

ENERGY

How One Texas County Struck a Deal With Its Data Centers

Led by county officials and an indefatigable water man, Medina County is finding ways to live with its new multibillion-dollar neighbors.

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April 7, 2026



A water tower in Medina County.
Reid Bader

When Scooter Mangold first heard how much water Microsoft's data center engineers were requesting from his Central Texas water company, he didn't just say no. "I told them they'd lost their minds," Mangold told me, his face breaking into a grin under a white lampshade mustache. His company, Yancey Water Supply, could have probably made it work, he admitted, but that would have dramatically reduced the available groundwater for everyone else in the slice of Medina County it serves, including his own kids and grandkids. It could have been another in a line of now-common stories: tiny, outlawyered rural area takes on multibillion-dollar corporation trying to build massive, loud, resource-hungry data center in the community.

Instead, Mangold, one of the dozen or so water providers in the county, presented a counteroffer: Send over your blueprints, he told the tech company. Let's see what we can figure out. Problem-solving is Mangold's forte. He beamed as he showed me the framed enrollment certificate for a 2025 law he says was written, essentially, for him. When he needed an exemption for one of his water-storage projects that ran through the heavily regulated Edwards Aquifer, he simply started making calls. Within a single legislative session, he told me, the problem was fixed. He doesn't view the resource wars brought by the influx of data centers all that differently.

After reviewing Microsoft's plans, he went back to the corporation: If it could switch from evaporative cooling, which requires a constant stream of fresh water, to a different type, it could reduce the proposed data center's water needs by about 85 percent—150,000 gallons per day—figures he pounded out on a sturdy desk calculator to show me. "I told them, 'Come back with the air-cool design, and we'll talk,'" Mangold said. They did.

Immediately west of San Antonio, charming Medina County, known for its Alsatian heritage, has become a hot spot for data centers. As of now, local officials know of eight in various stages of development, but that number could be low, they said. County leaders don't always find out about incoming developments right away. It's usually not until the tech companies need something—water, electricity, or a tax break—that local governments are clued in to what's moving in next door, or simply because it's difficult to

convert five hundred acres of farmland into a giant windowless box without someone noticing.

Reesie Rihn and his wife had picked out a site on their 50 acres just outside Castroville, the county seat, to build a home they could retire in, overlooking what used to be a picturesque valley. Now the site of their would-have-been home overlooks the “theater,” he says, as in theater of war. He shares 2,500 feet of fence line on two sides with tech company CyrusOne, and he can see a Microsoft site about 1,000 yards away. When the data centers moved in, during the process of clear-cutting, he said, one of his neighbor’s fences was damaged, along with several of her trees. “It’s just a mess.” But Rihn is staying put—for now. Once the centers are online, he said, he’ll have to decide whether he can live with the noise. He’s written letters to the editor of the local paper calling for more transparency from city and county officials, but he’s not leading any kind of organized resistance. No one in Medina County is, though they often complain and raise questions on Facebook. “It’s no use getting hyped up about it when there’s nothing you can do to stop ‘em,” Rihn said.

Texas’s hyperscale data centers—massive cloud campuses run by companies like Microsoft, Meta, and Amazon—are concentrated in a few fast-growing corridors, the largest of which is in Dallas–Fort Worth. Another major hub is Central Texas, stretching from Austin to San Antonio and into Medina County. A third emerging region is West Texas, where developers are planning extremely large AI-focused campuses. Experts estimate that the number of data centers in the state has more than quadrupled in the **last decade**, to around four hundred **total**. And the boom isn’t slowing down, according to tech companies. “Whenever you open an app on your phone, join a virtual classroom or meeting, snap and save photos, or play a game with your friends online, you are using a datacenter,” a Microsoft spokesperson told me via email in response to questions about growing demand. “Local businesses, government, hospitals, and schools rely on datacenters every day to deliver goods and services to you.” According to the spokesperson, Microsoft spent \$80 billion on data centers last fiscal year and is on track to spend more in 2026.

Some towns and counties have gone to great lengths to fend off what they see as an invasion. Residents in rural Hood County, near Fort Worth, even **considered incorporating** so they could craft ordinances that would curtail the developments. Medina County went a different way, County Judge Keith Lutz said. In pro-business, antiregulation Texas, there's very little the county can do to stop the developments altogether. "They're allowed to do this," Lutz said. "I want to get what's best for us." That's why, rather than fighting the tech companies and their teams of lawyers, Medina's commissioners court has focused on negotiating, said Lutz. In the process, as the tech companies granted their requests with little to no pushback, they realized their bargaining position was stronger than they'd thought.

Texas has a lot of the things tech companies are looking for when they choose sites. The Microsoft spokesperson listed them in an email: proximity to population centers; broad, reliable, and stable power sources; multiple high-capacity network connections; a large pool of qualified labor; and affordable and clean energy. Companies often try to place massive centers in areas with the fewest taxing entities—cities, counties, and school districts, for instance—making the extrajurisdictional stretches of rural Texas appealing. Texas seems to **have a lot of** the space, cheap energy, and pro-business policies that the centers need.

