

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

Ozarks Medical Center d/b/a Ozarks Healthcare,	)	
	)	
Complainant,	)	
	)	
v.	)	Case No. GC-2022-0158
	)	
Summit Natural Gas of Missouri, Inc.,	)	
	)	
Respondent.	)	

**OZARKS MEDICAL CENTER D/B/A  
OZARKS HEALTHCARE’S POSITION STATEMENT**

Ozarks Medical Center d/b/a Ozarks Healthcare (“OMC”) submits its Position Statement as follows:

**1. Should the Public Service Commission address OMC’s cashout imbalance by authorizing/directing SNGMO to track and defer the imbalance as a regulatory asset for recovery in SNGMO’s next general rate proceeding?**

Yes, the Missouri Public Service Commission (“Commission”) should address Summit Natural Gas of Missouri, Inc.’s (“SNGMO”) demand for over half of a million dollars from OMC by issuing an accounting authority order (“AAO”) for SNGMO to track and defer the disputed cashout imbalance. Such an AAO should include any late fees that SNGMO has assessed since OMC began disputing the charge, along with carrying costs at the Commission’s discretion.<sup>1</sup> An AAO is warranted because OMC’s request satisfies the Commission’s standard under the Uniform System of Accounts (“USOA”). OMC is uniquely positioned as a non-profit medical provider and key community institution, and an AAO permits SNGMO to collect all of its Winter Storm Uri-related costs as it is currently doing through its Purchased Gas Adjustment (“PGA”) clause.

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<sup>1</sup> Surrebuttal Testimony of Josh Reeves, GC-2022-0158 p. 7 (Apr. 8, 2022).

### OMC's Request for a Deferral Complies with the Commission's AAO Standard

OMC disputes that its natural gas bill following Winter Storm Uri in March 2021 accurately reflects the cost to serve OMC, and maintains that it is unreasonable for SNGMO to expect a rural healthcare provider to pay approximately \$500,000 or fear losing service. Thankfully, the Commission can provide relief to both OMC and SNGMO by issuing an AAO. Deferral accounting under an AAO preserves numbers for future deliberation. Once issued, SNGMO would track and defer the full demanded amount as a regulatory asset for consideration in SNGMO's next rate case.<sup>2</sup> SNGMO can then recover the full cashout imbalance in future rates charged to all customers. Addressing the cashout imbalance through an AAO provides an avenue for SNGMO to recover the disputed cashout debt while mollifying the financial impact of a half of a million-dollar natural gas bill on OMC.

The Commission may prescribe utility accounting principles and “order the accounts in which outlays and receipts shall be entered, charged or credited.”<sup>3</sup> The Commission has codified this authority in its adoption of the USOA.<sup>4</sup> The USOA's General Instructions permit utilities to track and defer expenses when they relate to extraordinary events.<sup>5</sup> The General Instructions frame extraordinariness as “abnormal and significantly different from the ordinary and typical activities of the company, and which would not reasonably be expected to recur in the foreseeable future.”<sup>6</sup>

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<sup>2</sup> Rebuttal testimony of Kimberly K. Bolin, GC-2022-0158 p. 3 (Marc. 30, 2022).

<sup>3</sup> Mo. Rev. Stat. § 393.140(4) & (8).

<sup>4</sup> 20 CSR 4240-40.040.

<sup>5</sup> 18 C.F.R. Part 201.

<sup>6</sup> *Id.*

Commission practice has been to evaluate extraordinariness based on whether the event or accounting item is unusual or may possibly recur.<sup>7</sup>

OMC's request for an AAO satisfies the Commission's standard because Winter Storm Uri and OMC's resulting cashout imbalance are extraordinary events. They are extraordinary due to the culmination of an extreme weather event, volatile natural gas prices, OMC's backup propane supplies failing, and OMC's need to continue treating patients during Winter Storm Uri. The Storm, subsequent billing, and the failure of OMC's backup propane supplies are also unusual events that are not likely to recur, much less happen again simultaneously.<sup>8</sup>

Winter Storm Uri covered SNGMO's entire service territory with prolonged sub-freezing temperatures that were extreme and unusual for its climate. According to the National Weather Service Forecast Office that covers SNGMO's territory, Springfield, Missouri experienced prolonged temperatures from -15 to 19 degrees Fahrenheit.<sup>9</sup> Local snow depth on February 17, 2021, was seven inches.<sup>10</sup> The Southwest Power Pool ("SPP") electric transmission network serving Missouri entered Energy Emergency Alert status 2 and 3 for the first time in system history.<sup>11</sup>

