

HOPEWELL BOROUGH PUBLIC WATER ALLIANCE (HBPWA)

Alternative Water Delivery Proposal October 5, 2025 SUMMARY

Hopewell Calvary Baptist Church
4-6 PM

OUR GOALS

Develop an alternative GOVERNANCE for our Public Water System

- Manage and maintain a public self-reliant water system
- Establish a Municipal Utility Authority (in part funded by a Trust) to:
 - Reduce/stabilize water rates
 - Support small business & residents via subsidies
 - Employ best practices to repair, maintain, and improve water infrastructure
 - Retire outstanding debt by 2055 and build reserves for future infrastructure needs

TRUST & MUA STRUCTURE

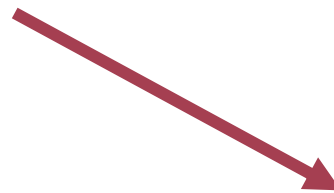
- Trust raises monies by charitable contributions
- Trust disburses funds to MUA for debt service
- Trust subsidizes small businesses and individuals in need
- 15-year term, renewable
- MUA: independent Borough entity with expert governance
- MUA Member Board appointed by Borough (5 Members, staggered)

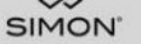
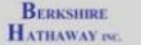
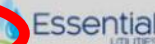
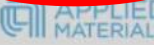
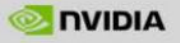
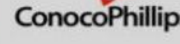
FUNDING SOURCES

- Residential contributions (~\$1.5M over 15 yrs)
- Local corporate & philanthropic donors (~\$2M over 15 yrs)
- Foundations & larger benefactors (~\$5M over 15 yrs)
- Top-Level One-Time benefactors (~\$3–7M over 15 yrs)
- Potential total: \$11.5–15.5M
- If 50% received: \$6-8M

U.S. industries with the highest profit margins

WATER
UTILITIES
MAKE LOTS
OF MONEY !



Industry Name	Average Net Margin	No. of Publicly-Traded U.S. firms	Example Companies
Tobacco 	32.0%	12	 Altria 
Entertainment Software 	27.4%	81	 Alphabet 
Retail REITs 	25.5%	28	 KIMCO 
Diversified 	25.2%	21	 Honeywell 
Rail Transportation 	24.3%	4	 Norfolk Southern 
System & App Software 	22.9%	333	 Oracle 
Financial Services Excludes banking 	22.3%	168	 Mastercard 
Water Utilities 	21.3%	15	 Essential Utilities 
Semiconductor Equipment 	20.1%	30	 Lam Research 
Semiconductor 	20.0%	63	 Broadcom 
Oil & Gas Production Includes exploration 	19.5%	147	 Diamondback Energy 
Asset Management 	17.6%	231	 Blackstone 
Computers & Peripherals 	16.8%	35	 Dell Technologies 
Oil & Gas Distribution 	16.2%	24	 Kinder Morgan 
General Utilities 	15.5%	14	 Dominion Energy 

AMERICAN WATER (TICKER: AWK) FINANCIALS

2024 AWK Total

Revenue Consolidated	4.684 Bn
Revenue Regulated Business	4.296 Bn
Other non-regulated Business	388 m

Net Income Consolidated	1.051 Bn
Net Income % Consolidated	22.44%
Net Income Regulated Business	1.065 Bn
Net Income % Regulated Business	24.79%

AWK is a very profitable company
(industry AVG = 21.3%)

2024 New Jersey (Regulated Business only)

Revenue Total	1,051 Bn (22.4%)
Revenue Water Business	990 m
Revenue Wastewater Business	61 m

Net Income estimate (water)	260 m
Net Income % estimate (water)	24.79%

Number of Customers (water)	672,000
Revenue per Customer (water) \$	1,473

Source: AWK Annual report 2024

FUTURE WATER RATES (AWK)

- Although it is difficult to project the ultimate costs of complying with current regulations or other pending or future requirements, the Company expects current cost requirements under the Safe Drinking Water Act and other similar laws to be **recoverable** through the regulatory process and therefore compliance costs are not expected to have a material impact on its operations or financial condition.
- In addition, capital expenditures and operating costs to comply with environmental mandates have been traditionally recognized by PUCs as appropriate for inclusion in establishing rates.
- As a result, the Company expects to recover the operating and capital costs resulting from these pending or future requirements.

