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April 2026 :: **Utility Industry Update**

Adapting to Growth, Risk and a Changing Talent Market

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For much of the past several decades, the utility industry was viewed as stable, mature, and relatively low risk. Executive compensation programs reflected that profile: balanced scorecards, steady incentive opportunities, and often substantial retirement benefits that supported long careers within the sector.

That characterization is changing.

Today's utilities are operating in a far more dynamic environment—one defined by unprecedented capital investment, rising operational complexity, and intensifying competition for executive talent. Executive compensation programs are beginning to evolve accordingly.

A New Growth Cycle—Fueled in Part by Data Centers

Utilities are deploying historic levels of capital to modernize infrastructure, enhance system resiliency, and accommodate electrification. Increasingly, another powerful driver has emerged: rapid growth in data centers and digital infrastructure.

The expansion of hyperscale data centers and AI-driven computing is placing significant incremental demand on the grid. In many regions, this growth is accelerating transmission buildout, generation development, and system upgrades. For utilities, this represents both opportunity and risk:

- Large-scale capital deployment
- Greater execution and regulatory risk
- Heightened stakeholder scrutiny around cost recovery and affordability

In this environment, utilities are operating less like low-growth regulated monopolies and more like capital-intensive infrastructure growth platforms. Leadership teams are being asked to identify growth opportunities, , navigate regulatory frameworks, and execute on multi-year capital programs.

Evolving Compensation Program Design

Compensation programs may evolve to reflect this shift towards a more growth-oriented and riskier industry, which could include:

- **Longer-term orientation:** capital projects will be executed over several years so retaining and aligning executives with this longer-term timeframe will be important – this may result in both greater weighting towards long-term incentives and perhaps performance periods that extend beyond the traditional 3 years
- **Performance measures tied to long-term earnings growth, with higher targets:** ties executives directly to translating these growth opportunities into future earnings
- **Greater leverage:** the traditional steady growth and low risk profile is evolving and greater leverage in the compensation programs, particularly in long-term incentives, matches a greater risk profile

These features may not become majority practice, but we expect that some companies will move in this direction as they seek to create the right incentives and alignment for their management team.

Broadening Market Benchmarks

The evolving industry profile also has implications for executive talent—and, in turn, compensation benchmarking.

As utilities pursue larger and more complex capital strategies, boards may seek executives from outside the industry in areas such as infrastructure or industrial development and/or large-scale engineering and project management. As a result, compensation committees may find it increasingly appropriate to reference a broader set of market comparators beyond purely regulated utility peers.

Two structural factors reinforce this shift.

First, greater capital risk and execution complexity. As the scale of investment has grown—further accelerated with data center-driven load growth and grid modernization—the leadership skill set required increasingly overlaps with that of other capital-intensive industries. Benchmarking solely within the utility sector may not fully capture the external talent market for these capabilities.

Second, the decline of historically generous retirement benefits. Utilities have historically differentiated themselves through defined benefit pensions and supplemental executive retirement plans that supported long-tenured careers. For many newer executives, these programs are closed, reduced, or no longer available.

Without those legacy retirement vehicles, total compensation must increasingly compete on a more direct basis—primarily through long-term incentives. When combined with a broader talent market, this dynamic can put upward pressure on both compensation magnitude and performance leverage.

Importantly, expanded benchmarking does not necessarily mean wholesale pay escalation. Rather, it reflects a more nuanced view of the external market for executive capability in a capital-intensive growth environment—one in which retirement-based retention is less of a differentiator than it once was.

The Regulatory Compact Still Matters

Despite these shifts, utilities remain regulated enterprises with a public-service mandate. The “license to operate” remains foundational.

Boards will likely continue to prioritize:

- Customer affordability
- Safe and reliable service delivery
- Constructive regulatory relationships
- Governance and say-on-pay considerations

As a result, even as compensation structures evolve, most utility programs continue to include:

- Safety and reliability metrics
- Balanced performance scorecards
- Prudent use of discretion in extraordinary circumstances
- Clear alignment between pay outcomes and customer-impacting results

Growth opportunities—whether driven by electrification, data centers, or hardening of infrastructure—do not replace the core obligation to provide essential services at reasonable cost. Compensation philosophies are likely to continue to reflect that reality.

Evolution with Discipline

Executive compensation in the utility sector is likely to continue evolving in both structure and magnitude. Expanded capital opportunities, increased execution risk, data center-driven demand growth, and a changing retirement landscape are all contributing to that evolution.

At the same time, the fundamental philosophical underpinning of utility compensation endures: pay should align with delivering safe, reliable service at reasonable cost to customers.

For boards and compensation committees, the task is one of balance—modernizing programs to attract and retain the leadership required for this new growth era, while preserving the stakeholder alignment that defines the regulated utility model.

In that sense, the industry’s approach to executive compensation is not undergoing a revolution—but it is clearly entering its next chapter.

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