
**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA**

IN THE MATTER OF THE PETITION OF
TRANSCANADA KEYSTONE PIPELINE,
LP FOR ORDER ACCEPTING
CERTIFICATION OF PERMIT ISSUED IN
DOCKET HP09-001 TO CONSTRUCT THE
KEYSTONE XL PIPELINE

DOCKET HP 14-001

**RESPONSE OPPOSING
TRANSCANADA KEYSTONE
PIPELINE MOTION TO LIMIT THE
SCOPE OF DISCOVERY**

FACTUAL BACKGROUND

On March 12, 2009 TransCanada Keystone Pipeline, LP (“Keystone”) applied for a permit to build the Keystone XL Pipeline. The Public Utilities Commission (“the Commission”) granted Keystone’s application and issued an Amended Final Decision and Order on June 29, 2010. The Commission attached fifty (50) enumerated requirements to Keystone’s initial permit. During the intervening four years Keystone has not initiated construction of the Keystone XL Pipeline. On September 14, 2014 Keystone submitted to the Commission a petition for order accepting certification pursuant to SDCL § 49-41B-27. Numerous intervenors applied for party status to challenge Keystone’s certification petition. On October 30, 2014 Keystone made a motion to limit the scope of discovery of the certification proceeding.

ARGUMENT

I. The Commission Should Not Limit the Scope of Discovery of a Certification Proceeding.

Keystone argues that the language contained in SDCL § 49-41B-27 necessarily limits the scope of discovery during a certification proceeding. Keystone construes the statute narrowly and reasons that the holding in *Jundt v. Fuller* is dispositive in the instant case. Namely, that the Commission must limit the present certification proceeding’s scope of discovery to the fifty

enumerated requirements imposed during the initial permitting proceeding. Keystone's interpretation of SDCL § 49-41B-27 is illogical and would lead to absurd outcomes. The Commission should reject Keystone's motion to limit discovery because (1) the holding in *Jundt v. Fuller* is not applicable in the instant case, (2) SDCL § 49-41B-27 is broadly written, and (3) the Commission's rules of civil procedure makes all relevant material discoverable.

1. The holding in *Jundt v. Fuller* is not applicable in the instant case.

The issue presented in *Jundt v. Fuller* is significantly dissimilar to the present issue; making the holding in *Jundt v. Fuller* inapplicable to the instant case. Keystone correctly states that “[o]nce an agency’s adjudication has become final it is no longer subject to reconsideration.” *Jundt v. Fuller*, 2007 S.D. 62, ¶ 12, 736 N.W.2d 508, 512. However, Keystone erroneously takes an extra step by conflating SDCL § 49-41B-27 with the aforementioned holding in *Jundt v. Fuller*. Keystone fails to mention that final order being challenged in *Jundt v. Fuller* did not involve a certification proceeding pursuant to SDCL § 49-41B-27. Rather, the issue in that case involved an entirely different factual scenario.

In *Jundt v. Fuller* the South Dakota Water Management Board (“the Board”) issued a water permit on March 15, 2005. *Id.* ¶2, 736 N.W.2d at 510. No appeal to the permit decision was made at the time. *See Id.* Later, on December 6, 2006, less than two years after the permit was issued, the circuit court remanded an additional issue to the Board. *Id.* Essentially, the circuit court ordered the Board to relitigate the initial water permit proceeding. The South Dakota Supreme Court merely held that a circuit court cannot order an administrative agency to reconsider whether or not an initial permit should have been granted once the agency’s decision to issue the permit is final. *See Id.* ¶ 12-13, 736 N.W.2d at 513. Simply put, the issue in *Jundt v. Fuller* did not involve the certification proceeding detailed in SDCL § 49-41B-27.

The issue presented in the instant case is not the same as the issue presented in *Jundt v. Fuller*. Intervenor's are not asking the Commission to reconsider or otherwise challenge the initial permit proceeding. Rather, the intervenors seek to challenge certification of Keystone's permit pursuant to the explicit provisions of SDCL § 49-41B-27. In pertinent part, SDCL § 49-41B-27 provides that "[u]tilities which have acquired a permit...may proceed to improve, expand, or construct...**provided, however, that if such construction, expansion and improvement commences more than four years after a permit has been issued, then the utility must certify to the Public Utilities Commission that such facility continues to meet the conditions upon which the permit was issued.** SDCL § 49-41B-27 (emphasis added). Simply put, SDCL § 49-41B-27 requires Keystone to submit to a certification proceeding because it has not commenced construction on the pipeline within the statutorily required four-year time limit. Intervenor's seek to challenge Keystone in the certification proceeding, not relitigate the Commission's initial permitting proceeding. Keystone is essentially arguing that the Commission is handcuffed to its initial decision in perpetuity. Such reasoning is illogical. Simply put, the instant case presents an entirely dissimilar issue than the issue presented in *Jundt v. Fuller*. As such, the Commission's authority to consider issues related to Keystone's certification proceeding is not circumscribed by the court's opinion in *Jundt v. Fuller*.