**All capital improvement expenditures made anywhere within NJ
are PASSED ON TO ALL CUSTOMERS**

Source: AWK Annual report 2024

RATE INCREASES APPROVED IN 2024 (AWK)

Regulatory Matters

General Rate Cases

The table below summarizes the annualized incremental revenues, assuming a constant sales volume and customer count, resulting from general rate case authorizations that became effective during 2024. The amounts include reductions for the amortization of the excess accumulated deferred income taxes (“EADIT”) that are generally offset in income tax expense.

(In millions)	Effective Date	Amount
General rate cases by state:		
Kentucky	(a)	\$ 17
New Jersey	September 15, 2024	80
Pennsylvania	August 7, 2024	99
Indiana, Step Increases	(b)	48
West Virginia	February 25, 2024	18
California	January 1, 2024	21
Total general rate case authorizations		\$ 283

- (a) In 2024, \$6 million was effective November 6 and \$11 million was effective May 3.
(b) In 2024, \$23 million was effective May 10 and \$25 million was effective February 21.

The table below summarizes the annualized incremental revenues, assuming a constant sales volume and customer count, resulting from general rate case authorizations that became effective on or after January 1, 2025. The amounts include reductions for the amortization of EADIT that are generally offset in income tax expense.

(In millions)	Effective Date	Amount
General rate cases by state:		
Tennessee	January 21, 2025	\$ 1
Illinois	January 1, 2025	105
Total general rate case authorizations		\$ 106

Infrastructure Surcharges

A number of states have authorized the use of regulatory mechanisms that permit rates to be adjusted outside of a general rate case for certain costs and investments, such as infrastructure surcharge mechanisms that permit recovery of capital investments to replace aging infrastructure. Presented in the table below are annualized incremental revenues, assuming a constant sales volume and customer count, resulting from infrastructure surcharge authorizations that became effective during 2024:

(In millions)	Effective Date	Amount
Infrastructure surcharges by state:		
Missouri	(b)	\$ 47
Pennsylvania	(c)	21
New Jersey	April 30, 2024	9
Iowa	March 1, 2024	1
West Virginia (a)	March 1, 2024	7
Illinois	January 1, 2024	5
Total infrastructure surcharge authorizations		\$ 90

- (a) On March 5, 2024, the WVPSC directed the Company’s West Virginia subsidiary to interpret the distribution system improvement charge (“DSIC”) Order as having included within the DSIC the three-year amortization of a prior authorized deferral associated with a large treatment plant project. The inclusion of this deferral increased the net incremental revenue by \$0.7 million to a total of \$6.6 million effective March 1, 2024.
(b) In 2024, \$21 million was effective July 11 and \$26 million was effective January 20.
(c) In 2024, \$14 million was effective July 1 and \$7 million was effective April 1.

2024 ACTUAL RATE INCREASES APPROVED IN NJ

Total Increase % on Water **~ 7.1%**

Total Increase % **~ 8.5%**

AWK Revenue (NJ Water) **990 million**

AWK increase on water **~70 million**

AWK NJ Water & Wastewater Revenue **1,051 million**

AWK NJ General Rate Increase **80 million**

AWK NJ Infrastructure Surcharge **9 million**

AWK NJ Total Increase **89 million**

Source: AWK Annual report 2024

RATE INCREASES APPROVED IN 2025 (AWK)

General Rate Cases

The table below summarizes the annualized incremental revenues, assuming a constant sales volume and customer count, resulting from general rate case authorizations that are effective during 2025. The amounts include reductions for the amortization of the excess accumulated deferred income taxes (“EADIT”) that are generally offset in income tax expense.

