

#### UNITED STATES OF AMERICA

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# SURFACE TRANSPORTATION BOARD

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## DISCOVERY CONFERENCE

CSX CORPORATION AND CSX TRANSPORTATION, INC., NORFOLK SOUTHERN CORPORATION AND NORFOLK SOUTHERN RAILWAY COMPANY --CONTROL AND OPERATING LEASES/ AGREEMENTS -- CONRAIL INC. AND CONSOLIDATED RAIL CORPORATION --TRANSFER OF RAILROAD LINE BY NORFOLK SOUTHERN RAILWAY COMPANY TO CSX TRANSPORTATION, INC.

Finance Docket No. 33388

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Thursday, January 22, 1998

Washington, D.C.

The above-entitled matter came on for a oral argument in Hearing Room 3 of the Federal Energy Regulatory Commission, 883 First Street, N.E. at 9:30 a.m.

BEFORE: THE HONORABLE JACOB LEVENTHAL Administrative Law Judge

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# APPEARANCES :

On Behalf of Conrail:

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#### On Behalf of CSX:

DREW A. HARKER, ESQ. of: Arnold & Porter 555 12th Street, N.W. Washington, D.C. 20004 (202) 942-5022 (DAH)

# On Behalf of Norfolk Southern Corporation and Norfolk Southern Railway Company:

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## On Behalf of Eighty-Four Mining Company:

MARTIN W. BERCOVICI, ESQ. of: Keller and Heckman, LLP 1001 G Street, N.W. Washington, D.C. 9001 (202) 434-4144

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0	1	P-R-O-C-E-E-D-I-N-G-S
	2	(9:31 a.m.)
	3	JUDGE LEVENTHAL: The discovery conference
	4	will come to order. At this time we'll take
	5	appearances. For the movant?
	6	MR. BERCOVICI: Good morning, Your Honor.
	7	Martin Bercovici, law firm of Keller and Heckman for
	8	Eighty-Four Mining Company.
	9	JUDGE LEVENTHAL: All right.
	10	MS. BRUCE: Good morning, Your Honor.
	11	Patricia Bruce, Zuckert, Scoutt and Rasenberger for
0	12	Norfolk Southern.
	13	MR. HARKER: Drew Harker, Arnold and
	14	Porter, for CSX.
	15	MR. NORTON: Gerald Norton, Harkins
	16	Cunningham, for Conrail.
	17	JUDGE LEVENTHAL: All right. The only
	18	topic for this morning's conference is the matter
A COLOR	19	brought on by Eighty-Four Mining Company. I have the
	20	materials you have furnished me: the letter to me of
	21	Eighty-Four Mining Company, and I guess the reply of
	22	Norfolk Southern.
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1	MR. BERCOVICI: I haven't seen a reply,
2	Your Honor, but it was
3	MS. BRUCE: Your Honor, are you referring
4	to the letter from
5	JUDGE LEVENTHAL: The letter of January
6	20.
7	MS. BRUCE: Yes. That was just our I
8	guess we could say it was a reply to Mr. Bercovici
9	indicating when we would make Mr. Mohan available. I
10	think that's the letter that
11	MR. BERCOVICI: Yes. I've seen that one.
12	I haven't see a reply.
13	MS. BRUCE: No. We have no formal reply.
14	JUDGE LEVENTHAL: Off the record.
15	(Whereupon, the foregoing matter went off
16	the record at 9:43 a.m. and went back on
17	the record at 9:33 a.m.)
18	JUDGE LEVENTHAL: Back on the record. I
19	take it the parties haven't resolved their
20	differences. All right. Mr. Bercovici?
21	MR. BERCOVICI: Thank you, Your Honor.
22	Our issue is very similar. In our
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comments, we address one of the issues concerning our service situation, post-transaction, involves some routing inefficiencies with Norfolk Southern as compared with the competitor situation being served by CSX as well as NS after the transaction is consummated.

In the rebuttal verified statement, Norfolk Southern through witness Moha. Ited NS has concluded agreements with the Canadian Pacific Rail System and with Gilford Transportation to provide for efficient handling of traffic between Binghamton and New England points.

We understand subsequently that it's only one agreement and that's with Canadian Pacific. There is no separate agreement for Gilford. So that's not an issue.

