

ARIZONA · WATER UTILITIES · CAPITAL BRIEFING

Arizona's water future is being rewritten. Your capital plan has to keep up.

Colorado River cuts, groundwater limits in the Phoenix AMA, a wave of federal and state funding, and rate scrutiny that never lets up. For a utility CFO or capital lead, every one of those forces reshuffles the projects on your list. Invizion helps Arizona utilities re-sequence a capital portfolio in a click — and defend every decision.

512K¹ Acre-feet cut from Arizona's Colorado River supply in the 2026 Tier 1 shortage — about 18% of the state's allocation.	4.86M³ Acre-feet of 100-year groundwater demand modeled as <i>unmet</i> in the Phoenix AMA — the finding that paused new groundwater-based approvals.	\$1B⁷ Committed by the Legislature to Arizona's Long-Term Water Augmentation Fund in 2022.	~\$485M⁸ Federal State Revolving Fund water dollars flowing to Arizona since 2022 — roughly \$140M earmarked for lead lines.
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THE ARIZONA LANDSCAPE

Four forces are moving your project list at once

None of these is theoretical, and none of them waits for your next budget cycle. Together they mean the capital plan you approved last year may already be the wrong plan.

SUPPLY — COLORADO RIVER

A shrinking river, and a bigger cut coming

2026 is a Tier 1 shortage year: Arizona's Colorado River supply is down 512,000 acre-feet, roughly 30% of what the Central Arizona Project normally delivers.¹ The river provides about 36% of the state's water.²

The real inflection is 2027. The post-2026 operating guidelines are still in draft, and Arizona officials warn the deepest federal scenario could cut as much as 77% of the state's allocation.² Utilities are being asked to plan capital against a supply number that isn't settled.

SUPPLY — GROUNDWATER

The groundwater backstop just got smaller

In 2023, ADWR's Phoenix AMA model projected about 4.86 million acre-feet of groundwater demand over 100 years that can't be met — and the state stopped approving new Assured Water Supply determinations based on groundwater in the Phoenix AMA.³

The 2025 "Ag-to-Urban" law opened a new path by letting retired farmland's groundwater transfer to developments.⁴ Either way, where your next supply comes from is now a capital question, not just a resource one.

DEMAND — GROWTH

Among the fastest-growing regions in the country

Maricopa County added 57,471 residents in a single year (2023–2024), the third-largest numeric growth of any U.S. county, ⁴ and Pinal County leads the state in percentage growth.

Every new service connection is a capacity commitment. Growth-driven capital competes for the same dollars as renewal and compliance — and the sequencing between them is exactly what boards fight over.

COMPLIANCE — AGING & QUALITY

Renewal and new mandates, on the same clock

Arizona's drinking water and wastewater systems carry roughly \$10 billion in 20-year infrastructure needs.⁵ On top of renewal, PFAS and lead service line replacement are now funded mandates — Tucson has taken wells offline for PFAS, and EPA has sent Arizona dedicated PFAS and lead dollars.⁶

New obligations don't replace the old backlog. They stack on top of it, and something on the list has to move.

WHO RUNS ARIZONA'S WATER

A split system — large municipals and two big investor-owned providers

Arizona's largest metros run their own water and wastewater utilities. The two dominant private providers, EPCOR and Arizona Water Company, are rate-regulated by the Corporation Commission. The pressures are shared; the accountability path differs.

Municipal utilities

Rates set by city council · capital approved by governing boards

City of Phoenix Water Services	~1.7M served · 7,200 mi of line
Tucson Water	700,000+ served
Mesa, Chandler, Scottsdale	Large East Valley systems
Gilbert, Glendale, Peoria	Growing municipal providers
Central Arizona Project (CAP)	Wholesale Colorado River delivery

Investor-owned utilities

Rates & capital recovery regulated by the ACC

EPCOR Water (USA)	Largest private provider · ~10 districts
Arizona Water Company	100,000+ connections · 24 systems
Global Water Resources	Pinal / West Valley growth areas
Numerous small & rural systems	Where funding gaps hit hardest
EPCOR alone committed roughly \$600M to Arizona water infrastructure over a decade.	

Every capital dollar has to be defensible

Whether you answer to the Corporation Commission or a city council, the question is the same: why this project, why now, why at this cost? Arizona's oversight bodies are asking it harder than ever.

