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October 23, 2008

**By E-mail and First-Class Mail**

Kristin Linsley Myles, Special Master  
Munger, Tolles & Olson LLP  
560 Mission Street, Twenty-Seventh Floor  
San Francisco, California 94105-2907

Re: State of South Carolina v. State of North Carolina, No. 138, Original

Dear Special Master Myles:

We enclose a joint progress report from intervenors Catawba River Water Supply Project ("CRWSP") and Duke Energy Carolinas, LLC ("Duke").

In response to the Special Master's invitation during the last telephonic hearing for a party to prepare for her a list of equitable apportionment cases, CRWSP volunteered to do so and has circulated the list among the parties in the case. CRWSP expects to submit the list electronically to the Special Master prior to the next telephonic hearing.

South Carolina has circulated changes to the proposed Case Management Plan and Case Management Order, which North Carolina, Duke, CRWSP and Charlotte are reviewing. Intervenors responded today. In addition, we will be prepared to share further comments at the next telephonic hearing in this case.

South Carolina has served subpoenas upon the North Carolina cities of Concord, Kannapolis, Mooresville and Statesville, as well as a private entity, Great Wolf Resorts. CRWSP and Duke will request that South Carolina coordinate this document production so that other parties in the case will be provided copies.

CRWSP was served on October 20, 2008 with South Carolina's First Set of Document Requests to CRWSP. CRWSP will timely respond to this request and furnish documents to South Carolina with copies to all other parties in the case.

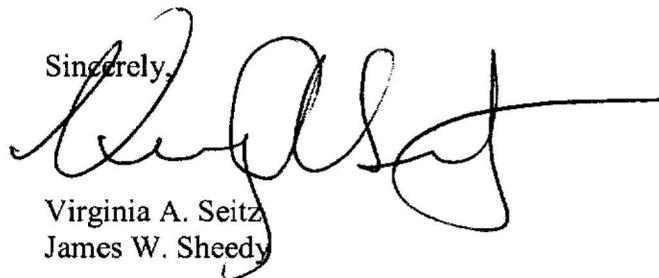
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Since Duke provided written responses to South Carolina's Request for Production of Documents on July 25, 2008, the parties have worked cooperatively to reach agreements related to the scope of South Carolina's requests. Duke has now made three productions. It has served copies of the first two productions on all parties and, after copying, will serve copies of the third production on all other parties in the case. On October 20, 2008, Duke made its most recent and voluminous production, including an HDD and CD provided in response to follow-up inquiries from South Carolina. Duke has invested significant time and resources in its document production to date and will have to continue to make significant investments of both in the future to address the requests. If Duke's status as an intervenor is overturned, Duke intends to request that the Special Master address the burdens that the document requests place on it.

CRWSP and Duke also provided written responses to South Carolina's Interrogatories before the Special Master issued her order indicating that Duke and CRWSP were not required to do so pending review of her intervention decision. Their written answers were served upon all other parties in the case.

Duke has not served discovery upon any party. CRWSP propounded via e-mail its First Set of Requests for Admission upon South Carolina on September 18, 2008. Later that day Case Management Order No. 7 was issued which seemed to preclude requests for admission by CRWSP. During the last telephonic hearing with the Special Master, CRWSP acknowledged it understood South Carolina was not required to respond to CRWSP's requests for admission but that if South Carolina did, CRWSP may have less other written discovery to pursue in the case. South Carolina did not respond to CRWSP's requests, and its time to do so expired on October 20th. CRWSP is now in the process of finalizing its requests for production upon South Carolina.

Sincerely,



Virginia A. Seitz  
James W. Sheedy

cc: Attached Service List

## SERVICE LIST

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