everyone's lives. I'll also say earlier on in the development of this phase of digital infrastructure, there were some learning moments where large developers encountered new problems that nobody had thought of before or could not foresee. Those issues affect everyday people who maybe have a 50/50 or slightly more positive opinion of data centers, but don't want development to affect their day-to-day lives, which we at DC BLOX strive to avoid with a community-centric approach.

Brett Mason (03:29):

We're definitely going to talk about that community-centric approach. I know that that's important for the work that y'all are doing. How specifically is AI reshaping the demand on this type of digital infrastructure compared to earlier waves of cloud or internet growth?

Alan Poole (03:45):

Consider cloud sort of a – if you think about how you read the stock market – just a sort of steady increase. It's always going to need more space, but at the same time, because of scale, it can get more efficient. It's just a steady climb. Breakthroughs in AI have caused kind of the modern-day Space Race of private enterprises such as – well, I guess OpenAI is nonprofit – but non-governmental entities such as X, Google, all the hyperscalers, to try and develop their own models and get to market first. They are in an eye-popping capital expenditure phase to try and get these products up and running and at the same time roll out products that are supporting everyday applications. It's gone from, 'Wow, ChatGPT is cool,' to almost all of the core apps that you use are assisted, made more efficient by AI in some way. That demand is described as kind of a hockey puck. It's not going to last forever. Eventually we will get to a point of stasis, but for the foreseeable future to support our current goals for AI development in this country, there is a need for quite a bit more large scale data center development.

Brett Mason (05:02):

What are the decisions that have to be made around that large scale infrastructure that needs to be put into place?

Alan Poole (5:08):

Traditionally, the existing fiber corridors had an effect on where data centers were sited. One of the reasons Atlanta is doing so well in the data center market is we have a very healthy ecosystem of fiber going all the way back to the Olympics and the dot-com boom, that helped get that fiber built. We've been benefiting from that. These days, I think that's becoming less of a concern because the data centers themselves are attracting new fiber builds. That's actually a boon for communities that don't have fiber because when a new top of the line fiber route is built, communities can benefit directly from that.

Brett Mason (5:52):

With that backdrop – let's just get specific here – starting with subsea connectivity and why places like Myrtle Beach are suddenly at the center of the global internet. For our listeners who don't live and breathe subsea, which would include myself, what exactly is a cable landing station and why does it matter to the global internet?

Alan Poole (6:13):

Traditionally, a cable landing station was whatever building – they used to be called, point of presence, like a very small type of data center – that is used to accept cables that travel across the sea – actually subsea, under the sea floor – to allow data to go across country borderline. This was sort of an overlooked area of digital infrastructure because it's very difficult to develop these. It requires lots of coordination and before the cloud and AI boom, fiber itself as a communications medium is so fantastic that we thought that you wouldn't ever really need to upgrade it or add more. We were fortunate enough to be in a position to capture the demand that was skyrocketing due to increase in use of mediums such as this and Zoom and Teams during the pandemic. We saw an opportunity. That significant increase in subsea cable capacity as well as a diverse place for that to come from – which is an extremely important concept in digital infrastructure – that that opportunity had arisen and Myrtle Beach was the place for it.

(07:25):

We found a very receptive community that was pro-business and was very interested in building something new, and we thought there was a strong case to be made that if we build this – what is actually currently the biggest subsea cable landing station in terms of megawatts used on the eastern coast – that it would help turn Myrtle Beach and Horry County into a digital business hub. The reason we need so much more now is pretty much the same thing I said earlier. The amount of data that needs to travel at high speeds is greatly increased by AI.

Brett Mason (08:02):

You've landed in Myrtle Beach as the right place for that landing station back in 2023, and my understanding is that DC BLOX has announced some plans for expansion. What's behind that?

