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February 5, 2008

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 October through December 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 December 2007 and monthly general ledger balance summaries for the deferral accounts and related accumulated deferred federal income tax for the fourth quarter. Also included are monthly general ledger balance summaries for the expense accounts used to record the deferral and surcharge amortization entries.

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

Sincerely,

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

Brian Hirschorn
Manager, Retail Pricing
Enc.