

**From:** Miller, Elizabeth [Elizabeth.Miller@state.vt.us]

**Sent:** Saturday, February 14, 2015 3:58 PM

**To:** GPS

**CC:** Johnson, Justin; London, Sarah; Allen, Susan; Richards, Alyson; Coriell, Scott; Miller, Lawrence

**Subject:** Weekly Reports - Executive Privilege 02 13 15.pdf

**Attachments:** Weekly Reports - Executive Privilege 02 13 15.pdf; ATT00001.txt

Mainly I'd take a look at the Health Care Reform DII and Tax info in the AOA report. Other than that, just a few highlights here and there

# WEEKLY REPORTS

Checklist  
2/13/15

Elizabeth Miller/Alyson Richards

- ☒ Agency of Commerce and Community Development – Patricia Moulton
- ☐ Department of Labor – Annie Noonan
- ☒ Department of Financial Regulation – Susan Donegan
- ☐ Agency of Education – Rebecca Holcombe
- ☒ VT Commission on Lottery – Greg Smith

TBD

- ☒ Agency of Transportation – Sue Minter
- ☒ Agency of Human Services – Hal Cohen

Sue Allen

- ☒ Agency of Agriculture – Chuck Ross
- ☒ Agency of Natural Resources – Deb Markowitz
- ☒ Public Service Department – Chris Recchia

Sarah London

- ☐ Department of Public Safety – Keith Flynn
- ☒ Agency of Administration – Justin Johnson

Susan Spaulding

- ☐ Boards and Commissions – Susan Spaulding (**no report this week**)
- ☒ Department of Liquor Control – Mike Hogan

**To:** Governor Peter Shumlin  
**From:** Patricia Moulton, Secretary - Agency of Commerce and Community Development  
**Date:** February 13, 2015  
**Re:** Weekly Report

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### LEGISLATIVE ACTIVITY

House Commerce is on a tour of central and southern Vermont on Tuesday. They will be stopping at GW plastics and then moving onto White River and Springfield. I will be joining them at GW plastics. This is helpful to show Ben Riehl "love".

**Senate and House Economic Development Bills:** Pat and Lucy met with Senator Mullin to discuss our position on the additional initiatives in the Senate bill beyond those we are recommending from the Administration. There appears to be resolution and agreement on all but the Angel Investment Tax Credit, which we remain neutral on until we have more information around what the budgetary impact would be. As for the others, he agreed to remove the sections on Strategic Employers and dedicated funding for VTP through VEGI, and was pleased with Pat's suggestion that we substitute his new program for advanced manufacturing and IT with an enhanced VEGI credit for those sectors as we currently offer for Green Energy.

**Testimony H. 49:** Senate Natural Resources requested information on why ACCD would care about water quality. Noelle outlined our interests regarding tourism passive and active recreation, quality of life, land use and planning, economic development, etc. Also shared that the Governor tasked us with working together at the outset of this administration and we have done that through multiple projects and efforts over the past 4 years. Outlined how we would support land use planning, low impact development and education through Community Planning and Revitalization's work to help with outreach as well as implementation of new water quality requirements. Also mentioned that we were sensitive to the costs and wanting to make sure that they supported our land use goals and did not drive development outside our centers. Only direct suggestion to the bill was in regards to requirements in the bill for basin planning. Noted that there are many plans and our experience with flood work, the plans needed to be integrated (basin plans, town plans, river corridor plans...) and focus on implementation.

**9 (L):** At the joint hearing with Senate Economic Development and Natural Resources last month on 9 (L), Chris Cochran reached out to the Ferrisburg select board members and offered our assistance with helping them determine how best to market the property at Route 7 and 22A. The Vice-Chair of the Select Board followed up with Noelle and she offered to meet with the Select Board and Planning Commission to offer options and in prep would meet with other agency staff and reach out to others such as VNRC, RPC and RDC. Hosted a meeting with ANR, NRB, AOT and VNRC and discussed the history of the site, conveyances, easements, local zoning and discussed options. We have a list of options, have reached out to the RDC and have a meeting with the RPC and are working on scheduling the meeting in Ferrisburg.

**H.25: A bill relating to Natural Burial Grounds:** We testified in House General and outlined our concerns and will follow up later this week on suggested changes to the bill to address our concerns. DEC and Dept. of Health have also testified and will be providing guidance on safe distances from potable water and hopefully river corridors. They are taking more testimony this week and it appears like the Chair would like to move this forward.

**Vermont Council on Native American Affairs:** Three tribes have received state-wide recognition. A fourth tribe has been trying for recognition for over a year and recently their application was rejected by the VCNA. Representative Masland is a member of the tribe that was rejected and asked to meet with Laura, Dale and Noelle. He outlined issues he saw with both the application and the process and was seeking our guidance on the statute and next steps which we provided.

**H.123 Mobile Home Park Bill:** With Shaun Gilpin in attendance to monitor, Rep. Bill Botzow presented his mobile home park bill (H.123) to the House General, Housing and Military Affairs Committee this week. Jen has been asked to testify on the bill next Tuesday and sent a bill review with recommended position to the Governor's office.

**Disposal of Tenant Property:** House General, Housing and Military Affairs is working on a draft committee bill comprising two legislative fixes it considers technical. Section 1 clarifies the timeline for disposing of tenant

property after an eviction. It is intended to address an inconsistency identified in a recent decision by the Vermont Supreme Court (*JW, LLC v. Ayer*), more precisely, in a footnote by Justice Dooley. Jen and Dale monitored, reviewed the draft and made a position recommendation to the Governor's office.

**Vermont Housing and Conservation Coalition Day:** Jen also with Noelle, attended the opening session of the Coalition's legislative day at which Governor Shumlin, Lt. Gov. Phil Scott, Speaker Smith and President Pro Tem Campbell addressed, encouraged and thanked the group.

**Cloud Tax:** Lisa worked with Jeff Couture to help recruit businesses to testify in Senate Finance on the cloud tax.

**CONFIDENTIAL:** Lisa and Deputy Secretary Lucy Leriche reviewed the Department of Economic Development budget with Representative Kathy Keenan of House Appropriations on 2/10 and Lisa met with her again on 2/11. Lisa and Secretary Pat Moulton also met with Senator McCormick. Both are looking for additional areas to cut, particularly staff.

#### **PATRICIA MOULTON, SECRETARY**

**EB5:** The new arrangement with DFR is working wonderfully. They are very much on top of the AncBio situation. John Kessler and Brent Raymond continue to have phone calls with the SEC. SEC questions are getting fewer and conversations shorter. Not sure what that means.

**Act 250:** I have started a close working relationship with Jon Groveman at the NRB. Jon and I discussed a problem in District 5 (Central Vermont) related to Jeff Cueto a member of the commission and former ANR water quality employee. It appears Jeff is trying to impose conditions on water withdrawal for a permit at Smugglers Notch which extends beyond current water withdrawal rules. ANR is opposed to these conditions yet Ron Shems made a determination to support the district commission in Smuggler's appeal to the environmental court. The problem is if the judge upholds these conditions, it imposes new water withdrawal standards potentially on every ski area. The water withdrawal rules were hard-fought many years ago. Further, there are procedures for amending the rules. Jeff has intimate knowledge of the rules and it appears that he is imposing his own personal preference versus following the rule making procedure. John and I are brainstorming on ways to fix this. I think John will do a good job.

**Budget:** We have been doing budget meetings with Sen. McCormack who is our budget liaison in Senate appropriations. He is new to appropriations, new to the budget process, and new to ACCD. He is already told us if the choice is to cut human services or cut us, he will advocate to cut us. Not helpful! We will work with other members of the committee, and watch them very closely. I will give Jim Reardon a heads up on this as well.

**Business outreach:** I met with Tim Lizotte at Champlain Cable this week. He was pleased as he said "no Governor or state official has ever visited us" and that is now corrected. He is deeply concerned for any income tax proposal to fund single payer, delighted it is off the table for now. And workforce availability is another concern. I also met with three other businesses as part of a Colchester tour this week.

I reached out to Mr. Traudt of Green Mountain Defense Industries, a contact that came to Liz via Rep. Masland. Mr. Traudt is operating now out of Stephens Precision in Bradford and he alleges he can expand. Apparently we have heard this before. He is frustrated because every bank and lender wants a personal guarantee to lend money. I explained that is standard practice and it will be difficult to find a lender who won't want that. He claims North Carolina will offer him \$500,000 in equipment loans without a personal guarantee and he has an investor who will invest if he moves the company to North Carolina. He explained he "has a meeting with the Governor's office and the congressional folks, I will see what they can do." I recommend the Governor NOT meet with him.

#### **LUCY LERICHE, DEPUTY SECRETARY**

- **NCIC 40<sup>th</sup> Anniversary Celebration:** Lucy represented ACCD at this event in Saint Johnsbury where the Governor and Senator Welsh offered inspiring remarks in addition to several businesses who had high praise for the assistance they received through NCIC.

#### **KEN JONES, ECONOMIC RESEARCH ANALYST**

- Ken Jones is initiating a project to identify the economic impact of the “Visual Arts” community. This is related to better understanding the motives for tourists coming to Vermont. Several of the councils working with Vermont artisans are behind this effort.
- Ken is working with the Public Service Department and several interested groups in developing an integrated approach for small business and homeowners to address their future energy needs. This work includes efforts in fuel switching to modern wood heat, weatherization, installation of photovoltaics systems, the use of high efficiency heat pumps and smart metering for electricity demand control. In addition to the application of technology, the integrated effort connects with sources of finance so that small business and home owners have less hassle in carrying out the full suite of activities to improve their energy use.

## **DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT: Commissioner MacKay and Deputy Commissioner Hollar**

### **Commissioner MacKay**

- **CONFIDENTIAL - Hardwick Tax Credit Issue:** Larry Hamel redid the Hardwick Inn using tax credits. He was audited by the IRS who stated that the “income” generated by the sales of tax credits is taxable. He reached out to in late November to make Caitlin Corkins in our shop aware of an IRS decision that found his sale of tax state credits (to the bank) constitutes a capital gain and therefore is taxable as income. Chris offered to take over this issue from Caitlin and he reached out to Larry. Larry feels we were responsible because we did not let him know the sale of credits are taxable. Chris Cochran explained we have done hundreds of these projects and this is the first time we have learned of an IRS issue. But he stressed that while we promote and administer the program, everyone’s tax situation is unique and DHCD’s cannot provide tax counsel. Chris offered to contact Tax and others to look into the situation for him. Larry shared the IRS’ analysis which Chris passed onto Tax. Due to the budget and legislative prep, it took a while for Tax to loop back. During that time Larry has called both Chris and Tax to complain. Chris conveyed that Tax was doing this as a favor and encouraged him to consult a tax attorney. Chris also contacted Housing Vermont and Redstone for their experience. Chris has heard back from Tax, HVT and Redstone and they all agree that the income of sales is taxable and that is their experience. Chris will be contacting Larry to let him know and wanted to give you a heads up as you could get a call. He is now bad mouthing the program as well.

### **Deputy Commissioner Hollar**

- **Windsor Housing:** Met with members of the VCDP, CP&R and HP teams along with Rob Evans of DEC on a proposal by the Town of Windsor to elevate homes in a historic neighborhood to mitigate the cost of flood insurance. The Town has submitted an application for the elevation project to the Local Investment Advisory Council. Coordinating with Treasurer Beth Pearce. Goal is to determine whether a project can be developed that would preserve these extremely affordable homes while maintaining their historic character and addressing NFIP related issues.

## **HISTORIC PRESERVATION ♦Laura Trieschmann, State Historic Preservation Officer**

- New bus transit station finds home alongside significant historic landscape in Burlington. The newest design marries well with the historic context of downtown Burlington, making for happy preservationists. <http://www.sevendaysvt.com/vermont/burlington-bus-station-strikes-a-balance-with-historic-landscape/Content?oid=2519217>

### **State Architectural Historian**

- **William Blake Stone House, Woodstock:** In response to a Hearing Recess Order from the Act 250 District 3 Commission, the Division provided a scope of work, a cost estimate and a list of qualified consultants who may be able to update and expand the Woodstock Village National Register Historic District. This project is being proposed by the Village of Woodstock and the Division as mitigation for the proposed demolition of the William Blake House, an 1834 stone house. With this information, it is now up to the District Commission to decide how to proceed with the permit application.
- **National Register Nominations:** Devin is preparing three approved nominations for submittal to the National Park Service. The nominations are for the Vermont Academy Campus Historic District, Rockingham; the First Congregational Church of Cornwall Parsonage, Cornwall; and the Fox Stand, Royalton.

## Environmental Review

- **Newport:** Laura, Dale and Jamie met with Andy Stenger from Jay Peak/Q Development to discuss a few remaining items in preparation for the Division's Act 250 response to Phase 1 of the Newport Renaissance project which involves the demolition of the nine (9) buildings within the Newport Downtown Historic District. Phase 2, which comprises the construction of a new block of multi-use programs such as a hotel, brew-pub, commercial/retail and office space. The two parties are crafting a MOU as an agreement document, and once signed, the Division will provide a positive recommendation to the District 7 Commission.
- **Rice Memorial High School:** Kate Coffey from Black River Design recently updated the Division regarding the progress of rehabilitation activities at Rice Memorial High School. The Division and the School are proceeding under an MOU regarding treatments to the historic, post-war modernist design by Freeman French Freeman in 1959. Work is wrapping up in Phase 2, which involves replacement of the exterior curtain wall system and installation of new insulation and energy-efficient windows. Both elements have greatly increased the buildings thermal capacity and performance and the School is quite pleased with the initial results. The Design/Construction team will continue to provide monthly reports to the Division through completion of the project.
- **Mullen Barn:** Jamie and Yvonne attended an Act 250 hearing for the after-the-fact permit application in Chelsea. The project seeks to convert an historic barn into a retail store. The Vermont Advisory Council on Historic Preservation previously determined that before the barn was altered, it was eligible for listing in the State Register of Historic Places. The Act 250 Commission will be seeking additional information on the project. Meanwhile, the Division will continue to work with the owners to resolve the adverse effects.

## Historic Preservation Grants

- **Historic Preservation Barn Grants:** The Advisory Council for Historic Preservation awarded the 2015 State Barn Preservation grant awards at their recent meeting. This year, we will fund 21 projects in 18 communities across the state, totaling \$247,134 in matching grant funds that will leverage \$589,887 in rehabilitation efforts. We received 32 applications, totaling \$378,559 in requests. Caitlin is working to notify the applicants and legislators of the results and the Division is planning a formal announcement of the grant awards, including a press release, to immediately follow. *S. H. . .*

## State-Owned Historic Sites

- **Coolidge Site:** We received an important and timely donation: material from a dress material worn by First Lady Dolley Madison in 1809. The fabric, typical of early-19<sup>th</sup>-century French style, is archivally matted and framed, along with an envelope addressed to Mrs. Omeron H. Coolidge. This Mrs. Coolidge was a prominent citizen of Rutland, VT during the early 20<sup>th</sup> century; her exact connection to Calvin Coolidge is being researched. (Her husband was probably a second or third cousin.) This item will be an interesting addition to the gown exhibit. If the donation is not as directly connected to the Calvin Coolidge line of the family—and thus does not meet our collections mission for this site—it will be offered (after our gown exhibit closes) to Montpelier, the home of Dolley Madison in Virginia.

## DEPARTMENT OF TOURISM & MARKETING: Megan Smith, Commissioner

- **Skiing Outlook:** Vermont Ski Areas are certainly ready for the February vacation week. Utah and Northern California are suffering with a lack of snow so we are hoping that this will make our numbers even stronger.
- **Brewer Events:** Megan met with Ryan Chaffin from Farrell Distributing who now represents 20 Vermont Breweries. As part of their agreements Farrell sponsors events statewide in the name of these brewers. Ryan shared all the events they are supporting this summer so that we can promote these brands along with Farrell.
- **Mountain Biking:** Megan met with Tom Stuessy from VMBA to see how VDTM can support a huge mapping project they are taking on. It will be one more tool for us to share at trade shows and inquires. The road bike maps have flown off the shelves since we started printing them.
- **Porter Air Update:** Megan and Steve had a phone conference with Porter Air about this year's progress. The value of the Canadian dollar was starting to affect sales so Porter did a sale of \$29 plus tax each way and promoted it through an eblast. Currently they are ahead of last year on ridership but not revenue. We strongly encouraged them to market to our region for trips to Toronto as we know how much Vermonters love to go to Montreal and the flight to Toronto would be quicker than the drive to Montreal.

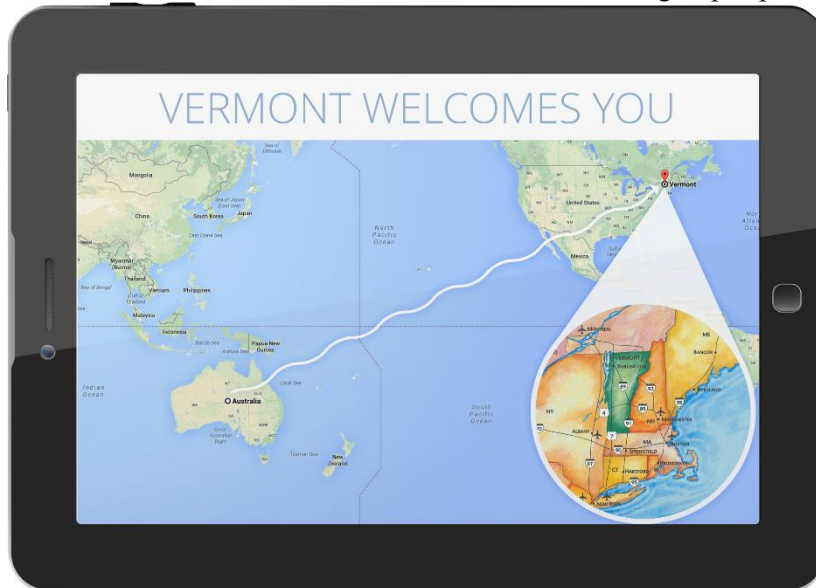
## Steve Cook, Deputy Commissioner



- **Great Jobs in VT – Champlain College:** Cook will meet with Champlain College to discuss the resources available through GreatJobsinVT.com to promote Vermont as a place to live and work to the college's alumni. The discussion will also focus on cooperative advertising and alumni vacation promotions.

#### **MARKETING & DESIGN ♦ David Burnell, Marketing Coordinator**

- **Australia Sales Trip | VDTM Teaser Presentation:** David assisted Megan and Christiane with their PowerPoint presentation for **Megan's Sales Trip**. The PowerPoint aims to convince tour operators and group tour planners to view Vermont as a travel destination for their group trips.



#### **RESEARCH & STATISTICS ♦ Greg Gerdel, Research & Operations Chief**

- **July 2014 Room Sales Solid Statewide, But Some Local Dips:** Taxable receipts for commercial room rentals statewide were up 4.3 percent for the middle month of the summer season, though there were some exceptions to the generally positive trend. Grand Isle/Franklin Counties were -8.7 percent for the period; room rentals for Orange (-4.0 percent) and Washington (-4.5 percent) Counties were also soft.
- The growth impact of increased development and offerings of summer programs and activities at Jay Peak and Okemo mountain resorts is reflected in Essex/Orleans (+10.0 percent) and Windsor (+11.7 percent) counties.
- **February Storms Keep 511 Calls High:** The RDI Call Center in Newport has handled 1,517 calls through the first ten days of February, with a high of 329 call on Monday, February 9 when widespread freezing drizzle with temperatures in the single numbers above zero made road conditions difficult. Just over 85 percent of the calls are for road conditions reports.
- By contrast, visitor information and packet request calls to 800-Vermont (800-837-6668) have been at an all-time low for February; only 47 calls during the first ten days of the month.

