

TS-070020

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION RECEIVED

1300 South Evergreen Park Drive SW
P. O. Box 47250
Olympia, WA 98504-7250
(360) 664-1222

DEC 27 2006

WASH. UT. & TP. COMM

COMMERCIAL FERRY APPLICATION

Application is made in accordance with RCW 81.84 for a Certificate of Public Convenience and Necessity to operate vessels in furnishing Passenger - Freight - Excursion - Ferry Service.

\$200.00 APPLICATION FEE MUST ACCOMPANY THIS APPLICATION

Complete this application in its entirety, adding additional sheets if necessary.

FOR OFFICIAL USE ONLY

Form with fields for RECEPTION NO. (0003314), AMOUNT \$ (200.00), MAP, INSURANCE, SAFETY INSP. CERT., TARIFF, TIME SCHEDULE, SHIPPER SUPPORT, DATE REC'D, APPLIC'N NO., MOT CAR NO.

INDICATE TYPE OF APPLICATION:

(Only one type per application)

- Original Certificate
Extension of Authority
Transfer all Authority
Transfer a Portion of Authority
Temporary Certificate
[X] Lease of Certificate
Mortgage of Certificate
Acquisition of Control

INDICATE TYPE OF SERVICE APPLYING FOR:

- [X] Certificated commercial ferry - including excursion service and/or launch service
Excursion service only
Launch service only

1. Name of applicant Island Commuter Service, LLC
2. d/b/a Island Commuter Service Unified Business Identifier (UBI) No. 601-868-531
3. Physical Address 355 Harris Avenue, Suite 104
(Bellingham, WA 98225)
Mailing Address
Telephone Number (360) 734-8180 Fax Number (360) 738-7685

4. List names and addresses of all persons having an interest in the business. If a CORPORATION, give names and addresses of two principal officers, noting their titles, and indicate in which state incorporated. If a PARTNERSHIP, attach a certified copy of the partnership agreement, which sets forth the responsibility of the interested individuals.

50%: Pacific Cruises Northwest, Inc.	50%: Island Mariner Cruises, Inc.
Drew M. Schmidt (100% owner)	Terry A. Buzzard (100% owner)
355 Harris Avenue, Suite 104	#5 Harbor Loop
Bellingham, WA 98225	Bellingham, WA 98225
Incorporated in the State of Washington	Incorporated in the State of Washington

5. List the territory in which you wish to operate:

All routes contained in certificate BC-95 and portions of certificate BC-10
(excluding the route between North and South Bellingham).

Waiver of ten-mile restriction: Are you applying for territory which would require a waiver to provide service otherwise forbidden by the ten-mile restriction in RCW 47.60.120?

Yes No

If yes, state fully the circumstances that justify Commission grant of such a waiver:

6. Attach a map which shows in detail the proposed routes, clearly showing beginning, ending, and intermediate points to be served. Also show the routes of other carriers giving similar service into the same or neighboring territory (if known to applicant).

7. Will an attorney be representing you at the hearing? Yes No

If yes, give specific attorney's name David W. Wiley

Address Williams, Kastner & Gibbs PLLC

601 Union Street, Suite 4100, Seattle, WA 98101-2380

Telephone Number (206) 233-2895

8. Attach a copy of the tariff you propose using. The tariff must contain proposed fares and rates to be assessed for service and the rules and regulations governing same. The tariff must comply with WAC 480-51-080 and the rules in the Commission's Tariff Circular No. 6 (WAC 480-149).
9. Attach a copy of the time schedule you propose using. The schedule must show routes, trips, times, points served, distances and available facilities. The time schedule must comply with WAC 480-51-090 of the Commission's Laws and Rules Relating to Commercial Ferry Service.
10. List vessels which are owned (unless otherwise stated) and will be used in the proposed service:

Name	Passenger Freight or Ferry Type	Power	Passenger Capacity	Freight Capacity	Owned, Leased, other?
Island Commuter 2	Passenger	Diesel	66	200	owned

11. List the docks which will be used in the proposed service. (List all facilities giving names, location, description, value if owned, and any other information of value showing the proposed service)

