

A \$300 Million-Plus California Data Center Was Finished Before Its Power Path Was

Santa Clara shows why AI infrastructure can be physically complete but financially unfinished when firm electricity arrives later, costs more, or comes with new operating limits.

Analysis by Ames Investment Systems | Ogdin Ames, Founder & CEO | Revised for local media September 10, 2026

SANTA CLARA — STACK Infrastructure says more than \$300 million was tied up in a fully constructed data-center building, land and interest expense at 1200 Memorex Drive while uncertainty over utility power made available space difficult to lease. That matters because a data center does not become a normal income-producing property simply because the building is finished. Santa Clara's public records show the project's electrical schedule depended on major system upgrades and was not an unconditional guarantee. In 2026, the parties rewrote the power agreement: the capacity path was increased, but it now ramps through July 2031 and requires additional fees, utility curtailment control and different legal protections. STACK's cost and lost-lease figures are allegations and estimates, not court-established damages. The broader warning for California's AI buildout is straightforward: a building can be complete while the investment is still waiting for the infrastructure that makes it usable.

\$300M+

STACK's claimed building, land and interest cost

60 MW

Designed IT power for the Santa Clara project

77 MVA

Revised maximum capacity path by July 2031

~\$28M

City estimate for added load-development fees

The problem is not demand. It is timing and certainty.

Santa Clara approved a project designed for 60 megawatts of IT power. But the 2022 substation agreement also said significant system improvements were needed, some outside either party's control. The customer had to design and build its own substation at its own financial risk and pay specified utility and transmission costs. Silicon Valley Power was required to use commercially reasonable efforts; it did not promise an unconditional energization date.

That distinction is expensive. When construction finishes before enough firm power is available, capital remains tied up while rent may be delayed, financing costs can continue, and new utility or engineering costs can arrive. STACK estimated more than \$13 million of leasing-delay cost for each 6 MW it said could not be served as originally expected, and it discussed an on-site-generation option that it estimated could cost more than \$50 million over five years. Those figures are STACK's claims and scenarios, not adjudicated losses or proof that those costs ultimately fell on equity investors.

The 2026 amendment shows how the problem can be resolved without making it cheap. Santa Clara increased the project's path from 31 MVA to 77 MVA, but the schedule now reaches that level in stages through July 2031. The city estimated roughly \$28 million in additional load-development fees for the added capacity at then-current rates. The amendment also gives the utility remote curtailment control and adds a waiver of consequential damages. In plain English: the project received a clearer path to more power, but the price and risk allocation changed.

Why this matters beyond one Santa Clara building

PG&E's second-quarter 2026 presentation reported a 12,710 MW data-center pipeline. Only 490 MW — about 3.9% — was at the stage with an executed interconnection construction agreement, while most capacity was earlier in engineering. That does not mean the other projects will fail. It means a requested megawatt, an engineered megawatt and an energized megawatt are very different things for investors who are paying carrying costs while they wait.

This is also not an argument that California data centers are bad investments. CalPERS reported that its stabilized data-center holdings produced positive long-term returns, including a 9.0% since-inception return. That is the key distinction: a completed, leased, cash-flowing data center is not the same investment as a completed building still waiting for enough power to support tenants. The risk is concentrated in the transition from construction to stable operation.

What could go wrong if power arrives late

The public record does not reveal STACK's actual debt balance, borrowing rate or signed tenant lease terms, so a precise loss estimate would be invented. But the carrying-cost exposure can still be understood. At a 7% all-in borrowing rate, every \$100 million of debt costs about \$7 million a year in interest before fees, hedging or amortization. That is a sensitivity example, not an estimate of STACK's leverage or borrowing cost.

The original analysis also used a timing-only stress test to isolate the effect of delay. Under an illustrative five-year investment earning 12% before delay, pushing monetization back by 12 months reduced the annualized return to about 9.9%; a 24-month

delay reduced it to about 8.4%. Those are not SVY02A return estimates and they exclude missed rent, extra utility fees and other carrying costs. They simply show why time matters even when the building itself does not lose value.

What Should Happen Now

This is a solvable problem. Developers, lenders and institutional investors should treat electric capacity as a core construction milestone, not as a utility detail.

- 1. Disclose the real power path.** Before more capital is committed, investors should see the signed capacity schedule, required grid upgrades, customer-funded costs, curtailment rights and the conditions that can move the service date.
- 2. Stress-test delays before underwriting the return.** Models should show what six-, 12- and 24-month power delays do to interest carry, lease-up, utility fees and liquidity. The result should be presented as a scenario, not as a prediction.
- 3. Require stronger contractual protection.** Tenant leases, utility agreements and financing documents should clearly address rent commencement, delay remedies, termination rights, guarantees, cost reimbursement and who pays if the power schedule slips.

California does not need to fear AI data centers. It needs investors and public officials to distinguish between a building that is finished and an investment that is truly ready to earn. In an electricity-constrained market, the missing asset may not be land or concrete. It may be firm power — and the years, fees and contracts required to secure it.

ABOUT THE AUTHOR

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