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SURREBUTTAL TESTIMONY

OF

JOSH REEVES

Submitted on Behalf of Ozarks Medical Center d/b/a Ozarks Healthcare

Case No. GC-2022-0158

Public

**** Denotes Confidential Information ****
20 CSR 42040-2.135(2)(A)(4)

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1 **I. INTRODUCTION**

2 **Q. Would you identify yourself for the Missouri Public Service Commission**
3 **(“Commission”)?**

4 A. My name is Josh Reeves. I am the Vice President of Development and Advocacy and
5 Director of Facilities for Ozarks Medical Center d/b/a Ozarks Healthcare (“OMC”). My business
6 address is 1100 Kentucky Avenue, West Plains, Missouri 65775.

7 **Q. Are you the same Mr. Reeves who submitted direct testimony in this case?**

8 A. Yes.

9 **Q. What is the purpose of your testimony?**

10 A. To respond to the rebuttal testimony of Summit Natural Gas of Missouri, Inc.’s
11 (“SNGMO”) and Public Service Commission Staff (“Staff”) witnesses. I have organized my
12 testimony as follows:

- 13 • Impact of an Accounting Authority Order (“AAO”)
 - 14 ○ SNGMO witness Phil Marcum
- 15 • OMC’s Transportation Service
 - 16 ○ SNGMO witness Walt McCarter
- 17 • OMC’s Requested Payment Plan
 - 18 ○ Staff Witness Kimberly K. Bolin

19 My silence as to other parts of a witness’ testimony should not be construed as my agreement.

20 **Q. Who do you wish to respond to first?**

21 A. SNGMO witness Phil Marcum’s description of the impact of OMC’s requested AAO.

22 **II. IMPACT OF AN AAO**

23 **Q. How does Mr. Marcum describe the customer impact of OMC’s request for an AAO?**

1 A. Mr. Marcum describes it as a burden. On Page 5, Lines 14-15, he says that an AAO would
2 penalize customers who were not responsible for Winter Storm Uri's impact on OMC.

3 **Q. Do you agree with Mr. Marcum?**

4 A. No. I understand that a deferral of OMC's disputed cashout debt would shift the costs onto
5 other customers, but we are seeking this AAO to address the unfortunate reality of OMC being
6 unable to pay the cashout debt without threatening its ability to continue providing medical
7 services. OMC paying all that SNGMO is demanding will impact patient care. OMC's patients are
8 also the same customers that Mr. Marcum refers to. We have a situation where customers are
9 facing increased costs from Winter Storm Uri regardless of how the Commission acts, whether by
10 increased gas rates from SNGMO or medical expenses from OMC. The benefit of an AAO is that
11 the Commission can grant relief to both SNGMO and OMC while minimizing the impact to
12 consumers by spreading OMC's cashout debt amongst all of SNGMO's sales customers.

13 Let me add that OMC is not asking for this simply because we had an imbalance. We've
14 had large natural gas bills before, but I have never seen one as big as what we got in March of
15 2021. Mr. Marcum remarks on page 5, lines 21-23 of his rebuttal testimony that an imbalance
16 "should not be immediately passed onto sales customers." I generally agree, but OMC is not asking
17 for an AAO for every imbalance. OMC is asking for one AAO to address one extraordinary and
18 unique imbalance that imposes a significant burden on OMC's ability to serve.

19 **Q. Are SNGMO's sales customers already paying OMC's cashout debt?**

20 A. Yes and with interest too. This circumstance is another reason why OMC's requested AAO
21 is a simple solution for the disputed cashout debt: it enables SNGMO to continue the status quo.