	Effective Date	Amount
General rate cases by state:		
Hawaii	August 2025 (a)	\$ 1
Iowa	August 1, 2025 (b)	13
Missouri	May 28, 2025	63
Indiana, Step Increase	May 14, 2025	17
Virginia	February 24, 2025 (c)	15
Tennessee	January 21, 2025	1
Illinois	January 1, 2025	105
California, Step Increase	January 1, 2025	17
Total general rate case authorizations		<u>\$ 232</u>

- (a) New rates are expected to be effective in early August 2025, upon filing the revised tariff sheets and rate schedules.
- (b) Interim rates of \$5 million were effective May 11, 2024. The Iowa Utilities Commission issued its final order on May 21, 2025.
- (c) Interim rates were effective May 1, 2024, and the difference between interim and final approved rates were subject to refund. The Virginia State Corporation Commission issued its final order on February 24, 2025.

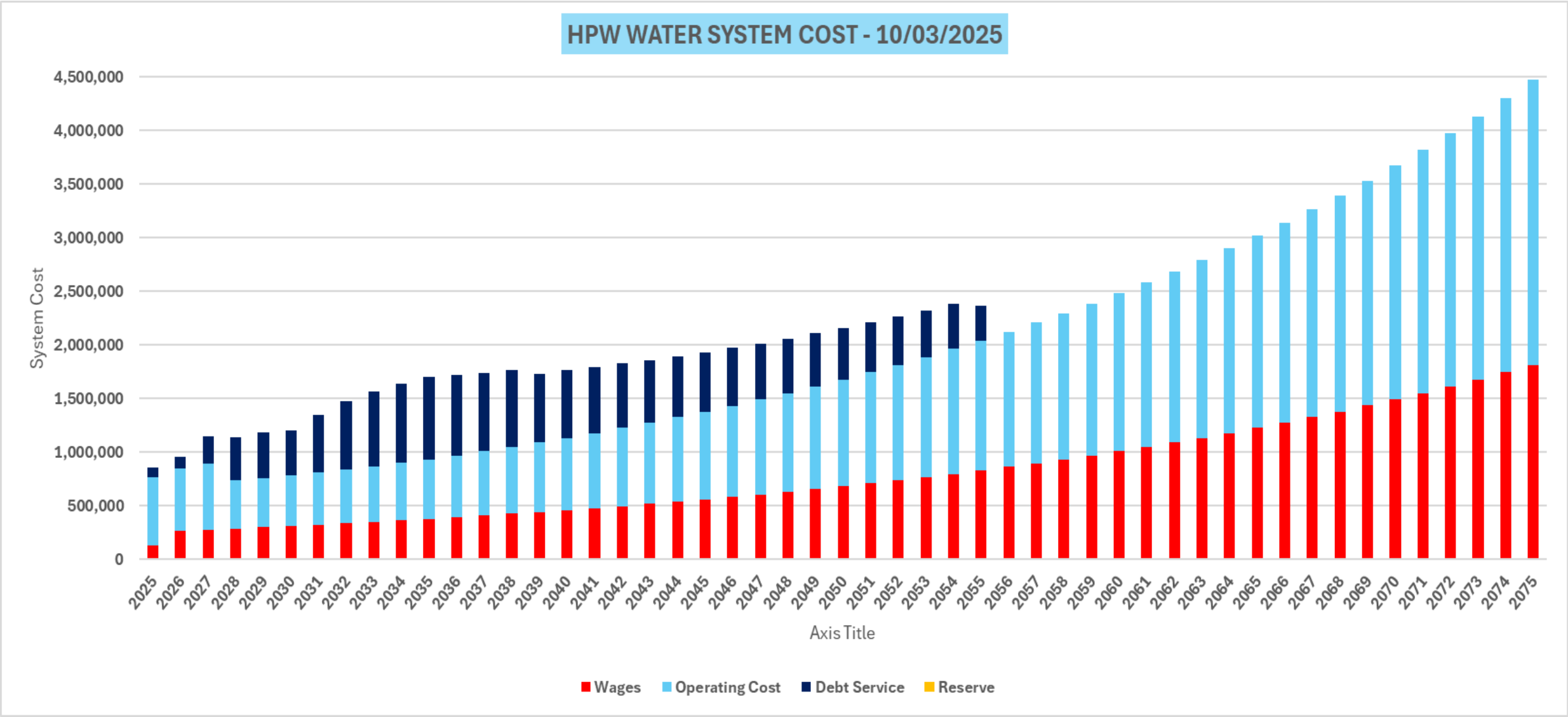
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	Effective Date	Amount
Infrastructure surcharges by state:		
New Jersey	May 30, 2025	\$ 15
Missouri	February 7, 2025	17
Kentucky	January 1, 2025	2
West Virginia	January 1, 2025	4
Total infrastructure surcharge authorizations		<u>\$ 38</u>

