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Date: March 13, 2024  
To: Water Managers Advisory Board  
From: Mary Leung  
Subject: FY 2024-25 Rate and Budget Information

City has changed it’s timing of the annual utility rate hearing this year. Wholesale rates for FY 2024-25 have been approved by Portland City Council.

The average wholesale rates for FY 2024-25 are increasing 5.0% overall compared to FY 2023-24 rates. Refer to Table A for individual customer rate changes that range from 0.7% to 8.1%. FY 2024-25 wholesale rate revenue from guarantee purchases is forecast at \$26.2 million, or an increase of \$1.26 million. Refer to Table B for the preliminary five-year wholesale rate by customer.

Seven table handouts are attached to provide detailed preliminary information.

Table	Description	Level of Detail
A	Preliminary Rate and Total Guarantee Purchases	FY 2024-25 wholesale rates and guarantee water purchases by customer compared to ordinance rates and dollars charged during FY 2023-24 and overall average unit cost for wholesalers
B	Five-year Preliminary Rates	Preliminary five-year wholesale rates by customer. FY 2026-27 forecast rates are calculated using the new terms of the Regional Water Sales Agreement.
C	O&M allocated costs	O&M costs allocated to customers in FY 2024-25 compared to FY 2023-24
D	Preliminary Rate Components	Preliminary FY 2024-25 rate components compared to FY 2023-24
E	Demand usage (Table 14)	Percentage of customers’ demand through cost pools based on 2023 flow data compared to 2022
F	Demand and Peaking Factors	Purchasers Demand in MGD, Peak Seasonal, and Daily factors

The Portland Water Bureau submitted the Requested Budget to City Budget Office on February 16, 2024 and the Five-Year Preliminary Plan was submitted to City budget Office on March 1, 2024. The FY 2024-25 Portland Water Bureau Requested Budget and Five-Year Preliminary Financial Plan is available on-line at [Requested Budget - Portland Water Bureau](#).

**Operating & Maintenance (O&M) costs:**

- Refer to Table C for a summary of the O&M costs in the rates for FY 2024-25 compared to FY 2023-24. Total O&M costs is about 3.9% of the increase to the average wholesale rates.
- Annual O&M costs is limited to inflation plus 2.00%. The inflation rate was 4.29%. FY 2024-25 O&M budget exceeded the O&M cost cap by \$0.8 million.
- Electricity allocation was based on calendar year 2023 costs.
- The requested budget includes a 3.3% COLA increase and step increases for all employees for FY 2024-25.

**Capital Costs:**

- Refer to Table D for capital costs in the rate for FY 2024-25 compared to FY 2023-24. Total Capital costs increased the average wholesale rates by 0.2%. Included is the update of rate of return from 2.42% to 3.93% to the asset base.
- In FY 2022-23 there were \$48.9 million worth of assets added to rate base of which \$19.8 million is related in serving the wholesale customer. Assets added included \$6.1 million for the completion of the Powell Butte Roof Membrane & Drainage System, \$5.0 million for roads improvements in the Bull Run watershed area and \$3.4 million on groundwater main connections.

**Demand and peaking factors:**

- Portland retail demand changed from 23.55 to 23.50 million ccf or decreased 0.25% for FY 2024-25.
- The updated percentages of wholesale customers demand through cost pools using data from calendar year 2023 is shown in Table E, increased the average wholesale rates change by 0.6%. The percentage of wholesale customers' demand through cost pools are updated annually as recommended by the 2015 cost allocation audit.
- Wholesale customers' peaking factors are shown in Table F.
- Peaking factor updates resulted in average wholesale rates decrease of -0.10%. The impact to individual wholesale customers varied depending on the peaking factors elections.
- All wholesale customers were within 20% of their FY 2022-23 daily peaking factor election. All wholesale customers were within 10% of their FY 2023-24 peak season factor election. No surcharges were included in the FY 2024-25 rates.

