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TABLE OF EXPERTS

# How AI Is Reshaping Data Centers – Legal, Operational, and Environmental Insights

In a recent roundtable discussion, Albany Business Review publisher, Walter Thorne, sat down with David P. Flynn, Partner at Phillips Lytle LLP, and Abby Horn, General Manager at INOC Data Centers, to explore how AI is transforming data center operations, energy demand, and regulatory landscapes.

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From skyrocketing rack densities to mounting pressure on energy and water resources, and from transparency expectations to evolving legislation, the data center industry is entering a period of rapid transformation driven by AI. Both Flynn and Horn stressed the same core message for business leaders: growth must be paired with responsibility, realistic planning, and community alignment.

Below is an edited and condensed Q&A capturing the essential takeaways for business leaders.

### Who truly needs large scale AI infrastructure – and who doesn't?

**HORN:** There are two categories of AI users: model creators and model users. Model creators—companies like OpenAI, Microsoft, Meta, Amazon, and Google—require massive infrastructure and power to train foundation models.

Most organizations are not doing large scale model training; they're using AI for application level work like fine tuning, inference, and data analysis. For these users, smaller, highly available facilities like ours are appropriate. They don't require gigawatt scale campuses. What matters is right sized power, cooling, and reliability—not overbuilding for needs they don't have.



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### How has AI impacted your daily business operations?

**HORN:** I was not an early adopter of AI personally, but once I began using it, I found it increased my efficiency in everyday tasks. I advise people to use AI cautiously—use it for research, but verify sources. It's a helpful tool that improves productivity when used responsibly.

### What energy and environmental issues are large data centers facing today?

**FLYNN:** Energy demand for large data centers has become a major political issue, especially as we head into elections. The scale of energy required leads to massive infrastructure build outs, raising concerns about cost and resource availability.

Responsible data centers don't operate on speculation. We engineer around realistic, contracted demand and stay transparent throughout planning.

**ABBY HORN**  
INOC Data Centers

On the environmental side, there is concern that rapid data center growth could cause backsliding on renewable energy goals, particularly in places like New York under the Climate Leadership and Community Protection Act.

Water is also a critical factor. Some large projects in the South and Southwest have land and off takers, but cannot secure the water they need for cooling, which is stalling development.

### How have data centers changed in size and design over time?

**FLYNN:** It wasn't long ago that a 10–20 MW data center was considered very large. Today, projects measured in gigawatts are

## THE EXPERTS:



**DAVID P. FLYNN**  
Partner  
Phillips Lytle LLP

David P. Flynn is a Partner at Phillips Lytle LLP and co-leader of the firm's Energy and Renewables Industry Team. He is also leader of the firm's Environmental Law Practice and a member of the firm's Cryptocurrency and Blockchain Practice Team and Data Center Practice

Team. His practice is concentrated in the areas of energy, environmental law and emerging technologies. David advises clients on business development issues and the regulation of energy before state and federal authorities. He also advises clients on the development and siting of renewable energy facilities, licensing of hydropower projects, hydrogen projects and energy storage facilities. David represents data center owners and operators and cryptocurrency firms on data center siting, regulatory and energy procurement-related matters. He regularly speaks on energy topics across New York State and has strong connections with major energy and energy-related organizations. He was recognized in City & State New York's Trailblazers in Clean Energy in 2024 and 2025, named to City & State New York's Energy & Environment Power 100 list for three consecutive years and has been named a Leading Lawyer in Chambers USA for the past 14 years.



**ABBY HORN**  
General Manager  
INOC Data Centers

Abby Horn is the General Manager of INOC Data Centers, a Wholesale ISP and shared colocation provider operating two purpose-built facilities in Albany, New York. She leads the company's business operations, customer engagement, and community partnerships, helping organizations secure reliable, enterprise-grade infrastructure without the cost and complexity of building and maintaining their own data centers.

With a strong focus on resiliency, compliance, and operational excellence, Abby works closely with businesses across healthcare, financial services, technology, professional services and other verticals to align IT infrastructure with long-term strategic goals. She is passionate about educating executives on the financial and risk-management advantages of colocation, including CapEx-to-OpEx optimization and disaster recovery planning.

A committed advocate for the Capital Region, Abby actively positions INOC as a responsible, community-focused alternative to hyper-scale data center development.

She believes strong relationships, transparency, and disciplined operations are the foundation of lasting infrastructure partnerships.