22 Staff witness Kimberly Bolin states on page 5, lines 12-15 of her rebuttal testimony that
23 SNGMO is currently charging other customers for all of its fuel costs it incurred during Winter

1 Storm Uri, including OMC’s disputed cashout imbalance, through its Purchased Gas Adjustment
2 (“PGA”) charge. SNGMO witness Walt McCarter also explains on page 10, lines 14-16 of his
3 rebuttal testimony that the Company is collecting interest in its PGA as well. Ms. Bolin and Staff
4 Witness David M. Sommerer explain that SNGMO’s PGA is covering all of SNGMO’s February
5 2021 fuel costs because of the Company’s filing in Case No. GR-2022-0122. I understand why
6 SNGMO is reluctant to shift disputed charges onto other customers, but I do not believe it is unfair
7 to issue an AAO in this instance because, in addition to the circumstances I already mentioned in
8 my direct testimony, customers are already paying for OMC’s cashout debt. Issuing an AAO
9 merely permits SNGMO to continue using its PGA clause as it is now. OMC’s request for an AAO
10 “penalizes” customers for costs they could not control no more than the PGA.

11 An AAO seems especially reasonable to me given the scale of OMC’s request. Ms. Bolin
12 states on page 5, line 10 of her rebuttal testimony that SNGMO’s is charging customers **
13 ** in winter 2021 fuel costs over five years through its PGA. OMC is disputing and asking
14 for the deferral of approximately \$500,000. This means that OMC’s disputed cashout debt is only
15 ** of what SNGMO added to the PGA. Meanwhile, SNGMO’s bill is nearly half of OMC’s
16 2021 net income.

17 **Q. How does Mr. Marcum describe an AAO’s impact on SNGMO?**

18 A. I infer that Mr. Marcum sees it as a burden. His rebuttal testimony on page 6, lines 5-15
19 says, “SNGMO should not be forced into the position of providing long term financing for OMC’s
20 gas supply usage.” He also takes issue with SNGMO potentially having to defer the disputed
21 cashout debt without interest.

1 **Q. How do you respond to Mr. Marcum’s description?**

2 A. First, I do not understand how a deferral would create an additional burden for SNGMO
3 when SNGMO is currently collecting the disputed cashout debt through the PGA. If paying down
4 **** [REDACTED] **** over five years is reasonable long-term financing, then a deferral of OMC’s
5 cashout debt until SNGMO’s next rate case is reasonable as well.

6 Second, if SNGMO’s only objection to the AAO is a lack of interest, then I believe the
7 Commission should include carrying costs in an order granting OMC’s requested relief.

8 **Q. Does Mr. Marcum express any other concerns on behalf of SNGMO?**

9 A. Yes. On page 6, lines 11-13, he objects to OMC’s requested deferral of the disputed cashout
10 debt because, “Carrying this amount on our books could limit necessary funds for other projects
11 which benefit SNGMO’s customers.”

12 **Q. Do you agree with this description?**

13 A. I am not an accountant, I have not operated a natural gas utility, and I have not reviewed
14 SNGMO’s finances. However, there are two facts that make me doubt the severity of Mr.
15 Marcum’s concerns:

16 1) SNGMO has recently requested additional financing authority from the Commission. On
17 February 16, 2022, SNGMO filed an Application, Motion for Waiver of Notice, and Motion for
18 Expedited Treatment in Case No. GF-2022-0216. I am attaching the public portions of the
19 Application as **Schedule JR-S-1**. SNGMO’s Application seeks debt financing to, as SNGMO
20 describes it, “take advantage of historically low interest rates, increase capacity for capital
21 expenditures, fund a portion of incurred winter storm costs, and fund working capital needs.” The
22 Application also notes that SNGMO has not utilized \$100 million in indebtedness that the
23 Commission approved on April 12, 2021, even after Winter Storm Uri. Given SNGMO’s available

1 financing, I do not know why financing would not be available to assist SNGMO with a deferral
2 through an AAO; and

3 2) Mr. Marcum states that SNGMO is not preparing to file a general rate case and has no
4 immediate plans to do so. Part of the reason why OMC saw an AAO as a solution to its dispute
5 with SNGMO is that I thought SNGMO would likely be initiating a rate case relatively soon given
6 how long current rates have been set and SNGMO's recent filings. Except for changes to PGA
7 charges, SNGMO's rates have been the same since its last rate case in December 14, 2014, Case
8 No. GR-20214-0086. It notified the Commission of its intent to change those rates in September
9 of 2019, Case No. GR-2020-0069, and January, 2020, Case No. GR-2020-0213. However, for
10 whatever reason, SNGMO did not proceed with a full rate case after either filing.

