

Memorandum of Agreement
between
Eglin Air Force Base
and
Okaloosa County Gas District
for
Delineating Ownership of Natural Gas Distribution Lines

WHEREAS, Eglin Air Force Base, hereinafter referred to as the Government, in accordance with a Department of Defense directive, seeks to privatize its natural gas distribution system.

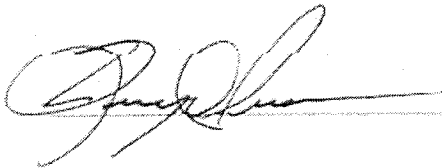
WHEREAS, The distribution lines comprising said system are owned by either the Government or Okaloosa County Gas District, hereinafter referred to as the Utility, but there has not been a clear delineation of the ownership of the distribution lines.

NOW THEREFORE, In order to facilitate the Government's privatization effort, the Parties hereby agree as follows:

The attached maps (Appendix 1) and the Okaloosa Gas District letter, dated November 6, 1997 (Appendix 2), delineate ownership of the natural gas distribution lines on Eglin Air Force Base. This ownership is consistent with the documents referenced in Appendix 2, the methodology and assumptions set forth in Appendix 3, and the definitions set forth in Appendix 4.

Executed this 12th day of October 2000

Eglin Air Force Base



Okaloosa County Gas District

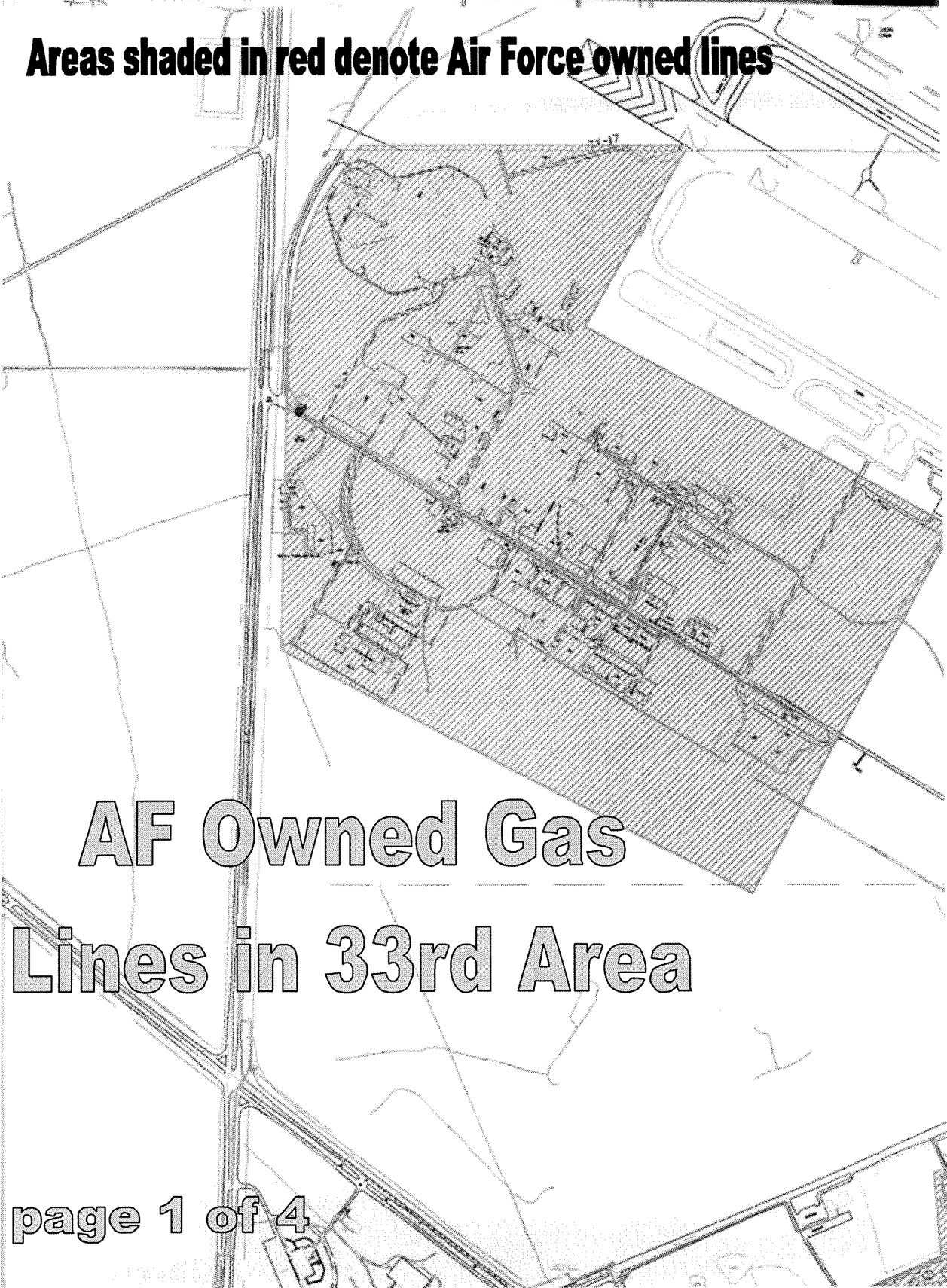


MEMORANDUM OF
AGREEMENT

APPENDIX 1

OWNERSHIP MAPS

Areas shaded in red denote Air Force owned lines



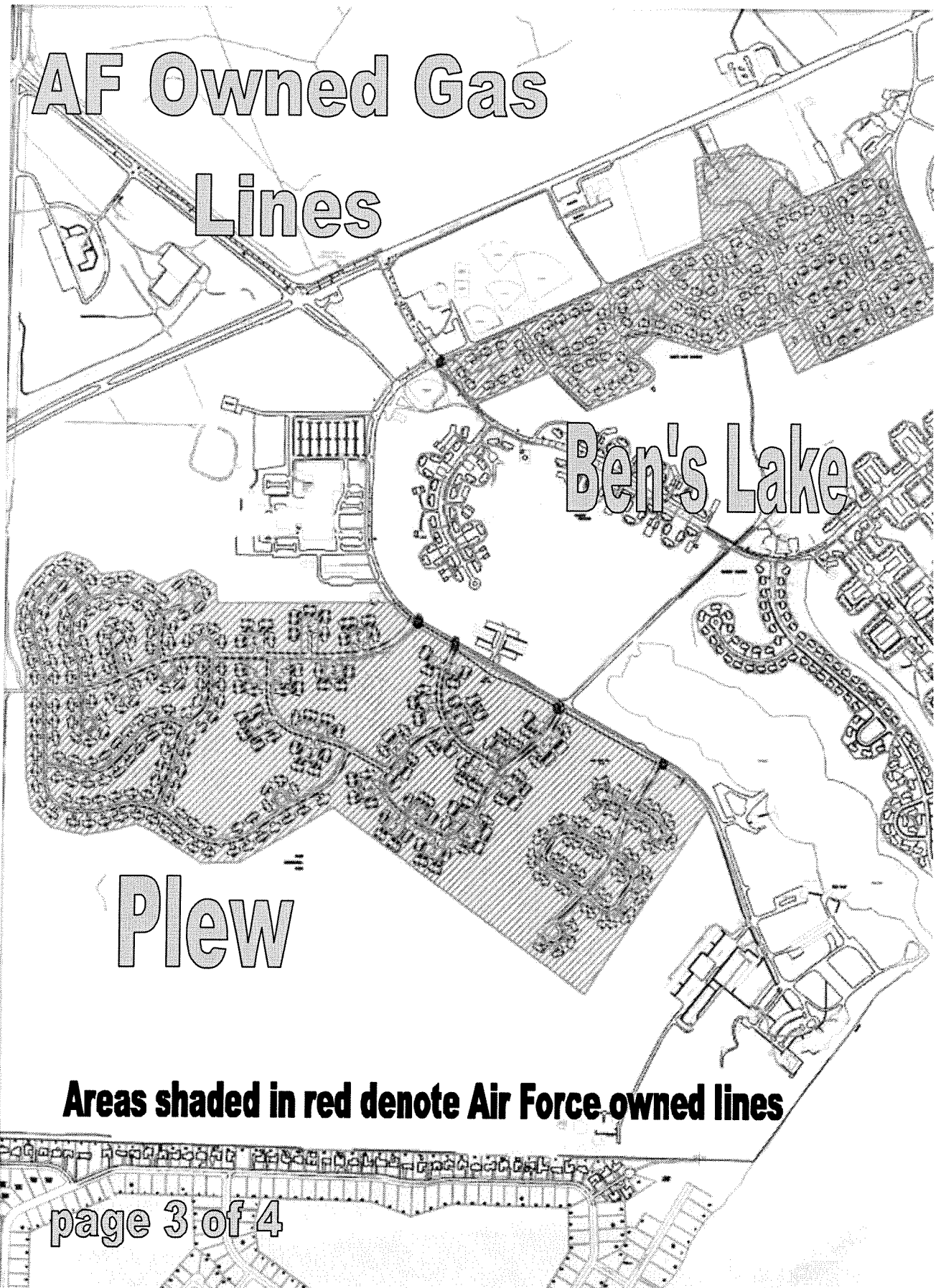
**AF Owned Gas
Lines in 33rd Area**

AF Owned Gas Lines in Poquito



Areas shaded in red denote Air Force owned lines

AF Owned Gas Lines



