

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

IN THE MATTER OF THE PETITION OF)	STAFF'S POST-HEARING
TRANSCANADA KEYSTONE PIPELINE, LP)	REPLY BRIEF
FOR ORDER ACCEPTING CERTIFICATION)	
OF PERMIT ISSUED IN DOCKET HP09-001)	HP14-001
TO CONSTRUCT THE KEYSTONE XL)	
PIPELINE)	

COMES NOW Commission Staff ("Staff") and hereby files this brief in reply to post-hearing briefs submitted by other parties. For the purpose of this reply, all references shall remain the same as initially provided in Staff's Post-Hearing Brief filed on September 28, 2015.

After carefully reading and considering the briefs submitted by all parties, there are two issues Staff addresses at this time. First, the burden of proof, and second, the applicability of the public trust doctrine.

I. Burden of Proof

Not surprisingly, views expressed in the post-hearing briefs differed as to which party, applicant or intervenor, bears the burden of proof. There are naturally three elements to the discussion of burden of proof: 1) who bears the burden, 2) what is the burden, and 3) what must be proven.

Staff agrees with several of the parties that Keystone bears the burden of proof under ARSD 20:10:01:15.01. Keystone is the petitioner in this matter. Therefore, Keystone "has the burden of going forward with presentation of evidence..." ARSD 20:10:01:15.01.

However, Staff disagrees with some of the other parties as to what standard is applicable. It has been argued by other parties that the standard is substantial evidence. To the contrary, the Court has held that "[t]he general burden of proof for administrative hearings is preponderance of the evidence." *In re Setliff*, 2002 SD 58, ¶13, 645 NW2d 601, 605. "Preponderance of the

evidence is defined as the greater weight of evidence.” *Pieper v. Pieper*, 2013 SD 98, ¶22, 841

NW2d 787 (citation omitted). Black’s Law Dictionary defines preponderance of the evidence as:

The greater weight of the evidence, not necessarily established by the greater number of witnesses testifying to a fact but by evidence that has the most convincing force; superior evidentiary weight that, though not sufficient to free the mind wholly from all reasonable doubt, is still sufficient to incline a fair and impartial mind to one side of the issue rather than the other. This is the burden of proof in most civil trials, in which the jury is instructed to find for the party that, on the whole, has the stronger evidence, however slight the edge may be.

Black's Law Dictionary (10th ed. 2014). Even the case which intervenors cite for their argument that the standard is substantial evidence actually holds that the standard at the administrative level is preponderance of the evidence. *Helms v. Lynn's, Inc.*, 1996 SD 8, ¶22, 542 NW2d 764, 768. The substantial evidence burden is applied to an agency’s decision on appeal. *Id.* at ¶10. Meaning, an appellate court will determine whether there was substantial evidence to show that the petitioner met its burden of preponderance of the evidence.

The final question is what must Keystone prove by a preponderance of the evidence? Simply stated, Keystone must prove that it has satisfied the requirement(s) of the statute at issue, SDCL 49-41B-27, by a preponderance of the evidence. As Staff explained in its post-hearing brief, a plain reading of this statute requires Keystone to certify that the Keystone XL Pipeline continues to meet the conditions upon which the permit was issued. Staff notes that Keystone witness, Corey Goulet, President of Keystone Projects, testified that he certified that “Keystone is or will be able to satisfy all of the conditions imposed by the Commission as part of its Amended Final Decision and Order dated June 29, 2010.” (See Exhibit 2001, page 4). Thus, the weight of the evidence establishes that Keystone has properly certified that it can continue to

meet the conditions, as required by SDCL 49-41B-27. No evidence was presented to weigh against the assertion that Keystone certified as required by statute.

If Keystone cannot or does not meet the conditions, as it has certified it would, the proper forum in which to address that issue is a violation filing under SDCL 49-41B-34, if and when the Project is constructed or operated. This may not be the preferable or pragmatic approach, but it is the only approach the Legislature has provided in which to address violations of a siting permit. The Legislature has not provided this Commission with the power to grant injunctive relief by effectively revoking a permit which was legally granted without appeal by a previous Commission.

Public policy may indeed suggest that the Commission should have broader, more expansive authority, and that merely requiring certification from a company that it can continue to meet the conditions listed in the permit is not enough. However, "it is the responsibility of the Legislature, rather than the PUC, to change the statute." *In re West River Electric Association, Inc.*, 2004 SD 11, ¶25, 675 NW2d 222, 230.

