Austin

MEMORANDUM

To:	Mayor and City Council
Through:	Jon Fortune, Deputy City Manager Dr. Eric A. Johnson, Assistant City Manager Mike Rogers, Assistant City Manager
From:	Andrea Bates, AICP, Austin Planning Director Stuart Reilly, Austin Energy General Manager Shay Ralls Roalson, P.E., Austin Water Director
Date:	October 28, 2026
Subject:	**60-Day Update to Resolution No. 20260827-061 Related to Data Center Regulations**

The purpose of this memorandum is to provide a 60-day update regarding data center regulations consistent with City Council Resolution No. 20260827-061.

BACKGROUND

On August 27, 2026, City Council approved Resolution No. 20260827-061, which directed staff to:

- Develop recommended amendments to Title 25 (Land Development Code) and other provisions of City Code and local regulations to define and appropriately regulate data center uses;
- Make recommendations for the enforcement of policies that regulate data centers, including both development and operations standards;
- Bring forward amendments to regulations in phases, with the simplest amendments to be brought forward by the end of 2026; and
- Report back to the City Council prior to approval of any potential data center project requests for electricity that exceed 20 MW or water that exceed 85 million gallons per year while development of regulations is underway.

The resolution also directed staff to provide an update on data center-related policies, land development code amendments, and other issues within 60 days. Additional information about the background for this body of work can be found in the August 19, 2026 memorandum.

Since approval of the resolution in August, staff convened an interdepartmental working group to explore options to regulate data centers, performed several key pieces of technical work,

developed a timeline and phasing plan, and developed an approach to fulfill the reporting requirements included in the resolution.

TIMELINE AND PHASING

Staff recommends the following two-phase approach – also reflected in Attachment A – to create a local regulatory framework for data centers:

Phase 1: Establish Non-Land Use Requirements and Data Center Definition. Modify City Code Title 4 to establish non-land use requirements that would apply to large-scale data centers, and consider modifying City Code Chapter 25-1 to define "Data Center."

- **November 20, 2026:** City Council agenda posting, including staff proposal
- **December 3, 2026:** City Council consideration of proposed modifications to Title 4 and/or Chapter 25-1

Phase 2: Land Development Code Regulations. Modify City Code Chapter 25-2 to define Data Center as a land use and to establish regulations for Data Center land use by zone.

- **September-December 2026:** Peer city research and targeted engagement involving groups and individuals with specialized expertise on the topic, including industry experts, environmental advocates, etc.
- **February/March 2027:** Release staff's proposal for public review; provide required notices.
- **March 2027:**
  - Joint meeting of Planning Commission and City Council
  - Public Open House(s)
- **April 2027:** Planning Commission consideration
- **April/May 2027:** City Council consideration

TECHNICAL WORK UNDERWAY

Austin Planning staff continue conducting peer-city research and consulting with key technical staff, industry experts, and environmental stakeholders to inform draft definitions for the Data Center land use category. Staff will finalize draft definitions, conduct additional analysis and engagement to identify which zoning districts, if any, these uses should be allowed in, and begin to develop draft site development standards for these uses.

The definition of data center will include:

- A description of typical site uses and functions,
- Descriptions of associated site infrastructure and other supporting elements,
- Thresholds based on site or building size, and
- Language clarifying how to apply the definition when sites incrementally develop over time.

Austin Development Services staff have also convened key technical staff from Austin Water and Austin Energy to begin identifying the components of the Operations Plan that will be required of certain data center uses.

REGULATING LARGE VOLUME WATER USERS

In addition to contributing to data center-specific policies, Austin Water is developing a broader and complementary policy framework to regulate water use of any customer with significant water

demands. This work was initiated by a July 2026 City Council Resolution No. 20260723-087 directing staff to develop recommendations related to large volume water users.

In response, Austin Water has been evaluating policies to define high-impact water users and require a new customer application process, individual water conservation plans, water budgeting, and annual reporting for these customers. On October 5, 2026, Austin Water held a public Open House to seek community feedback on draft policy concepts. Austin Water will present recommendations for a new High Impact Water User Policy Framework, including a timeline for future implementation and stakeholder engagement at the December 9, 2026 Climate, Water, Environment, and Parks City Council Committee.

REPORTING ON DATA CENTER REQUESTS

The resolution also directed the City Manager to report back to the City Council before approval of any potential data center project requests for electricity that exceed 20 megawatts (MW) or water that exceed 85 million gallons per year during the period in which amendments to the Land Development Code (LDC) are being developed and implemented.