#### **SALES ♦ Christiane Skinner, Sales Manager, International and North American Markets**

- **February and March Consumer Shows:** Christiane is working with VDTM's contractor Deb Carbin on the next four shows that will be held in Toronto, Ottawa, Hartford and Foxboro.
- **Holiday World Dublin:** Caroline Donaldson-Sinclair, VDTM's contract in the UK, attended the show in Ireland as part of the Discover New England booth. The attendance was 40,000 consumers and 740 travel trade companies. The train from New York was of particular interest, as well as artisans and craftspeople of Vermont.
- **London Destination Show:** Caroline also staffed this 4 day consumer show in London where Vermont had a booth with the Visit USA pavilion. Of interest, JetBlue flights and train service from New York, scenic byways, microbreweries, and fall foliage.
- **Ireland Sales Mission:** Caroline joined Discover New England during their February 2-5 sales mission where she met with 7 Irish tour operators.
- **UK Market:** Caroline attended a media networking event organized by Visit USA in early January where she met with 11 journalists. Caroline participated in a product training at Virgin Holidays.

### **VERMONT LIFE ♦ Mary Hegarty Nowlan, Editor/Sky Barsch, Associate Publisher**

- **General:** VL is working on a proposal to produce Fish & Wildlife's regs book. F&W is paying an outside vendor to do work that we can take on and will likely result in a cost savings for F&W and income to VL. Megan Smith is looking into the DLC publication to see if that is another avenue that would allow for cost savings/revenue for VL.
- **Circ:** We secured the second-home owners list and the product buyers list for our upcoming direct mail campaign. These lists have performed well for us in the past. Direct mail printing/lettershop bid is open through BGS.

### **CHIEF MARKETING OFFICE ♦ Heather Pelham, Marketing Manager**

- **Current Outreach Projects:** The CMO's office has participated in strategic planning for a variety of projects this week including: a redesign of the Vermont State Parks consumer brochure; preliminary marketing efforts for the Vermont Strong Scholars program (with Lucy and Jess); a new awareness initiative for the 'Don't Move Firewood' / invasive species campaign; and a new template for Environmental Guides on regulatory requirements used in training sessions by the Environmental Assistance Office at DEC.

### **DEPARTMENT OF ECONOMIC DEVELOPMENT: Lisa Gosselin, Commissioner**

- **CONFIDENTIAL:** Lisa spoke with someone who has two relatives working at Custom Colors. They are already sending Northfield workers to train the Gildane workforce in Bermuda and estimates are that operations will begin moving in the next 6 months.
- **CONFIDENTIAL - OCE:** Lisa spoke with Ken Picard of Seven Days about the Office of the Creative Economy. Clarified that the "office" really meant one person, in a cubicle, with a very small sponsorship budget. Shared that the OCE was only added in 2012, had moved from DHCD to DED and that there had been an ongoing effort to provide greater focus around emerging business sectors and to differentiate the work OCE did from the Arts Council and other organizations. Explained that much of that work will continue but will be reapportioned to existing staff and organizations and that elimination of this one vacant position is in no way reflective of the value the Administration places on the very important emerging media, technology and other creative industries. Also explained how Agency has been very focused on cost savings, cutting landlines, finding options to car pool, etc. Picard may use that for a future story.
- **Business Outreach:** Lisa met with Adriana Teresa Letorney, founder of the growing photo network and events company FotoVisura on 2/11. Letorney grew up in Puerto Rico in a family tied to tourism and has a very successful career as a photo editor and sponsored events organizer in New York. She moved to Stowe several years ago and has set up a virtual network for emerging photographers to showcase. She and her husband, 4th generation Vermonter Graham Letorney, now have 40,000 accounts and are growing. They are working with sponsors, major media (they have agreements with Hearst, CNN and others) and doing outreach to Vermont's creative community to participate. Lisa will be connecting FotoVisura with additional national media outlets as well as Vermont VC partners and state programs.

### **BUSINESS SUPPORT ♦ Ken Horseman, Senior Economic Development Specialist**

- **Entrepreneurship Week - Montpelier:** The annual celebration of entrepreneurship week event, complete with a proclamation from the Governor, was held with over 200 high school students attending from schools including Stafford Tech, St. J Academy, Green Mountain Tech, Essex Center for Technology and Randolph Tech. Students competed in our annual poster and video competition and heard from young entrepreneurs including Stowe Trading Post, Bailey Road, and Vermont Cedar Chair Company. Legislators attended the luncheon at the Capitol Plaza and a good day was had by all.
- **Kennedy Brothers - Vergennes:** The former tourist venue has been transformed by new owners from Boulder, CO into a mixed use facility. A fitness club is currently in operation, and renovations are underway for a new café and coworking space. Class A office space is also available with the school district as a tenant. They plan to continue renovation of an adjacent building with a solar-energy project as part of the plan.
- **Draker – Burlington:** The company has gone through a few rounds of capital fundraising and has grown to 60 employees with 40 in Vermont. A 2012 merger was initially deemed to be a positive development. However, the new product developed resulted in a 100% product recall of 25,000 units worldwide due to



defects which has had a very negative impact on the balance sheet. Management changes are pending. There was keen interest in ExporTech as growing international sales is a key part of future growth plans. Appropriate referrals will be made.

- **Franklin August - Williston:** The company reports that business is steady with fulltime employment at 13. They are moving from their present location to South Burlington in two months to reduce costs. Resources to assist the company strategically were discussed to help enable ownership to develop a vision for expanding revenues. Appropriate referrals will be made.

#### **BUSINESS SUPPORT - Economic Development ♦ Jared Duval, Director**

- Represented Agency at the **Vermont Wood Manufacturer's Association (VWMA) annual meeting**. VWMA will continue focusing on **targeted workforce development opportunities**, in coordination with the Northern Forest Center, with the support of a prior Working Lands grant. VWMA will begin hosting **regional networking events and factory tours**. Jared referred both **JK Adams and Champlain Hardwoods to the Vermont Training Program**.
- Designed invitation and invite list for a **Value Chain workshop for the Construction industry**, to be held in March in Richmond, in coordination with Yellow Wood Associates, Dept. of Forests and Parks, and Agency of Agriculture.

#### **FINANCIAL SERVICES ♦ Dan Towle, Director**

- **World Captive Forum (WCF):** Dan Towle, Director of Financial Services, attended WCF along with Dave Provost of the Captive Insurance Division. The state exhibited and spoke at this event on a panel called "Regulation and Captive Diversification". This conference brought together an international attendance and has proven to be a very beneficial conference. Booth traffic was solid with some good prospective conversations.
- **State of Vermont and the Vermont Captive Insurance Association Philadelphia Road Show:** Dan will be in Philadelphia next week for a business development road show. Dan, along with Dave Provost, will be presenting on a panel called the Strategic Advantages of Captive Insurance. The day's event will include a 'captive owners' luncheon, two educational seminars and a reception. Approximately 100 people are currently registered for the event. These events have proven to be an excellent way to garner prospects.

#### **VERMONT ECONOMIC PROGRESS COUNCIL ♦ Fred Kenney, Director**

##### **VEGI**

- Spoke with Carolyn Shapiro, Vt Digger, regarding recent VEGI authorizations and proposed VEGI changes. Story carried in Digger and Bennington Banner on Feb 11
- Worked with Triad Design on VEGI application. Filed Initial Application for February 26 meeting.
- Spoke with CFO of ELLO regarding VEGI preliminary estimate. They probably will not apply now since most new employees are being added in Colorado

##### **Recruitment**

- Met with Nathan Irons regarding potential insurance company startup
- Spoke with Rob Ferreger regarding potential investment company startup

#### **VERMONT GLOBAL TRADE PARTNERSHIP ♦ Becky Fu, Manager of International Trade**

- Becky returned from Arab Health 2015 in Dubai. Numia Medical and Mobile Medical physically attended the world's second largest health care exhibition with numerous leads and success. Both companies said the quality of the event is very high, and the service from VGTP is superb.
- Brent and Becky has a new intern, Byunghoon Ahn from South Korea. Byunghoon is the 4<sup>th</sup> intern from South Korea that will be working with Brent and Becky for about 6 months.
- Becky is working with the DED team to organize a matchmaking B2B event in conjunction with UVM and Quebec Economic Development office, with the theme of innovation and energy efficiency.

#### **VERMONT TRAINING PROGRAM ♦ Beth Demers, Director**

- **Perrigo Nutritionals:** Beth Demers had an inquiry from Seth Berghorst at Perrigo Nutritionals in Georgia. Seth attended the LCRCC/GBIC Manufacturer's Summit and was interested in funding assistance for an apprenticeship. Like many manufacturers Perrigo is looking to address concerns regarding the large number of employees it anticipates will retire in the next few years. Beth gave an overview of VTP and

offered to introduce him to some of the providers. Seth will spend some time working internally to nail down goals and needs. Beth informed Tim Smith of the inquiry and will follow up with Seth in early March.

- **Hazelett Strip Casting:** Beth Demers spoke to HR Manager Peter Rowan at the Colchester based Hazelett Strip Casting. Peter attended the LCRCC/GBIC Manufacturer's Summit and had an initial conversation with Beth there. A phone call this week was a more in-depth discussion of the Vermont Training Program and how it may assist with Hazelett's employee training. In particular, the company is looking at a new approach with executive strategy and sales. Peter will be talking to managers internally to determine the employee training scope and get back in touch with Beth.
- **Critical Process Systems Inc.:** Beth Demers is working with Dave Rogerson of the Colchester based Critical Process Systems (CPS) on a VTP application. CPS consists of the two Vermont companies: Fab-Tech and NEHP. The company is looking at new welding certifications and significant gains in productivity.
- **SSW Erectors:** Beth Demers is working with Carl Carlson of the Morrisville based SSW Erectors on a Vermont Training Program application. The company is looking at obtaining an industry certification that would give them a significant market advantage but would result in a number of employee training needs. Beth has reviewed a draft application and given comments back to Carl. A final application is expected in the next week or so.
- **Vermont HITECH:** The South Burlington based training provider has submitted a Vermont Training Program application on behalf of its apprenticeship at Husky Injection Molding. This will be the first application that the VTP will consider under its new policy allowing training providers to apply for programs involving employees taking on a higher skilled position and receiving a wage increase. The VTP Review team has until Friday, February 13<sup>th</sup> to make comments on the application.
- **Dynapower:** Beth Demers met with Stephanie Moore, HR Director for Dynapower in South Burlington. The company is planning a new comprehensive communication and leadership training for all 190 of their employees. Beth reviewed the Vermont Training Program with her and discussed a draft grant application.



**State of Vermont**  
**Department of Financial Regulation**  
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For consumer assistance:  
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[Securities] 877-550-3907  
[Banking] 888-568-4547

**CONFIDENTIAL and PRIVILEGED**

**To: The Honorable Peter Shumlin, Governor**  
**From: Susan L. Donegan, Commissioner, Department of Financial Regulation**  
**Date: February 13, 2015**  
**Re: Weekly Report**

*Susan L. Donegan*

**Insurance Division:**

In late January, Anthem Blue Cross Blue Shield, an Indiana-domiciled health insurer, discovered the unauthorized access of consumer information including member names, member health identification numbers, dates of birth, Social Security numbers, addresses, telephone numbers, e-mail addresses, employment information and income data. In particular, names paired with addresses, birthdates and Social Security numbers are highly sought by identity thieves, making health insurance databases an attractive target for hackers. Anthem, the nation's second-largest health insurer, provides coverage in states including New York, California, Georgia, Indiana, Kentucky, Ohio and Virginia. It is also among the 40 U.S. companies that make up the Blue Cross Blue Shield Association of which Blue Cross Blue Shield of Vermont (BCBSVT) is a member. Since the breach was announced, Commissioner Susan Donegan has been participating in confidential commissioner briefings from Anthem that have been coordinated by the National Association of Insurance Commissioners (NAIC). It is believed that the potential scope of the breach and the number of consumers (80 million) impacted reaches all 56 NAIC member states and territories. At Commissioner Donegan's request, BCBSVT will meet with her and her staff next week to discuss what, if any, impact the breach may have on Vermonters. BCBSVT members could have been affected if they received medical services in any of the states where Anthem has affiliate relationships with BCBSVT. Vermonters who receive their health coverage through Anthem-related companies offered by out-of-state employers may be involved as well. BCBSVT itself may have other third-party service contracts with Anthem or affiliates. After meeting with BCBSVT, it is anticipated that DFR will issue consumer guidance; however, to date, no consumer complaints have been received.

**Banking Division:**

Commissioner Donegan introduced the new deputy commissioner of banking, Cynthia Stuart, to the Vermont Bankers' Association during their legislative "Banker Day Under the Dome." The group was very pleased to welcome the deputy and many members knew Cynthia as a former colleague.



*Banking*  
802-828-3307

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*Captive Insurance*  
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*Securities*  
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## **CONFIDENTIAL and PRIVILEGED**

**To: Governor Peter Shumlin**  
**From: Greg Smith, Executive Director, VT Lottery**  
**Date: Feb 13, 2015**  
**Re: Weekly Report**

**Status of Governor's Priorities:** .  
none

### **Legislative Issues/Contacts:**

Appeared before House Approps for initial budget review. No resistance brought forward. Appeared before House G, H & MA to discuss my budget, new consoles and profits supporting VT Vet home. I stayed on lottery sales message but did say that if our marketing message changed to "lottery profits support VT veterans and VT education" we thought it sounded good. I did ask this committee how many had ever played lottery (1 out of 8) and how many had actually seen a console (none). I suspect that will change soon.

### **Press Issues/Releases/Contacts:**

Answered questions for Seven Days reporter about consoles, pilot program, and success so far. I was asked some of the same questions that came from committee members over the past two weeks. Lottery partnered with Agency of Educ. to create a tech program where we buy tech hardware and they award it to schools based on criteria they establish for enhancing tech use in teaching. The program was announced to schools today and we issued a press release – probably out early next week. We pay for the hardware with marketing funds and get photos and video from the award ceremonies. Previously we would pay to produce an education ad, so now we get an ad with a better end result – tech products for schools. Total annual spending will be approx \$20K.

**Significant Events/Meetings:**  
none

### **Evolving Issues:**

Activity is occurring in Wash DC regarding gaming legislative proposal. The playing field has changed in the Senate and high profile gaming operators are openly pressing for legal restrictions to online gaming. Current language still impacts most state lotteries because we have prizes we award online, and some states actually sell lottery online.

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### **Summary of Key Agency Department Activity:**

We are enjoying good sales growth, and with our January results completed, profits are 4% ahead of LY and 1% behind projections.

### **Executive Director's Commentary:**

There has been a criminal case brought forward in Iowa due to actions by a systems security employee of our national gaming association – MUSL. He has been terminated but we are conscious and cautious of press coverage of this fallout related to the integrity of games. We used to sell the game that is the basis of the story, Hot Lotto, but discontinued sales in VT in 2014 due to low sales.

OFFICE OF THE SECRETARY

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**Executive Privilege**

**TO:** Governor Peter Shumlin  
**FROM:** Secretary Sue Minter  
**DATE:** Friday, February 13, 2015  
**SUBJECT:** VTrans - Confidential Report to the Governor

**NOTES FOR GOVERNOR**

**Legislature**

 Spoke with both Pat Brennan and Shap, we are going to press forward with the strategy of establishing a TIB floor -- hopefully at the end of Session per your advice. Shap does not feel that, given everything else on the table, the TIB floor will be a big deal, nor affect our fee bill next year. All of us will need to work with Mazza, who is requesting information about specific fees. I suspect he is focused on raising funds for the Towns to address stormwater, and not concerned as much about the \$6M hole in our budget. He may also want to create a special registration fee for Electric Vehicles (which we would support -- along with the EV incentives options we have included into the energy bill). We are evaluating how to execute your goal of having the TIB floor as a conference item; this requires a plan for having significant differences between House and Senate proposals. More to come on this.

**Brattleboro I91 West River Bridge Replacement Project**

This week I learned that the \$60M+ design/build project to replace four bridges between I91 Exits 2 and 3 is behind schedule -- potentially in excess of 9 months as recently confirmed by PCL (contractor out of Orlando, Florida) to Agency Construction Management staff. The day after learning of this, VTrans Executive leadership -- including Deputy Secretary Cole and Chief Engineer Tetreault -- engaged with PCL Corporate Executives in Orlando to clearly articulate that this was unacceptable and that we expect the multi billion dollar international contractor to bring the necessary resources to get this project back on schedule as much as humanly possible. (Note, while I directed that this conference call occur, we decided to keep the Secretary at a distance for now, for if/when a higher level of response if needed. Obviously, your potential engagement with them would have an even higher impact).

The team let the contractor know that this project is a gateway to our state, a signature project in your hometown which you are highly aware of and very dissatisfied with, and that the traffic delays are not tolerable. Political leverage is our main tool for getting



action and a call from you, in future, may be necessary (along with my mention of my AASHTO Executive Committee membership). We directed the PCL Executives to report to Montpelier before the Town Meeting Week to present what their plan of action is for getting the project back on schedule as well as how they will focus on three other items along the way: Traffic Management to mitigate travel delays; Public Outreach on Project Activities/Impacts; Maintenance of the Existing Truss Bridge that is supporting the current traffic. This briefing is likely to occur the week of February 23rd and will include me, Liz Miller as well the FHWA Vermont Division Office and other key VTrans Executives. We expect results and will press on accordingly. We plan on including a Brattleboro project status report in all future Gov Weeklies until traffic is transferred to the new structure for your continued awareness.

## **NOTES FOR STAFF**

### **Other Legislative Issues**

#### **DLS**

Meeting today with Sen. Sears, Rep. Grad, and Chris Curtis on how we can reduce the offenses for which suspending the drivers license is a penalty. Will decide whether this will happen in legislation this year, or become an item for a summer study. DMV is also supporting the March 20th "Amnesty Day" for Chittenden County and seeing if we can do statewide (which may not be logistically possible for Judicial bureau).

#### **Interstate Winter Storm Speed Limits**

H.196 proposes to provide authority to the Secretary of Transportation to reduce the speed limit below the posted speed limit on the interstate between Exits 8 and 13 during winter storm events and utilizes electronic message boards to indicate to motorists the reduced speed limit. The House Transportation Committee has requested technical assistance to understand the feasibility and the costs associated: approximately \$220,000 to install the 22 electronic signs plus nominal annual cellular fees. The Committee appears interested in this proposal and would potentially expand the reduced speed zone to Exit 16. We would appreciate some early guidance on the administration's position as we believe this will have some legs. MA and ME both regulate speeds during winter storm events on their interstates.

Gov -  
?

#### **Western Corridor Rail**

This project will require approximately \$26 million to complete before Amtrak service can be expanded to Burlington. There are 13 rail crossings to improve at an approximate cost of \$13 million; we have included 6 crossings in the FY16 program to be paid for with FHWA formula funds and we anticipate funding the remaining crossings in FY17. The track work is approximately \$13 to \$15 million including a new siding to build OMYA train sets. We are planning to submit a TIGER grant when the next application cycle is announced though Congress has cut the program funding in half and we were unsuccessful competing last time around. Bonding for the \$15 million in track upgrades would cost approximately \$6 in interest and other costs over 20 years. We could bond

fh. Mtg this week.

for this work if we are unsuccessful in our next TIGER application, if that's the direction the Governor wants to take.

#### **DMV Employee Placed on Administrative Leave**

A 12-year veteran of Department of Motor Vehicles has been placed on paid administrative leave pending a disciplinary hearing. The employee is a commercial vehicle enforcement inspector and was involved in an off-duty incident in which he was a passenger in a vehicle in which the operator was processed for DUI, and found to have a Blood Alcohol Content nearly three times the legal limit. The DMV employee was also intoxicated, and claimed to be in possession of several open containers of alcohol. The employee is not facing criminal or civil charges, but his conduct violated several personnel policies.

In June of 2013 this employee was involved in an off-duty incident in which he was intoxicated. This earlier incident resulted in a period of suspension from duty, mandatory substance abuse counselling and an agreement that a future infraction would result in termination of employment. We suspect this latest incident will result in the employee's dismissal.

#### **TDI**

We have our next round of TDI negotiations scheduled for 2/19. We indicated at the close of our last negotiations that an amount 10 times their filing amount of \$500,000 annual payment to VTrans would be an appropriate place for them to start. We have also indicated that TDI putting forth an annual lease payment without VTrans conducting a valuation of the property used would be a quicker way to get a lease from VTrans. We anticipate that they will bring an offer to this next meeting. We are also working on a legal analysis of our responsibilities under the 1996 Telecomm Act since TDI will have active and dark fiber in their trench. We will be meeting with PSD leadership to understand how we would work together to market dark fiber and how we want to make additional fiber opportunities available to other telecom companies at the lowest cost to TDI.

