IN THE DISTRICT COURT OF THE FOURTH JUDICIAL DISTRICT OF THE STATE OF IDAHO, IN AND FOR THE COUNTY OF ADA

SUN VALLEY COMPANY,

Petitioner,

vs.

GARY SPACKMAN, Director of the Idaho Department of Water Resources.

Respondent,

and

SOUTH VALLEY GROUND WATER DISTRICT, MCCAIN FOODS USA, INC., A&B IRRIGATION DISTRICT, BURLEY IRRIGATION DISTRICT, MILNER IRRIGATION DISTRICT, NORTH SIDE CANAL COMPANY, TWIN FALLS CANAL COMPANY, AMERICAN FALLS RESERVOIR DISTRICT #2, MINIDOKA IRRIGATION DISTRICT, CITY OF POCATELLO, CITY OF BLISS, CITY OF BUHL, CITY OF BURLEY, CITY OF CAREY, CITY OF DECLO, CITY OF DIETRICH, CITY OF GOODING, CITY OF HAZELTON, CITY OF HEYBURN, CITY OF JEROME, CITY OF PAUL, CITY OF RICHFIELD, CITY OF RUPERT, CITY OF WENDELL, CITY OF HAILEY, WATER DISTRICT 37B GROUNDWATER ASSOCIATION, and THE IDAHO GROUND WATER APPROPRIATORS, INC.,

Intervenors.

Case No. CV-01-16-23185

ORDER ON MOTION TO DETERMINE JURISDICTION

ORDER DISMISSING PETITION FOR JUDICIAL REVIEW

I.

BACKGROUND

1. On December 23, 2016, the Sun Valley Company filed a *Petition for Judicial Review* in the above-captioned matter. The *Petition* seeks review of the *Order Designating the Eastern Snake Plain Aquifer Ground Water Management Area* ("*Order*") issued by the Director of the Idaho Department of Water Resources ("Department") on November 2, 2016.

2. On January 13, 2017, the Sun Valley Company filed a *Motion to Determine Jurisdiction*, requesting that the Court determine it has jurisdiction over its *Petition*. A response in support of the *Motion* was filed by the City of Pocatello. Responses in opposition to the *Motion* were filed by the Department and the Surface Water Coalition.[1] A hearing on the *Motion* was held before the Court on February 13, 2017.

II.

ANALYSIS

The issue presented is whether the Court has jurisdiction over the *Petition* filed by the Sun Valley Company. The Court holds it lacks jurisdiction under the plain language of Idaho Code §§ 42-237e and 42-1701A(3) as well as the doctrine of exhaustion.

A. The Court lacks jurisdiction under the plain language of Idaho Code §§ 42-237e and 42-1701A(3).

The Director acted pursuant to Idaho Code § 42-233b in issuing his *Order*. That code section, which is part of the Idaho Ground Water Act, grants the Director the authority to designate ground water management areas within the state. He may exercise this authority when he has determined that any ground water basin or designated part thereof "may be approaching the conditions of a critical ground water area." I.C. § 42-233b. There is no requirement that the Director hold an administrative hearing prior to designating a ground water management area. Nor is there any requirement that he initiate rulemaking or a contested case proceeding under the Idaho Administrative Procedure Act ("IDAPA") prior to designating a ground water

[1] The term "Surface Water Coalition" refers collectively to the A&B Irrigation District, American Falls Reservoir District #2, Burley Irrigation District, Milner Irrigation District, Minidoka Irrigation District, North Side Canal Company, and Twin Falls Canal Company.

management area. The Director may simply act upon his own initiative and discretion under the authority granted him by statute.[2]

In this case, the Director designated a ground water management area for the Eastern Snake Plain Aquifer without a hearing.[3] He made his designation via the issuance of an order. He then styled that order as a final order. The fact that the Director styled his designation as a final order is what has caused much of the confusion regarding the issue of jurisdiction in this matter. However, how the Director chooses to style his designation of a ground water management area does not control the remedies available to an aggrieved person under the facts and circumstances present here. Rather, as will be shown, what controls is the fact that the Director made his designation without a hearing.

Idaho Code § 42-1701A governs hearings before the Director. Subsection (1) provides that when the Director is required to hold a hearing prior to taking an action, he must conduct it in accordance with the provisions of the IDAPA. Subsection (2) permits the Director to appoint a hearing officer to conduct such a hearing and make a complete record of the evidence presented. Subsection (3) governs the situation where the Director takes an action without a hearing. It is this subsection that is implemented under the facts and circumstances present here. In fact, the plain language of Idaho Code § 42-237e specifically directs that subsection (3) applies where the Director takes any action without a hearing under the Idaho Ground Water Act:

> Any person dissatisfied with any decision, determination, order or action of the director of the department of water resources . . . pursuant to this act may, if a hearing on the matter already has been held, seek judicial review pursuant to section 42-1701A(4), Idaho Code. *If a hearing has not been held, any person aggrieved by the action of the director . . . may contest such action pursuant to section 42-1701A(3), Idaho Code.*

I.C. § 42-237e (emphasis added).[4]

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[2] That said, the Director is required to "publish notice in two (2) consecutive weekly issues of a newspaper of general circulation in the area" upon his designation of a ground water management area. I.C. § 42-233b.