12. Complete the following financial statement:

FINANCIAL STATEMENT

Cash on hand and in bank	\$	13,606		Notes payable	\$	69,500
Notes receivable				Accounts payable		
Accounts receivable				Other liabilities:		
Stocks in other companies				Member Loan	\$	412,460
Vessels (listed above)	\$	206,494		Capital Contribution	\$	<445,686>
Purchase – SJ Boat Tours	\$	57,000				
Docks (listed above)						
Machinery, tools, etc.						
Depreciation	\$	<222,823>		Net Income	\$	18,003
Other assets (listed below)						
Total	\$	54,277		Total	\$	54,277

A. List all Real Estate as to location and value (List here only such property as cannot be listed under item 10)

_____	\$	_____
_____	\$	_____
_____	\$	_____
_____	\$	_____
_____	\$	_____

B. List total "Other Assets" mentioned above:

_____	\$	_____
_____	\$	_____
_____	\$	_____
_____	\$	_____
_____	\$	_____

13. List conditions that exist which would justify the granting of a Certificate of Public Convenience and Necessity:

Granting the requested lease will be consistent with the public interest in allowing operation of the certificate holders to be consolidated and avoid duplication of resources in certain operating circumstances.

14. List names and addresses of all persons, firms, or corporations now furnishing similar service between any of the points or along any portion of the route proposed to be served:

No others presently serving routes.

15. State applicant's prior experience, if any, in providing commercial ferry service:

Applicant and its principals and members have been actively involved in the intrastate and international commercial ferry industry, particularly in the North Puget Sound and Strait of Juan de Fuca for decades serving the Bellingham, San Juan Islands and Victoria marketplace.

16. All applicants must attach separate sheets containing the following information:
- a. Pro forma financial statement of operations (projections of incomes and expenses for first year operations).
 - b. Ridership and revenue forecasts.
 - c. The cost of service for the proposed operation.
 - d. An estimate of the cost of the assets to be used in providing service.

17. If certificate is granted, carrier will begin operations within 120 days of that grant.

18. If this is a transfer application, you must:

- Complete attachment A.
- If this application is for transfer of a portion of certificated authority, attach document clearly showing authority to be transferred and a document clearly showing the authority to be retained.

If this is an application for a temporary certificate you must:

- Attach proof of insurance
- Attach statements from potential customers showing immediate and urgent need for service.
- Attach proof that all vessels to be operated under the temporary are inspected and found to be safe and seaworthy.

If this is a transfer through acquisition of control of the stock, you must:


- Attach copy of the corporate minutes authorizing such transfer.



The applicant certifies he/she is familiar with the provisions of Chapter 81.84 RCW and Chapter 480-51 WAC, Laws and Rules of the Washington Utilities and Transportation Commission, governing the operation of vessels and ferries upon the waters of the state of Washington. Applicant further certifies that vessels operated under Certificates of Public Convenience and Necessity are in no way released from the necessity of observing all Federal and State laws providing for the registration of vessels, the observance of navigation and maritime rules and regulations, and other matters subject to Federal or State enactments.

Applicant affirms that its operations shall be at all times within the provisions of such acts, and requests the Washington Utilities and Transportation Commission to make its order granting a Certificate of Public Convenience and Necessity as provided in Chapter 81.84 RCW and Chapter 480-51 WAC.

The applicant swears or affirms that he/she has read the foregoing application and knows the contents, that the same is true of his/her own knowledge, except as to matters which are therein stated on information or belief, and as to those matters he/she believes them to be true.



 Signature of Applicant

12.12.06

 Date

ATTACHMENT A

Attachment for Certificated Commercial Ferry Application When Transfer is Involved

Certificate of Public Convenience and Necessity No. BC-10 is attached and authorizes the furnishing of passenger-freight-ferry-excursion service by vessel between:

See attached Exhibit 1

The applicant (buyer) desires to obtain all/a portion of the rights pursuant to RCW 81.84.030 of said Pacific Cruises Northwest, Inc. (name certificate now in) who hereby agrees to the cancellation of the said certificate as applicable and the issuance in lieu of a like certificate in the name of the applicant (buyer). Both the certificate holder and the applicant (buyer) are familiar with the provisions of WAC 480-51-100 relating to the filing of annual reports and payment of fees on cessation of operation and jointly bind themselves to see that such rule is complied with. It is further represented by both parties that the sale or transfer applied for is not for the purpose of hindering, delaying or defrauding creditors.