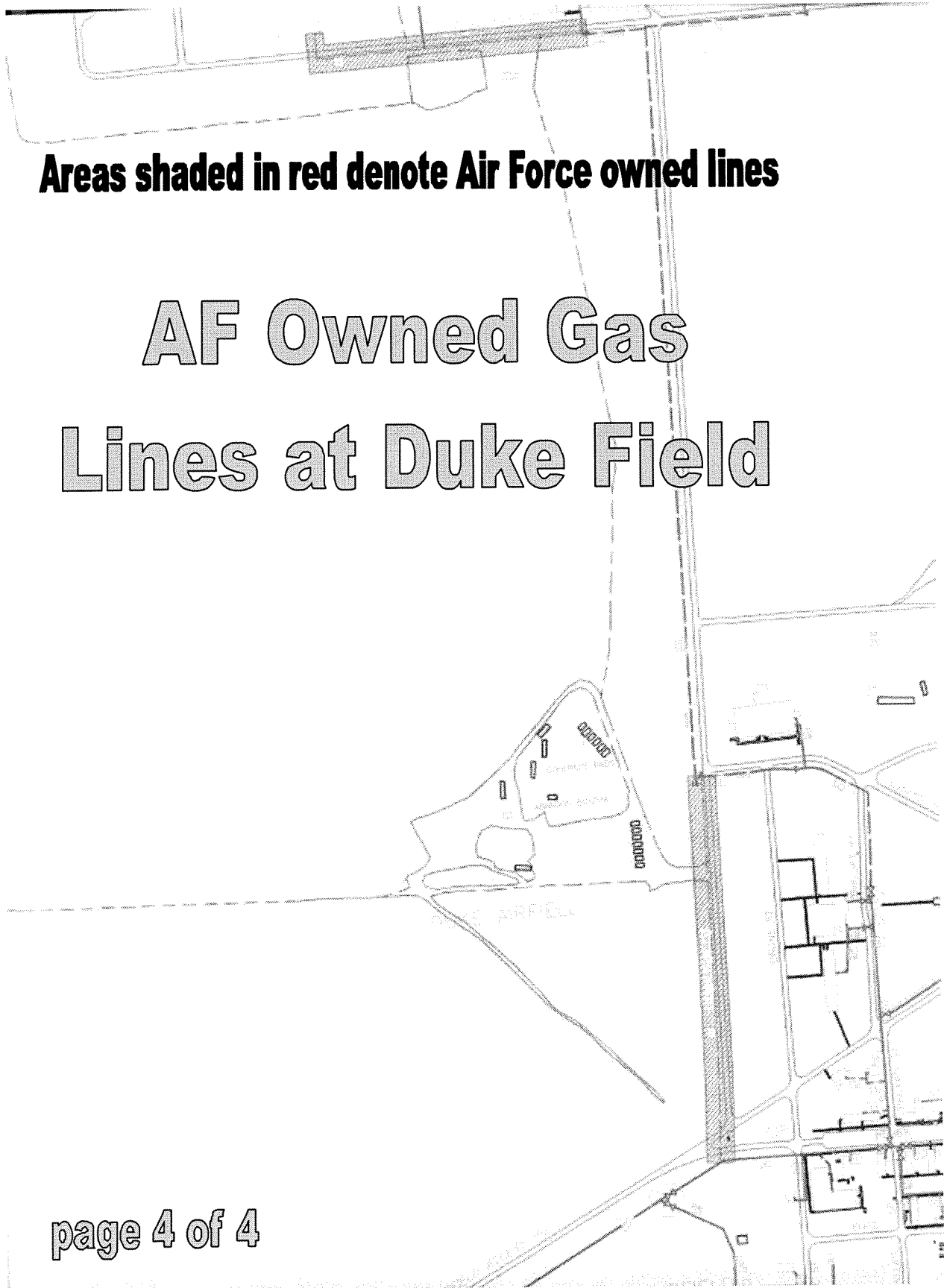
Ben's Lake

Plew

Areas shaded in red denote Air Force owned lines

Areas shaded in red denote Air Force owned lines

AF Owned Gas Lines at Duke Field



Appendix 2

REFERENCE DOCUMENTS

1. Contract No. AF 08(603)-3383 entered into October 23, 1956
2. Contract No. AF 08(603)-3381 approved November 5, 1956
3. Contract AF 08(603)-3381, P00097, dated August 15, 1983
4. Area wide Contract No. GS-OOB-02358*, February 1985 – February 1995
5. Area wide Contract No. GS-OOP-94-BSD-0019*, 22 February 1995 to 21 February 2005
6. Okaloosa Gas District Letter dated November 6, 1997
7. Powell, Powell & Powell Letter dated June 15, 2000
8. Okaloosa Gas District Maps Showing AF Owned Lines

*Includes Exhibits A

Appendix 3

METHODOLOGY FOR ESTABLISHING OWNERSHIP

Since there is not a complete record of how the gas lines were installed and who made the decisions as to ownership, heavy reliance was based on the contracts that were found. And that information was supplemented by historically recognized ownership interests, as indicated by payments for repair and maintenance of the lines. Additionally, other correspondence from Okaloosa Gas District was taken into consideration as to said ownership.

Maps have been generated establishing lines of ownership, and each party has recognized these lines of demarcation for the last several years. The following will establish the assumptions and underlying conditions upon which the methodology was developed and used to establish ownership and the results of the methodology.

