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March 11, 2008

Kimberly D. Bose  
Secretary  
Federal Energy Regulatory Commission  
888 First Street, N.E.  
Washington, DC 20426

***RE: Flambeau Hydro, LLC, Winter Project, FERC Project No. 2064  
Suspension of Application for Surrender of License***

Dear Secretary Bose:

Flambeau Hydro, LLC, the licensee (“Flambeau” or “Licensee”) for the Winter Project, FERC Project No. 2064 (“Project”), respectfully advises the Federal Energy Regulatory Commission (“FERC” or “Commission”) that, in light of a pending settlement as detailed below, it has suspended its efforts to prepare an application to surrender the Project license.

The Commission issued the new license to Flambeau on August 12, 2005 to continue operation and maintenance of the 600-kilowatt Project, located on the East Fork of the Chippewa River, near the town of Winter, in Sawyer County, Wisconsin.<sup>1</sup> The Project occupies about 26 acres of land within the Chequamegon-Nicolet National Forest.

The license included all the conditions specified in the Wisconsin Department of National Resources (“WDNR”) water quality certification (“WQC”) issued pursuant to Section 401 of the Clean Water Act, as well as the terms and conditions submitted by the United States Forest Service (“USFS”) pursuant to Section 4(e) of the Federal Power Act. After one year of experience implementing these conditions, with costly conditions pending implementation, Flambeau concluded that a surrender of the license was necessary. Additionally, Flambeau believed that its request that WDNR and USFS consider reasonable alternatives to the imposed conditions had proven ineffective. Consequently Flambeau notified the Commission of its intent to file an application to surrender the license on March 5, 2007.

By letter of April 9, 2007, the Division of Hydropower Administration and Compliance acknowledged the receipt of Flambeau’s notice and requested a report on Flambeau’s progress, including a schedule for filing the application. As requested in the status reports filed by Flambeau on April 30 and May 31, 2007, the Commission subsequently extended the deadline for filing a schedule to June 29, 2007. On June 28, 2007,

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<sup>1</sup> *Flambeau Hydro, LLC*, Order Issuing License, 112 FERC ¶ 62,130 (2005).

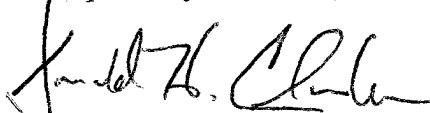
Flambeau filed a proposed schedule in which it stated that it would submit a final application to FERC by March 17, 2008.<sup>2</sup>

During this same time period, Flambeau had contested the terms of the WQC issued by the State of Wisconsin on June 21, 2005, by requesting a contested case administrative hearing and by petitioning for judicial review in state court. Settlement discussions with respect to the contested WQC have recently produced a consensus of the parties. The State of Wisconsin, Flambeau, North Central Power Company, Inc., and the River Alliance of Wisconsin have reached an agreement on revision of the conditions of the WQC that are also included as conditions of the Project license. This settlement agreement has not yet been signed by all the parties and will not be effective until the State of Wisconsin issues a revised WQC, at which time it will be filed with the Commission for approval.

In light of this agreement, Flambeau believes that, upon Commission approval, it will have a reasonable basis to move forward with the Project in compliance with the revised license conditions. Flambeau, in a separate filing today, is addressing the proposed schedule for the affected license articles.

Should you have any questions regarding this matter, please contact Charles Alsberg at (920) 293-4628 or the undersigned.

Respectfully submitted,



Donald H. Clarke  
Counsel to Flambeau

Cc: Distribution List

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<sup>2</sup> *Flambeau Hydro, LLC*, Schedule for Filing of Application for Surrender of License, Project No. 2064 (F.E.R.C. June 28, 2007), <http://elibrary.ferc.gov/idmws/common/opennat.asp?fileID=11381418>. Flambeau issued a correction to its schedule on June 29, 2008. See *Flambeau Hydro, LLC*, Corrected Schedule for Filing Application for Surrender of License, Project No. 2064 (F.E.R.C. June 29, 2007), <http://elibrary.ferc.gov/idmws/common/opennat.asp?fileID=11382448>.

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