**Adjustments to wholesale revenue:**

FY 2024-25 rates includes adjustments for studies and wholesale meters

- As requested by wholesale customers, starting in FY 2020-21 studies costs was added in the 5-year forecast for planning purposes. The bureau completed \$1.4 million of the forecasted \$3.4 million budget in studies. Of that, \$0.9 million was shared with wholesale customers decreasing the average wholesale rates by 0.4%. Studies for FY 2022-23 included planning for the Vernon Tank Condition Assessment, Conduit Seismic Hazard Analysis, River Crossing Seismic Valves Study and Headwords Fiber Optics.
- The Portland Water Bureau owns all wholesale meters and the replacement costs are allocated to wholesale customers.

If you have any question regarding the information, please feel free to call or email at 503-823-7551, [mary.leung@portlandoregon.gov](mailto:mary.leung@portlandoregon.gov).

**Portland Water Bureau  
Water Managers Advisory Board  
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**TABLE A**

Customer Name	FY 2023-24	FY 2024-25	Rate Change (per ccf)	Rate Change
	effective 07/01/23 Ordinance Rate (per ccf)	effective 07/01/24 <b>Ordinance Rate</b> (per ccf)		
Service Area 1 Water Cos.	\$1.465	\$1.539	\$0.074	5.1%
City of Gresham	\$0.981	\$1.060	\$0.079	8.1%
Lusted Water District	\$1.457	\$1.523	\$0.066	4.5%
Pleasant Home Water District	\$1.534	\$1.621	\$0.087	5.7%
Rockwood Water PUD	\$0.986	\$1.030	\$0.044	4.5%
Palatine Hill Water District	\$2.263	\$2.286	\$0.023	1.0%
Burlington Water District	\$1.287	\$1.296	\$0.009	0.7%
Lake Grove Water District	\$2.806	\$2.940	\$0.134	4.8%
Valley View	\$2.367	\$2.390	\$0.023	1.0%
West Slope Water District	\$1.892	\$1.964	\$0.072	3.8%
Tualatin Valley Water District	\$1.691	\$1.760	\$0.069	4.1%
Raleigh Water District	\$1.390	\$1.431	\$0.041	2.9%
City of Tualatin	\$1.544	\$1.659	\$0.115	7.4%
City of Sandy	\$0.907	\$0.942	\$0.035	3.9%
Wholesale average unit cost	\$1.387	\$1.456		5.0%

Customer Name	FY 2023-24	FY 2024-25	Difference
	effective 07/01/23 Ordinance Volume Costs by customer	effective 07/01/24 <b>Ordinance Volume</b> Costs by customer	
Service Area 1 Water Cos.	\$50,186	\$52,554	\$2,368
City of Gresham	\$3,600,004	\$3,877,500	\$277,496
Lusted Water District	\$128,306	\$133,660	\$5,354
Pleasant Home Water District	\$150,160	\$158,082	\$7,922
Rockwood Water PUD	\$3,763,099	\$3,917,510	\$154,411
Palatine Hill Water District	\$476,160	\$479,394	\$3,234
Burlington Water District	\$34,642	\$34,759	\$117
Lake Grove Water District	\$411,832	\$430,235	\$18,403
Valley View	\$187,623	\$188,859	\$1,236
West Slope Water District	\$1,295,822	\$1,340,986	\$45,164
Tualatin Valley Water District	\$10,889,354	\$11,294,235	\$404,881
Raleigh Water District	\$475,932	\$488,678	\$12,746
City of Tualatin	\$3,323,415	\$3,559,328	\$235,913
City of Sandy	\$221,948	\$229,763	\$7,815
<b>Wholesale only</b>	<b>\$25,008,483</b>	<b>\$26,185,543</b>	<b>\$1,177,060</b>