THE FINE PRINT																			
	no principal forgiveness						RESERVE								35,697.51		2,421,818.30		4,481,344.98
	Year						2025	2026	2029	2030	2035	2040	2041	2045	2050	2055	2060	2065	2070
	Wages			3.0%	2.5%		130,000	180,000	196,691	202,592	229,214	259,334	198,000	218,555	247,275	279,769	316,533	358,128	405,189
								38.46%	3.00%	3.00%	2.50%	2.50%	-23.65%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
	Operating Cost			3.0%	2.5%		633,000	582,000	463,500	477,405	540,140	611,119	626,397	691,425	782,284	885,082	1,001,389	1,132,980	1,281,863
								-8.06%	3.00%	3.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
	Debt Service						98,000	162,241	395,986	419,901	548,548	651,742	636,195	678,937	587,600	496,264	0	0	0
								65.55%	6.66%	6.04%	4.75%	1.60%	-2.39%	-2.62%	-3.02%	-3.55%	0.00%	0.00%	0.00%
	Reserve						125,875	62,633						35,698	220,943	418,530	441,524	499,544	565,189
	TOTAL SYSTEM COST						986,875	986,875	1,056,177	1,099,898	1,317,902	1,522,195	1,460,591	1,624,615	1,838,102	2,079,644	1,759,446	1,990,652	2,252,241
								0.00%	4.34%	4.14%	3.43%	2.11%	-4.05%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
HPW	HPW AVG WATER COST	876					1,127	1,127	1,206	1,256	1,504	1,738	1,667	1,855	2,098	2,374	2,009	2,272	2,571
HPW	Revenue						986,875	986,875	1,056,177	1,099,898	1,317,902	1,522,195	1,460,591	1,624,615	1,838,102	2,079,644	1,759,446	1,990,652	2,252,241
	Annual incease %							0.00%	4.34%	4.14%	3.43%	2.11%	-4.05%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
NJAW	NJAW AVG WATER COST	876		5.1%	5.1%		753	792	919	966	1,239	1,589	1,670	2,007	2,383	2,830	3,362	3,993	4,742
NJAW	Revenue				3.5%		660,040	693,702	805,343	846,416	1,085,419	1,391,909	1,462,896	1,757,770	2,087,679	2,479,508	2,944,878	3,497,591	4,154,041
	Annual incease %							5.10%	5.10%	5.10%	5.10%	5.10%	5.10%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
	Difference HPW vs AWK (per quarter)						93	84	72	72	66	37	(1)	(38)	(71)	(114)	(338)	(430)	(543)
	Difference HPW vs AWK (per annum)						373	335	286	289	265	149	(3)	(152)	(285)	(456)	(1,353)	(1,720)	(2,171)
	Annual difference total				3,442,374		326,835	293,173	250,834	253,482	232,484	130,286	(2,305)	(133,155)	(249,577)	(399,864)	(1,185,431)	(1,506,939)	(1,901,800)
			10,773,939				-	1	4	5	10	15	16	20	25	30	35	40	45
	Total Debt Beginning						553,000	474,261	4,074,570	4,345,841	5,747,022	7,040,207	7,152,688	5,358,429	2,922,779	487,130	0	0	0
	New Debt		10,773,939	5,010,000	5,763,939			1,400,000	500,000	505,000	590,000	488,939							
	Debt Forgiveness		-		0%			-	-	-	-	-	-	-	-	-	-	-	-
	Total Debt						553,000	1,874,261	4,574,570	4,850,841	6,337,022	7,529,146	7,152,688	5,358,429	2,922,779	487,130	0	0	0
	Debt Paydown	5.00%	11,326,939				78,739	93,713	228,728	242,542	316,851	376,457	375,000	487,130	487,130	487,130	-	-	-
	Total Debt End						474,261	1,780,548	4,345,841	4,608,299	6,020,171	7,152,688	6,777,688	4,871,299	2,435,650	0	0	0	0
	Total Interest	3.75%	5,064,711				19,261	68,528	167,258	177,359	231,697	275,284	261,195	191,807	100,471	9,134	0	0	0
	Total Debt Service		16,391,650				98,000	162,241	395,986	419,901	548,548	651,742	636,195	678,937	587,600	496,264	0	0	0

