

quired in connection with the issuance of the bonds then being applied for, such property shall be treated as having been owned by the Company for the twelve consecutive calendar months used in calculating net earnings, or the whole of any lesser period of operation thereof within said twelve months if said property shall not have been in operation for all of such twelve months' period. If such property has been or is to be so acquired by the Company from a subsidiary, any interest or dividends received by the Company from such subsidiary during such twelve months or lesser period of operation shall be excluded from non-operating income in calculating net earnings as aforesaid. There shall be excluded in calculating net earnings as aforesaid an amount equal to the net earnings estimated to be applicable to any plant or system sold or disposed of after the beginning of any such twelve months' period.

In the event that, after the beginning of the twelve months' period covered by any net earnings certificate furnished to the Corporate Trustee but prior to the delivery to the Corporate Trustee of the application in connection with which such certificate is being furnished, the Company shall have commenced the delivery of natural gas to Southern California Gas Company and Southern Counties Gas Company of California or to Pacific Gas and Electric Company at a rate in excess of that at which gas was being delivered to said companies or company, as the case may be, at the beginning of said twelve-months' period, then there may be included in said net earnings certificate, in lieu of the amount of net earnings actually derived by the Company during such twelve-months' period from sales of gas to such companies or company, as the case may be, an amount (which shall be separately stated) equal to the estimated aggregate net earnings from sales to said companies or company for the first twelve-months' period after the commencement of deliveries to said companies or company at such increased rate, provided that such estimated net earnings shall be based upon not more than the minimum contracted demand in effect at the date of such application under the terms of a then effective service agreement with such companies or company, as the case may be, and shall be determined after an allowance for depreciation charges for such twelve-months' period, computed in accordance with the provisions