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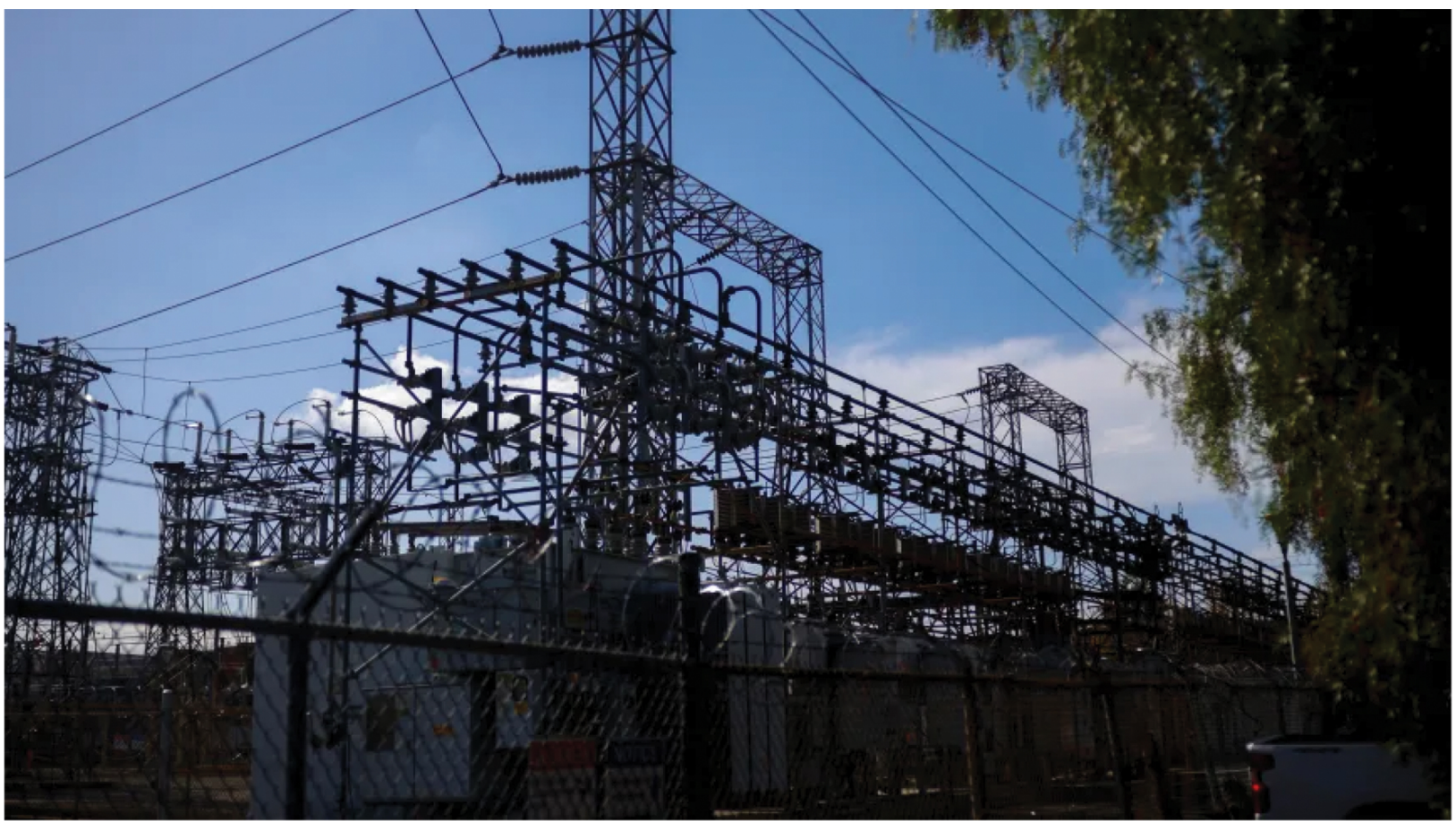
PG&E says data center projects may appear in San Jose area by 2026

PG&E races to meet Silicon Valley's hunger for electricity



(Shae Hammond/Bay Area News Group)

PG&E Substation A near the Diridon train station and SAP Center, as seen on Oct. 22, 2025.

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SAN JOSE — The first power projects in PG&E's pipeline to serve data centers could appear on the grid as soon as next year, despite some hints of softening demand, as the utility titan races to meet the tech industry's hunger for the data hubs.

PG&E is in the final engineering stages for electricity projects that would produce a combined 1.6 gigawatts of energy to serve data centers in the South Bay, said Mike Medeiros, PG&E vice president of strategic commercial solutions, during a meeting hosted by the San Jose Chamber of Commerce this week.

Oakland-based PG&E is scouting for opportunities to connect data centers to electricity supplies because large energy users can take on a greater share of the fixed costs of operating and maintaining the electric grid.

"We see these projects as a great opportunity," Medeiros said at the Nov. 18 meeting. "Every gigawatt we can connect to the system has the potential to reduce costs to all customers by 1% to 2%."

Yet while the opportunity exists, PG&E must still negotiate a fluid level of demand for electricity-thirsty data centers, which the tech industry believes can provide the computing, data storage and lightning-fast networks needed for artificial intelligence.

Case in point: In June 2025, PG&E estimated that its initial application and preliminary engineering pipeline for data center projects totaled 8.45 gigawatts. But by September 2025, that early-stage pipeline had dwindled to 7.95 gigawatts. That was a reduction of 0.5 gigawatts, or a decrease of 5.9%.

In a more optimistic sign, the final engineering pipeline for data centers was 1.5 gigawatts in June and increased to 1.6 gigawatts by September 2025. That was a 0.1 gigawatt increase in the late-stage data center pipeline, or 6.7% more.

"I would suggest this is great news," PG&E Chief Executive Officer Patricia Poppe said during an Oct. 23 conference call with Wall Street analysts to discuss the company's third-quarter financial results. "The most important numbers are the ones that are getting closer and closer to construction. So the final engineering numbers went up."

The first of the projects to provide electricity could come onto the electricity grid in 2026, Medeiros estimated. PG&E expects to complete about 95% of that final engineering pipeline by 2030.

"The majority of that is in the San Jose area," Medeiros said.

The late-stage engineering pipeline consists of 18 projects, PG&E stated in the supplemental materials for the third quarter financial results.

Even more demand for electricity might sprout in San Jose.

San Jose city officials intend to negotiate with mega-developer Prologis on a plan to develop a 159-acre site in north San Jose near the municipal sewage treatment plant. The development could include four massive data centers and four buildings for advanced manufacturing uses.

Officials in San Jose acknowledge the city must be nimble to help PG&E and real estate developers achieve their projects efficiently and in a fashion that benefits the community.

"We want to help make things happen, to be creative in a way to help PG&E deliver the infrastructure that's needed," San Jose Deputy City Manager Manuel Pineda said during the chamber event.

This means crafting project plans that can work for everyone involved, Pineda added.

"We want to put a package together with schedules that are realistic for PG&E, for the developer, and for us, and then be able to communicate that to the community and anyone else who is interested," Pineda said.

PG&E acknowledges it will likely confront obstacles as it attempts to complete the necessary electricity projects.

"There are always going to be hiccups," Medeiros said. "But we are now in a much better position to meet that demand than we were a few years ago."