STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PROVIDENCE, Sc. SUPERIOR COURT

CONTROL ADDRESS OF THE CONTRACTOR OF THE CONTRAC

Town of RICHMOND)

VS.) CASE NO: PC/05-3772

RHODE ISLAND DEM,)

ET AL

MR. JUSTICE STEPHEN FORTUNATO, JR.,

OCTOBER 17, 2005

RECEIVED

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Environmental Management Office of Compliance & Inspection

APPEARANCE:

CHRISTOPHER LITTLE, ESQ., ON BEHALF OF THE PLAINTIFF
TIMOTHY PAVILONIS, ESQ., ON BEHALF OF THE DEFENDANT DEM
ALEXANDRA CALLAM, ESQ., ON BEHALF OF THE DEFENDANT
CHAUBERT, DIVISION OF NSA CURP.

PATTI M. AHEARN COURT REPORTER

CERTIFICATION

1, PATTI M. AHEARN, hereby certify that the succeeding pages 1 thru 23, inclusive, are a true and accurate transcript of my stenographic notes.

PATTI M. AHEARN COURT REPORTER I-N-D-E-X

DIRECT CROSS REDIRECT RECROSS

NONE

EXHIBITS .

NO. DESCRIPTION ID FULI.

NONE

OCTOBER 17, 2005

THE CLERK: Town of Richmond versus Rhode Island
DBM, PC/05-3772.

MR. LITTLE: Ready.

MR. PAVILONIS: Ready.

THE COURT: Come forward, please.

THE CLERK: Your names for the record.

MR. LITTLE: Christopher Little for plaintiff.

MR. PAVILONIS: Timothy Pavilonis for the defendant Rhode Island DEM.

MS. CALLAM: Alexandra Callum for defendant intervenor Chaubert, Division of NSA Corp.

THE COURT: All right. There have been some briefs filed in this matter, and correct me if I'm wrong but my understanding today is we simply try to resolve the legal issue as to whether or not Richmond, the Town of Richmond, which was permitted to intervene in the proceedings below, the administrative proceedings regarding a citation of Chaubert by the Department for some alleged violation or other, whether or not Richmond can now come to this Court and assert its claim which, as I understand it is, in simplest terms, look, we, the Town of Richmond, were permitted to intervene in administrative hearing; however, before the hearing concluded Chaubert and the DEM, without notice to us, the

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Town of Richmond, entered into a consent agreement without any input from the Town of Richmond, and the Town says, in effect, look, we were admitted as a full party, and, yet, the matter was resolved without notice to us and thereby no consultation or input from us.

The defendants, for their part, say, well, that's too bad. We have every right in the world to turn the contested hearing into a non contested hearing, and once that happened Richmord is cut of the loop and, therefore, what we did by way of working out our agreement is of no moment to Richmond and, subsequently, Richmond could not come here and seek any relief. Moreover, they say Richmond seeks a declaratory judgment as distinguished from ampealing from an administrative order to this Court under the Administrative Procedures Act.

Does that pretty much sum things up from the point of view of the parties?

MR. LITTLE: Yes, your Honor.

MR. PAVILONIS: Yes, your Honor, with the exception regarding the facts of the case in that the agency did to a limited extent consult with the Town on its interests in the case. It is not as if the agency had no communication or dialogue with the Town and wasn't concerned about the Town's interests in this case once the Town was granted intervenor status.

THE COURT: But at some point, and certainly correct me if I'm wrong, at some point whatever consultation you had with the Town became a thing of the past and the Department and Chaubert, without the Town's participation, crafted a settlement agreement that those two parties thought they would live by and thereby

MS. CALLAM: Well, it was actually in the opposite order in time sequence. The settlement was reached with — Chaubert reached the settlement with DEM prior to the Town obtaining intervenor status but did not execute it because they obtained intervenor status and then held several meetings, got a lot of comments, got Chaubert to agree to them, and there was no formal meeting with everybody, but, in essence, they participated by voicing their concerns to DEM, DEM telling Chaubert they needed to add them and we did execute it. It was the plan all along to settle this on Chaubert's part and not to take it to a hearing as Chaubert did not want to go to a hearing. Chaubert is the only entity that has the right to that hearing, and there was never any hearing held, never even got to that point.

