August 5, 2010

Mr. David Danner

Executive Director and Secretary

Washington Utilities and Transportation Commission

PO Box 47250

1300 S. Evergreen Park Drive SW

Olympia, WA 98504-7250

Dear Mr. Danner:

RE: Natural Gas Decoupling Mechanism

Quarterly Report

Attached for filing with the Commission is an electronic copy of the Quarterly Natural Gas Decoupling Mechanism Report for the period April through June 2010. The Commission approved the continuation of Avista’s Natural Gas Decoupling Mechanism with the modifications delineated by Order No. 10 from WUTC Docket No. UE-090134, UG-090135 and UG-060518 (consolidated). As reflected in this filing, the Company will continue to submit quarterly reports containing the same information required during the pilot period.

The report consists of a spreadsheet showing the monthly revenue deferral calculation for the period July 2009 through June 2010. As shown on page 1 of the report, in compliance with Order No. 10, the deferral amount was re-computed to reflect the 45% deferral level beginning July 2009.

Also included in the report are the monthly general ledger balances resulting from the deferral and amortization activity during the second quarter of 2010.

Questions regarding this filing should be directed to Tara Knox at (509) 495-4325.

Sincerely,

Patrick Ehrbar

Manager, Rates and Tariffs

Enc.