2. The commission must interpret the certification statute broadly.

Keystone asks the Commission to read SDCL § 49-41B-27 narrowly and in isolation of the rest of the statute. Whenever a permittee fails to initiate construction within the statutorily defined four-year time limit the permittee must submit to a certification proceeding before the Commission in order to ensure that the project continues to meet the conditions upon which the permit was issued. SDCL § 49-41B-27. Keystone submits to the Commission a one-page

argument asserting that SDCL § 49-41B-27 is narrowly written. Keystone reasons that because the statute and the Commission’s administrative rules do not explicitly provide for process of permit expiration, then that means SDCL § 49-41B-27 is necessarily “narrowly drawn.” The argument that Keystone puts forward lacks any semblance of sound principles of statutory interpretation. Indeed, Keystone does not once attempt to apply any canon of statutory construction. Instead, Keystone states that nothing in the law or administrative rules explicitly provides for expiration, and then makes the conclusory statement that this necessarily means that the statute should be interpreted narrowly.

a. Plain Meaning Rule

Interpreting SDCL § 49-41B-27 correctly depends entirely on the meaning of the word “conditions” as it is used in this provision. As any first-year law student has learned, the first step in interpreting a statute requires an inquiry into the “plain meaning” of a word. Courts generally assume that the words of a statute mean what an “ordinary” or “reasonable” person would understand them to mean. *Caminetti v. United States*, 242 U.S. 470, 485 (1917).

Although Keystone does not attempt to employ any formal rules of statutory interpretation in a consistent form in its analysis, it would appear that Keystone is attempting to use some weak form of the plain meaning rule to urge the Commission to limit its scope of discovery. In the instant case, however, the plain meaning rule is not helpful in interpreting the meaning of the word “conditions” as used in SDCL § 49-41B-27, because there can be various interpretations applied to that word.

An ordinary and/or reasonable reading of the word “conditions” reveals that the word may mean the fifty specific requirements by which Keystone must abide, OR it may mean the surrounding circumstances in which the permit was issued. It is not readily apparent on the face

of the statute. The statute's definition of terms section does not provide a definition for the word "conditions." SDCL § 49-41B-2. The administrative rules promulgated by the Public Utilities Commission also do not define the word "conditions." ARSD § 20:10:01:01.01. Finally, no case law exists that provides clarity to the meaning of the word "conditions" as used in SDCL § 49-41B-27. Neither does the legislative history offer any insight into what was meant by the term "conditions" in the context of this statute. The original 1977 House bill and the final session law contain identical language with regard to SDCL § 49-41B-27, and there are not any clarifying comments, amendments, or proposed alternative language by legislators during the drafting period. South Dakota Energy Facility Permit Act, ch. 390, 1977 S.D. Sess. Laws, 671 and H.B. 819, 52d Sess. (1977).

Simply put, the plain meaning rule provides no guidance with regard to interpreting the word "conditions" in SDCL § 49-41B-27. Contrary to what Keystone would have the Commission believe, there is no simple, limited meaning to the word "conditions" in any of the statutory or regulatory framework. The word "conditions" as used in the certification provision is ambiguous, thereby necessitating the use of other rules of statutory interpretation.

b. Rule to Avoid Surplusage

The certification proceeding detailed in SDCL § 49-42B-27 cannot merely be a mechanism of ensuring that the fifty stipulated requirements accompanying Keystone's initial permit are being followed. Interpreting the statute in such a way would create surplusage in the statute. It is a well-settled principle of law that each word or phrase in a statute should be read as meaningful and useful, and thus, an interpretation that would render a word or phrase redundant or meaningless must be rejected. *Astoria Federal Savings & Loan Ass'n v. Solimino*, 501 U.S. 104, 112 (1991); *Sprietsma v. Mercury Marine*, 537 U.S. 51, 63 (2003); *Nielson v. AT&T Corp.*,

