

# WEEKLY REPORTS

## Checklist

5/9/2014

Elizabeth Miller/Aly Richards

- Agency of Commerce and Community Development – Patricia Moulton
- Health Care Reform – Lawrence Miller
- Department of Labor – Annie Noonan
- Department of Financial Regulation – Susan Donegan
- Agency of Education – Rebecca Holcombe
- VT Commission on Lottery – Greg Smith

Louis Porter

- Agency of Transportation – Brian Searles
- Agency of Human Services – Doug Racine

Sue Allen

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

Sarah London/Carolyn Wesley

- Department of Public Safety – Keith Flynn
- Agency of Administration – Jeb Spaulding

Susan Spaulding

- Boards and Commissions – Susan Spaulding
- Department of Liquor Control – Mike Hogan

**To:** Governor Peter Shumlin  
**From:** Lucy Leriche, Deputy Secretary - Agency of Commerce and Community Development  
**Date:** May 9, 2014  
**Re:** Weekly Report

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## LEGISLATIVE ACTIVITY

- **Budget:** The conferees continue to work through the list of differences between the House and Senate versions of the budget. They have made considerable progress and most items affecting ACCD are closed. The one notable exception the transfer of VCGI into state government.
- **S.220:** The Conferees signed the Economic Development conference committee report last night. The underlying bill remained largely in tact. A number of important economic development priorities for the Governor are in the bill including Vermont Strong Scholars and the VEDA Entrepreneurial Lending Program. In the end, Worker's Comp made it in, Prevailing Wage did not. Fred Kenney will prepare the bill review.
- **Telecom:** As of this writing it is still in conference and in play. We will likely see the creation of the Division of Connectivity, VTA dormancy in July of 2015 and creation of a high cost fund. The 248a. Changes are also in S.220.
- **H.809:** House Natural Resources concurred with the Senate's amendments, and it passed the House and is now on its way for Governor's signature. A bill review has been sent to the Governor's Office, but we will do a final check once the language is posted.
- **H.823:** House Natural Resources concurred with the Senate's amendments, and it too is on the way for the Governor's signature. A bill review has been sent to the Governor's Office, but we will do a final check once the language is posted.
- **Fee Bill:** As you may recall, Senate Finance did not accept the suggestion from House Ways and Means to increase for site fees from \$8 to \$12 and kept them at \$8. This is now in conference committee and we have reached out to members and asked them to provide for an increase in site fees! Fingers crossed on this one.
- **S.168 Municipal Tool Box Bill:** The Senate agreed to changes made by the House to the **disaster condemnation** provisions and other sections. The bill will soon be on its way to the Governor's desk. Final Bill review has been sent.
- **H.885 Miscellaneous Tax Bill:** As of this writing, the House conferees have tentatively agreed to the Senate's language requiring **the value of homes with housing subsidy covenants** to be set between 60 and 70% of fair market value. It also appears that language requiring the Vermont Housing Council to study alternatives to the **Renter Rebate Program** will be included in the final version of the bill. Negotiations on the **Research and Development Tax Credit** continue. The increase in **Downtown Tax Credits** remains.

## LUCY LERICHE, DEPUTY SECRETARY

- **VY Process Meeting with Legislators:** Administration officials from the Gov.'s Office, ACCD, DPS, and Labor gathered to discuss the economic development funds process with the region's representatives and senators. It went fairly well, but clearly, Senator White and Representative Manwaring in particular could use some follow up from the Governor.
- **National Capital Pool for Energy Plan:** Lucy met with Ted Brady, Chuck Ross, Jolinda LaClair, Diane Bothfeld, Liz Miler, and Chris Recchia to explore the possibility of applying for \$100,000 in federal loan funds made available through the Farm bill and USDA RD for energy related projects and benefits. Many unanswered questions remain, but this could be a tremendous opportunity to advance the goals of the Governor's State wide Energy Plan.
- **Internal Controls Survey:** Agency wide, serious and focused attention on this work is underway.

## DEPARTMENT OF ECONOMIC DEVELOPMENT

### Lisa Gosselin, Commissioner

- **King Arthur Flour** held a ribbon cutting for its new 23,500 sq. ft. manufacturing facility in Norwich on 5/1. An employee-owned Benefit Corporation (B-Corp), King Arthur has grown steadily, employing more than 300, and is currently hiring for 10 new positions, largely in web development and emarketing. Commissioner Lisa Gosselin attended the event as did representatives from Senators Leahy and Sanders offices. Lisa shared the "make Vermont home" concept with Tom Payne, marketing director and is connecting him with potential candidates. The company, which now has largest share of the U.S. bread flour market, has purchased additional adjacent land so it can continue to expand here. President Steve Voigt said they had considered expanding elsewhere and may at some point look for a western facility to help in distribution but is proud to be employee-owned and growing here in Vermont. Also spoke with Boston-based KAF board chair Carol Atwood, founder of Spartacus Capital and a proponent of B-Corp businesses, about speaking with other key businesses in the state.
- **Core Value's** Chuck Richards presented his software system to Lisa Gosselin and Ken Horseman, along with Bob Zider and Patricia Giavara of VMEC on 5/2. Based in Norwich, Core Values is a low-cost tool that helps companies evaluate the key drivers in the valuation of their businesses and could be valuable for many of Vermont's smaller businesses that are in succession planning. In addition, Core Values is collecting aggregate data that can help paint a picture for a region of business strengths and weaknesses. Core Values is already being used widely in certain states and Lisa and Ken will follow up with partners (RDCs and SBDCs) to demonstrate the product and assess its usefulness for Vermont.
- **The Economic Development Summit** is planned for Tuesday, October 28 at UVM's Davis Center. We are reaching out to James Fallows (Atlantic and NPR correspondent, author of China Airborne) as a potential keynote speaker and are lining up other speakers for proposed sessions that will address issues related to the future of Vermont's workforce, energy, innovation and advanced manufacturing.
- **One Stop Shop/Business Registry Portal:** DED is eager to help bring this new, valuable tool to businesses but wants to ensure the appropriate resources and personnel can be allocated from our department to successfully achieve the "one stop shop" expectations.
- **EB-5:** More centers are being established and there is greater pressure to sign investors. Brent is currently looking at potential new investment markets in the Middle East, Central and South America. He has been working with Russ Barr of Stowe, Vermont for a year to ensure that project meets the increasingly high standards of the VT RC and multiple new covenants of the Memorandum of Understanding. It's expected that Russ' project, Stowe Aviation - located at the Stowe, Morrisville Airport will likely be approved within

the next week. He is also working with other potential projects in the pipeline. Since Brent became the RC Director he has focused on strengthening regulatory compliance and adding covenants to the MOU to empower the RC to enforce these increasingly high standards.

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

- **GW Plastics:** GW Plastics has started several initiatives to recruit young local mechanically minded employees. Beth made referrals to the VDOL Apprenticeship & Internship program and to the Vermont Technical College. Additionally, GW Plastics is beginning new employee training in its Royalton facility.
- **New England Precision:** While working with Doreen Audette (Director of Quality) at New England Precision of Randolph on a VTP grant modification she shared the following good news with Beth Demers. “We are very excited here at New England Precision because we were recently awarded about \$5 million in new business. This is business that was awarded to us by one of our customers that currently does the majority of their own metal stamping. They will be outsourcing all of that stamping work to us and that process has already begun. We are expanding our facility into space that was previously leased by another company, (who still exists and has also moved into a larger space locally). We have also hired a half dozen new people to train to support the new business. “

### **DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**

#### **Commissioner MacKay and Deputy Commissioner Hollar**

##### **Deputy Commissioner Hollar**

- **CDBG Disaster Recovery:** Reviewed the status of all CDBG-DR projects with Senator Leahy’s staff. The Senator would like to highlight projects at events this summer. Began coordinating dates with the Governor’s office.
- **COTS Project:** Opponents of a proposed day station and housing for the homeless in Burlington contacted the Department to object to the process used to conduct the environmental review. With solid support from Kate Fournier and Ann Kroll, developed a response plan with Housing Vermont, the project’s lead developer. Communicated with Senator Leahy’s office which had also been contacted by the neighborhood association.

### **COMMUNITY PLANNING & REVITALIZATION ♦ Chris Cochran, Director**

- **New DHCD and AOT Funding Partnership Proposed:** Richard Amore and Jackie Cassino presented to Joe Segale, Amy Bell and Chris Cochran the results of their collaboration to integrate our respective planning grant programs to incentivize greater public and private investments in our downtowns and villages, strengthen the Vermont brand and economy and advance shared interagency goals. A senior ACCD-AOT management briefing is scheduled next week to gather additional feedback on the proposal and discuss various implementation options.

### **DEPARTMENT OF TOURISM & MARKETING**

#### **Steve Cook, Deputy Commissioner**

- **Vermont Tourism App:** The Vermont Chamber of Commerce and Vermont Department of Tourism and Marketing have completed their RFP application analysis and have selected [Route 802](#) as the vendor for the department’s new travel planner and upcoming mobile application. There were strong contenders from

Vermont and beyond who responded to this RFP, making it very challenging to select a vendor. We expect to have the application launched by this fall.

- **Summer 2014 marketing budget:** Below is the media investment breakdown for this summer's media campaign including partner investment. We are very pleased that our partner, Cabot, has invested \$111,000 in this year's collaborative marketing campaign. The team is busy filling the creative needs to accommodate this campaign.

For internal viewing only

Vendor/Platform	TOTAL	State Pays
VDTM/Cabot Summer Partnership	\$ 111,000.00	\$ 111,000.00
MapMyFitness	\$ 50,000.00	\$ 50,000.00
Pandora	\$ 25,000.00	\$ 25,000.00
Google Display Network (NYC)	\$ 6,000.00	\$ 6,000.00
Google Search (NYC)	\$ 30,000.00	\$ 30,000.00
	<b>TOTAL</b>	<b>State Pays</b>
<b>TOTAL BUDGET</b>	<b>\$ 136,000.00</b>	<b>\$ 136,000.00</b>
<b>ALOTTED</b>	<b>\$ 111,000.00</b>	<b>\$ 111,000.00</b>
<b>REMAINING</b>	<b>\$ 25,000.00</b>	<b>\$ 25,000.00</b>
Vendor/Platform	TOTAL	State
VDTM - Summer Solo	\$ 246,600.00	\$ 246,600.00
Comcast Boston (:30)	\$ 50,000.00	\$ 50,000.00
Hulu Boston (:15)	\$ 50,000.00	\$ 50,000.00
Print (Bicycling & Outside)	\$ 6,600.00	\$ 6,600.00
YouTube	\$ 15,000.00	\$ 15,000.00
MobileFuse	\$ 10,000.00	\$ 10,000.00
Crisp	\$ 30,000.00	\$ 30,000.00
Rich Media Fees	\$ 5,000.00	\$ 5,000.00
Google Display Network (Boston)	\$ 10,000.00	\$ 10,000.00
Google Search (Boston)	\$ 20,000.00	\$ 20,000.00
WeatherBug	\$ 25,000.00	\$ 25,000.00
Weather Channel	\$ 25,000.00	\$ 25,000.00
	<b>TOTAL</b>	<b>State</b>
<b>TOTAL BUDGET</b>	<b>\$ 250,000.00</b>	<b>\$ 250,000.00</b>
<b>ALOTTED</b>	<b>\$ 246,600.00</b>	<b>\$ 246,600.00</b>
<b>REMAINING</b>	<b>\$ 3,400.00</b>	<b>\$ 3,400.00</b>

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

- **April Meals and Rooms Revenue Strong:** Taxes collected during April, which largely reflect hospitality business activity during March, were 12.93 percent ahead of target for the month and 1.55 percent ahead of target for the fiscal year to date. Meals and Rooms revenue is up 5.54 percent in comparison with the previous fiscal year to date.

**CHIEF MARKETING OFFICE ♦ Nancy Brooks, Chief Marketing Officer/Heather Pelham, Marketing Specialist**

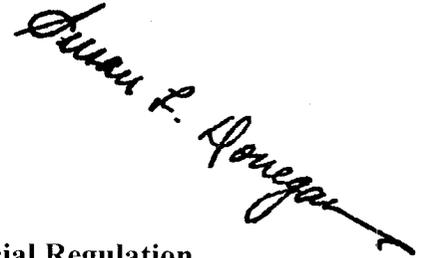
- **Department of Health website:** Nancy and Heather met with the Department of Health this week to take another look at their design sketches for a new website they would like to build. They intend to go out to RFP to find an outside vendor who can build the site for them. However, as the CMO team has solidified the list of features, tools and options that will exist in the new state website template, they realized that the DOH website could certainly be built using state resources. The meeting succeeded in giving DOH another (much less costly) option to consider, alongside outside vendor proposals. Next step: the CMO team will present design sketches of the new state template later this summer, once the styling and design phase is complete.
- **DVHA website:** Nancy and DII Web Services Director Harry Bell met with a team from DVHA that was anxious to re-design their department website and wanted to know how to begin. In advance of this meeting, Nancy asked them to complete a questionnaire to assess their long-term plans, their goals for the website, and their long-term resources to sustain content development. This was an eye-opening exercise, indicating that there are so many unknowns for DVHA (will Single Payer become a reality? Will the department's website eventually link in with an integrated HHS website?) that it doesn't make sense to think about a design overhaul until we know all of those requirements. In this sense, this meeting was a great first-test of that questionnaire, which will likely be incorporated into the website needs-assessment process going forward. Nancy and Harry also counseled the DVHA group about some of the prep work that they could work on in the meantime (developing a site map and starting to take an inventory of existing content).

