

(2) There shall be excluded in computing net earnings as afore-said an amount equal to the net earnings estimated to be applicable to any property the earnings of which can be separately determined under the bookkeeping practices of the Company which has been sold or disposed of by the Company after the beginning of said twelve (12) months' period.

(3) If at the time of any such computation any property of the Company is subject to any prior lien securing indebtedness in an amount of Two Hundred Fifty Thousand Dollars (\$250,000), or more, then there shall be deducted from the net earnings of such property, estimated if necessary, an amount equal to the excess, if any, of such net earnings over an amount equal to two and one quarter ( $2\frac{1}{4}$ ) times the annual charges upon all outstanding prior lien debt not including prior lien debt provisions for which is to be made, prior to or contemporaneously with such authentication or delivery of Bonds.

The term "net earnings certificate" shall mean a certificate of the Company setting forth:

(1) a computation of the net earnings of the Company available for interest for a period of twelve (12) consecutive calendar months within the fifteen (15) calendar months immediately preceding the date of the application to the Trustee in connection with which such certificate is being furnished.

(2) the annual interest charges upon (a) all outstanding Bonds not including Bonds provision for the retirement of which is to be made, prior to or contemporaneously with the authentication and delivery of the Bonds then applied for; (b) all outstanding prior lien debt not including prior lien debt provision for which is to be made, prior to or contemporaneously with such authentication and delivery of Bonds; and (c) Bonds, if any, applied for in the pending application, and in any other pending application (herein collectively referred to as the "Company's bonded debt").

(3) the sum of the annual interest charges and of the annual sinking fund requirements upon the Company's bonded debt.

(4) the annual provision for renewals, replacements, retirements and depreciation at the rate provided for in the definition of the minimum provision for depreciation.

depreciation for such period. Profits or losses from sales of capital assets shall be excluded.

The "net earnings available for interest" of the Company for any period shall be determined by adding to the net earnings of the Company for such period (but only to the extent that the same were deducted in computing such net earnings) (i) all interest charges on the Company's bonded debt (hereinafter defined) for such period (ii) all amortization of debt discount and expenses for such period and (iii) all income, excess profits and other taxes for such period based on or measured by income or undistributed earnings or income for the determination of liability in respect of which the amount payable by the Company by way of interest is a deductible item. In computing net earnings available for interest, that portion of the net earnings of the Company for such period which is properly allocable in accordance with sound accounting practice to any sources other than the Gas Business of the Company shall not be included to the extent that same exceed 10% of the net earnings so computed.

The "net earnings available for interest and depreciation" of the Company shall be determined by adding to the net earnings available for interest of the Company for such period an amount equal to the provision for renewals, replacements, retirements, depreciation and obsolescence which were deducted in computing such net earnings available for interest.

In computing the net earnings available for interest in connection with the issue of Bonds:

(1) If any properties, which have previously been used or operated by others in a business similar to that in which such properties are or are to be used by the Company, has been acquired by the Company within or after the period for which net earnings is calculated, or is to be acquired in connection with the issuance of the Bonds then being applied for, such acquired properties may be treated as having been owned and operated by the Company for the twelve (12) consecutive calendar months used in calculating net earnings, or the whole of any lesser period of operation thereof within said twelve (12) months, if the properties shall not have been in operation by the Company for such twelve (12) months' period.

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