Lutz saw other entities across the country, counties like **Loudoun** and **Prince William**, in Virginia, requiring data center developers to help pay for power lines, road expansions, and environmental mitigation as part of negotiations. It seemed there had been a subtle shift in power from multibillion-dollar companies to small towns and rural communities—and that local governments would be even stronger if they were quicker to collaborate and share the lessons they've learned. (In fact, Texas was already waist-deep in data centers when Lutz's phone started ringing with calls from county judges and city managers around the state who wanted to know how Medina was handling its new status as the "**Silicon Valley of Texas**," a moniker county leaders reject.)



Scooter Mangold of Yancey Water Supply.
Reid Bader



County commissioner Larry Sittre.

Reid Bader

Most of the data centers in Medina County fall in Commissioner Larry Sittre's precinct—and he views them as he would any other neighbor. He said he begins negotiations by inviting the tech-company representatives to come sit at the long conference table in his office, wrought iron decor on the walls and red ball caps with Republican slogans lined up on the bookcase. No bureaucracy, he said, just face-to-face problem-solving. "It's gonna be a respectful process," Sittre said. The negotiations with Microsoft started out in typical fashion for a local government hoping to lure business and jobs: discussing tax breaks. After multiple back-and-forths, the most recent deal has the tech company paying a significant portion of its property taxes while also paying for improvements to offset the wear and tear of construction traffic on the roads around the development site—a major concern brought by community members.

The tax deals can mitigate the stress on roads and infrastructure, but they can't touch residents' biggest concern: water. Medina County's primary water source, the Edwards Aquifer, has been under drought restrictions for years. That's where Scooter Mangold came in.

He was reviewing the water plans while Lutz and Sittre were striking their deals. Cooling the massive servers consumes a lot of water: a 100-megawatt facility, similar to those Microsoft is building in Medina, can use anywhere from 300,000 to more than 1 million gallons per day, and in some cases even more during the hot Texas weather. Water-efficient cooling is essential if data centers are going to draw water from the same finite resource as their neighbors, said Mangold, who oversaw a massive water-saving effort as SeaWorld San Antonio's vice president of design and engineering in the early 2010s. The park now uses condensate from HVAC compressors to water plants—including in 12,000 hanging baskets, Mangold offered, for scale—as well as biofiltration systems.

Not every water company—the private businesses tasked by the state to provide water to any customers within their service areas—is headed by an engineer, or by someone with as much energy as Mangold has. Finding new water sources and solutions to water issues literally keeps him up at night, he said. Not only does the Edwards provide water to some two million users, but if it's depleted, the springs that support both endangered species and the tourism economies of places like New Braunfels will be too. Mangold has looked into groundwater desalination and aquifer storage and recovery to help boost the available supply. His boldest move, though, is to drill through the Edwards and pump from the Trinity Aquifer, beneath it—a high-risk, high-reward gamble that would require a very deep well. When he told the well driller what he intended to do, Mangold recalled with a belly laugh, the driller replied, “Mr. Mangold, with all due respect, you’ve lost your damn mind.”

Whatever Mangold's feelings on the nonstop growth in Medina, he's required to support it. Yancey Water Supply holds a certificate of convenience and necessity (CCN), a state-issued designation that gives a water utility the exclusive right—and obligation—to provide service within a defined geographic area, in this case a portion of Medina County. Under state law, a CCN holder must provide “continuous and adequate service” to every customer within its certified area, a duty enforced by the Public Utility Commission of Texas. State rules further require that utilities “make every reasonable effort to obtain sufficient service capacity and funding” to do so.”

But for growth to be sustainable, increasing supply has to be complemented by reducing demand on a user-by-user basis, Mangold said. He wasn't asking Microsoft to do anything all that different from what he would ask any water client to do: look for ways to use less. Once Mangold offered the cooling-system solution, he said, Microsoft quickly agreed. Its energy costs would go up, but because of Medina Electric Cooperative's structure, a co-op representative told me, the data centers won't pass their increased energy costs on to ratepayers.

Residents aren't convinced that the county has shielded them from rising rates and sinking wells. In March, the self-proclaimed local "pot stirrer" who runs the Facebook page Margie's Around Castroville **posted a video** of a site being cleared for another data center along U.S. 90. Residents voiced their concerns in the comments, including fears about the noise of the cooling fans, water usage, and increased traffic during the years of construction. Rihn has heard the Mangold talking point—often repeated by politicians—that the closed loop cooling system he recommended will use less water than a neighborhood development like the kind springing up all over Castroville. But residents are equally frustrated with the area's explosive residential and retail growth. As a former water-projects manager for the state, Rihn calls "bullcrap" on the assertion that the data centers won't use enough water to be of concern. On the Edwards, he said, *all* water use is a concern.

County officials point to the long-term tax revenue they'll get from converting the land from agricultural to industrial or commercial use, funds the booming county and its school district desperately need. Microsoft's data centers are valued at over \$2 billion, and Rowan Digital Infrastructure's hyperscale data center under construction in Temple is estimated to cost around \$700 million.

But some residents believe the math is flawed. Sittre ended up being primaried in March, and at town halls and public forums, he said he'd been repeatedly taken to task for playing nice with the encroaching industry. Sittre won his primary with a 26-point lead, but Rihn and others in this deeply Republican hamlet say they'll vote against him in November. "I'm fighting for my land, and I'm not leaving it," Rihn said. Even if that means voting for a Democrat.