THE COURT: However, at the time the hearing officer granted intervenor status to Richmond, the hearing officer had not been presented with, and, therefore, had

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 terminated the case.

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not approved the settlement reached between Chaubert and the Department.

MS. CALLAM: The hearing officer has no jurisdiction over --

THE COURT: Well, that's another question. We'll get to that.

MS. CALLAM: Well, that is correct --

THE COURT: Just a minute, please. Am I correct in saying that at the time the hearing officer granted intervenor status to the Town of Richmond the --

MS. CALLAM: There had been no formal settlement agreement filed with the hearing officer, that's correct.

THE COURT: All right.

MS. CALLAM: Thank you.

MR. LITTLE: Your Honor, I think the parties do not disagree that the first time Richmond received knowledge of a settlement, the terms of a settlement between DEM. and Chaubert, was on June 29th when they received a proposed draft, and on July 5th it was executed, and thereafter -- and prior to that time Richmond was not privy to any of the discussions because it thought that it was going to be getting discovery to be able to assess, among other things, what chemical constituents -- what are the chemical constituent elements of the waste water that is going into the ground and the area.

There are just a couple of points that I worder if I could just briefly address. There is an underlying argument by DEM and Chaubert that this Court has no jurisdiction under the declaratory judgment count of the Complaint. Frankly, I was puzzled by that assertion in light of at least two things. One is the language of 9-31 and also superior Court Rules of Civil Procedure, 57 which says, "The existence of another adequate remedy does not preclude a judgment or declaratory relief where it is appropriate." And in light of the APA which specifically provides in --

THE COURT: 42-35-7.

MR. LITTLE: 42-35-7, that this Court has discretion to construe a rule of an agency. If we go back as far back as Eastern Van Lines versus Norbert, 1974, the Supreme Court reaffirms that the fact that there may be a pending administrative proceeding in no respect bors this Court from exercising its discretion where it determines it appropriate to enter declaratory relief. Certainly, even the Department's cwn rules say on the first page, "Issues not addressed in these rules or for which a party seeks clarity are to be considered in light of Chapter 42-35 and 42.17.7. Beyond that I think it is very clear this Court has the discretion, and in Norbert the Court affirmed the Court's -- the Superior Court's decision to

exercise its discretion in a case that was adverse to a plaintiff seeking review, but the Court made it clear that you have the discretion regardless of the other pending proceedings.

We aren't going to restate. The Court has read the briefs, and it is clear throughout these rules of the agency that once you're a party, and we are a party because we established that we had suffered an injury, in fact, and we suffered to the satisfaction of the hearing officer that DEM could not adequately represent the interest of the citizens of Richmond, and upon that finding we are entitled to the rights of a party, and it makes it very clear, even at the very end of the rules which Rule 17 says that the parties, the parties to a hearing may dispose of a matter by a consent decree. Of course they can. What our position has been, your Honor, is that --

THE COURT: Well, they can if they get the approval of the hearing officer.

MR. LITTLE: Either we have to have approval or, simply enough, they have to schedule a hearing and say we went to have a settlement, and if Richmond can satisfy the hearing officer that the settlement or the consent decree is inappropriate, then that is what the hearing officer is to determine, and that in and of itself is

 subject to review if any party thinks it should be reviewed.

But simply put to say two parties, when there are three parties to a case, three parties can settle a case without either Court approval or the consent of the parties is totally contrary to the rules of intervention as they set forth by the agency and construed by the Rhode Island Supreme Court.

What we have been really asking for in this ruling is simply that the Court declare that we had rights as an intervenor, that it could not be resolved or dismissed absent a hearing by the hearing officer or consent, and that it simply be vacated and remanded to the agency for further proceedings consistent with its own rules.

THE COURT: What does the Department say to that?

