

## CHANGE IN RATES – CUSTOMER NOTICE

**Baca Float Water Company, Clear Springs Utility Company, East Slope Water Company, Mescal Lakes Water Systems, Inc., and Naco Water Company, L.L.C.**  
Docket Nos. WS-01678A-24-0007, WS-01678A-24-0008, W-01689A-24-0009,  
WS-01689A-24-0010, W-01906A-24-0011, W-02472A-24-0012, and  
W-02860A-24-0013

Dear Customer:

On January 12, 2024, **Baca Float Water Company ("Baca Float"), Clear Springs Utility Company ("Clear Springs"), East Slope Water Company ("East Slope"), Mescal Lakes Water Systems, Inc. ("Mescal Lakes"), and Naco Water Company, L.L.C. ("Naco Water")** (collectively "Companies") filed rate applications with the Arizona Corporation Commission ("Commission"). The Companies requested rate adjustments that would produce a just and reasonable return on the fair value of their utility plant and property. The Companies also proposed to consolidate their operations, with Baca Float becoming the sole surviving public service corporation. Baca Float would then be renamed **Hearthstone Water Arizona South, Inc. ("Hearthstone South")**. **Hearthstone South** will have a water division and a sewer division. The water division will have a single, uniform rate tariff applicable to all customers. The sewer division will have a consolidated revenue requirement but will maintain separate rate tariffs for the Clear Springs and Baca Float sewer systems, respectively.

At its Open Meeting on December 3, 2024, the Commission authorized the transfer of the assets of Clear Springs, East Slope, Mescal Lakes, and Naco Water to Baca Float, and established one set of water rates for **Hearthstone South**, which will now be the water provider for all customers. The Commission also established separate wastewater rates for the Clear Springs service area and the Baca Float service area. The Commission subsequently issued Decision No. 79641 on December 17, 2024. The new rates for water and wastewater service approved by the Commission, **effective as of January 1, 2025**, are attached to this notice.

In addition to all other rates and charges authorized herein, the Commission also approved a Regulatory Expense Surcharge (RES) for **water** and **wastewater** customers as set forth in the tariffs attached to this notice, respectively.

A rate case expense of \$90,000 for the **water** division, recoverable over three years through a monthly surcharge as follow:

### **Water Meter Size    Monthly Regulatory Expense Surcharge**

5/8 x 3/4" Meter	\$0.76
3/4" Meter	\$1.14
1" Meter	\$1.90
1 1/2" Meter	\$3.80
2" Meter	\$6.08
3" Meter	\$12.16
4" Meter	\$19.00
6" Meter	\$38.00
Construction/Standpipe	\$0.76

A rate case expense of \$30,000 for the **wastewater** division, recoverable over three years through a monthly surcharge as follow:

<b><u>Service Area</u></b>	<b><u>Customer Class</u></b>	<b><u>Monthly Regulatory Expense Surcharge</u></b>
Baca Float	Residential	\$1.24
Baca Float	Commercial	\$2.06
Clear Springs	Residential	\$0.79
Clear Springs	Commercial	\$1.32

Under the new water rates, residential customers of Hearthstone South on a 5/8 x 3/4" meter may see the following bill impacts:

<b>Former Company</b>	<b>Median Usage</b>	<b>Current Monthly Bill (Median Usage)</b>	<b>Estimated Bill Under New Rates</b>	<b>Change (\$/%)</b>
Baca Float	3,508	\$42.51	\$49.41	\$6.90/16.23%
Clear Springs	2,482	\$39.16	\$43.90	\$4.74/12.10%
East Slope	3,483	\$33.04	\$49.26	\$16.22/49.09%
Mescal Lakes	2,478	\$28.10	\$43.88	\$15.78/56.16%
Naco Water	3,492	\$56.18	\$49.32	-\$6.86/-12.21%

Under the new wastewater rates, residential customers of Hearthstone South may see the following bill impacts:

<b>Service Area</b>	<b>Current Monthly Bill (Median Usage)</b>	<b>Estimated Bill Under New Rates</b>	<b>Change (\$/%)</b>
Baca Float	\$65.97	\$65.97	\$0.00/0%
Clear Springs	\$19.25	\$33.00	\$13.75/71.43%

**Again, Clear Springs, East Slope, Mescal Lakes, and Naco Water customers are now customers of Baca Float, which will be renamed Hearthstone Water Arizona South, Inc. If you have any questions about this Notice, please contact Hearthstone Water Arizona South, Inc. at (623) 219-4740.**