**State of Vermont**  
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[All Insurance] 800-964-1784  
[Securities] 877-550-3907  
[Banking] 888-568-4547  
[www.dfr.vermont.gov](http://www.dfr.vermont.gov)

**CONFIDENTIAL and PRIVILEGED**

**To: The Honorable Peter Shumlin, Governor**  
**From: Susan L. Donegan, Commissioner, Department of Financial Regulation**  
**Date: May 9, 2014**  
**Re: Weekly Report**



**Insurance Division:**

Deputy Commissioner Crosby Sherman attended the National Association of Insurance Commissioners Washington Forum this week where he met with staff members of the Vermont Congressional delegation to discuss insurance issues of national significance:

- Terrorism Risk Insurance Program reauthorization will minimize market disruptions.
- Preservation of state regulators' authority to protect policyholders from risks elsewhere in the financial systems, primarily from bank failures when held in holding companies with insurance companies.





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**CONFIDENTIAL AND PRIVILEGED**  
**MEMORANDUM**

TO: Governor Peter Shumlin  
FROM: Rebecca Holcombe, Secretary, Agency of Education  
SUBJECT: AOE Weekly Report  
DATE: May 10, 2014

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**Internal Controls**

The Cabinet risk assessment presentation was extremely helpful. From it, we prepared forms we used with Directors to assess the risk factors in each division. Monday we will continue this work. Several positive related outcomes include:

- Identified need for documentation of processes and cross-functional training.
- Identified a need for better budgeting procedures. Next cycle, our goal is to employ a modified zero-based approach as part of the process.
- Proposed audits of a small, randomly selected number of our small EAs, to verify the quality and integrity of those EAs.
- More comprehensive declaration of potential conflicts of interest for those who request EAs that are not put out to bid. We are putting together an Agency wide form for this purpose.
- We need Agency-wide protocols for supervision and monitoring of employees who spend substantial time out of the Barre office. These need to be Agency-wide, so our efforts to tighten up control Agency-wide don't leave us vulnerable to charges of harassment, which has been common in the past. We are developing a policy that allows three tools for monitoring off-site work:
  - Specification of deliverables
  - Online timesheets, which will provide us with a time and location stamp. (This last piece is not public knowledge—its success depends in part on that.)
  - We will announce to staff also that we will be surveying the stakeholders with whom they work in the field to get feedback on their performance. This will also serve as a way of verifying that services are being delivered.

Once this has been revised and vetted, we will roll this out.

Finally, this review brought to the surface some issues in the division responsible for teacher licensure. We are moving aggressively to correct practices and mitigate any

issues moving forward. It was great having this information come from the cabinet level to push this work forward.

### **Supporting Principal Development**

Last week, we met with representatives of VSC, VPA and a Superintendent from The NE kingdom to brainstorm opportunities to support development and retention of principals in VT. (Next time, we hope St. Mikes/Brian O'Regan will also be at the table.) Issues include:

- Need for clarification of roles and responsibilities of principals and Superintendents. (This work is already in process)
- Need to provide PD to principals on how to provide effective feedback to teachers that leads to improvements in learning.
- Induction: We need to persuade excellent teachers with an aptitude for leadership to see the principalship as a desired next step. (Obstacles involve the challenge of the job, the lack of support and mentoring, low pay and long hours relative to teaching, etc...)
- Development: We need to provide principals, both new and sitting, with the requisite skill set and political know-how to stay in the job
- Retention: Anecdotally, we are developing a bit of a reputation in some states as a training ground for other states. People come here, cut their teeth in a small school, then move to principalships in other states. Anecdotally, we hear that a better bet might be to develop a VT version of the principal development programs in other states and cities that have problems with retention. These programs tend to target teachers with deep roots in their communities as candidates for leadership, and then provide them with the skills to move up. In similar programs in other states, individuals with local roots are less likely to move on.

There was strong interest in collaborating on initiatives moving forward.

### **SBAC:**

Vermont has joined with Connecticut and New Hampshire to form the New England Assessment Consortium. Last week the three states posted a joint RFP seeking a contractor to manage implementation of the new Smarter Balanced Assessments for the consortium. The states are hoping for significant cost savings based on the economy of scale that will result from the multi-state partnership.



### **VT teacher appointed to Model Code of Educator Ethics (MCEE) Task Force**

Jay Hoffman, a Design & Technology Education teacher with the South Burlington (VT) Public Schools, has been selected as a member of the Model Code of Educator Ethics (MCEE) Task Force, sponsored by the National Association of State Directors of Teacher Education and Certification (NASDTEC). Hoffman, who teaches at Frederick H. Tuttle Middle School, has served in the district for 16 years and has 21 total years in education. This diverse and representative group will begin its work with an initial meeting in Baltimore, MD on June 19-21, 2014, and plans to have the first national framework for P-12 educator ethics completed within a one-year time frame.

### **VT hosts National Conference**

This week, the annual conference of the Division of Early Childhood of the Council for Exceptional Children was held in Burlington on Thursday and Friday. This conference featured national presenters and attracted participants from all over the country. Kate Rogers, Early Essential Education Coordinator, was a member of the planning committee for this conference and played a large role in bringing it to Vermont. The focus of the conference was "New Possibilities: Using Evidence-Based Practices that Support Inclusion."

### **Ongoing support for governance reform**

As I mentioned, VSBA, VSA, VPA, VSBIT and AOE are collaborating to develop an authoritative guide to facilitating/achieving school district mergers through the Act 153/156 process. Despite the outcome of the governance discussion, we are committed to supporting school districts as they consider mergers in an effort to navigate the tremendously challenging times ahead. We have a preliminary meeting scheduled for next week to discuss and frame out the guide. Present at the meeting will be a critical mass of experts from the field who have deep experience in this process.

### **Vermont Law School**

We are scheduling a meeting with Clare Buckley of KSE partners and the Dean of the VT Law School about the future of VLS. We feel VLS plays a critical role nationally, especially in the field of Environmental Law. It is also critical to the economic health of the region in which it sits. We would welcome attendance from the Governor's office at this meeting. We have limited capacity to help, but would like to do all we can to support their efforts to thrive.

### **Shooter Rumor/Safety Protocols**

Friday we dealt with a rumor about a shooter in the building that allegedly led to a lockdown in AHS. Our investigation included AHS, BGS and the Barre police, but we found no evidence to



support the rumor. We will take this as an opportunity to review all safety procedures and ensure out protocols are consistent with those of AHS.

**Vermont Rural Partnership Learning in Place Conference**

I gave the keynote at this conference on Friday, which included educators, parents and students from a number of schools, including Cabot, Barnet, Moretown, Hyde Park, and Harwood Union. I have had a pretty strong presence in this part of the state. I need to now start focusing more in the South. I am starting to schedule in Brattleboro and Bennington and Rutland.

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Have a great weekend, all.

Rebecca



**CONFIDENTIAL and PRIVILEGED**

**To: Governor Peter Shumlin**  
**From: Greg Smith, Executive Director, VT Lottery**  
**Date: May 9, 2014**  
**Re: Weekly Report**

**Status of Governor's Priorities:** .

Working on another review of shipping processes now that we are changing some of our distribution plans.

**Legislative Issues/Contacts:**

I attended a few conf. comm. discussions over S.299 which as being amended with language from H575 to restrict lottery agents. I recommended a middle ground requiring training for bar employees about the signs of problem gambling which would be approved by VCPG. Senate liked this but House did not comment. I know there is discussion of requiring reports on problem gambling that may end up in the final language which will likely be fine with the Lottery. Andrew Maclean was hired by our gaming vendor Intralot, and he has been keeping us informed after hearing from some Senators.

**Press Issues/Releases/Contacts:**

n/a

**Significant Events/Meetings:**

n/a

**Evolving Issues:**

The Dept of Health has asked the Lottery to take over the administration of our \$150K grant for problem gambling. We are in agreement to take it over and they will provide us with guidance on what has been done and some ideas for the future. The current budget language has us paying the grant to them so we will prepare a notice of that anticipated change. I will be asking the VLC for approval for this on Wed, 5/21.

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**Summary of Key Agency Department Activity:**

The passage or defeat of H575 will cause significant change for our work over the next 6-9 months. While we are preparing for both answers, the fork in the road will show up soon.

**Executive Director's Commentary:**

Ed Flanagan has been a good addition to our commission. It won't surprise me if we have a couple more openings next year as a few three year terms come to an end. I will continue to keep my eyes open for potential candidates. Hope you will too.

**Executive Privilege**

**TO: Governor Peter Shumlin**  
**FROM: Secretary Brian R. Searles**  
**DATE: Friday, May 9, 2014**  
**SUBJECT: VTrans - Confidential Report to the Governor**

**NOTES FOR GOVERNOR**

**Transportation Reauthorization**

Our policy and planning unit is reviewing the Obama Administration proposal called the GROW AMERICA Act. It is a 4-year, \$302 billion dollar proposal which leaves the current highway and transit apportionment relatively unchanged, significantly increases funding towards discretionary programs, and adds a new \$4.7 billion rail title.

The Senate EPW Committee has delayed releasing its proposal until next week but Sen. Boxer has strongly hinted that it will also be a six-year proposal. As you know Deputy Sec. Minter has testified before EPW and followed up with a letter to the committee and we will be looking to see if the ideas that she brought to the committee are adopted in the proposal.

The separate matter of short-term relief for the Highway Trust Fund has not been resolved but Senate EPW Ranking Member Vitter is the latest to say publicly that it must be fixed and fixed soon.

**Fast Fix 14**

The additional paving that you announced last week is getting a good response, particularly in Brattleboro where the repair of Rt. 9 in West Brattleboro has been controversial but is now the subject of a *Reformer* editorial praising the cooperation between the various levels of government.

In a related development, we will be taking steps to increase the overall limits for paving contracts through our "Maintenance Rental Agreements" to accommodate the additional work. Frank W. Whitcomb has been very competitive in this work and was nearing the upper limits but we decided to raise them all in the interest of fairness.

## **Rail Day 2014**

National Rail Day is tomorrow in Rutland. I will be speaking along with Congressman Welch but we expect participation, particularly by the legislature to be little or nothing due to the race to adjournment.

## **Legislature**

As a demonstration of our Agency focus on Customer Service, the VTrans leadership held a "VTrans Open House" in Room 10 for all legislators this week, which was very well received. We had large maps depicting all of the upcoming construction projects around the state (broken into 4 geographic regions), and had key Agency leaders from those regions -- both Construction Engineers (who oversee the construction projects), and the District Transportation Administrators (who maintain the entire system) -- at the ready. The room was full for the 3 hours, and many questions were answered, and relationships made, between the people who take care of our roads and those who fund their activities. We have followed up with a thank you note and list of key contacts in the Members' mailboxes today.

## **You Can Quote Me**

I'll be taping this afternoon for Sunday concerning the upcoming Capital Program and summer construction.

## **NOTES FOR STAFF**

### **Legal Notes**

The long-delayed reconstruction of the Pittsford portion of the "Pittsford-Brandon" project suffered another delay when the Superior Court in Rutland granted plaintiff's request to postpone jury drawing from May 20 to late summer in the trial concerning right-of-way objections of abutters who filed their appeals in May of 2012. Twenty-five property owners, all represented by the Langrock law firm of Middlebury, are objecting to the historic six rod right-of-way claimed by VTrans for this project.

In a case involving remedial work done post-T.S. Irene, the owners of a home on the north side of VT 73, through their attorney William Meub, made a claim arising out of flooding caused by the storm in 2011 resulting in a general release accompanied by a settlement of \$43,000. This week Meub wrote that they had just learned that the elevation of VT 73 is about to be raised as part of the project and alleges that this will render the property unusable. The homeowners are now demanding that VTrans purchase and remove their home and are threatening an inverse condemnation action if we proceed with the plans to reconstruct VT 73.

In response to a complaint from Montpelier resident Cora Brooks (which may have included communication with the Governor's office) concerning the presence of a Survey Team on her property in conjunction with a bridge project over the Winooski River, the City of Montpelier is doing a special outreach to her in an effort to establish a relationship. Under Vermont law, VTrans, municipalities and utilities have authority to

enter private property to conduct pre-condemnation surveys but that fact, along with prior notification, have not satisfied Ms. Brooks. We will stand by and await the City's efforts.