[3] The Director did hold several public meetings prior to his designation "to provide water users and interested persons an opportunity to learn more about the possible ground water management area and to express their views regarding the proposal." *Order Designating the Eastern Snake Plain Aquifer Ground Water Management Area*, p.1. (Nov. 2, 2016).

[4] The term "act" as used in Idaho Code § 42-237e refers to the Idaho Ground Water Act, I.C. §§ 42-226 to 42-239.

Subsection (3) provides that "any person aggrieved by any action of the director, including any decision, determination, order or other action . . . who has not previously been afforded an opportunity for a hearing on the matter shall be entitled to a hearing before the director to contest the action." I.C. § 42-1701A(3). The Legislature instructs that such an aggrieved person "*shall* file with the director, within fifteen (15) days after receipt of written notice of the action issued by the director, or receipt of actual notice, a written petition stating the grounds for contesting the action by the director and requesting a hearing." *Id.* (emphasis added). This procedural step is mandatory. *See e.g., Twin Falls County v. Idaho Com'n on Redistricting*, 152 Idaho 346, 349, 271 P.3d 1202, 1205 (2012) (the term "shall" when used in a statute is mandatory); *see also* I.C. § 42-237e. The Director will then hold an administrative hearing on the matter in accordance with the procedures set forth in IDAPA. I.C. § 42-1701A(3). Finally, subsection (3) instructs that "[j]udicial review of any final order of the director issued following the hearing shall be had pursuant to subsection (4) of this section." *Id.* Subsection (4) provides for the right of judicial review in accordance with the standards set forth in IDAPA. I.C. §§ 42-1701A(4).

It is undisputed that the Director acted in this case without a hearing. Therefore, subsection (3) of Idaho Code § 42-1701A controls. I.C. § 42-237e. The Sun Valley Company, which is aggrieved by the Director's action, has not previously been afforded the opportunity for an administrative hearing on the matter. The plain language of subsection (3) therefore requires that it file a written petition with the Director stating the grounds for contesting his action and request a hearing. Indeed, the Sun Valley Company has done just that. On November 16, 2016, it filed a petition and request for hearing with the Department pursuant to Idaho Code § 42-1701A(3). Its petition is presently pending before the Director unresolved. The Director is required to hold an administrative hearing on the petition and issue a written decision. I.C. § 42-1701A(3). This has not occurred at this time. Until the Director issues his written decision following hearing, the Sun Valley Company is not entitled to judicial review under the plain language of Idaho Code §§ 42-237e and 42-1701A(3). It follows that the Sun Valley Company's *Petition* must be dismissed.

B. The Court lacks jurisdiction under the doctrine of exhaustion.

Under Idaho law, the pursuit of statutory remedies is a condition precedent to judicial review. *Park v. Banbury,* 143 Idaho 576, 578, 149 P.3d 851, 853 (2006). The doctrine of exhaustion requires a case "run the *full gamut* of administrative proceedings before an application for judicial relief may be considered." *Regan v. Kootenai County*, 140 Idaho 721, 724, 100 P.3d 615, 618 (2004) (emphasis added). Important policy considerations underlie this requirement. It protects agency autonomy by allowing the agency to develop the record and mitigate or cure errors without judicial intervention. *See e.g., Park*, 143 Idaho at 578-579, 149 P.3d at 853-854. It also defers "to the administrative process established by the Legislature." *Id.* Consistent with these principles, "courts infer that statutory administrative remedies implemented by the Legislature are intended to be exclusive." *Id.*

As established in the preceding section, the Sun Valley Company has an administrative remedy available to it under Idaho Code § 42-1701A(3) which has not been exhausted. It may, and indeed is required to, file a petition and request for hearing before the Director challenging his designation. This remedy has not been exhausted. Although the Sun Valley Company has filed such a petition and request for hearing before the Department, the Department has not completed its proceeding on that petition at this time.

The policy considerations underlying the doctrine of exhaustion require that the Director be given the opportunity to address the issues raised by the Sun Valley Company prior to this Court. As an initial matter, it is the Director and his agency that must develop the factual and evidentiary record in this matter. Both the Idaho Supreme Court and the U.S. Supreme Court have instructed that "the focal point for judicial review should be the administrative record already in existence, not some new record made initially in the reviewing court." *See e.g., Regan*, 140 Idaho at 725, 100 P.3d at 619 (citing *Camp v. Pitts*, 411 U.S. 138, 142, 93 S.Ct. 1241, 1244, 36 L.Ed.2d 106, 111 (1973)). Since there has been no administrative hearing or proceeding before the Director at this time pertaining to his designation, there is no factual or evidentiary record for the Court to review. There is certainly no record pertaining to the issues raised by the Sun Valley Company, as the Director has yet to consider those issues. As a reviewing body, this Court is not in the position to create a new record on the issues raised by the Sun Valley Company.