**Five Year Rate Forecast (per ccf)**

<b>Customer Name</b>	<b>FY 2024-25</b>	<b>FY 2025-26</b>	<b>FY 2026-27*</b>	<b>FY 2027-28 *</b>	<b>FY 2028-29 *</b>
Service Area 1 Water Cos.	\$1.539	\$1.574	\$2.356	\$2.997	\$3.550
City of Gresham	\$1.060	\$1.091	n/a	n/a	n/a
Lusted Water District	\$1.523	\$1.556	\$2.457	\$3.110	\$3.672
Pleasant Home Water District	\$1.621	\$1.650	\$2.735	\$3.534	\$4.225
Rockwood Water PUD	\$1.030	\$1.060	n/a	n/a	n/a
Palatine Hill Water District	\$2.286	\$2.337	\$3.433	\$4.204	\$4.845
Burlington Water District	\$1.296	\$1.318	\$2.875	\$3.535	\$4.086
Lake Grove Water District	\$2.940	\$3.028	\$2.384	\$2.911	\$3.356
Valley View	\$2.390	\$2.442	\$3.136	\$3.833	\$4.411
West Slope Water District	\$1.964	\$1.995	\$2.668	\$3.230	\$3.696
Tualatin Valley Water District	\$1.760	\$1.788	n/a	n/a	n/a
Raleigh Water District	\$1.431	\$1.460	\$2.817	\$3.423	\$3.926
City of Tualatin	\$1.659	\$1.686	\$2.772	\$3.401	\$3.932
City of Sandy	\$0.942	\$0.965	\$1.121	\$2.199	\$2.546

\* Rates are calculated based on the new water sales agreement

TABLE B

Five Year Rate Forecast (per ccf)

Customer Name	FY 2024-25	FY 2025-26	FY 2026-27*	FY 2027-28 *	FY 2028-29 *	FY 2029-30 *	FY 2030-31 *	FY 2031-32 *	FY 2032-33 *	FY 2033-34 *
Service Area 1 Water Cos.	\$1.539	\$1.574	\$2.356	\$2.997	\$3.550	\$6.379	\$6.571	\$6.674	\$6.775	\$6.897
City of Gresham	\$1.060	\$1.091	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Lusted Water District	\$1.523	\$1.556	\$2.457	\$3.110	\$3.672	\$6.549	\$6.745	\$6.853	\$6.958	\$7.086
Pleasant Home Water District	\$1.621	\$1.650	\$2.735	\$3.534	\$4.225	\$7.133	\$7.336	\$7.433	\$7.528	\$7.644
Rockwood Water PUD	\$1.030	\$1.060	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Palatine Hill Water District	\$2.286	\$2.337	\$3.433	\$4.204	\$4.845	\$8.075	\$8.354	\$8.576	\$8.715	\$8.881
Burlington Water District	\$1.296	\$1.318	\$2.875	\$3.535	\$4.086	\$6.840	\$7.079	\$7.270	\$7.388	\$7.530
Lake Grove Water District	\$2.940	\$3.028	\$2.384	\$2.911	\$3.356	\$5.198	\$5.379	\$5.519	\$5.609	\$5.722
Valley View	\$2.390	\$2.442	\$3.136	\$3.833	\$4.411	\$7.322	\$7.577	\$7.782	\$7.910	\$8.065
West Slope Water District	\$1.964	\$1.995	\$2.668	\$3.230	\$3.696	\$6.032	\$6.243	\$6.419	\$6.533	\$6.672
Tualatin Valley Water District	\$1.760	\$1.788	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Raleigh Water District	\$1.431	\$1.460	\$2.817	\$3.423	\$3.926	\$6.447	\$6.672	\$6.858	\$6.976	\$7.120
City of Tualatin	\$1.659	\$1.686	\$2.772	\$3.401	\$3.932	\$6.142	\$6.354	\$6.512	\$6.613	\$6.738
City of Sandy	\$0.942	\$0.965	\$1.121	\$2.199	\$2.546	\$4.291	\$4.425	\$4.516	\$4.599	\$4.706

\* Rates are calculated based on the new water sales agreement

**Portland Water Bureau  
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**Table C**

	<b>O&amp;M Costs Allocated to Customers</b>	
	<b>Ordinance FY 2023-24</b>	<b>Ordinance FY 2024-25</b>
Total O&M budget	\$ 143,539,307	\$ 147,262,016
<b>Total O&amp;M costs in Wholesale Rates</b>	<b>\$ 15,785,067</b>	<b>\$ 16,767,086</b>

