

property acquired from Duke Power Company, the gross book value thereof shall be the gross book value thereof as shown on the books of Duke Power Company at the date of acquisition thereof by the Company.

Property renewed or replaced through expenditures properly included in operating expenses shall not be taken into account in determining retirements.

If the gross book value or cost, as the case may be, of any particular property so retired is not known, an estimate of such gross book value or cost made by an engineer or an accountant shall be used; and in cases where different classes or kinds of property or systems have been acquired by the Company for a consideration not divided among the respective classes or kinds of property or systems acquired, the Company may allocate in any reasonable manner consistent with sound accounting practice on its books the gross book value or cost of the property comprising the different classes and kinds of property or systems and its allocation shall be deemed to be the gross book value or cost, as the case may be, of the respective classes or kinds of property or systems; provided, however, in the case of additional property theretofore certified to the Trustee the amount thereof so certified which is not readily allocable to any particular additional property may be so estimated or allocated.

(g) The term "credit for substitution" in connection with the disposition of any property included in retirements shall mean an amount equal to the sum of (i) the amount of any additional property received by the Company in exchange for property released pursuant to § 6.02, (ii) all trust money (other than payments in respect of purchase money obligations) deposited with the Trustee or other moneys received and used pursuant to § 6.01 (B), or released from the requirement of deposit as provided in § 6.11, and (iii) the original principal amount of any purchase money obligations so deposited or released from the requirement of deposit, to the extent that the property in connection with the release of which such additional property was received or such trust money or other moneys received and used or purchase money obligations deposited or released from the require-

other than Excepted Property owned by the Company on the date of execution hereof, and (b) the cost (or amount if theretofore certified to the Trustee) of additional property constructed or acquired by the Company after the date of execution hereof, which property, subsequent to said date,

(i) shall have been renewed, replaced, permanently discontinued, abandoned, destroyed, sold or otherwise disposed of (or released by the Trustee but not disposed of) by the Company,

(ii) shall have been taken by exercise of the power of eminent domain or sold pursuant to the exercise of a right of any municipal or governmental body or agency to purchase, or designate a purchaser of, or order the sale of, the same (or sold in lieu of and in reasonable anticipation of any such event),

(iii) in the case of franchises, permits or similar rights, shall have expired or been terminated,

(iv) shall have been recorded as retired on the books of the Company, or

(v) shall have been worn out, retired or abandoned or which has otherwise permanently ceased to be used or useful in the Gas Business of the Company (provided, however, that if the gas manufacturing plants and equipment designed for the manufacture of coal gas in the cities of Greenville, South Carolina and Charlotte, North Carolina, shall be retired or abandoned upon the conversion of the gas distribution systems in such cities to the use of natural gas, the book value thereof, but not in excess of an aggregate of \$600,000, may be retired over a period of ten years in equal annual amounts and no amount in excess of the retired portion thereof shall be included in any computation of retirements),

provided, however, that neither any reductions in book values of property recorded in the fixed property accounts of the Company, nor the transfer of any amounts appearing in any such accounts of the Company to intangible or adjustment accounts, required or arising from adjustments required to be made by any State or Federal regulatory body, or the subsequent amortization or elimination of any amounts so transferred, otherwise than in connection with actual retirement of physical property, shall be taken into account in determining the amount of retirements, and provided further, as to any