

Avista Corp.  
1411 East Mission P.O. Box 3727  
Spokane, Washington 99220-0500  
Telephone 509-489-0500  
Toll Free 800-727-9170



November 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 July through September 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 for the second year pilot period July 2007 through June 2008 with monthly entries through September 2007 and monthly general ledger balance summaries for the deferral accounts and related accumulated deferred federal income tax for the third quarter. Additionally, a copy of a Company data response from Docket No. UG-070805 has been included to illustrate the proposed process to derive the margin rate exclusive of incremental revenue related expenses.

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

Sincerely,

A handwritten signature in cursive script that reads "Brian Hirschhorn".

Brian Hirschhorn  
Manager, Retail Pricing  
Enc.