Arizona Corporation Commission (ACC) regulates rates and capital recovery for investor-owned utilities. EPCOR's most recent rate case was decided on a split 3–2 vote in 2024 — approvals are not a formality.¹⁴

ADWR enforces the Assured Water Supply rules: proof of a 100-year supply before development proceeds.¹⁵

ADEQ holds Safe Drinking Water Act primacy — lead service line inventories, PFAS monitoring, and the compliance capital that follows.¹⁶

City councils & boards approve municipal capital plans in public, in front of ratepayers.

The money is moving — can your plan absorb it?

Arizona utilities have more capital funding available than they've had in a generation. The constraint is no longer only dollars — it's readiness: which projects are shovel-ready, which qualify, and how the timing lines up with everything else on the list.

WIFA administers Arizona's Drinking Water & Clean Water State Revolving Funds and offers forgivable principal for disadvantaged communities.¹⁷

~\$485M in federal SRF water funding has flowed to Arizona since 2022, including roughly \$140M dedicated to lead line replacements¹⁸

\$1B Long-Term Water Augmentation Fund committed in 2022 for new supply projects.⁷

Dedicated PFAS & lead grants — a \$20M PFAS award (2026) and lead funding within a \$44M EPA award (2024).⁹

ARIZONA WATER, IN BRIEF

Questions Arizona utility leaders are asking

Short, sourced answers — the same facts we'll dig into on a call, in the context of your system.

How much Colorado River water is Arizona losing in 2026?

2026 is a Tier 1 shortage year. Arizona's supply is reduced by 512,000 acre-feet — about 18% of the state's 2.8 million acre-foot allocation and roughly 30% of the Central Arizona Project's normal supply. Nearly all of the reduction has fallen on CAP agricultural users so far.

What happens to Arizona's allocation after 2026?

The current guidelines expire at the end of 2026. Reclamation's July 2026 draft proposes Lower Basin reductions of up to 3 million acre-feet per year; Arizona officials warn the deepest modeled scenario could reduce as much as 77% of the state's allocation. The framework is not final and would be revisited roughly every two years — so utilities are planning against an unsettled number.

Why did Arizona limit new groundwater-based development?

A 2023 ADWR model of the Phoenix Active Management Area projected about 4.86 million acre-feet of groundwater demand over 100 years that couldn't be met from groundwater. ADWR stopped issuing new Assured Water Supply determinations that rely on groundwater in the Phoenix AMA, though existing certificates and designations may still build out.

What is WIFA and how does it fund water infrastructure?

The Water Infrastructure Finance Authority of Arizona finances drinking water, wastewater, and water-quality projects and administers the state's Drinking Water and Clean Water State Revolving Funds. Since 2022 Arizona has received roughly \$485 million in federal SRF water funding, and the Legislature committed \$1 billion to a Long-Term Water Augmentation Fund in 2022. WIFA also offers forgivable principal and set-asides for disadvantaged communities.

Does the Corporation Commission set my utility's rates?

The ACC regulates rates for investor-owned water utilities such as EPCOR Water and Arizona Water Company. Municipal utilities — Phoenix, Tucson, Mesa, and others — set rates through their own city councils. Either way, capital spending has to be justified to a governing body and, increasingly, to ratepayers.

How does Invizion help Arizona utilities plan capital programs?

Invizion is scenario-based capital portfolio optimization for water utilities. It lets you model how a supply cut, a funding award, or a compliance deadline reshuffles your whole project list, re-sequence the portfolio automatically, and keep a defensible record of every decision for the ACC, your board, or ratepayers. The best next step is a short first meeting to look at it against your own program.

REFERENCES

Sources

Every figure in this briefing is tied to a primary or authoritative source.

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ABOUT INVIZION

Capital program optimization for utilities

Invizion is a purpose-built capital lifecycle management platform for water and wastewater utilities. It integrates budgeting, CIP, scenario analysis, and funding-source tracking in one system — so utilities can re-sequence a capital portfolio in a click and demonstrate audit-ready, defensible decisions to regulators, boards, and rating agencies.

See what a defensible Arizona capital plan looks like — book a 20-minute first meeting.

Book your first meeting →