State Law and City Code Requirements to Provide Service. As further explained in Attachment B, Austin Energy and Austin Water both have statutory obligations to provide continuous and adequate utility service within their certificated service areas. Under the Public Utility Regulatory Act and the Texas Water Code, each utility must serve all customers within its designated territory. The Public Utility Commission of Texas may revoke or adjust a service area if a utility fails to provide service. The Austin City Code also requires that utility service, including water and electricity, be provided in accordance with applicable regulations, approved delivery conditions, and City Council-adopted rate schedules.

Current Landscape and Context. Compared to other Texas communities, the Austin area receives far fewer requests for potential data centers and other high-volume electric customers. ERCOT currently has inquiries exceeding 474,000 megawatts (MW) – or 474 gigawatts (GW) – across 730+ potential projects, which is more than five times the all-time ERCOT peak record of 91 GW. For reference, one MW typically serves 250 homes. Many of these projects will not come to fruition, and those that do will not be interconnected for years.

Overall, the Austin community is not seeing hyperscale-type requests due to limited land space, the value of local real estate, and other considerations. Austin Energy currently has three medium load projects in the construction process that are nearing completion. These project studies occurred more than a year ago; two are existing customers – one for a total of 30 MW of new capacity and the other for a total of 27 MW of new capacity. Both projects will be energized in phases, with full capacity online by 2029. The third project is the publicly announced Project Cosmos/Highpoint 2222 campus.

Austin Energy Process. When Austin Energy receives a system capacity inquiry from a potential customer to explore service, it is reviewed using the following phased process:

- **Planning Study:** Austin Energy performs a reliability study to determine whether there is existing capacity on the electric grid to serve the requestor without impacting other customers. If current infrastructure is inadequate to serve the load, the study then assesses what new or upgraded electric infrastructure is necessary to provide the new service and maintain reliability.

- **Customer Acceptance of Planning Study:** After the Planning Study is complete, the requestor determines if they want to continue with the process.
- **Facilities Study:** If the requestor continues, Austin Energy performs a technical feasibility study to determine the specifics of the infrastructure needed to serve the request. The analysis assesses the full cost of the infrastructure and the timeline in which the new customer can be served.
- **Facilities Extension Agreement:** Once the Facilities Study is complete, Austin Energy documents the infrastructure details, cost, and timeline along with other terms and conditions, similar to an interconnection agreement. By signing, the requestor indicates they want to continue with the process. This agreement requires the requestor to pay the full cost for all new and upgraded interconnection infrastructure.
- **Design and Construction:** After the Facilities Extension Agreement is fully executed and payment has been made in full, the project is likely to complete the process to begin receiving electric service. This involves designing the remaining portions of infrastructure that connect the requestor's site to the electric grid and building out that infrastructure to ensure Austin Energy is able to provide reliable electric service.
- **Service Energization:** At the conclusion of this process, electric service is energized.

Austin Water Process. Water, wastewater, and reclaimed water service requests also follow a phased process:

- **Service Extension Request:** The requestor provides information on the water, wastewater, and reclaimed water needs for the proposed development, and Austin Water performs a capacity study to assess what new or upgraded infrastructure is necessary to provide the requested service. In some cases, Austin Water identifies oversizing to serve future system needs.
- **Customer Acceptance of Service Plan:** The requestor determines if they want to continue with the process. Service extension requests are often submitted early in the development process, and many do not advance or are revised and resubmitted. Once a customer accepts the service plan, they have six months to submit a development application or the plan expires.
- **Design and Water Benchmarking:** The requestor is required to design water, wastewater, and reclaimed water system improvements to meet City of Austin standards. Austin Water staff review design plans and conduct water benchmarking with the customer. Water benchmarking helps identify water needs on the site and opportunities to meet those needs with alternate sources, such as rainwater or condensate capture and connection to the centralized reclaimed water system.
- **Construction:** The requestor is responsible for the construction of infrastructure required to serve the site, including any upgrades to the existing system needed to avoid impacts to existing customers. If Austin Water staff identified oversizing of the proposed infrastructure to serve future needs, the utility will cost-participate on a pro-rated basis, subject to City Council approval. City staff inspect the construction prior to acceptance into Austin Water's system.

Current Potential Data Center Requests and Studies. Austin Energy and Austin Water have reviewed incoming system capacity inquiries and service requests seeking electric or water service. Both departments refer to these projects as "potential data centers" because the intended use is not

always confirmed, particularly in cases where the applicants are real estate companies that do not yet have a committed tenant or buyer.

