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January 7, 2009

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 hereby set forth Joint Progress Report No. 10 from intervenors City of Charlotte, North Carolina (Charlotte), Catawba River Water Supply Project (CRWSP) and Duke Energy Carolinas, LLC (Duke) (collectively, Intervenors).

Pursuant to your instruction in the December 5, 2008 status conference, Intervenors, South Carolina and North Carolina met and conferred on January 5, 2008 to discuss the definition of the phases and the schedule for discovery in the case. It was agreed, since South Carolina's motion for leave to file exceptions to the Interim Report is likely to be decided soon with an announced decision anticipated for next week, which may have a substantial impact on this case, it would be unwise to attempt to define the phases and set case deadlines prior to a ruling on the motion. All litigants plan to re-convene their telephonic meet and confer on January 14th, by which time it is expected the litigants will know the ruling on South Carolina's motion for leave to file exceptions.

We continue to be pleased that document discovery in accordance with Case Management Order No.7 is continuing among the parties without any pending disputes requiring judicial assistance. Charlotte and Duke are still gathering and producing responsive documents. South Carolina and CRWSP met and conferred on December 12, 2008, resolving certain objections in CRWSP's response to South Carolina's request for documents. CRWSP has gathered its first wave of rolling production and its counsel is reviewing documents and reducing such to acceptable format for production to South Carolina.

Kristin Linsley Myles, Special Master
January 7, 2009
Page 2

South Carolina has been providing Intervenors with copies of South Carolina's documents obtained pursuant to third-party subpoenas.

Sincerely,



James W. Sheedy

cc: All Counsel of Record