

How AI Quietly Rewired Wall Street's \$420B Dealmaking Machine

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Note: the original article is provided as a separate file (attached to the email or downloadable from the website).

1. Reading Passage

Until recently, buying an American electric utility was considered one of the least exciting moves in finance. Utilities are slow-growing, tightly regulated, and politically exposed: raise prices too aggressively and lawmakers come knocking. So when NextEra Energy, the Florida-based clean-power champion, announced a \$420 billion combination with rival Dominion Energy, the deal landed less like a routine merger and more like a thunderclap. The new entity would command roughly 240 gigawatts of generation capacity – enough to anchor the electricity supply for America's booming artificial-intelligence industry.

The NextEra-Dominion pairing is only the most dramatic example of a much broader shift. Across Wall Street, the AI build-out has become what Matt McClure, Goldman Sachs's co-head of investment banking, calls a 'tailwind' for dealmaking – a favorable wind that's pushing once-sleepy industries into a frenzy. Power companies and data-centre equipment suppliers are now among the biggest beneficiaries. Telecoms and memory-chip makers, long dismissed as low-growth bets in a market obsessed with high-margin software, have suddenly become strategic. Sandisk, a storage company written off only a few years ago, has seen its share price climb roughly forty-fold since early 2025 as investors realize AI models need somewhere to store their trillions of data points.

Here's the catch

2. Explanation

A Florida utility just agreed to spend \$420 billion buying its rival – not to sell more electricity to homes, but to feed the insatiable power appetite of AI data centers. That's the new logic of M&A.

What's Going On?

NextEra Energy, a Florida-based clean-power giant, just unveiled a \$420 billion combination with rival Dominion Energy – one of the largest mergers in US history, and one driven almost entirely by AI's hunger for electricity. Until recently, buying a utility was considered nearly unthinkable: they're heavily regulated, politically sensitive, and prone to public backlash over rate hikes.

But AI has flipped the script across the entire M&A landscape. Goldman Sachs co-head of investment banking Matt McClure calls AI 'a tailwind for dealmaking,' with power companies and data-centre equipment suppliers now among the biggest beneficiaries. Tech deals, utility deals, telecoms deals, and private-equity software buyouts are all surging at once.

How To Think About It

AI isn't just another sector booming – it's acting like a gravitational force that's pulling unrelated industries into its orbit and changing what counts as a 'strategic' asset.

- Think of the 1849 Gold Rush: the people who got rich weren't only the miners but the suppliers of picks, shovels, and railroads. Today, utilities and chip-cooling companies are the pickaxe sellers – boring businesses suddenly worth billions because they sit upstream of the AI boom.
- Or think of how a single hit Netflix show reshapes an entire studio's strategy: writers' rooms, ad budgets, and acquisitions all start chasing the same theme. AI is doing that to corporate America – every boardroom is now rewriting its strategy around one storyline.

Key Things To Know

- NextEra's bid for Dominion would create a 240-gigawatt giant catering to data centres and hyperscalers – a deal scale that would have been unimaginable two years ago.
- Sandisk, a memory-chip maker long dismissed as 'low-growth,' has seen its stock explode roughly 40-fold since early 2025 as investors bet on AI's appetite for storage.
- Blackstone unveiled a \$5 billion plan with Google to build a 'neocloud' from scratch – using Google's own chips, potentially worth tens of billions.
- Private equity is piling into infrastructure: Apollo estimates nearly \$5 trillion of private capital will be needed for AI build-out by 2028.
- The catch most people miss: AI is wildly unpopular with the American public – an NBC News poll cited in the article shows a net approval of roughly negative 46, worse than any politician surveyed.

Why It Matters

If you're choosing a college major or eyeing a career, this boom is reshaping where the jobs and money are flowing – not just into AI engineering, but into power grids, cooling systems, regulatory law, and private credit. It's also why your family's electricity bill may keep climbing: lawmakers in at least six

states are already pushing back as data centres strain local grids. The AI economy isn't abstract; it's literally rewiring the country.

The Bigger Picture

Former Google CEO Eric Schmidt recently compared AI's transformational impact to the invention of the computer itself. But booms have a habit of ending in tears — think dot-com 2000 or 2008. The IPOs of SpaceX, OpenAI, and Anthropic, all expected soon, will test whether the math behind hundreds of billions in AI infrastructure spending actually works. Watch two signals: whether the AI 'winners' start posting real profits, and whether public anger over power prices forces regulators to slam the brakes.

