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Austin Water weighs new rules for biggest water users as data centers draw scrutiny

By **Karoline Leonard**, Staff Writer

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City Council members Mike Siegel, left, Ryan Alter, Vanessa Fuentes and Zohaib Qadri wait for a press conference to begin at which Austin City Council announced their intention to ban large-scale data centers within city limits, Aug. 25, 2026.
Sara Diggins/Austin American-Statesman

Austin Water's proposal to regulate its largest water users drew what are becoming familiar questions this week as residents pressed city officials about the impact of [data centers](#).

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The city is exploring a [new regulatory framework](#) for what it would call “high impact water users,” or customers that require more than 85 million gallons of water per year. At an open house Monday evening, Austin Water invited residents to question officials, offer feedback and, in many cases, express concerns about data centers.

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Central Texas has emerged as a fast-growing hub for data center development, with the Austin American-Statesman [tallying nearly 80](#) confirmed operational or planned projects from Temple south to San Antonio.

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Data centers within Austin, totaling about 20 in operation, are mostly small facilities ranging in electric load size from 1 to 20 megawatts. Austin Water said data centers made up 0.3% of the utility’s total water use last year.

City staff said Austin Energy’s new inquiries from potential data centers “typically” are under 75 megawatts, which is the state’s threshold for so-called “large-load users.”



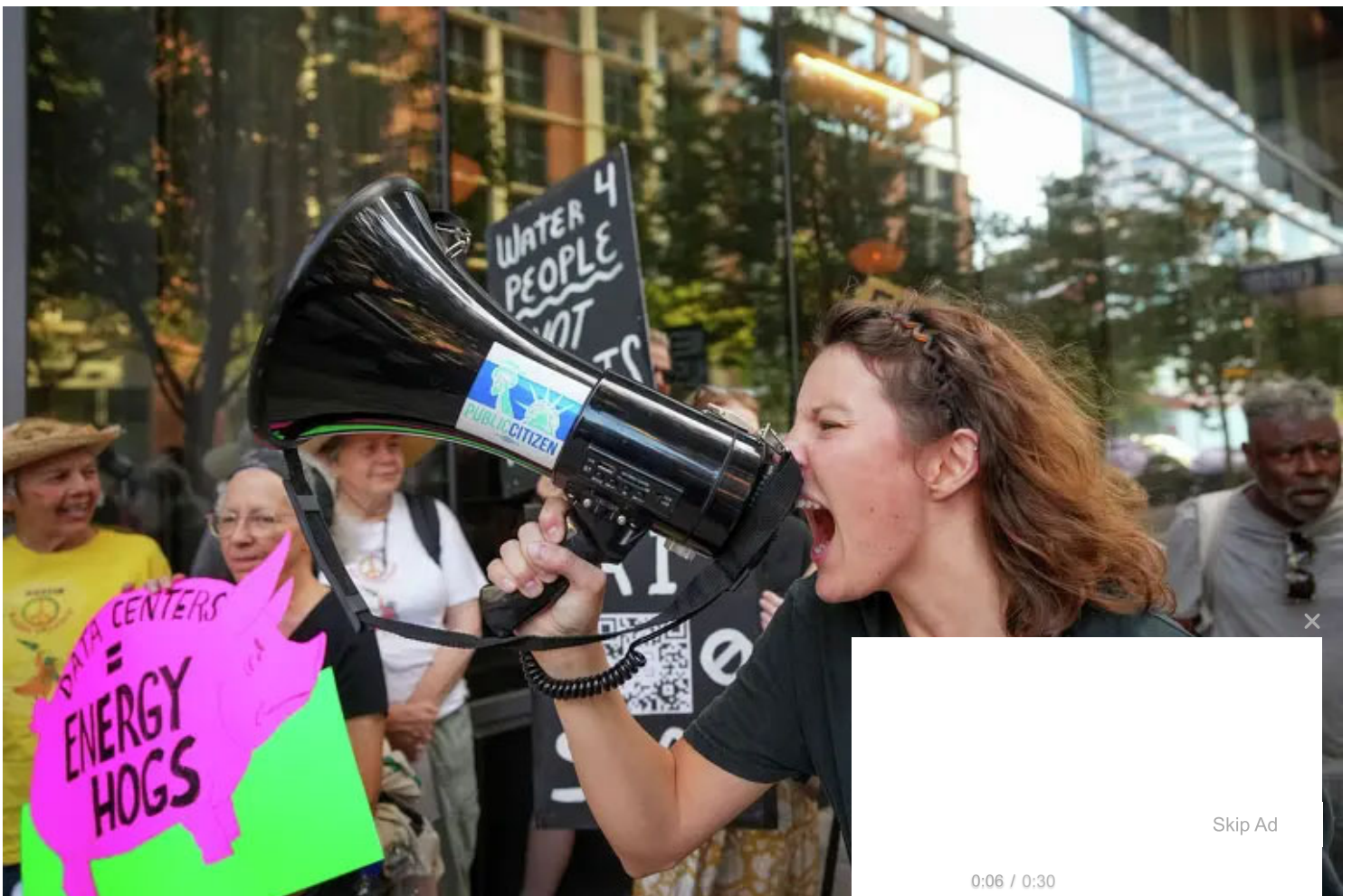
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But residents have been loud about their opposition, and the Austin City Council has largely backed those concerns.