Does the seller propose to transfer any properties or facilities together with the certificate?

[] Yes [x] No

If "Yes", the seller and the purchaser agree to jointly file an application under the provisions of RCW Chapter 81.12 if any of the seller's physical assets necessary or useful in the performance of its duties to the public are to be transferred to the purchaser, in addition to the Certificate of Public Convenience and Necessity requested.

Applicant (Seller) [Signature]

By Drew M. Schmidt, President

Name & Title

Date 12.12.06

Applicant (Buyer) [Signature]

By Drew M. Schmidt, Managing Member

Name & Title

Date 12.12.06

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

For the Operation of Motor Propelled Vehicles

pursuant to the provisions of Chapter 81 RCW

THIS IS TO CERTIFY that authority is granted to operate as a **MOTOR CARRIER** in the transportation of the commodities and in the territory described herein to

PACIFIC CRUISES NORTHWEST, INC.
d/b/a VICTORIA SAN JUAN CRUISES
355 HARRIS AVE. STE 104
BELLINGHAM, WA 98225

PERMIT NO.
BC-10

PASSENGER SIGHTSEEING CRUISES

Between: North Bellingham (Squalicum Harbor) and South Bellingham (Bellingham Cruise Terminal), point to point, with a flag stop at Boulevard Park Dock.

PASSENGER-ONLY FERRY SERVICES between Bellingham and Friday Harbor.

PASSENGER AND FREIGHT SERVICE

Between Friday Harbor and Bellingham, and between Obstruction Pass and Bellingham, with the carrying vessel touching at Obstruction Pass on voyages to and from Friday Harbor.

In conjunction with the above authority, flag stops at Eliza Island, Sinclair Island, Blakely Island, and Lopez Island. This authority to make flag stops will terminate automatically upon termination of the certificate holder's authority to provide the above service between Friday Harbor and Bellingham and between Obstruction Pass and Bellingham.

The above statements of authority exclude freight service between Obstruction Pass-Friday Harbor, Obstruction Pass-Lopez Island, and Lopez Island-Friday Harbor.

Pursuant to RCW 47.60.010(3), waiver of the ten-mile restriction is granted.

SERVICE DATE

JUL 20 2006



WASHINGTON UTILITIES AND TRANSPORTATION
COMMISSION

By _____

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Continuation

In conjunction with existing authority, flag stop service at Orcas Landing (Harney Channel, Orcas Island).

Excluding freight service between Orcas Island - San Juan Island, Orcas Island - Lopez Island, and Lopez Island - San Juan Island.

Pursuant to RCW 47.60.120 (3), waiver of the ten-mile restriction is granted.

In conjunction with the existing authority, flag stop service at Brandt's Landing (Orcas Island).

Excluding freight service between Orcas Island - San Juan Island, Orcas Island - Lopez Island and Lopez Island - San Juan Island.

TS-060133

06-07-06



**LEASE AGREEMENT
FOR
WASHINGTON UTILITIES AND TRANSPORTATION
COMMISSION PERMIT NO. BC-10**

This Agreement is made between Pacific Cruises Northwest, Inc., a Washington Corporation, ("Owner"), the owner of Washington Utilities and Transportation Commission Permit number BC-10 (the "Permit"), and Island Commuter Service, LLC, a Washington Limited Liability Company, ("Lessee").