**Privileged and Confidential**  
**Memorandum**

**To:** Peter E. Shumlin, Governor  
**From:** Hal Cohen, Secretary of Human Services  
**Re:** AHS Weekly Report  
**Date:** February 13, 2015

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Highlights:

**AHSCO:**

Meeting with Commissioner Ide re Restricted Licenses pg. 2  
Addison County Treatment Committee Work pg. 3  
BCBSVT Security Breach pg. 3

**VDH:**

Vermont Yankee Post Shutdown Decommissioning Activities Report Public Meeting pg. 4  
VDH Comments Against VY's Permanently Defueled Emergency Plan pg. 4

**DMH**

WCAX on Mentally Ill Waiting in ED's pg. 5

**DAIL**

DAIL's Long Term Services and Supports survey to be released next week pg. 6

**DCF:**

Burlington Warming Shelter Opens pg. 6

**Secretary's Message**

This week I have asked Commissioners and key AHS leadership to become proactive about communicating information about the Agency. This would involve timely responses to media coverage, aggressive and appropriate communication to manage negative events and more proactive, positive informational stories celebrating the work we do. Although important for many reasons, the value of that approach was highlighted this week by our handling of the tragic situation with the So. Burlington infant.

Commissioner Schatz and his staff handled the communication extremely well and the media responded to that proactive approach. Additionally, Commissioner Schatz and I talked with key legislators - Shap Smith, John Campbell, Dick Sears, Claire Ayer and Anne Pugh before the State's Attorney announced the arrest of the mother. This helped to get the correct story out. I also want to highlight the extraordinary work of the social worker on this particular case. She did an outstanding job and is to be commended for her work. In reviewing this case, I was impressed with the work DCF has done, and the exceptional work our social workers do every day.

I continued to deliberately reach out and connect with a number of community partners this week. I attended a meeting of the VNA's Board of Directors, and met with the Vermont Care Network's Designated Agency Executive Board. In both of those meetings, I spoke to my vision for the Agency, particularly emphasizing the importance of integration and collaboration in order to achieve better

outcomes for Vermonters and the opportunities presented by Payment Reform. These were important opportunities to build relationships with some of our key partners, to discuss mutual agendas and to ensure that AHS remains accessible.

### **Agency of Human Services Central Office (AHS CO)**

#### **Harvard SIB Lab TA Grant Request Submitted**

The AHS Secretary's office completed and submitted a grant application to the Harvard SIB Lab for technical assistance to help Vermont explore the use of Social Impact Bonds and pay for success contracting.

#### **Meeting with Commissioner Ide re Restricted Licenses**

AHS held a meeting to begin a conversation related to addressing the issue of restricted licenses and their impact on low income Vermonters as recommended by the Governor's Council on Pathways from Poverty.

#### **Bennington County Coalition for the Homeless**

BCCH recently separated with their executive director, who had been at the agency less than one year. Over the past two years, BCCH has been receiving technical assistance from DCF OEO and Field Services; AHS will be continuing to offer support through this change in leadership via conference calls and attendance at Board meetings. BCCH will also be working with an outside consultant. They are the only operating emergency homeless shelter in the County and also support several transitional apartments.

#### **Morrisville Homes for All Summit for Providers and Landlords**

On February 5<sup>th</sup> a "Homes for All" Summit was held at the Green Mountain Technology & Career Center in Hyde Park. The focus of the Summit was on fair housing practices and building bridges between landlords and tenants. Twenty-five landlords from the local area attended along with local providers. A class being offered in April by Capstone called "Ready to Rent" was also highlighted as an option for clients interested in rental housing to help them overcome barriers and learn about being a tenant.

#### **HomeShare Vermont Expanded to Franklin County**

HomeShare Vermont has expanded services to include Franklin County. They have 30+ years of experience matching people who have a home to share with others looking for housing. They are currently seeking a match in Fletcher for an elderly man who needs help with firewood and dog walking in his home.

#### **Youth Mental Health First Aid Training**

Northwest Counseling and Support Services (NCSS) successfully trained 12 community members on Youth Mental Health First Aid. This course teaches adults in the community how to help a youth who is developing a mental health problem or experiencing a mental health crisis. The training helps the adult to identify, understand, and respond to signs of mental health illnesses and addiction.

### Policy Review – Habitability and Housing Quality Standards

The AHS Secretary's Office is working through the cross-departmental AHS Housing Task Force to review and standardize our departments' approach to habitability and quality standards of shelters and AHS-subsidized rental units. Currently, our practice – even with the same local provider – can vary based on which department, division or program is funding the activity. Developing common guidelines and approach will get us standards which are safe for our clients and sane for our community partners.

### Addison County Treatment Committee Work

The Addison County Treatment Committee is working on several initiatives, including the transition from the Rapid Intervention Community Court Program to Pre-trial Monitoring, support for MAT clients, collaboration with Burlington Labs, and a campaign for safe storage and disposal of drugs. This group includes professionals, concerned citizens and members of the faith community. This work is particularly important since Addison does not have a Hub nor does it have an Intensive Outpatient Treatment program, and only recently added spoke providers to the local system of care.

### AHS Uses Performance STAT to Focus on Substance Abuse

AHS Secretary's Office facilitated the second quarterly meeting of AHS STAT: Substance Abuse and established next steps based on leadership direction. AHS STAT brings together AHS Leadership, Commissioners, and staff from the Departments routinely to monitor and direct the implementation of consistent substance abuse screening and referral practices within each Department and across the Agency. Our goal is to ensure that our systems and practices are integrated, consistent, and effective so clients get connected to the care they need.

### Ongoing Scorecard Development for AHS Departments

The AHS Secretary's Office established next steps with DVHA for developing a Scorecard to reflect data related to the Autism benefit to demonstrate progress in capacity and utilization across the Designated Agencies. Also met with DCF Commissioners Office staff and Reach Up leadership about data and developing Scorecards to reflect outcomes and improvement.

### Vermont Accountability Group Meeting

AHS Secretary's Office represented AHS at the Vermont Accountability Group (VAG) meeting to discuss the Open Data Pilot and performance accountability across state government. The VAG is a group of leaders of nonprofits, private foundations, government, Benchmarks for a Better Vermont, and the legislature who have received RBA training and are committed to bringing greater accountability to their organizations, their sector, and Vermont through the use of RBA.

### BCBSVT Security Breach

Blue Cross and Blue Shield of Vermont (BCBSVT) notified Vermont Health Connect (VHC) that their Blue Card system had been hacked at 3:10 PM on 2/10/15. Apparently as a result of the Anthem Blue Cross Blue Shield break-in, VHC consumer records associated with one of its contracted carriers: BCBSVT have been compromised. BCBSVT informed VHC that they are continuing to investigate and would not know the extent of the breach for about 10 days. Since BCBSVT is a contracted carrier on the VHC and a non-exchange entity which VHC shares consumer Personally Identifiable Information with, VHC is required to report to the Centers for Medicare and Medicaid Services (CMS) any suspected breach within 1 hour of discovery. VHC reported the suspected breach to CMS at 3:50



PM on 2/10/15. In a follow-up communication with CMS on 2/11/15, VHC indicated it would file a revised report with CMS when it learns more detailed information from BCBSVT about the breach and the members impacted.

### **Vermont Department of Health (VDH)**

#### **Vermont Yankee Post Shutdown Decommissioning Activities Report Public Meeting**

On February 19, 2015, the US Nuclear Regulatory Commission (NRC) is hosting a public meeting to take comments on the Vermont Yankee Post Shutdown Decommissioning Activities Report (PSDAR) which was published December 19, 2014. The PSDAR describes the activities to be undertaken to decommission VY and how much they will cost. State agencies will provide comments, as will other members of the public in the audience. The Health Department is preparing written comments to submit to the NRC in writing before the public meeting. The written comments will be the basis of the Department's verbal comments presented at the public meeting. The public meeting is from 6:00 to 9:00 PM at the Quality Inn in Brattleboro.

#### **US NRC Agreement State Program Visit**

On March 6, Representatives of the US Nuclear Regulatory Commission will meet with Health Department officials to discuss Vermont becoming the 38<sup>th</sup> Agreement State. An NRC Agreement State is one that assumes regulation of users of radioactive materials that are the byproduct of nuclear reactors. In Vermont, there are 31 NRC licensees who would become the regulatory responsibility of the Health Department (twelve hospitals, three universities, two state agencies and fourteen industrial firms). Licensees would pay regulatory service fees to the State of Vermont instead of the NRC. Steps in the process of becoming an Agreement State include a formal letter of intent from the Governor, a draft request for an Agreement that includes the proposed radiation control program organization and draft regulations, NRC review and comment on the draft, a proposed Agreement that addresses NRC comments that is published in the Federal Register for public comments.

#### **VDH Comments Against VY's Permanently Defueled Emergency Plan**

VDH submitted comments to the NRC stating the license amendment request (LAR) Entergy Nuclear Operations seeks for Vermont Yankee should be denied. The June 12, 2014 LAR submitted by Entergy would exempt it from supporting most offsite radiological emergency plan commitments after April 30, 2016. VDH argued that the LAR request is inappropriate because:

1. Entergy incorrectly assumes only accidents that result in doses greater than the US Environmental Protection Agency Protective Action Guidelines require offsite radiological emergency response, when in reality any release of radioactivity from the plant that contaminates the environment may require an offsite radiological response only the State can provide;
2. Entergy incorrectly states that a comprehensive emergency management plan using only local fire protection, police and emergency medical services can meet the needs for an above ground or underground release of radioactive materials from the plant site;
3. There has been no rulemaking and public comment appropriate to the proposed exemptions. VDH also submitted expert declarations as evidence for a hearing with the NRC on the LAR. Health was joined in these two efforts by the Public Service Department and the Division of Emergency Management and Homeland Security.

### **Department of Mental Health (DMH)**

### Vermont Psychiatric Care Hospital (VPCH)

VPCH has 24 beds filled. By end of next week, they are anticipating enough staffing to fill all 25 beds.

### Brattleboro Retreat (BR) Update

Four state surveyors on site: Bonnie, Fran, Mary, and Susan (new), one regional surveyor on site RN/MSW. Part of the work is assessing the conditions of participation issues outlined in the SIA and progress report and also, part of the work is a follow-up on complaints. There are 11 since November 2014, and all are self-reported by BR.

Array of complaints:

- Several from “very ill” patients, as described by the Retreat, alleging rape, sexual comments by other patients, or sexual contact in some form.
- An inappropriate “hold” by a staff member.
- A Suboxone strip being found following contraband search.
- Destruction of a toilet seat, with cut to patient hand, and complaint of inadequate toilet facilities.
- A brief elopement from the court yard.
- Bruising that was noted on admission, but alleged to have occurred when someone stepped on the person’s hand.

Communications from Bill Roberson, CMS Regional, indicates that CMS is not staffed to do a full survey at this time. No time frame is identified for when the re-survey might occur, so current review is an interim step in monitoring progress.

Independent Consultants are involved and meeting frequently with surveyors. The consultants will interface with CMS around survey findings to gauge where the Retreat is following the outcome of the survey. Surveyors are expected to be on-site until Friday.

### WCAX on Mentally Ill Waiting in ED’s

WCAX aired Monday and Tuesday a segment regarding the mentally ill waiting in Emergency Departments (ED’s) and why VPCH still had empty beds. The coverage was one-sided with a lot of time for CVMC and UVMC (FAHC) waiting room doctors airing their complaints. There was some misinformation regarding VPCH and start up since July. The basic mantra was there are not enough beds. Deputy Commissioner Frank Reed has written some corrections – a discussion needs to be had regarding the best manner of correcting this information. In general, DMH and ED’s are working well together and it would be a mistake to be defensive and antagonize the ED Doctors. *fr.*

### Department of Disabilities, Aging and Independent Living (DAIL)

#### Alzheimer’s Disease and Related Disorders full day event at State House today

Commissioner Wehry and VDH testified before HHS today on progress towards goals of Governor’s Commission of Alzheimer’s Disease and Related Disorders to raise public awareness; promote early detection; support family caregivers. DAIL provides \$250K annually to families for dementia respite and there are no recommended cuts in the FY16 budget for this program.

### Testimony in House Human Services on Aging in Vermont

Of the over 620,000 citizens of Vermont, almost 16% are over the age of 60. Yesterday, House Human Services heard testimony from former State Rep. Toby Young, Chair of the Governor's Commission on Successful Aging, on the efforts to better support the mature worker through the Commission's initiatives in worker training and recognition of age-friendly employers.

#### Increased scrutiny of Developmental Services delivery system reveals more areas of concern

The Agency of Human Services has decided to continue the Rutland Mental Health Services (RMHS) contract with conditions, until May 1, 2015 to allow them to come into compliance with the terms of the contract for offering mental health and developmental disabilities services.

#### ABLE Act may be gaining traction

The ABLE Act of 2014 was signed into law by Obama in July. It allows for the establishment of tax-exempt savings account for individuals and parents of persons with disabilities who acquired their disability before age 26. The definition of disability is the same used by the Social Security Administration in determining eligibility for Social Security Disability Income (SSDI).

#### DAIL's Long Term Services and Supports survey to be released next week

The results of this independent consumer survey suggest that the large majority of consumers are satisfied with DAIL programs, satisfied with the services they receive, and consider the quality of these services to be excellent or good. The survey results are a clear indication that DAIL is in large part fulfilling its goal "to make Vermont the best state in which to grow old or to live with a disability ~ with dignity, respect and independence." This high level of satisfaction with long term care continues a trend observed in the survey results since 2008. Dissatisfaction with social life also remains high.

#### **Department of Corrections (DOC)**

##### CHSVT Update

Internally, DOC is in the planning stage of the CHSVT reduction. This continues to gather interest from multiple committees and media outlets. This week, House Institutions and Senate Education are taking testimony on this subject. Mark Johnson will also feature this on his show next week.

##### Population:

The department's incarcerated population averaged 1,950 for the previous week. The male population averaged 1,795 with 323 being presentenced. The female population averaged 155 with 34 being presentenced.

#### **Department for Children and Families (DCF)**

##### Burlington Warming Shelter Opens

The Burlington Warming Shelter opened last evening under the direction of the Champlain Valley Office of Economic (CVOEO) and multiple community partners. The 20 bed shelter has been full each night this week and DCF is seeing a decrease in the number of individuals needing to be housed in motels as a result. One individual who became disruptive during the evening was transferred to Act 1; the rest of the evening was uneventful. At 7:00 am Thursday, all guests left for the Chittenden Emergency Food Shelf for breakfast after signing up for their cot for this evening. The Shelter is off to a great start.

## **Department of Vermont Health Access (DVHA)**

### **Substance Abuse Residential Providers**

Last Thursday Barbara Cimaglio, Jackie Corbally, Cindy Thomas and Aaron French met with residential providers to discuss utilization review and prior authorization of adult services at Maple Leaf, Valley Vista & Serenity House. ADAP will provide further update in their report on the plan and next steps.

### **Audit**

The Office of the Vermont State Auditor is conducting a risk assessment of Vermont Informational Technology Leaders, which may be the subject of a performance audit or a non-audit inquiry.

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Chuck Ross, SECRETARY

STATE OF VERMONT  
AGENCY OF AGRICULTURE

**Confidential and Privileged**

TO: Gov. Peter Shumlin  
FROM: Chuck Ross, Secretary of Agriculture  
RE: Weekly Memo  
DATE: February 13, 2015

**Secretary's Top Issues**

**Secretary Ross addressing water quality with House Ag**

Secretary Ross gave comprehensive testimony to the House Agriculture and Forest Products Committee on water quality. He responded to specific questions about requests for new positions, the various forms of funding, what the distribution of money will be, as well as specific questions about definitions in H.35.

**Dep. Sec. LaClair and ANR presenting on lab governance for new**

Ag Dep Secretary LaClair and ANR Dep Sec Martin addressed the Governance Model for the Ag and Environmental Lab. The agencies are in the process of building a reporting structure to include a Governance Board to have oversight/management of the Lab Director and staff; a Lab Management Team, including VTC representatives, to provide continuous input about programs and processes; and a Stakeholder Committee which would communicate constituent group needs...from farm and environmental organizations to municipalities.

**Consumer Protection Chief Henry Marckres addressing maple issues**

Henry Marckres, Chief, Consumer Protection (and recent author of an International maple Syrup Institutes paper) has been dealing with various questions this week dealing with maple quality, safety and grading from Tennessee, Virginia, Ohio, Wisconsin, Ontario and Quebec. Marckres also participated in a meeting with Secretary Ross and a representative of the VT Attorney General's office to discuss issues of fake maple.

**500 lb ammonia leak in Swanton cheese facility**

There was a large ammonia leak (500 lbs) at the Swan Valley cheese plant in Swanton Vermont. State Hazmat and the local fire departments responded to the scene. Brian Young, the Agency Dairy Product Specialist for that area talked with the plant manager to see what we could do to assist them and help them outline what steps would need to be done to get the plant cleaned up, re-inspected and ready to get back into production. The plant went through the process of washing down all exposed surfaces and emptying and refilling brine tanks to assure there was no residual ammonia on the plant surfaces. Fortunately all of the cheese intended to be sold as food, as well as all cheese making supplies, were adequately protected and not affected.

**Secretary Ross at NOFA and St. Albans Cooperative Creamery**

Secretary Ross will be participating in both the NOFA winter conference at the University of Vermont, as well as the St. Albans Cooperative Creamery conference in St. Albans this Saturday. AAFM and the Governor's offices worked collaboratively to orchestrate a message for Sec. Ross and the Governor that highlight the importance of organic farming, dairy farming, and commitment to the state's environmental health.



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Chuck Ross, SECRETARY

STATE OF VERMONT  
AGENCY OF AGRICULTURE

**Confidential and Privileged**

TO: Gov. Peter Shumlin  
FROM: Chuck Ross, Secretary of Agriculture  
RE: Weekly Memo  
DATE: February 13, 2015

**Status of Governor's Priorities:**

**Legislative Activities and Issues**

State Veterinarian, Kristin Haas, responded to an inquiry from Representative Terry Macaig regarding legislation that would make the owners of animals seized during animal cruelty legal proceedings responsible for payment of their care, rather than the municipality.

State Veterinarian, Kristin Haas, received confirmation this week from Senator Sanders' office that he signed on as a co-sponsor of the Veterinary Medicine Loan Repayment Enhancement Act as a result of encouragement from her and from the Vermont Veterinary Medical Association.

**February 6, 2015**

***House Committee on Corrections and Institutions***

***Capital Construction Bill***

Deputy Secretary LaClair presented the Vermont Building at the Eastern States Exposition annual report to the House Committee on Corrections and Institutions. Her testimony was performed in conjunction with Tricia Harper, Architect for the Department of Buildings & General Services. The report touched on the success of the 25 Vermont companies exhibiting at the building during the Big E fair, most notably was another record sales year with \$1.74 million in gross sales and record attendance of 1.4 million. The building continues to operate with a budgetary goal of re-investment into the building infrastructure. The reserve fund is set at \$105,000 going into this year's fair. In order to maintain the \$100,000 floor in the reserve fund the agency determined a commission re-structuring was necessary. Through research of other fair operations it was determined the current commission rate was below industry standard. The agency has adjusted the rate to 13% for all sales. This will allow for the reserve to be maintained at \$100,000 while also re-investing into the building on an annual basis despite increases in the operating budget. Through investment by the agency and the Capital Bill, BGS has the funding necessary to complete the repairs. Deputy Secretary LaClair noted that 3 years ago we identified \$699,000 in needed repairs. Today, we are down to \$365,000 in needed repair work. The agency showed the committee the new video produced this past fair season and Chairwoman Emmons was interested in the potential new vendors and what the agency plans to do in order to increase sales in the building.

**February 10, 2015**

***House Agriculture and Forest Products***

***Raw Milk***

Dr. Kristin Haas and Dan Scruton provided testimony to House Committee on Agriculture re. raw milk sales/distribution in VT. Haas presented [testimony](#) and provided committee with the [other supporting documents](#). Dan Scruton gave a brief overview of the current VAAFM compliance policy. Both answered multiple questions from the committee members largely related to the farm tour, milk sampling and animal health testing requirements. The Committee Chair stated that there would be a raw milk bill "coming over" but details unknown at this time. She would like to work collaboratively with VAAFM to develop compromise language around the three categories above.