Council members announced their intention to ban all large- and hyperscale data centers from city limits at a press conference in August. The council also directed Austin Water to explore new water use policies and regulations for those high impact users.

“This will allow us to go forward in a thoughtful way yet get things moving,” Mayor Kirk Watson said. “We’re addressing something important that shouldn’t be rushed. We want and need it to be tight and right.”



Emily Taylor leads chants during a protest against data center development outside the Austin Marriott Downtown on Wednesday, Sept. 2, 2026. The demonstration took place outside the Datacloud USA conference, which brought data center, energy, fiber and AI infrastructure industry leaders to Austin. Protesters called for a moratorium on new data center development, citing concerns about the industry's demands on water, electricity, land and infrastructure.

Jay Janner/Austin American-Statesman

Under Austin Water's proposed definition, commercial customers that use more than 85 million gallons of water annually accounted for about 10.2% of the utility's total water use in 2025. Those customers include manufacturers such as Samsung Electronics' chipmaking plant in North Austin.

City-operated facilities that meet the proposed threshold, including golf courses and the [Seaholm Power Plant](#) off West Cesar Chavez Street, accounted for another 2.2% of water use last year.

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Austin Water Director Shay Roalson said the utility is still in its early planning stages, looking for feedback on a proposed policy that would include future water conservation plans and designations required for [proposed projects' service extension requests](#) and site plan development proposals requiring City Council approval.

Currently, developers are required to build the infrastructure necessary to support their site, including water infrastructure to connect with the utility. Developers are also required to give Austin Water projected water use before utility connection is granted.

"We're in the early stages of exploring what that would look like, but my expectation is we have just a shared understanding of our shared responsibility in Austin for water stewardship and water conservation and protecting our water resources," Roalson said. "My expectation is that our largest water users are going to be invested in putting those plans together and really being thoughtful about how they use water and about how we monitor and report water use."



The proposed plan would change how large developers apply for zoning agreements.

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But Roalson said the goal isn't to remove high impact users from the utility or run them out of town. Instead, the proposal aims to help them conserve drinking water and explore nonpotable water options.

Data centers and some technology manufacturers prefer to use potable water because impurities in untreated or nonpotable water can damage equipment or computer chips and lead to operational failures. Roalson said she's hoping this is a problem Austin Water can solve with a new policy.

"There's a lot of ways in which we, our customers, use water today that doesn't need to be high-quality drinking water," Roalson said. "That is what we're really driving toward in the future, a better understanding of fit-for-purpose water use. And we need our customers' engagement on that. That is not something that Austin Water can do alone."



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District 3 City Council member José Velásquez speaks during a press conference at which Austin City Council announced their intention to ban large-scale data centers within city limits, Aug. 25, 2026.

Sara Diggins/Austin American-Statesman

Some residents at the open house said Austin Water's proposal, while a start, doesn't go far enough to protect the city's water supply.

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Austin resident Brad Knowles said he initially came to the open house b
[project at 3M's former campus](#) in northwest Austin.

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An energy and digital infrastructure company [tied to SoftBank](#), the massive Japanese tech investment firm behind a significant share of data center investment across the country, purchased the 107-acre property at 6801 River Place Blvd. and plans to have research and development and data center operations there. Many community members have expressed concerns about the property, especially as the developers have stayed fairly quiet on the full extent of their plans.

But Knowles said the possible new data center in town isn't his only concern. He said the city's water utility, as well as the state, needs to take drastic action to protect its water supply.

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"It's not just the human impact, it's also the the impact of the entire environment and the creatures in the environment," Knowles said. "It's not just that one data center. It's everything that's happening in this modern world that would require increased power usage. ... When we look at these things, we have to look at the whole enchilada, not just what this one particular facility is doing or what this one particular company is doing. We have to look at everything that's happening within the state."

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Karoline Leonard joined the Austin American-Statesman in November 2024. Leonard graduated from The University of Oklahoma in May 2024, where she worked in student media as a reporter and news editor and later served as editor-in-chief of OU Daily. She previously interned at the Tulsa World and BusinessDen via the Dow Jones News Fund business reporting program. Leonard hopes that through her reporting she can hold those in power in the technology industry accountable while also making tech news accessible to all readers. She encourages anyone with story ideas, tips or feedback to reach out to her via email.

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