### **Engineer Carolyn Carlson Honored Again**

Carolyn traveled to Washington last week to accept a 2014 American Congress of Engineering Consultants award for excellence on the Richmond Checkered House Bridge. The award was one of 16 projects from across the United States honored at the event.

### **GIS-T Conference a Success**

VTrans hosted a conference of 370 of the best and brightest GIS users from 36 states and featured 27 different vendors showing their newest GIS and Asset Management applications. A team from all four divisions of VTrans, led by District Tech Stephanie Magnan, was by all reports a huge success with the four days featuring 85 thirty-minute technical presentations. As a bonus the weather cooperated and the attendees got to see a lot of Burlington and went out on the *Spirit of Ethan Allen*, as well.

### **VTrans Restructuring**

The announcement has now been made and we are happy to make details available. Jeb also has a copy of the announcement.

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

**To:** Peter E. Shumlin, Governor  
**From:** Douglas A. Racine, Secretary of Human Services  
**Re:** AHS Weekly Report  
**Date:** May 9, 2014

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There is little to report this week – the focus has been on the legislature.

**Department of Mental Health (DMH)**

Senator Ayer and Representative Ann Pugh:

Alerted them to a young girl from Massachusetts who attempted suicide at the Brattleboro Retreat on Monday. The young person is in serious condition.

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

Legislative Updates:

H.555, an act relating to the commitment of a criminal defendant who is incompetent to stand trial because of a traumatic brain injury, and H.728, an act relating to developmental services' system of care, passed with DAIL's amendments in place. Final bill reviews are being prepared in support of both bills. There was no reaction from the DAIL Advisory Board to the Administration's proposal to use Choices for Care savings to offset the \$2.2 million in general funds needed for the independent support workers' budget.

**Department of Corrections (DOC)**

S.295, an act relating to pretrial services, risk assessments, and criminal justice programs:

The RFP for the services is in its final drafting. We hope to have something to offer up for review by mid-May. The exempt position description was submitted to DHR for review and assistance. We will be using an exempt vacancy in the DOC to fill this position.

Town of St. Johnsbury:

Several years ago, the DOC expanded the number of beds in the St. Johnsbury work camp from 100 to 112. The town requested an MOU of \$10,000 annually, for additional supports potentially needed in the event of an emergency, also known as "readiness to serve payments". Due to internal town issues, the MOU was never executed. The town asked the State to reconsider executing the agreement. More information is being gathered and will be forwarded to AHS.

Town Hall Meeting:

The DOC's next Town Hall Meeting will be held on June 11, 2014. We will continue our tradition of meeting with Vermont Cure before the Town Hall Meeting.

Community High School Motorcycle:

This year's motorcycle is complete and pictured below. It will be dedicated on May 22<sup>nd</sup>. The motorcycle will be raffled off over the summer with the proceeds going to a local charity.



Population:

The department's incarcerated population averaged 2,120 for the previous week. The male population averaged 1,954 with 344 being presentenced inmates. The female population averaged 166 with 43 being presentenced inmates.

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

FY2011 Work Participation Rate Achieved:

The Administration for Children and Families notified Vermont that we successfully met our Work Participation Rate for FY2011, for both the "All Family Rate" and the "Two Parent Rate". This is a critical achievement necessary to ensure that Vermont continues to receive its full federal funding under the Temporary Assistance for Needy Families (TANF) block grant.

A huge thanks and congratulations go out to all of the Reach Up staff who have worked so hard to make sure our program is in compliance and that clients receive the services they need!

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

Vermont Health Connect (VHC):

- Navigator Proposal Review – VHC received 25 proposals. Given significantly reduced funding, we will need to carefully consider which organizations will be funded and will likely have to renegotiate proposed budgets.
- Top Carrier issue – All carriers are looking for information about realistic expectations for small business.
- Renewals – without the full engagement from CGI to design, test and implement plan mapping, VHC is at risk to implement plan mapping for the 2015 renewal cycle.

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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:** May 9, 2014

**Secretary's Top Issues**

The Clean Energy Development Fund RFP for a pilot-scale project to process and deliver food scraps to an existing biodigester on a farm in Vermont is getting strong interest. The RFP, written by VAAFM and PSD, is here: [http://publicservice.vermont.gov/topics/renewable\\_energy/cedf](http://publicservice.vermont.gov/topics/renewable_energy/cedf) and is getting strong interest in the form of questions, which were due on Friday 5/2. This is an excellent example of interagency coordination, with VAAFM and PSD drafting the RFP, and with the ANR Solid Waste Division reviewing and suggesting revisions to the RFP, and answers to questions.

Dan Scruton, Dairy Section Chief, Dr. Kristin Haas, State Veterinarian and Diane Bothfeld, Deputy Secretary met with representative of the dairy industry to discuss the demands on the dairy section and the potential of changes to the Milk Quality Program. Due to staffing needs – the voluntary Milk Quality Program will be reduced to 2 days per week and the staff person will take on dairy plant inspection work 3 days per week. There are 105 licensed dairy processing facilities and 3 full time people. **A 4<sup>th</sup> dairy plant inspection person is needed but this adjustment should help until the next legislative cycle.**

At a meeting of the Vermont Pesticide Advisory Council (VPAC) citizens of Montpelier concerned about the railroad using herbicides in the right of way, were in attendance. Residence expressed concerns about the pesticide use to the council and the railroad. The railroad agreed to not use herbicides along the walking path through Montpelier, a section of track that begins at the I89 overpass and continues to the Pioneer St. Bridge. Local residence including Montpelier's town arborist agreed to partner with the railroad and a sub-committee of the council to explore what alternatives exist to manage vegetation in this section of rail that runs through such a densely populated section of track. The Agency was integral in negotiating a common ground solution with all parties involved. The issue caught the attention of local media. The issue was portrayed accurately in the news.

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**Confidential and Privileged**

**TO:** Gov. Peter Shumlin  
**FROM:** Chuck Ross, Secretary of Agriculture  
**RE:** Weekly Memo  
**DATE:** May 9, 2014

**Status of Governor's Priorities:**

**Legislative Activities and Issues**

H. 869 Miscellaneous Agricultural Subjects

The Senate took action on H. 869, Miscellaneous Agricultural Subjects. Three amendments were noticed in the Senate Calendar, and another amendment was made from the floor. The Amendments were

1. A sunset, as of July 1, 2016, of license fee exemptions in 9 V.S.A. § 2730(g) for small retailers.
2. Inclusion of language from H. 448 addressing primary agricultural soils that

Amends the definition of "Primary Agricultural Soils" in 10 V.S.A. 6001 (15) which focuses on the physical characteristics and quality of the soils and their ability to support agricultural production;

Assures that a portion of money collect by the Vermont Housing and Conservation Board from off-site mitigation fees must be used by the VAAFMM to support staff costs associated with the preservation of primary agricultural soils and the implementation of criterion 9(B); and

The expansion of the 1:1 mitigation ratio and a presumption of off-site mitigation, to

- Designated Downtowns;
  - Neighborhood Development Areas Associated with Designated Downtowns;
  - New Town Centers in existence as of January 1, 2014;
3. Direction to the Sec. of Agriculture to evaluate the use of certain pesticides and their effect on the pollinator population and human health.
  4. The amendment from the floor included some elements from the Senate Finance passed Current Use bill, H. 329. These sections included address Ecologically Significant Treatment Areas (ESTAs) and their ability to be

enrolled in the current use program, and ability of the Commissioner of FPR to extending a deadline to file forest management plans in certain circumstances.

H. 869 moved to the House for concurrence, and passed Friday morning.

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

- At a meeting of the Vermont Pesticide Advisory Council (VPAC) on May 6th citizens of Montpelier concerned about the railroad using herbicides in the right of way, were in attendance. Residence expressed concerns about the pesticide use to the council and the railroad. The railroad agreed to not use herbicides along the walking path through Montpelier, a section of track that begins at the I89 overpass and continues to the Pioneer St. Bridge. Local residence including Montpelier's town arborist agreed to partner with the railroad and a sub-committee of the council to explore what alternatives exist to manage vegetation in this section of rail that runs through such a densely populated section of track. The Agency was integral in negotiating a common ground solution with all parties involved. The issue caught the attention of local media. The issue was portrayed accurately in the news.

### **Evolving Issue**

Dan Scruton, Dairy Section Chief, Dr. Kristin Haas, State Veterinarian and Diane Bothfeld, Deputy Secretary met with representative of the dairy industry to discuss the demands on the dairy section and the potential of changes to the Milk Quality Program. The meeting was attended by representatives of the dairy cooperatives and Booth Brothers and each stated their support of the Milk Quality Program but understood the financial and work load concerns of the agency. Agency will review information and determine a path forward in the next months.

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

### **Administration:**

#### **Land Use**

In April, the Secretary approved a request for a variance for the expansion of a farm structure in Panton located within the municipal front yard setback requirement. The Agency also determined that a grain malting facility located on the same site as where the grain is grown, and when the inputs are principally produced on the farm, is considered a "farm structure" as defined in the accepted agricultural practices regulations. The facts that provide the basis for these actions are available at the VAAFAM.

Additionally, the VAAFAM fielded inquiries concerning:

- the placement of a sign advertising a farm, and
- the required application materials and process for obtaining a variance to locate a sap pump house within the buffer of a locally mapped wetland, and to construct a building for a wine and cider processing facility and vegetable storage within a locally regulated setback.

### **Agricultural Development:**

- 1.) The Clean Energy Development Fund RFP for a pilot-scale project to process and deliver food scraps to an existing biodigester on a farm in Vermont is getting strong interest. The RFP, written by VAAFM and PSD, is here: [http://publicservice.vermont.gov/topics/renewable\\_energy/cedf](http://publicservice.vermont.gov/topics/renewable_energy/cedf) and is getting strong interest in the form of questions, which were due on Friday 5/2. This is an excellent example of interagency coordination, with VAAFM and PSD drafting the RFP, and with the ANR Solid Waste Division reviewing and suggesting revisions to the RFP, and answers to questions. Answers are forthcoming shortly, and PSD will post them at the above web site. The RFP is due 5/19, and is for a maximum grant amount of \$150,000.
- 2.) VAAFM continues to track and assist where possible Green Mountain Power's initiative to purchase biodiesel ("B100") from either a Connecticut Valley biodiesel processor, or from Borderview Farm (Alburgh), who have processing facilities. GMP's goal is to purchase 2,000 gallons this first "trial" year, for use in their fleet of Rutland service vehicles. The oilseeds, likely sunflowers, will be purpose-grown at farms in Vermont, and crushed for their oil on a farm here in Vermont. The farm also gets a value animal feed from the crushing process. The foundation for this work has been a joint effort: Secretary Ross's December meeting with GMP at Stateline Farm in Shaftsbury, VSJF's funding of on-farm biodiesel processing facilities, and UVM's agronomy research and outreach efforts ("Farm Fresh Fuel").
- 3.) As a follow-up to the fall 2013 Vermont-Estrie bioenergy forum in Sherbrooke, and the May 2012 Quebec-Vermont clean energy meeting here in Vermont, ACCD, VAAFM, and UVM have developed a preliminary topic around which to host Quebec for the next round. This will be coordinated with the governor's office in order to align the event with Vermont's overarching Quebec-Vermont policies and agreements.

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

### **VT Livestock Council**

The Vermont Livestock Council met this week and topics for discussion included legislative activities that affect animal wellbeing, further work on livestock transport and consumer perceptions of animal wellbeing. The Council will work with UVM Extension, Farm to Plate and other partners to develop materials to increase awareness of livestock haulers and farmers on safe and humane transport of animals.

### **Consumer Protection:**

- State Metrologist Marc Paquette attended the NEWMA (Northeast Weights and Measures Association) meeting held in Manchester NH May 5<sup>th</sup> through 7<sup>th</sup>. 7 Northeast states were represented along with representatives from NIST and private industry. Marc represented VT in the Weights and Measures directors roundtable and in voting regional issues that will be forwarded to the National Conference.
  - Marc attended, with 25 other participants, a NIST sponsored half day training seminar, Evaluating Performance, Learning Objectives, and Training Effectiveness for Managers. Some interesting topics were presented including cross matrixes used to evaluate strengths and deficiencies in a section.
  - Marc was appointed by the nomination committee Vice Chairman of the meeting for 2015 to be followed as the chairman for 2016. The organizers hope to bring the meeting to Vermont in 2016. If it is brought to VT it will be the first time we (VT) have hosted a NEWMA meeting in 24 years.