WHEREAS, Owner is the owner of the Permit (also known as the "Certificate"), and

WHEREAS, Lessee desires to enter into a lease of the Permit,

THE PARTIES AGREE AS FOLLOWS:


1. Lease of Portion of Permit. Owner leases to Lessee, and Lessee leases from Owner, a certain portion of the Permit and all rights, which pertain thereto. A true copy of the Permit is attached hereto as Exhibit A. That portion to include all routes and stops in the acquired Permit No. BC-120.
2. Contingency. This lease is expressly contingent upon the approval of the Washington State Utilities and Transportation Commission ("WUTC") of the lease without any restriction, diminution or deletion of Permit No. BC-10.
3. Term of Lease. This lease shall be for a period of fifteen years from the date of WUTC approval and may be extended for an additional ten years upon mutual agreement.
4. Lease Payments. Lessee shall pay Owner the sum of \$1.00 (one dollar) and other valuable consideration for each calendar year of the lease, payable at signing.
5. Regular Operation. Lessee shall operate a vessel or vessels under the Permit during the term of the lease as required by the WUTC and in conformance with the posted tariff, time schedules and rules as they may be periodically modified from time to time.
6. WUTC Filings. Lessee shall have the responsibility to timely, adequately, and correctly file all tariffs, time schedules, rules and regulations, annual reports, and other documents as required by the WUTC or any other government agency.
7. Indemnity. Lessee shall indemnify and hold harmless Owner against any claim of whatsoever nature against Owner, arising out of operation by Lessee under the Permit.
8. Default. If at any time during the term of this Agreement Lessee shall fail to perform any of the duties or obligations hereunder, or if Lessee shall be adjudged a bankrupt, or shall have a petition in bankruptcy files against him, or shall make a general assignment for the benefit of creditors, or if a receiver shall be appointed for Lessee, Owner may, without prejudice to any other rights under this Agreement, cancel this Agreement, and shall be entitled to have the Permit reassigned to Owner by the WUTC.

9. Sublease. During the term of this Agreement, Lessee shall neither sublease nor transfer his interest in the Permit without the express written consent of the Owner.

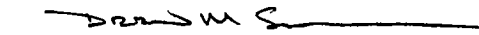
IN WITNESS WHEREOF the parties have set their signatures on this page on this 12 day of Dec., 2006.

LESSEE:
Island Commuter Service, LLC

OWNER:
Pacific Cruises Northwest, Inc.



Drew M. Schmidt, Managing Member
355 Harris Avenue, Suite 104
Bellingham, WA 98225



Drew M. Schmidt, President
355 Harris Avenue, Suite 104
Bellingham, WA 98225

Williams, Kastner & Gibbs PLLC

A NORTHWEST LAW FIRM

David W. Wiley
Attorney at Law
(206) 233-2895
dwiley@wkg.com

December 26, 2006

74325.0104

Ms. Carole J. Washburn
Executive Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive SW
P.O. Box 47250
Olympia, WA 98504

Re: Lease of Authorities to Island Commuter, LLC from Pacific Cruises Northwest, Inc. and
Island Mariner Cruises, Inc.

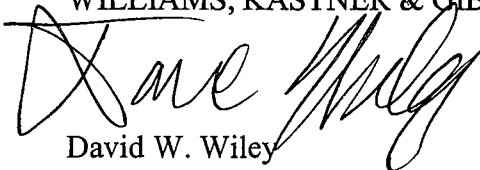
Dear Ms. Washburn:

Enclosed please find the two above applications for lease, supporting documents, copies of leases and the requisite application fees for filing this date. As the Order and Docket TS-060061 and TS-060133 reflect, the instant Lease Applications were anticipated in paragraph 3.5 of the Settlement Agreement executed by the parties in those dockets. Due to the press of the peak season the applicants were unable to submit the applications for leases until this time. Nevertheless, they are hopeful the Commission can act on these applications before the start of the 2007 season in spring of next year.

Please contact me should you have any further questions or concerns regarding this matter.

Yours truly,

WILLIAMS, KASTNER & GIBBS PLLC



David W. Wiley

Enclosures

cc: Pacific Cruises Northwest, Inc. (w/o encl.)
Island Mariner Cruises, Inc. (w/o encl.)
Island Commuter, LLC
Michael Fassio, Assistant Attorney General