CP has agreed to grant NS haulage between Harrisburg, Binghamton, and a GTI, Gilford, connection near Albany, enabling the same type of two-carrier service that a CSX-GTI routing would supply.

When we saw the rebuttal statement, we went to the depository and looked for the copy of the

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agreement of Decision Number 6. It says, "Immediately upon each evidentiary filing, the filing party will place all documents relevant to the filing other than documents that are privileged or otherwise protected from discovery in a depository open to all parties." We couldn't find the agreement to which Mr. Mohan referred.

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At that point, we were preparing interrogatories. We had a couple of document requests. We were here two weeks ago. You denied our document request at that time. You ordered the applicants to make the witnesses available for deposition.

We then asked Norfolk Southern by letter, which you have before you, to make Mr. Mohan available for deposition. Since he talked about a document and described a document, we asked in that letter that he bring the document with him to the deposition so that we can find out what the document actually says.

All I want to find out is whether and to what extent this is an accurate representation of whether they have made our concern go away. I think

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that's a very legitimate issue. I'm not trying to do anything surreptitious here. We're simply trying to find out whether or not this issue has been taken off the table.

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After a week, I got back the letter dated January 20, which Your Honor has before you, being supplied yesterday by fax, which says that N Mohan will be available for deposition February 19 or 20, which are the Thursday and Friday before the days before the briefs are due. Briefs are due Monday, February 23.

It's not a convenient time in terms of taking the deposition and completing our brief and sending it to the printer for copying and for service and filing with the Board.

Secondly, they said he would not bring the document with him. He's referring and subscribing in his testimony to a document that is supposed to have been in the depository. And they're saying he won't bring the document with him to the deposition.

At that point I called counsel for applicants; not having a response, phoned your office

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8 for this hearing this morning. We're just trying to 1 find out what the facts actually are because I think 2 we're entitled to do it. 3 JUDGE LEVENTHAL: In their letter of 4 January 20, which you furnished to me, they say they 5 have submitted an errata which eliminates any 6 reference to an agreement with Gilford Transportation. 7 MR. BERCOVICI: That's what I referred to 8 in the beginning of my remarks. They originally said 9 there were two agreements. They have now submitted an 10 errata that said there's only one. So we're only 11 dealing with --12 JUDGE LEVENTHAL: And there's still one 13 agreement. 14 There's still one MR. BERCOVICI: 15 agreement. And that's with Canadian Pacific. 16 JUDGE LEVENTHAL: Now, when did you want 17 Mr. Mohan to appear for examination? 18 MR. BERCOVICI: We've got some 19 flexibility, but certainly the Friday before the 20 briefs are due is not an appropriate day. We'd like 21 him at least a week before. 22 NEAL R. GROSS COURT REPORTERS AND TRANSCRIBERS 1323 RHODE ISLAND AVE., N.W. (202) 234-4433

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9 JUDGE LEVENTHAL: Give me a range. At 1 least a week before the 13th? 2 MR. BERCOVICI: Well, we could work out 3 arrangements sometime the week of the 13th or the week 4 prior to that or next week. We've got a lot of 5 6 flexibility. JUDGE LEVENTHAL: All right. 7 MR. BERCOVICI: We're not trying to be 8 difficult and impose upon Mr. Mohan's schedule. 9 Simply we're trying to get to the essence of making 10 sure that their representation does what it says it 11 does. 12 JUDGE LEVENTHAL: All right. Mr. Harker, 13 you're going to address this? 14 MR. HARKER: I'm going to address actually 15 a related matter. I'll let Ms. Bruce speak on behalf 16 of NS. 17 I have a concern on behalf of CSX as to 18 one of the two issues that we're going to talk about 19 today. I leave it to NS and Eighty-Four Mine with 20 your assistance to sort out what is a reasonable date 21 for Mr. Mohan to appear for his deposition. 22 NEAL R. GROSS COURT REPORTERS AND TRANSCRIBERS 1323 RHODE ISLAND AVE., N.W. WASHINGTON, D.C. 20005-3701 (202) 234-4433 (202) 234-4433

However, I do have a concern about the other issue that Mr. Bercovici is seeking relief on, and that is the requirement for a deponent to bring a document to a deposition.

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The first time I saw Mr. Bercovici's January 21st letter was about ten minutes ago outside the hearing room. I notice that there's a cc on it that indicates that all parties on the restricted service list were served. As of this morning when I left my office about ten minutes after 9:00, I had not gotten a copy of the letter.