MR. PAVICANIS: Your Honor, there are a number of problems with that scenario. I think the underlying issue is whether or not a DRM, administrative enforcement action in an environmental case is the same as intervention generally under the Superior Court Rules of Civil Procedure; and the Department takes a position that they are not the same. It is a different animal in that the Department is statutorily charged with enforcing environmental laws, regulations promulgated thereunder and assessing penalties and orders at AAD, and that is

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created by statute by the General Assembly. The General Assembly didn't empower private parties to enforce those rules at AAD, at the administrative proceeding.

THE COURT: But the hearing officer says Richmond is a party, and the APA says in 42-35-1(f) "Party means each person or agency named or admitted as a party or properly seeking and entitled as of right to be admitted as a party." So, the hearing officer lets Richmond in. Once they are a party it doesn't mean that Richmond is going to get what it wants out of this proceeding, far from it. But once they are in as a party, they are a party; aren't they?

MR. PAVILONIS: They are a party to the hearing, your Honor. The rules say they are a party to the hearing. I agree that as a party they can seek discovery, they can hire experts, they can present factual witnesses, they can cross-examine any witnesses presented; however, they carry no burden of proof at this hearing.

Additionally, the statute allows for a respondent, a party who receives a notice of violation, to either withdraw its request or simply not request a hearing.

And in that case you're left with an agency, an intervenor, and no one else.

THE COURT: Of course, your rules, meaning the

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Department rules, distinguish, do they not, between a party intervenor and a so-called --

MR. PAVILONIS: Participant.

THE COURT: -- participant.

MR. PAVILONIS: Yes, your Honor.

THE COURT: Anybody -- I guess an environmental group or any citizen in Richmond could show up and, in effect, be an amicus curiae, file a brief, maybe make an argument, but it does not have the same exhalted status, if you will, of a party.

MR. PAVILONIS: That's correct. There is a participant status provided for a participant who can follow the proceedings, can be heard, can present questions to a hearing officer, but isn't able to present its own witnesses, isn't able to conduct a direct or cross-examination of other witnesses. So, it certainly is a lesser status.

THE COURT: Okay.

MR. PAVILONIS: The AAD rules provide for intervenor generally. The rules don't in clear terms distinguish between an enforcement action, which is this case or where the agency is telling some party, you violated the state law, you violated Rhode Island DEM regulations, you're ordered to do these certain measures to correct those violations, and you're ordered to pay a penalty.

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That's this scenario. The other scenarios that AAD handles are applications matter. There are numerous applications that the agency receives to grant licenses or permits also covered under the Administrative Procedures Act. The AAD rules generally provide for both scenarios; interventions under enforcement matters and application cases. However, they are very different cases, and in the enforcement context the General Accombly said DEM carries the burden of proof to prove that a certain party violated the law. No one else has

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that burden.

An intervenor may wish to be heard, may intervene on the side of DEM, and also wish to prove that a party violated the law. Ostensibly, I guess an intervenor could come in on the side of a respondent, and that case might be a scenario where DEM charges a particular party with violating the law, orders that party to do something, and that party is, say, a tenant where a property owner wasn't named, and a property owner comes in and says, "Wait a second. I'm affected here too by that order because I own the land to which this order applies." That is another scenario. But in this scenario the Town of Richmond has intervened, they have been granted that status. It is not clear to me exactly what they're looking for in this hearing. As an initial

 matter they sought to amend the notice of violation itself, to add additional charges to it, to add additional orders or relief sought by the agency. The hearing officer simply doesn't have authority to do that, to direct the notice of violation be expanded. Here, the hearing officer said so.

So, if we were to go back to DEM and have a hearing on this matter it creates an unusual result where the respondent has already withdrawn its request for a hearing, they are not in the case, the agency is left to try to prove all of the violations against the respondent to obtain some relief that the agency believes it has obtained 90 percent of anyway.

