

property and without deduction for property replaced or retired) which shall have been acquired or constructed by the Company during the same period; and

(2) the aggregate amount of cash which either shall have theretofore been deposited by the Company with the Trustee pursuant to this Section 1 or would have been required to be so deposited except for compliance by the Company with the provisions of Section 2 of this Part Two with respect to the reduction of cash to be so deposited with the Trustee.

The "replacement requirement" in respect of any calendar year shall be an amount equal to two and one-half per cent. (2½%) of the average of the amount of depreciable fixed property (as hereinafter defined) of the Company as at the beginning of such year and as at the close of such year: *provided, however*, that the replacement requirement in any year shall not exceed the amount (1) authorized or permitted to be charged by the Company as an operating expense for depreciation or retirement purposes under the rules, regulations, orders or decisions of any governmental regulatory authority or authorities having jurisdiction in the premises, or (2) deductible as depreciation or other similar expense for the purpose of determining net income for Federal income tax purposes. The "amount of depreciable fixed property" shall be the amount by which (a) the sum of \$192,913,385 plus the aggregate gross amount of all depreciable additional property (determined on the basis of the cost or fair value to the Company, whichever is less, of each unit of such additional property and without deduction for property replaced or retired) acquired or constructed by the Company during the period from and including January 1, 1949 to and including the date as of which such amount is determined, exceeds (b) the original cost of all depreciable fixed property of the Company retired during such period or released from the lien of the Indenture pursuant to §§ 5.03 or 5.05 thereof.

SECTION 2. Upon application by the Company to the Trustee, the amount of cash which is to be deposited with the Trustee at any time pursuant to the provisions of Section 1 of this Part Two may be reduced, and any cash previously deposited with the Trustee pursuant to such provisions and then held by the Trustee shall from time to time be paid out by the Trustee to or upon the order of the Company, as follows:

(1) In an amount equal to one hundred fifty per cent. (150%) of the principal amount of bonds of any series previously authenticated and delivered under the Indenture or refundable prior lien bonds, which shall be deposited with the Trustee and on the basis of which the Company would otherwise have been entitled to the authentication and delivery of additional bonds under the provisions of § 2.09 of the Indenture. Any application for the reduction or payment of cash pursuant to this subparagraph shall be made in the manner of an application pursuant to said § 2.09, but with all appropriate changes in such application and other documents, if any, required in connection therewith and without being accompanied by the documents mentioned in § 2.02. All bonds deposited with the Trustee pursuant to the provisions of this subparagraph shall be held by the Trustee subject to the provisions of Section 5 of this Part Two and, in the case of prior lien bonds, to the provisions of § 2.11 of the Indenture, and all such bonds previously authenticated and delivered under the Indenture shall be cancelled.

(2) In an amount equal to one hundred fifty per cent. (150%) of the principal amount of bonds to the authentication and delivery of which the Company would otherwise be entitled under § 2.05 of the Indenture and Part Three of this supplemental indenture. Any application for the reduction or payment of cash pursuant to this subparagraph shall be made in the

On or before April 1 of each such year, or at the time any deposit is made in such year pursuant to this section, whichever is the earlier, the Company shall furnish to the Trustee a certificate, signed in the name of the Company by its President, or one of its Vice-Presidents, or its Treasurer or one of its Assistant Treasurers, under its corporate seal attested by its Secretary or one of its Assistant Secretaries, which shall set forth: (a) the amount of depreciable fixed property of the Company at the beginning and at the close of the preceding calendar year, and the average of such amounts, the amount equal to 2½% of such average, the amount, if any, which is authorized or permitted (as stated above) to be charged by the Company as an operating expense for depreciation or retirement purposes by each regulatory authority or the amount, if any, which is deductible (as stated above) for Federal income tax purposes, if either such amount shall be less than the amount equal to such 2½%, and the replacement requirement for such calendar year; (b) the sum of the replacement requirements for all calendar years beginning with the calendar year 1949 and ending with the last calendar year preceding the date of such certificate; (c) the aggregate original cost of all fixed property retired during the period stated in subparagraph (1) of this section, the aggregate of the gross amounts of additional property acquired or constructed during such period (determined as provided in said subparagraph), and the amount taken as a deduction pursuant to said subparagraph; (d) the amount of cash taken as a deduction pursuant to subparagraph (2) of this section; (e) the amount of cash, if any, required to be deposited with the Trustee pursuant to this section during the then current calendar year; and (f), if the Company shall elect, in accordance with Section 2 of this Part Two, to reduce the amount of cash, if any, so to be deposited with the Trustee, the amount by which such cash is so to be reduced and the remaining amount, if any, to be deposited with the Trustee.

manner of an application pursuant to said § 2.05, but with all appropriate changes in such application and other documents, if any, required in connection therewith and without being accompanied by any of the documents mentioned in § 2.02 of the Indenture.

SECTION 3. Any cash which shall have been deposited with the Trustee pursuant to Section 1 of this Part Two and which shall not theretofore have been paid out by the Trustee pursuant to Section 2 of this Part Two, shall be applied by the Trustee to the payment, purchase or redemption of bonds of any series authenticated and delivered under the Indenture, or to the purchase of refundable prior lien bonds, upon application made by the Company at any time or from time to time (such application in each case to specify the amount of bonds of each series or designation to be so acquired by the Trustee, whether such bonds are to be paid, purchased or redeemed, and the moneys from which such bonds are to be so acquired). If at any time cash which shall have been so deposited with the Trustee shall not within five years from the date of deposit thereof have been paid out pursuant to said Section 2 or used or set aside by the Trustee for the payment, purchase or redemption of bonds pursuant to the foregoing provisions of this section, such cash shall, if in excess of fifty thousand dollars (\$50,000), be applied to the redemption of bonds of the 1979 Series in an aggregate principal amount sufficient to exhaust as nearly as possible the full amount of such cash.

Any purchase of bonds pursuant to this section may be made on any securities exchange, in the open market or at private sale at the price or prices most favorable to the Company in the judgment of the Trustee, provided that, in the case of bonds secured by the Indenture, no bonds shall be so purchased at a price (including accrued interest and brokerage) resulting in a cost thereof to the Company which would exceed the cost (including accrued interest) of redeeming such bonds through the Replacement Fund on a date forty days after the date of such purchase.