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March 5, 2007

Mrs. Philis J. Posey
 Acting Secretary
 Federal Energy Regulatory Commission
 888 First St., NE
 Washington, DC 20426

***Re: Flambeau Hydro, LLC, Winter Project, FERC Project No. 2064
 Notice of Intent to File Surrender Application***

Dear Secretary Posey:

Flambeau Hydro, LLC, the licensee (“Flambeau” or “Licensee”) for the 600-kW Winter Project, FERC Project No. 2064, respectfully submits to the Federal Energy Regulatory Commission (“FERC” or “Commission”) this notification of its intent to file an application for surrender of the Project license. The Project is located on the East Fork of the Chippewa River, near the town of Winter, in Sawyer County, Wisconsin and occupies about 26 acres of land within the Chequamegon-Nicolet National Forest.

The Commission issued a new license to Flambeau for this minor project on August 22, 2005, 112 FERC ¶ 62,130, *denying reh’g*, 113 FERC ¶ 61,291 (2005). The license included all conditions specified in the Wisconsin Department of Natural Resources’ (“WDNR”) water quality certification issued pursuant to Section 401 of the Clean Water Act, as well as the terms and conditions submitted by the Forest Service pursuant to Section 4(e) of the Federal Power Act. Both WDNR’s certification and the Service’s conditions required, among other things, upstream and downstream fish passage and stringent minimum flow requirements, including a guaranteed priority bypass flow device. In contrast, as noted in the license order and final environmental assessment, the Commission and staff concluded that the required fish passage measures were unnecessary, as no effect from lack of passage had been demonstrated by the agencies, the fish populations both above and below the dam were healthy, and the higher minimum flows required by WDNR and the Service’s flow schedule would not produce habitat gains worth the additional cost to the Licensee.

Since license issuance, as during the relicensing process, Flambeau has encouraged WDNR and the Service to engage in meaningful consideration of reasonable alternatives to the imposed conditions. These communications occurred, at least in part, in the context of Flambeau’s pursuit of other legal and administrative remedies regarding the fish passage and flow conditions. At this point, those proceedings have proven ineffective, as have attempts at a negotiated



settlement. Among other things, Flambeau proposed phased implementation of the minimum flow requirements and delayed implementation of fish passage pending development of technology for sturgeon passage, up to a maximum of 7 years. Neither WDNR nor the Service was receptive to these proposals.

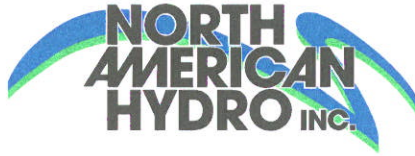
Flambeau has endeavored to move forward with implementation of these onerous license conditions; however, with more than one year experience implementing the new license conditions, with numerous costly conditions pending implementation, and after examining its options going forward, Flambeau has concluded that surrender of the license is necessary. As the Commission explained in the license order, operating the Project as conditioned results in a net loss of approximately \$34,450. Given the relative revenues of this Project (approximately \$83,690), continued operation as conditioned in the new license is simply unsustainable.

By copy of this letter, Flambeau is notifying the resource agencies listed in the attached distribution list that it is commencing preparation of a surrender application. Flambeau will prepare the application consistent with the requirements for minor project licenses, as required by Part 6 of the Commission's regulations. Inasmuch as the Project was recently the subject of an extensive and expensive (in excess of \$500,000) relicensing process, and project retirement was considered during that process, Flambeau hopes that engaging the agencies in a straightforward consultation process will result in a surrender application acceptable to Flambeau, the agencies and the Commission.

To this end, Flambeau is commencing consultation with interested agencies and stakeholders. Flambeau is currently scheduling an initial meeting with the Forest Service and Wisconsin Department of Natural Resources, which Flambeau anticipates will occur during March 2007, for the purpose of visiting the Project and discussing appropriate terms for the license surrender. Based upon these consultations, Flambeau will prepare a draft surrender application, including its proposal for disposition of Project works.

In light of Flambeau's intention to move forward with the surrender with all reasonable speed, Flambeau anticipates requesting appropriate extensions or delays in implementation of requirements of the new license. To the extent that implementation of those requirements would require a commitment of resources disproportionate to the limited time Flambeau will hold the license prior to surrender or otherwise be unreasonable, Flambeau submits that agency support for such extensions or delays would be appropriate. In particular, Flambeau anticipates submitting the necessary requests to extend or delay implementation of certain plans required by license articles 401(a) (Fish Passage and Run-of-River Operation plans), 404 (Land Management Plan) and 406 (Cultural Resources Plan) which are pending FERC approval or have not yet been finalized and submitted for FERC approval. Other extensions may be appropriate as well.

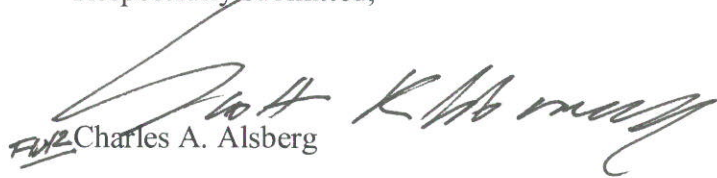
The Winter Project, a small project that commenced operation in approximately 1953, is an important source of domestic, renewable power which will unfortunately be lost at a time when it is perhaps most in need. Flambeau regrets that it is compelled to seek surrender of the license for this otherwise valuable project because of agency-imposed conditions that the Commission



itself found unlikely to produce meaningful benefits. Nonetheless, as above, Flambeau hopes that engaging in productive agency consultations will result in a reasonable plan for retirement of this Project.

Should you have any questions or concerns regarding this notification, please feel free to contact the undersigned.

Respectfully submitted,


Charles A. Alsberg

cc: Distribution List

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