Unprecedented low temperatures caused natural gas prices and demand to skyrocket. Local distribution companies serving Missouri experienced natural gas price increases from 17- to 247-fold over first-of-the-month prices during the Winter Storm Uri period.<sup>12</sup> The Public Service

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<sup>7</sup> See *State ex rel. Mo. Off. of Pub. Counsel v. Pub. Serv. Comm'n*, 858 S.W.2d 806, 808-09 (Mo. App. W.D. 1993) (discussing the Commission's prior approval for an AAO to track and defer construction-related costs); Report and Order on Remand, WO-2002-273 at 27-28 (Nov. 10, 2004).

<sup>8</sup> See Direct Testimony of Josh Reeves, GC-2022-0158 p. 5 (Mar. 16, 2022) (detailing how OMC's backup propane supplies failed during Winter Storm Uri).

<sup>9</sup> Joint Stipulation of Facts, GC-2022-0158 ¶ 12 (Mar. 16, 2022).

<sup>10</sup> *Id.*

<sup>11</sup> *Id.*

<sup>12</sup> *Id.* ¶ 13.

Commission Staff described these price increases as “without precedent.”<sup>13</sup> SNGMO responded to these price increases by asking its transportation customers to curtail their natural gas use. OMC answered the call and began using its backup propane supplies. However, despite OMC’s best efforts, its propane system failed under the stress of Uri’s extreme cold.<sup>14</sup> As OMC’s Director of Facilities explained, this was the first known time that its backup system failed.<sup>15</sup>

OMC’s energy needs became more pronounced just as the backup fuel supplies failed. This combination meant that OMC was unable to mitigate its exposure to volatile natural gas prices. To make matters worse, the hospital’s main campus in- and out-patient facilities were at capacity due to a concurrent COVID-19 surge in cases. As Mr. Reeves explains, “Without a secondary source for fuel, [OMC’s] operations team was faced with two choices. One, reduce medical operations, or two, resume using natural gas from SNGMO.”<sup>16</sup> OMC prioritized its patients’ needs and resumed using natural gas from SNGMO to maintain critical services.<sup>17</sup>

After the Storm, SNGMO assessed a \$463,366.84 natural gas bill against OMC.<sup>18</sup> SNGMO attributed \$434,204.91 of the bill to an “imbalance cashout.”<sup>19</sup> The bill did not explain how this figure was calculated or how it was otherwise connected to the actual cost to serve OMC during Winter Storm Uri. SNGMO’s latest calculation of what it demands from OMC was \$493,550.75 as of January 12, 2022.<sup>20</sup> If accurate, these increased costs are extreme and beyond what OMC is usually assessed.<sup>21</sup> For reference, SNGMO’s demand equates to roughly half of OMC’s net income

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<sup>13</sup> Joint Stipulation of Facts ¶ 13.

<sup>14</sup> *Id.* ¶ 15; Direct Testimony of Josh Reeves at 5.

<sup>15</sup> Surrebuttal Testimony of Josh Reeves at 9.

<sup>16</sup> Direct Testimony of Josh Reeves at 5.

<sup>17</sup> *Id.*

<sup>18</sup> Direct Testimony of Josh Reeves at 6.

<sup>19</sup> *Id.*

<sup>20</sup> Joint Stipulation of Facts ¶ 18.

<sup>21</sup> Direct Testimony of Josh Reeves, Schedule JR-3.

from 2021.<sup>22</sup> The disputed cashout debt following the extraordinary Winter Storm Uri is therefore abnormal and significantly different from OMC's expected expenses.

An AAO is Because of OMC's Unique Status as a Non-Profit Medical Provider

The Commission should also consider OMC's particular circumstances as a customer when evaluating whether the disputed cashout debt is extraordinary for AAO purposes. OMC is not like most transportation customers. For instance, it cannot curtail its use entirely because it is a non-profit, rural hospital with ongoing duties of patient care.<sup>23</sup> It is the only in-patient care provider for eight counties: Howell, Oregon, Shannon, Texas, Douglas, and Ozark County, Missouri; and Fulton and Baxter County, Arkansas.<sup>24</sup> Without OMC, its patients would need to travel at least one hundred miles to seek in-patient procedures.<sup>25</sup> It is also a keystone institution for Howell County; employing 1,300 individuals to treat approximately 364,000 patients annually.<sup>26</sup>

Furthermore, as Mr. Reeves explains, "Every dollar OMC makes goes back into the community, not shareholders."<sup>27</sup> OMC's financial solvency is therefore tied directly to the public health and economic development of Howell County. Anything that threatens OMC's finances in turn drains the community and patients of needed funds. SNGMO's demand for a cashout imbalance represents such a threat. The Commission can and should resolve this dispute by providing relief to both OMC and SNGMO through an AAO.

