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August 9, 2010

The Honorable Michael Cunningham  
Missouri State Representative  
State Capitol, Room 302-1  
201 West Capitol  
Jefferson City, Mo 65101-6806

Dear Representative Cunningham:

This is in response to your letter to Commissioner Jeff Davis, regarding Southern Missouri Natural Gas Company (SMNG) awarding of a contract to build a gas pipeline from Branson to Aurora.

I have been in contact with Mr. Dave Moody, CEO of SMNG and have been provided the following information.

1. It was made clear in the pre-bid meeting that price alone would not be the only determining factor, but proven, established experience at laying cross-country gas pipeline would also be a very important determining factor. The winning bidder had more experience in laying cross-country gas pipeline.
2. The pipeline project was originally bid in three sections which were: 1) From the James River to the Aurora tap; 2) From the James River to the Branson City Limits; and 3) Extending south to the College of the Ozarks. The bid accepted for the first section, was less than the Herion Company bid. Ultimately, SMNG selected a bid on Section Two for substantially less than the Herion Company bid. The Herion Company did not bid on the third section.
3. Herion Company's bid was incomplete
4. By Herion Company's own admission, it had very little experience, (less than seven miles accumulated) in steel pipeline installation.

If you or Mr. Herion would like to further discuss this issue, or if Mr. Herion has any other information regarding the rate increase for SMNG that he feels would be beneficial, please ask Mr. Herion to contact me.

Sincerely,

Wess Henderson  
Executive Director

c: Commissioner Jeff Davis