### **Dairy:**

- Dan Scruton, Dairy Section Chief, Dr. Kristin Haas, State Veterinarian and Diane Bothfeld, Deputy Secretary met with representative of the dairy industry to discuss the demands on the dairy section and the potential of changes to the Milk Quality Program. Due to staffing needs – the voluntary Milk Quality Program will be reduced to 2 days per week and the staff person will take on dairy plant inspection work 3 days per week. There are 105 licensed dairy processing facilities and 3 full time people. **A 4<sup>th</sup> dairy plant inspection person is needed but this adjustment should help until the next legislative cycle.**

### **Meat Inspection:**

- Adams farm in Wilmington is now under Vermont State Meat Inspection, 1<sup>st</sup> day of operation was May 5<sup>th</sup>. Plant is planning on operating 5 days per week slaughtering cattle, swine, sheep goats, poultry and ratites (emu's and ostriches). They will be offering private label inspection for other producers as well enabling them greater market access
- Tangletown Farm in West Glover has restarted Vermont State Poultry inspection for the season and they plan on slaughtering poultry 3 days per week now through November. They are also looking at the possibility of using the facility on the off days for further processing of pork products
- Smokin' Bones Smokehouse in Sharon, VT, a state inspected smokehouse has indicated that they would like to increase production by offering inspected smoking and curing operations to other producers
- Vermont Packinghouse in Springfield is on target to open at the beginning of June and is waiting on USDA, FSIS for final approval, The slaughter facility is at the Black River Meats processing facility and should make the outlet a full service establishment. It is unclear if they will be offering private label services.

### **Agricultural Resource Management:**

#### **Public Records Requests:**

- Pesticide Regulation Andrew Maclean, Esquire, of Maclean, Meehan and Rice, Burlington, requested copies of records associated with the development and promulgation of the Vermont Regulations for the Control of Pesticides, effective August 1991. A representative from the firm visited the office to review the records. Electronic copies were made of the requested documents. Request fulfilled in whole.
- Large Farm Operations Program Mr. Barry Kade, Esquire, requested copies of selected pages of two Large Farm Operation nutrient management plans. He has also asked for copies of the most recent inspection reports for three LFOs, all in Franklin County. The request is in the process of being fulfilled.

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

- Staff conducted compliance follow-up inspections on 2 MFOs and 1 LFO in Orleans County. The inspections were conducted in cooperation with ANR-DEC.

- Staff responded to an odor complaint related to a MFO in Orleans County. An additional follow-up visit may be required.
- Staff conducted two joint inspections with ANR-DEC on MFOs in Franklin County. The inspections were part of the LFO permitting process and the farms are transitioning into the LFO permit program.
- Staff conducted an enforcement follow-up visit on a LFO in Franklin County. The enforcement action is related to field runoff.
- Staff conducted one complaint-based inspection on a MFO in Addison County. The complaint related to full manure pits possibly running over. The pits were relatively full and not running over and will be monitored until conditions allow for the farm to land apply manure.
- Staff visited a MFO in Addison County to provide technical assistance regarding the BMP program and silage leachate collection.
- Staff worked with two farms and scheduled two public information meetings related to constructing animal housing as part of LFO permitting.
- Staff are processing applications and information for several MFOs that are increasing in size and we are working to transition the farms into the LFO program. Information is being compiled and permits are being drafted for these farms and this will be a major focus of the team through the month of April.
- Staff are working on developing the water quality section of the new CAI USA Food Safety water quality database.
- Staff gathered information for a FOIA request regarding 3 LFOs in Franklin County.

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

- Continued mapping/planning work for several ongoing potential CREP projects.
- Staff are evaluating ERP grant applications that relate to agriculture water quality projects.
- Continued outreach and collaboration for CREP and other water quality related programs on SFOs in Franklin County.

**Secretary's Comments:**

**Legislature:**

- Worked with member of the Senate to clarify parts of H.869 (Agency of Agriculture Housekeeping Bill) and facilitate its passage.

**Meetings:**

- Met with other Agency of Ag staff, members of the ANR-DEC, the Governor's staff and regional USDA-NRCS to discuss the Regional Conservation Partnership Program (RCPP).
- Met with Agency of Ag staff, ACCD, Governor's staff and regional USDA leadership to discuss the national capital pool of money for a comprehensive energy plan.
- Participated in Vermont Low Income Trust for Electricity board meeting at the Department of Labor

- Participated in a conference call with members of National Association for State Departments of Agriculture (NASDA, of which I am the President) regarding sponsorship and fundraising for the upcoming NASDA annual meeting, which will be held in Burlington in September
- Attended Taste of Vermont event at U.S. Senate in Washington, DC, featuring award winning VT food and beverages, hosted by the Lake Champlain Regional Chamber of Commerce, the Vermont Convention Bureau and the Greater Burlington Industrial Corporation.
- Met with members of NASDA staff in Washington, DC.
- Met with Commissioner Hamburg of the FDA, as well as other FDA senior staff and NASDA staff to discuss FSMA (Food Safety and Modernization Act) operational plan.

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Deborah L. Markowitz  
Agency Secretary

Justin G. Johnson  
Deputy Secretary

**State of Vermont**  
**Agency of Natural Resources**

**CONFIDENTIAL and PRIVILEGED**

**To:** Governor Peter Shumlin  
**From:** Deborah Markowitz, Secretary, Agency of Natural Resources  
**Date:** May 9, 2014  
**Subject:** ANR Weekly Report

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**Governor Level Issues:**

**Climate Change:** Using a small grant ANR contracted with Linda McGinnis to look at what the agency is already doing related to climate change mitigation and resilience so that we can more effectively and strategically deploy our resources to develop and advance a comprehensive climate change agenda. As a result of her findings my leadership team and I picked 6 initiatives to personally lead in the coming year: zero emission vehicles deployment; proactive approach to siting renewable energy projects; flood resilience; forests for climate resilience (as well as energy); lead by example; and developing a climate dashboard with information and indicators for all agency programs with scientific information related to climate mitigation and adaptation. I am happy to tell you more about this effort if you are interested.

**Meeting with GMP:** Justin and I met with Mary Powell and some of her senior staff to talk about how things are going generally. We discussed our lean process and what we are hoping to accomplish with some of our permit programs (wetlands, in particular) and how we might work together more effectively so that we can avoid problems and delays in the 248 process. It was very positive and productive. Mary and I will be following up with a one-on-one meeting.

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## **EVERYTHING ELSE:**

### **Legislative Issues/Testimony:**

#### **Significant Bills Still in Play in the Final Week:**

**Universal Recycling (S. 208):** On Wednesday, the House concurred with the Senate's proposal of amendment to S.208, so the bill has now cleared both bodies and will be messaged to the Governor's office later this week. This bill's operative provisions are (a) the removal of an exemption from parallel recycling pickup so that all haulers are required to pick up recyclables at no extra charge, (b) establishment of an advisory committee to determine the infrastructure investments necessary to implement Universal Recycling, (c) a new program to encourage the recycling of construction and demolition materials, and (d) allowing certain municipalities to be exempt from the requirement to provide parallel collection of recyclables where a municipality can show that they can demonstrate that they are meeting certain goals.

**Sewage Holding Tanks (S. 211):** On Wednesday, the Senate concurred with the House's proposal of amendment to S.211. This bill would expand the use of sewage holding tanks to buildings owned by religious and non-profit groups but would require that a surety bond be posted to cover the cost of maintaining/operating the tank for 20 years. A problematic section of the bill related to wastewater permitting has been removed, and was replaced with a requirement for a DEC study. DEC supports this bill as currently written.

**Primary Battery Recycling (H.695):** On Wednesday, H.695 passed second reading in the Senate, and it appears likely to clear third reading in the Senate without further issue. The House Natural Resources and Energy Committee is considering a further proposal of amendment when the bill comes back from the Senate, however the amendment is not likely to change DEC's support. This bill would require manufacturers of primary (non-rechargeable batteries) to submit and implement plans for collecting and recycling primary batteries throughout the state, at no additional charge. The bill includes incentives for manufacturers to work together, using a stewardship organization, to meet the requirements.

#### **Significant Bills that have recently passed:**

**Shorelands (H.526):** This bill creates a new shorelands protection program to be implemented by the Department. We are working to ensure that the positions needed to implement this bill are included in the budget. We are developing talking points for the Governor in anticipation of a bill signing ceremony.

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

**Universal Recycling:** There were multiple positive media contacts this week and good press about the universal recycling law, mostly focusing on food diversion.

**Fish and Wildlife Press Releases:** Covered topics including Green Mountain Conservation Camp Volunteer Weekend, Cliff Tops and Overlooks Closed to Protect Nesting Peregrines, Young Wildlife Belong in the Wild and Vermont's Free Fishing Day is Saturday, June 14.

**Three Milton Men Cited in Deer Poaching Case:** Three Milton, Vermont men have been cited by Vermont state game wardens in a deer poaching case that allegedly resulted in at least 12 deer being taken illegally. After Warden Robert Currier of the Vermont Fish & Wildlife Department received information about the case, Vermont state game wardens executed a search warrant on March 31 for a residence and two vehicles in Milton. Evidence seized during the execution of the warrant as well as information collected during further investigation resulted in three arrests.

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

**Renewable energy permitting:** Deputy Secretary Justin Johnson and Billy Coster from OPLA were joined by Deputy Commissioner Darren Springer in meeting with solar developers and financiers to talk about the challenges around permitting 150-500 Kw group net metering projects. We have seen a significant increase in these projects and a combination of the State's aggressive renewable energy goals, new developers, tight timelines, a big increase in workload, and a clunky section 248 process at the NRB have come together to make this a challenge for everyone. We agreed to put together a smaller group that will meet every other week (for now) to identify and solve problems as they arise or identify issues that need to be solved either through the NRB or the legislature in the future.

**Vermont Zero Emission Vehicle Action Plan:** Air Quality & Climate Division is working with VTrans, BGS and PSD and making good progress on drafting an Action Plan to implement the Zero Emission Vehicle MOU, signed by Governor Shumlin, in Vermont. The Vermont action plan will build off the actions in the Multi-State Action Plan, identifying lead and supporting roles and timeframes for each action. We expect to circulate a draft to the Climate Cabinet for review in mid-May and to have a draft ready to release for public comment in early June.

**Underground Injection Control Rule Revision:** In response to a request from the Barre Granite Association, we have extended the comment period for one month on this rule that will simplify and improve the Department's regulation of the underground injection of waste.

**Internship Relations - Meeting with SerVermont:** We met with Phil Kolling, Executive Director of SerVermont which coordinates and promotes community service across the state and is housed within the Agency of Human Services. We are exploring the possibility of using service volunteers to assist with outreach, job training and implementation of our Green Stormwater Infrastructure program. We discussed opportunities for collaboration with other state agencies, non-profits and private funders to develop a proposal that would include support from the AmeriCorps Program.

**Paint Recycling Program Plan Goes Live:** The Vermont PaintCare Program began May 1. PaintCare, a product stewardship organization for the paint industry, together with DEC, announced the official approval of the program plan for the responsible recycling of unused and leftover paint in the state. The legislation making the program possible (Act 58) was signed into law by Governor Shumlin in 2013. There was also a kick off paint collection day on Green Up Day (May 3) at the National Life building.

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## **SUMMARY OF KEY DEPARTMENT ACTIVITY**

### **Environmental Conservation**

**Proposed Clean Air Standards for Residential Wood Stoves:** Air Quality & Climate staff met with Hearthstone Woodstoves to discuss EPA's proposed standards for residential wood heating devices. They expressed concern about the repeatability of the test method. We indicated a willingness to work with industry to improve the test method.

**Capital Complex Central Heating Plant:** We have requested process and emissions control data from Buildings and General Services pertaining to potential exceedances of visual emissions standards from the wood fired boiler at the Capital Complex central heating plant in Montpelier.

**North Country Sportsman's Club:** Alyssa Schuren and DEC staff met with Reps. McCullough and Macaig as a follow up to the letter we recently sent to the Gun Club summarizing the recent site visit requiring a corrective action plan be developed and submitted. We have directed the club to get a corrective action plan in this month for the lead in the environment.

**PCP in Utility Poles, McGuinness Residence (Monkton):** We issued a notice of alleged violation to VELCO for failure to report the release due to their pole maintenance activities and the resulting discovery of PCP (Pentachlorophenol) in a residential water supply. We are requiring the replacement of the water supply and site remediation. This property is adjacent to VELCO land that is part of the proposed VT Gas pipeline route and staff were made aware of the contamination at a VT Gas public meeting.

**ANR Received Award:** We are being recognized by the State Electronics Challenge at the Silver Level for a second year in a row. This is the result of efforts to adhere to preferred environmental practices for purchasing and end-of-life management of the agency's electronics and electronic peripherals.

**Lakes and Ponds AIS Monitoring:** In-lake water searches for variable-leaved watermilfoil began for the season this week in Halls Lake in Newbury; one of only two lakes in the state with this aquatic invasive species. First confirmed in Halls Lake (and in VT) in 2008, no variable-leaved milfoil has been found since 2011. We attribute control success, in part, to these early season searches.

## **Fish and Wildlife**

**Possible bike trail on Reily Bostwick WMA:** Staff met with Stewardship forester Lisa Thornton and ROSTA (bike club) representative on-site to discuss the possibility of a new mountain bike trail through a portion of Reily Bostwick WMA. We discussed the proposal and informed the representative that the Stewardship Team would consider the proposal, only in the context that it would be a compatible use and not impact the primary purpose of the WMA.