As you know, Your Honor, we do have a three-day notice rule in the proceeding. This letter is dated yesterday. By my count, that's less than a day.

I think that there is a significant issue as to the requirement of a deponent, as I said, to bring a document to a deposition. It's certainly something that CSX could be addressing, to find itself needing to address, in the next couple of weeks. And I think it's something that I would have liked the opportunity to have done a little thinking, if not

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research, to present argues we have an interest here. And I would urge that, even if it's a week before, even if you move the deposition up -- and I'm not suggesting that that's what CSX would want. Again, I leave that to you and the other parties to work out.

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It's not clear to me why that issue couldn't be taken up at next Thursday's discovery conference, the 29th. And you would have an opportunity to hear from us as well as the other parties as to why it's not appropriate under the circumstances to require a deponent to bring a document to a deposition, particularly in light of your ruling, Your Honor, that Eighty-Four Mine and the other commenters.

And indeed even at this stage, even the responsive applicants while they might be entitled to depositions, they're not entitled to written discovery. This is an end run around that. And we'd like an opportunity to be fully heard on that issue next week.

MR. BERCOVICI: Your Honor?

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JUDGE LEVENTHAL: Well, with regard to the issue of notice, when Mr. Bercovici called my office, I'm sure that -- and Ms. Schmidt advised him -- at least I was told that she did -- that if the parties agree, I would hear the argument this morning. If they don't agree, then you have to abide by the notice requirement of our rules. Isn't that so, Mr. Bercovici?

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MR. BERCOVICI: Indeed it is, Your Honor. And I called Ms. Bruce and asked her. My concern was simply to get this before you as quickly as possible as what we viewed as a simple issue.

And in terms of the convenience of the witness and NS, we wanted to have as much lead time as possible in terms of any order that you may issue this morning responsive to our request.

I apologize to Mr. Harker. We've got an automatic fax server. I don't know why he hasn't gotten a copy. This went out yesterday midday. And certainly I would have expected it to have been there. I did talk to Ms. Bruce yesterday, and she said that she had no objection to being here this

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13 morning. 1 And as far as the document is concerned, 2 our request is very limited. It is a document that he 3 testifies about. We're not asking for the documents 4 5 JUDGE LEVENTHAL: We're going into merits 6 now. We have a procedural question. 7 MR. NORTON: Your Honor, if I might? 8 JUDGE LEVENTHAL: We'll get to you, Ms. 9 Bruce. 10 MR. NORTON: I think I want to --11 In order for me to JUDGE LEVENTHAL: 12 clarify the record, during our long tenure together, 13 my policy has always been to stick to our rules unless 14 the parties agree to waive them. 15 And, as you know, I've been very flexible. 16 If you agree to come before me, I take you with or 17 without notice. And that was my understanding that 18 notice was waived. Of course, it was between 19 Eighty-Four and NS. 20 MS. BRUCE: Yes, Your Honor, it was. 21 JUDGE LEVENTHAL: So we'll only hear their 22 NEAL R. GROSS COURT REPORTERS AND TRANSCRIBERS 1323 RHODE ISLAND AVE., N.W. WASHINGTON, D.C. 20005-3701 (202) 234-4433 (202) 234-4433

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argument if that's where we ---1 MR. NORTON: And that relates to the 2 question of the timing of the deposition, in which I 3 think NS is really the only involved party. It's the 4 document request that broadens it, as to which neither 5 CSX nor Conrail has waived. 6 That puts us exactly in the situation that 7 we were in with respect to EJE, as you'll recall, when 8 there was insufficient notice. And Your Honor ruled, 9 quite properly, that under the guidelines, the matter 10 had to be heard later. 11 And there are substantial issues, as Mr. 12 Harker indicates. So as to the consistency of this 13 request with your ruling on the request for 14 interrogatories and documents --15 JUDGE LEVENTHAL: Well, let's see how NS 16 feels about it. Ms. Bruce, are you prepared to argue 17 the entire motion? 18 MS. BRUCE: Well, Your Honor, when Mr. 19 Bercovici contacted our office yesterday, I did agree 20 to waive the notice requirement as to NS only, not 21 realizing the implication that it would have for CSX 22

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and Conrail as far as the document request.