We believe we've obtained a very good settlement in this case. We've amended the settlement based on Richmond's comments. We certainly haven't amended it such that we've given Richmond everything they wanted. But some of that is based on the scientific testing of soils that were found on site. We waited for those tests results to come in before finalizing any consent agreement because one of the major issues in this case was these dirt piles; can they stay on site or have to be removed. And the agency as an initial matter alleged that those piles are either solid waste or hazardous waste and have to be removed.

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After analysis of the piles, the agency felt that it doesn't have jurisdiction under its remediation regulations, the body of regulations that govern these piles to say that they have to be removed. So, we agreed that the piles can stay.

We've also asked the respondent to get rid of additional piles if they are generated. Whether or not we can enforce that if we ordered that as an initial matter, that would have to be determined in court, but we felt it was a good resolution.

In terms of these lagoons on site, Richmond has said, DEM, shut down those lagoons, tell them they can't have them. The branch at DEM that is responsible for these underground injection control systems, this is the division that ordered the permit, doesn't feel that they have jurisdiction to shut them down as a result of this case. The agency feels that these things are permitted.

Aside from those two major aspects of the case, I don't know if there is much of a difference between what the Town wants and what DEM obtained through an informal settlement.

THE COURT: What does the company say?

MS. CALLAM: Let me go back to a few of the points you made earlier. In terms of being a party intervenor in a DFM enforcement action, it is quite different than

an intervenor in the Superior Court. I think the Town's complaint is based on a faulty promise that it somehow is an intervenor and now it is a plaintiff intervenor that it now has its own claims that it can bring in this enforcement action or that it can bring DBM claims or different types of claims under DBM regulations. The Town has no claims against Chaubert in this case and no claims are being forced against it. What it is trying do here is really force Chaubert, the only party that can contest the NCV, because the NOV's only issue against it to force it to go to a hearing in violation of its right not to choose to do that -- Chaubert is the only entity that has that right. Chaubert also is the only entity that has the right to settle these claims with DEM, and DEM is the only entity that can settle them. The Town can't settle our claims, and we can't settle DEM's claims with the Town.

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24 25 I've cited in my brief as well the three different APA, DEM authorizing statute and DEM regulations that allow DEM as they do in every enforcement case I know of to settle these via a consent agreement, and as DEM regs say, prior to a hearing, prior to going to a formal hearing which they almost never have at DEM, those are settled informally, and the word informally is used in the AFA, in the DEM statute and the DEM regulations, and

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24 25 the only parties that can do that are these two parties.

What happened here is pretty typical in most cases except there was an intervenor, but that intervenor status that the Town got -- obtained was solely dependent on the Chaubert seeking that in the first place. There wasn't a hearing to contest the NOV. It filed that request within 20 days to preserve that right.

Otherwise, the NOV becomes a final order.

You do that and then we go in and settle. We had seven months before the Town gave intervenor status to conduct settlements. So, some of these allegations, the Town was frozen out, they were not part of this, are simply inaccurate. Once they obtained intervenor status, as I outlined in my brief, they met with the Town. In fact, I think the Town invited them in for meetings. I went through that before about how the settlement was reached, but I really think it doesn't have any relevance to this because that settlement agreement is a validly executed settlement agreement between two parties to this, DBM and NOV. The Town is not a party to the NOV. It was a party to the hearing that we chose not to continue to pursue, and once we withdraw that right that hearing ends, and it is a violation of our rights to force an entity to pursue and become an aggrieved party and have a final order issued against it at some point or

relating to it. The Town has no rights here as an aggrieved party under the APA, and that's why it seeks a DJ action.

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 I don't have the exact cites, but I believe what the Town's counsel is referring to are not the cites it sought declaratory action under. It did not seek under the APA this Court's review to clarify what a ruling means. That's a specific declaratory judgement action, and it did not do that. It sought to determine what an intervenor means. So that you could say this AAD proceeding was then terminated unlawfully and that is an APA --

THE COURT: Well, under the rules of notice pleading, no one in this courtroom participating in this litigation should have any question but that the Town has invoked the jurisdiction of this Court to enter some sort of a declaratory judgment relative to intervenor status at the hearing level; isn't that so?