Alan Poole (08:14):

That's correct. You often hear that the United States is in a national security arms race with China to develop AI. Our current advantage in that arms race, if you will, is that the best technology to process AI is here in the States, but there's lots of demand outside of the United States. We understood that development, that trend in technology, and have talked with our partners about their future plans. We see the need to basically double in size that subsea cable landing station, which for us is a small, medium-sized data center, plus these complex pipes that run from two or three miles inland to the ocean floor where we meet our customers.

Brett Mason (09:02):

Alan, let me ask you, why is power so central to a landing station plan like the plan you had for the landing station in Myrtle Beach?

Alan Poole (09:10):

Power is central to a subsea cable landing station because these days it contains a data center and power central to any data center. The data centers for subsea cable landing stations traditionally accepted the data from the fiber and used what are called amplifiers to make sure that the signals and data sent over the fiber were not losing any quality and retained fidelity as they moved on throughout the country. Now, you're starting to see more computing happen in these data centers like any other data center, and that's causing an increased need for power. You need to have a certain amount of utility power, and you need backup, and you need to be able to resist things like hurricanes in order to provide top of the line digital infrastructure.

Brett Mason (09:57):

What does all of that mean for the regional economy where the data centers are located?

Alan Poole (10:02):

We strongly believe and have seen great examples of data centers attracting the best high-tech jobs. As large businesses or small businesses use more and more technology, especially AI, to either streamline operations or be able to do more with what they already have in terms of human resources, it's going to become more and more and important for that business to have a close proximity to high quality data centers. We've seen this happen in one of our smaller data centers in South Carolina. An automotive manufacturer was getting ready to move out of the state because they're using AI and automation in their factories and they couldn't live with the amount of latency that they had to deal with. When we were able to secure a deal with that customer in one of our data centers, they stayed. That means more jobs. The data center industry gets a lot of slack because once a data center is constructed, it doesn't have as many jobs per square foot as something like a manufacturing plant.

(11:04):

However, the development phase of a data center, which can be quite long, supports a vibrant and growing construction industry. The data centers will also support those jobs once or twice removed, where other businesses can stay and grow in an increasingly digital world. Because we need the workers to build our data centers to be able to have good lives, we often make investments in communities directly to make sure that communities are seeing how we can positively affect those communities as partners without having to wait to see what happens two or three years later when the data center is up running.

Brett Mason (11:41):

That reminds me of what you said earlier, that DC BLOX really has a community first mindset when it's looking at expansion and creation of its data centers. Can you just tell us a little bit about that?

Alan Poole (11:53):

Absolutely. One of the things that frustrates the public the most when they're considering a new data center is perceptions, real or not, of shady dealings. Of shell companies, too much private information, lack of transparency. Unlike other developers, we proudly put our name in front of what we're doing, and we lean into our communities as much as they let us, really. We have been learning as we've gone along that we need to get in front of some of the types of issues that people are worried about, anywhere from noise to water to power. I think we solve all those problems fantastically. Every time that we've gone to a city council, our projects have been approved unanimously, with really only one exception I can think of. We want to make sure that people know who we are, that we're participating in the community beyond just the economic lift that we think we'll provide later. That is a non-negotiable part of data center strategy in 2026 onwards.

Brett Mason (12:52):

Zooming out, we've seen recently that the Illinois Attorney General asked the Federal Energy Regulatory Commission to pause or reject certain transmission service agreements for large data center loads, citing risk that existing rate payers would end up subsidizing the grid upgrades. Can you just explain to us what that is, and then additionally, what does that moment tell us about the current environment?

Alan Poole (13:19):

That concern cited by the Illinois Attorney General is a concern that every level of regulatory stakeholder has in this industry right now. It's concerning state public service commissions, the agencies that regulate electric utilities. It concerns the electric utilities who already have binding legal obligations not to subsidize one rate payer in favor of the other. It concerns the Federal Energy Regulatory Commission or FERC for short, because, well, two things. One, transmission upgrades or lack thereof are one of the key factors actually driving up residential electric bills, not data centers, and second, allowing transmission to be built more quickly is key to our energy

plan in this country to get more electrons flowing to allow this development of AI infrastructure to occur. Now, one of the ways that the industry and regulators are trying to help data centers develop more quickly is allow certain projects to get closer to the transmission element of the electric system, which really only do that if it's a gigantic project.

