

Exhibit No. 100P

Exhibit No.:
Issue Billing after
Winter Storm Uri
Type of Exhibit: Direct Testimony
Sponsoring Party: Ozarks Medical Center
d/b/a Ozarks Healthcare
Case No.: GC-2022-0158
Date Testimony Prepared: March 16, 2022

DIRECT TESTIMONY

OF

JOSH REEVES

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

Case No. GC-2022-0158

Public Version

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

Ozarks Medical Center d/b/a Ozarks)
Healthcare,)
)
Complainant,)
)
v.)
)
Summit Natural Gas of Missouri, Inc.,)
)
Respondent.)


Case No. GC-2022-0158

VERIFICATION OF JOSH REEVES

STATE OF MISSOURI)
) ss:
COUNTY OF HOWELL)

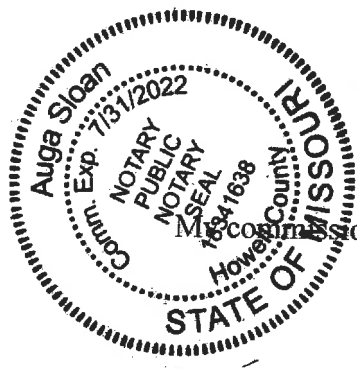
I, Josh Reeves, being first duly sworn, state as follows:

1. My direct testimony is attached to this verification.
2. I hereby swear and affirm that, to the best of my knowledge and belief, my answers to each question in the attached direct testimony are true and correct to the best of my knowledge, information, and belief.



Josh Reeves

Subscribed and sworn to before me this 16th day of March, 2022.





Notary Public

My commission expires: 7-31-22

1 **I. INTRODUCTION**

2 **Q. Would you introduce yourself for the benefit of the Missouri Public Service**
3 **Commission (“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. What are your qualifications and experience?**

8 A. I have worked for OMC since 2015. As both the Vice President of Development and
9 Advocacy and Director of Facilities, I am principally responsible for overseeing capital expansion
10 projects for OMC and recommending expansion efforts to OMC’s Board and CEO. I also oversee
11 OMC’s operations at the main hospital campus. This requires maintaining adequate staffing and
12 supply levels and approving energy purchases. Prior to joining OMC, I owned my own government
13 contracting business for 12 years.

14 **Q. Have you testified to the Commission before?**

15 A. No.

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

17 A. I am testifying on behalf of OMC to support its complaint against Summit Natural Gas of
18 Missouri, Inc. (“SNGMO”).

19 **II. BACKGROUND ON OMC**

20 **Q. Would you please give us some background information on OMC?**

21 A. OMC is a non-profit healthcare facility in West Plains, Missouri. It was built in 1959 after
22 a more than ten-year community fundraising effort. Local business and community leaders rallied
23 to create the then-called “West Plains Memorial Hospital” after recognizing the lack of a modern

1 healthcare facility to serve the surrounding area. While its founders primarily relied on
2 governmental funding sources for the hospital, fundraising for the hospital was often far humbler
3 and relied on bake sales, pie suppers, and personal donations.

4 OMC originally employed 60 people with 42 hospital beds and the capacity to serve 40,000
5 people. Over the past sixty-three years, OMC has grown into a full-service medical facility with
6 over 1,300 employees, treating 364,000 patients annually. We admit approximately 5,400 patients
7 a year for longer-term care. OMC's main campus in West Plains currently has 144 acute care beds,
8 offers intensive care services, inpatient operations, and other related medical services. OMC has
9 also established medical services in six counties (Howell, Oregon, Shannon, Texas, Douglas, and
10 Ozark Counties in Missouri; and Fulton and Baxter Counties in Arkansas), including several
11 specialty and area clinics in Winona, West Plains, Thayer, and Gainesville, Missouri, as well as
12 Salem, Arkansas. We are the only full-service hospital in these counties, and the only one within
13 a reasonable driving distance. This means that OMC is the first and only realistic inpatient care
14 choice for at least 108,000 Missourians (Howell, Oregon, Shannon, Texas, Douglas, and Ozark
15 Counties) and 53,000 Arkansans (Fulton and Baxter Counties). For more information on OMC, I
16 invite the Public Service Commission ("Commission") to consider OMC's 2020 Annual Report
17 attached as **Schedule JR-1**.

18 **Q. And what is OMC's relationship to SNGMO?**

19 A. OMC is one of SNGMO's transportation customers. It chose to be a transportation
20 customer because of its need for a significant amount of natural gas to maintain its current amount
21 of medical services. Although OMC primarily uses natural gas for general heating purposes, it
22 more importantly uses natural gas heating to sterilize medical equipment for inpatient procedures.

1 I have read SNGMO's tariff sheets for transportation service and am attaching them here as
2 **Schedule JR-2** to my affidavit.

3 **III. OMC'S OPERATIONS DURING WINTER STORM URI**

4 **Q. How did Winter Storm Uri impact OMC?**

5 A. The February 2021 winter storm was particularly hard on OMC. Reducing the level of
6 treatment or medical operations would have jeopardized the surrounding community so we
7 continued accepting patients even as the snow fell and temperatures dropped.

8 We inevitably used more natural gas at all of our treatment locations during the storm, in
9 large part because we were unable to mitigate our use like other transportation customers could.

10 **Q. What do you mean that you were "unable to mitigate"?**

11 A. Someone from SNGMO called our facilities department during Winter Storm Uri and
12 asked us to curtail our gas use. We responded and switched our gas use to OMC's backup propane
13 reserves. Unfortunately, and despite our best efforts, the propane reserves failed in the extreme
14 cold. This is the first time I can recall that our propane failed due to freezing temperatures. Without
15 a secondary source for fuel, our operations team was faced with two choices. One, reduce medical
16 operations or two, resume using natural gas from SNGMO. We ultimately decided to prioritize our
17 obligations to our patients and to meet adequate health standards by continuing to use natural gas
18 from SNGMO's transportation network throughout the storm.