MS. CALLAM: I guess if you would end it there you would wonder what then the point of the claim was. The same sentence, I think, in the Complaint or the hearing memo was so that you could then determine because it was an intervenor these AAD proceedings were terminated unlawfully. It wasn't simply to stard alone and say --

THE COURT: Well, that is for sure.

MS. CALLAM: And that really is an APA claim. You have to review the underlying proceeding and on what standards do you review them. You review them under the standards of the APA. Under the standards of the APA, I don't -- we would state that the Court has no subject matter

THE COURT: Well, in 42-35-7 that this Court can determine the validity or applicability of any rule that is being applied by a hearing officer whose functioning under the APA; isn't that so?

MS. CALLAM: I would say that is correct, but in the context of this case that is not what the Town has requested, for simply to be declared that somehow the hearing officer declared that they were an intervenor status and they were a full party to the hearing, we would agree with that.

THE COURT: Oh, no, it goes another step, that somehow or another the hearing officer has taken Rule 17 or other participants in the proceedings, perhaps in contravention of 42-35-13, have had ax parte dealings with each other, by that I simply mean to the exclusion of the Town, and have fashioned the settlement; and this issue seems to me, and I so conclude, that it is cognizable by this Court. I think I understand the positions of the parties.

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Under the APA and, indeed, under the Department of Regulations, which were affixed to the replied memorandum in Appendix C, that's the reply memorandum submitted by Chaubert, it seems that once the intervenor or once a party seeking intervention is granted intervention, they become a party. Now, they may or may not have all the prerogatives of any other party in the action because of the obviously different statuses of the other parties, but, nonetheless, they are a full party. Once they are a party thay have at least all the procedural protections that a party enjoys, and one of those certainly is to have notice of all proceedings and to be able to participate in them.

Now, a hearing officer could certainly determine that a given party to the proceeding, because of their different statuses, can participate in different ways once the hearing is underway, but I do not believe that the hearing officer can say, and I so conclude, the hearing officer cannot turn to a party and say, "You're now out of the loop", unless something is called to the hearing officer's attention, and then the party that is threatened with, in effect, being custed from the case is given an opportunity to disabuse the hearing officer of that notion, which, of course, did not happen here

I think the Town is correct in saying that a couple

of things have to happen if there is to be a consent order even in a case like this. (Number one) all of the parties must agree. It is a fundamental principle of our juris prudence and it obtains in court cases and at administrative hearings, and that is that the hearing officer, the fact finder -- and sometimes we know the fact finder is also the individual who determines the controlling law and how it should be applied to the facts -- but the fact finder cannot force a stipulation on anybody. That is a fundamental rule of juris prudence. So, there is no possible way that the hearing officer could have said to Richmond, "Here is the agreement that I like, here is the agreement that the Department and the corporation have agreed to. Therefore, Richmond, you must sign on to this, and I'm compelling you to sign on to this and to stipulate and agree that this is the content order." The hearing officer cannot do that. So, if the three parties cannot agree, then the hearing officer is obliged to proceed with the hearing. It may well be that the hearing officer will determine that what the company and the Department are advocating for and what the Town is opposed to will, indeed, be the hearing officer's decision, the hearing officer will conclude that the Department's right and the company's right, and that is what should happen, and the Town of Richmond is

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wrong, too bad, you don't like it, we've had our hearing, take your appeal to the Superior Court or to the next. level if there is one provided.

Now, the hearing officer clearly has substantial discretion here, and we know that from Rule 17 of the Department's own rules. Upon receiving such an agreement, and by that I mean had all three people agreed, or all three parties agreed, even then the hearing officer can either accept it and issue the order agreed upon. (Mumber two) The hearing officer can reject it and reschedule a hearing, which is another way of saying I reject it and proceed to a hearing. And then (three) take such other action as he or she deems appropriate. And I know that in your briefs the defendants focused on this rule, at least in part, and noted, "The provision of this rule shall not preclude settlement of the proceedings in any other manner." And I conclude that that would permit, I think, the hearing officer to take an appropriate case, maybe refer to an arbitrator or a Master of some sort, and, then, upon receiving the report from that individual approving that or rejecting it, it is not inconceivable that halfway through a hearing it appears that the parties could settle the matter, perhaps with the assistance of a hearing officer, and that that settlement reached on the

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record could be approved even though there has already
been four days of testimony with four remaining. So,
there is a lot of scenarios that one could envision. But
what one cannot envision and what the law cannot
countenance is the exclusion of one of the parties from

the final resolution of a dispute.