Contract No. AF 08(603)-3383, October 23, 1956 –

Considerations-- This original document is for natural gas service to Hurlburt Field housing, whereby it states, in item “2. Facilities within Government Premises, of this contract states the contractor, at its expense, shall furnish install and maintain all facilities required to supply service....” And in paragraph “7. Liability of Contractor. All ... charges in connection with facilities provided hereunder by the contractor, ...or maintenance of such facilities shall be assumed by the contractor”.

Conclusion-- For some time, the Air Force has paid for the maintenance of these systems, to ensure the integrity of the lines above and beyond the level of surety provided by Okaloosa Gas District. However, it is not to be construed that these lines belong to the Air Force. Hence it is agreed that all lines at Hurlburt Field are under the ownership of Okaloosa Gas District.

Contract No. AF 08(603)-3381, approved November 5, 1956 –

Considerations--This original document to which all newer documents refer is somewhat out-of-date in that several of the facilities have been demolished since 1956, and new facilities have been added. In principal it is good, but as far as delineating areas, it is out-of-date. It covers buildings located on Eglin Main and Duke Field with reference to 56 “DH-xx” buildings. The main base facilities and Duke Field Facilities were marked on a new map to check and see if they were in the proper boundaries of ownership, and they are, but the “DH-xx” facilities are an unknown entity, and were assumed demolished or renumbered.