(14:32):

We, for example, are dealing directly with classic utilities that get us power through the distribution system. But it's all well and good to say public service commissions, utilities, are legally obligated not to shift our costs on to rate payers. It's a whole other issue of figuring out how to do that, or really to do your best, to ensure that that's not happening. What we're seeing in the southeast is utilities have already been taking significant steps to ensure that we are paying for our own infrastructure. If a new transmission line is needed, if a new substation is needed, we pay for that and we pay for it upfront – lump sum. That's different than how residents pay for the infrastructure associated with their accounts. They pay over time, but utilities have determined that they couldn't accept that risk given the large dollar amounts. The actual risks that we see electric utilities controlling for now is what happens if we gear up to provide a large amount of power to a project for 15 years and then the project goes away? Who's stuck with that bill? The traditional answer is if the utility can't get recourse from the project that failed, they would probably be able to recover their costs from other classes of rate payers. The utilities in our area are requiring upfront security and other types of commitments to make sure there's something to go after if that were to happen, which would protect rate payers from having to pick up that bill.

Brett Mason (16:10):

Should AI scale infrastructure be treated differently from the traditional industrial loads?

Alan Poole (16:17):

In some ways, yes. I think it depends on the AI data center, but some of these AI data centers won't have steady power usage the way that a lot of cloud data centers have. There'll be big spikes and the project developer needs to discuss with utilities what needs to be done about that. In some cases, it's fine. Some utilities are set up to deal with that. In other cases, I think we're going to start seeing new requirements from utilities or from states that there's some sort of onsite solution to make sure the power is relatively steady. Otherwise, the only thing that makes AI data centers so special is how much power they're using, and that's just a social conundrum we're all trying to figure out how to solve. I'll say that the current federal administration is very probuild right now, so they're trying to solve that by increasing the amount of power that's available and we support that.

Brett Mason (17:10):

Based on the work that you're doing, do you find that the current regulatory framework – the state commissions, utilities and FERC – are they equipped for this pace and scale that the industry is pushing for?

Alan Poole (17:22):

There's a lot of work to be done, and I think that one of the things I love about how we handle business in this country is we do let businesses go really fast to try and develop amazing things and then deal with the problems as they arise. The problem of adequate power, trying to figure that out with many solutions including onsite generation, the issue of how do we make sure everybody's treated fairly? That's one of the biggest debates of this year. I'm in this coat and tie because I'm about to go somewhere to talk with a policymaker about this very issue. I wouldn't be wearing a tie otherwise. I think we have the best shot that we could at dealing with this. I'm very encouraged by what I'm seeing on the federal level, which is primarily permitting reform to ensure that power can be distributed more quickly. I think that the rules are starting to get a little clearer. There's still a lot of experimentation happening on the electricity front, but I'd feel pretty confident that the right rules are going to be in place in the next couple of years.

Brett Mason (18:31):

Now, there's been some discussion from operators that their stance is to cover the full cost of power infrastructure to avoid rate hikes. What are your thoughts on that? Can you just weigh in on the complexity that utilities face in really identifying who's covering the cost of what?

Alan Poole (18:50):

We all agree with that concept. We don't want anyone to pay for our projects but ourselves. The issue is how to fairly allocate risk, ultimately. I mean, the only studies I've seen about really digging into what do data centers large load users do for the electric grid is to improve it. We started coming into this industry. We saw ourselves as a boon to the electric grid. Obviously, the amount of power that is being drawn is creating complex and new issues. But going back to what I said earlier, it's just really difficult to figure out with certainty that no costs are going where they shouldn't. In fact, it's impossible. It's not how electric rate making works. It's all done within sort of a range of reasonableness. I think the easy questions already have answers. We will pay upfront for the relevant infrastructure. I think we are starting to get into interesting waters where I'm not sure all policymakers agree on how much data centers improve the grid.