3. Key Terms Glossary

M&A (Mergers and Acquisitions)

The business of companies buying, selling, or combining with each other. A 'merger' is technically a marriage of equals; an 'acquisition' is one company swallowing another.

Hyperscaler

A handful of massive cloud-computing companies – Amazon, Microsoft, Google, Meta – that operate data centres at enormous scale and are now the biggest single buyers of electricity and AI chips.

Private equity (PE)

Investment firms that raise huge pools of money to buy entire companies (often using lots of borrowed money), restructure them, then resell at a profit. Apollo and Blackstone are the giants here.

Leveraged buyout (LBO)

A private-equity acquisition financed mostly with debt borrowed against the target company itself – high reward, but also high risk if cash flows wobble.

Gigawatt (GW)

A unit of electrical power equal to one billion watts – roughly the output of a large nuclear reactor. Data centres are now measured in GW, the same scale as small countries.

Net approval

A polling measure: the share of people who view something favourably minus the share who view it unfavourably. A negative number means more haters than fans.

Megadeal

Industry shorthand for an M&A transaction worth over \$10 billion – the kind that reshapes entire sectors and dominates business headlines.

Neocloud

A new category of cloud-computing infrastructure purpose-built for AI workloads, often using specialised chips and cooling, rather than retrofitting traditional data centres.

4. Reading Comprehension Quiz

Circle the best answer for each question.

Q1. The passage most directly argues that the current M&A boom is:

- A) A short-lived bubble driven mainly by retail investors
- B) A consequence of AI reshaping which industries count as strategic
- C) The result of falling interest rates and cheap credit returning
- D) Primarily a story about Big Tech buying smaller startups

Q2. According to the passage, utilities like Dominion were historically viewed as unattractive acquisition targets because they were:

- A) Too small to interest large strategic buyers
- B) Heavily regulated and politically vulnerable to backlash
- C) Already owned by private equity firms
- D) Unprofitable due to renewable-energy mandates

Q3. Which choice best states the central idea of the passage?

- A) AI investment is creating risks that regulators must urgently address
- B) Mergers in clean energy have replaced tech deals as Wall Street's focus
- C) The AI build-out is reshaping dealmaking across many sectors at once
- D) Private equity has overtaken investment banks as the dominant force

Q4. As used in the passage, the word 'tailwind' most nearly means:

- A) A warning signal
- B) A favorable boost
- C) A regulatory barrier
- D) A temporary delay

Q5. As used in the passage, the phrase 'swashbuckling' most nearly means:

- A) Cautious and incremental
- B) Bold and ambitious
- C) Secretive and underhanded
- D) Old-fashioned and traditional

Q6. Which statement about American public opinion can most reasonably be inferred from the passage?

- A) Voters strongly support data-center expansion in their states
- B) Public sentiment toward AI is more negative than toward most politicians
- C) Americans broadly trust private equity firms more than tech companies
- D) Approval of AI has been rising steadily through 2026

Q7. The passage suggests that one major risk of the current AI dealmaking boom is that:

- A) Investors may eventually question the math behind enormous infrastructure bets
- B) Antitrust regulators will block almost all megadeals before completion
- C) Renewable energy will become too cheap for utilities to remain profitable
- D) Private equity firms will refuse to invest in any AI-related assets

Q8. The author's tone in discussing the M&A boom is best described as:

- A) Uncritically enthusiastic about the wave of dealmaking
- B) Dismissive of the entire trend as a passing fad
- C) Engaged but skeptical, weighing both momentum and risks
- D) Hostile toward private equity and AI companies

Q9. It can be most reasonably inferred from the passage that Sandisk's rapid stock rise reflects:

- A) A successful pivot away from memory chips into software
- B) Investor recognition that AI demand has transformed once-overlooked businesses
- C) A government subsidy program targeting US chipmakers
- D) Sandisk's acquisition by a larger hyperscaler

Q10. Which choice provides the best evidence for the answer to the previous question?

- A) The reference to Blackstone's \$5 billion 'neocloud' partnership with Google
- B) The description of Sandisk as previously dismissed as 'low-growth' before AI transformed demand for storage
- C) The claim that NextEra's stock surged after announcing the Dominion deal
- D) The statement that AI has a net approval rating of negative 46 in polls

My Score: _____ / 10

5. Answer Key with Explanations

Q1. The passage most directly argues that the current M&A boom is:

Answer: B

The passage's central claim is that AI has redefined which sectors – utilities, memory chips, cooling – are now considered must-own assets, transforming the scale and logic of dealmaking. Choice D is the main trap: the article explicitly says the boom extends FAR beyond tech into power and chips. SAT Tip: 'Primarily argues' questions reward the broadest claim supported by the whole passage – not a true detail from a single paragraph.