Conclusion-- All facilities that were marked are within the boundaries of the Okaloosa Gas district Letter of Nov 6, 1997. Maps showing the lines of ownership and individual buildings that are referenced on this contract are available through the 96 Civil Engineer Group, Base Development Section (Bldg. 666, Mr. Dennis Rackard).

Contract AF 08(603)-3381, P00097, dated August 15, 1983 –

Considerations-- This is the contract modification whereby Okaloosa Gas installed and owns the distribution system running to 49 buildings on Hurlburt. (as listed in Attachment 1 to that amendment).

Conclusion-- Maps showing the lines of ownership and individual buildings that are referenced on this amendment were marked to prove the facilities are within the boundaries as believed (Okaloosa Gas District owns all gas lines on Hurlburt). These maps are available through the 96 Civil Engineer Group, Base Development Section (Bldg. 666, Mr. Dennis Rackard).

Area wide Contract No. GS-OOB-02358 (Including Exhibits A), February 1985 – February 1995 –

Considerations—This GSA contract replaced the above referenced locally generated contracts. It was readily modifiable to incorporate new construction gas service with the completion of an Exhibit A. Each time a new facility was added to the Okaloosa Gas District service area on Eglin AFB (including Hurlburt and Duke), an Exhibit A was required for notification and analysis for possible inclusion of gas service to a proposed facility.