## ***House Ways and Means***

### ***Current Use House proposal Draft 3.1***

Jim Knapp, Department of Taxes; Randy Viens Essex Town and VALA; Steve Jeffrey, VLCT testified Jim Knapp, Tax Department The committee wanted some explanation on the mechanics of tax bills including what information the Tax Department provides to municipalities; how Ag land value is generated by the Agency of Agriculture (Jim Knapp will forward spreadsheet);

Questions:

Does the National Ag Statistical Survey (NASS) have rental rates by crop? No. Rep. Clarkson pointed out that products produced on the land don't fluctuate in price, so it is equitable.

Is it fair to have the same rate around the state? Jim says yes because how would one address a boundary between two rates and different rates would create a challenge.

NASS is a third party assessment of values. Unbiased source of information.

What do other states do?

There is potential for spread in land value, better deals in parts of state with higher land values. Yes.

Generally, there was a discussion

- Bill includes 50% of collection of land use change tax will go to municipalities, why? Work load varies by town , but to appraise value it requires a site visit, comparison to other parcels
- No land use change tax assessed on buildings, why?
- The penalty goes to general fund and not Ed fund, why?

VLCT opposes 30% valuation of farm buildings. Difficult because towns do all the work with minor revenue generation, and there will be more appeals.

Mark Perrault, JFO

Money in "easy out" is about 1.5mill, however difficult to determine enrollee behavior. Guess at Ed fund revenue based on grand-list is 0.5 mill in FY17.

Land use change will be a delay. Three times greater at 10% of land use change. But would take time to ramp up again after currently enrollees use easy out.

VLCT and VALA support the proposed bill.

**February 11, 2015**

***House Gov. Ops***

***DII and IT***

Deputy Secretary Jolinda LaClair, Finance Director Marcey Hodgdon and IT Director Scott Marshia provided testimony (and the attached file) regarding the Agency's costs relative to IT. Testimony included agency IT positions, current agreements/databases, \$ paid to DII and lifecycle replacements.

Questions regarding IT - What is our process for procuring IT services? Do we go through DII? Do we reach out to others, i.e. E-911 for GIS mapping sharing? Do we collaborate with other agencies'/departments' IT staff? Agency commented as a small state agency, DII has played an important role connecting with vendor resources and project managers, as well as offering a forum for the IT Director to connect with other agency counterparts.

Questions regarding new Water Quality positions - what will they be doing? What is the planned longevity? What is the difference between what we do and what NRCS does? Duplication of efforts between us and NRCS?

**February 12, 2015**

***House Fish and Wildlife***

***H. 35 Water Quality***

Secretary Ross and Deputy Secretary Bothfeld listen to walk through and mark-up of H.35. Much discussion on definition of a small farm and who will or will not have to be certified. All in rule making at this point but concern that

further parameters should be set by legislators to guide rulemaking. Hope for a better outcome from rulemaking is more direction is provided.

Also need for both AAPs and BMP in meeting the Clean /Water Law at the federal level. Did not get very far into the bill with this amount of debate.

### ***House Corrections and Institutions***

#### ***Capital Bill – Ag/ANR collaborative lab***

Ag Dep Secretary LaClair and ANR Dep Sec Martin addressed the Governance Model for the Ag and Environmental Lab. The agencies are in the process of building a reporting structure to include a Governance Board to have oversight/mgmt. of the Lab Director and staff; a Lab Mgmt Team, including VTC representatives, to provide continuous input about programs and processes; and a Stakeholder Committee which would communicate constituent group needs...from farm and environmental organizations to municipalities. Rep Maida Townsend was sent by Govt Ops to listen. Questions about the reporting structure, and ensuring that ANR was equally represented were asked by one committee member – repeatedly. Chair Emmons asked whether the governance model, which now includes a merger of staff from ANR and Ag into a new structure under Ag, needs to be in statute. We, agencies, do not think so but offered to receive guidance from both committees as well as further analyze. Agencies will provide an update to the committee in April after the Lab Director is on board; we also offered to present to Govt Ops.

### ***House Agriculture and Forest Products***

#### ***Water Quality***

Secretary Ross gave comprehensive testimony to the House Agriculture and Forest Products Committee on water quality. He responded to specific questions about requests for new positions, the various forms of funding, what the distribution of money will be, as well as specific questions about definitions in H.35.

### **Significant Events/Meetings:**

- A quarterly meeting of the Vermont Livestock Care Standards Advisory Council was held this week. The Council met with members of the House Committee on Agriculture to discuss legislative initiatives that pertain to livestock well-being and continued to work on the calf transport outreach initiative. The Council raised \$2,450 in support of this initiative and will be hiring a contractor to collate necessary materials for wide distribution to animal agriculture stakeholders.
- Animal Health completed a herd inventory reconciliation for a non-compliant cervid producer in Rutland County, bringing the producer into compliance. The producer contacted the Animal Health Office to discuss importing deer into VT from NY and was advised of the requirements. The producer still owes the penalty amount from the final order on his count of continued non-compliance.
- Animal Health staff collected obex (brain stem) and lymph samples from a red deer sent to slaughter for Chronic Wasting Disease Testing.
- Animal Health staff completed a post-quarantine check on a dairy farm that had a skunk test positive for rabies in early fall of 2014.
- Assistant Veterinarian provided instruction at a veterinary accreditation session for 3 new veterinarians. Veterinarians were provided information on Vermont specific disease and regulatory programs. These sessions are held jointly between the Animal Health Office and the USDA Veterinary Service's field veterinarian.

### **Evolving Issues:**

- The FSCP Division, in collaboration with Ag Dev staff, provided an introductory letter and outreach materials to farmers market managers regarding VAAFM inspections of markets in 2015.
- Animal Health Specialist Cameron and State Veterinarians Haas and Mehlenbacher worked this week to complete and submit the 2015 cooperative agreement workplans and Traceability Road Map by February 13<sup>th</sup>.
- State Veterinarian Kristin Haas finalized logistical plans this week for the New England regional emergency exercise being hosted in White River Junction in May.
- Animal Health is experiencing some frustration with FDA regarding an upcoming tissue residue training course as the section needs to send an inspector to the class so he can conduct the increasing number of tissue residue cases referred to staff by FDA. The Section did not receive proper information regarding the registration deadline and has requested that FDA add the Vermont staff person. Despite multiple email and voicemails messages, the Assistant State Veterinarian has not heard back from FDA, not even in acknowledgment of receipt of messages.

- Animal Health quarantined a premises in the Jericho area due to importation of a horse with falsified Coggins test papers. A local area clinic is testing the horse for Equine Infectious Anemia and the quarantine will be lifted when the Animal Health Office receives negative test results. The Office followed up with the originating state's State Veterinarian regarding the falsified paperwork. Additionally, there are some discrepancies with the Certificated of Veterinary Inspection completed by the vet clinic in the origination state. State veterinarians in both states will be contacting the clinic.

## **Summary of Key agency Department Activity**

### **Administration:**

See comments above on legislative testimony on February 6<sup>th</sup> by Deputy Secretary LaClair re. Eastern States Exposition.

Deputy Secretary Bothfeld attended an VTC Farm Advisory committee meeting at VTC. The advisory group is composed of industry experts, alumni and faculty and staff from VTC to determine the future of the farm at VTC. The farm needs investment and the college would like the farm to operate in the black but provide meaning education of students. Many changes in staff responsibilities at the farm are being proposed and the potential for a value added processing facility is being discussed. VTC is critical for technical training for VT young dairy farmers but could also play a vital role in continuing education for VT Dairy farmers. One possibility would be water quality training such as tillage practices and manure management like injection. It was stated that UVM Extension is very active in the Lake Champlain basin but not doing similar work in Central Vermont. VTC could fill that role. VTC just added a Herd Management Certificate program for continuing education for dairy farmers – all classes have been full. This was attended by many Vermont dairy farmers, but also dairy farmers from Maine and New Hampshire.

Agency of Ag and ANR leaders, along with the BGS project architect, met with VTC leadership for the first deep dive to assess Lab opportunities between the State and VTC. From VTC degree programs to internship, work study and certificate training programs, the opportunities to share and enhance resources is grand. BGS has already invited the VTC architectural and engineering major to join for site visits in the construction phase. These meetings will continue bi-monthly, building a comprehensive partnership document for action over the next year. Many collaborations will begin long before the lab opens in 2018.

### **Marketing and Communications:**

Katie Flagg (Seven Days) is interested in reviewing the Water Quality enforcement files to better understand the Agency's process. We are working with her to arrange a time when she can come in.

Peter Hirschfeld (VPR) taped and interview with Diane Bothfeld about the Agency's policies regarding raw milk

The Milk Matters Dairy Study, launched at the end of Jan, has received some great press...

- **Times Argus:** [\*Worth The Effort\*](#)
- **VT Digger:** [\*VERMONT DAIRY FARMS HAVE \\$2.2B ECONOMIC IMPACT\*](#)
- **WCAX:** [\*Vt. dairy industry generates \\$2.2 billion\*](#)
- **Vermont Business Magazine:** [\*Vt. dairy industry generates \\$2.2 billion\*](#)
- **Food Manufacturing News:** [\*VT Dairy Industry Milking In The Money\*](#)
- **Farm Journal/Ag Web:** [\*Study Highlights the Value of Vermont's Dairy Industry\*](#)

### **Agricultural Development:**

- This March, the Agency of Agriculture and the Working Lands Enterprise Board Forestry Subcommittee, are hosting four value chain workshops throughout the state of Vermont. The topics of the four workshops are: Furniture and Wood Products, Construction, Wood Energy, and Enhancing the Value of Vermont's Woodlands. A value chain is a network of people, businesses, institutions and nonprofits that collaborate to meet market demand for specific products or services. Value chains include "demand partners" who purchase the goods and services produced; "transactional players" who contribute directly to producing a good or service; and "support players" who provide support to the transactional players. The types of people invited to attend this workshop are wholesale buyers, processors, brokers, transporters, secondary manufacturers, consulting foresters, and people from organizations providing support services such as training, research, and equipment.

- These workshops are part of a year-long analysis of the forest and wood products industry in Vermont. The goal of this comprehensive analysis is to engage stakeholders from all parts of the industry, from the raw products to value-added and manufacturing, to help the State of Vermont, the Working Lands Enterprise Board, and the general public to better understand the industry and help target grant funding to best support and grow this industry. WLEB has contracted with a St. Albans-based firm, Yellow Wood Associates, to lead this project. Yellow Wood will be facilitating the workshop and integrating the results with the findings from the year-long study.
- On Friday February 6<sup>th</sup> the application window for the trade show grants ended. We received 34 applications, 3 from agricultural product businesses, 7 from forest product businesses and 24 from food product businesses, with a total ask amount of \$48,054. A review committee will review and score the applications with decisions being made by the end of the month.
- Senior Agricultural Development Coordinator Alex DePillis is monitoring H.40 (Senate version S.51), the energy bill, and provided brief responses to questions from members of the House Committee on Natural Resources and Energy, during the committee's discussion, with regard to the status of food waste being used in farm digesters. DePillis emphasized that on-farm digesters could be part of the needed infrastructure to handle anticipated food waste resulting from the requirements of the Universal Recycling Law, and that farm or non-farm digesters could work in tandem with composting, rather than being seen as strictly in competition. The House Committee on Natural Resources and Energy plans to hold a two-part vote on H.40 ("An act relating to establishing a renewable energy standard and energy transformation program"), on Friday and on Tuesday, in order to accommodate committee members' schedules.
- Senior Agricultural Development Coordinator Alex DePillis, with farm-energy counterparts in New Hampshire and Connecticut, assembled an application to USDA Rural Development, for funding under the Rural Energy Assistance Program, to perform energy audits. The Agency's letter of support included a commitment of \$15,000 cash match. Also submitting letters of support for the project, from Vermont, were EnSave, Inc., Efficiency Vermont, and the Vermont Housing and Conservation Board's Farm Viability Program. The Connecticut Farm Energy Program, through its partner Resource Conservation and Development Area, was the applicant of record, requesting a total of \$100,000 to be split evenly between the three states. A new, regional organization, the New England Farm Energy Collaborative, housed in Massachusetts, will provide the coordination function. The University of Vermont Extension is aware of the effort, and can support it from within its research and education mission.

## **Food Safety and Animal Health and Consumer Protection:**

### **Consumer Protection:**

- Henry Marckres, Chief, Consumer Protection has been dealing with various questions this week dealing with maple quality, safety and grading from Tennessee, Virginia, Ohio, Wisconsin, Ontario and Quebec.
- Henry Marckres, Chief, Consumer Protection, has been included as an author of the International Maple Syrup Institutes paper on good management practices for reducing lead in maple syrup.
- Consumer Protection is in various stage of progress in penalties involving scanner violations and short weight. The penalties amount to \$51,750.00

### **Animal Health:**

- Animal Health Field Staff
  - Completed and closed a tissue residue case involving an unlicensed livestock transporter
  - Provided traceability supplies to livestock dealers in Enosburg and completed 2 annual inspections
  - Provided Mycoplasma testing for a poultry producer exporting hatching eggs to Canada.
  - Attended the weekly auction at Addison County Commissioned Sale, monitored for traceability compliance and completed the weekly livestock sales market report.
  - Participated in a USDA Animal Disease Traceability national conference call. Issues discussed included the tagging and recording of dairy bull calves sold and the pilot program using the UHF (ultra-high frequency) RFID tags at livestock comingling facilities. This program shows great promise as the tag readers do not have to be as close to animals to read tag numbers as with regular RFID tags.



- Provided information to a caller who is interested in raising red deer.
- Responded to a complaint regarding the care of reptiles at a Burlington area pet store.

### **Dairy:**

- Friday evening February 6, 2015 there was a large ammonia leak at the Swan Valley cheese plant in Swanton Vermont. State Hazmat and the local fire departments responded to the scene. The maintenance crew that was at the plant at the time was able to get out safely. Brian Young, the Agency Dairy Product Specialist for that area went to the plant that night around midnight and talked with the plant manager to see what we could do to assist them and help them outline what steps would need to be done to get the plant cleaned up, re-inspected and ready to get back into production. Saturday Brian returned and did a walkthrough of the plant with the Plant Manager. The plant went through the process of washing down all exposed surfaces and emptying and refilling brine tanks to assure there was no residual ammonia on the plant surfaces. Fortunately all of the cheese intended to be sold as food was adequately protected and not affected. The cheese making supplies were also all protected. Compliments to the hazmat team and the fire department for keeping things contained and monitored until it was safe for the plant crew to go back in and clean up. Monday Brian was able to inspect the plant and allow them to restart.
- Steve Volk, The Agency's Dairy Product Specialist from Addison County was evaluated by FDA and was certified to be a State Rating Officer for dairy plant operations. This qualifies him to Rate Grade A dairy plants for the NCIMS program. This rating is required of all plants that want to sell Grade A dairy products into interstate commerce. The exam is a process where he inspected a group of plants concurrently with the FDA regional milk specialist and has to find at least 80% of the same violations in the plants. Steve not only passed he was in 100% agreement with the FDA specialist.
- Greg Lockwood, The Agency's Dairy Products Program Supervisor, received the John C Finley award this year. It was presented at the Annual Dairy Banquet at the Vermont Farm show last week. The award is given each year to an individual based on their dedication to Vermont Agriculture and education. Greg supervises the dairy plant inspectors for the Agency and assists all of the new processors get their facilities ready to go. On the plaque is the line "This award is bestowed each year upon that individual held in the highest esteem by the Vermont Agricultural Community." The honor is well deserved.

### **Agricultural Resource Management:**

- Water Quality Partner Liaison Michael Middleman gave a joint presentation with Marli Rupe of the ANR-DEC Water Management Division to the Vermont Agricultural & Forest Development Board on February 4, 2015. The presentation was on agricultural water quality issues, such on proposed changes in EPA's draft TMDL for lake Champlain and the Agency's focus on increasing stewardship and accountability.
- Staff are working with Stone Environmental to build a geospatial database that will allow for planning and tracking of agricultural conservation practices among several agricultural water quality partners in Vermont. The project is currently in the design phase and will be moving towards development next month.
- VAAFM reconvened the Agricultural Work Group to discuss fees for water quality generated from the agricultural community and whether current use is an appropriate tool for compliance with WQ standards. The group felt the fertilizer fee was not the right fee and instead provided input to suggest that per acre or permit based fees were much more meaningful. They felt that if small farms were included in the fee process (ie. through small farm certification) that the fee would be fair and in time would accomplish the goals of generating support for water quality and identifying where the farms are located.
- VHCB, VLT, DEC, VACD, VAAFM and NRCS met this week to discuss an upcoming training intended to teach many agricultural partners that work with farmers about the WQ regulations and technical services available to farmers. This is a broad cross training attempt at making sure field staff from all partners are equipped with information that they can then share with the farmers.
- VAAFM and DEC worked on a reduced RCPP budget this week. The original proposal was for \$20M and the actual amount awarded will be closer to \$16M and must also include the technical assistance that NRCS will need to hire internally. So the expected amount for farmers is likely to be around \$13M but negotiations are still in progress.

- The Lake Champlain Basin Program met this week to finalize budget obligations for the next fiscal year. Agricultural items that made the cut include research on tile drainage, funding to support the agronomist positions, funding to support the training and education of private engineers to perform agricultural water quality improvements, and possibly the development of a performance based phosphorus management approach on farms (still waiting on funding decisions from great lakes fishery funds to make this cut). Other things of interest include a land use land cover analysis that will compare previous assessments to see if land use changes are happening at the watershed scale.

### **Medium Farm Operation (MFO) and Large Farm Operation (LFO) Programs**

- Staff attended a Lake Memphremagog Ag Working Group meeting to discuss water quality improvement efforts within the Memphremagog watershed.
- Staff met with representatives from ANR as well as other AAFFM staff to discuss the Agriculture Section of Basin 5 watershed plan (Lake Champlain Direct Basin).
- Staff met with a MFO from Caledonia County to discuss BMPs for water quality improvements with the farm's owner.
- Staff discussed the MFO program with a farmer from Caledonia County that is interested in building a new barn for egg laying hens that would meet the MFO threshold. We appreciate that the farmer is calling us before he builds and has the potential to become an MFO.
- Staff conducted a visit to a MFO in Caledonia County to discuss ground water and cropland management and how changes to management could improve ground water in surrounding wells. This was a joint visit with the ARM Division's ground water monitoring program as well as a representative from the local Conservation District who is working in the area to improve ground water in the area.
- Staff are continuing to process LFO permits and permit amendments for several farms.
- Staff sent out a second reminder to LFOs regarding their annual reports which are due by February 15 each year.
- Staff are drafting reports and memos related to inspections and enforcement cases.
- Staff are coordinating enforcement efforts, both in house and with the Attorney General's office for several ongoing and future enforcement actions on MFOs and LFOs for water quality compliance concerns.
- Staff are continuing to work on the USA FoodSafety water quality database. This includes database testing, development and data migration. The Water Quality team has submitted all necessary documents for development and will begin focusing more heavily on database testing in the staging environment.

### **Conservation Reserve Enhancement Program (CREP)**

- Staff provided a "field user" perspective input to Stone Environmental staff working on development of the new Ag BMP database.
- Staff prepared for upcoming field visits to farms with potential CREP projects.
- Staff processed field data gathered for planning CREP projects in ArcMap.
- Staff attended the Lake Memphremagog Watershed Ag Working Group meeting.
- Staff attended a meeting with ANR-DEC to provide input to Agriculture Section of Basin 5 watershed plan.