**Fishing:** Fishing activity generally remains lower than normal for this time of year due to high waters, high wind and cold temperatures. However, the exception being in the Lake Champlain tributaries that opened for Walleye fishing last weekend. Most in-land lakes except in the Northeast Kingdom are now free of ice. Wardens are frequently encountering minor fish and wildlife violations primarily license violations. They are encountering a few over-the-limit violations in areas where stocking has occurred and some people fishing in closed sections of spawning streams.

**Turkey Hunting:** The regular turkey hunting season opened with cold, windy and rainy conditions which depressed hunter success and participation. Wardens are encountering a few violations primarily issues surrounding hunting or shooting from roadways.

**Attempted murder investigation:** Several wardens were called to Barre City to assist the Barre City police department investigate and recover bullet evidence at shooting scene at a local motel parking lot. Wardens were successful in recovering portions of some of the bullet projectiles for lab analysis. The wardens were called due to their recognized expertise in crime scene reconstruction and bullet recovery in outside environments. The Barre City police chief, Tim Bombardier, was very appreciative for their help.

**Illegal fish on the Missisquoi River:** Wardens working in plain clothes made several arrests watching anglers catching and keeping undersized Walleyes and then purposefully trying to hide them inside buckets or on stringers left in the water.

## **Forest, Parks and Recreation**

**ANR Land Transactions:** Work is progressing on several Northern Greens Forest Legacy Easement project parcels including the Backus, Bullard, and Five Peaks tracts. We are also working on the Molly's Falls Pond Forest Legacy fee acquisition project. Ongoing projects include transfer of a portion of Grand Isle State Park to the Town of Grand Isle for outdoor recreation purposes, sale of Lafreniere homestead parcel at Camel's Hump State Park, sale of a portion of Coolidge State Forest to Markowski Excavation, Dern acquisition at Emerald Lake State Park, Mendon Brook acquisition at Coolidge State Forest, and other projects.

**ANR Long Range Management Plans:** The Agency conducted the last of 3 public meetings on the draft management plan for West Mountain WMA and the public access plan for the Plum

Creek Timberlands this week at Lyndon State College. Approximately 20-30 people attended these meetings to provide input on the draft plans. The public comment period on the draft plans ends on June 11.

**Getting Parks Ready:** Maintenance staff across the park system are busy readying utility systems for the operating season. The late winter and deep frost have presented a greater than normal volume of needed repairs.

**Getting Staff Ready:** All other Parks Division staff are helping to conduct the annual spring Park Ranger training. Around one hundred key staff are being trained in a variety of subject areas ranging from staff management, to accounting, rule enforcement and equipment operation.

**Mount Mansfield State Forest and Stowe Resort:** A proposal for two recreation events to be held in Ranch Valley this July has been submitted by the Stowe Mountain Resort to the Barre District Office. One is kids adventure games; the other is a mountain bike event. Staff are working out potential conflicts between these proposals and long-term monitoring by the Vermont Monitoring Cooperative.

**Wood Bank:** Paul Frederick, Utilization Forester, will be attending a Wood Bank meeting this Saturday. The purpose of this meeting is to connect people who are associated with wood bank or firewood programs across New England. Participants can share program ideas, discuss challenges, brainstorm solutions and provide ideas for a planned written publication, to be called "A Community Guide to Starting a Wood Bank," which could be distributed across New England. The State of Vermont Department of Forests, Parks and Recreation has partnered with the Community Alliance Firewood Ministry, as well as other non-profits around the state, for a number of years to provide some of the log-length wood that they process and distribute from our timber sales on State-owned land. We have had a fair amount of experience with trying different approaches to getting firewood into the hands of folks who need it, and are happy to share our experiences and challenges with those who are interested.



**Privileged and Confidential**

**MEMORANDUM**

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

From: Christopher Recchia, Commissioner

Date: May 9, 2014

Subject: Weekly Report

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**Governor Level Issues:**

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

**VY:** Entergy deposited the \$5.3M CEDF funds and we confirmed deposit of \$10M in the new Site Restoration Trust Fund. This completes Entergy's payment for the year. Following up with Mike Twomey on issues raised at Monday's meeting. Scheduled to testify at Senate EPW Committee in DC on Wednesday.

**Sheffield Wind:** We got an update from Clyde Cody – Vice President of Compliance with First Wind about the Therrien case. Therrien's have gotten an attorney and are in discussions with First wind's counsel.

**GMP Rate Case:** We met with AARP, GMP and IBM this week and are now in full mode of trying to negotiate a global settlement to the rate case, the alt reg case and how to credit the \$17.8M over a several-year period.

**VGS:** We attended public meeting in Shoreham this week. Met with legislators on Monday, and am discussing option of getting mediator under contract to assist. I am still waiting for a

response from our prior meeting three weeks ago regarding opportunities to enhance the value of Phase II.

**Regional Initiative:** Meeting today to discuss further aspects of the initiative and agreement . As relayed, we need to decide this month if we are on board for the states, through NESCOE, to begin to discuss a tariff with NEPOOL based on the cost allocation formula negotiated among the states.

**EVT:** Continue to discuss terms of an MOU on their DRP plan, and to discuss roll out of the peak reduction program we hope the Governor to announce within a couple of weeks, perhaps in conjunction with a bill signing for S.202.

**WEC Net Metering:** Darren meeting with Patty Richards to discuss on 5/9, our preliminary understanding is WEC will opt out of conventional net metering program as they are allowed to do under Act 99, and design their own program. It will be similar to statutory program but will not allow for net metering to offset customer charge, and may include a grid access fee for customers based on their kilowatt hour use.

#### **Legislature:**

- **S.202 (heat pumps):** Passed legislature, and we recommend signing ceremony. EVT proposes to do this at GE Aviation in Rutland, in combination with VIPER announcement which focuses on peak energy reduction for industrial customers.
- **H. 297 (telecom):** Telecom language was stripped from S. 220 and H. 297 remains in limbo as of 5/9.
- **H. 612 (gas safety):** Passed legislature and we recommend signing. No public ceremony necessary.

#### **Significant Meetings/Events this week and next**

**May 5:** Chris joins Entergy meeting at Governor's office

**May 6:** PSD/AARP meeting on GMP rate case and alt reg;

**May 7:** PSD/GMP rate case and alt reg discussion; BED/PSD solar PPA discussion; Chris visit to IBM to discuss rate case

**May 8:** Chris attends 1366 visit; Darren meeting with Justin Johnson and solar developers to discuss permitting issues; Darren meeting with Tony Klein on solar PPA concerns

**May 9:** Chris in MA for regional discussion; Darren meeting with Patty Richards, WEC, to discuss their new alternative net metering program as result of Act 99; Darren and Anne Margolis meet with Imre Gyuk from DOE (he provided energy storage grant for GMP in Rutland likely to be announced next week during Moniz visit) at Senator Sanders Office

#### **Next week**

**May 12:** Chris and Darren meeting with Liz to discuss RPS study;

**May 13:**

**May 14:** Chris testimony on nuclear plant decommissioning at U.S. Senate EPW Committee

**May 15:** PSD/Next Sun meeting on solar PPA; Chris meeting with Anbaric; Chris and Ed meeting with REV on regional projects

**May 16:** Moniz visit

**Media:** Press announcement on Entergy/CEDF funding.

## **Everything Else:**

### ***PERD***

#### Energy Efficiency Utility Activities

- Demand Resources Plan Proceeding
  - Reply comments on the DRP budget recommendations are due Wednesday, May 7<sup>th</sup>. Board workshops regarding the DRP are scheduled for next Wednesday and Thursday. Staff are currently developing the powerpoint presentations for the workshops.
  - VEIC has basically agreed to our proposals on the RA budget and treatment of behavior as R&D. We still differ on compensation amount and on the necessity of setting the structure at this time.
- Rate and Bill Impact
  - Amendment to Department filings was made based on corrections to workbook providing rate impact source data. Resulting change does not affect Department recommendation.
  - Synapse has pared down historical analysis to include only EVT residential and EVT commercial non-demand customers. Preliminary results have been sent to EVT and BED for review.
- The Department also offered to provide oversight to ensure effective coordination across the entities involved in planning or delivering thermal efficiency programs. Building Energy Goal Tracking Filing (due and submitted 5/2)
  - This is in regards to ensuring the monitoring of the State's progress in meeting the state building efficiency goals (to reduce the annual fuel use and fuel bills by an average of 25% for 80,000 housing units by 2020).
  - A working group comprised of DPS, BED, VGS, EVT, and OEO was formed to formulate a joint recommendation on how to conduct the building energy goal tracking required under the Act.
  - The group reached full agreement on how to track and report the housing units to be counted towards the goal and to ensure that no units will be double counted.
- Attended first meeting of NEEP ASHP policy sub-committee. Discussing the barriers present by fuel switching and the potential need for a separate baseline for each fuel type.

### CEDS

- Met with ACCD staff to discuss the input needed into the Comprehensive Economic Development Strategy being developed by ACCD. Energy will be one of 11 key areas featured in the CEDS report. PERD staff was asked to submit input on behalf of PSD to ACCD by May 16<sup>th</sup> at the latest for inclusion in their report.

Clean Energy Development Fund

- Vermont Clean Energy Industry Report:
  - Commented on and revised the first draft report; began work on more details and comments due next week as we head towards our end of the week deadline
- Upcoming meetings
  - 5/8 – CED Board special meeting

Net-metering

**Net Metering Activity 4/26/14 -5/2/14**

	Registrations*	Applications	CPGs Granted
<b>Count</b>	17	2	36
<b>kWAC</b>	91.709	300	220.03
<b>Ave Size kW</b>	5.395	150	6.112

**Cumulative Capacity of Registrations and Applications Submitted**

Year To Date		Total Since 1999	
2013 kW	2014 kW	1999 – 2014 kW	% of 15% CAP
2984.97	4049.15	42711.31	~ 28.5%

Heating Fuel

- Since last reporting Crude Oil has come down this week to \$99.75 v. \$100.63 a week ago.
- The natural gas market has risen slightly now at \$4.687 v. \$4.650 a week ago.

**Engineering**

NRC Request for Additional Information for Review of the Decommissioning Funding Plans for Entergy’s Independent Spent Fuel Storage Installations (ISFSIs)

In December 2012, and as corrected in January 2013, Entergy submitted, for NRC review and approval, decommissioning funding plans for the ISFSIs at Big Rock Point, Indian Point Nuclear Generating Stations 1, 2, & 3, Pilgrim Nuclear Power Station , Palisades Nuclear Plant, James A

FitzPatrick Nuclear Power Plant, and Vermont Yankee. NRC staff reviewed Entergy's submittal and determined that additional information is required to complete its review. According to the NRC, it is not evident from either Entergy's Decommissioning Funding Status reports dated March 31, 2011, and March 29, 2013, or its ISFSI-related submission, that funds specific to ISFSI decommissioning are accounted for in either the radiological or non-radiological portions of the decommissioning trust accounts. The funds set aside to cover the costs of decommissioning the ISFSI cannot be the same funds the licensee will use for the reactor decommissioning, and, further, the minimum amount specified in 10 CFR 50.75(c) for reactor decommissioning is not intended to cover the ISFSI decommissioning costs. NRC Staff requested that Entergy provide, by July 29, 2014:

1. The breakdown of the decommissioning trust funds, including subaccount titles and funding levels for the ISFSIs at the aforementioned power plants (except for Big Rock Point, because a Parent Company Guarantee is used).
2. Identification of all additional funding methods or mechanisms that are currently being used (such as a parent company guarantee) to supplement the external sinking fund or other ISFSI decommissioning funding method(s) being used.
3. The current funding amounts in, or represented by, all such funding methods (funds may be held in separate subaccounts that are identified for ISFSI decommissioning).
4. If in your March 31, 2011, and March 29, 2013, 10 CFR 50.75(f) reports and the December 13, 2012, 10 CFR 72.30(b) submittals, you reported a single amount that included both estimated reactor and ISFSI decommissioning costs, then you should explicitly identify in your response: (1) the estimated reactor decommissioning cost, and (2) the estimated ISFSI decommissioning cost. Future 10 CFR 50.75(f) reports should clearly delineate estimated reactor and ISFSI decommissioning costs.

#### 2014 Vermont Gas Systems Transmission Pipeline Construction

VGS recently announced it has entered an agreement with Engineers Construction Inc., of South Burlington VT, to perform horizontal directional boring at over 17 locations along 41 miles of the Addison Rutland pipeline construction project, beginning in June. Regardless of the company's press release for this, actual pipeline construction during 2014 remains unlikely to be greater than half of this distance and currently appears may begin subsequent to July 1. The company has not yet selected the pipeline contractor(s) to construct the project nor has it received the project materials. Preconstruction activities, such as establishment of construction access roads, construction offices, and material storage yards, may occur in June. The Department issued (today, May 7) an RFP to locate additional resources for construction inspections.