19 Even if our propane reserves had not failed, I do not think we would have been able to
20 curtail our natural gas use for long. We simply are unable to curtail our natural gas use for days
21 like the ** [REDACTED]

22 [REDACTED] ** that did so during Winter Storm Uri. I also understand that ** [REDACTED]
23 [REDACTED]

1 [REDACTED]** This is not something that OMC can manage. I would
2 also fear that OMC would potential violate federal regulations through the Center for Medicare
3 and Medicaid Services if it potentially interrupted services for that long. The Center for Medicare
4 and Medicaid Services obligates us to serve the community because we accept Medicare and
5 Medicaid funds.

6 **Q. Is there any other reason why you could not curtail your natural gas use?**

7 A. Yes. Winter Storm Uri coincided with the time OMC was dealing with a surge of COVID-
8 19 cases. We were at capacity for both in-patient and out-patient treatment. We were even more
9 so not able to curtail our natural use because we were at capacity across all facilities.

10 **IV. NATURAL GAS BILLING FOLLOWING WINTER STORM URI**

11 **Q. What did SNGMO charge OMC after Winter Storm Uri?**

12 A. OMC's March 11, 2021, bill from SNGMO was \$463,336.84 in total. I was shocked when
13 I saw this figure, and am frankly still unsure how that is reasonable. SNGMO attributed
14 \$434,204.91 of the bill to a so-called "Imbalance Cashout." This was beyond my expectations
15 given that OMC's gas bill is normally \$15,000 to \$20,000 a month. Given this discrepancy
16 between normal billing and what OMC was assessed, I do not believe OMC's bill is reasonable or
17 accurately reflects SNGMO's cost to serve OMC. For reference, OMC's natural gas bills through
18 2021 and SNGMO's current demand are attached as Schedule JR-3.

19 **Q. Do you believe OMC's March 2021 bill is incorrect?**

20 A. I do not think it reflects SNGMO's cost to serve OMC. But regardless of how SNGMO
21 calculated the bill, it is more than OMC should bear. SNGMO is demanding \$493,550.75 as of last
22 January, including late fees. That is nearly half of OMC's entire net income from last year.

1 2021 was a particularly hard year for OMC. Without federal funding from the Coronavirus
2 Aid, Relief, and Economic Security Act and the American Rescue Plan Act of 2021, OMC would
3 have lost over ten million dollars. We ended up basically breaking even with that funding. We
4 ended the year with an operating margin of around 1%.

5 **Q. Can OMC pay the March 2021 bill in one month?**

6 A. We could technically tap into financial reserves for that, but there is no way to pay that
7 much at once without impacting patient care. Every dollar OMC makes goes back into the
8 community, not shareholders. That means that if we take out half of a million dollars for inflated
9 gas prices, we are not paying for equipment, employee salaries, and other benefits that go directly
10 to the community.

11 **Q. What would you like the Commission to do then?**

12 A. I ask that the Commission address SNGMO's cashout imbalance billing through an
13 Accounting Authority Order ("AAO"). My understanding is that the Commission may authorize
14 AAOs for unique, nonrecurring, and extraordinary events. An AAO will compensate SNGMO for
15 the amount in controversy while ensuring that OMC's services continue. SNGMO will be able to
16 track and defer the disputed cashout debt until its next rate case when it can then be incorporated
17 into all of the Company's rates. I also suspect that SNGMO will file its next rate case relatively
18 soon, meaning that the Commission is in a prime position to address SNGMO's recovery of the
19 AAO. I alternatively ask the Commission to order a special payment arrangement. OMC offers
20 that it can sustain a payment plan where OMC pays ten percent of the total bill within thirty days
21 following a Commission order and the remainder is paid out in equal monthly installments over a
22 ten-year period.

1 **Q. Why do you think than AAO is an appropriate means of addressing the billing dispute**
2 **between SNGMO and OMC?**

3 A. I believe an AAO is warranted because of OMC's unique circumstances as a non-profit
4 medical establishment and the severity of Winter Storm Uri. OMC exists for the benefit of the
5 general public. Granting OMC an AAO does not unfairly enrich any owner or officer of OMC, nor
6 does it unfairly damage SNGMO. Instead the costs are spread across the service area to reflect
7 OMC's status as a not-for-profit entity providing valuable services. Winter Storm Uri was also
8 clearly extraordinary. SNGMO reported to the Commission last year that its natural gas expenses
9 for February 2021 were over \$34.3 million.¹ That was over four times SNGMO's natural gas costs
10 for all of 2020.²

11 Furthermore, the Staff of the Public Service Commission have repeatedly concluded that
12 the effects of Winter Storm Uri qualify for AAO treatment. I am attaching those Staff conclusions
13 as **Schedule JR-4**. If Winter Storm Uri was extraordinary for Missouri's utilities, it only stands to
14 reason that it was also extraordinary for customers like OMC.

15 **Q. Is there anything else you want the Commission to consider when evaluating your**
16 **request?**

17 A. Yes. Also for the Commission's benefit, I am attaching a publicly-available report on the
18 impact of Winter Storm Uri in Missouri by Professor Patrick Guinan I found on the University of
19 Missouri Extension's Climate Center website as **Schedule JR-5**. Prof. Guinan's report speaks to
20 the severity and uniqueness of the 2021 February winter storm. Prof. Guinan's findings support
21 my conclusion that Winter Storm Uri was extraordinary.

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

¹ *Transcript of Proceedings*, AO-2021-0264, 54 (Mar. 23, 2021).

² *Id.*

1 A. Yes.