

Three Rate Design Options were Evaluated

Option	Fixed Fee Design	Volumetric Fee Design	Rationale
1	No change	No change	Existing rate structure is working and understood Low fixed cost recovery
2	Increase by meter size	No change	Increase fixed cost recovery and equity for larger meters
3	Increase by meter size	Residential 2-block design	Increase fixed cost recovery and equity for larger meters Provide basic level of residential water use at a more affordable price

Proposed Rate Design Options

Line No.	Inside Village Rates	Proposed 2026			
		Existing 2025	Across the Board Option 1	Fixed Fee by Meter Size Option 2	Fixed Fee by Meter Size plus 2 Tier Residential Block Rates Option 3
1	Proposed 2026 Rate Adjustment		7.75%	7.75%	7.75%
Service Charge (\$/bill)					
2	5/8 & 3/4	\$3.66	\$3.94	\$3.94	\$3.94
3	1	\$3.66	\$3.94	\$5.52	\$5.52
4	1.5	\$3.66	\$3.94	\$7.09	\$7.09
5	2	\$3.66	\$3.94	\$11.43	\$11.43
6	3	\$3.66	\$3.94	\$43.34	\$43.34
7	4	\$3.66	\$3.94	\$55.16	\$55.16
8	6	\$3.66	\$3.94	\$82.74	\$82.74
Volume Charge \$/1,000 Gal.					
<u>Residential</u>					
9	Tier 1 up to 2,000 Gal.	\$10.97	\$11.82	\$11.74	\$11.34
10	Tier 2 over 2,000 Gal.	\$10.97	\$11.82	\$11.74	\$11.91
<u>Non-Residential</u>					
11	All Usage (\$/1,000 Gal.)	\$10.97	\$11.82	\$11.74	\$11.91

Notes:

Outside Village rates are 1.5x Inside Village rates

Schools and Churches receive 25% discount from Inside Village rates

- ▶ All three options generate 7.75% increase in revenue
- ▶ Option 1 – everyone will have the same % increase on their bill
- ▶ Option 2 – compared to Option 1, improves fixed cost recovery and equity, and less impactful to residential bills
- ▶ Option 3 – same fixed cost recovery as Option 2, and improves residential affordability for most households

2026 Residential Bill Impacts

Monthly Billed Volume 1,000 Gal	Percent of Bills	Monthly Residential Water Bill			
		Existing	Across the Board	Fixed Fee by Meter Size	Fixed Fee by Meter Size plus 2 Tier Residential Block Rates
		2025	Option 1	Option 2	Option 3
0	6%	\$3.66	\$3.94	\$3.94	\$3.94
1	11%	\$14.63	\$15.76	\$15.68	\$15.28
2	17%	\$25.60	\$27.58	\$27.42	\$26.62
3	19%	\$36.57	\$39.40	\$39.16	\$38.53
4	16%	\$47.54	\$51.22	\$50.90	\$50.43
5	11%	\$58.51	\$63.04	\$62.64	\$62.34
6	7%	\$69.48	\$74.86	\$74.38	\$74.25
7	4%	\$80.45	\$86.68	\$86.12	\$86.16
8	3%	\$91.42	\$98.50	\$97.86	\$98.06
9	2%	\$102.39	\$110.32	\$109.60	\$109.97
10	1%	\$113.36	\$122.14	\$121.34	\$121.88
200	0%	\$2,197.66	\$2,367.94	\$2,351.94	\$2,384.21

- ▶ These are total residential bills by usage amount
- ▶ Residential user characteristics
 - 70% use 4,000 gallons or less per month
 - 97% use 10,000 gallons or less per month
- ▶ On the surface, not a lot of difference between the three options in terms of total bill