1999 S.D. 99 ¶16, 597 N.W.2d 434, 439 (“[w]e presume the Legislature does not insert surplusage into its enactments”); *Mid-Century Ins. Co. v. Lyon*, 1997 SD 50, ¶ 9, 562 N.W.2d 888, 892 (citing *National Farmers v. Universal*, 534 N.W.2d 63, 65 (S.D.1995) (citing *Revier v. School Bd. of Sioux Falls*, 300 N.W.2d 55, 57 (S.D.1980); *Delano v. Petteys*, 520 N.W.2d 606, 609 (S.D.1994) (“[t]his court will not construe a statute in a way that renders parts to be duplicative and surplusage.”) (citing *Farmland Ins. Co. v. Heitmann*, 498 N.W.2d 620 (S.D.1993); *Revier*, 300 N.W.2d at 57). *see also Bailey v. United States*, 516 U.S. 137, 146 (1995) (“we assume that Congress used two terms because it intended each term to have a particular, non-superfluous meaning”) (rejecting interpretation that would have made the statutory terms “uses” and “carries” redundant in a statute related to firearms offenses).

Keystone argues that the scope of discovery for a certification proceeding pursuant to § 49-41B-27 must be limited to the fifty requirements that were specified during the initial permit proceeding. Essentially, Keystone is trying to persuade the Commission to read SDCL § 49-41B-27 as an enforcement mechanism for the fifty enumerated requirements: In the instance where Keystone has violated one of the 50 conditions, then the Commission can choose to not certify the permit. Such a reading is nonsensical. As Keystone itself admits, a separate provision of the statute provides the Commission with the discretionary power to revoke or suspend a permit whenever a permittee fails to comply with the terms or conditions of the permit. SDCL § 49-41B-33. Thus, if the Commission were to accept Keystone’s interpretation then it must ask why the Legislature would write two separate provisions which essentially have identical functions?

The answer to this question is of course that SDCL § 49-41B-27 is *not* a redundant provision because the word “conditions” as used in that section has a different meaning than in

SDCL § 49-41B-33. If Keystone’s argument were followed, applying identical definitions to the word “conditions” in both SDCL § 49-41B-27 and § 49-41B-33 would result in redundancy and surplusage.

The only coherent interpretation SDCL § 49-41B-27 is that it is a mechanism by which the Commission may review *all* relevant information and make a determination as to whether the surrounding conditions (i.e., circumstances) on which the original permit decision was made are more or less unchanged. Such an interpretation not only avoids surplusage, it is also a much more reasonable reading of the statute. In four years the conditions or circumstances upon which the original permitting decision was based can radically change: Local opinions about the project may have changed. Technological developments may have been realized that could make the project safer. New environmental or archaeological data that impacts the project may have come to light. It makes much more sense that the legislature intended to grant the Commission the flexibility to adjust to changed conditions (i.e., circumstances).

Indeed other states have acknowledged this very issue and allow administrative agencies flexibility to alter final decisions. *See Gulf Coast Electric Cooperative Inc. v. Johnson*, 727 So.2d 259, 265 (Fla. 1999) (asserting that despite the doctrine of decisional finality state agencies may modify a final decision if there is a significant change in circumstances). Certainly interpreting SDCL § 49-41B-27 as the Legislature’s means of providing for similar agency flexibility to changed conditions is more reasonable than interpreting the certification provision as a superfluous reiteration of SDCL § 49-41B-27, as the Petitioner would have this Commission constrain itself.

c. The Certification Provision Must be Read in Context

Keystone's analysis of SDCL § 49-41B-27 is in isolation of every other provision and ignores the overarching context of the statute as a whole. "Since statutes must be construed according to their intent, the intent must be determined from the statute as a whole, as well as enactments relating to the same subject." *Moss v. Guttormson*, 1996 SD 76, ¶ 10, 551 N.W.2d 14, 17 (quoting *U.S. West Communications, Inc. v. Public Utilities Comm'n*, 505 N.W.2d 115, 122-23 (S.D.1993)). "But, in construing statutes together it is presumed that the legislature did not intend an absurd or unreasonable result." *Id.* The statute, when read as a whole, grants the Commission broad powers to regulate energy transmission facilities, especially with regard to matters involving permitting. As such, SDCL § 49-41B-27 cannot be read in isolation; rather, it must be read in context with the rest of the statute.