Conclusion—In accordance with the area wide contract and its Exhibits A, Okaloosa Gas is the sole proprietor. Ownership of those distribution system components has been reviewed and is consistent with Okaloosa Gas District map and the Okaloosa Gas District letter dated Nov. 6, 1997. Maps showing the lines of ownership and individual buildings referenced in these Exhibits A are available through the 96 Civil Engineer Group, Base Development Section (Bldg. 666, Mr. Dennis Rackard).

Area wide Contract No. GS-OOP-94-BSD-0019 (Including Exhibits A), 22 February 1995 to 21 February 2005 -

Considerations— This GSA contract replaced the above referenced GSA contract. It is readily modifiable to incorporate new construction gas service with the completion of an Exhibit A. Each time a new facility is added to the Okaloosa Gas District service area on Eglin AFB (including Hurlburt and Duke), an Exhibit A is required for notification and analysis for possible inclusion of gas service to a proposed facility.

Conclusion-- In accordance with the area wide contract and its Exhibits A, Okaloosa Gas is the sole proprietor. Ownership of those distribution system components has been reviewed and is consistent with Okaloosa Gas District map and the Okaloosa Gas District letter dated Nov. 6, 1997. Maps showing the lines of ownership and

individual buildings referenced in these Exhibits A are available through the 96 Civil Engineer Group, Base Development Section (Bldg. 666, Mr. Dennis Rackard).

Okaloosa Gas District Letter dated November 6, 1997-

Considerations-- This letter was the result of a request by the Air Force to formally establish lines of ownership and to preclude further problems of determining responsibility for maintaining the natural gas system on Eglin Main. In the past Civil Engineering personnel were often tasked to make repairs to the system, but the lines of ownership had never been formally mapped out. To prevent Air Force personnel from working on parts of the system owned by Okaloosa Gas, 96 Civil Engineer Group personnel worked with engineers and draftsmen of Okaloosa Gas District, using the same contracts and Exhibits A as listed above to mark the lines of ownership. This resulted in the creation of the maps shown at Appendix 1.

Conclusion-- Eglin Air Force Base had been operating under an informal understanding since 1991 with few problems. Okaloosa Gas, in concert with the Air Force, drafted the Nov 6, 1997 letter to “formalize” this agreement. Although this formalization was never concluded, both parties participated in the creation of the ownership lines delineated in the map attached to said letter.

Powell, Powell & Powell Letter- as signed June 15, 2000-

Considerations-- This letter provides a legal opinion from Okaloosa Gas District’s Attorney. In it, Okaloosa Gas District asserts ownership of all natural gas piping and distribution systems on Eglin, Hurlburt and Duke Field as presented in the above contracts, amendments and exhibits, exclusive of the areas identified as Air Force owned on the attached maps.

Conclusions—The Air Force agrees in concept with this letter.

Back-up Maps

Additional natural gas distribution system maps are available for review in Building 666, 96 Civil Engineer Group, Base Development Section. Some of these maps have individual buildings marked to designate each facility referenced in either the original 1956 contract or an Exhibit A to one of the subsequent contracts. Each mark verifies ownership of the natural gas distribution system by Okaloosa Gas District and provides proof that such service is provided in an area of ownership as agreed upon by both parties as being that owned by Okaloosa Gas District. Other maps identify only Air Force owned lines while still others identify ownership of both.

Appendix 4

DEFINITIONS

Government Owned - This term is used to define portions of the natural gas distribution system that were installed using Air Force construction funds with inspection and maintenance of those pipes funded by the Air Force.

Eglin Air Force Base - The entire reservation, including but not limited to, the main base cantonment area, Hurlburt Field (Eglin Auxiliary Field No. 9) and Duke Field (Eglin Auxiliary Field No. 3).

Privatization - A Department of Defense initiative in which certain government (DoD) utility systems are sold or transferred to a private entity.

Utility System - The actual pipes, connections, fittings, regulators, valves, and other components for distribution of a utility commodity, plus the right of way. This agreement covers the external natural gas distribution system leading up to the service outlet of the pressure regulator of the building which it serves, or to the gas meter, if one is in place. The piping within a facility is not a part of this agreement.