

## Request for Quotes

### Young Brothers, LLC Financial and Management Audit

#### *Scope of Services*

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The Commission currently has open a general rate increase docket for Young Brothers, LLC (“YB”) (Docket No. 2019-0117, Application for Approval of a General Rate Increase and Certain Tariff Changes).

The scope of required consultant services includes, but is not limited to, the following:

#### 1. Governance

*Identify specific opportunities for improvement in governance, executive leadership and management practices, program and project management, and capital & operations/maintenance planning. This will allow a clear understanding of how decisions are made, and confidence that these decisions are well informed.*

- Outline the company’s decision-making structure, including responsibilities of the Board, President, senior officers, etc.
- Evaluate the types of information on which executive management bases its decisions.
- Assess the degree to which the company has demonstrated that it is committed to addressing the structural factors affecting its business.
- Identify established processes for important management decisions.

#### 2. Shared Services

*Detail YB’s relationship and financial arrangement with its parent company and affiliates. Discover how YB separates and accounts for regulated and unregulated costs. Determine how funds are moved between and within the regulated, unregulated, and affiliated companies and lines of business.*

- Evaluate the impact of intercompany transactions on the company’s current financial position.
- Detail the process by which costs are allocated between the company and any parent or affiliate companies.
- Describe the manner by which costs between regulated and unregulated lines of business are accounted for and separated.
- Explain the movement of funds, both into the company and out of the company (when a purchase or investment is made).

#### 3. Capital Allocation

*Report on how YB and its parent companies conduct capital and cash transactions. Comment on how YB obtains capital goods and equipment for use in its business.*

*Describe both formal and informal vehicles of intercompany notes or debt that is assigned to YB.*

- Explore the financial interactions regarding cash liquidity between the company and its parent company.
- Describe the process by which the company makes purchases (whether it does so itself or through its parent company).
- Outline the process of assigning debt when the company makes a purchase or the parent company makes a purchase on its behalf.

#### 4. Labor – Costs and Utilization

*Compare YB's labor costs and management of those labor costs with other companies both locally and in other jurisdictions.*

- Determine whether the company has the necessary expertise and experience needed to effectively manage the collective bargaining process and identify opportunities for improvement.
- Compare the company's labor costs to other water carriers in the same jurisdiction and similar jurisdictions.

#### 5. Management and Business Performance Practices

*Describe what activities YB has taken in order to reduce costs and otherwise improve its financial and competitive position. Outline any opportunities to further improve YB's operational efficiencies, cost management, and competitive position. Evaluate the extent to which YB complies with regulations and legal requirements and the process(es) by which it does so.*

- Explore opportunities for the company to manage its operating costs and revenues and evaluate whether the company has adequately pursued these opportunities.
- Outline the company's use of metrics and data to benchmark its performance against competitors and comparable businesses, identifying opportunities for improvement.
- Identify potential improvements to the company's organizational structure across different areas of the company, including opportunities to reduce duplication and/or redundancy of responsibilities and to streamline processes.
- Evaluate the company's use of devices such as measurable goals, metrics, and performance indicators to incentivize good performance at each level of management and to make the company more efficient.
- Determine whether salary structures are reasonable, understandable, and properly scaled.
- Develop recommendations and action plans to improve overall business performance, including operational efficiency and productivity, organizational effectiveness, and cost savings.

- Measure the extent to which the company is affected by normal competitive market forces, which serve to keep downward pressure on costs.
- Examine whether the company has sufficient safeguards in place to ensure compliance with regulatory and legislative requirements.

6. Customer Service/Outreach

*Describe YB's current approach for interaction with customers and other stakeholders. Propose opportunities for YB to better exchange information and address customer and stakeholder issues and concerns.*

- Propose methods by which the company can better communicate with customers and other stakeholders.
- Identify opportunities for customers and other stakeholders to provide feedback and suggestions.
- Provide ideas for how the company can better foster a streamlined and transparent process for customers.

7. Perform other services, as required by the Commission

a. Reporting requirements

- Provide a written Financial and Management Audit report that meets the scope and objectives of the Commission, including factual findings, conclusions and recommendations.
- Provide monthly updates to the Commission on the status of the financial and management audit.

b. Subject matter expertise

- Develop recommendations and action plan for implementing changes necessary to achieve performance improvements.
- Attend hearings, meetings, and/or conferences and, as required, provide expert testimony in support of delivered services and products.
- Provide advice and input in the follow up to the Financial and Management Audit report and the 2020 Rate case proceedings that meets the scope and objectives of the Commission, including factual findings, conclusions and recommendations.