

**MONTANA-DAKOTA UTILITIES CO.  
DESCRIPTION OF PROPERTY RECORDS**

The Company's Continuing Property Records are maintained in accordance with the Uniform System of Accounts as prescribed by the Federal Energy Regulatory Commission (FERC). The Plant Accounting System, which is computerized, records additions to utility plant at original cost (including overhead costs and an allowance for funds used during construction) through charges to work orders maintained in the Plant Accounting Construction Work in Progress (CWIP) System.

As plant is placed into service, the costs accumulated in related work orders are transferred to the appropriate sub plant account of Account 106, Completed Construction Not Classified. As construction projects are completed the costs accumulated in related work orders including any amounts previously transferred to Account 106 are unitized and transferred to the appropriate sub plant account of Account 101, Plant in Service. Such costs are recovered from utility customers through depreciation charges to cost of service. Upon retirement or other disposition of the plant property units, in the ordinary course of business, the original cost is transferred from Account 101 and charged to Account 108, Accumulated Provision for Depreciation of Utility Plant, plus or minus any net salvage.

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