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And if you were to hear argument on the issue of the timing of the deposition, I would think it would be feasible for us to also go ahead and argue the issue at a later date within an acceptable time frame to everyone.

I mean, I did not realize the implication of the document request to CSX and Conrail, in all honesty.

JUDGE LEVENTHAL: All right. Without hearing further argument on the merits, let me just give you some observations. And then we'll deal with the issues that have been raised.

In our last session which dealt with Eighty-Four Mining Company, I ruled they weren't entitled to have written interrogatories at this stage of the proceeding. However, I ruled at that time that they could take depositions of a witness.

I was sort of surprised when I saw appeals by both sides because I thought there was no question or there was no argument raised against their taking of a deposition. So I was sort of surprised to find

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the appeal. But I don't object to your appealing from any ruling that I may make.

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I have to tell you that off the cuff before I hear argument and before we deal with the issue of notice, in my long experience, I don't know of any rule that doesn't permit the parties seeking to take a deposition to require the witness to bring with him or her documents. I know of no rule that prohibits that.

I realize you're not prepared to argue the merits, but I think you're going to have a tough time convincing me otherwise. And if you really want the time, I have to give you time pursuant to our guidelines.

MR. NORTON: Your Honor, our copy shows the fax received at sometimes after 4:00 o'clock yesterday. I didn't get it until sometime after that. So I haven't had a chance to look at it or think about it sufficiently either.

JUDGE LEVENTHAL: All right.

MR. NORTON: But I do know one thing. Under the Federal Rules of Civil Procedures, if you

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, ,	1	want a witness in certain categories to bring a
	2	document to a deposition, you have to have a subpoena.
	3	I don't think there's anything in the
	4	Board's rules for depositions that provides for
	5	bringing documents to depositions without a request
	6	for production in the ordinary course.
	7	JUDGE LEVENTHAL: I think that's what
	8	we've been following during the course of this
	9	proceeding, haven't we?
	10	MR. NORTON: Yes.
	11	JUDGE LEVENTHAL: Do you mean that you
)	12	require
	13	MR. NORTON: The first time
	14	JUDGE LEVENTHAL: the other party to
	15	file a subpoena duces tecum?
	16	MR. NORTON: No, no, no.
	17	MS. BRUCE: No, no.
	18	MR. NORTON: You don't need a subpoena.
	19	You need a written document request to get documents.
	20	That's the only way you can get documents.
	21	Now, I don't know that there have been any
	22	instances where people have asked for documents to be
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18 brought to a deposition and they have been provided 1 voluntarily, but there certainly has been no issue 2 raised before that has established that there is a 3 right to require documents to be produced at a 4 deposition. And that's a distinction that is I think 5 clear in the rules. 6 JUDGE LEVENTHAL: All right. Well, let's 7 go off the record. 8 (Whereupon, the foregoing matter went off 9 the record at 9:48 a.m. and went back on 10 7 the record at 9:56 a.m.) 11 JUDGE LEVENTHAL: Back on the record. In 12 our off-the-record discussion, I attempted to see if 13 I could obtain an amicable resolution of this dispute. 14 And I failed totally to have the parties reach any 15 agreement whatsoever. 16 Anybody wish to add anything to what we 17 said off the record? 18 (No response.) 19 JUDGE LEVENTHAL: Mr. Harker and Mr. 20 Norton have made a strong representation that they're 21 not willing to waive the notice requirement of our 22 NEAL R. GROSS COURT REPORTERS AND TRANSCRIBERS 1323 RHODE ISLAND AVE., N.W. WASHINGTON, D.C. 20005-3701 (202) 234-4433 (202) 234-4433