#### Vermont State Planning Committee (VSPC) Quarterly Meeting

Engineering participated in the VSPC meeting held in Burlington last Wednesday. VELCO updated the committee on regional issues, including the project to replace the underwater portion of the PV20 with all new cables. This project will be a joint effort of the ISO-NE and NY Power Authority. It was noted that this project is completely independent of Anbaric's proposed Grand Isle Intertie project. Other regional items included studies relating to the reliability of the Ascutney area (including ties to NH). The ISO-NE is only including solar in its next forecast, as it still needs to do more study on how to model the wind power. It was also reported that at the ISO Participants meeting that the New England States Committee on Electricity (NESCOE)

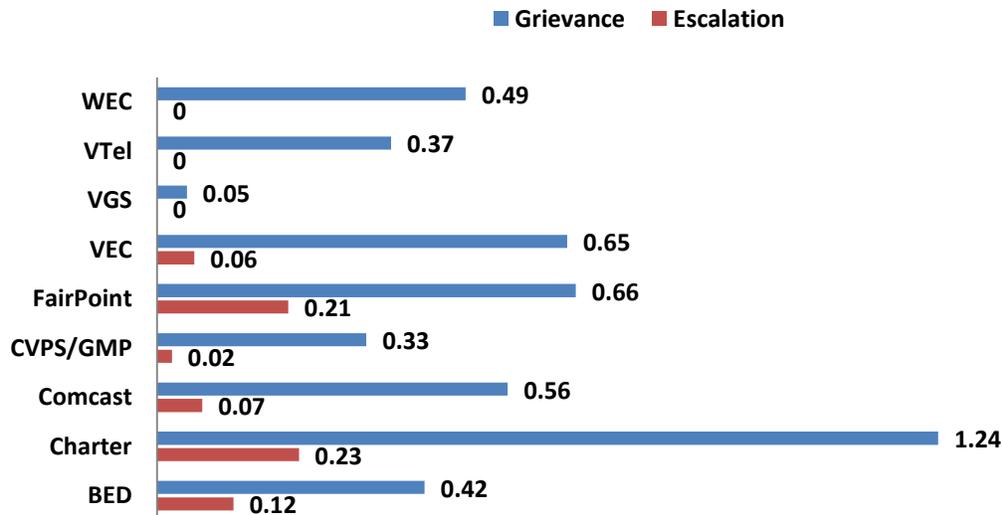
unveiled two initiatives: 1) to design a new large transmission line for 1200-3600 MWs of new power for the region, and 2) a new natural gas pipeline to deliver 1 billion cubic feet/day of gas to the region. GMP stated that the Rutland area deficiency and reliability review could not yet be completed due to the significant amount of new solar power being developed in the area. GMP also reported that at this time the St.Albans area is no longer in need of any significant new measures for supply or reliability.

**CAPI**

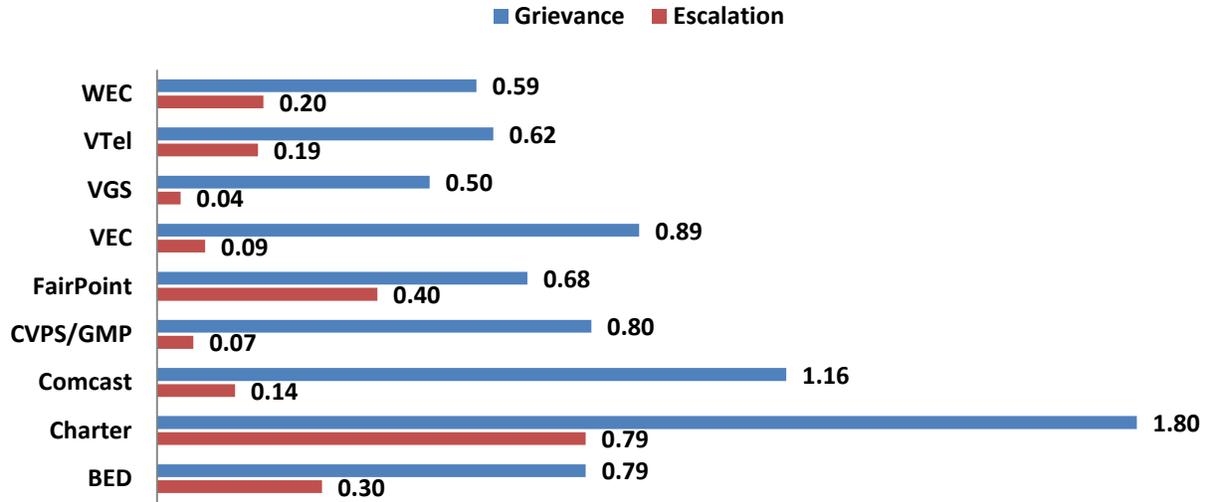
*Please note that this report covers activity from Sunday to Saturday, April 27 – May 3, 2014.*

**CALL DATA**

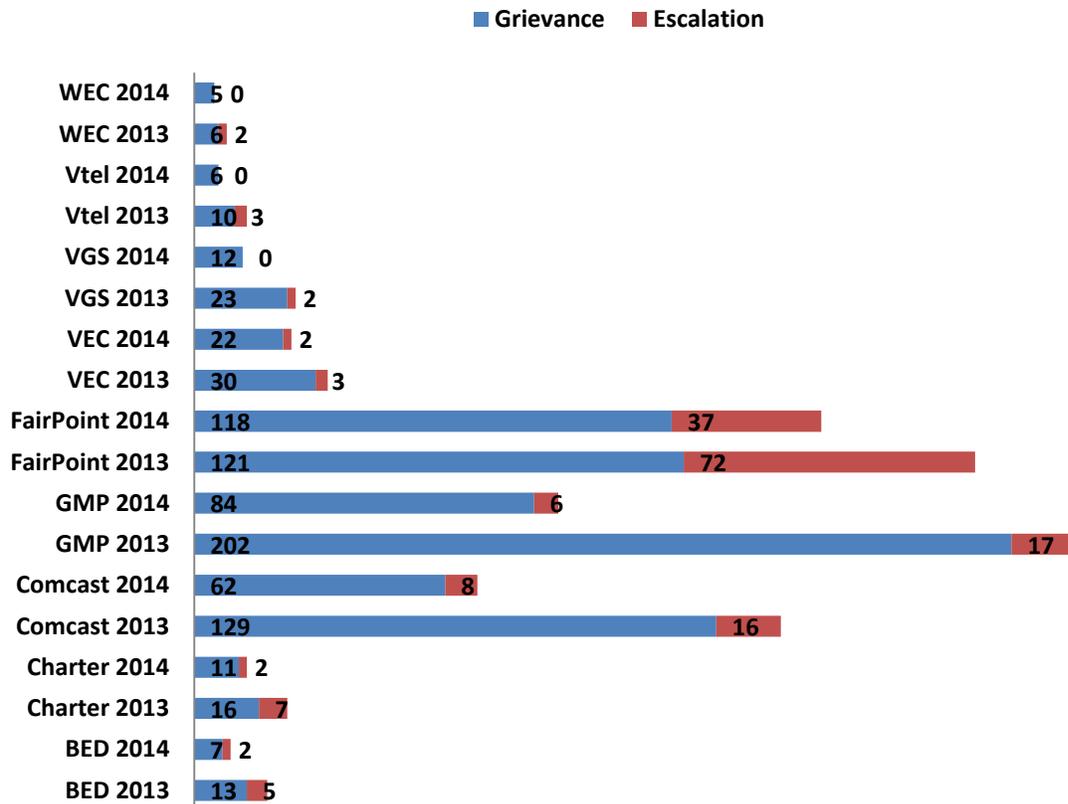
**Complaints Investigated, by Company,  
per 1000 Customers  
January 1 - present, 2014**



**Complaints Investigated, by Company  
per 1000 customers  
January 1 - present, 2013**



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



## **POST CPG WIND COMPLAINTS**

- First Wind: 2, 1 for noise, 1 unspecified

## **OTHER DIVISION ACTIVITY**

Telephone Relay Service: CAPI staff spent significant time reviewing the two proposals submitted for provision of the TRS in Vermont. We tentatively made a decision to pursue a contract with Sprint for provision of the next TRS contract, pending report from review by Finance division of the financial information provided by Sprint in its RFP. Sprint has indicated issues with the State's standard contract provisions, so negotiation with the AGO will be required. Sprint is the current provider of TRS for the State.

Sound standards investigation (Docket 8167): CAPI staff attended the Board's workshop on sound standards for energy generation facilities, at which DPS contractors and others presented on sound and measuring sound.

### ***Public Advocacy***

GMP Rate Case and Alternative Regulation Filing – Docket Nos. 8190 & 8191 – GMP filed its rebuttal testimony in the rate case on April 18. The main issues at this point involve the level of documentation needed to support rate recovery of new plant additions, the extent to which certain generation projects not yet constructed or certificated meet the known and measurable test, and the cost of capital. The Department has filed discovery on GMP in both the rate case and the alternative regulation case. Initial Department testimony in the rate case and surrebuttal testimony in the alternative regulation case is due on May 13.

The Department has been reaching out to the parties in the case to discuss various issues and the potential for settlement. On May 7, the Department met with GMP and discussed the possibility of settlement. The parties agreed to attempt to resolve the matter, and decided to ask the Board to extend the May 13 deadline by a week, to allow all parties to explore the possibility of full or partial settlement.

In addition to the rate case and alternative regulation filing, other issues that may be included in a settlement include a potential 3-year rate freeze for IBM and an agreed upon mechanism to return the \$17.8 million from Entergy to ratepayers.

Barton Solar – Docket 8148 – The Menards provided additional responses to the petitioner's discovery requests, in which they name Annette Smith as an assistant. The hearing officer accepted the parties' proposed technical hearing date of May 14<sup>th</sup>. The petitioner filed a motion to expedite the post-hearing schedule and final Board decision based on the unexpected three week delay in the technical hearing date due to the Menards' medical emergency. The Menards objected to the motion to expedite stating that a condensed schedule limits their ability to meaningfully contribute. The hearing officer has informed the parties that he has taken the motion to expedite under advisement and he expects that all remaining issues can be resolved at the May 14<sup>th</sup> technical hearing.

Rutland Renewable Energy, LLC – City Solar Garden Project – Docket 8182 – The PSD and the

petitioner agreed on the language to be included in a PFD, which has now been filed with the Board. There has been no response from the PSB regarding the petitioner's request that the Board waive the requirement for a technical hearing.

NextSun Solar – Park Street – Docket 8194 – The petitioner objected to Allco's intervention request on the basis that it did not demonstrate a substantial interest in the outcome of the proceeding. The PSD is conferring with ANR regarding the proposed fencing and Jean Vissering with reference to the aesthetics of the project. At this juncture, the PSD believes that the property line sound levels, the inadequacy of the proposed decommissioning fund and the PPA price are objectionable. Discovery is due to the petitioner by May 23<sup>rd</sup>.

NextSun Solar – Main Street – Docket 8195 – The petitioner objected to Allco's intervention request on the basis that it did not demonstrate a substantial interest in the outcome of the proceeding. The PSD is conferring with ANR regarding the proposed fencing and Jean Vissering with reference to the aesthetics of the project. At this juncture, the PSD believes the inadequacy of the proposed decommissioning fund and the PPA price are objectionable. Property line sound levels may be an issue; but, during the site visit the petitioner informed the PSD that the sound levels were calculated with the equipment in the wrong location. Unfortunately, the petitioner has not corrected the petition as requested. Discovery is due to the petitioner by May 23<sup>rd</sup>.

GMP Stafford Hill Solar in Rutland – Docket 8098 – GMP is seeking PSD support regarding which exhibits need to be revised. The PSD is reviewing the exhibits.

SPEED Standard Offer – No Docket – The PSD hosted a discussion regarding how to best reconcile VEC's incremental ISO-NE transmission costs incurred by VEC for hosting SPEED standard offer projects in the VEC's HQ block. The discussion was well attended and the primary issue was resolved by a consensus that VELCO will remove VEC's block load from the SPEED calculations when the generation is connected to HQ. Additional issues including the recovery of costs were parked for future discussions.

Demand Resource Plan Proceeding EEU 2013-01 – PSD filed comments on proposed budget recommendations by VEIC and BED. As a result of negotiations, the Department and VEIC are close to reaching an agreement on the budget for and treatment of behavioral measures in the 2015-2017 budget. Both parties compromised on proposed amounts and are in general accord on the need for in depth evaluation of such measures as they evolve. We are not in agreement on the level of compensation VEIC should receive in the next three year performance period. PSB Workshops on 5/13 and 5/14 will give the Board, the Department, the EEU's and other interested stakeholders more opportunity to explore these matters and a final round of comments is scheduled for later in the month.