### **Secretary's Comments:**

- Secretary Ross participated in an Agricultural Workgroup Meeting at the Department of Public Works in South Burlington. He was joined by several members of VAAFM's water quality team.
- Secretary Ross and other members of VAAFM met with VT Assistant Attorney General Naomi Sheffield for a conversation about "fake maple" and enforcement of it. This is a major concern for Vermont's maple industry.
- Secretary Ross participated in the monthly Cabinet Meeting.
- Secretary Ross spent the better part of two days participating in the Lake Champlain Basin Program's Steering Committee meeting in South Burlington.
- Secretary Ross participated in several conversations with the Governor's office including discussing Current Use, meeting with representatives of the Citizens Advisory Committee.
- Secretary Ross participated in the VT Farm and Forest Viability Program's advisory board meeting.
- Secretary Ross gave comprehensive testimony to the House Agriculture and Forest Products Committee on water quality. He responded to specific questions about requests for new positions, the various forms of funding, what the distribution of money will be, as well as specific questions about definitions in H.35.

- Secretary Ross participated in a weekly cross-agency call with VAAFM and ANR/DEC leadership to review water quality initiative efforts for the week.
- Secretary Ross met with Heather Furman of the Nature Conservancy.
- Secretary Ross participated in the Vermont Low Income Trust for Electricity board meeting.

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Agency Secretary

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**State of Vermont  
Agency of Natural Resources**

**CONFIDENTIAL and PRIVILEGED**

**To: Governor Peter Shumlin**

**From: Deborah Markowitz, Secretary, Agency of Natural Resources**

**Date: February 13, 2015**

**Subject: ANR Weekly Report**

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**Governor Level Issues:**

**NRB Transition:** This week Jon went before the Natural Resources and Appropriations committees to talk about the NRB budget language and his goals as the new chair. His comments were well received. Folks within and outside of the legislature recognize his long standing commitment to strengthening Act 250 in the state; and his past experience as Executive Director of the Water Board has given him tremendous credibility with internal as well as external stakeholders. Jon also had his first Natural Resources Board meeting at which they discussed the budget, Act 250 rule revisions and appeals. His impression is that they will be supportive of the changes he will be looking to implement. Jon and I will want to speak briefly with the Governor to discuss Jon's long term goals for the board and his suggestion for filling the vacant board position with a person who he knows will be able to help support him in this endeavor.

**Solid Waste Infrastructure Advisory Committee (SWIAC) Report:** Last year the legislature asked us to appoint a committee to provide recommendations to the legislature related to implementation of the Universal Recycling Law. The committee members include haulers, districts, composters and associations (including VPIRG and the grocers.) We submitted this report on their behalf, this week. The report summarizes the existing recycling and organics collection and processing infrastructure in Vermont, the gaps, and the estimated costs to fill these gaps. The report also recommends funding options including a Solid Waste Service Fee (closing a sales tax loophole for solid waste services) and a Disposable Bag Tax. At some point I would appreciate discussing our strategy as the committee takes up this report and begins to consider this report.

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**453 Pine Street:** We met with Rick Davis, the owner of a contaminated property in Burlington, adjacent to the Pine Street Barge Canal Superfund Site, along with ACCD and AOT (including Pat Moulton, David Mears and myself.) This property has been the subject of an intensive collaborative effort among the owner, state agencies, and city officials to redevelop this site. The goal of the meeting was to get a status report on the project and to use this site and project as an opportunity to evaluate whether the BERA (Brownfields Economic Revitalization Alliance) is achieving the intended results. The shared goal at this site and other BERA project sites is to return the property to a positive economic use and to overcome the many hurdles that exist to redevelopment of contaminated properties. In this instance, the owner has identified viable options for developing the property and will continue to work with the state and city to get to a final proposal. Mr. Davis expressed significant appreciation for the initiative and indicated that but for BERA, the project would not be a viable investment.

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## **EVERYTHING ELSE:**

### **Legislative Issues/Contacts:**

**Clean Water Initiative (H.35):** Hearings continue before the House Committee on Fish, Wildlife and Water Resources, with testimony being received from a broad array of interests. The bill's main provisions remain intact with the primary unresolved issue being DEC's fees, the proposed fertilizer fee and the Clean Water Fund revenue proposal (impervious cover assessment). Other background testimony is being provided by ANR, AAFM, ACCD and AOT in the transportation, agriculture and other environmental and natural resources committees in both the House and Senate. FPR Commissioner Snyder also provided testimony to the committee regarding opposing proposed changes to enabling statutes related to the forestry AMPs.

**DEC General Programmatic Fees:** House Ways and Means marked up and passed out the DEC general programmatic portion of the fee bill (everything but the clean water fees which are in H.35, the Clean Water Bill). The committee made minor changes to one of the fees, but made no changes with negative implications for the budget. The fees passed second reading on Thursday.

**Capital Budget Proposal:** Facilities Engineering and Watershed Management staff testified in support of DEC's portions of the Capital Budget before House Corrections & Institutions. The testimony provided background on the Ecosystem Restoration Program, used to provide grants related to our clean water initiative and Lake Champlain restoration plan. Testimony also provided detail regarding DEC's request for funding to improve state-owned dams, as well as for the clean water and drinking water state revolving loan fund and pollution abatement grant program. Some legislators and communities are expressing concern that projects eligible to receive pollution abatement grants in their communities are not part of the current budget request. This is due to the number of grant requests which exceeded capital funding available given other pressing state priorities. DEC will work with affected communities to identify alternative funding strategies.

**Renewable Energy Standards Bill (H.40):** In hearings before the House Natural Resources and Energy Committee, the Vermont Independent Power Producers Association (VIPPA), Green Mountain Power and other independent hydroelectric project owners requested a provision to limit DEC's authority to require projects to meet water quality standards as part of a process for determining whether certain hydropower projects qualify for the proposed renewable energy credits program. DEC staff working with the Office for Planning and Legal Affairs has identified a compromise proposal that should be acceptable to both regulated entities and DEC.

**Budget Presentation:** Agency leadership presented the 2016 budget to the House Committee on Appropriations this week. No major issues were raised by the committee during the presentations from Secretary Markowitz and the commissioners.

### **Press Issues/Releases/Contacts:**

**Clean Water Media:** Clean Water legislation continues to generate media. The following are links to recent articles if you missed them in the daily clips:

Committee likes proposed clean-up funding for lake

<http://www.wptz.com/news/committee-likes-proposed-cleanup-funding-for-lake/31035498>

Vermont farmers ready for new run-off rules

<http://www.vnews.com/home/15451332-95/vt-farmers-ready-for-new-runoff-rules>

Farmer receives kudos for water quality efforts (video link)

<http://www.wcax.com/story/28003219/farmer-receives-kudos-for-water-quality-efforts>

Get serious about lake clean-up (Op Ed by James Ehlers)

<http://www.rutlandherald.com/article/20150201/OPINION06/702019952>

Shared commitment to the lake (Op Ed by Elizabeth Courtney)

<http://www.rutlandherald.com/article/20150201/OPINION06/702019954>

**SOUL Tree Stewards Course Offered in Middlebury this Spring:** The [Stewardship of the Urban Landscape \(SOUL\) Tree Steward Program](#) trains stewards and advocates for the trees, forests, and green spaces in which we live, work, and play. With 15 years of course offerings and more than 400 program participants, this educational and community leadership training is a great opportunity for Vermont citizens. The SOUL Tree Stewards program is comprised of four evening classes and one Saturday class in March and April.

**Waterfowl Blinds Must Be Removed:** Waterfowl hunters who did not remove their hunting blinds from the waters of the state earlier must do so before Feb 15 on Lake Champlain or May 15 on inland waters according to a reminder from the VTFWD. State law requires removal of the

blinds before these deadlines in order to protect natural areas and to prevent boating accidents after the ice melts.

**Public Hearings on Fishing Regulation Changes:** Two public hearings on changes to fishing regulations will be held later this month by the Vermont Fish & Wildlife Board, including a catch and release requirement for sauger, a species in decline in Lake Champlain and a permanent “Test Water Designation” with restrictions on the Batten Kill and some of its tributaries.

### **Significant Events/Meetings:**

**New Web Site:** We have been working on updating the agency websites over the last couple years. I am happy to report that the first department site, Forests, Parks and Recreation web site is scheduled to go live on Mon, Feb 23. We expect the ANR home site to go live in March.

**VLCT Advisory Committee on Clean Water Meeting:** Commissioner Mears met with the Vermont League of Cities and Towns clean water advisory committee last week to review the clean water bill (H.35). The greatest area of concern expressed by the committee relates to DEC’s regulatory fees and the Clean Water Fund revenue proposal (impervious cover assessment).

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## **SUMMARY OF KEY DEPARTMENT ACTIVITY**

### **Office of Planning and Legal Affairs (OPLA)**

**Vermont Gas Phase II:** In response to VG’s announcement Tuesday that they will withdraw their Phase II project, OPLA is working with DEC’s regulatory programs to unpack the range of collateral permit applications that are pending for Phase II. Program and legal staff will determine what process VG must follow to withdraw their permit applications and what, if any, permit fees may be refunded.

**Atlantic Wind:** OPLA has scheduled a scoping meeting for March 4, where staff from all three ANR departments will meet with representatives from Iberdrola Renewables to discuss the company’s Atlantic Wind project, an up to 90MW wind energy project proposed in the towns of Windham and Grafton. Iberdrola obtained a CPG for meteorological towers in at the site in 2012 and now appear ready to move forward with natural resources assessment field work and studies this spring and summer. The purpose of the scoping meeting is for the developer to present an overview of the project, gather information from ANR regarding site characteristics and natural resource constraints, and to discuss the range of studies and field work that must occur prior the filing of any applications to ANR or the PSB.

**Rt. 7/Rt. 207 Build-Out plan (St. Albans):** OPLA this week began to review the conceptual build-out plan for lands at the intersection of Routes 7 and 207 in St. Albans. The proposed



build-out raises potential significant issues related to wetland impacts and may raise Act 250 criterion 9L issues. OPLA has initiated outreach to ACCD, VTRANS and the NRB to meet and discuss the proposal in advance of engaging with the Town and the applicant.

**Section 248 Fee and REV Dialog:** OPLA this week continued conversations with REV around ANR's proposed Section 248 application fee, which is included in ANR's fee bill. While factions within REV seem generally supportive/neutral towards a reasonable application fee, others within the organization have raised questions regarding how the fee revenue will result in better service to the regulated community and how ANR will quantify/account for those improvements. OPLA has worked up a responses to these concerns and will continue to engage REV around the fee.

**New Applications Week of Feb 9:** OPLA received 3 new Act 250 application and 2 new Section 248 applications.

### **Environmental Conservation**

**Amended Federal Regulation on Wood Heating Devices:** On Feb 3, EPA strengthened national clean air standards for residential wood heaters to make new heaters significantly cleaner and improve air quality in communities where people burn wood for heat. The updated standards, which are based on improved wood heater technology, strengthen the emissions standards for new woodstoves, while establishing the first ever federal air standards for several types of previously unregulated new wood heaters, including outdoor and indoor wood-fired boilers (also known as hydronic heaters), and indoor wood-burning forced air furnaces. The rule will not affect existing woodstoves and other wood-burning heaters currently in use in people's homes.

**Beaver Wood Energy (Fair Haven):** A construction permit extension was issued for this proposed wood-fired electric power plant with a co-located wood pellet manufacturing operation. The facility has not yet secured a power purchase agreement or obtained its PSB approval and thus has not commenced construction. This is the second extension of the permit for this facility and further extensions are unlikely without substantial progress towards commencing construction.

### **Fish & Wildlife**

**Bats:** Staff performed a regulatory review of building demolitions that may contain little brown bat colonies. Staff also met with VTRANS to discuss bats in ledges as they plan highway projects. Great ideas were brought up by their biologists on how avoid disturbing roosting small-footed bats and enhance ledge areas to create more roost potential. Staff got out into the field for a hibernacula survey of Nickwackett Cave and Philidelphia Cave. Sadly, no northern long-eared bats in Nickwackett, but some little brown bats remain at this site along with two tri-colored bats, which have persisted over the past few years. This is part of F&W's effort this winter to survey

smaller sites, some of which have not been visited since the 1990s, that contain small numbers of tri-colored bats. Staff are interested in determining whether this species is holding on in the aftermath of White-nose Syndrome. Also conducted the second hibernacula entry at Aeolus Cave to download data and reset equipment for our overwinter survival study.

**Fishing:** Catches of the usual species are being reported throughout the state with fishing pressure high. Violations are still being detected due to persistent checks, including license, baitfish and fish length issues. Two incidents of baitfish thievery were reported with no arrests made as of yet.

**Decline in numbers at Waterbury Reservoir:** Staff entered data from a recent angler survey on Waterbury Reservoir. In 2014, observed angler effort decreased by nearly 90% compared to a similar survey conducted in 1993. No trout were observed or reported caught during the 2014 survey compared to 168 trout reported in 1993. Further investigation is warranted to evaluate the status of the trout fishery within the reservoir and determine possible explanations for the sharp decline in angler effort.

**Fishing Derby:** The Island fishing derby occurred the weekend of Feb 7 – 8, and with the potential of higher angling pressure we doubled-up the creek clerks. While some areas had pressure similar to a busy weekend, a few areas had very high pressure. Both areas of Missisquoi Bay experienced this very high angling pressure. The eastern side of Missisquoi Bay had close to 150 trucks on the bay. Many of these were large parties with 6-10 vehicles parked next to a base camp of anglers. Some of these groups had 150 tip-ups out.

**Centralized Database for Electrofishing:** Staff began development of a database that will house stream electrofishing data for all five fisheries districts. The centralized database will permit efficient storage, retrieval, and analysis of the state's trout stream data.

### **Forest, Parks and Recreation**

**ANR Land Transactions:** We are working with our partners the Trust for Public Land (TPL) and the Vermont Housing and Conservation Board (VHCB) on developing a press release for the proposed new Jim Jeffords State Forest. This proposed 1300+ acre state forest is composed of several contiguous parcels in the towns of Shrewsbury and Mendon. TPL is working to acquire these properties on behalf of the State. We anticipate that the press release will be issued late this week or next week. We expect to submit a proposed Joint Resolution to the legislature in the near future for approval to convey limited rights-of-way to landowners who must cross a small portion of Proctor Piper State Forest in Cavendish to access their property and to convey a disconnected 137-acre parcel of Camel's Hump State Park and an adjacent 33-acre state parcel known as the Father Logue's Camp property to the Town of Duxbury for use as a town forest. We are working to finalize various details on the Dern acquisition at Emerald Lake State Park and now expect to close on this property by the end of next week.

**Ski Areas:** FPR staff will be meeting with Bromley Mt. Ski Area this week to discuss ski lease matters including the State Auditor's recent report on the state ski leases.

**VT Parks Forever:** The Board of Vermont Parks Forever meets this week in Randolph. Representatives of the Board, Parks Division staff and leadership from ECHO met last week to discuss strategies for moving forward with a relationship to upgrade state park nature centers across the system.

**Recreation Conversations:** Discussions are taking place with District Stewardship Teams about critical recreation-related issues including implementation of the new Other Power Driven Mobility Device policies (access to state lands for people with physical disabilities), back country skiing and perhaps the newest emerging interest in fat bike use.

**Forest Health:** Protection Forester Jim Esden will be starting Hemlock Woody Adelgid surveys this week and will begin mortality studies as well. Students from the Burr and Burton Mt. Academy will be trained as volunteers to assist with the winter mortality and density studies.

**Forestry District Manager Retires:** Ed O'Leary, FDM out of the Barre Regional Office, will be retiring on Feb 20 after 28 years with the department. He has served in a number of important positions during his tenure and will leave his mark on land management and conservation efforts that span almost three decades.

**Audit:** The Federal Forest Service Financial Compliance Oversight Branch will be doing a site visit in mid-March to assess FPR's compliance with Federal grant & agreement financial management requirements. They are expected to have three auditors here for a week. It has been many years since their last audit visit.



**Privileged and Confidential**

**MEMORANDUM**

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To: The Honorable Peter Shumlin, Governor  
Sarah London, General Counsel

From: Christopher Recchia, Commissioner

Date: February 13, 2015

Subject: Weekly Report

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**Governor Level Issues:**

**Status of Priorities and Cases of Interest:**

**VY:** I testified at joint House and Senate NR Committee meeting on Tuesday. Mike Twomey testified for Entergy. Went ok, except for when Mike was asked about “what happens if in 60 years there’s not enough money” and he said “there’d probably be a lot of litigation” – Not helpful. We are still deciding whether to appeal the Atomic Energy Board’s ruling that the ERDS system should be terminated as ENVY has requested. There are alternatives to get us the information we need, but the appeal may be valuable on its own right. Deciding next week how to proceed, in consultation with the AGO. We met on Tuesday with Tax and Entergy to discuss PILOT or tax payments going forward. We began at the \$2.6M that would be based on assessment Entergy reached with Vernon. Entergy fully intends these payments to be made from the NDT – we do not necessarily agree and need to position ourselves to not have that outcome.

**EIP:** Markup concluding this week in House NRE committee. Vote on 13th but will be held open until early next week so Kesha Ram can rejoin the committee and vote on it. House

leadership and clerk, to err on safe side, have bill going to Ways and Means prior to floor. Substantively no harmful changes. Language to ensure GlobalFoundries can continue IBM's self-managed efficiency program has been added.

**VGS:** Phase II press went as well as could be expected. We are working with landowners to address outstanding issues, but frankly, they are misrepresenting “agreements” with us regarding how to proceed. We are working through those, I hope. Sending a response today regarding legal assistance to landowners.

### **Meetings this Week:**

Feb 9 – Chris/Porter meet with Justin J on H.117 (telecom bill); Darren meets with EAN; Chris at Cabinet meeting

Feb 10 – Chris/Porter testify on H.117 in House Commerce; Darren testifies on S.51 (EIP) in Senate Natural Resources; Darren in House Natural Resources for H.40 mark-up

Feb 11 – Chris testifies at VY Decommissioning joint hearing; Chris/Mary Peterson meet with Mike Twomey on Entergy PILOT; Darren speaks at Vermont Bankers Association meeting; Darren in HNRE for H.40 mark-up

Feb 12 – Chris testifies on PSD FY16 budget in Senate Approps; Darren meets with John Warshow and Kevin Ellis; Darren lunch meeting with Rep. Forguites

Feb 13 – Chris/KB and telecom staff meet with VTA on RFP and CoverageCo; Chris/Jim Volz monthly check-in; Chris/Darren/Asa meet with PSB on H.40/S.51; Darren in HNRE for H.40

### **Meetings next Week:**

Feb 16 – 17 – Darren/Porter at NARUC winter meeting in D.C.

Feb 17 – Darren/Porter meet with Sen. Leahy staff Adrienne Wojceichowski and Scott Wilson; Chris meets with Kathy Keenan re PSD FY16 budget; Chris/Beth Pearce/Pat Moulton/Jo Bradley meeting to discuss Clean Energy Finance

Feb 18 – Chris attends VCRD climate change summit

Feb 19 – Chris/Tony Leshinskie lunch meeting with Nancy McNamara/NRC; Chris/Tony Leshinskie attend NRC public meeting on VY PSDAR in Brattleboro; Darren at statehouse

Feb 20 – PSD/TDI meeting; Chris/PSB meet with ISO commissioners; Chris testifies on PSD FY16 Budget in House Approps; Chris attends House Approps VTA budget hearing

**Media:** Darren spoke to AP about SPEED program. Darren did video for VNRC about H.40 that is distributed to community energy groups and online.

### **Everything Else:**

#### ***PERD***

#### **Energy Efficiency Utility Activities**

- Staff reviewed EVT's plans for their 2015 Key Business Process improvement work. VEIC submitted these plans to the Department as required by EVT's Program Implementation Efficiency QPI Milestone 1 requirements. Per the QPI, staff will file a status update with the Board by 2/13 to confirm the completion of EVT's KBP plans.
- Heat Pumps – Staff narrowed down selection for the Heat Pump Evaluation from seven candidates to three. Additional questions have been issued to the finalists.
- Behavior – Staff initiated the behavioral program evaluation for EVT's Continuous Energy Improvement program (industrial/commercial) by requesting program overview information from EVT. The information request will support the Department's contractor, Cadmus, review and recommendations for how to best approach evaluation of the program.
- Staff is in the process of developing an RFP for SMEEP.

