

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of

Application No. B-79421 of

PACIFIC CRUISES NORTHWEST, INC.,
d/b/a VICTORIA SAN JUAN CRUISES

To Transfer All Rights under Certificate
B-120 in the name of San Juan Island Shuttle
Express, Inc.

DOCKET TS-060133

SETTLEMENT AGREEMENT

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The Parties request that the Commission note this Settlement Agreement contains identical agreement terms as, and is therefore related to, the Settlement Agreement filed under Docket No. TS-060061. This Agreement is therefore contingent upon Commission approval of the settlement in TS-060061. Accordingly, the Parties request that the two Agreements be considered for disposition together.

I. PARTIES

1.1. This Settlement Agreement is entered into by Pacific Cruises Northwest, Inc. d/b/a Victoria San Juan Cruises ("Pacific Cruises"), Sean McNamara d/b/a Pacific Sea Taxi ("McNamara"), San Juan Island Shuttle Express, Inc. ("SJISE"), Island Mariner ("Island Mariner"), and Staff of the Washington Utilities and Transportation Commission ("Staff") (collectively, the "Parties") regarding the matters at issue in this proceeding.

II. BACKGROUND

2.1. On January 20, 2006, Pacific Cruises and SJISE filed a joint application (No. B-079421) to transfer the commercial ferry certificate held by SJISE to Pacific Cruises. The certificate at issue, BC-120, authorizes various commercial passenger ferry service between Bellingham and points in Whatcom and San Juan Counties. Notice of the

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application was published in the Commission's Application Docket dated February 13, 2006, as TS-060133.

2.2. McNamara timely filed a protest to the application and the matter was set for an expedited prehearing conference on March 31, 2006, before Administrative Law Judge Dennis J. Moss.

2.3. On January 10, 2006, McNamara filed an application (No. B-79418) for a certificate of public convenience and necessity to operate vessels furnishing passenger-only ferry service between Bellingham and Orcas Island, with flag stops at: Eliza Island, Sinclair Island, Cypress Island, Lopez Island, and Blakely Island. Notice of the application was published on the Commission's Application Docket of February 13, 2006, as TS-060061.

2.4. Pacific Cruises and Island Mariner timely filed protests to McNamara's application, and the matter was set for a prehearing conference on March 31, 2006, before Administrative Law Judge Dennis J. Moss, jointly with this docket. The two proceedings referred to in this Settlement Agreement were deemed interrelated to the extent of having common parties and representation, but were not consolidated for hearing.

III. AGREEMENT TERMS

3.1. McNamara agrees that he has no objection to the transfer of authority of BC-120 from SJISE to Pacific Cruises, and will withdraw his protest of the application.

3.2. Staff agrees that it has no objection to the transfer of authority of BC-120 from SJISE to Pacific Cruises, as it is satisfied with the information provided to it in the Declaration of Mark Goodman, President of SJISE, contained in **Attachment A**.

3.3. The parties agree that McNamara will restrict his application in Docket TS-060061 to the following:

PASSENGER-ONLY FERRY SERVICE between Squilicum Harbor in North Bellingham and Rosario and Obstruction Pass on Orcas Island with flag stops at: Eliza Island, Sinclair Island, Cypress Island, Lopez Island, and Blakely Island. Restriction: 18-passenger maximum capacity vessel.

3.4. Pacific Cruises and Island Mariner then agree that they have no objection to the application as restricted by McNamara and will withdraw their respective protests of McNamara's application.

3.5. If the transfer of Certificate BC-120 to Pacific Cruises is ultimately approved by the Commission, Pacific Cruises and Island Mariner intend to file an application for lease of portions of their authority to Island Commuter Service, LLC (which is owned fifty (50) percent by Pacific Cruises and fifty (50) percent by Island Mariner) in order for the lessee, Island Commuter Service, LLC, to operate a multiple flag stop service involving authority contained in BC-95 and BC-120. Pacific Cruises and Island Mariner intend to file this application within two months of a final order in TS-060133 granting transfer. McNamara acknowledges he has been fully informed of this proposal and has no objection to the proposed prospective lease application from Pacific Cruises and Island Mariner to Island Commuter Service, LLC, which is a condition to this Agreement.

3.6. Staff reserves its right under law to review and evaluate the application when filed.

IV. GENERAL TERMS

4.1. The Parties agree that this Settlement Agreement fully resolves the contested issues between them in this proceeding. The Parties understand that the Agreement Terms contained in Paragraphs 3.1 through 3.6 are not binding on the Commission unless and until the Commission adopts them.

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4.2. The Parties have entered into this Agreement voluntarily to lessen the expense, inconvenience, and uncertainty, and delay of litigation.

4.3. The Parties agree to cooperate in submitting this Agreement promptly to the Commission for adoption. The Parties agree to support adoption of this Agreement in proceedings before the Commission through testimony or briefing (if necessary). No party to this Agreement or its agents, employees, consultants, or attorneys will engage in advocacy contrary to the Commission's adoption of this Agreement.

4.4. The Parties recognize that this Agreement represents a compromise of the positions the Parties may otherwise assert in this proceeding. As such, conduct, statements, and documents disclosed during negotiations of this Agreement shall not be admissible as evidence in this or any other proceeding, except in any proceeding to enforce the terms of this Agreement.

4.5. This Agreement shall not be construed against either party because it was a drafter of the Agreement.

4.6. The Parties have negotiated this Agreement as an integrated document to be effective upon execution. This Agreement supersedes all prior oral and written agreements on issues addressed herein.

4.7. The Parties may execute this Agreement in counterparts and as executed shall constitute one agreement. Copies sent by facsimile are effective as original documents.

4.8. The Parties shall take all actions necessary and appropriate to carry out this Agreement.

4.9. In the event that the Commission rejects all or any portion of this Agreement, each party reserves the right to withdraw from this Agreement by written

notice to the other parties and the Commission. Written notice must be served within 10 days. In such event, no party will be bound or prejudiced by the terms of this Agreement, and any party shall be entitled to seek reconsideration of the Order rejecting all or part of the Agreement.

This SETTLEMENT AGREEMENT is entered into by each Party as of May 18, 2006.

PACIFIC CRUISES NORTHWEST, INC.
d/b/a Victoria San Juan Cruises

By: See Attached Signature Page
Drew M. Schmidt
Its President

See Attached Signature Page
SEAN McNAMARA
d/b/a Pacific Sea Taxi

SAN JUAN ISLAND SHUTTLE
EXPRESS, INC.

STAFF OF
THE WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION

By: See Attached Signature Page
Mark A. Goodman
Its President

By: See Attached Signature Page
Michael Fassio
Assistant Attorney General

ISLAND MARINER

By: See Attached Signature Page
Terry A. Buzzard
Its President


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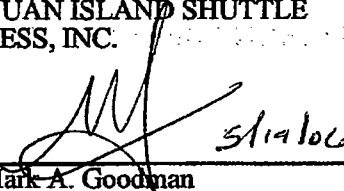
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**STAFF OF
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By:  5/19/06

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Its President

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Michael Fassio
Assistant Attorney General

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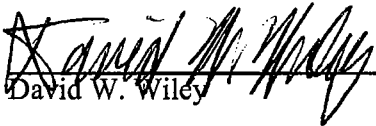
By:  _____
Michael Fassio
Assistant Attorney General

ISLAND MARINER

By: _____
Terry A. Buzzard
Its President

APPROVED AS TO FORM:

WILLIAMS, KASTNER & GIBBS PLLC

By: 
David W. Wiley

Attorney for Pacific Cruises Northwest
and Island Mariner Cruises, Inc.

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