

January 17, 2008

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VIA E-MAIL AND U.S. MAIL

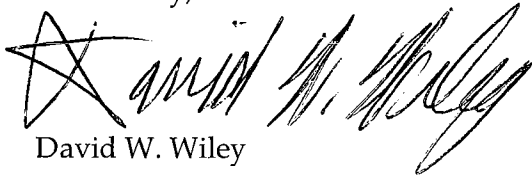
Ms. Carole J. Washburn
WUTC Executive Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive SW
P.O. Box 47250
Olympia, WA 98504

Re: WUTC Docket No. TS-070889
The Temporary Discontinuance of Aqua Express, LLP

Dear Ms. Washburn:

Pursuant to the Commission's Order No. 3 of August 10, 2007, and my letter of last week requesting brief leave from the Commission to file status report information this week, please find attached a letter from Richard Hayes, Executive Director, Kitsap Transit, which summarizes the efforts of both Kitsap Transit and Aqua Express to restore operations to the route set forth in BC-129, authorizing passenger only ferry service between Seattle and Kingston. Accept this filing as our submission in compliance with Requirement No. 3, Paragraph 47 of the Commission's August 10, 2007 Order No. 3. Please contact me should you have any further questions or comments.

Yours truly,



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DAV:men
Enclosures

Cc: John Blackman, Aqua Express LLP
Richard Hayes
Ron Templeton
Don Trotter, Assistant Attorney General

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Washington State Utilities and Transportation Commission
1300 South Evergreen Park Drive S.W.
P.O. Box 47250
Olympia, Washington 98504-7250
Attn: Carole Washburn
RE: TS-070889

Dear Ms. Washburn,

Pursuant to the Order of August, 2007, please accept this as a progress update to restore service under Aqua Express's certificate.

First, we are continuing to pursue the legislation necessary to allow us to create a special district whose size, shape and funding level would be adequate to support passenger-only ferry (POF) services, including operations support, throughout Kitsap County and specifically including Kingston. The chairs of both the state House and Senate Transportation Committees have agreed to introduce the basic legislative request under their own sponsorship. We will not, however, know anything definitive until probably April, after the session has adjourned.

Secondly, we continue to work with Aqua Express to insure that the physical assets previously made available by that firm for POF remain in place. We believe this is very important as these assets were provided very efficiently and inexpensively, and it would require a substantial reinvestment, on the order of \$2 million to \$3 million, to replace these assets under a government construction process.

Thirdly, we continue to support the Port of Kingston in its efforts to retain the federal funds it has been awarded and, further, to obtain both operating funds and well as local match funding for the federal capital grant. The port has indicated to KT that, given Aqua Express' earlier agreement to allow any other entrant to seemed capable to proceed, that it does not have a problem with the status quo in this area continuing. You probably should feel free to contact the port's Manager, Mike Booke, at (360) 297-3545 to confirm that. Mike is the person shepherding the port's POF process.

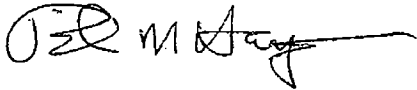
Furthermore, KT also continues to pursue other forms of funding for both the KT and Kingston parts of the POF effort, including direct state assistance, toll credits to serve as the local capital

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match and inclusion of these kind of programs in any regional funding programs that may develop.

This is pretty much where we stand. As we suggested, when we last spoke to the WUTC, there have not been and likely will not be any significant changes until the end of the 2008 legislative session.

Sincerely,

A handwritten signature in black ink, appearing to read "R M Hayes", with a long horizontal flourish extending to the right.

Richard M. Hayes
Executive Director
(360) 478-6230