#### Public Service Board Dockets

- 8311 – Staff reviewed other parties' discovery questions in anticipation of answering them by Feb. 17. However, parties are requesting a stay in this docket because the outcome of H.40 (and the Tier III requirements for DU fossil fuel reductions) is currently unknown and the potential for needing to redo much of the 8311 analysis exists.
- 7676 – Staff reviewed the natural gas potential study and offered final comments to the contractor, Optimal Energy. After final coordination with Optimal and VGS next week, staff will file a memo with the Board (with the natural gas potential study attached) and a request the Board open the VGS DRP.

#### Avoided Energy Supply Costs

- Study group received from contractor (TCR)
  - Section on DRIPE methodology and results. Effect was found to be smaller than previous AESC study (already small to begin with). As before, empirical evidence for the existence of DRIPE was scant.
  - Updated section on cost of GHG regulation compliance
  - Results from the sensitivity scenario where higher gas prices than in the base case were assumed.
- TCR recommends an externality value of \$100/ton of carbon in real terms (which is the same nominal value that the previous AESC Study recommended).

#### Vermont System Planning Committee

- Attended VSPC forecasting subcommittee meeting where revisions to the charter, GMP's IRP forecast and broader IRP results were discussed.
  - The charter is now shorter and more general.
  - The idea of a forecasting data library was discussed. Mike Leach from BED has begun this effort, having uploaded his collections to the VSPC website.
- Provided further comments on VELCO long range transmission plan with regard to the presentation of the trend toward a later summer peak.

### Thermal Energy Finance Pilot

- Conducted preparatory call with Opportunities CU and its subcontractor, then participated in follow up conference call with OCU and EVT to discuss marketing of the Heat Saver Loans. During these calls, some issues were identified that require decisions prior to launch of Phase II. Staff worked towards resolution this week.
- Continued efforts to address questions expressed by credit unions regarding program requirements and marketing. Draft responses to questions submitted for review and approval prior to sending to program participants. Anticipate sending these out for discussion and resolution by early next week.
- Reviewed and sent comments on draft Heat Saver Loan Phase II flyer to EVT
- Continued discussions with OEO regarding use of the Heat Saver Loan for vermiculite remediation. OEO proposed that the remediation be conducted separately by the homeowner then they would notify the Wx program and could go forward with a Wx project. Staff indicated that the purpose of providing the Heat Saver Loan for these purposes was to enable the Wx project to happen so we were more comfortable with the projects being completed as part of a program project instead of outside of the program. OEO has agreed to proceed in this way. VSECU is fine with the use of financing for this purpose, but OCU would like to have further discussions to insure there aren't any liability issues for them. Staff has set up a call with OCU, OEO, and PSD to address their concerns.

### Residential Heating Survey (FPR)

- Discussed timing of the residential heating survey with Paul Frederick from Forests, Parks and Recreation. FPR is in agreement that conducting the survey in April makes sense, thus removing a degree of replication present in previous surveys. FPR stated that they are going to begin the contractor search. The remaining issue has to do with timing of the final product and completion before June 30, 2015. FPR observed that the final report may not be completed by then. PERD staff to follow up re: whether there are any funding issues related to the DOE under this timeline.

### Clean Energy Development Fund

- Approved an invoice for SSREIP incentive payments totaling \$32,069 for solar 12 PV projects of 83.9kW in capacity, 1 SHW, and 1 advanced wood heating system. Of special note was a 6kW system installed on an efficient modular home (a "Vermod") for a low income resident.
- Reviewed backup information for Stafford Hill energy storage grant. Sent request for additional clarification to GMP.
- Held a meeting with VEDA in which the following was clarified/discussed:
  - The CEDF can now officially write-off the remaining unpaid balance on the Carbon Harvest Loan as a loss.
  - Reviewed the City of Montpelier's first quarterly report as required under their loan documents. The City is required to begin loan payments to the CEDF as soon as they have achieved positive cash flow for a quarter. While the report for



the City was not that clear on this question, VEDA had received additional information from the city on the finances of the district heating systems. We (VEDA and CEDF) agreed that the City didn't reach a cash positive position for the prior quarter and thus payments could be delayed another quarter. We are not expecting them to be cash positive for the 2015 year, but could be cash positive in one quarter on a cash basis. This might create a situation where payments have to be made one quarter only to be suspended the next. VEDA was going to have further discussions with the City on the best way to proceed on this matter.

- The SBE foreclosure proceeding is advancing as planned. We are now awaiting a decision by a judge on the timeline for the public sale of the building.
- VEDA is eager to get the loan interest rate loss reserve program going ASAP as they have projects that they think could use this type of credit enhancement.
- Evaluation
  - Conducted preliminary review of data and findings with contractor; identified areas of the report for additional attention/review
  - CEDF staff and contractor presented findings from the evaluation to PSD staff and CEDF board members on Friday, Feb. 6<sup>th</sup>
  - Board members shared reflections on the findings and suggested several changes to improve the telling of the CEDF story. Staff will follow up with the contractor next week to review the budget and scope of work to decide how to proceed.
- Clean Energy Industry Report 2015
  - Advisory group meeting is now set for February 11, 2015 from 1:30 to 3:00 pm at PSD. We anticipate about 8 invitees to attend.
  - Additional additions and deletions made to the draft questionnaire based on input from the department and stakeholders. Reviewed these with the contractor, who sent revisions to CEDF, which then forwarded the draft instrument to ACCD and DOL for comment. This year's survey is being designed to gather additional data on Clean Energy finance and economic development, with less focus on workforce development. CEDF staff remains open to input regarding the survey design. Staff are working towards closure on the survey design next week to allow the survey company to begin their work on the project before the end of February.
- Windham County Solar Finance Program
  - Worked with Fund Manager regarding decision for selecting an applicant under this program. A decision was made to move forward with an award to a single applicant, and staff began working through the new grant guidance to prepare the award letter. An award letter offering a grant for up to \$300,000 for credit enhancements to be negotiated with the PSD was prepared.
  - Given the nature of this program, the fund has an interest in obtaining feedback from prospective solar installers and the selected financial institution in order to design an effective, streamlined program. CEDF is exploring the potential for

engagement with these stakeholders as the scope of work under the grant program is developed.

- CEDF is working towards rolling out the program in time for the spring construction season.

### Renewable Energy Items

- Revised RPC planning contract per Attorney General recommendations and sent back to Finance for routing to final step, review by Secretary of Administration.
- Attended RPS collaborative webinar on NREL report on the effect of state policy suites on solar markets. The leading states tended to have a number of policies that had been in place for a long time, especially RPS set-asides, third-party ownership, and high net metering and/or interconnection scores by Freeing the Grid. Plan to follow up to see VT's analysis specifically.
- Participated in NREL community solar technical assistance working group call. NREL reviewed the System Advisor Model (SAM) community solar module, which is really only useful for coops to examine the economics of owning community solar. NREL also gave a synopsis of the solar market update they provide to DOE every quarter. Of note:
  - The average residential PV system price fell 4-20% in 2013-2014 based on data from state incentive programs, however, many if not most systems are now being installed without rebates (81% in CA).
  - Installers Solarcity and Vivint are reporting system costs around \$3/watt with a markup of around \$2/watt (expected to decrease soon to \$2.50/watt for costs and \$1.50/watt markup).
  - Modules are averaging \$0.73/watt, and several PPAs have been signed recently at \$0.05/kWh.
  - 2014 was the second straight year of 20% workforce growth in the solar sector.
- Spoke with a developer from Colorado looking to build a 1-5 MW solar project in Vermont through a PURPA contract and trying to understand the 248 process.
- Spoke with a landowner trying to understand the terms of an agreement for a percentage of output, in lieu of a lease payment, offered to her by a solar developer.
- Received revised draft of solar aesthetic guidelines from David Raphael for review.

### Comprehensive Energy Plan

- Began reworking dataset from DEC's FACETS modeling into a better format for general analysis. DPS expects to use this data to contextualize the discussion of what possible CEP interim targets imply in terms of energy system changes.
- Results from FACETS modeling for the TES can now be mostly found online in an interactive web graphic, to be broadcast pending final modifications.

### Net Metering

- Attended first meeting of NREL State Technical Assistance Team with regard to net metering program design. NREL has combined multiple state requests for assistance to create a working group to share best practices. The first working group meeting was, in

part, to set the scope and expectations going forward. It appears that most participants are in far different places with regard to the status of their programs, and it is unclear the value that this group will provide to Vermont at this time.

- Began outlining issues associated with Net Metering Redesign that the PSB will need to address through the workshop process and/or the new rule. The PSB finally scheduled a workshop to start the process, on February 27. PERD staff will meet with PSB staff on Friday 2/13 to discuss the workshop.

#### **Net Metering Activity 1/31/15 – 2/6/15**

	Registrations	Applications	45 Day Notice	CPGs Granted
<b>Count</b>	7	1	1	19
<b>kWAC</b>	30	100	500	178
<b>Ave Size kW</b>	4.2857	100	500	9.345

#### **Cumulative Capacity of ALL Formal Notices Submitted\*\***

<b>Year Total to Date</b>		<b>Total Since 1999</b>	
<b>2014 kW</b>	<b>2015 kW</b>	<b>1999 – 2015 kW</b>	<b>% of 15% Cap</b>
1059.51	3462.94	77878.95	~ 51.9%

**\*\*Note: These totals now include systems of all sizes, and include those systems for which 45 day notices have been filed as well as those for which formal permit applications have been filed.**

#### **Heating Fuel**

- Since last reporting Crude Oil prices continue to rise now at \$52.04 v. \$47.57
- The natural gas market continues to decline at \$2.580 v. \$2.680 a week ago.
- The weekly fuel survey indicates that locally Vermont fuel prices have continued their decline although at a slower rate than in previous weeks.

#### **Vermont Gas Systems**

- Continued development of analysis to re-assess economics of Phase 1 project given significant cost increases and significant alternative fuel price decreases.

#### **Other**

- Staff tracked the state's progress towards achieving the thermal efficiency goal of improving the energy fitness of 25% of the state's housing stock; or 80,000 homes, by 2020. The number of units thermally retrofitted (through efficiency programs, including the state's low-income weatherization program) as of the end of 2014 was approximately 18,292 units, give or take less than a handful of units.
- Staff attended/presented at, the Better Buildings by Design conference in Burlington.

- Staff attended the NASEO Energy Policy Outlook Conference in Washington, DC, and presented summary results of the Total Energy Study. Discussion at the conference was more focused on near-term electric system changes wrought by EPA's rulemaking under Section 111(d) of the Clean Air Act.

## ***Engineering***

### Vermont Yankee Spent Fuel Management & Decommissioning

Reactor Vessel reassembly activities were completed on February 5 with the installation of radiation shield plugs that sit on top of the reactor vessel head to bring it level with the refueling floor. The planned demolition of several non-essential, non-radiological structures at the VY site has begun. In particular, the "Maine Yankee" building (a large prefabricated, octagonal storage shed) located at the north end of the VY Protected Area was disassembled on February 10. Systems maintenance and testing to support Spent Fuel Pool integrity continued during the reporting period, including monthly surveillance testing of "B" Emergency Diesel Generator.

### Vermont Yankee Implements New On-Site Emergency Response Organization

As reported last week, on February 4, the NRC approved VY's Emergency Response Organization (ERO) Licensing Amendment Request (LAR), originally submitted in Entergy Letter BVY 14-018 in March 2014. On February 5, the State Nuclear Engineer was notified that VY would fully implement this new ERO by the end of the day. As a result of this implementation, the following would occur: 1) the on-site Emergency Plan staffing and duties described in BVY 14-018 would be implemented; 2) the overall ERO would be smaller (reduced from 62 to 28 positions); 3) the several VY personnel held from transferring to other Entergy facilities to keep the previous ERO fully staffed would now transfer as soon as reasonably possible; 4) the VY data feed to the NRC's Emergency Response Data System (ERDS) would be terminated.

### Update on Strontium-90 Indications Investigation

On February 9, the VT Department of Health (VDH) issued a press release publically announcing the Sr-90 indications discussed in last week's report. The press release was issued with several minutes advanced notice, even though several parties participating in last week's teleconference on this matter understood that VDH would provide a 24-hour advanced notice of a press release. As a result of the press release, the State Nuclear Engineer fielded several complaints from Entergy and NRC Region 1 representatives regarding the lack of advanced notice. The State Nuclear Engineer also fielded one question from the Rutland Herald regarding the press release.

### Public Comments and Petition to Intervene on VY Emergency Planning Zone Reduction Submitted

The State Nuclear Engineer provided technical support to PSD and AG legal staff in submitting, on February 9, Public Comments and a formal Request for Hearing / Petition to Intervene on VY's Licensing Amendment Request (LAR) for implementing a Permanently Defueled Emergency Plan (PDEP) and revising the Emergency Action Level (EAL) scheme (Entergy Letter BVY 14-033

submitted in June 2014). The Comments and Petition / Hearing Request generally oppose the PDEP and EAL scheme changes, primarily over concerns that the Spent Fuel Assembly - Zirconium Fire risk reduction analysis associated with this LAR is inadequate (the analysis does not consider the impact of potential hostile actions that could invalidate the conclusions that 10 hours exists between the loss of Spent Fuel Pool water inventory and the onset of a zirconium fire, and does not justify increasing ERO notification time).

#### NRC Formally Issues VY 2014 Fourth Quarter Integrated Inspection Report

On February 10, the State Nuclear Engineer received formal notification of the NRC's Integrated Inspection Report for VY covering the fourth quarter of 2014. The report discusses three minor violations that were previously identified in the NRC's 2014 Fourth Quarter "Exit Interview," the details of which were described in the January 21 weekly report. The NRC has indicated that because of the very low safety significance level (green) of the three findings, and because they are being addressed through VY's corrective action program, the NRC is treating these findings as non-cited violations, consistent with the NRC Enforcement Policy. As such, the NRC will take no action against VY for these findings.

#### Vermont Gas Systems Addison Transmission Pipeline Project

VGS developed written procedures to inject nitrogen into segments of ANGP Pipeline located in Essex, Williston and Colchester. The company has been performing these injections during this report period. The company conducted a preliminary meeting on 2/9/15 to review pipeline construction processes which are expected to be performed in conjunction with horizontal directional drilling later this month. (Current forecasts indicate weather conditions will not be suitable for these activities during the next two weeks.) Subject matter experts in quality control and pipeline construction are continuing to develop the specific written procedures related to these activities. The company has scheduled a conference call on 2/11/15 with the Department Gas Engineer to review the status and ratification of these procedures.

#### Propane Company Inquiry

Engineering has distributed a request for information along with several safety advisories to propane companies which may be doing business in Vermont. This inquiry (and documentation package) has also been shared with the Vermont Fuel Dealers Association. The responses are expected to be received next month and will contain propane pipeline system and emergency information required by PSB Rule 6.160.

#### Vermont Gas Systems plastic fusion failure

VGS informed the Gas Engineer the company discovered a failure (and leak) of a service tee in Enosburg on 1/15/15. This leak was contained within several feet and no gas was found inside or in close proximity to any buildings. The company believes the component, which connects plastic gas distribution mains to plastic customer service lines, was installed incorrectly. VGS has identified the individual who made that installation, and has developed a preliminary plan to investigate other similar components installed by that person. The company has begun to excavate sites in Enosburg to examine and analyze the condition of these installations. VGS also committed to provide the Gas Engineer further investigation results and a proposed plan

to address the issue. Engineering will review this information to determine compliance with the applicable gas safety regulations and to determine the adequacy of the proposed investigation, examination, testing and remediation actions to ensure public safety.

#### VT Heating Fuel Deliveries

Engineering participated in a conference call with representatives from US DOT, VTrans, and DEMHS who had received requests from home heating fuel dealers that a waiver of driver hours for delivery to consumers be issued. It was the consensus of the parties that a temporary waiver of driver hours be requested for a period of 14 days ending on February 19<sup>th</sup>. The waiver was subsequently issued by DMV Commissioner Ide. The waiver in part states “The emergency exemption is issued in connection with emergency conditions due to extended periods of extremely cold temperatures and continuous snow fall events which have resulted in hazardous driving conditions and extra demands on home heating fuel supplies. It is deemed that a declaration of emergency is required to ensure the continuation of these essential services within the State.”

#### Docket 8310 Pentachlorophenol Investigation

Engineering participated in the second meeting of the working group. The best management practices developed by the utilities were reviewed, and proposed changes were discussed. ANR will provide a draft revised copy of the best management practices based on the discussion. The next meeting is scheduled for March 13.

#### Weekly Summary of Underground Damage Prevention Activities

Underground Facility Damage Reports (UFDR) received: 1

Notice of Probable Violations (NOPV) issued: **19**

### ***Regional Policy***

#### Connecticut PURA and RECs

- On February 5, Federal Trade Commission staff issued a letter to Green Mountain Power resolving the Vermont Law School petition. FTC staff determined that some of GMP’s claims were problematic, but did not merit legal action at this time. FTC staff largely dismissed GMP’s claim that representation of renewable characteristics are not as significant for vertically integrated utilities in a state without retail choice. FTC staff noted that customers may make decisions about electric use and fuel switching based on representations of the renewable characteristics of electricity purchased. Given GMP’s focus on heat pumps, the FTC staff’s point regarding fuel switching is especially pertinent.
- Vermonters for a Clean Environment and Industrial Wind Action Group had previously asked the CT Public Utilities Regulatory Authority to take administrative notice of the VLS petition in PURA’s docket involving the potential double counting of RECs under the SPEED program. GMP filed the FTC staff letter in the PURA docket and asked PURA to take administrative notice of the letter in the event that PURA takes administrative notice of the VLS petition.

## ***Finance and Economics***

### Electric

GMP: GMP filed its Q1 2015 Power Adjustor on January 30, 2015 proposing an adjustment of about \$700k for an over collection of power related costs. The proposed Power Adjustor calls for a rate adjustment decrease of \$0.0079 per kWh in accordance with the New Alt Reg Plan approved in Docket 8191. Staff is reviewing the filing and has sent documentation requests; a recommendation is due to the PSB on February 27th.

Stowe Electric Department (SED): Tariff 8553-Rate Design- Stowe filed for approval of its updated/new rate designs that include updated cost allocations, consolidation of customer rate classes and new optional Time of Use and Critical Peak Pricing rates. The rate class cost of service and rate redesign is the first in Vermont to use load data generated by AMI (Smart Meters). The rate design is under review including a review of the electronic spreadsheets that support numerous cost allocations. Staff is reviewing the filing and has sent informal documentation requests. The Department recommendation is due March 16, 2015.

Swanton: Docket 8291-Financing for Capital Projects Compliance Filing: This week Swanton submitted executed loan documents for two of its capital projects. There are some questions regarding unclear language in the documents pertaining to use of the utility truck and how the funds for the loans will be recovered [through electric department rates and fees (ratepayer revenue) or through municipal tax revenue]. Questions were submitted, Swanton provided responses this week. Staff completed its review and submitted its recommendation on Feb 5.

VEC: Petition of Vermont Electric Cooperative, Inc. pursuant to 30 V.S.A. §219a(n), §248(j) and Board Order Section 8007(b) for a Certificate of Public Good for a 1.0 MW Group Net-Metered Photovoltaic Electric Generation Facility in Alburgh, Vermont. Staff is reviewing the petition for possible discovery questions.

### Natural Gas

Vermont Gas Systems (VGS): Alt Reg Plan (ARP) extension - Following a meeting with VGS to discuss a PSD draft of Alt Reg changes and the need for a fully litigated rate case if VGS includes the Addison/Middlebury plant (Phase I) in its rate base for its next FY commencing on October 1, 2015, the parties agreed to extending the current VGS Alt Reg Plan for one additional year (September 2015 to August 2016). The Department has recommended edits and modifications to the Plan currently under review by VGS. The filing deadline to the Board has been extended to February 13, 2105.

VGS: Interruptible Tariffs including its Lock Price Program - Staff continues working with VGS on redesigning its interruptible tariffs with an objective to streamline and reduce the current 200 page tariff to something more manageable.

VGS: System Expansion Reliability Fund (SERF) - Department staff is working with VGS on the



use of rate payer provided expansion funding. The parties have agreed to work together to build a 'model' that will delineate the least cost rate payer impact of various options. PA is assessing the probability of a successful outcome regarding a possible IRS private letter ruling. We are continuing work on the model this week.