HPW BOROUGH (COUNCIL PROJECTIONS)



Source: HPW BORO OCT (REV) Presentation deck

A DIFFERENT APPROACH

- The Hopewell Borough public water system is a very valuable community asset that we still fully control
- It takes community effort and investment to keep our water system in tiptop condition
- Water distribution infrastructure has a very long service life (50-75 years, and more), so making informed decisions about the system needs to be done with a long-term view
- There is no such thing as a 'free lunch': Any capital for infrastructure improvements (Borough or NJAW) will be passed onto us via rate increases and infrastructure surcharges
- Yes, during the 'investment phase' (15 years) our water rates will be higher for the >5,000G user, but....
 - By 2041-2050 NJAW rates across all tiers will be more expensive vs Borough
 - By 2045 we will start building a Reserve fund, which will grow to \$2.4m by 2055
 - By 2055 the Borough water system will be completely FREE of debt

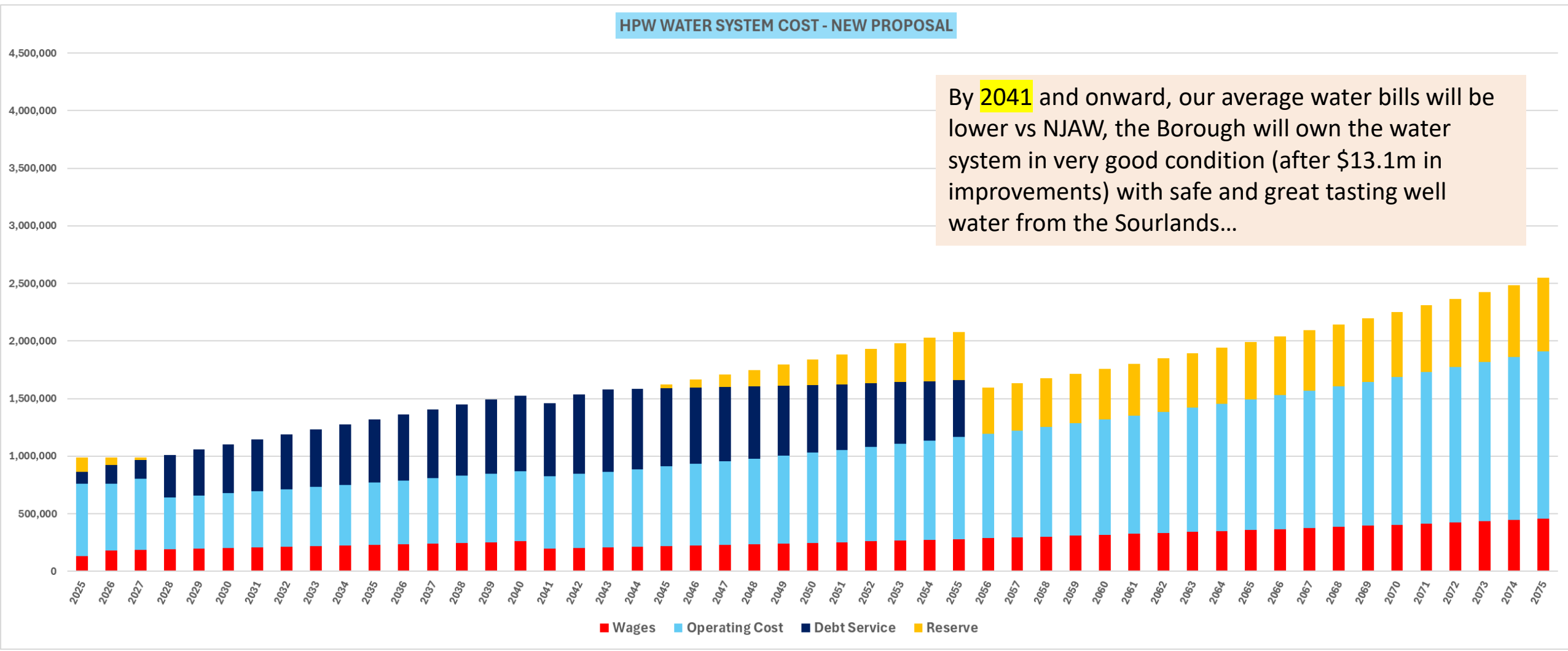
MODIFIED ASSUMPTIONS

- Adjusted timing of capital expenditures, and spread them out over 15 years
- Paydown of debt at least 5% of total outstanding debt. All debt paid down by 2055
- Adjusted inflation %
 - 3% until 2030
 - 2.5% from 2031-2075
- Wages adjusted
 - 1 headcount
 - 50K/year for consultants, engineering, legal, etc. Until all capital improvements are completed (in 15 years)
- Operating expenses
 - Eliminate \$270K NJAW water purchases by 2028
 - \$106K additional operating expenses for wells #4 & #6 after implementation of Grant for treatment systems

HPW BOROUGH (HBPWA PROJECTIONS)

HPW WATER SYSTEM COST - NEW PROPOSAL

By 2041 and onward, our average water bills will be lower vs NJAW, the Borough will own the water system in very good condition (after \$13.1m in improvements) with safe and great tasting well water from the Sourlands...