The statute at issue in the instant case is replete with language which grants the Commission broad authority, discretion, and responsibility. The Commission's charge is to protect the welfare of the population, the environmental quality, the location and growth of industry, and the use of the natural resources of the state. SDCL § 49-41B-1. In carrying out its role as protector of the State's human and environmental interests, the statute includes the following broad discretionary language: "...it is necessary to ensure that the location, construction, and operation of facilities will produce minimal adverse effects on the environment and upon the citizens of this state..." *Id.*; "[e]very utility which owns or operates...energy conversion facilities shall develop and submit a...plan to the Public Utilities Commission...[t]he plan shall contain...[a]ny...*relevant information as may be requested by the commission.* SDCL § 49-41B-3 (emphasis added); "...[a] local review committee shall meet to assess the extent of the potential social and economic effect to be generated by the proposed facility, to assess the affected area's capacity to absorb those effects at various stages of construction, and formulate

mitigation measures...” SDCL § 49-41B-7; “...the local review committee *may* employ such persons *as determined by the Public Utilities Commission...*” 49-41B-8 (emphasis added); “[a]n application *may* be denied, returned, or amended *at the discretion* of the Public Utilities Commission...” SDCL § 49-41B-13 (emphasis added); “...The Public Utilities Commission *may* require that further data be provided prior to the public hearings...” SDCL § 49-41B-14 (emphasis added); “[t]he Public Utilities Commission shall also hear and receive evidence presented by any state department, agency, or units of local government relative to the environmental, social, and economic conditions and projected changes therein. SDCL § 49-41B-19; “[t]he final report shall be heard by the Public Utilities Commission at the final hearing wherein the commission makes its decision on the application for a permit. The local review committee report *may* be adopted in whole or in part, *at the discretion of the commission.*” SDCL § 49-41B-20 (emphasis added); “[p]rior to the issuance of a permit, the commission *may* prepare or require the preparation of an environmental impact statement...” SDCL § 49-41B-21 (emphasis added); “...the Public Utilities Commission *may in its discretion* decide if an applicant shall have the burden of proof to establish all criteria required in an original application.” SDCL § 49-41B-22.2 (emphasis added); “[t]he Public Utilities Commission *may waive compliance with and provisions of this chapter* if...an immediate, urgent need...exists. The commission *may waive compliance with any of the provisions of this chapter* upon receipt of notice...that a facility...has been damaged or destroyed.” SDCL § 49-41B-23 (emphasis added); “[a] permit may be transferred, *subject to the approval of the Public Utilities Commission...*” SDCL § 49-41B-29 (emphasis added).

Indeed, reading SDCL § 49-41B-27 in context with the entire statute it becomes readily apparent that the Commission must have the same broad discretionary authority during the

certification proceeding as it does when carrying out every other aspect of its statutory responsibility to protect the welfare of the population, the environmental quality, the location and growth of industry, and the use of the natural resources of the state. To say that §49-41B-27 is limited to only a review of the 50 conditions contained in the original permit, when it is clear that the structure of Ch. 49-41B is clearly designed to give the Commission as much discretion as necessary to protect many competing stakeholders' interests in the permitting process, is simply unsupported.

Such a contextual reading is further reinforced by SDCL § 49-41B-22.1. This provision allows denied applicants an opportunity to reapply. To do so, a re-applicant must show that circumstances have not changed with regard to criteria upon which the original application was not denied. SDCL § 49-41B-22.1. In drafting this section in this manner, the Legislature was mindful that surrounding conditions change, just as is the case with a permittee who has failed to initiate construction within four years and must submit themselves to a certification proceeding to show that conditions have not significantly changed. In other words, when SDCL § 49-41B-27 is read in context with SDCL § 49-41B-22.1 it becomes immediately apparent that the Legislature has granted the Commission the same broad discretionary power to review all relevant circumstances regarding a permitted-but-yet-to-be-built facility after four years as it does for re-applicants.