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	guidelines. So I have to rule that you'd have to come
2	back next week to argue over when and if you serve
3	notices of deposition on them, whether or not they
4	would have to bring documents with them.
5	That's really not before me this morning.
6	There's no demand made of Conrail or CSX, is there?
7	Are you going to produce a witness for deposition, Mr.
8	Harker?
9	MR. HARKER: If a witness is noticed and
10	
11	JUDGE LEVENTHAL: There is no notice now?
12	MR. HARKER: That is correct.
13	JUDGE LEVENTHAL: And Mr. Norton?
14	MR. NORTON: That's correct.
15	JUDGE LEVENTHAL: Then what are you
16	concerned about? Maybe there won't be any notice for
17	you to bring
18	MR. NORTON: Well, it's our understanding
19	that NS is taking the same position. And we share a
20	common interest as applicants in that issue because it
21	may well come up in other depositions if we don't
22	prevail in our appeal, if NS doesn't prevail in its
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1	appeal.
2	MR. HARKER: We certainly understand your
3	views, Your Honor, that you looked at past rulings in
4	this case for precedent. You found it all along.
5	We've always supported you in doing that. And our
6	concern is that were you to rule here that NS was
7	required to bring a document to a deposition, that
8	that would be cited against us and used as precedent
9	against us if the issue should come up.
10	You've ordered us to produce witnesses for
11	depositions. I've been told by counsel for at least
12	one that he will notice the deposition depending on
13	the outcome of the appeal.
14	Actually, I've been told that by and we
15	have received notice from another party noticing a
16	deposition, which we moved to quash and which we've
17	put off pending the outcome of the appeal. But
18	depending on how the appeal comes out, we could be
19	facing that issue.
20	JUDGE LEVENTHAL: All right. Do you have
21	any answer to that, counsel?
22	MR. BERCOVICI: Your Hor.or, as I said
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21 before, reading from the Procedural Order 6, "On each 1 evidentiary filing, the filing party will place all" 2 3 JUDGE LEVENTHAL: We're dealing now with 4 notice only. They're saying they have an interest in 5 this argument this morning. And they're correct. 6 Whatever ruling I make would apply to any future 7 notices to take depositions. 8 MR. BERCOVICI: Well, I --9 JUDGE LEVENTHAL: Let me finish. 10 MR. BERCOVICI: Your Honor, I believe 11 there are alternative grounds for granting our request 12 even this morning. If necessary, we'll come back next 13 week. 14 But the alternative grounds, as I said, 15 are the procedural order, which states that "Upon 16 filing, the party will place all documents relevant to 17 the filing in a depository open to all parties." And 18 this is clearly a document relevant to the filing 19 because the witness refers to it. And it's not in the 20 depository. 21 If they comply with the procedural order 22 NEAL R. GROSS COURT REPORTERS AND TRANSCRIBERS 1323 RHODE ISLAND AVE., N.W. WASHINGTON, D.C. 20005-3701

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that the Board issued, that would certainly satisfy and move the issue of the request to bring documents to the deposition.

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JUDGE LEVENTHAL: Ms. Bruce?

MS. BRUCE: Well, Your Honor, again, we're taking the position that although Mr. Mohan refers to the arrangement, he never saw the document. He didn't rely upon the document. And, therefore, we're not under an obligation either to put it in the depository or to make it available upon request of a deposing party.

And Mr. Mohan has previously testified in his November deposition that he never saw that that was beyond his responsibility to actually sit down and review the document. He understands the operational aspects of it.

And NS submits that if Eighty-Four Mining or any other party to the proceeding wishes to question him on the extent of his knowledge as to the operational effect of that agreement, they are free to because there are other aspects of the agreement that are irrelevant to the movement of traffic of the

