

automobiles, or (4) any lands, leases, gas rights, wells, gathering, tap or other pipe lines, or equipment, used principally and primarily for the production or gathering of natural gas, or (5) any property which is located outside of the limits of the States of Oregon, Washington, Idaho, Montana, California, Nevada and Utah as the same may be now or hereafter constituted, unless such property shall be connected with or auxiliary to a system, line, plant or power house owned or operated by the Company which is located within such limits, or (6) any property, the cost of acquiring, making or constructing which is chargeable under accepted principles of accounting to operating expenses.

When any Property Additions are certified to the Corporate Trustee in any certificate under any of the provisions of this Indenture as the basis either of the authentication and delivery of bonds or of the release of property or the withdrawal of cash or of a credit under Section 38 or Section 39 hereof, (A) there shall be deducted (subject to the provisions of Sections 59 and 61 hereof) from the Cost or Fair Value (as of the date so certified) thereof, as the case may be, an amount equal to the Cost (or as to Property Additions the Fair Value of which at the time the same became Funded Property was less than the Cost as determined pursuant to this Section, then such Fair Value in lieu of Cost) of all Funded Property previously retired (other than the Funded Property, if any, in connection with the application for the release of which such certificate is filed) and not theretofore deducted from the Cost or Fair Value of Property Additions theretofore certified to the Corporate Trustee and (B) there shall be added to such Cost or Fair Value, as the case may be, the sum of

(a) the principal amount of all obligations secured by purchase money mortgage and all cash (other than proceeds of such purchase money obligations) received by the Corporate Trustee or the trustee or other holder of any Prior Lien, in either case representing the proceeds of insurance on, or of the release or other disposition of, such Funded Property retired;

(b) the principal amount of any bond(s) or fraction of a bond, the right to the authentication and delivery of which under the provisions of Section 26 or Section 29 hereof shall have been waived as the basis of the release of such Funded Property retired;

(c) the Cost or Fair Value to the Company (whichever is less) of any Property Additions which shall have been made the basis of the release of such Funded Property retired; and

(d) the Cost of any Property Additions substituted (otherwise than under the release or cash withdrawal provisions hereof) for such Funded Property retired; provided, however, that the aggregate of the amounts added under clause (B) above shall in no event exceed the amounts deducted under clause (A) above. For the purposes of the deductions required by this Section, the Cost and/or the Fair Value of Funded Property retired shall be determined as follows: (1) in the case of property which was owned by Northwestern Electric Company on August 31, 1939, the Cost thereof shall be the Cost as shown on the books of the Company or, if not so separately shown, the Cost as estimated by the Company; and (2) in the case of Property Additions retired, the Cost and the Fair Value thereof, respectively, shall be the Cost and the Fair Value thereof respectively, to the Company, as shown by the Engineer's Certificate or Independent Engineer's Certificate furnished to the Corporate Trustee at the time such Property Additions became Funded Property, or, if not separately shown in such certificate, shall be such portion of the Cost and/or the Fair Value to the Company of Property Additions