I think that instructive in this matter is Narragansett Electric versus Burke at 122 RI 13, decided in 1979. In that case the principal dispute was between Narragansett Electric Company and the Public Utilities Commission. However, the Consumer's Council had come in as an intervenor, or somehow got themselves in the mix before the FUC, and the FUC and the Narragansett Blectric worked out an agreement that was satisfactory to those two entities, but the agreement did not include the Consumer Council and the Supreme Court said that that made the settlement defective. So, the Supreme Court at Page 20 and 21 went onto say, "The record clearly supports the finding by the PUC that an ex parte meeting occurred between those two entities..." And it didn't require that there be animus toward the Consumer's Council. But they went onto say that, in effect, that once the other party was in the matter, it was a contested case, and because the logal rights, duties or privileges of both Narragansett and the public were

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determined without a hearing, the proceedings violated 42-35-13, which prohibits agency members from communicating with any person or its representative concerning their perspective findings of fact or decisions of law in a contested case absent notice and an opportunity for all parties to the case to participate."

Admittedly, this is somewhat different, but to the extent that the hearing officer either exercised discretion in approving the settlement or took a hike, so to speak, and didn't pay any attention to a settlement reached between the parties in a contested case without any reference to what Richmord thought about or could have added at a hearing to this, then the proceeding below becomes unlawful and a mullity.

 Accordingly, the request of the Town that the consent order be set aside and, in effect, this matter proceed to an appropriate hearing in which the party intervenor, Richmond, is permitted to participate, that request is granted. So, the matter will be remanded back to the hearing officer for actions consistent with this decision.

MS. CALLAM: Is that a decision under the declaratory judgment count, your Honor?

THE COURT: It grants the relief sought, as I understood it, asking for that very relief. In reaching

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 that I've determined that I have jurisdiction, both under the Declaratory Judgment Act and also 42-35-7 of the APA.

So, you're on your way back to the Commission unless you take a different route.

MR. PAVILONIS: Can I clarify one point, your Honor? THE COURT: Yes.

MR. PAVILONIS: So, I guess I understand. At the agency level now, Richmond can be heard on its objection to the consent agreement and the hearing officer then could make a determination as to --

THE COURT: No. I'm setting aside the consent agreement because the hearing officer cannot approve a consent agreement reached by two of the three parties. If you can prevail upon Richmond to agree into some sort of an agreement, that is a different story. There is no valid consent agreement now for the hearing officer to act upon, so the hearing officer must do what I believe the hearing officer would agree under that set of circumstances and that is to proceed to a hearing.

I hasten to add, I'm not telling the hearing officer what to do. I haven't made any findings on the merit about -- I know earlier counsel for the Department said we don't think we have the jurisdiction to order removal of some waste materials from the land or the lagoon.

MR. PAVILONIS: It certainly hasn't been litigated,

we agree to that, your Honor. Not withstanding the consent agreement, Chaubert had withdrawn its request for a hearing. Arguably, that was done I guess in reliance on a consent agreement which no longer is valid. Perhaps we can clarify now, we withdraw the request of the hearing which would no longer be --

THE COURT: I leave it to the fertile imagination of counsel as to how to create an ultimate resolution of this dispute. I'm only acting on what is in front of me. The consent agreement I found to be improper in terms of its acceptance by the hearing officer or if that is not exactly what took place, it was improper for two parties before a hearing officer waiting to adjudicate a hearing. It was improper for them to exparte agree that this is how we're going to resolve the case and that is why I call your attention to Narragansett Electric versus Burke. Thank you.