(19:58):

I think that the biggest risk for this industry, not just data centers, but for the electric utility industry as a whole, is an overcorrection where you just start asking more and more and more from data centers and eventually start to have data centers explicitly subsidizing other rate payers. Now, we're happy if we pay for a transmission line and that strengthens the grid as a secondary or tertiary effect. That's fine, but everything's getting really expensive and the industry is extremely creative. I think we're trying to come to a reasonable middle ground on this issue. At some point, I really strongly believe that data center operators and developers, probably ones larger than ourselves, are going to come up with their own power solutions. I would hate for the excellent utilities in our region to miss out on the improvements that could come from participating in that. But the word on the street for the industry is if we have a way around it and don't have to wait, we're going to go forward.

Brett Mason (21:00):

I appreciate that perspective. We're winding down here, but I wanted to ask you, do you anticipate any clearer national guidance on large load cost responsibility at any point in the near future?

Alan Poole (21:13):

We're tracking that. The Trump administration just released a suggested or proposed voluntary understanding between large load users in the grid covering things like: when do you pay for what? Increasingly, especially after some of the winter storms that have happened, when is it appropriate for a data center site to go on to backup power in order to save the grid or maybe even give back to the grid? Certain projects could do that. The biggest obstacle is just the way our country's set up. The federal government only has jurisdiction over interstate transmission. There is much more policymaking at the state level that affects a smaller operator like ourselves. Getting everybody on the same page, that's only going to be possible to an extent. I think the federal government is going to do what it can on the transmission side. This administration – it's so interesting.

(22:13):

They're willing to push the boundaries of regulation when it benefits them. They have made certain attempts to – they're currently attempting to pass some sort of rule at the FERC level that many stakeholders think is reaching too far into the state's regulatory power. I don't know. I think what everybody really cares about at the end of the day is keeping the development of top of the line AI technology in this country and doing that in a way that doesn't unduly burden anybody but the people paying for that infrastructure. That's what we're trying to do.

Brett Mason (22:49):

Well, it's definitely a delicate balance, and I know that you and the folks at DC BLOX are focusing and working on that every step of the way.

Alan Poole (22:56):

I am very proud of the way this company does that. I've only been here a year and a half, but they've been community partners for, I mean, for as long as they've been operating.

Brett Mason (23:04):

Well, Alan, I appreciate your insights today. Any final words you'd like to give our listeners that they should be thinking about when it comes to digital infrastructure and the regulatory oversight of it?

Alan Poole (23:15):

Absolutely. I would encourage all listeners to read more about the positive benefits of this industry. You will hear nothing but horror stories in your local paper, but there are many, many, many studies that have shown how data centers benefit the grid, how data centers benefit the

local economy, how data centers can help a struggling county build a new school with tax revenue. We are trying our hardest to get the good word out there, but it's hard to get through the noise and doom and gloom. The more people know, the better for us.

Brett Mason (23:50):

At the end of the day, if folks want their AI-powered apps or whatever they're doing at work or in their industry, they're going to need this digital infrastructure as well, right? It comes part and parcel with that advance.

Alan Poole (24:03):

One hundred percent. Just a closing thought: to everyone that's worried about what AI is going to do to your job, I think the better way to look at that is how can I be using AI to improve what I do and goodness, being close to an AI data center would be so helpful, wouldn't it? If you had to use AI to do your job in the future.

Brett Mason (24:23):

Well, I appreciate that, Alan. Thanks so much for joining us. I'd also like to thank our listeners. Please don't hesitate to reach out to me at brett.mason@troutman.com with any questions, comments, or topics, suggestions. You can also subscribe and listen to our other Troutman Pepper Locke podcasts wherever you listen to your podcasts, including on Apple, Google, and Spotify. Thanks again, Alan.

Alan Poole:

Thanks for having me.