If, however, the Commission disagrees with Staff's assertion that certification is all that is required of the company under SDCL 49-41B-27, and instead finds that, as intervenors have asserted, that Keystone must demonstrate that it can meet the conditions upon which the permit was granted, the preponderance of the evidence standard continues to apply. In that case, the Commission would need to determine if, based upon the evidence, it is more likely than not that Keystone can continue to meet the conditions. See, *Pieper*, 841 NW2d at 787 (holding that the trial court must determine if it is more likely than not that a child was being abused). Therefore, Keystone must show that a majority of the evidence, however slight, indicates that Keystone can continue to meet the original conditions upon which the permit was initially granted. See, *Hanten*

v. Palace Builders, Inc., 1997 SD 3, ¶9, 558 NW2d 76, 78 (holding that a claimant's burden is not met when the probabilities are equal). The substantial evidence standard is a standard applied by the appellate court. An appellate court would look at the Commission's decision to determine whether there was substantial evidence to suggest that Keystone satisfied the preponderance of the evidence burden, not whether Keystone proved their case based upon substantial evidence.

II. Public Trust Doctrine

Much mention is made of the public trust doctrine. Since this is an issue which has not been previously addressed and is likely to come before the Commission again, Staff takes this opportunity to discuss the public trust doctrine and its applicability to the Keystone proceedings.

DRA argues in its post-hearing brief that the "public trust doctrine imposes upon the Commission a heightened fiduciary standard when it comes to protecting South Dakota's environment and resources... DRA suggests that the application of [this doctrine] means that the Commission should set a higher bar for companies such as TransCanada, whose activities risk damaging the State's land and water resources." (DRA at 9) DRA cites no authority for its assertion that a) a higher burden is imposed, or b) the claim that soil, grasses, and crops are public trust assets. Failure to cite authority is waiver of an argument. *Guthmiller v. South Dakota Department of Transportation*, 502 NW2d 586, 589 (SD 1993).

There is no citation to authority that the public trust doctrine requires the Commission to examine applications for permits or certification under a higher burden of proof than that required by SDCL 49-41B-22 or 49-41B-27. Although, as a Legislatively-created agency, the Commission is subject to the public trust doctrine and the fiduciary responsibilities it imposes, those responsibilities are as the Legislature provides. The Legislature has provided those in

SDCL 49-41B-22, which notably is not applicable to the pending docket, as the permit has already been issued. The legislature has spoken on this issue by creating a statute laying out the burden and the statute did not create a heightened burden for water resources. Therefore, a heightened burden cannot be inferred. When a statute is “clear, certain, and unambiguous, there is no reason for construction” and the statute must be applied “as clearly as expressed.”¹ *Save our Neighborhood—Sioux Falls v. City of Sioux Falls*, 2014 SD 35, ¶8, 849 NW2d 265, 268.

In addition, the Commission cannot enlarge the authority it has been granted by the Legislature. “Once the Legislature has created broad policy through its enactments, it may delegate in the execution of that policy certain quasi-legislative powers for functions to executive or administrative officers or agencies.” *Krsnak v. South Dakota Department of Environment and Natural Resources*, 2012 SD 89, ¶13, 824 NW2d 429, 435 (citations omitted). However, the Commission cannot exceed the authority granted to it by the Legislature. See generally, *Matter of Northwestern Public Service Co.*, 1997 SD 35, 560 NW2d 925.

Clearly the Legislature recognizes the public trust doctrine and has not taken its responsibility toward the state’s water resources lightly. Therefore, it cannot be presumed that its failure to task the Commission with enforcing a higher burden was an oversight. The Legislature has recognized the importance of the public trust doctrine in not only giving the Commission broad authority to protect water and the environment in general by enacting SDCL 49-41B-22, but has also enacted a comprehensive water pollution control program administered by the Department of Environment and Natural Resources, including stringent pollution control penalties. See, SDCL 34A-2-75.

¹ This same case law applies to interpretation of the requirements of SDCL 49-41B-27.

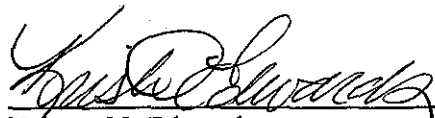
Contrary to the assertion of DRA, the public trust doctrine applies only to water resources. See, *Parks v. Cooper*, 2004 SD 27, ¶32, 676 NW2d 823, 834 (“all water within the state is the property of the people of the state.”). Therefore, even if DRA had cited some authority to argue that a higher burden is imposed, that burden would only apply to water resources.

III. Conclusion

The Legislature gave the Commission the authority to protect the environment through the permit process. Final conditions attached by the Commission during this permit process ultimately safeguard the integrity of the environment. Stringent conditions were set forth in the 2010 permit. These conditions will have to continue and Keystone is legally obligated to ensure that they do, but certification as found in SDCL 49-41B-27 does not create a forum to litigate those conditions again. Certification is merely a statement of verification that Keystone continues to meet the conditions upon which the permit was issued.

For these reasons and those identified in Staff’s Post-Hearing Brief, Staff maintains its previously-stated position.

