

California carries the nation's largest water-infrastructure bill. Your capital plan has to prioritize it.

An \$83.5 billion drinking-water need, groundwater basins capped under SGMA, a State Water Project that opened 2026 at a 10% allocation, and a CPUC that scrutinizes every capital dollar. For a utility CFO or capital lead, each of those forces reshuffles the projects on your list. Invizion helps California utilities re-sequence a capital portfolio in a click — and defend every decision.

\$83.5B¹ California's 20-year drinking water infrastructure need — the largest of any state in EPA's needs survey.	21² Groundwater basins the state has designated <i>critically overdrafted</i> under SGMA.	27M³ Californians who rely on the State Water Project — which opened water year 2026 at a 10% initial allocation.	~\$500M⁴ FFY2025 federal Drinking Water SRF capitalization grants for California, against ~\$2.5B in project demand.
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THE CALIFORNIA 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 — SURFACE WATER

A delivery system that swings year to year

The State Water Project moves water to about 27 million Californians and 750,000 acres of farmland through 29 public water agencies — and it opened water year 2026 at just a 10% initial allocation of requested supplies³ That number is a starting point that can move up or down through the winter, so the supply your plan assumes is a moving target.

Southern California layers Colorado River water on top of the SWP through the Metropolitan Water District, and basin-wide shortage negotiations keep that supply unsettled too. Every alternative-supply, recycling, and storage project on your list competes for the same capital dollars.

SUPPLY — GROUNDWATER

The aquifer backstop is being capped

Groundwater supplies roughly 40% of California's water in an average year and far more when surface supplies fall short. The southern San Joaquin Valley alone runs nearly 2 million acre-feet of overdraft a year.⁵

Under the Sustainable Groundwater Management Act, the state has designated 21 basins as critically overdrafted, and their Groundwater Sustainability Agencies must bring pumping into balance over the next two decades² For utilities that lean on wells, that turns pumping into a capital question — recharge, treatment, and new supply — not just a resource one.

AGING SYSTEMS

The country's largest renewal backlog

EPA's most recent needs survey puts California's 20-year drinking water infrastructure need at \$83.5 billion — the largest of any state — with roughly \$55.7 billion of that in distribution and transmission pipe alone.¹

The consequences are already visible: a run of water-main breaks across Los Angeles has put a spotlight on pipe that is decades past its design life.⁶ Renewal never stops, and it competes for the same dollars as growth and compliance.

WATER QUALITY

PFAS on the clock — one bright spot on lead

PFAS is now a funded, enforceable capital driver. The State Water Board has issued monitoring orders to hundreds of public water systems and is testing about 3,600 wells in disadvantaged communities — detections have already pulled supply wells offline and forced treatment projects⁷

The rare piece of good news: California's statewide lead service line inventory found essentially no lead lines among millions of connections — a compliance burden most other states are only beginning to fund.⁸

WHO RUNS CALIFORNIA'S WATER

A mostly municipal system, with four large CPUC-regulated private providers

Most Californians get water from a city or district utility, and the state's biggest systems are among the largest municipal utilities in the country. Four investor-owned Class A companies — Cal Water, Golden State, San Jose Water, and California American — are rate-regulated by the CPUC. The pressures are shared; the accountability path differs.

Municipal & district utilities

Rates set by city councils & boards · capital approved by governing bodies

LA Dept. of Water & Power (LADWP) ~4M served · 735,600 connections · 7,340 mi of pipes⁹

San Francisco PUC (SFPUC) ~2.7M served across the Bay Area¹⁰

East Bay MUD (EBMUD) 1.4M water · 685,000 wastewater customers¹¹

City of San Diego Public Utilities 1.3M+ residents · 3,253 mi of main¹²

Metropolitan Water District (MWD) Wholesale supplier across Southern California

Investor-owned utilities

Rates & capital recovery regulated by the CPUC

California Water Service (Cal Water) 497,700 connections · 24 districts¹³

Golden State Water Company ~262,000 connections · 80+ communities¹⁴

San Jose Water 1M+ people served in the San Jose metro¹⁵

California American Water Part of American Water · CPUC-regulated

California's four largest investor-owned water utilities are all rate-regulated by the CPUC — where capital recovery is decided project by project.