2026 Residential Bill Impacts (continued)

Monthly Billed Volume 1,000 Gal	Percent of Bills	Change vs Existing Rates			Change vs Existing Rates		
		Across the Board	Fixed Fee by Meter Size	Fixed Fee by Meter Size plus 2 Tier Residential Block Rates	Across the Board	Fixed Fee by Meter Size	Fixed Fee by Meter Size plus 2 Tier Residential Block Rates
		Option 1	Option 2	Option 3	Option 1	Option 2	Option 3
0	6%	\$0.28	\$0.28	\$0.28	7.7%	7.7%	7.7%
1	11%	\$1.13	\$1.05	\$0.65	7.7%	7.2%	4.4%
2	17%	\$1.98	\$1.82	\$1.02	7.7%	7.1%	4.0%
3	19%	\$2.83	\$2.59	\$1.96	7.7%	7.1%	5.4%
4	16%	\$3.68	\$3.36	\$2.89	7.7%	7.1%	6.1%
5	11%	\$4.53	\$4.13	\$3.83	7.7%	7.1%	6.5%
6	7%	\$5.38	\$4.90	\$4.77	7.7%	7.1%	6.9%
7	4%	\$6.23	\$5.67	\$5.71	7.7%	7.0%	7.1%
8	3%	\$7.08	\$6.44	\$6.64	7.7%	7.0%	7.3%
9	2%	\$7.93	\$7.21	\$7.58	7.7%	7.0%	7.4%
10	1%	\$8.78	\$7.98	\$8.52	7.7%	7.0%	7.5%
200	0%	\$170.28	\$154.28	\$186.55	7.7%	7.0%	8.5%

Option 1: All ratepayers have same % increase

Option 2: Generally lower increase with higher fixed fee

Option 3: Users with 1,000 to 6,000 gallons will see benefit of lower first tier volume rate; higher volume users will see more increase

2026 Non-Residential Bill Impacts

Meter Size		Monthly Billed Volume 1,000 Gal	Monthly Water Bill			
			Existing 2025	Across the Board Option 1	Fixed Fee by Meter Size Option 2	Fixed Fee by Meter Size plus 2 Tier Residential Block Rates Option 3
Multi-Family						
5/8	3	\$36.57	\$39.40	\$39.16	\$39.66	
1.5	35	\$387.61	\$417.64	\$417.99	\$423.84	
Commercial						
5/8	31	\$36.57	\$39.40	\$39.16	\$39.66	
4	250	\$2,746.16	\$2,958.94	\$2,990.16	\$3,031.91	
Restaurant						
1.5	50	\$552.16	\$594.94	\$594.09	\$602.44	
2	70	\$771.56	\$831.34	\$833.23	\$844.92	
Brewery						
2	20	\$223.06	\$240.34	\$246.23	\$249.57	
Industrial						
2	12	\$135.30	\$145.78	\$152.31	\$154.31	
3	80	\$881.26	\$949.54	\$982.54	\$995.90	

- ▶ More diversity in types of users
 - Wider variety of meter sizes
 - Wider range of usage
 - Examples here are frequent meter sizes with average use
- ▶ Compared to residential, these customers have larger meters and more usage per meter

2026 Non-Residential Bill Impacts (continued)

Meter Size	Monthly Billed Volume 1,000 Gal	Change vs Existing Rates			Change vs Existing Rates		
		Across the Board	Fixed Fee by Meter Size	Fixed Fee by Meter Size plus 2 Tier Residential Block Rates	Across the Board	Fixed Fee by Meter Size	Fixed Fee by Meter Size plus 2 Tier Residential Block Rates
		Option 1	Option 2	Option 3	Option 1	Option 2	Option 3
Multi-Family							
5/8	3	\$2.83	\$2.59	\$3.09	7.7%	7.1%	8.5%
1.5	35	\$30.03	\$30.38	\$36.22	7.7%	7.8%	9.3%
Commercial							
5/8	31	\$2.83	\$2.59	\$3.09	7.7%	7.1%	8.5%
4	250	\$212.78	\$244.00	\$285.75	7.7%	8.9%	10.4%
Restaurant							
1.5	50	\$42.78	\$41.93	\$50.28	7.7%	7.6%	9.1%
2	70	\$59.78	\$61.67	\$73.36	7.7%	8.0%	9.5%
Brewery							
2	20	\$17.28	\$23.17	\$26.51	7.7%	10.4%	11.9%
Industrial							
2	12	\$10.48	\$17.01	\$19.01	7.7%	12.6%	14.1%
3	80	\$68.28	\$101.28	\$114.64	7.7%	11.5%	13.0%