Respectfully submitted this 28th day of October, 2015.



Kristen N. Edwards
Staff Attorney
South Dakota Public Utilities Commission
500 East Capitol
Pierre, SD 57501

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OF THE STATE OF SOUTH DAKOTA**

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I hereby certify that true and correct copies of Staff's Post Hearing Reply Brief and Certificate of Service were served electronically to the Parties listed below, on the 28th day of October, 2015, addressed to:

Ms. Patricia Van Gerpen
Executive Director
South Dakota Public Utilities Commission
500 E. Capitol Ave.
Pierre, SD 57501
patty.vangerpen@state.sd.us

Ms. Kristen Edwards
Staff Attorney
South Dakota Public Utilities Commission
500 E. Capitol Ave.
Pierre, SD 57501
Kristen.edwards@state.sd.us

Mr. Brian Rounds
Staff Analyst
South Dakota Public Utilities Commission
500 E. Capitol Ave.
Pierre, SD 57501
brian.rounds@state.sd.us

Mr. Darren Kearney
Staff Analyst
South Dakota Public Utilities Commission
500 E. Capitol Ave.
Pierre, SD 57501
darren.kearney@state.sd.us

Mr. James P. White
Attorney
TransCanada Keystone Pipeline, LP
Ste. 225
1250 Eye St., NW
Washington, DC 20005
jim_p_white@transcanada.com

Mr. James E. Moore
Attorney
Woods, Fuller, Shultz and Smith P.C.
PO Box 5027
Sioux Falls, SD 57117
james.moore@woodsfuller.com

Mr. William G. Taylor
Attorney
Taylor Law Firm
2921 E. 57th St. #10
Sioux Falls, SD 57108
bill.taylor@williamgtaylor.com
(605) 212-1750 – voice

Mr. Paul F. Seamans
27893 249th St.
Draper, SD 57531
jackknife@goldenwest.net

Mr. John H. Harter
28125 307th Ave.
Winner, SD 57580
johnharter11@yahoo.com

Ms. Elizabeth Lone Eagle
PO Box 160
Howes, SD 57748
bethcbest@gmail.com

Mr. Tony Rogers
Rosebud Sioux Tribe - Tribal Utility
Commission
153 S. Main St.
Mission, SD 57555
tuc@rosebudsiouxtribe-nsn.gov

Ms. Viola Wain
PO Box 937
Rosebud, SD 57570
wainranch@goldenwest.net

031068

Ms. Jane Kleeb
Bold Nebraska
1010 N. Denver Ave.
Hastings, NE 68901
jane@boldnebraska.org

Mr. Benjamin D. Gotschall
Bold Nebraska
6505 W. Davey Rd.
Raymond, NE 68428
ben@boldnebraska.org

Mr. Byron T. & Ms. Diana L. Steskal
707 E. 2nd St.
Stuart NE 68780
prairierose@nntc.net

Ms. Cindy Myers, R.N.
PO Box 104
Stuart, NE 68780
csmyers77@hotmail.com

Mr. Arthur R. Tanderup
52343 857th Rd.
Neligh, NE 68756
atanderu@gmail.com

Mr. Lewis GrassRope
PO Box 61
Lower Brule, SD 57548
wisestar8@msn.com
(605) 208-0606 - voice

Ms. Carolyn P. Smith
305 N. 3rd St.
Plainview, NE 68769
peachie_1234@yahoo.com

Mr. Robert G. Allpress
46165 Badger Rd.
Naper, NE 68755
bobandnan2008@hotmail.com
(402) 832-5298 - voice

Mr. Louis T. Genung
902 E. 7th St.
Hastings, NE 68901
tg64152@windstream.net

Mr. Peter Capossela, P.C.
Attorney at Law
PO Box 10643
Eugene, OR 97440
pcapossela@nu-world.com

Ms. Nancy Hilding
6300 W. Elm
Black Hawk, SD 57718
nhilshat@rapidnet.com

Mr. Gary F. Dorr
27853 292nd
Winner, SD 57580
gfdorr@gmail.com

Mr. Bruce & Ms. RoxAnn Boettcher
Boettcher Organics
86061 Edgewater Ave.
Bassett, NE 68714
boettcherann@abbnebraska.com

Ms. Wrexie Lainsou Bardaglio
9748 Arden Rd.
Trumansburg, NY 14886
wrexie.bardaglio@gmail.com
(607) 229-8819 - voice

Mr. William Kindle
President
Rosebud Sioux Tribe
PO Box 430
Rosebud, SD 57570
William.Kindle@rst-nsn.gov
ejantoine@hotmail.com

Mr. Eric Antoine
Attorney
Rosebud Sioux Tribe
PO Box 430
Rosebud, SD 57570
ejantoine@hotmail.com