Every capital dollar has to be defensible

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

California Public Utilities Commission (CPUC) sets rates and capital recovery for investor-owned utilities through multi-year General Rate Cases. Cal Water's 2024 GRC authorized about \$1.45 billion in capital investment for 2024–2027, with a 10.9% (~\$90.5M) revenue increase effective July 2026¹⁶

State Water Resources Control Board — Division of Drinking Water holds Safe Drinking Water Act primacy: PFAS monitoring orders, the lead service line inventory, and the compliance capital that follows⁷

SAFER & the Safe and Affordable Drinking Water Fund back failing small and disadvantaged systems — a state affordability program that shapes which projects get grant dollars⁴

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

The money is moving — can your plan absorb it?

California 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.

~\$499.8M in FFY2025 Drinking Water SRF capitalization grants — roughly \$117.7M base, \$268.6M IJIA general supplemental, \$84.8M for emerging contaminants (PFAS), and \$28.7M for lead lines — plus about \$1.035B in state grant and principal-forgiveness funds anticipated for SFY 2025–26⁴

\$391.5M in Bipartisan Infrastructure Law drinking-water funding announced for California in a single 2023 allotment¹⁷

WIFIA low-cost federal loans — \$131M to Orange County Water District for PFAS treatment (~\$267M project) and \$170M for San Diego's Carlsbad desalination intake¹⁸

~\$2.5B in DWSRF applications chased the available funds in SFY 2025–26 — demand outstrips supply, so sequencing and readiness decide who gets funded⁴

CALIFORNIA WATER, IN BRIEF

Questions California utility leaders are asking

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

How big is California's water infrastructure funding gap?

EPA's Seventh Drinking Water Infrastructure Needs Survey put California's 20-year need at \$83.5 billion — the largest of any state — with about \$55.7 billion of that in distribution and transmission pipe. That figure is drinking water only; wastewater and stormwater add more on top.¹

What is SGMA and how does it affect my capital plan?

The Sustainable Groundwater Management Act requires local Groundwater Sustainability Agencies to bring overdrafted basins into balance over roughly two decades. The state has designated 21 basins as critically overdrafted, and groundwater supplies about 40% of California's water in an average year. For utilities that rely on wells, meeting SGMA means capital projects — recharge, treatment, interties, and new supply.²

Why does the State Water Project allocation matter for planning?

The SWP delivers water to about 27 million Californians and 750,000 acres of farmland through 29 public water agencies, and it opened water year 2026 at just a 10% initial allocation of requested supplies. Because that number moves through the winter with hydrology, utilities that buy SWP water are planning capital against a supply figure that isn't settled.³

Does the CPUC set my utility's rates?

The CPUC regulates rates and capital recovery for investor-owned utilities — Cal Water, Golden State, San Jose Water, and California American — through multi-year General Rate Cases. Cal Water's 2024 GRC authorized roughly \$1.45 billion in capital for 2024–2027. Municipal utilities such as LADWP, SFPUC, EBMUD, and San Diego set rates through their own councils and boards. Either way, capital spending has to be justified to a governing body.⁴

What funding is available for California water projects?

California's Drinking Water SRF drew about \$499.8 million in FFY2025 federal capitalization grants — including dedicated PFAS and lead line dollars — alongside roughly \$1.035 billion in state grant and forgiveness funds for SFY 2025–26. Federal WIFIA loans have financed large projects like Orange County's PFAS treatment (\$131M) and San Diego's Carlsbad desalination intake (\$170M). With ~\$2.5 billion in SRF applications competing for the funds, readiness and sequencing decide who gets financed.⁴

How does Invizion help California utilities plan capital programs?

Invizion is scenario-based capital portfolio optimization for water utilities. It lets you model how a lower SWP allocation, a SGMA pumping limit, a PFAS deadline, or a funding award reshuffles your whole project list, re-sequence the portfolio automatically, and keep a defensible record of every decision for the CPUC, 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 California capital plan looks like — book a 20-minute first meeting.

Book your first meeting →