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$\bigcirc$	1	haulage by CP and the haulage agreement between CP and
	2	NS. And there would be no reason to go into those
	3	aspects of the agreement.
	4	What Mr. Mohan testified to was a discrete
	5	traffic movement. And that's his knowledge of the
	6	agreement.
	7	JUDGE LEVENTHAL: Is that your interest,
	8	Mr. Bercovici?
	9	MR. BERCOVICI: We've not interested in
	10	anything beyond what Ms. Bruce described as "discrete
	11	traffic movement." We're not interested in the other
	12	parts of the agreement. And no, that's not referenced
	13	in his statement.
	14	JUDGE LEVENTHAL: Well, then why can't you
	15	put in just those parts of the agreement that he has
	16	relied upon?
	17	MS BRUCE: That are referenced
	18	specifically in his
	19	JUDGE LEVENTHAL: Testimony.
	20	MS. BRUCE: In his testimony?
	21	JUDGE LEVENTHAL: Yes.
2	22	MS. BRUCE: Specifically that traffic will
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1	move Albany, Binghamton, whatever? They only go to
2	movement.
3	JUDGE LEVENTHAL: That's what you're
4	saying is what you wanted?
5	MR. BERCOVICI: Yes, Your Honor. That's
6	what he testified to, and that's what we're interested
7	in seeing. We're not interested in the rest of the
8	document.
9	JUDGE LEVENTHAL: It seems to me that
10	you're obligated to do that, Ms. Bruce.
11	MS. BRUCE: And you would so rule?
12	JUDGE LEVENTHAL: It appears clear to me.
13	Well, maybe we can resolve this whole matter.
14	MS. BRUCE: Could I?
15	JUDGE LEVENTHAL: Yes.
16	(Pause.)
17	MS. BRUCE: Your Honor, I guess what we
18	could agree to do is keep the deposition or the date
19	that we said, the 19th or 20th, at your choosing.
20	And then we would re-put in the cover
21	sheet, which is already in the depository. And
22	there's a term sheet that discusses that part of the
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1	letter agreement that refers to the CP haulage in New
2	York. And we would redact out everything except the
3	part of the agreement that refers to the movement of
4	traffic in New York.
5	MR. BERCOVICI: I'm not sure what Ms.
6	Bruce is referring to in terms of the term sheet if
7	it's the agreement
8	MS. BRUCE: It's a letter that attaches
9	what it calls "term sheets." Just for your knowledge,
10	the term sheets that are attached, every point that's
11	in the letter agreement, there's a term sheet that's
12	attached.
13	What's in the depository now is the term
14	sheet for the movement in Detroit and Kalamazoo
15	because that was an interest that Amtrak had. And
16	that's in the highly redacted form also.
17	MR. BERCOVICI: Is that the agreement
18	itself? The term sheet, is that a part of the
19	agreement with regard to this
20	MS. BRUCE: There's a term sheet attached
21	to that letter that describes the CP haulage in New
22	York.
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JUDGE LEVENTHAL: And that's part of the

agreement?

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MS. BRUCE: And that's part of it. What's in the depository is the cover letter agreement that outlines what will be set in the term sheets. And the only term sheet that's in the depository is the Michigan to Kalamazoo, which was produced in redacted form with the agreement of Amtrak and CP in response to one of their discovery requests.

so what we would put in would be that part of the term sheet that dealt with the movement of traffic in New York State and only that part. We would redact out all the other parts of that term sheet. There are separate term sheets.

MR. BERCOVICI: If that's the agreement and, as I said, that deals with this issue, that satisfies me. I don't need to see it.

JUDGE LEVENTHAL: All right.

MS. BRUCE: I mean, it picks up on Mr. Mohan's description in his rebuttal verified statement and also his original description that laid out that there was an agreement between CP and NS to cover New

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JUDGE LEVENTHAL: All right. With that agreement, if we set the deposition for the 19th of February, does that satisfy your motion?

MR. BERCOVICI: It does, Your Honor, if that's the only date that Mr. Mohan is available.

I would like to clarify again on the record while we're here today. Ms. Bruce said that Mr. Mohan had not seen the agreement, that he had understandings of it. Off the record, I believe she said that those understandings came from Norfolk Southern's personnel. And I would just like to confirm that on the record.

MS. BRUCE: Yes. He has not seen the agreement. He was told about the agreement in preparation of the operating plan and the application. And he has never seen the agreement or reviewed it.

In fact, he testified in his November 19th hearing [sic.] that he had not seen the agreement, that that wasn't part of his responsibility to review the whole agreement.

JUDGE LEVENTHAL: All right?

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1	MR. BERCOVICI: Thank you.
2	JUDGE LEVENTHAL: All right. Then we have
3	no problem with time and place; right?
4	MS. BRUCE: We'll work out the 19th or the
5	20th, whatever.
6	MR. BERCOVICI: We'll make the
7	accommodations between ourselves.
8	JUDGE LEVENTHAL: Very well. Then so
9	ordered.
10	Anything else before us this morning?
11	MS. BRUCE: No, Your Honor.
12	MR. BERCOVICI: Not this morning, Your
13	Honor.
14	JUDGE LEVENTHAL: Now we have not this
15	morning scheduled anything for next Thursday, have we?
16	MS. BRUCE: No. No, Your Honor.
17	MR. HARKER: I don't believe so.
18	JUDGE LEVENTHAL: And if there is any
19	argument for next Thursday, we follow the usual
20	procedures.
21	MS. BRUCE: Yes.
22	JUDGE LEVENTHAL: Now off the record.
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