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August 1, 2007

Carole Washburn  
Executive Secretary  
Washington Utilities and Transportation Commission  
PO Box 47250  
1300 S. Evergreen Park Drive SW  
Olympia, WA 98504-7250

Dear Ms. Washburn:

RE: Docket No. UG-060518 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 2007. This report is submitted in compliance with Section 6. I. Accounting and Quarterly Reporting for the Mechanism of the Settlement Agreement approved by Order No. 04 in Docket No. UG-060518.

The report consists of a spreadsheet showing the monthly revenue deferral calculation since the mechanism's inception January 2007 through the end of the second quarter and monthly general ledger balance summaries for the deferral account and related accumulated deferred federal income tax for the second quarter.

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

Sincerely,

Brian Hirschhorn  
Manager, Retail Pricing  
Enc.