Revisions to the Energy Savings Account Program --EEU 2013-02 and EEU 2014-02 – PSD filed comments in these two matters suggesting that additional time be dedicated to determining how best to revise this program to expand availability and awareness to commercial businesses who would benefit from participation.

Avoided Cost Proceeding EEU 2013-07 – The Department filed comments regarding methodology to be employed in determining the Demand Response Induced Price Effect (DRIPE). PSD generally supported the conclusions of a consultant hired by VEIC in how to evaluate and account for certain price reduction impacts that occurred prior to the time when knowledge of the impacts of energy efficiency on load forecasts became well known.

CPG # NMP – 2204 Ogden –Investigation into noncompliance with net metering filing requirements - PSD filed a penalty recommendation suggesting a minimum penalty of \$500 for written misrepresentations in the application about whether the project would be visible from adjoining properties. This penalty was based on the criteria in 30 V.S.A. § 30 and also on an expectation that the applicants would incur costs to mitigate the visual impacts of the project on an adjoining property, the owner of which complained to the Board and stated that he had relied on the misrepresentation in the application.

### ***Finance and Economics***

#### Electric

GMP--Docket 7535 Investigation into the petition of AARP, regarding proposal for use of excess funds collected to cover discounts for reduced rates for GMP's low-income consumers. On March 28, 2014, GMP filed a Proposal for the use of the excess EAP Funds on behalf of GMP, the PSD, AARP, and IBM. In responding to Board questions, GMP 1) defended the non-allocation of excess EAP funds between arrearage forgiveness and outreach because of uncertainty in eligible customer response to the extended program, 2) defended the Fall enrollment period to avoid program overload on the Department of Children and Families, and 3) agreed with the Board to deposit excess EAP funds in an interest bearing account. The Department recommendation is due May 9, 2014.

GMP –Docket 8190/Tariff 8384: Tariff filing requesting a 0.03% or \$155,000 decrease in rates, effective October 1, 2014. The Board suspended the tariff filing and opened Docket 8190 to begin an investigation. Staff has filed testimony that supports a rate reduction of \$17.7 million or 2.92%. On May 6<sup>th</sup> we received responses to our 4/25/14 discovery filed on the GMP rebuttal testimony. Our surrebuttal testimony is due to the Board on May 13.

GMP – Docket 8191/Tariff 8384: Petition requesting Approval of an Alternative Regulation Plan. This was originally part of the Tariff filing 8384. The Board has separated this from the rate case and opened this separate Docket 8191 for the Alt Reg Plan. Staff is continuing its review of the filing; met internally this week to review and agree on a list of potential changes; and subsequently met with GMP to review the PSD potential changes. It was agreed to create a negotiating team that will attempt to narrow the issues. It was also agreed to request an extension for filing our testimony from May 13, 2014 to May 20, 2014.

GMP –Tariff Filing #8501: GMP filed its second quarter power cost rate adjustment. The proposed rate adjustment calls for a zero -0- rate adjustment though GMP did under collect power costs for the quarter. The otherwise rate increase was abated with the use of 64% or \$3.7 million of the funds GMP is to receive from the DOE related to nuclear spent fuel storage. The PSD recommendation is due June 13, 2014.

Hardwick - 219a Net Metering Tariff: Hardwick: filed a tariff change on 4/16/14 to bring its net metering tariff into compliance with the provisions in H.702. The tariff is currently in effect. Staff reviewed and has requested additional clarifying information and is now waiting for revised copies of tariff sheets. No recommendation deadline has been set within PSD or with the PSB.

Morrisville - 219a Net Metering Tariff: Morrisville filed a tariff change on 4/16/14 to bring its net metering tariff into compliance with the provisions in H.702. The tariff is currently in effect. Staff reviewed and has requested additional clarifying information and is now waiting for revised copies of tariff sheets. No recommendation deadline has been set within PSD or with the PSB.

NYPA--WEC has raised questions about the congestion charges billed by NYPA. Staff is working with NYPA to examine this further and will get back with WEC on our findings.

Swanton—has submitted two financing (Section 108) petitions. One petition is requesting approval to establish a non-interest bearing \$1 million line of credit with the village that would be used for working capital. The other petition is for approval of a series of notes totaling \$1.45 million that will be used to finance its capital expenditure program-hydro expenditures and 3 vehicles. This week, after receiving additional information, we have completed our review of the petitions and have completed our recommendation that the petitions be approved. Recommendations are due to the PSB on May 12.

VEC – Staff met with utility representatives from VEC, GMP VPSSA and BED to discuss the allocation of SPEED Standard Offer (SO) Generation located on VEC’s HQ Block Load System. Under the present method used by VELCO to account for daily load settlement, VEC is seeing its load, within the part of VEC’s service territory served by ISO-NE, increased disproportionately. This results in increased RNS and capacity charges to VEC. VEC presented an alternative to current load allocation method which was greeted by general agreement by those present. VEC and the SPEED facilitator will circulate a letter to be filed with the PSD. There remain two outstanding issues dealing with the true up of cost incurred under the current system and the charging of VEC OATT for SPEED generators on their system.

Energy Efficiency Utilities

There has been an issue of cost recovery of the costs distribution utilities have incurred to establish a system for transferring AMI information to VEIC for Efficiency Vermont purposes. VEIC sent a MOU for payments to VEC and Stowe electric. The proposed MOU is not consistent with the agreed upon approach. Staff is working with the PA division to resolve this issue.

Other

Annual Reports and Gross Receipts Tax-- Staff is receiving and responding to inquiries about the Annual Reports and continuing to receive tax payments.

Gross Receipts Tax:

This week:	\$ 15,260
Fiscal YTD:	\$8,152,041
Budget Projection:	\$8,362,740
Last year:	\$8,144,516

Penalties for late payment of tax due:

Those utilities that are delinquent are advised of 25% penalties now due.

NOTE: The Vermont Energy Efficiency Fund tax payment was late---it was received from the Fiscal Agent on April 28, 2014. Vermont Statutes applies a penalty for failure to pay the Gross Receipts Tax by the statutory deadline of 4/15. The penalty in this case is 5% of amount owed or \$10,868.77. They have not been notified of any penalty pending a further review of the circumstances by the legal staff. Technically the penalty will be due from the PSB.

### ***Telecommunications***

VTel wireless voice service – VTel is offering free beta testing of its wireless internet access service in certain areas until July 1, 2014. It does not yet offer voice service, at least partially because of a dispute with regulators about compliance with E-911 location regulations. The VTel website indicates that it plans to offer wireless customers access to unlimited voice service for \$10 per month. The site also notes that this service will not be available to customers in the VTel wireline service territory, where consumers have limited commercial alternatives and where VTel is considering voice rate increases.

FCC order – In its April meeting the FCC amended certain rules that will affect Vermont companies. A previous order had called for all companies to raise the rates for basic telephone service to \$20 per month by July 2014; the new order calls for the rate floor to be \$16 by 2015, and outlines a path to hit \$20 over 2 more years. A separate previous order calls for FairPoint to offer broadband at 4 mbps under the CAF Phase II program to be launched this year. The new order asks for comments about whether the speed for these supported services should be increased to 10 mbps.

248a – There are few outstanding issues to report with respect to 248a petitions. The Department is still receiving a high volume of 248a petitions, but the caseload is manageable. Of note, the Department received a peculiar pleading from counsel representing VTel on a proposed facility of limited size and scope in St. Albans. The pleading was directed to Chairman Volz and it requests that the Board make a decision as to whether VTel's application is complete. The petitioner is attempting to exclude road modifications from its facility despite the fact that the road will primarily serve the facility. The Department has objected to VTel's application.

This week staff worked with AT&T to correct deficiencies in a few recent applications. AT&T has sent revised application materials that correct the mistakes. Staff is also working to prepare 248a materials for our new staff member, Heather Jarvis.

Telecom Plan – Staff has begun working on the substantive sections of the telecom plan. Staff also contacted the Castleton Polling Institute and confirmed that work on the Telecom Plan Survey will begin this coming Monday.

Charter/Comcast Sale – Staff has received a numerous calls and visits from PEG Access employees with concerns about the rumored sale of Charter accounts and plant to Comcast. At this point, it is too early to determine what, if any, effect such a transaction would have on the Vermont cable market, or PEG access television. The sale, as it has been reported by the press, is contingent on a favorable outcome in the FTC/FCC review of the Comcast-Time Warner merger. It is the Department's understanding that Comcast would not be ready to purchase Charter's

accounts and plant until at the end of this year at the earliest. Because of the many imponderables at play in the rumored sale, the Department has not expressed a particular position on the issue.

## ***Regional Policy***

### Infrastructure Initiative

- Gas pipeline
  - Rate Schedule for Generators – States discussed the possibility of developing a rate schedule for gas-fired generators that would significantly increase the likelihood that gas generators receive the benefits of the increased gas capacity. An alternative possibility was developing a structure where gas-fired generators pay the same for capacity but are reimbursed through the electric tariff that is paying for the pipeline capacity. One concern about both strategies is that gas generators typically purchase from energy marketers and do not contract directly with the pipeline. Additionally, most generators dislike the Infrastructure Initiative and may not voluntarily take any actions that would increase the possibility of it succeeding.
  - Credit Backstop – Further discussions with the pipeline are necessary to determine whether an electric tariff provides sufficient financial assurance to construct pipeline infrastructure or whether some entity that provides backstop credit is necessary, in case the tariff is overturned. To the extent that backstop credit is necessary, there is a general consensus among the states that there should be an RFP to identify such an identity. National Grid, Northeast Utilities, and United Illuminating have put forward a proposal to act as a credit backstop in exchange for an ownership interest in the pipeline and guaranteed rate recovery. It appears that the electric utilities would be in the best position to provide this service.
- Transmission
  - Ranking Responses to an RFP – States have been discussing how to rank responses to a transmission/generation RFP. The assumption has been that 80% of the ranking should be based on cost, with the remaining 20% based on no-cost factors (developer experience, technical feasibility, etc.). The majority of states would like to weigh transmission costs more heavily than generation costs, with Massachusetts contending that these costs should be weighted equally. It appears that there may be agreement on an approach in which 50% of the weight is assigned to all-in costs (transmission plus generation), with an additional 30% of the cost assigned to transmission costs.
  - Minimum Size of Projects – There is general consensus among the states that the minimum size of generation projects responding to the RFP should be 100 – 150 MW (the transmission component is for low carbon energy, which, based upon cost effectiveness, is effectively large hydroelectric and wind).
  - Risk of Cost Overruns – There is general consensus among states that the transmission RFP should require not-to-exceed costs for transmission projects. While such a provision will likely increase the bid prices, it is unclear what other mechanisms are available to

constrain costs. In addition, if the ranking process is weighted more heavily toward transmission, it is expected that projects would try to downplay the transmission cost estimate.

- Delivery Requirement – States had agreed that there should be some delivery requirement for the generation component but have not agreed on the structure. The rationale for a delivery requirement is that, in order to ensure that ratepayers receive a benefit to building transmission, there must be some guarantee that low-priced generation is brought into the region to provide economic and reliability benefits. According to the Black & Veatch study, the majority of the economic benefit occurs during a relatively small number of hours – and which correlates well with cold weather conditions when resources are constrained. The most obvious mechanism is to require delivery during a certain percentage of hours in a year, including during the hours of peak need.
- Determining Cost Effectiveness – The most cost-effective portion of the Infrastructure Initiative is the gas pipeline in that investments in additional gas capacity will have a more significantly impact on energy prices at a lower cost than constructing transmission to access low cost renewables. It appears that Massachusetts wants to purchase approximately 2400 MW equivalent of generation regardless of cost-effectiveness. Some states have proposed that there be a total cost-effectiveness test to determine how much infrastructure to construct. Under this test, infrastructure components would continue to be “purchased” (with the most cost-effective components purchased first) until the cost benefit ratio is 1.6 for every state. If any state wishes to purchase additional infrastructure that state must pay 100% of the costs. It appears that, under this approach, the amount of cost-effective transmission is unlikely to reach 2400 MW. The benefit of this approach is that the calculation of benefits is based upon projections of future electricity market prices, which are difficult to predict; requiring a cost benefit ratio of 1.6 will significantly increase the likelihood that states receive benefits from the investment in the transmission and pipeline infrastructure.

#### Winter Reliability Program

- On May 6, ISO-NE presented its proposed winter reliability program to the NEPOOL Markets Committee. The proposal includes the following components:
  - Permanent changes to dual-fuel resources that make it easier for dual fuel resources to submit bids for the higher cost fuel. Under the existing structure, a dual-fuel resource can submit a supply offer based upon the higher cost fuel without demonstrating that the lower cost fuel is available; however, the Independent Market Monitor can require that the resource demonstrate that it did in fact burn the higher cost fuel, and if the resource cannot demonstrate this, the IMM mitigates the supply offer to the price of the lower cost fuel based upon a generic reference price. Under ISO-NE’s proposal, the resource would not be

required to demonstrate that it burned the lower cost fuel if competitive market conditions are present.