Moreover, it is the Director's prerogative to designate ground water management areas. The Legislature has vested this responsibility in the Director because he has the specialized knowledge and expertise necessary to make such a designation. It follows that the Director should be given the opportunity to apply his knowledge and expertise to the issues raised by the Sun Valley Company prior to this Court's review of those issues. The sense of comity the judiciary has for the quasi-judicial functions of the Director requires this courtesy to allow him the first opportunity to detect and correct any errors that may pertain to his designation. *See e.g., White v. Bannock County Commissioners*, 139 Idaho 396, 401-402, 80 P.3d 332, 337-338 (2003) (one policy consideration underlying the doctrine of exhaustion is "the sense of comity for the quasi-judicial functions of the administrative body").

In sum, since the Sun Valley Company has an adequate administrative remedy available to it which has not been exhausted its *Petition* must be dismissed. *See e.g., Regan*, 140 Idaho at 724, 100 P.3d at 618 ("if a claimant fails to exhaust administrative remedies, dismissal of the claim is warranted").

C. The Director erred in providing alternative remedies in his *Order*.

In his *Order*, the Director advised that any person aggrieved by his designation shall file a written petition with him under Idaho Code § 42-1701A(3) and seek a hearing. This is the correct administrative remedy available to an aggrieved person under the facts and circumstance of this case under the plain language of Idaho Code §§ 42-237e and 42-1701A(3).

He also alternatively advised that "any party may filed a petition for reconsideration" under Idaho Code § 67-5246(4). The Director erred in this respect. Much of the confusion in this case arises from the fact that the Director styled his designation as a final order. There is no instruction in Idaho Code § 42-233b as to how the Director must issue and/or style his designation of a ground water management area. Issuing a document styled as an "order" or a "final order" is certainly one reasonable way the Director may go about making such a designation. However, in styling the document as a "final order" there were some assumptions various provisions and remedies in IDAPA were ostensibly triggered, such as the right to file a petition for reconsideration under Idaho Code § 67-5246(4). These assumptions were mistaken.

IDAPA and its remedies have not been implemented in this matter. First, IDAPA "controls agency decision-making procedures only in the absence of more specific statutory

requirements." Michael S. Gilmore & Dale D. Goble, *The Idaho Administrative Procedure Act: A Primer for the Practitioner*, 30 Idaho L. Rev. 273, 277 (1993). The Legislature has enacted a specific statutory scheme to provide aggrieved persons an administrative remedy where the Director takes an action without a hearing. That scheme is found in Idaho Code §§ 42-237e and 42-1701A. Since the provisions of those statutes apply to the specific facts and circumstances of this case (i.e., the Director taking action without a hearing), they control the remedies available to aggrieved persons, not IDAPA. *See also* I.C. § 42-237e.

Additionally, the Director did not initiate rulemaking or a contested case proceeding in this matter that would implicate IDAPA. IDAPA provides that "*a proceeding* by an agency . . . that may result in the issuance of an order is a contested case and is governed by the provisions of this chapter, except as provided by other provisions of law." I.C. § 67-5240 (emphasis added). In this case, there has been no "proceeding." Nor were there any "parties," as the term is defined in IDAPA, when the Director issued his *Order*. The remedy provided in Idaho Code § 67-5246(4) contemplates a "proceeding" has occurred and by its terms is limited to "parties" to that proceeding. It is not available to "aggrieved persons" such as the Sun Valley Company.[5]

Last, the Director also advised that any party aggrieved by his order may file a petition for judicial review. Again the Director erred. For the reasons set forth above, the filing of a petition for judicial review is not an available remedy until the Director acts upon the written petition and request for hearing filed by the Sun Valley Company. I.C. §§ 42-237e & 42-1701A(3).

[5]IDAPA will be implemented in the underlying matter going forward as the Director proceeds on the Sun Valley Company's written petition and request for hearing. Idaho Code § 42-1701A(3) requires the Director hold an administrative hearing on the petition in accordance with the hearing procedures set forth in the IDAPA. This will require the implementation of IDAPA, the initiation of a contested case proceeding, and the designation of "parties." Once the Director holds the administrative hearing and issues his order the parties may file a petition for reconsideration under Idaho Code § 67-5246(4) at that time.

III.

ORDER

THEREFORE, BASED ON THE FOREGOING THE FOLLOWING ARE HEREBY ORDERED:

1. The Sun Valley Company's *Motion to Determine Jurisdiction* **is hereby denied.**

2. The Sun Valley Company's *Petition for Judicial Review* **is hereby dismissed with prejudice.**

Dated February 16, 2017

ERIC J. WILDMAN
District Judge

CERTIFICATE OF MAILING

I certify that a true and correct copy of the ORDER ON MOTION TO DETERMINE JURISDICTION / ORDER DISMISSING PETITION FOR JUDICIAL REVIEW was mailed on February 16, 2017, with sufficient first-class postage to the following:

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