

ment of deposit as aforesaid shall have been included in the retirements at the time being certified or otherwise evidenced to the Trustee.

(h) The term "net amount" as applied to additional property at any time shall mean the sum by which the aggregate amount of additional property certified to the Trustee shall exceed the greater of (a) the excess of the retirements over any credit for substitution, or (b) the minimum provision for depreciation from the date of execution hereof to such time.

(i) So long as any Bonds of the 1976 Series are outstanding, the term "minimum provision for depreciation" for any period shall mean the greater of (a) the amount of depreciation on the books of the Company for such period determined in accordance with sound accounting practice, or (b) the amount of depreciation computed for such period at the rate of 2½% per annum of the average gross book value of depreciable property of the Company, determined upon the basis of the gross book value of such depreciable property at the beginning and end of the initial period and thereafter at the beginning and end of each calendar year, or if any period covering a fraction of a year is involved in any such determination, at the beginning and end of such fractional year. The gross book value of depreciable property acquired from Duke Power Company or any other operating gas utility shall mean the gross book value thereof as shown on the books of Duke Power Company or such other operating gas utility on the date of acquisition by the Company, and shall mean as to any other property, the cost thereof to the Company. Fractions of a calendar month shall be disregarded in making any calculation of minimum provision for depreciation for any period of time.

After all of the Bonds of the 1976 Series shall have ceased to be outstanding the term "minimum provision for depreciation" shall have such meaning as may be provided in an indenture supplemental hereto establishing the terms and provisions of a subsequent series of the Bonds.

(j) The term "Construction Costs" shall mean:

(a) costs incurred in connection with the acquisition, construction and expansion of gas distribution systems, feeder lines

and lateral transmission pipe lines by the Company charged and properly chargeable to fixed property accounts under the regulations, rules and orders, if any, with respect to such matters at the time in force of the public body or authority having jurisdiction or supervisory authority over the accounts of the Company, or if there are no such regulations, rules or orders, in accordance with sound accounting practice, including without limiting the generality of the foregoing:

(i) all costs of such acquisition, construction and expansion of gas distribution systems, feeder lines and lateral transmission pipe lines, including the cost of property or rights acquired for the rights-of-way in, on or under which any portion of such acquisition, construction and expansion of gas distribution systems, feeder lines and lateral transmission pipe lines is to be located; and all cost and expenses incurred by the Company in connection with the obtaining of franchises and with proceedings before the Federal Power Commission or other governmental regulatory authorities relating to authorization to acquire, construct or expand and operate such gas distribution systems, feeder lines and lateral transmission pipe lines;

(ii) all costs of labor and services, including advisory services and services of foremen, supervisors, inspectors, surveyors, engineers, counsel, and accountants performed or rendered in connection with such acquisition, construction and expansion of gas distribution systems, feeder lines and lateral transmission pipe lines and all costs of materials, supplies, machinery, construction equipment and apparatus acquired or used (including rental charges for machinery, equipment or apparatus rented) for or in connection with such acquisition, construction and expansion, whether or not constituting or to constitute a part of such gas distribution systems, feeder lines or lateral transmission pipe lines; it being understood that any amount realized by the Company as salvage on any machinery, construction equipment and apparatus, the cost of which shall have been charged to such acquisition, construction and expansion of gas distribution systems, feeder lines and lateral transmission pipe lines, shall be treated as a deduction from the amounts otherwise withdrawable on account of the costs of such gas distribution systems, feeder lines or lateral transmission pipe lines; and