- ISO-NE is proposing to conduct annual testing of dual-fuel capability and paying resources for the fuel burned for these tests. ISO-NE argues that this will increase the likelihood that the resource will run when called upon and also provide data about the capability of different units that will help system operators determine the resources that can be called upon in difficult system conditions.
- ISO-NE is also proposing a dual-fuel commissioning program which would pay resources to restore or commission dual fuel capability. ISO-NE anticipates that approximately 13 resources, with a total capacity of 3,000 MW, might participate in this program. Under the proposal, resources would notify ISO-NE of their interest and would achieve commissioning of dual-fuel capability by February 1, 2015. Additionally, the units would be required to maintain dual-fuel capability through May 31, 2018 (ISO-NE is assuming that its proposed Forward Capacity Market Performance Incentive proposal would go into effect at this time, although this program has been heavily contested at FERC). ISO-NE has not provided a cost estimate for this proposal.
- Finally, ISO-NE is proposing to offset the risk of dual-fuel and oil-fired units maintaining sufficient oil supplies. Resources that have unused oil would be compensated for the remaining inventory.



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*Jeb Spaulding, Secretary*

**PRIVILEGED AND CONFIDENTIAL  
MEMORANDUM TO THE GOVERNOR**

**TO:** Governor Peter Shumlin  
**FROM:** Secretary Jeb Spaulding  
**DATE:** May 9, 2014  
**SUBJECT:** Confidential Report to the Governor

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**BUILDINGS AND GENERAL RESOURCES**

**Legislative Issues/Contacts:**

- Met with Rep. Partridge regarding political matters in new Rockingham anchored district. The goal of the effort is to retain two democratic seats.
- Multiple conversations with Rep. Stuart regarding a fitting naming tribute to Jesse Coran.
- Conversation with Rep. Toleno regarding slow payments for services rendered for the Brattleboro SOB projects, specifically Al Tyler, Brattleboro electrician.

**Testimony:**

House Gov Ops: Testified, along with Michael Clasen, David Mears, Kate Duffy, Dave Yacovone, Sue Minter on the Positions Pilot program. The committee voted to support adding BGS to the Pilot in its recommendation to the House Budget Conferees.

**Significant Events/Meetings:**

- Meeting with CCTA's Bill Watterson and Steve Carlson, along with Bill Laferriere, Jeff Lively, Mike Kuhn and Dave Burley resulted in progress on MOU between the State of Vermont and CCTA. We need them to open up their wallets a little more to mitigate the project's impact.

- Energy Audit Meeting with Doug Hoffer, Susan Mesner, Tanya Morehouse, June Sweeney, Wanda Minoli and Dan Edson to discuss the energy audit being conducted by the state auditor's office.
- Renewable energy meeting with Hal Wilkins of Dan Edson regarding solar collection device. Dan conducted meeting due conflict of interest.

### **Evolving Issues:**

Mylan - St. Albans/20 Houghton St: Mylan legal sent revised language to BGS regarding due diligence and environmental/haz-mat issues (which appear to be the last remaining issues in finalizing the sale). The newly proposed environmental language has apparently been used previously by the State and if so, it appears to be agreeable (BGS is confirming its prior use/approval). BGS met with Secretary Miller to discuss authority and funding source issues related to the due diligence language. Emily Montgomery is working on revised language this morning that reflects an "as is" sale.

## **FINANCE AND MANAGEMENT**

### **Issues Update:**

The conference committee for H.885 is meeting to negotiate a budget agreement. Commissioner Reardon is participating in the meetings as appropriate to provide information. He presented a summary of the direct care worker collective bargaining agreement and a funding proposal.

The budget office continues to monitor bills with money implications. There are several that are moving.

Deputy Commissioner Clark worked with the Governor's office to establish a fund and prepare to accept donations – check, credit card and cash, for the Food Fight Fund. The Agency of Administration business office will be performing the accounting work for these donations.

## **HEALTH CARE REFORM**

### **GMC Financing:**

The Administration's collaborative work with Partners for Health Care Reform focuses on two specific tasks: (A) set a baseline for finance plan analysis and (b) use local provider and payer expertise to inform finance plan development. The work Michael is leading with state staff, contractors, and the provider community is making steady progress. Specifically, the collaborative groups are now documenting a common baseline for provider revenue and payer administrative costs. Michael's best guess is that this work will be completed by about June 15. This gives the Administration and Partners for Health Care Reform approximately 5 months to work collaboratively on the design and impact of Green Mountain Care.

The next Business Advisory Council meeting is set for May 12<sup>th</sup>. The agenda was distributed to council members on May 8<sup>th</sup> after consultation with David Coates, Don Mayer, Jeb, Lawrence, and Robin. The council will discuss previous finance concepts, variations on these concepts, and tax reform ideas to

elicit feedback for the Governor. Also, the council will discuss the tax treatment of employer health care contributions, a key issue in the further development of financing concepts.

The financing work is now requiring a significant time commitment from state staff beyond the health care reform team. Michael has asked Finance and Management staff to take a leadership role in envisioning what a budget submission looks like in a Green Mountain Care world. Tax staff is working on a host of critical policy and data issues. DVHA and DFR staff people have participated in the external workgroups. It truly is a team effort, and Michael will be asking the respective commissioners for more of their staff time as the financing work continues.

### **Single Payer Planning:**

The 30 day operational deep dive is in progress. More to come soon. Robin focused on identifying their top decision points over the next year to discuss with the Governor at the next update with him. It would be helpful to have clarity about what level of detail he would like in the decision-making process over the next 8 months, so we can be sure to set aside enough time with him to work through the issues and make progress with locking in more details for the financing plan and next session, as well as for our ACA waiver application.

### **Legislative Issues:**

S.252 and the employer assessment have taken up significant time. S.252 looks like it will not pass. Robin believes they have agreement that the 2 items we'd like from S.252 (claims edits date change; DFR rate review fix) will be included in the budget. The employer assessment and the Medicaid reimbursement increase are still in flux.

### **Significant Events/meetings:**

Columbia University Mailman School of Public Health, U.S. and Canada Health Care Reform Meeting - Robin attended a short meeting (and gave a presentation on Vermont's health reform) at Columbia with representatives from U.S. states and Canadian provinces. This was very informative and provides Vermont with some policy lessons learned from Canada, particularly around population health planning (for us) and payment reform (for them). There will likely be a follow up meeting to build off of the information exchange and the province of Halifax is interested in a more in depth learning collaborative with Vermont.

Bradford school district insurance issues - Robin worked out a path forward between the Bradford school district, VEHI, and DFR relating to 2 schools transitioning from VEHI coverage into Vermont Health Connect plans. The difficulty was that the contract is not finalized and will not be finished by July 1 when their insurance contract expires. All parties have agreed to continue the current coverage monthly while Bradford finalizes the contract in the fall. Bradford then must give VEHI 90 days notice, so they will come into a new VHC plan in January 2015. VEHI will confirm with Bradford by letter. DFR will not respond to the letter from Bradford.

## **HUMAN RESOURCES**

### **Evolving Issues:**

DHR is beginning the process on implementing pay increases for employees, including an assessment of whether exempt employees will be eligible for salary increases, and if so, the extent of such increases. This will require a decision by the Governor on the amount, up to 3.3%, that will be given as a cost of living increase and whether exempt employees shall be eligible for merit increases.

DHR is reviewing the financial position of the State's medical plan, and is concerned that the plan may be in deficit by the end of the fiscal year. DHR is working with its consultant, Milliman, to assess the likelihood of this event and the potential reasons for a deficit. Commissioner Duffy will apprise Commissioner Reardon.

## **INFORMATION AND INNOVATION**

### **Status of Governor's Priorities:**

#### Healthcare (VHC):

Security: Continuation of last week's weekly with the following updates

- SOV Security has adjusted high Plan of Action and Milestone (POAM) items to CMS. SOV Security met with CMS and they will be taking this information back to leadership.
- SOV Security has met with CGI and both parties have agreed to the appropriate deliverables to be reviewed for Non-functional security requirements (NFRs).

### **Evolving Issues:**

#### Web:

Harry Bell is working with VIC, The Governor's Office and the Department of Finance on a site to allow donations to the Food Fight Fund. The site, to be launched later this week and can be seen here: <http://foodfightfundv2.vtdesignworks.net/>

Harry is working with Finance Department and AOE staff to identify additional data sets for the Open Data Pilot Project with the intent of bringing an intern in to perform data analysis on the expanded data collection.

#### Projects:

Completed a draft revised Project Charter for the SOV Business Portal project. Meeting to review it was canceled. ACCD wants to wait to see what the final language will be in the bill that is expected to be passed by the legislature within the next couple of weeks.

**LIBRARIES**

No report.

**TAXES**

No report.

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**CONFIDENTIAL MEMORANDUM TO GOV. PETER SHUMLIN**

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From: Susan Spaulding  
Date: May 9, 2014  
RE: Boards and Commissions Update

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**Governor's Veterans Advisory Council:** The Council requested that you appoint a Senator. The biographical sketches of Senators have only **Mark MacDonald** listed as a veteran. Should I see if he is interested in serving?

**Governor's Council on Physical Fitness & Sports:** Shortly after our meeting Tim Barre emailed to say something had changed at work and he had to withdraw his application. That leaves us with one vacancy on the Council.

**Board of Health:** I will contact Jenny Flyer, MD, from the Brattleboro Retreat, to ask if she will serve. This is the person Jilisa Snyder, PhD recommended for the Psychiatrist vacancy on the Board.

**Appointments Made May 9, 2014**

**Governor's Council on Physical Fitness & Sports:**  
**REAPPOINTED:** David Butsch, MD , Moretown

**Governor's Veterans Advisory Council:**  
**APPOINTED:** Edward Deptula, Montgomery Center

**Children and Family Council for Prevention:**  
**APPOINTED:** Peter Hathaway, Waterbury (Counselor)

**Communications Board:**  
**REAPPOINTED:** Francis Aumand, Stowe (Criminal Justice Services)  
**REAPPOINTED:** Bradley Curtis, St. Albans (Fed Law Enforcement)  
**REAPPOINTED:** Paul Duquette, Newport Center (VT Assoc. Chiefs of Police)

**Vermont State Housing Authority:**  
**APPOINTED:** Ernest Klepeis, Stowe moving to Manchester

**Vermont Information Technology Leaders:**  
**APPOINTED:** Robin Lunge, Berlin

**Domestic Violence Fatality Review Commission:**  
**REAPPOINTED:** Gail Yanowitch, Montpelier (Physician)  
**REAPPOINTED:** Sam Hill, Montpelier (Local Law Enforcement)

**Vermont Housing & Conservation Board:**

**APPOINTED:** Joshua Laughlin, Putney (Low Income rep)

**Travel & Recreation Council:**

**APPOINTED:** Tori Ossola, Waterbury

**REAPPOINTED:** Vicky Tebbetts, Cabot

**Building Bright Futures:**

**APPOINTED:** David Young, So. Burlington

**REAPPOINTED:** Tim Volk, Charlotte

**REAPPOINTED:** Mark Sustic, Fairfax

**Aviation Advisory Council:**

**APPOINTED:** Douglas White, Stowe

**REAPPOINTED:** Paul Carroccio, Manchester

**REAPPOINTED:** Heather Kendrew, Westford

**REAPPOINTED:** Patricia Sears, Lowell

**Enhanced 911 Board:**

**REAPPOINTED:** Jerome Pettinga, Jericho (Public Member)

**REAPPOINTED:** Heather Dale Porter, No. Hyde Park (Emergency Services Provider)

**SerVermont:**

**APPOINTED:** Doug Kievit-Kylar, E. Montpelier (State Employee & VSEA Member)

**APPOINTED:** Sabina Haskel, Burlington (Higher Education)

**CONFIDENTIAL and PRIVILEGED**

**To: Governor Peter Shumlin**  
**From: Michael J. Hogan, Commissioner of Liquor Control**  
**Date: May 9, 2014**  
**Re: Weekly Report**

**Status of Governor's Priorities:** No big issues at the end of the session. Your staff was great to work with.

**Legislative Issues/Contacts/Updates:**

- S299: would allow for licensees to serve flights of various products for comparison purposes. The bill was passed out of Senate and is in House General.
- S299 is in Conference and should be resolved.
- H884 Miss Tax Bill: Made some adjustments on spirits taxes that will help instate manufacturers.

**Press Issues/Releases/Contacts:** Nothing now.

**Significant Events/Meetings:** Next Board Meeting 06/11/2014 - Enforcement Hearings.

**Evolving Issues:**

- ERP/POS Project underway.
- Preliminary review of department processes for potential licensing and enforcement system.
- Performance Audit underway. Report hopefully in May.

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**Summary of Key Department Activity:**

- May sales look good so far! Let's hope the weather holds up.

**Commissioner's Commentary:** Have a great weekend.