Many inquiries submitted to Austin Energy are speculative, early in the requestor's development process, and ultimately may not materialize. Additionally, some inquiries are outside the City limits of Austin. As of September 30, 2026, Austin Energy received 13 system capacity inquiries from potential data center entities seeking to serve new demand of 20 MW or greater. Based on current inquiry levels, if all projects were to be fully built out – which is unlikely – the combined possible growth across Austin Energy's service area is 664 MW over the next 12 years.

None of these inquiries exceed 75 MW. Any request for power greater than 75 MW must go through a process formalized by the Electric Reliability Council of Texas (ERCOT).

The 13 inquiries are at various stages of the Austin Energy review process:

- Four are in the Planning Study stage.
- Five are awaiting customer acceptance of the Planning Study.
- Four are in the Facilities Study stage.
- None are ready to sign a Facilities Extension Agreement.

Austin Energy is providing this information in aggregated, anonymous form to comply with state law. Customer-specific or competitively sensitive information provided to Austin Energy by an existing or potential customer is confidential and not subject to disclosure.

Austin Water has not received any requests for water that exceed 85 million gallons per year but has received one administratively complete Service Extension Request (SER) for wastewater service only to a proposed data center near 16301 Cameron Road. The property is not in the City of Austin or its extraterritorial jurisdiction (ETJ), however, the site is within Austin Water's CCN for wastewater service, which requires Austin Water to provide "continuous and adequate" retail wastewater service. Wastewater flow estimates in the SER will require validation during Austin Water's technical review. The developer will be required to build the wastewater infrastructure needed to serve the site, and that system will require a utility-specific plan review.

Austin Energy and Austin Water will continue providing notification of service requests until amendments to the LDC or other applicable regulations are implemented.

Next Steps

- Continue to convene internal Data Centers Working Group. (Lead: Austin Planning)
- Prepare a draft ordinance to be considered on the December 3, 2026 agenda that would:
    - Modify Title 4 to provide non-land use regulations applicable to large-scale data centers; and
    - Potentially amend Chapter 25-1 to include a definition for "Data Center" (Lead: Austin City Attorney's Office)
- Convene technical staff to develop draft requirements for the Operations Plan that would be required of large-scale data centers. (Lead: Austin Development Services)
- Develop a detailed engagement plan and begin Phase 2 engagement activities. (Lead: Austin Planning)

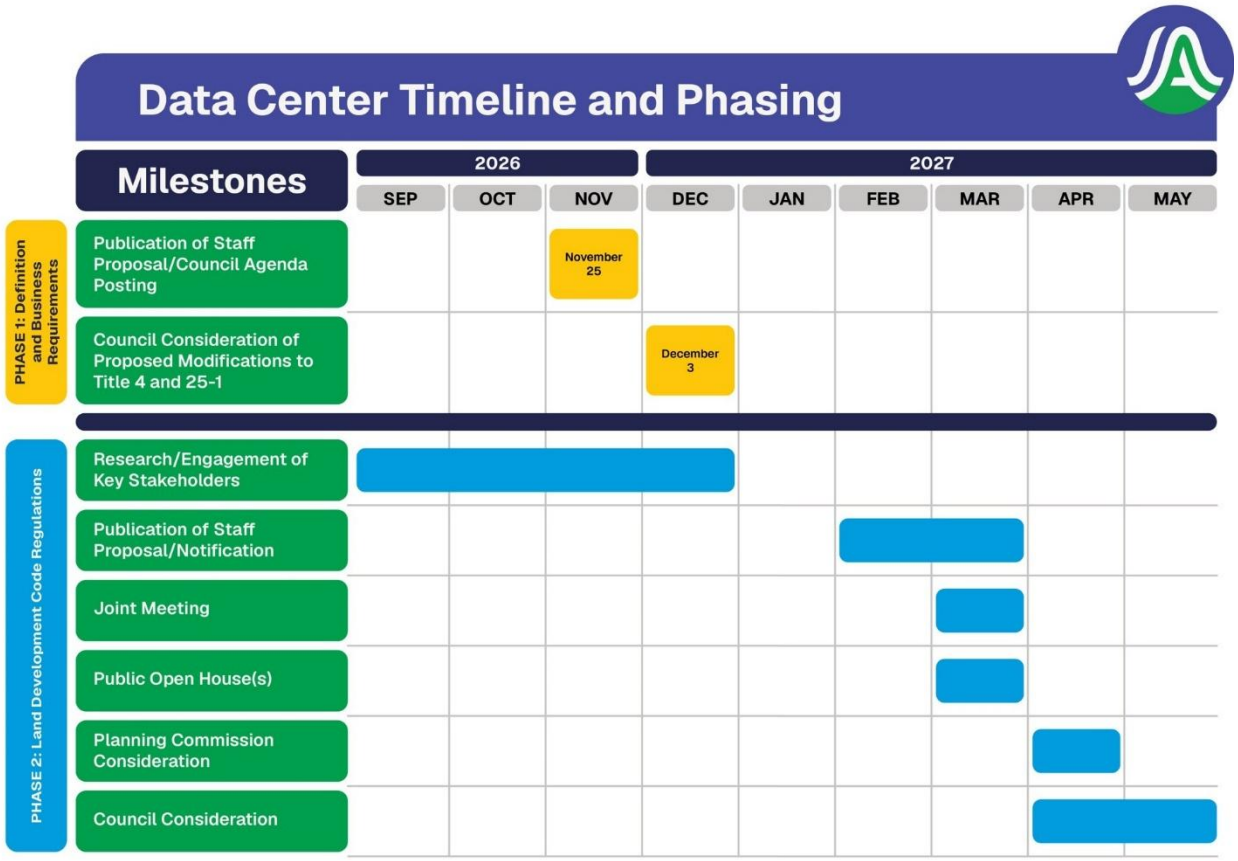
- Finalize draft land use definitions, identify which zones, if any, these uses should be allowed in, and begin to develop draft site development standards for these uses. (Lead: Austin Planning)
- Austin Energy and Austin Water will continue providing monthly notification of service requests for more than 20 megawatts (MW) or water that exceed 85 million gallons per year until amendments to the LDC or other applicable regulations are implemented.
- Austin Water will present recommendations for a new Large Water User Policy Framework on December 9, 2026 to the Climate, Water, Environment, and Parks Committee of Council.