A contextual reading of the entire statute reveals that the statute grants the Commission broad discretionary authority with regard to permitting matters and such an interpretation is supported by existing case law. In *Application of Svoboda* the South Dakota Supreme Court rejected a challenge to the Commission's power to amend a Class B Motor Permit. The court held that deference should be given to the Commission on such matters and that it would only

overrule the Commission's permitting decision if it was arbitrary, unreasonable, and not supported by substantial evidence. *Application of Svoboda*, 74 S.D. 444, 54 N.W.2d 325 (1952). The South Dakota Supreme Court similarly held in *Application of Dakota Transportation Inc.* that it would only overrule the Commission's decision to issue a class A certificate of public convenience if it was arbitrary, unreasonable, and not supported by substantial evidence. *Application of Dakota Transportation Inc.*, 67 S.D. 221, 291 N.W. 589, 594 (1940).

In plain terms, Keystone's interpretation lacks context. It ignores the broad discretionary language used throughout the statute and it ignores existing case law. Keystone's interpretation would impermissibly lead to absurd and unreasonable results. Essentially, Keystone argues that once the Commission made its initial permitting decision it became forever handcuffed to that decision regardless of changed circumstances. If the Commission adopts Keystone's interpretation of SDCL § 49-41B-27 then it will be entirely unable to adapt to new information or changed circumstances, no matter how irrational the result. In other words, Keystone is arguing that it is entitled to a perpetual permit which can only be revoked or suspended if it violates one of the fifty requirements that were attached to its initial permit on June 29, 2010. This narrow and isolated reading of the statute is incorrect, and the lack of flexibility has the very real potential of leading to illogical and devastating results for the State of South Dakota and its citizens.

3. All material relevant to the issue is discoverable under the Commission's rules of procedure.

Keystone's argument does not comport with the Commission's rules governing discovery. The Commission applies the South Dakota circuit court rules of civil procedure to its proceedings. ARSD § 20:10:01:01.02. The Commission's scope of discovery is defined in SDCL 15-6-26(b)(1) which asserts that "*any matter, not privileged, which is relevant to the*

subject matter involved in the pending action...reasonably calculated to lead to the discovery of admissible evidence.” See also *In the Matter of the Application of Native American Telecom, LLC*, TC11-087, WL 11078169 (S.D.P.U.C.) (May 4, 2012) (emphasis added).

Although never explicitly stated, Keystone appears to be arguing that the scope of discovery ought to be limited because any material not related to the fifty enumerated requirements is irrelevant. However, as illustrated at length supra, Keystone’s interpretation of the word “conditions” is inaccurate and therefore the scope of discovery cannot be limited to only the fifty enumerated requirements. Rather, the Commission’s rules of civil procedure requires the scope of discovery to include any and all relevant information regarding the “conditions upon which the permit was issued.” SDCL § 49-41B-27.

Even if Keystone’s interpretation were accurate its motion to limit discovery would still be invalid. The Commission “may make any order which justice requires to protect a party or person from annoyance, embarrassment, oppression, or undue burden or expense,” including “[t]hat certain matters not be inquired into, or that the scope of the discovery be limited to certain matters.” SDCL 15-6-26(c). In other words, to limit the scope of discovery the Commission’s rules of civil procedure requires Keystone to show good cause for the issuance of a protective order, and the motion requesting the order must be “accompanied by a certification that the movant has in good faith conferred or attempted to confer with other affected parties in an effort to resolve the dispute without court action.” SDCL 15-6-26(c). In the instant case Keystone has failed to allege any facts that would support a conclusion that discovery is an annoyance, embarrassment, oppressive, or unduly burdensome or expensive; nor has Keystone made any attempt to confer with intervenors in an effort to resolve such disputes. Stated another way, these factual deficiencies and the aforementioned rules of civil procedure require the

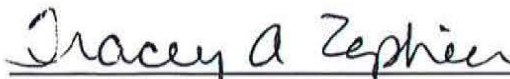
Commission to dismiss Keystone's motion even if it accepts Keystone's narrow, isolated, and context void statutory analysis.

CONCLUSION

Keystone's motion to limit the scope of discovery erroneously construes the statute narrowly, creates surplusage, and misapplies the holding in *Jundt v. Fuller* and the Commission's discovery rules. Keystone's interpretation of SDCL § 49-41B-27 is illogical and would lead to absurd outcomes. Rather than being limited in its power to review during a certification hearing, the Commission enjoys a great deal of discretionary latitude - and indeed shoulders a great responsibility - to review the present conditions and adjust to any changed circumstances or new information. That is the very purpose of the certification procedure detailed in SDCL § 49-41B-27. The Commission should reject Keystone's motion to limit discovery.

Dated this 1st day of December 2014.

Respectfully Submitted,



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