Ms. Paula Antoine
Sicangu Oyate Land Office Coordinator
Rosebud Sioux Tribe
PO Box 658
Rosebud, SD 57570
wopila@gwtc.net
paula.antoine@rosebudsiouxtribe-nsn.gov

Mr. Harold C. Frazier
Chairman
Cheyenne River Sioux Tribe
PO Box 590
Eagle Butte, SD 57625
haroldcfrazier@yahoo.com

Ms. Amy Schaffer
PO Box 114
Louisville, NE 68037
amyannschaffer@gmail.com

Ms. Debbie J. Trapp
24952 US HWY 14
Midland, SD 57552
mtdt@goldenwest.net

Ms. Gena M. Parkhurst
2825 Minnewasta Place
Rapid City, SD 57702
gmp66@hotmail.com

Ms. Joye Braun
PO Box 484
Eagle Butte, SD 57625
jmbraun57625@gmail.com

Mr. Robert Flying Hawk
Chairman
Yankton Sioux Tribe
PO Box 1153
Wagner, SD 57380
Robertflyinghawk@gmail.com

Ms. Thomasina Real Bird
Attorney
Fredericks Peebles & Morgan LLP
1900 Plaza Dr.
Louisville, CO 80027
trealbird@ndnlaw.com

Ms. Chastity Jewett
1321 Woodridge Dr.
Rapid City, SD 57701
chasjewett@gmail.com

Mr. Duncan Meisel
350.org
20 Jay St. #1010
Brooklyn, NY 11201
duncan@350.org

Ms. Sabrina King
Dakota Rural Action
518 Sixth Street, #6
Rapid City, SD 57701
sabrina@dakotarural.org

Mr. Frank James
Dakota Rural Action
PO Box 549
Brookings, SD 57006
fejames@dakotarural.org

Mr. Bruce Ellison
Attorney
Dakota Rural Action
518 Sixth St. #6
Rapid City, SD 57701
belli4law@aol.com

Mr. Tom BK Goldtooth
Indigenous Environmental Network (IEN)
PO Box 485
Bemidji, MN 56619
ien@igc.org

Mr. Dallas Goldtooth
38371 Res. HWY 1
Morton, MN 56270
goldtoothdallas@gmail.com

Ms. Bonny Kilmurry
47798 888 Rd.
Atkinson, NE 68713
bjkilmurry@gmail.com

Mr. Robert P. Gough
Secretary
Intertribal Council on Utility Policy
PO Box 25
Rosebud, SD 57570
bobgough@intertribalCOUP.org

Mr. Terry & Cheryl Frisch
47591 875th Rd.
Atkinson, NE 68713
tcfrisch@g.com

Ms. Tracey Zephier
Fredericks Peebles & Morgan LLP
Ste. 104
910 5th St.
Rapid City, SD 57701
tzephier@ndnlaw.com

Mr. Travis Clark
Fredericks Peebles & Morgan LLP
Ste. 104
910 5th St.
Rapid City, SD 57701
tclark@ndnlaw.com

Mr. Robin S. Martinez
The Martinez Law Firm, LLC
616 W. 26th St.
Kansas City, MO 64108
robin.martinez@martinezlawn.net

Ms. Mary Turgeon Wynne, Esq.
Rosebud Sioux Tribe - Tribal Utility
Commission
153 S. Main St
Mission, SD 57555
tuc@rosebudsiouxtribe-nsn.gov

Mr. Paul C. Blackburn - Representing: Bold
Nebraska
Attorney
4145 20th Ave. South
Minneapolis, MN 55407
paul@paulblackburn.net

Mr. Matthew L. Rappold
Rappold Law Office
816 Sixth St.
PO Box 873
Rapid City, SD 57709
Matt.rappold01@gmail.com

Ms. Kimberly E. Craven - Representing:
Indigenous Environmental Network (IEN)
Attorney
3560 Catalpa Way
Boulder, CO 80304
kimecraven@gmail.com

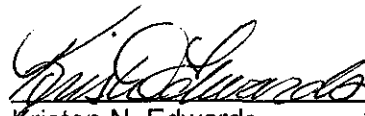
And on October 28, 2015, a true and accurate copy of the foregoing was mailed via U.S. Mail, first class postage prepaid, to the following:

Mr. Cody Jones
21648 US HWY 14/63
Midland, SD 57552

Mr. Ronald Fees
17401 Fox Ridge Rd.
Opal, SD 57758

Mr. Jerry Jones
22584 US HWY 14
Midland SD 57552

Ms. Elizabeth Lone Eagle
PO Box 160
Howes, SD 57748



Kristen N. Edwards
Staff Attorney
South Dakota Public Utilities Commission
500 East Capitol
Pierre, SD 57501