VGS: LNG Plan – VGS is short capacity for the 2015-16 heating season and plans to use LNG to augment its capacity shortfall until the Phase II looping project is completed (anticipated to be completed in time for the 2016-17 heating season). VGS plans to file a 248 petition to effectuate the LNG Plan. Finance & Economics is reviewing the economic/financial aspects of the Plan to assure a least cost solution for gas customers.

### Energy Efficiency Utilities

Report Review – November 2014 – Staff prepared the Report Review of the November 2014 FA reports. The latest available statements, 11-30-2014, show a People's United Bank statement balance of \$17,338,041.74.

EEF Fiscal Agent: Financial Statement Review - The Department review of the November 2014 financial statements and reconciliation summary found a \$107.50 charge which was determined to be a bank analysis fee. The FA noted that two utilities, Barton Village Electric and Hardwick Electric Department, had not yet remitted their November and August Energy Efficiency Charges (EECs) respectively. The FA expects Barton to remit their funds in February and has contacted Hardwick to send their funds for August. There were no other exception items.

### ***Public Advocacy***

GMP Actual O&M Cost Proceeding – Docket No. 8389 – By February 15, the Department will need to inform the Board as to whether an investigation is necessary in this proceeding. While this proceeding is not establishing rates (O&M costs in rates were established in the merger proceeding), it is evaluating GMP's post-merger actual O&M costs in a manner similar to a rate case. The result will be accurate actual O&M costs for use in allocating costs in an upcoming rate design case and to evaluate GMP's post-merger cost structure. GMP and the Department have engaged in settlement talks. On February 11, the Department proposed settlement terms to GMP. The terms approve of the filing, with minor agreed-to exceptions, and require certain commitments, studies, and agreed to principles going forward. The settlement also resolves GMP's earnings sharing and exogenous cost proposal. GMP's initial reaction was positive, and the Department is awaiting a formal response.

VGS – Alternative Regulation – No Docket – The Department and Vermont Gas are close to agreement on an extension of its existing alternative regulation plan, and have requested an additional two weeks from the Board to resolve outstanding issues. A revised plan will be filed by Feb 13. The Agreement would extend the Plan for one year with two modifications: (1) clarifying the manner in which the capital structure is established; and (2) clarifying the documentation requirements necessary to meet the known and measurable standard.

Importantly, VGS would commit to keeping all Phase I capital costs out of rates for the upcoming year. The only currently outstanding issue is what documentation is necessary to support known and measurable changes from a test year to a rate year.

VGS – Penalty Proceeding re: Violation of Rule 5.409 – Docket 8328 – On January 30, VGS provided responses to discovery promulgated by the Department addressing when VGS knew about cost increases for the Phase I project. The next step is for the Department to file testimony by February 17, which has been drafted and is currently in the review stages.

Rule 4.100 Avoided Cost Rate Proceeding – Docket No. 8010 – On February 9, the Board issued a final order establishing generic avoided cost rates pursuant to Rule 4.100 – the state rule implementing PURPA. The Department largely agreed with the PFD in this case, with a couple of exceptions. The Department opposed the PFD’s decision to conduct further process to establish distribution line loss credits, as well as certain legal conclusions regarding the manner in which “time-of-delivery” rates are established. The Board agreed with the Department and revised the PFD. While the final order resolves the lengthy state proceeding, the possibility now exists that the Board’s order can be appealed or challenged at the federal level.

VY EPZ License Amendment Request – NRC 50-271-LA-2 – The Department filed a petition with the NRC for intervention and request for hearing, on behalf of the state, challenging Entergy’s license amendment request and companion exemptions request seeking to significantly reduce off-site emergency planning obligations and shrinking the emergency planning zone to the plant footprint in April 2016. The Department also filed interagency (DPS, DEMHS, and VDH) comments with the NRC in response to the LAR.

VY ERDS License Amendment Request – NRC 50-271-LA – The NRC issued Entergy’s requested license amendments, and Entergy has made the staffing reductions and disconnected its ERDS data feed to the NRC and the State pursuant to the amended license. The State may appeal the underlying ASLB denial of the State’s contention challenging the amendment request until February 23, 2015.

VY PSDAR – No Docket – The Department is drafting comments, along with ANR and VDH, for filing with the NRC in response to Entergy’s Post Shutdown and Decommissioning Activities Report filed in December. The State has concerns with, among other issues, Entergy’s decommissioning cost estimate, reliance on a general environmental impact statement, and insufficient health monitoring protocols contained in the PSDAR. Comments are due to the NRC by March 23, but the agencies intend to have finalized comments prior to the February 19 NDCAP meeting.

FairPoint Service Quality Investigation – Docket 8390 – The Department issued a large set of second round discovery requests to FairPoint. Responses are due to the Department by February 25, and Department initial testimony is due to the Board by March 11.

FairPoint Performance Assurance Plan – Docket 7506 – After a wait of more than a year, the PSB has issued a Proposal for Decision in the proceeding. Comments on the PFD are due to the Board by February 20.

VEC Miscellaneous Service Charges – Tariff No. 8544 – VEC has proposed to revise its miscellaneous service charges on a standalone basis. While this is the manner in which such charges have been revised in the past, the Department has concerns as to whether it is the appropriate way to make such changes. The other way would be to make such changes at the same time as other rates are changed – in rate design and rate cases. The Department is reviewing VEC's proposal and will likely not oppose the changes (to the extent additional support requested of VEC so justifies), but is considering whether or not to signal a change in policy going forward.

Chelsea Solar – 2.0 MW Standard Offer Project in Bennington - Docket 8302 – Petitioner and PSD entered a partial Memorandum of Understanding (MOU) for this project on 2/9/15. Our support of the project is conditioned on certain aesthetic mitigation measures. This is a partial MOU because it addresses only the project proper, and not the impacts of the one mile 3 phase line extension that will be necessary for this project to operate. Following an environmental review in June or July 2015, PSD and ANR will likely file a second MOU addressing any impacts and associated conditions arising from the line extension.

TDI /New England Clean Power Link Project – Docket 8400– The PSB issued a Prehearing Conference Memorandum and Scheduling Order, as well as noticed a February 24<sup>th</sup> public hearing to be held in Fair Haven. The PSB will schedule a site visit after 3/1/15 when Sarah Hofmann joins the Board. The PSB requested recommendations regarding the site visit. ANR filed comments requesting that the site visit take place in May and that the itinerary be determined two weeks before the actual visit. The PSD supported ANR's proposal. PSD is working with Petitioner to schedule an informal site visit in the near-term with aesthetic consultant. PA conferred with VTRANS on 2/11/15 to discuss numerous legal issues pertaining to the lease of highway right of way for the land portion of the HVDC cable and dark fiber. Motions to Intervene were filed by the Northwest Regional Planning Commission, Town of Fairhaven, Southern Windsor County Regional Planning Commission and VELCO. PSD filed responses indicating no objection to intervention on a permissive basis, limited to the specific interests identified. In furtherance of our 30 V.S.A § 218c(7) obligations, the PSD continues to reach out to the Select boards of impacted towns. PSD spoke with representatives of Fair Haven and Benson as they attempt to coordinate a joint meeting. Shrewsbury has waived the PSD meeting. PSD staff continues to review the filing.

Use of EEC Funds to support electro-technologies - Docket 8311- PSD supported VEIC's motion, filed 2/6/15 to stay proceedings for 90 days while the legislature considers bills pertaining to related issues. PSB Hearing Officer is going to request comment from parties, but has indicated they would be amenable to adjusting existing schedule if the Motion is not granted. As a consequence, we are not preparing responses to discovery due 2/17 at this time.

GMP Upgrade to Woodstock Substation Project – Docket 8030 – In reviewing the petitioner’s noise monitoring report, the PSD engineer has raised a number of concerns.

Woodstock Aqueduct Company – Tariff 8556 – The petitioner confirmed the notices to customers went out last week. The PSB and PSD have received a number of complaints about the amount of the rate increase.

GMP IRP – Docket 8397 – The PSD attended an uneventful public hearing. Motions to Intervene are due by February 18<sup>th</sup>.

Addison Expansion—Docket 7970—On February 9, the Supreme Court granted the Board’s January 23 Motion for a second remand. The Court granted the remand for an indefinite period and ordered that Appellant Lyons file status reports every 30 days. We expect that the Board will be issuing a procedural order this week as to scope and schedule.

Checks from VGS to affected landowners were transmitted this week, together with an acknowledgment as to whether or not they had elected to participate in the time out.

Addison Expansion Phase 2—Docket 8180- On February 10, IP notified Vermont Gas that, in accordance with the terms of the Facilities Development Agreement, IP would not be going forward with Phase II. Vermont Gas filed a motion with the Board for the petition to be dismissed without prejudice. On February 11, the Board issued an Order requesting comments from the parties on VGS’s motion on or before February 26.

The Department is working with VGS on notifications to Phase II landowners concerning any expenses they may have incurred to date. No Phase II checks have been transmitted thus far.

Vermont Gas-Plouffe condemnation--Docket 7819- The February 2 site visit (which had previously been rescheduled 3 times) was cancelled again due to weather; no new date has been selected. The parties continue to wait on the Hearing Officer’s order as to evidentiary scope and schedule for the remainder of this docket.

VGS/ Energetek--Petition pursuant to 248(j) to construct facilities in Swanton—Docket 8427- Construction of these facilities is necessary to allow VGS to serve Energetek’s proposed CNG facility. Comments as to whether the petition raises a significant issue with respect to the substantive criteria of Section 248 are due by February 23. Engineering is reviewing and has not yet spotted any issues.

Vermont Gas NOPVs—no docket—The Public Advocacy division continues to work with the Gas Engineer to draft NOPVs of various aspects of pipeline safety. A warning letter regarding the welding program was previously sent and has been responded to by VGS; Engineering is reviewing. A second letter regarding control room deficiencies is in the final drafting stages.

### ***Telecommunications***

H.117 – Telecom Bill – Telecom staff provided testimony before the House Commerce Committee.

FairPoint Service Quality Docket - Discovery – PSD telecom staff worked with the consultant Interisle to prepare discovery questions for the FairPoint service quality investigation.

Sovernet Fiber Route Map – Stone environmental prepared a map that depicts the probable route map of the VTA-funded fiber based on locations that Sovernet claims are connected.

E-911 Contract Dispute – The AG requested that PSD staff inquire about technical details in the dispute between the E-911 Board and Intrado. Intrado has provided documentation that refutes the claims made by the E-911 Board. Mediation is being scheduled between Intrado and the E-911 Board.

*Sarah Justin*

Connectivity Fund – PSB staff in December informed the PSD staff that the VT USF fund net balance as of 8/31 was \$1.9M. Pursuant to Act 190, the Connectivity Initiative RFP was released seeking proposals for ½ of this amount, and ILECs were informed that the other ½ of this amount was available for the high-cost fund. PSB staff this week informed PSD staff that the amount was no longer available. A meeting has been scheduled with the PSB Chairman, PSD Commissioner, and PSB and PSD staff to discuss the issue.

VTel Westmore 248a – Vtel is proposing a wireless facility in Westmore. The facility will be viewable from certain vantage points of Lake Willoughby. The town, which is concerned about the impacts the facility will have on the aesthetic quality of the lake, has asked the Department to conduct an aesthetics analysis. The Department is proceeding with hiring an expert. The Petitioner, however, has objected to the Departments decision to hire an expert. The Department's expert believes he can get a review and report completed within two weeks of a signed contract.

VTel Fayston 248a – Vtel is proposing a tower in Fayston. Both the town and abutting land owners oppose the tower. Department staff is waiting to hear back from the town about whether it would like the Department to take action. VTel is currently not represented by counsel. PSD staff have learned that the easement obtained by VTel contains covenants that potentially do not allow for the construction of a tower. This project, though related to the RUS funded WOW project, will not provide broadband to any unserved addresses.

Stowe Cable CPG Petition — The Board held a pre-hearing conference on Friday, February 6. PSD and the parties agreed to a stipulated schedule, which was submitted to the Board. Public hearings on the petition are tentatively scheduled for Wednesday, March 4, in Stowe and Thursday, March 5, in Jeffersonville. Department staff are currently working a survey that will be sent to all existing subscribers regarding service quality and content.

Designation of Vermont Eligible Telecommunications Carriers — Comcast has filed a letter with the Board stating that it intends to file a motion to intervene in the docket.

Transition of the VTA to PSD — The VTA has supplied Division staff with electronic copies of a series of contracts relating to federal grant projects. Division staff are in the process of reviewing those contracts to understand existing obligations and liabilities of the VTA. Division staff also provided commentary on the VTA's draft RFP for fiber management directly to the VTA. PSD staff will meet with VTA representatives on Friday, February 13, to discuss the draft RFP and other issues relating to the VTA transition.

Wireless Telecommunications Facilities (248a) Petitions — PSD received notices or applications for the following:

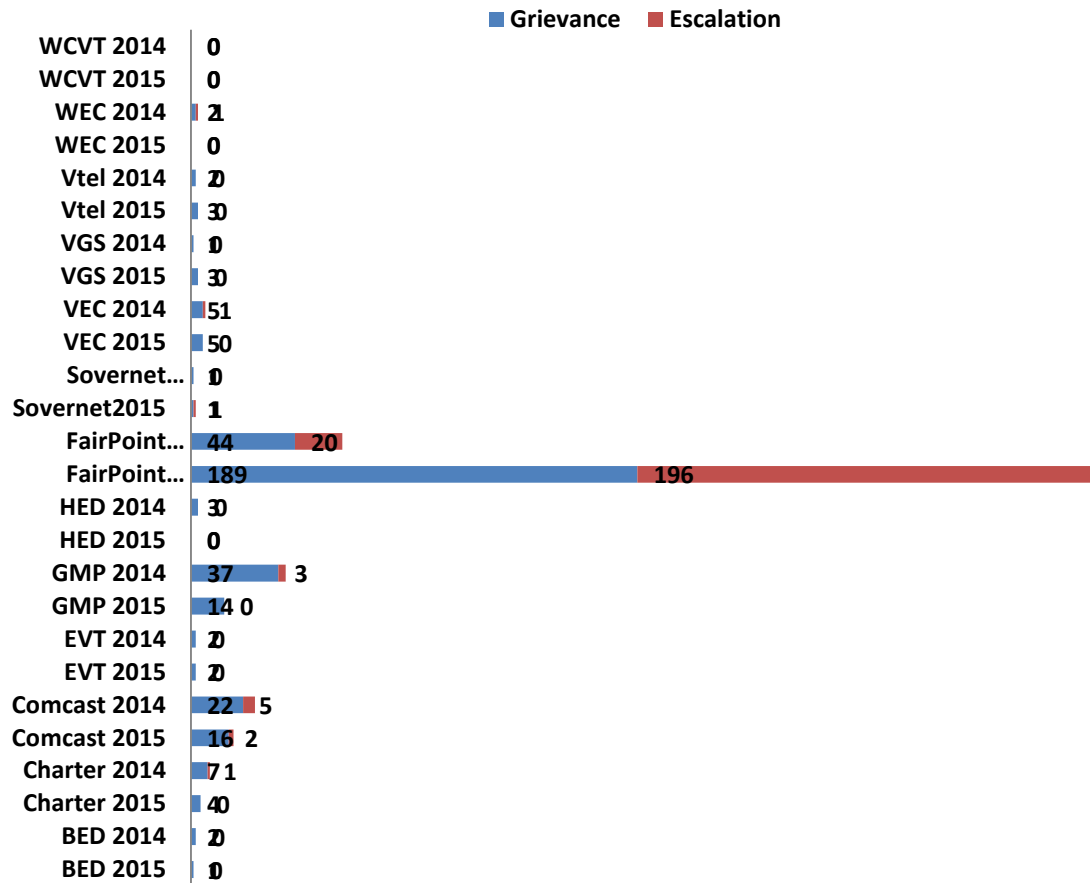
- VELCO application for *de minimis* modification to 70 foot tower in Londonderry;
- VTel 45 day notice for limited size and scope construction of a 100 foot tower in Rochester;
- AT&T 45 day notice for limited size and scope modifications to a 120 foot tower in Bethel;
- Verizon 45 day notice for limited size and scope construction of a 110 foot tower in Rockingham.

PSD submitted responses to two motions filed by the Brookfield Planning Commission in Docket no. 8387, which involves an AT&T application to construct a 100 foot tower in Brookfield. PSD opposed a motion from the Planning Commission to strike portions of pre-filed testimony from DPS expert witnesses. PSD supported, in part, a separate motion by the Planning Commission to limit AT&T from conducting a drive test which includes installing a temporary communications facility to test signal propagation from the proposed tower site.

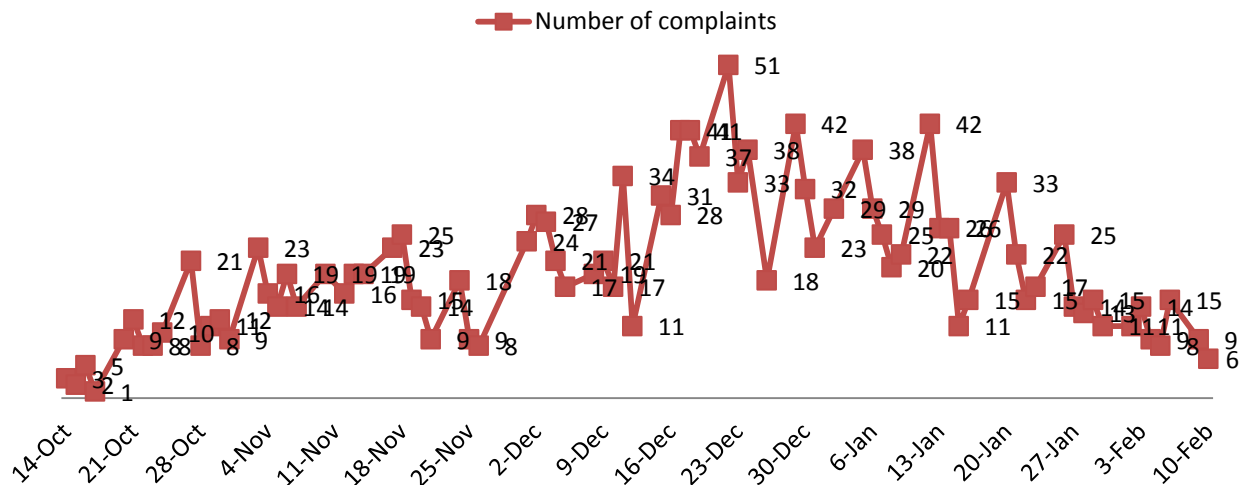
PSD received a notice of appeal to the Supreme Court of a Board order in docket no. 8355, in which the Board approved an application by VTel to construct a 90 foot tower in Bennington. The appeal was filed by adjoining landowners whose motion to intervene in the docket was denied by the Board.

***CAP***

## Number of Complaints Investigated, by Company YTD 2013 and 2014



## FairPoint Complaints Beginning 5 days before 10/17 strike to present





### CONSUMER COMPLAINTS

Complaint topics included, but were not limited to:

- (58) FairPoint, of which 29 were repair issues
- (3) Comcast: (1) rates, (1) repair delay for voice service, (1) billing
- (2) Medical note questions
- (3) Broadband availability
- High electric bill
- Efficiency Vermont home energy report

Shank...

ISO-NE Consumer Liaison Group: CAPI arranged for Asa Hopkins and Doug Smith, of GMP, to present on a panel at the March meeting of the CLG, to be held here in Vermont at the Stoweflake Resort on March 13. We are awaiting a response from the Governor's office regarding our invitation to have him keynote the event.

Telephone Relay Service: CAPI is working to schedule the first Vermont Telecommunications Relay Service (VTRS) Advisory Board meeting with its newly selected board members. We are working to schedule the meeting to take place in March. The meeting agenda will include discussion on the state of TRS in Vermont, current industry trends, and the future needs of VTRS users.