11 I figured that SNGMO may be planning another filing, but Mr. Marcum says that is not
12 true. There could be any number of reasons why SNGMO is not planning to file a rate case, but it
13 does indicate that SNGMO's financial situation must not be so dire such that an AAO would limit
14 funds for other projects. My understanding is that SNGMO's rates are set to provide it with the
15 opportunity to earn enough revenue to serve customers and make a return. I also do not believe
16 that SNGMO would continue charging rates if they were not making an adequate profit. Because
17 SNGMO is not planning to initiate a rate case soon, even after nearly eight years, it must be making
18 a fair return or at least one where OMC's requested AAO would not be burdensome.

19 **Q. Do you have any further response to Mr. Marcum's testimony?**

20 A. Mr. Marcum remarks on page 4, lines 20-22 of his rebuttal that OMC is not the only
21 hospital in SNGMO's Rogersville rate area. I am unclear why he mentions this. Mercy Hospital in
22 Lebanon, Missouri may be in the Rogersville rate area, but that does not dispute my point that
23 OMC is uniquely situated as the sole in-patient provider for an eight-county area. Mercy Hospital

1 is about one hundred miles and a two-hour drive through Ozark hills away from OMC. It is not in
2 a position to replace OMC's services in southern Missouri and northern Arkansas.

3 **III. OMC'S TRANSPORTATION SERVICE**

4 **Q. Please refer to SNGMO witness Walt McCarter's description of OMC's service as a**
5 **transportation customer. On Page 7, lines 12-14 of his rebuttal testimony, he says that**
6 **transportation customers have the ability to correct or minimize their cumulative imbalance**
7 **throughout the month. Did you have the ability to minimize any imbalance after Winter**
8 **Storm Uri?**

9 A. No. I do not dispute Mr. McCarter's point that a transportation customer can generally
10 minimize imbalances, but he does not seem to consider that Winter Storm Uri was a unique
11 experience. OMC's past bills, which I attached to my direct testimony as Schedule JR-3, show that
12 we have experienced varying cashout amounts depending on how much we restrict our natural gas
13 use. But we were not in a position to restrict our natural gas use during Winter Storm Uri nor could
14 we have offset our use through the rest of February 2021.

15 As I explained in my direct testimony, OMC's backup propane supplies failed during the
16 storm. That was the first time to my knowledge that our reserves ever failed. We also had increased
17 patient demands because of a surge in COVID-19 cases that continued past Winter Storm Uri.
18 OMC also cannot curtail itself like most transportation customers. When most transportation
19 customers curtail natural gas in response to demand or prices, they can effectively shut down.
20 OMC must continue to serve the public as a general healthcare provider and because it accepts
21 Medicare and Medicaid funds.

22 **Q. Do you have anything further to say in response to Mr. McCarter's rebuttal**
23 **testimony?**

1 A. No.

2 **V. OMC'S REQUESTED PAYMENT PLAN**

3 **Q. What do you have to say in response to Staff Witness Kimberly Bolin's review of**
4 **OMC's requested payment plan?**

5 A. Ms. Bolin states that Staff prefers that the disputed cashout debt be addressed through a
6 payment arrangement as opposed to an AAO. I am disappointed that Staff opposes OMC's AAO
7 request but appreciate the support as to a payment plan.

8 **Q. Do you have anything to add to OMC's position on its requested payment plan given**
9 **Ms. Bolin's rebuttal testimony?**

10 A. Yes. Ms. Bolin refers to SNGMO's request to spread out its fuel costs from Winter Storm
11 Uri over 5 years through its PGA on page 5, lines 7-10 of her testimony. SNGMO clearly
12 understands the value of spreading out the payments for Winter Storm Uri's extraordinary costs. I
13 just want the same treatment for OMC. Even a five-year payment arrangement with a required
14 down payment is far more manageable for OMC than paying out the entire disputed bill as
15 demanded.

16 **Q. Does this conclude your testimony?**

17 A. Yes.