	<b>Ordinance FY 2023-24</b>	<b>Ordinance FY 2024-25</b>
Water Bureau O&M Budget	\$143,539,307	\$147,262,016
Total Portland Retail Only O&M costs	\$65,974,135	\$64,808,612
Additional costs assigned to retail to avoid exceeding the cap	0	834,037
O&M costs shared by all customers	\$77,565,172	\$82,453,404
Shared O&M costs excluded from Cap limitation	(12,961,115)	(13,785,752)
<b>NET shared O&amp;M costs</b>	<b>\$64,604,057</b>	<b>\$68,667,652</b>

**Calculation to set the O&M cost cap based on the Water Sales Agreement**

FY 2023-24 shared O&M costs with cap limitation	\$64,604,057
Allowable increase CPI-U plus 2%	6.29%
FY 2024-25 wholesale shared O&M costs with cap limitation	\$68,667,652
Wholesale allocable costs exceeding the cap	834,037

**FY 2024-25 - Ordinance**

**Rate Components**

<b>Customer Class</b>	<b>Return on Rate Base</b>	<b>Rate Base Depreciation Expense</b>	<b>OM Allocation</b>	<b>Return On Working Capital</b>	<b>System Rev Offset</b>	<b>Studies / Wholesale Meter</b>	<b>surcharge Misc</b>	<b>Total</b>
Service Area 1 Water Cos.	\$7,948	\$8,832	\$34,861	\$69	(\$42)	\$887	\$0	\$52,555
City of Gresham	\$528,985	\$578,924	\$2,709,939	\$4,560	(\$4,549)	\$59,642	\$0	\$3,877,501
Lusted Water District	\$20,187	\$22,443	\$88,666	\$174	(\$108)	\$2,298	\$0	\$133,660
Pleasant Home Water District	\$29,134	\$25,531	\$100,687	\$318	(\$120)	\$2,532	\$0	\$158,082
Rockwood Water PUD	\$558,057	\$590,867	\$2,708,213	\$4,811	(\$4,981)	\$60,542	\$0	\$3,917,509
Palatine Hill Water District	\$104,998	\$88,827	\$278,602	\$905	(\$387)	\$6,449	\$0	\$479,394
Burlington Water District	\$7,736	\$6,561	\$19,867	\$67	(\$48)	\$577	\$0	\$34,760
Lake Grove Water District	\$122,265	\$77,331	\$225,757	\$1,336	(\$540)	\$4,086	\$0	\$430,235
Valley View	\$39,573	\$34,035	\$112,520	\$341	(\$157)	\$2,547	\$0	\$188,859
West Slope Water District	\$281,761	\$237,387	\$803,263	\$2,429	(\$1,375)	\$17,520	\$0	\$1,340,985
Tualatin Valley Water District	\$2,318,172	\$1,811,620	\$6,983,797	\$25,329	(\$8,951)	\$164,268	\$0	\$11,294,235
Raleigh Water District	\$80,941	\$80,562	\$318,825	\$698	(\$475)	\$8,127	\$0	\$488,678
City of Tualatin	\$718,675	\$562,379	\$2,220,083	\$7,852	(\$2,984)	\$53,322	\$0	\$3,559,327
City of Sandy	\$32,437	\$30,758	\$162,006	\$280	(\$177)	\$4,459	\$0	\$229,763
<b>Total</b>	<b>\$4,850,869</b>	<b>\$4,156,057</b>	<b>\$16,767,086</b>	<b>\$49,169</b>	<b>(\$24,894)</b>	<b>\$387,256</b>	<b>\$0</b>	<b>\$26,185,543</b>