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<sup>22</sup> *Id.* at 6.

<sup>23</sup> Surrebuttal Testimony of Josh Reeves at 9.

<sup>24</sup> Direct Testimony of Josh Reeves at 4.

<sup>25</sup> Joint Stipulation of Facts ¶ 4.

<sup>26</sup> Direct Testimony of Josh Reeves at 4.

<sup>27</sup> *Id.* at 7

OMC's AAO Request Permits SNGMO to Fully Recover its Winter Storm Uri-Related Costs that it is Already Collecting through its Purchased Gas Adjustment Clause

The primary benefit of an AAO is that it would permit SNGMO to recover the disputed cashout debt as part of SNGMO's next general rate case. The AAO therefore both provides relief for SNGMO and resolves the disputed charge for OMC. A secondary benefit of a deferral is that it enables SNGMO to continue its existing means of collecting its Winter Storm Uri-related costs through the PGA surcharge in a manner that minimizes price shock to customers.

SNGMO adjusted its PGA to account for its Winter 2021 natural gas costs, including the costs allegedly connected to OMC, during the pendency of this case. This means that SNGMO is already collecting the disputed cashout debt from sales customers.<sup>28</sup> The PGA is minimizing the impact of the Winter Storm Uri-related costs by spreading it out over five years. A Commission order authorizing an AAO would cause no harm to SNGMO in this situation because SNGMO could then continue using its PGA as it is now. SNGMO would charge its currently effective PGA, and any amount remaining of the disputed cashout debt during SNGMO's next rate case could be addressed therein. OMC's requested deferral of approximately \$500,000 is also a minor fraction of what SNGMO is including in its PGA.<sup>29</sup> Therefore, addressing the amount in controversy through an AAO has a relatively minor impact on sales customers within the PGA, while greatly benefiting OMC and the community that relies upon its medical services.

**2. Should the Public Service Commission order SNGMO to address OMC's cashout imbalance through a separate payment arrangement? If so, what should the length and payment terms be for any ordered payment arrangement?**

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<sup>28</sup> Surrebuttal Testimony of Josh Reeves at 5-6.

<sup>29</sup> *Id.*

Provided that the Commission does not issue an AAO to account for SNGMO's assessment, it should alternatively order SNGMO to address OMC's disputed cashout imbalance through a separate payment arrangement per SNGMO's tariff. While OMC continues to dispute that the assessed cashout imbalance is fair or reasonable, OMC believes that the surrounding circumstances of Winter Storm Uri and the amount in controversy could be resolved through a "special circumstances" payment agreement per SNGMO's tariff.

A "special circumstances" payment plan is warranted for reasons similar to why the impacts of Winter Storm Uri are extraordinary: the circumstances surrounding and leading up to the disputed cashout imbalance are unique and unusual. OMC offers that it can accommodate a "special circumstances" payment plan where OMC pays ten percent of the demanded charge within thirty days following a Commission order and the remainder in equal monthly installments over a ten-year period.<sup>30</sup>

A Commission approved tariff has the force and effect of law.<sup>31</sup> Tariff language is accordingly understood by its plain and ordinary meaning, just like Missouri statutes.<sup>32</sup> In the case of ambiguity, the tariff language is understood using statutory canons of construction, and Missouri courts grant deference to the Commission's interpretation thereof.<sup>33</sup> The Commission additionally has the inherent power to "interpret and apply provisions in a tariff."<sup>34</sup>

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<sup>30</sup> *Id.* at 7.

<sup>31</sup> *Pub. Serv. Comm'n v. Mo. Gas Energy*, 388 S.W.3d 221, 227 (Mo. App. W.D. 2012).

<sup>32</sup> *A.C. Jacobs & Co. v. Union Elec. Co.*, 17 S.W.3d 579, 584 (Mo. App. W.D. 2000).

<sup>33</sup> *State ex re. Union Elec. Co. v. Pub. Serv. Comm'n*, 399 S.W.3d 467, 477-78 (Mo. App. W.D. 2013).