State of Vermont  
Agency of Administration  
Office of the Secretary  
Pavilion Office Building  
109 State Street  
Montpelier, VT 05609-0201  
[www.adm.state.vt.us](http://www.adm.state.vt.us)

[phone] 802-828-3322  
[fax] 802-828-3320

Justin Johnson, Secretary

**PRIVILEGED AND CONFIDENTIAL  
MEMORANDUM TO THE GOVERNOR**

**TO: Governor Peter Shumlin**  
**FROM: Secretary Justin Johnson**  
**DATE: February 13, 2015**  
**SUBJECT: Confidential Report to the Governor**

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**BUILDINGS AND GENERAL RESOURCES**

**Of Special Interest to 5<sup>th</sup> Floor from BGS Directors**

Westminster DPS New Facility: Bids were opened 2/4/15 and Naylor & Breen Builders is the apparent low bidder.

*ack Justin.*

Barre City Place: Need to create a problem list for the first year of occupancy and see the whole experience with the owner to let them know that their property management is anything but acceptable.

Director of Security - Peter Danles started this week. Bill Laferriere and Wanda Minoli are working with him on orientation/transition.

Update from Peter Danles, Director of Security:

Peter has had the opportunity these last few days to interact with security personnel assigned to the Montpelier area, and staff in the Montpelier security office to include Linda, Rachel, Tom and Travis. Many of the staff he has spoken with have updated him on the electronic "card reading" system and other security enhancing technology advances in the State's security system these past few years. It's clear to that managing many of these technological advances in so many locations has been a challenge for the limited number of staff involved. Despite the high volume of work required to maintain this technology, the staff here seem very dedicated to the quality of service provided by our security division.

Regarding the Pavilion building security protocol. The card reader technology developed to enhance security by restricting elevator access and floor access should be complete by the end of next week.

BGS has been working on a draft safety protocol guide for State employees working at the Pavilion with input by Tom Cheney, Kevin Henderson, and Bill Laferriere. They hope to have this protocol guide ready by the end of this week.

#### Space, Moves & CAD:

- Infrastructure reconfiguration at Williston for PSAP is complete (desks, computers, power)
- 109 State Street – Lockers were installed on 2/11.



#### House Corrections & Institutions:

AG/ANR Lab: Follow-up testimony to last weeks joint hearing. Testified along with Mike Kuhn and Sandra Vitzhum. Testimony went well.

Prevailing Wage: Testified along with Annie Noonan. Testimony went well, the Committee to call other witnesses.

### **FINANCE AND MANAGEMENT**

#### Issue Updates:

The Budget Adjustment passed the Senate with a few amendments, but nothing substantive. Finance concurs with the changes made in the Senate.

Departments continue to provide testimony to the House Appropriations Committee on their FY2016 Budget requests. The Senate has also started taking testimony.

The Fee Bill is currently on the house floor with four proposed amendments. If the amendments pass, Finance will work to determine the budgetary impacts.

### **HEALTH CARE REFORM**

#### Status Updates:

All Payer Model Federal Meeting: Michael, Robin, Al, and GMCB staff held a webinar with our federal partners at CMMI. Vermont and the feds agreed on next steps on the project for the next 60 days, including a presentation of the landscape of health care reform in Vermont, introduction/on-boarding of a vendor, and fulfillment of a substantial federal data request. The most critical issue to emerge was the intersection of the all payer waiver and the Administration's cost shift proposal. The feds mentioned that while the waiver focuses on Medicare they might look poorly on a waiver that increases federal Medicaid spending. Robin, Michael, and Lawrence took this to mean that there is more urgency behind the cost shift proposal, because we may not have another opportunity to substantially increase Medicaid rates. Al took it to mean that increasing Medicaid reimbursement rates and related federal match might poison the well for the all payer waiver. Lawrence, Michael, and Robin will work to better understand the federal posture on this issue. Until then, there is a risk that Al might be telling people that the Administration's proposal will negatively affect the all payer waiver.



Project Management: Michael and Robin worked extensively behind the scenes to help GMCB staff get the all payer model project moving. The Board approved a vendor at its meeting Thursday, and the

official project kickoff meeting will occur next week. We have helped them get out of the blocks, but the next 60 days will be critical in trying to build a functioning project team. Michael remains deeply concerned about whether the Board has the management skills to run such a difficult and fast paced project. Simply, the project seems much more complex than they realize, and the Administration should be careful about over-promising in regards to the all payer model and waiver until we better understand the project and our ability to deliver results.

SIM: The Care Models Work Group approved the care management standards that would be used in the Medicaid and commercial contracts with the ACOs. These standards have been in development for 10 months and the subject of some fairly heated debate. The standards will continue through the SIM governance process, but ultimate decisions about them on the Medicaid side reside with AHS and there will need to be some coordination within the agency to ensure the hard work is not completely undone. Next week, several of the work groups are meeting. Of note, the DLTSS Work Group will be getting an update on the consolidated GC/CFC waiver. Three members of the SIM team are also headed to Arkansas next week to exchange ideas about alignment of payments using Episodes of Care, Shared Savings and patient-centered medical home.

HIT Investments: We are exploring a new federal funding opportunity released by ONC last week. The grants are between \$1-3 million for testing interoperability between certain types of providers. At this point, we are leaning towards the application, but have more research to do. The application is due April 6<sup>th</sup>.

Revenue: Michael is working with the Tax Department to develop a range of alternative revenue options should the payroll tax proposal fail to pass Ways & Means. The goal is to have a draft set of alternative finance options by the end of next week.

#### **Legislative Issues/Pending Legislation:**

APM: Lawrence was understood to say that we may not need the all payer waiver because Medicare is pursuing moving away from fee for service. Richard Slusky testified which helped correct that misunderstanding. Al also testified on this as well as the cost shift, which helped. Robin ran into Janet Ancel, who is still not buying it, so we have more work to do.

Cost Shift/Medicaid Reimbursement: Al's testimony to HHC and HWM was terrific and very helpful in moving the cost shift in a positive direction. Janet expressed reservation about the amount of money, but the committees overall seemed more amenable than previously.

H.203 Policy Bill: The bill is introduced! We continue discussions with VITL regarding the proposed language having just received suggestions from them late yesterday. We will propose these changes when HHC looks at this issue.

Insurance Markets: Robin's read on HHC is that they aren't too keen on having individuals directly enroll because of the loss of subsidy issues, but that is based only on committee questions/comments and not individual conversations, which she will work on doing over the next day. There is a lot of confusion about what having an "outside" market would mean for businesses, fueled by Betsy Bishop & 2 brokers who testified. They continue to assert that there is more flexibility than there actually is under federal law. The legislative concern seems to be focusing on the impacts for businesses with between 51-100 employees, who are shifting from the large to the small group in 2016.

Alternative Proposals: Robin had an initial meeting with Deb Ritcher, Senator Ayer and Reps Dakin and Briglin about Deb's universal primary care proposal to work through cost of the program, definition of primary care, and other issues. Robin will continue to meet with them to work through issues. Sarah Copland Hanzas did not think Deb's proposal had legs this year.

### **Significant Events/Meetings:**

GMCB follow-up with VHC, Wakely: Robin worked with VHC staff to improve their presentation of the 2016 plan design changes required by federal law. Last week did not go well at the GMCB, but this week was vastly improved and Board members complimented staff on their presentation and work this week. GMCB will get feedback from carriers next week & hopefully make a decision.

Copley Hospital Board Meeting: Robin and Lawrence did a health care reform update for the Copley Hospital Board, focusing on payment and delivery reform efforts.

## **HUMAN RESOURCES**

### **Legislative Update:**

SAC: Testified before Senate Appropriations Committee about the FY 2016 budget for the Department of Human Resources. There were a number of questions regarding the department, the services we provide to state government, and the FY 16 budget. Senators asked about the options that were available if the VSEA would not entertain reopening the contract and were told that the main tool available to the Administration at that point were RIFs. Senator Campbell was interested in the Commissioner's opinion regarding whether or not the Legislature could modify the State Employment and Labor Relations Act. Responded that they could do that and that if changes were made they would supersede provisions of the contract, but strongly recommended that the Senators seek the advice of Leg. Counsel if they wanted to entertain that. Sen. Campbell and Kitchel stated clearly for the VSEA staffer in the room that they were not considering that at this time but that they wanted to know what "all of the options were".

The conversation proceeded from there through a general discussion of the RIF process, whether the state's COLA's and Steps were sustainable and Sen. Starr was interested in the possibility of furlough days for employees. After some discussion of the aforementioned Sen. Kitchel directed the conversation back to the DHR budget for FY 16.

Most of the discussion focused on the relocation of the State's HR training center and the expansion of the Supervisor training programs. There were a lot of questions about this program, the mechanics of using ISF dollars to fund it, and Sen. Kitchel asked several times whether this was the "right time" for an initiative like this. Sen. Snelling did not seem to care for the ISF model of funding.

HAC: Testified before the House Appropriations Committee on the FY 16 budget, personnel cost savings and RIFs. The testimony and questions centered around the new training center at the College of Fine Arts, current DHR operations, and some programs that the department offers. The testimony wrapped up with John Berard testifying about the RIF process and what the different types of rights were under that system.

### **Workforce Development:**

Discussed the additional training that would be provided at the new training center at the College of Fine Arts, the additional staff that are being hired and are required to run the program. There was a brief discussion of the structure of the program and Commissioner Spellman elaborated on the nature of the programs and stated specifically that the **Certified Public Manager program** that they offered had a national certification and could be a small revenue generator. A part of their certification requires that the training be made available to Federal and Municipal government employee if there is space available in classes. *Rep. Toll* was concerned about starting a new program like this when there were \$10.8 million in personnel savings that still needed to be achieved.

### **DHR Operations/Programs:**

The Commissioner gave an overview of the services that the embedded HR staff provide in the field and spoke to their being understaffed according to industry standards. The testimony moved on to the centralization of the HR functions across state govt., and then a discussion of what the typical vacancy rate was across state government. There was also some discussion of the Wellness program and DHR's work with Blue Cross Blue Shield. *Rep. O'Brien* did not understand why we had a separate wellness program and why the work wasn't being done in collaboration with the Blueprint. *Rep. O'Brien* was perturbed with the 18% increase to insurance costs and questioned the effectiveness of the program and the consistent cost increases. *Rep. Johnson* corrected *Rep. O'Brien's* initial statement that the cost had been consistently going up over time and explained that this increase was actually a spike and costs had previously been flat.

### **Labor Relations:**

Commissioner moved on to the topic of labor relations and explained her understanding of the State Employment and Labor Relations Act (SELRA). Mirroring testimony before SAC, advised Legislators to consult Leg. Counsel before they considered making changes in this area. This discussion led to the topic of RIFs. John Berard took over the discussion there and over a fifteen minute period gave a very brief overview of the RIF process, employee rights, and a brief summary of what had happened during previous reductions in force. Many of the Reps. had questions and *Rep. Johnson* said that this was a conversation they would continue to have.

### **Media Contacts:**

Contacted by Mike Donoghue from Free Press. He wanted a copy of the VTA contract which goes into effect in July 2015. While the contract is completed, not signed by parties yet – he was informed as such but provided a copy. The gist of Free Press take is they have been “hearing” that the reason Troopers aren't coming out against PSAP consolidation is that they got a “good deal” in the contract.

### **Significant Events/Meetings:**

We are currently recruiting for a new HR manager to provide services to ANR and Ag. ANR is very anxious to have a new person onboard and will be heavily involved in the recruit/hire process. We are ensuring ANR has adequate coverage until a new hire is made.





Secretary of Administration's directive that all new hires must be approved by AoA is getting a lot of attention from Agencies and Departments as well as VSEA. Working through process issues.

Meeting with AHS investigations unit and AHS leadership to assess and provide advice on employment law issues surrounding the death of an inmate at CRCF.

Meeting with VSEA counsel to discuss VSEA and DHR proposed changes to the SELRA provisions on Whistleblowers.

Work continues with AOT, AHS and DII on an enterprise-wide training registration and tracking system. The desired outcome of this effort is to implement and support an enterprise learning management system that will support a workforce with high mobility between agencies and departments, that will shave hours of labor and error management off of manual course registration systems, and that will provide a platform for web-based course development and access.

## INFORMATION AND INNOVATION

### Status of Governor's Priorities:

#### Healthcare:

- Breach Item:
  - A data breach form has been submitted to CMS for the reported breach of the BlueCross BlueShield Blue Card system. This breach relates to the larger national Anthem breach (80 million records) reported nationally earlier this week. BCBSVT continues to work to identify the scope and impact of the breach.
- The least risk and most cost effective path forward for infrastructure services related to hosting have been identified. As we are now in the second month of a 6 month termination with CGI, this hosting transition is critical as all vendors require 4-5 months to complete efforts. There were two different approaches proposed by vendors, 1.) rebuild of environments, and 2.) Lift/drop and reconfigure/rebuild environments. The rebuild approach is the least risky and would reduce budgeted FY16 hosting expenses by nearly 1 million dollars annually. This approach also has numerous benefits as it will complete system documentation CGI did not finish, include an application upgrade that the business would be forced to do within 2 years, and will align all the development activities so application release cycles for VHC are not interrupted.
  - DII and BGS are working on avenues for hosting procurement and a letter of intent with a vendor needs to be in place no later than 02/18/2015. Failure to get the new hosting will risk the Vermont Health Connect being shut down as of July 1<sup>st</sup> if extensions with CGI are not successful.

#### Legislative Issues/Contacts:

- House Government Operations scheduled testimony from the Agency of Agriculture on Wednesday 2/11, in an effort to learn more about DII and charges for technology services. Testimony was positive.
- Richard joined Fin & Mgmt and AHS in their testimony to Senate Institutions regarding the IT spending asked for in the capital bill. The committee expressed their frustration with IT costs being paid for out of capital when the lifespan of these costs could be significantly smaller. As an example Brad testified the VISION upgrade would need to be done again in 5-6 years. Jim and Harry both

did a good job explaining that, while not desirable, we didn't have any other options without putting the state at considerably higher risk.

- Richard spoke with Speaker Shap Smith regarding his non-specific comments in the 7 Days article. Shap had an interest in how much was done by DII and how much was done by vendors. After a brief analysis with the AOA business office, we were able to identify that 67.4% of the spending was external and report that back to the speaker.
- Richard received a call from Steve Klein who wanted to let me know he had been asked to identify some IT best practice for outsourcing and was looking at the State of Michigan. While I did not have any specific information regarding Michigan, Steve also mentioned that he felt I needed to reach out to Jane Kitchel and talk about IT spending. I've sent Senator Kitchel an email asking if she has some time to talk next week.

### **Press/Media Notes:**

Richard spoke with Paul Heintz from 7 Days. Paul told me that he had spoken to the Speaker and the Pro Tem independently and they had both suggested getting rid of DII as they weren't sure it provided appropriate value, but neither had any specific issues they could point to. Paul asked for my response and I said I was surprised and would be happy to respond to any specific issues. Since Paul had none, he asked for information on what DII does and how it is charged to departments and any complaints we had received. I said that DII is an internal service fund and that we do not have an appropriation, but charge departments for the services. We talked briefly about how we bill and our service catalog. I shared that I was proud of the services DII provides and that through greater economies of scale we have been able to save money for the state, and mentioned specifically lower WAN (building connectivity) costs and lower licensing (Microsoft) costs. A non-favorable article was published on Wednesday.

### **LIBRARIES**

Nothing to report.

### **TAXES**

#### **Legislative Update:**

#### **Miscellaneous Tax Bill:**

Municipal Garages, TIF Provision: South Burlington is arguing for broader provisions than originally proposed in bill. Tax has no dog in the fight, but staff, if asked would just have to agree to what W&M is already sensitive to – broader provisions have a greater impact on the Ed Fund.

Vermont Yankee: The Commissioner met with Commissioner Recchia and Mike Twomey, and we discussed the thicket that is property tax.

Amazon: Rep. Sullivan continues to advance the conversation.

#### **Revenue Issues:**

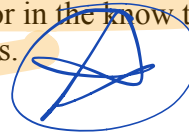
Payroll Tax: W&M heard testimony on implementation of this tax into Dept operations – they became a little hung up on the \$100,000 slotted for FY15 costs to ensure that payroll stayed on schedule with the



VTax project – we tried to explain that this was money the Dept would not contribute to the recession, not real spending.

Estate Tax: We are meeting with Sen. Lyons, practitioners and JFO to try to hammer out the revenue estimate.

Current Use: Ways & Means spent a fair amount of time on Current Use this week, in context of Admin proposals but also the coalition's latest bill. One legislator in the know told the Commissioner to expect at the very least, a haircut of 10% across board on benefits.



### **Revenue Items From Other Bills:**

Water Quality: The Dept continues in testimony to support the fertilizer and original impervious proposal, while assisting Ag and ANR behind the scenes with info on any alternatives the legislature might consider.

Cloud: Discussions with legislators and JFO continue. The key legally is because of technological and legal considerations cloud software does not fall within our definition of Tangible Personal Property. However, some of the bills floating around are for exemptions, in which case JFO is trying to come up with a fiscal note on lost revenue.

Education Finance: The Commissioner testified on the House proposal to House Ed – mostly an educational session. Tried to leave it to the Committee whether they felt the yield provision and the elimination of the look back was attractive enough to endure the transitional confusion. Also, in discussions with Mark Perrault, there are still some serious details to work through on both provisions. The committee questions wandered in to some other ideas that have kicked around forever – including state collection of the ed tax, favored strongly by the Chair. The newer members of the committee just seemed overwhelmed on the detail, and underwhelmed on the positive impact.

Tax Appeal: Tax legal department prepared for oral arguments in AIG case - \$900,000 and the interpretation of our unitary combined corporate tax at issues.

ugh.

### **Operations:**

Tax Season: We continued to receive information from vendors and other states about the particular strains of fraud that we are seeing this year, and we have adjusted the filters on returns accordingly. As of today, we resumed issuing refunds starting with paper checks. Our press release made it clear that refunds would be slowed throughout the season. National press says that the FBI is now investigating fraud with federal returns, and various states have made statements acknowledging delays in returns. We have reports suggesting that we will continue to learn more information in the coming days.

At this point, we have several levels of alerts. Worse case, we will reject the return. With high suspicion, we will send a questionnaire to the taxpayer (we are looking with FAST at automating this process). With lower suspicion, we will send a paper check instead of electronic deposit (and we have warned that taxpayers should return a check if they did not yet file a return). As we gather more data we will calibrate these responses.

## CONFIDENTIAL and PRIVILEGED

To: Governor Peter Shumlin  
From: Michael J. Hogan, Commissioner of Liquor Control  
Date: February 6, 2015  
Re: Weekly Report

### Status of Governor's Priorities:

- Staying in touch with my counterparts in Washing and Oregon on the implementation of legalized marijuana. There are many things to learn from them so Vermont does not have to reinvent a process if we go forward.
- January sales finished at a +4.87% which is very good for an economy that is moving slow in some sectors.
- Budget presentations next Friday in the Senate and the following Monday in the House.

### Legislative Issues/Contacts/Updates:

- Miscellaneous clean up language for Title 7. Working on some housekeeping changes.
- Spoke to House General on Wednesday for a licensing 101 presentation. Good reception and good questions. The committee is coming over to see our warehouse this afternoon.
- Couple of bills introduced (H219, S80) to sell fortified wine by 2<sup>nd</sup> class license owners. We have an approach that could satisfy the small number of stores that want to sell these products. It will take some compromise to make it happen.
- H201 is a bill to create a farm brewers license- interesting concept I believe patterned after New York State.
- H130 would create an Agency of Public Safety and put Liquor Enforcement and DMV Enforcement under its roof. We would oppose this approach as we know that the mission of the agency will dictate the overall direction. Liquor enforcement would eventually disappear in the state like it did in Maine and the public safety consequences of unregulated licensees would be very dangerous to the public at large.

### Press Issues/Releases/Contacts:

Significant Events/Meetings: Next Board Meeting 02/04/2015 - Enforcement Hearings.

### Evolving Issues:

- ERP/POS Project underway. Excellent Progress! Recent meeting with vendors and staff working through the particular functions of the front end and back end systems.
- Preliminary review of department processes for potential licensing and enforcement system. Considering using VIC as they are very familiar with our business processes to help with a statement of work.
- Break open ticket reporting process is working. Live data is being entered. Should have some numbers by the end of the first quarter.

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### Summary of Key Department Activity:

- Reviewing internal controls with staff and department committee.
- Looking closely at more cross training for some of our divisions.
- Commissioner's Commentary: Have a great weekend.

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