Should you have any questions or concerns, please contact Joi Harden, AICP, Interim Assistant Director of Austin Planning, at joi.harden@austintexas.gov.

cc: T.C. Broadnax, City Manager
Erika Brady, City Clerk
Jason Hadavi, City Auditor
Mary Jane Grubb, Municipal Court Clerk
Judge Sherry Statman, Municipal Court
CMO Executive Team
Department Directors

Attachments: A. Data Center Timeline and Phasing
B. Legal Requirements to Provide Utility Service

ATTACHMENT A
DARA CENTER TIMELINE AND PHASING



ATTACHMENT B
LEGAL REQUIREMENTS TO PROVIDE UTILITY SERVICE

Austin Energy is required by state law to provide electric utility service to the customers in its certificated area. Section 37.151 of the Public Utility Regulatory Act (PURA) states that the holder of a certificate of convenience and necessity must "serve ***every consumer*** in the utility's certificated area" and "provide continuous and adequate service in that area."[1] PURA also provides that the Public Utility Commission of Texas may revoke all or a portion of Austin Energy's service area if it finds that the utility is not providing service.[2]

Austin Water serves areas that are subject to the City's full-purpose jurisdiction, areas that are served pursuant to Certificates of Convenience and Necessity (CCNs), and other areas within its impact fee service area.[3,4] For areas addressed by a CCN, the City must provide service within those areas. Texas Water Code §13.250(a) states that any "retail public utility that possesses or is required to possess a certificate of public convenience and necessity shall serve ***every consumer*** within its certified area and shall render continuous and adequate service within the area."[5] As is the case for electric service, the Public Utility Commission of Texas can also revoke Austin Water's CCN or remove portions of its certificated service territory for failing to provide service.[6] For areas outside its certificated service territory, there is no similar statutory requirement.

The Code of the City of Austin echoes these requirements, stating in §15.9.31(A) that the City "shall provide utility service" – both water and electricity – and describes a number of conditions that the City may apply, including that service must be to a valid address, to an approved point of delivery adjacent to a City utility facility, using the most direct route, and in accordance with all applicable Code requirements.[7] Utility service must be provided in accordance with the City Council-approved rate schedule and in accordance with all applicable City regulations.

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[1] Public Utility Regulatory Act § 37.151(1),(2) (PURA) [emphasis added].

[2] PURA §37.059.

[3] Austin Water's impact fee service area is defined in LDC 25-9-2 and LDC 25-9, Article 3.

[4] Per Texas Local Government Code 552.001, municipalities may serve outside their municipal boundaries.

[5] Texas Water Code §13.250(a) [emphasis added].

[6] Texas Water Code §13.254(a)(1).

[7] Austin, Texas – Code of Ordinances, Utility Regulation, Utility Service Regulation, § 15-9-31 - UTILITY SERVICE PROVIDED. | Code of Ordinances | Austin, TX | Municode Library (Aug. 26, 2026).