



**UNITED STATES DEPARTMENT OF COMMERCE
National Oceanic and Atmospheric Administration**

National Marine Fisheries Service

P.O. Box 21668

Juneau, Alaska 99802-1668

September, 11 2006

Charlie Walls
City and Borough of Sitka
100 Lincoln Drive
Sitka, Alaska 99835

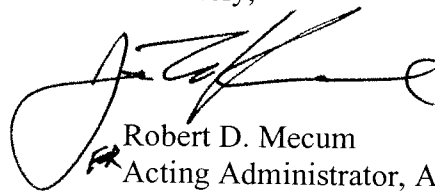
Dear Mr. Walls:

The National Marine Fisheries Service (NMFS) has conducted a preliminary review of the draft Settlement Agreement for the Blue Lake Hydroelectric Project provided to us on July 14, 2006. In other communication, we have indicated a preference to meet with legal counsels from the City of Sitka, the Sitka Tribe and the other resource agencies to discuss issues associated with a potential settlement agreement. In your September 6, 2006, email, you indicated that the city believes such an approach to be counterproductive and unnecessary.

NMFS strongly supports the licensing articles agreed to by all parties. However, NMFS does not believe that a legally sufficient settlement agreement can be developed in the absence of communication between our legal counsel and counsel from other potential parties to an agreement. In the absence of such a process, NMFS will not be able to sign the settlement agreement.

Please feel free to contact Katharine Miller (907-586-7643) or Tom Meyer of NOAA's Office of General Counsel (907-586-7414) if you have any questions.

Sincerely,



Robert D. Mecum

Acting Administrator, Alaska Region

Cc: Kevin Browlee, ADF&G
Jason Mouw, ADF&G
Phil Mooney, ADF&G
Joe Klein, ADF&G
Bob Chadwick, ADF&G
Jim Ferguson, ADF&G
Christopher Estes, ADF&G
Jessica Perkins, STA
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