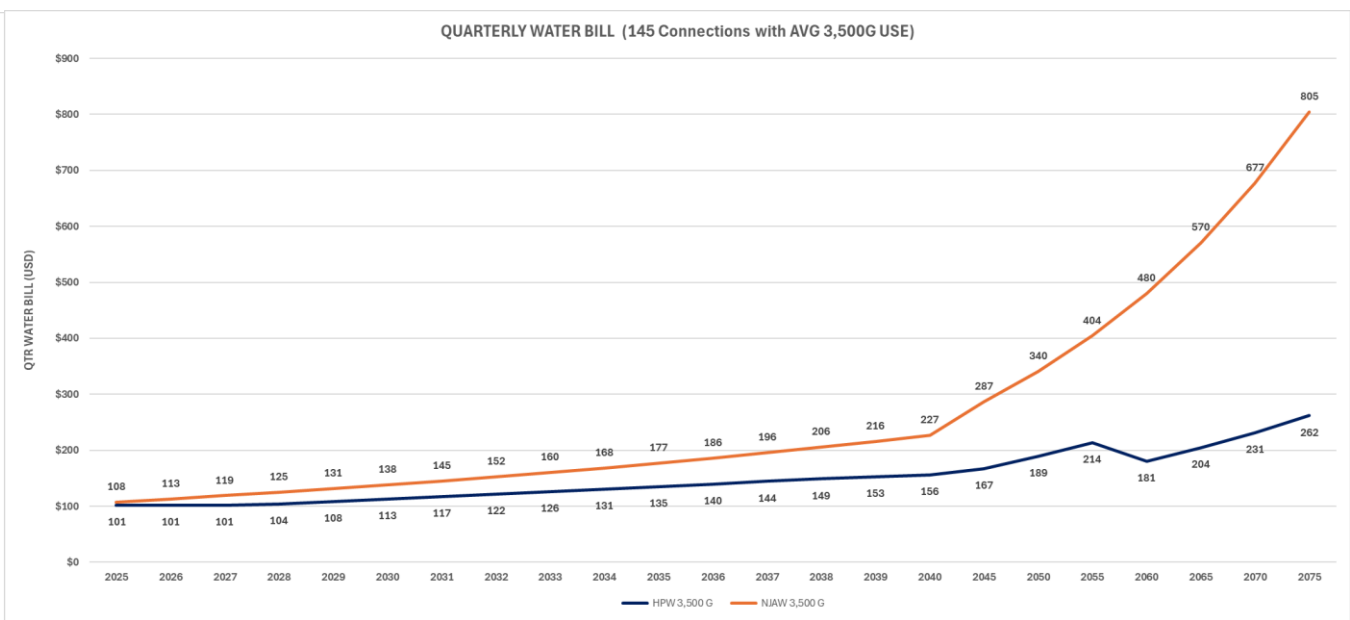
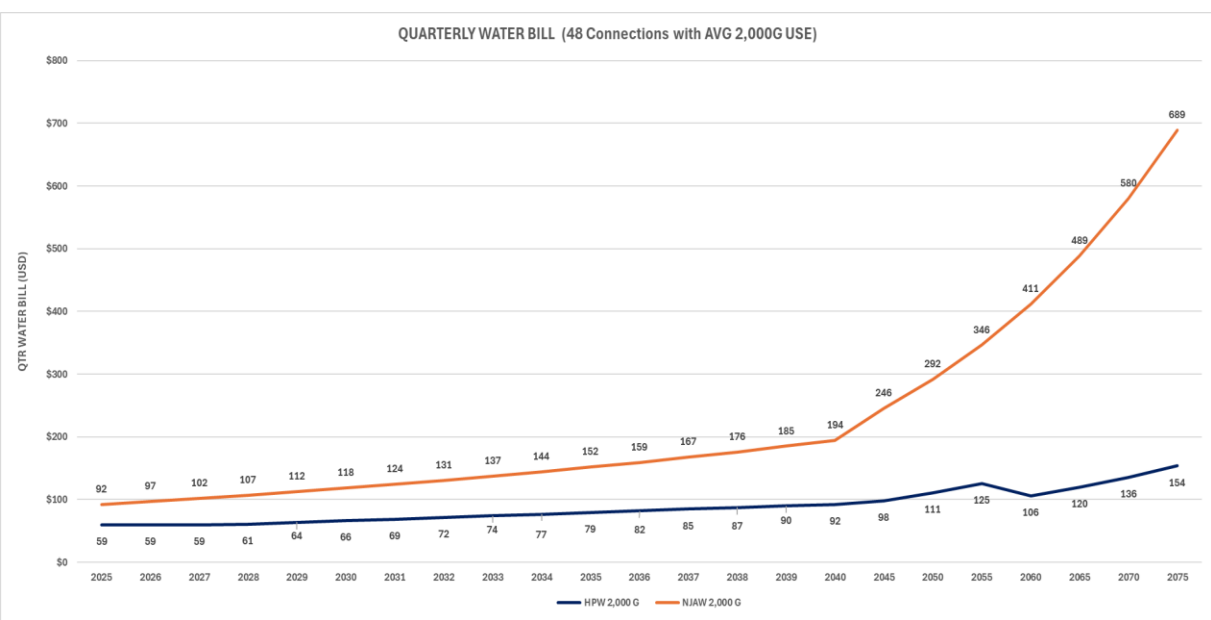
NJAW HITS SMALL VOLUME USERS WITH MUCH HIGHER WATER RATES

NJAW (per Quarter)

Hopewell Borough (per Quarter)