<u>Residential &amp; Commercial Service</u>		Rate Tiers	Base Charge	Volume Charge (per 1,000 gallons)
Description		Upper Limits (gallons)	Rate	Rate
R1 - 5/8" x 3/4" Meter (Residential)	Tier 1	First 3,000 Gallons	\$ 32.46	\$ 4.61
	Tier 2	From 3,001 to 8,000 Gallons		\$ 6.15
	Tier 3	Over 8,000 Gallons		\$ 7.69
R2 - 3/4" Meter (Residential)	Tier 1	First 3,000 Gallons	\$ 48.69	\$ 4.61
	Tier 2	From 3,001 to 8,000 Gallons		\$ 6.15
	Tier 3	Over 8,000 Gallons		\$ 7.69
R3 - 1" Meter (All)	Tier 1			
	Tier 2	First 15,000 Gallons	\$ 81.15	\$ 6.15
	Tier 3	Over 15,000 Gallons		\$ 7.69
R1C - 5/8" x 3/4" Meter (Commercial)	Tier 1			
	Tier 2	First 8,000 Gallons	\$ 32.46	\$ 6.15
	Tier 3	Over 8,000 Gallons		\$ 7.69
R2C - 3/4" Meter (Commercial)	Tier 1			
	Tier 2	First 8,000 Gallons	\$ 48.69	\$ 6.15
	Tier 3	Over 8,000 Gallons		\$ 7.69
R4 - 1.5" Meter (All)	Tier 1			
	Tier 2	First 30,000 Gallons	\$ 162.30	\$ 6.15
	Tier 3	Over 30,000 Gallons		\$ 7.69
R5 - 2" Meter (All)	Tier 1			
	Tier 2	First 50,000 Gallons	\$ 259.68	\$ 6.15
	Tier 3	Over 50,000 Gallons		\$ 7.69
R6 - 3" Meter (All)	Tier 1			
	Tier 2	First 110,000 Gallons	\$ 519.36	\$ 6.15
	Tier 3	Over 110,000 Gallons		\$ 7.69
R7 - 4" Meter (All)	Tier 1			
	Tier 2	First 180,000 Gallons	\$ 811.50	\$ 6.15
	Tier 3	Over 180,000 Gallons		\$ 7.69
R8 - 6" Meter (All)	Tier 1			
	Tier 2	First 380,000 Gallons	\$ 1,623.00	\$ 6.15
	Tier 3	Over 380,000 Gallons		\$ 7.69

Indicates No Tariff

Standpipe and Construction Service

Description	Rate Tiers	Base Charge	Volume Charge (per 1,000 gallons)
	Upper Limits (gallons)	Rate	Rate
R12 - Standpipe	999,999,000	By Mtr Size	\$ 7.69

Indicates No Tariff

Monthly Service Charge for Fire Sprinkler

All Sizes Rates \*\* Applies to service lines separate and distinct from the primary service line.

\*\* Greater of \$12.00 or 2 percent of the general service rate for a similar size meter  
 The service charge for fire sprinklers is only applicable for service lines separate and distinct from the primary water service line.

n/a - indicates not applicable

Privilege, Sales or Use Tax

In addition to all other rates and charges authorized herein, the Company shall collect from its customers all applicable sales, transaction, privilege, regulatory or other taxes and assessments as may apply now or in the future, per A.A.C. R14-2-409.D.5.



<u>Residential &amp; Commercial Service</u>	<u>Monthly Charge</u>	
	<u>Clear Springs Service Area</u>	<u>Baca Float Service Area</u>
<u>Description</u>		
R1 - Residential	\$ 33.00	\$ 65.97
R2 - Commercial	\$ 55.00	\$ 109.95

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**Service Lateral Installation Charges (Per Service Line)**

	<u>Rate</u>
4-inch Lateral	Cost
6-inch Lateral	Cost
8-inch Lateral	Cost

**Service Charges**

	<u>Rate</u>
Establishment of Service	\$ 40.00
Reconnection of Service - Delinquent	\$ 40.00
After Hours Service Charge	\$ 45.00
Insufficient Funds Check Charge	\$ 30.00 (a)
Deposit Requirement (Residential)	(b)
Deposit Requirement (Non-Residential)	(c)
Interest Rate on Customer Deposits	(d)
Late Charge per Month	(e)
Re-establishment (within 12 months)	(f)
Deferred Payment (Per Month)	1.5%
Sewer Tap Charge (Non-Refundable)	Cost

- (a) Company may only charge one NSF fee when customers are billed for water and wastewater services on one bill.
- (b) Two times the average residential class bill, per A.A.C. R14-2-603.B.7.a.
- (c) 2 1/2 times the customers estimated maximum monthly bill, per A.A.C. R14-2-603.B.7.b.
- (d) 6.0%, per A.A.C. R14-2-603.B.3.
- (e) Greater of 1.5% or \$5.00
- (f) Number of months off system times the monthly minimum, per A.A.C. R14-2-603.D.

All items billed at cost shall include labor, materials and parts, overheads and all applicable taxes.

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**Surcharge Tariffs:**

**Regulatory Expense Surcharge (RES)**

The purpose of the Regulatory Expense Surcharge (RES) is to allow for recovery of approved rate case expenses in a surcharge rather than as a normalized expense. The Company shall recover the approved RES until fully recovered with a planned three year recovery period. The RES will be structured as a monthly charge to a customer's bill with costs allocated on a per equivalent residential customer basis.

The Commission approved a RES for wastewater customers as set forth below:

<u>Service Area</u>	<u>Customer Class</u>	<u>Monthly Regulatory Expense Surcharge</u>
Baca Float	Residential	\$1.24
Baca Float	Commercial	\$2.06
Clear Springs	Residential	\$0.79
Clear Springs	Commercial	\$1.32

The RES shall terminate without further order of the Commission three years from the effective date of Decision No. 79641 (Dec. 17, 2024), or once a total of \$30,000 has been collected, whichever occurs first.

The RES will be applicable to residential and commercial, including Re-Establishment Charges.