

May 19, 2006

Honorable Dennis J. Moss  
Administrative Law Judge  
Washington Utilities and Transportation Commission  
1300 S. Evergreen Park Drive SW  
P. O. Box 47250  
Olympia, WA 98504-7250

Re: *Presentation of the Settlement Agreement of Sean McNamara d/b/a Pacific Sea Taxi, Pacific Cruises Northwest, Inc., San Juan Island Shuttle Express, Inc., Island Mariner Cruises, Inc, and Staff of the Washington Utilities and Transportation Commission, Docket No. TS-060061.*

Dear Judge Moss:

On behalf of the parties, enclosed in accordance with WAC 480-07-740 for the Commission's consideration are the original and 8 copies of the Settlement Agreement, Attachment A, and the associated Certificate of Service.

The parties wish to advise the Commission that this Settlement Agreement contains substantially identical agreement terms as the Settlement Agreement filed under Docket No. **TS-060133** and is therefore related to it. Although filed separately, it was negotiated as a single settlement concerning two dockets, so there are one or more additional signatory parties in this Settlement than those presently listed in this docket. This Agreement is therefore contingent upon commission approval of the Agreement in **TS-060133**. Accordingly, the Parties request that the two Agreements be considered for disposition together.

On January 10, 2006, Sean McNamara ("McNamara") filed an application for a certificate of public convenience and necessity to operate vessels furnishing passenger-only ferry service between Bellingham and Orcas Island, which was published in the docket TS-060061. On January 20, 2006, Pacific Cruises Northwest, Inc. (Pacific Cruises) and San Juan Island Shuttle Express, Inc. (SJISE) filed a joint application to transfer the commercial ferry certificate held by SJISE to Pacific Cruises, which was published in the docket TS-060133. Certificate BC 120 authorizes various commercial passenger ferry service between Bellingham and points in Whatcom and San Juan Counties. McNamara timely filed a protest to the application for transfer in TS-060133. Pacific Cruises and Island Mariner Cruises, Inc ("Island Mariner") timely filed protests to McNamara's application in TS-060061. The two dockets thus contained parties in common. They were not consolidated for hearing.

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As ordered by you, the parties engaged in settlement negotiations to attempt to resolve their differences in each docket, and now present this Settlement Agreement, Attachment A, and this Letter in support of settlement for consideration by the Commission.

Under WAC 480-07-730(1), parties may file a full settlement, which is a settlement entered into by all parties of a proceeding that resolves all issues presented. The Commission has discretion to accept such a settlement, impose conditions on its acceptance, or reject such a settlement. WAC 480-07-750. The Settlement Agreement filed in this case represents the entire agreement among the Parties. The Parties recommend the Commission accept the Settlement Agreement in its entirety.

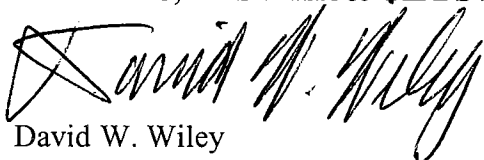
The parties believe that this Settlement Agreement completely resolves the issues between them without the added expense and uncertainty associated with litigation. Attachment A, provided during settlement negotiations, not only contributed to resolution of the issues between the parties in TS-060133 but will be filed as supporting documentation for commission consideration of the transfer. The parties further believe that this Settlement Agreement is consistent with the public interest because it would allow both application dockets TS-060061 and TS-060133 to proceed uncontested without the statutory requirements of a formal hearing and its added time and expense.

The parties do not intend to file documentation supporting the Settlement Agreement in addition to the Settlement Agreement, Attachment A, and this letter. The parties are willing to provide additional supporting documents or testimony should the Commission deem such documents or testimony necessary or appropriate. The settlement is uncontested to the parties' knowledge and all protestants/interveners are represented by this Agreement. Accordingly, the parties believe that a formal settlement hearing with opportunity for public comment will be unnecessary. Because of the less complex nature of the docket, the parties suggest that an informal, in camera review of the settlement would be appropriate.

Because peak season for commercial ferry service is approaching, the parties urge the Commission to consider the Settlement Agreement as soon as practicable, and strongly recommend that the commission adopt the Settlement Agreement in its entirety. Finally, pursuant to WAC 480-07-820(b)(iv), the parties would agree to waiver of initial order on this matter.

Yours truly,

WILLIAMS, KASTNER & GIBBS PLLC



David W. Wiley

Enclosures

cc: Michael Fassio, Assistant Attorney General  
Drew Schmidt of Pacific Cruises Northwest, Inc.  
Sean McNamara d/b/a Pacific Sea Taxi  
Mark A. Goodman of San Juan Island Shuttle Express, Inc.  
Island Mariner Cruises, Inc.