<sup>34</sup> *Id.*; see also *State ex rel. Mo. Pipeline Co. v. Pub. Serv. Comm'n*, 307 S.W.3d 162, 177 (Mo. App. W.D. 2010) ("The Transporters' tariffs provide that the lowest transportation rate charged to an affiliate shall be the maximum rate charged to non-affiliates. The Commission had the authority to interpret and apply this provision.") (cleaned up).

SNGMO's tariff provides that cashout imbalances may be addressed through agreements that consider "special circumstances."<sup>35</sup> SNGMO's tariff does not define "special circumstances" or otherwise limit the phrase's scope. The term should therefore be understood by its plain language. "Special" refers to, "Surpassing what is common or usual."<sup>36</sup> A "circumstance" is a "condition or fact attending an event and having some bearing on it."<sup>37</sup> SNGMO's demanded charge surpasses what is common or usual and relates to facts surrounding OMC's operations and Winter Storm Uri.

The Commission has the authority to interpret and apply tariff provisions.<sup>38</sup> The Commission should therefore recognize OMC's disputed cashout debt as a special circumstance that can best be resolved through a separate Commission-ordered payment arrangement. The natural gas bill that SNGMO has assessed is a special circumstance. OMC being unable to fully mitigate costs by curtailing natural gas use during Winter Storm Uri is a special circumstance.<sup>39</sup> OMC's status as a crucial non-profit medical provider relative to other transportation customers is another special circumstance.<sup>40</sup> OMC must also maintain natural gas service to properly sanitize medical equipment and continue providing healthcare services.<sup>41</sup> Continued healthcare service in south-central Missouri is then directly dependent on OMC's continued natural gas service. A

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<sup>35</sup> Direct Testimony of Josh Reeves, Schedule JR-2, Tariff Sheet 37.

<sup>36</sup> THE AMERICAN HERITAGE DICTIONARY OF THE ENGLISH LANGUAGE 5TH ED., Houghton Mifflin Harcourt p. 1681 (2011).

<sup>37</sup> *Id.* at 338.

<sup>38</sup> *Union Elec. Co.*, 399 S.W.3d at 477.

<sup>39</sup> *See* Direct Testimony of Josh Reeves at 5 (testifying to the failure of OMC's backup propane supplies).

<sup>40</sup> *See id.* at 4 (testifying to OMC's unique status as the sole in-patient healthcare provider for an eight-county area).

<sup>41</sup> *Id.* at 4-5.



Commission-ordered “special circumstances” payment arrangement would enable OMC to maintain natural gas and medical services while still meeting SNGMO’s demands.

Another justification for a special circumstances payment plan is that it is similar to how SNGMO is addressing the rest of its Winter Storm Uri-related costs. SNGMO is asking for authority to collect Winter Storm Uri costs through its PGA over five years as opposed to one year.<sup>42</sup> This request demonstrates that SNGMO understands that it is unreasonable for customers to pay for extraordinary costs within normal timeframes. Ordering SNGMO to provide OMC a payment arrangement as requested is therefore consistent with SNGMO’s treatment of PGA customers.

The Commission also has the power to order a payment arrangement notwithstanding the tariff language. The Commission retains “all powers necessary or proper to enable it to carry out fully and effectually” the purposes of public utility regulation.<sup>43</sup> A Commission-ordered payment plan that maintains OMC’s natural gas service is within this “necessary or proper” scope of implicit power. The Commission used similar reasoning to create payment plans for residential customers as part of its Cold Weather Rule.<sup>44</sup> OMC asks that the Commission likewise order a payment plan for OMC to continue receiving natural gas service with a reasonable payment schedule.

**Wherefore,** the OMC submits its Position Statement in response to the List of Issues.

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<sup>42</sup> Surrebuttal Testimony of Josh Reeves at 10.

<sup>43</sup> Mo. Rev. Stat. § 386.040.

<sup>44</sup> See *State ex rel. Off. of the Pub. Counsel v. Pub. Serv. Comm’n*, 293 S.W.3d 63, 77 (Mo. App. S.D. 2009) (identifying the Cold Weather Rule, 20 CSR 4240-13.055, which was promulgated under the authority of the Commission’s jurisdictional statute, Section 386.250, RSMo).

Respectively submitted,

**STINSON LLP**

*/s/ Caleb Hall*

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**ATTORNEYS  
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**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing was served electronically on all counsel of record on this 18th day of May, 2022.

*/s/ Caleb Hall*