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becoming more common—larger than what a modest sized city consumes.

Cooling has also changed dramatically. Data centers used to be air cooled with fans. Now, due to higher density and heat output, many facilities are transitioning to water cooling, even down to the individual chip level. The scale and technology of modern centers have transformed the energy and environmental landscape.

**What has surprised you most about how AI is changing power and density requirements?**

**HORN:** The speed of change has been the biggest shock. Ten years ago, one of our facilities supported about 3.5 kW per rack, and the other around 6 kW. In special situations we could engineer slightly higher.

Now we're seeing 30, 50, even 100 kW per rack. This isn't a simple engineering upgrade—it's a complete redesign of the facility and the supporting infrastructure outside the building. Power increases also mean dramatic increases in heat, which strains equipment if not cooled properly and shortens equipment life.

**Is co-location with power**



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**generation important for future data center development?**

**FLYNN:** For large data centers—those in the hundreds of megawatts to a gigawatt—co location with power generation is critical.

These facilities put tremendous strain on transmission and distribution systems. It's like dropping a new city onto the grid. Locating energy sources near demand reduces stress, cost, and the need for major upgrades.

Co-location introduces complexities because you're essentially building a power plant and a data center side by side, but doing so can significantly improve efficiency and timing.

**How will data center growth impact New York's energy future?**

**FLYNN:** It depends on how New York handles data center development and co location. The state faces multi billion dollar transmission upgrades, and data centers could add significant pressure.

Transparency is essential. Some projects exist only on paper yet clog utility queues. Communities need clear, realistic information to evaluate what's real."

**DAVID P. FLYNN**  
Phillips Lytle LLP

But there's also a positive angle: every unit of energy consumed pays into the state's system benefit charge, which funds renewable energy and efficiency initiatives. Responsible data center growth could generate a substantial pool of money that benefits ratepayers and the environment.

**How is AI influencing the services businesses need from data centers?**

**HORN:** Like cloud adoption, AI isn't one size fits all. Very few organizations need hyperscale AI footprints. Many—like

INOC—will continue to use public AI platforms rather than creating their own.

Some companies will want controlled, localized environments for reasons such as data privacy, latency, or regulation. Those organizations may shift toward colocation facilities to gain more control without building massive sites themselves.

Our approach is to stay right sized and not build speculatively. We engineer for actual, contracted demand, not “build it and they will come.”

**What operational practices distinguish responsible data centers from those that create community tension?**

**HORN:** Scrutiny is healthy. Responsible data centers are engineered around realistic, contracted demand, not speculative planning.

The best approach is to engage early, be transparent, and clearly communicate expected outcomes. Gigawatt scale



campuses may be possible, but they must be carefully engineered and planned as part of the existing ecosystem.

**How can communities and businesses distinguish between real**

**and speculative data center projects?**

**FLYNN:** It can be difficult because there is a frenzy of activity. Some projects exist only on paper yet take up space in utility and ISO queue lines, blocking capacity even if they never materialize.

Public transparency helps communities assess whether a project is legitimate.

Responsible developers also make commitments to sustainability—sourcing renewable energy, especially in regions like Niagara Falls with abundant hydropower, and using advanced cooling technologies to minimize water consumption. These signals help distinguish real operators from speculative ones.

**What communication practices help avoid friction in local communities?**

**FLYNN:** Transparency is key.

“The transition from air cooled to water cooled systems reflects how density and heat output have transformed data center design.”

**DAVID P. FLYNN**  
Phillips Lytle LLP

Developers should be realistic, especially about energy needs.

Some announce a 1 GW campus even though they couldn’t use that much power on day one. Phasing development and providing honest projections helps avoid unnecessary concerns for residents and ratepayers.

Trust is built by showing projects are real, responsibly planned, and aligned with community and grid capabilities.

**How might proposed sustainability legislation reshape operations for existing facilities?**

**HORN:** Based on early review, the New York State Sustainable Data Centers Act would regulate new facilities with 5 MW or more of energy usage capacity.

Related proposals may require existing centers of 1 MW or above to report environmental and operational data.

While we already monitor power, cooling, and environmental metrics for internal planning, shifting to regulatory reporting introduces new operational burdens, including documentation and compliance across the year. This will reshape both development and day to day operations.

“Most organizations applying AI don’t need massive gigawatt scale infrastructure—they need highly available, right sized facilities that match real demand.”

**ABBY HORN**  
INOC Data Centers

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