

TEMPORARY EMERGENCY COURT OF APPEALS

United States Department of Energy v. The States

855 F.2d 865 (Temp. Emer. Ct. App. 1988) · Decided July 20, 1988

SUMMARY

The court reviewed whether a Final Settlement Agreement required the Department of Energy to fund, from its share of settlement proceeds, entitlements exception relief payments made before the agreement received court approval. Although the court found the relevant provision ambiguous, it considered extrinsic evidence and affirmed the district court's conclusion that DOE's obligation included the previously paid receive orders.

CASE DETAILS

|                       |                                                                                                                                                                                                |
|-----------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| COURT                 | Temporary Emergency Court of Appeals                                                                                                                                                           |
| WRITING FOR THE COURT | John W. Peck; Grant; Metzner; Peck                                                                                                                                                             |
| JURISDICTION          | USA                                                                                                                                                                                            |
| DECIDED               | July 20, 1988                                                                                                                                                                                  |
| DISPOSITION           | affirmed                                                                                                                                                                                       |
| PROCEDURAL POSTURE    | The Department of Energy appealed the district court's order granting the States' motion to enforce Paragraph V.G of the Final Settlement Agreement in the Stripper Well Exemption Litigation. |
| STANDARD OF REVIEW    | De novo review of the district court's interpretation of the Settlement Agreement as a matter of law; factual findings based on extrinsic evidence reviewed for clear error.                   |
| PRECEDENTIAL VALUE    | Published federal appellate opinion                                                                                                                                                            |
| PARTIES               | United States Department of Energy v. The States                                                                                                                                               |

TOPICS

- contract interpretation
- contracts
- administrative law
- appellate procedure
- standard of review

PRACTICE AREAS

- contract law
- administrative law
- appellate procedure
- federal energy regulation

QUESTIONS PRESENTED

1. Whether Paragraph V.G of the Final Settlement Agreement required DOE to fund entitlements exception relief receive orders paid before the district court approved the Agreement.
2. Whether the district court properly considered extrinsic evidence to determine the parties' intent after finding Paragraph V.G ambiguous.

## HOLDINGS

1. Paragraph V.G is ambiguous because it does not expressly state whether it covers previously paid claims or whether those payments must be subtracted from DOE's settlement funds. Considering the extrinsic evidence, the Agreement required DOE to fund the full amount of all entitlements exception receive orders out of DOE's share of the settlement funds, including payments made before court approval.
2. Interpretation of the Settlement Agreement is reviewed de novo as a matter of law, while the district court's factual determination based on extrinsic evidence is reviewed for clear error.

## KEY QUOTATIONS

*“We find, rather, that the language is ambiguous and its intent uncertain in some respects.”* (855 F.2d at 868)

*“We conclude that after an examination of the extrinsic evidence in this matter the district court was not clearly erroneous when it held that DOE’s obligation was to fund the full amount of all entitlement exception receive orders out of its share of the settlement funds.”* (855 F.2d at 871)

## FACTUAL BACKGROUND

Under the DOE Entitlements Program, refiners could obtain exception relief from special hardship, inequity, or unfair burdens, generally implemented through adjustments to future entitlements lists. After price and allocation controls ended, DOE continued processing outstanding exception claims and paid approximately \$73 million to sixteen firms from a crude-oil-overcharge escrow account. During settlement negotiations with the States, DOE represented that it would bear the full cost of entitlements exception relief, and Paragraph V.G of the Final Settlement Agreement required DOE to provide funds for such relief from its settlement share or otherwise unrestricted funds. The States later sought enforcement of that obligation, including for receive-order payments made before court approval of the Agreement.

## PROCEDURAL HISTORY

The district court approved the Final Settlement Agreement on July 7, 1986. After the States moved to enforce DOE's obligations under Paragraph V.G, the district court examined extrinsic evidence, granted the States' motion, and held that DOE was required to fund entitlements exception relief receive orders retroactively from its share of settlement funds. DOE appealed, and the Temporary Emergency Court of Appeals affirmed.

## DISPOSITION

affirmed

## CASES CITED

- In re Department of Energy Stripper Well Exemption Litigation, 653 F.Supp. 108 (D.Kan. 1986)
- Texaco, Inc. v. DOE, 795 F.2d 1021 (Temp. Emer. Ct. App. 1986), cert. dismissed, 478 U.S. 1030, 107 S.Ct. 10, 92 L.Ed.2d 766 (1986)
- United States v. ITT Continental Baking Co., 420 U.S. 223, 236, 238, 95 S.Ct. 926, 934-35, 43 L.Ed.2d 148 (1975)
- Eaton v. Courtaulds of North America, Inc., 578 F.2d 87, 90 (5th Cir. 1978)
- Boatmen's Nat'l Bank of St. Louis v. Smith, 835 F.2d 1200, 1202 (7th Cir. 1987)
- Cities Service Co. v. FEA, 529 F.2d 1016 (Temp. Emer. Ct. App. 1975), cert. denied, 426 U.S. 947, 96 S.Ct. 3166, 49 L.Ed.2d 1184 (1976)
- Pasco, Inc. v. FEA, 525 F.2d 1391 (Temp. Emer. Ct. App. 1975)

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