Q2. According to the passage, utilities like Dominion were historically viewed as unattractive acquisition targets because they were:

Answer: B

The passage states utilities were seen as too regulated and politically sensitive, vulnerable to public anger over energy prices. Choice A is the trap – utilities are huge, not small; the passage notes they're now subject to multibillion-dollar deals. SAT Tip: When a question asks 'according to the passage,' the correct answer is usually a near-paraphrase of a specific sentence – hunt for that sentence before evaluating distractors.

Q3. Which choice best states the central idea of the passage?

Answer: C

The passage moves through tech, utilities, telecoms, chips, and private equity to show AI is the common thread reshaping all of them. Choice B is too narrow – clean energy is one example, not the whole story. SAT Tip: Central-idea answers must cover the WHOLE passage, not just one section. If a choice only matches two paragraphs, it's a distractor.

Q4. As used in the passage, the word 'tailwind' most nearly means:

Answer: B

Goldman's McClure calls AI a 'tailwind' for dealmaking – meaning a force pushing activity forward, like wind at a runner's back. Choice D is the trap because 'wind' can suggest weather disruption, but in finance jargon a tailwind is unambiguously positive. SAT Tip: On vocab-in-context, substitute each option into the sentence – only the right meaning leaves the sentence's logic intact.

Q5. As used in the passage, the phrase 'swashbuckling' most nearly means:

Answer: B

NextEra's 'swashbuckling' plan refers to its daring, ambitious bid to acquire Dominion – a deal previously considered unthinkable. Choice C is the common-meaning trap (swashbuckling can evoke pirate imagery), but in business writing it consistently signals bold risk-taking, not deception. SAT Tip: Words with vivid historical or fictional connotations almost always lose those connotations in modern business prose – go with the figurative, abstract meaning.

Q6. Which statement about American public opinion can most reasonably be inferred from the passage?

Answer: B

The polling data cited shows AI's net approval is roughly negative 46, deeper underwater than figures like Donald Trump or JD Vance. Choice A is the opposite of what the passage implies – six states are actively trying to block utility rate hikes tied to data centres. SAT Tip: 'Most reasonably inferred' answers stay tight to the passage's evidence; if a choice requires outside knowledge or contradicts a cited fact, eliminate it.

Q7. The passage suggests that one major risk of the current AI dealmaking boom is that:

Answer: A

The passage closes by warning that with enormous sums at stake, investors may begin to question the projected profits – evoking dot-com memories. Choice B is unsupported: the article says the Trump administration's antitrust approach actually enabled these deals. SAT Tip: For 'suggests' questions, look for language of warning or hedging in the passage ('but tests are looming,' 'will it end in tears?') – those are flags for the author's implied risks.

Q8. The author's tone in discussing the M&A boom is best described as:

Answer: C

The author conveys the scale and excitement of the boom while also flagging public backlash, regulatory pushback, and dot-com comparisons. Choice A misses the explicit warnings about whether the boom 'will end in tears.' SAT Tip: For tone questions, look at the modifiers and qualifiers (e.g., 'but,' 'however,' 'will it'), not just the topic – those small words reveal authorial stance.

Q9. It can be most reasonably inferred from the passage that Sandisk's rapid stock rise reflects:

Answer: B

Sandisk was previously dismissed as low-growth in a market obsessed with high-margin software; AI's demand for memory storage transformed its fortunes. Choice A is the inversion trap – Sandisk benefited from staying in memory, not pivoting away. SAT Tip: Inference questions often include one choice that flips the cause-effect relationship in the passage. Check whether the option matches the DIRECTION of the passage's claim.

Q10. Which choice provides the best evidence for the answer to the previous question?

Answer: B

The Sandisk-specific sentence directly supports the inference: dismissed before, transformed by AI-driven storage demand. Choice A is tempting because it's also about AI infrastructure, but it concerns Blackstone, not Sandisk. SAT Tip: On evidence-pairing questions, identify the exact sentence behind your previous answer FIRST, then match it to the option that quotes or paraphrases that sentence – don't pick the option that just sounds related to the topic.