**FY 2023-24 - Ordinance**

**Rate Components**

<b>Customer Class</b>	<b>Return on Rate Base</b>	<b>Rate Base Depreciation Expense</b>	<b>OM Allocation</b>	<b>Return On Working Capital</b>	<b>System Rev Offset</b>	<b>Studies / Wholesale Meter</b>	<b>surcharge Misc</b>	<b>Total</b>
Service Area 1 Water Cos.	\$7,977	\$8,622	\$32,857	\$66	(\$39)	\$703	\$0	\$50,186
City of Gresham	\$518,524	\$560,984	\$2,468,183	\$4,318	(\$4,282)	\$52,277	\$0	\$3,600,004
Lusted Water District	\$20,449	\$22,119	\$83,860	\$170	(\$101)	\$1,810	\$0	\$128,307
Pleasant Home Water District	\$28,681	\$24,691	\$94,577	\$300	(\$112)	\$2,025	\$0	\$150,162
Rockwood Water PUD	\$565,433	\$587,938	\$2,556,054	\$4,709	(\$4,696)	\$53,661	\$0	\$3,763,099
Palatine Hill Water District	\$112,385	\$90,467	\$267,513	\$936	(\$373)	\$5,232	\$0	\$476,160
Burlington Water District	\$8,412	\$6,734	\$18,956	\$70	(\$47)	\$517	\$0	\$34,642
Lake Grove Water District	\$121,605	\$75,530	\$211,169	\$1,270	(\$509)	\$2,766	\$0	\$411,831
	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Valley View	\$41,925	\$34,261	\$109,066	\$349	(\$152)	\$2,174	\$0	\$187,623
West Slope Water District	\$281,793	\$228,412	\$769,163	\$2,347	(\$1,287)	\$15,395	\$0	\$1,295,823
Tualatin Valley Water District	\$2,339,410	\$1,787,476	\$6,612,673	\$24,438	(\$8,486)	\$133,840	\$0	\$10,889,351
Raleigh Water District	\$76,869	\$81,415	\$310,905	\$640	(\$410)	\$6,513	\$0	\$475,932
City of Tualatin	\$641,391	\$539,409	\$2,096,243	\$6,700	(\$2,578)	\$42,250	\$0	\$3,323,415
City of Sandy	\$33,089	\$31,293	\$153,847	\$276	(\$171)	\$3,614	\$0	\$221,948
<b>Total</b>	<b>\$4,797,944</b>	<b>\$4,079,351</b>	<b>\$15,785,067</b>	<b>\$46,588</b>	<b>(\$184,587)</b>	<b>\$322,777</b>	<b>\$0</b>	<b>\$25,008,483</b>





Portland Water Bureau  
Water Managers Advisory Board  
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Table F

City of Portland - Wholesale Rate Model  
Customer Demand and Peaking Factors

Customer Name	Average-Day Demand (MGD)		Peak Season Factor		Daily Peak Factor	
	FY 2023-24	FY 2024-25	FY 2023-24	FY 2024-25	FY 2023-24	FY 2024-25
Service Area 1 Water Cos. *	0.070	0.070	1.34	1.34	1.84	1.87
City of Gresham	7.500	7.500	0.89	0.94	0.96	0.96
Lusted Water District	0.180	0.180	1.32	1.32	1.85	1.85
Pleasant Home Water District	0.200	0.200	1.36	1.36	1.83	1.89
Rockwood Water PUD	7.800	7.800	0.89	0.88	0.93	0.93
Palatine Hill Water District	0.430	0.430	1.76	1.76	2.40	2.30
Burlington Water District	0.055	0.055	0.71	0.71	1.58	1.51
Lake Grove Water District	0.300	0.300	1.08	1.09	1.38	1.38
Valley View	0.162	0.162	1.75	1.72	2.20	2.15
West Slope Water District	1.400	1.400	1.35	1.35	1.70	1.70
Tualatin Valley Water District	13.160	13.160	1.45	1.45	1.85	1.85
Raleigh Water District	0.700	0.700	1.23	1.19	1.66	1.55
City of Tualatin	4.400	4.400	1.38	1.38	1.69	1.69
City of Sandy	0.500	0.500	1.03	1.03	1.32	1.33
City of Portland						
	36.857	36.857				
TOTAL Wholesale Demand (CCF)	18,034,306	17,985,033				
Retail Demand (including Groundwater) (CCF)	23,555,106	23,496,219				