Option 1: All ratepayers have same % increase

Option 2: Some customers will see higher bills depending on usage

Option 3: Most non-residential customers will see more of an increase

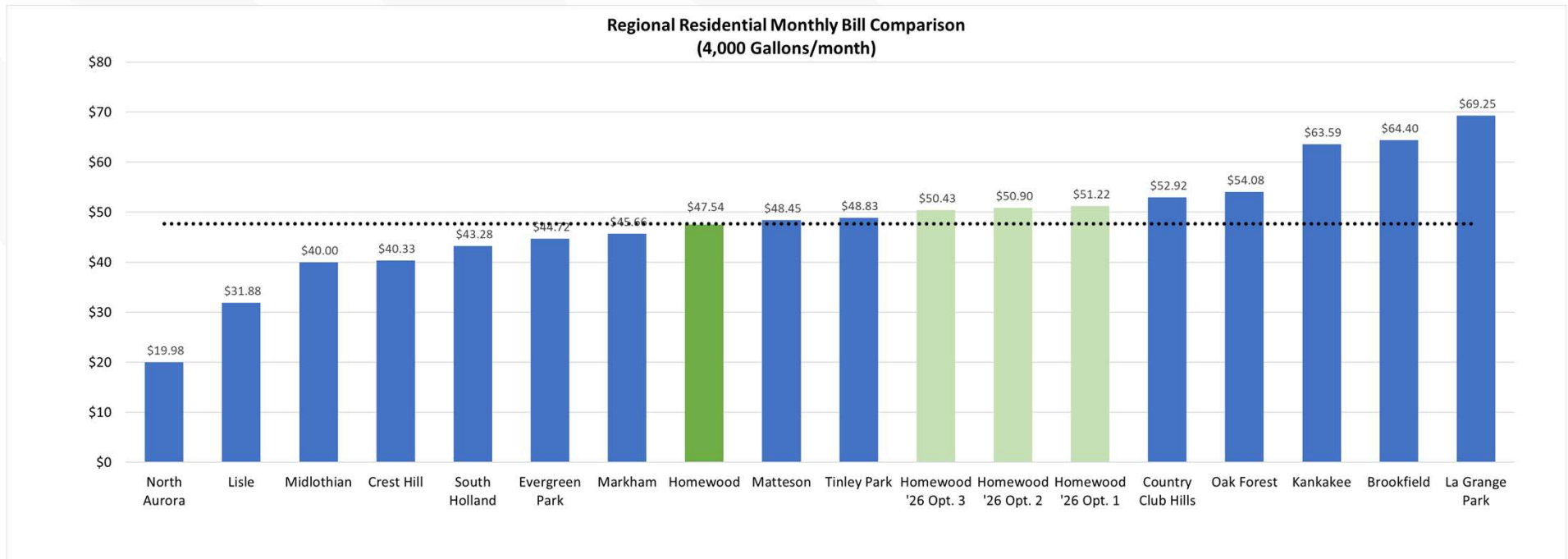
General Bill Impact by Option

	Option 1	Option 2	Option 3
Residential Bill Impact	<ul style="list-style-type: none">• Average \$3.68 increase/mo• All customers share equally in impact	<ul style="list-style-type: none">• Average \$3.36 increase/mo• Less impact	<ul style="list-style-type: none">• Average \$2.89 increase/mo• Least impact
Non-Residential Bill Impact	<ul style="list-style-type: none">• All customers share equally in impact	<ul style="list-style-type: none">• Will vary by customer meter size and usage• More impact	<ul style="list-style-type: none">• Will vary by customer meter size and usage• Most impact

Relative Pros and Cons of Options

	Option 1	Option 2	Option 3
Pros	<ul style="list-style-type: none"> Easier to communicate with no structure change All customers impacted the same 	<ul style="list-style-type: none"> Small improvement in revenue stability Improved equity by meter size 	<ul style="list-style-type: none"> Same as Option 2 Improved equity by meter size and helps promote household affordability
Cons	<ul style="list-style-type: none"> Existing fixed fee is low No improvement in fixed cost recovery 	<ul style="list-style-type: none"> Change in fixed fee structure can be difficult to communicate 	<ul style="list-style-type: none"> Change in fixed fee and volumetric fee structure can be difficult to communicate

Regional Bill Comparison with Proposed 2026 Homewood Rates



- ▶ It is reasonable to expect other communities will be raising rates in the future
- ▶ A 5% increase would bring the average to \$50.04/month