	2025	2035
2,000G user (48)	\$ 92	\$ 152
3,500G user (148)	\$ 108	\$ 177

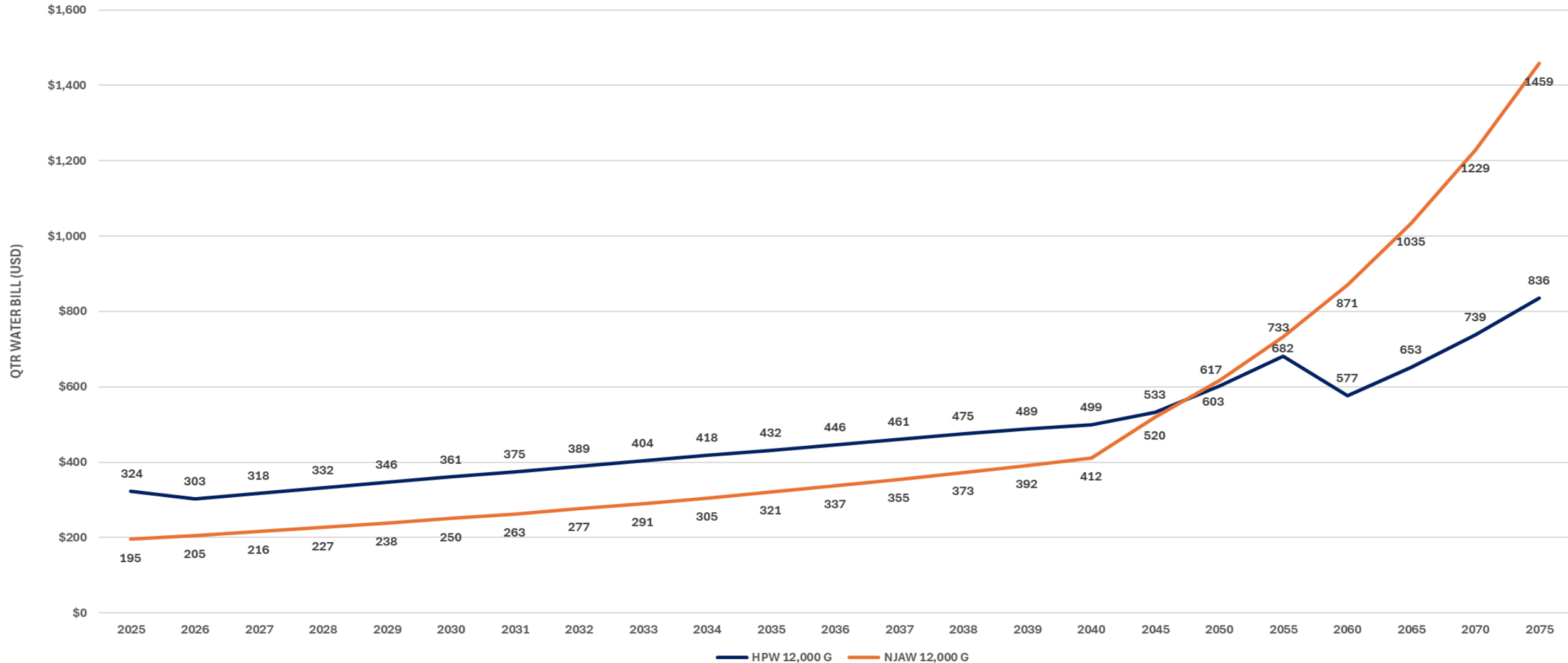
	2025	2035
2,000G user (48)	\$ 59	\$ 79
3,500G user (148)	\$ 101	\$ 135



Source: HPW BORO OCT REV Presentation deck and other sources

AVG 12,000 GALLON USER

QUARTERLY WATER BILL (234 Connections with AVG 12,000G USE)



Source: HPW BORO OCT REV Presentation deck and other sources

CONCLUSION

- Our water system is currently in full compliance...but we need to resolve upcoming deadlines to continue to keep our system in full compliance (including new unknown future requirements)
- After implementation of improvements to Well #4 & #6 (using \$2.34m grant), our system will continue to be in full compliance and saving at least \$270K annually in water purchases from NJAW. That is \$2.7m over 10 years going towards funding other future capital improvements
- We need to make capital improvements by 2031 to comply with replacements of lead lines and other legally mandated requirements (4.8-5.0m)
- By the end of 2040 the average water bill from NJAW will be higher than the average water bill from Hopewell Borough, and the difference will continue to grow indefinitely
- By 2055 our system will be debt free, with a reserve of \$2.4m. Thereafter the reserve will grow each decade so we will have the funds to implement future capital improvements in 40-50 years from now, without additional rate increases
- **VOTE NO**, and keep control over our water system. We as a community own it, we need to take care of it, invest in it responsibly, and keep it out of the hands of a for profit company. **A sale is final and irreversible**

ACTION PLAN AFTER 'NO' VOTE

Continue to provide

Safe Water

to our Community

- Immediately execute **\$2.34m** grant,
 - begin planning / engineering / contracting the work to
 - install filter system on well #4
 - bring well #6 back online
- Eliminate **\$270,000** annual water purchases from NJAW
- Immediately start working on Year 1-4 of infrastructure improvements and execute the plan (Broad St main replacement, etc.)

VOTE NO !