

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

Sent: Sunday, June 08, 2014 3:18 PM

To: GPS

CC: Allen, Susan; London, Sarah; Spaulding, Jeb; Richards, Alyson; Coriell, Scott; Miller, Lawrence

Subject: Weekly Reports - Executive Privilege 06 06 14.pdf

Attachments: Weekly Reports - Executive Privilege 06 06 14.pdf; ATT00001.txt

In case helpful to you, my notes/highlights. Continue to include you lawrence so that you can easily skim to the HC relevant sections, even though you can blissfully skip most of it. Liz

WEEKLY REPORTS

Checklist
6/6/2014

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 (**no report this week**)
- ☒ Agency of Education – Rebecca Holcombe
- ☒ VT Commission on Lottery – Greg Smith

TBD

- ☒ 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: June 6, 2014
Re: Weekly Report

LUCY LERICHE, DEPUTY SECRETARY

- **Welcome Pat Moulton!** Our new Secretary has hit the ground running. As you see her dashing and sashaying, please take a moment to welcome Pat back to ACCD.
- **Lawrence's Farewell:** Many gathered at Three Penny to thank Lawrence for his leadership at ACCD and to wish him well in his new role as Czar of Health Care Reform for Vermont.
- **VEOC Conference:** Lucy gave opening remarks for attendees of the Vermont Employee Ownership Center Annual Conference. She emphasized the Governor's support for the businesses and mission and the importance of this partnership with the State.
- **Burke Groundbreaking:** Lucy attended this EB 5 project ground-breaking celebration along with the Governor and many community partners.
- **VCGI Integration:** David Metraux is leading up the effort along with Kathy Thayer and John Kessler to help ensure a smooth transition for VCGI into ACCD. Lucy sends a hearty thanks to this team for taking on a challenging project with many complex details and shoals to navigate. *tl1 GPS*
- **S.220 Bill Signing:** ACCD just received a tentative date of June 24th for the S.220 Bill Signing Ceremony. We hope to get this firmed up as soon as possible so that we can inform legislators, colleagues, and partners who are eager to participate.

DEPARTMENT OF ECONOMIC DEVELOPMENT

Lisa Gosselin, Commissioner

- **CEDS:** A public notice has been sent out and we are in the process of collecting comments and final projects. The CEDS Committee will meet on June 11 in Randolph for a final review of the document and projects and we are on track for delivery to EDA by end of the month.
- **Business Portal/One Stop Shop:** ACCD delegate Lisa Gosselin met with Secretary of State's team and representatives from Labor, Taxes and Administration to discuss next steps on the creation of the One Stop Shop web site on 6/3. There is concern over what person or department should be leading the charge, the allocation of resources and creating a scope that is narrow enough so that we can accomplish our goals given current resources. We agreed to begin by focusing on providing direction for those considering starting or relocating a business in Vermont -- those "Exploring" or "Creating" --and each agency (DED, Labor, Taxes) will map the key advice and links. We will also assess other states' sites and meet in two weeks to review.
- **Bennington's Center for the Advancement of Public Action:** Secretary Spaulding and Lisa Gosselin met with Susan Sgorbati from the Center for the Advancement of Public Action at Bennington College 6/2 to

discuss ways Bennington students could assist on public projects. She offered the example of how her CAPA students researched, wrote up and helped implement an energy efficiency program (working with Efficiency Vermont) that helped upgrade street lamps to more efficient models. She is interested in seeing if there are other such projects they could work on, such as exploring the possibility of P3 partnerships that might be able to build out rail service to Bennington. They have already met with VTrans' Chris Cole and Costa Pappis. Lisa suggested working on local projects surrounding economic development and has connected Susan with the appropriate contacts there and within state agencies.

BUSINESS SUPPORT ♦ Ken Horseman, Senior Economic Development Specialist

- **Illumination Devices - Williston:** The company is growing and sought a meeting to review possible areas of assistance. They manufacture LED devices primarily for the outdoor and landscape industry. Most of their customers are in Canada, and they see potential for other exporting business. Full time employment is at 3 with one part time and they expect to be hiring soon.
- **Agrow, LLC:** The startup company is seeking financing for their sustainable water and energy model. They received a VEGI award but have yet to find the remaining financing. An introduction was made to Fresh Tracks Capital and there is initial interest.

INTERNATIONAL (EB-5/Vermont Global Trade Partnership) ♦ Brent Raymond, Director

VGTP

- Brent, at the invitation of Quebec Provincial Economic Development officials, met with 14 companies and regional economic development personnel in the Sherbrooke region seeking strategic partnerships with VT companies to grow exports to U.S.
- Ken Horseman and Brent Raymond attended final VT ExporTech session of Spring 2014 class. A Northern Border Regional Commission grant was obtained by VGTP to significantly offset costs for eligible companies. Companies attending were Trow & Holden, VT Teddy Bear, Superior Technical Ceramics, Cabot/Agri-Mark, VT Precision Tools, and Liquid Measurement Systems.
- Working with Hearthstone Stoves, Chroma Technologies, and Freeaire Refrigerator on export issues.

FDI

- A Chinese company consortium representative contacted Brent regarding interest in acquiring lumber sawmills and kilns, or selecting property locations to locate. Ken Horseman, Fred Kenney and Brent have been gathering information working with Tim Smith of FCIDC and David Snedeker of NVDA.

EB-5

- **Mount Snow:** Becky Fu has been traveling with Trapp Family Lodge and Mt. Snow in China for investor seminars, and Brent traveled with Mt. Snow to Dubai for an investor seminar and meetings.
- Morrisville/Stowe Airport EB-5 project submitted final legal docs for review and approval. Brent is holding the MOU in escrow until one document is finalized.
- John Kessler has been working with VT Treasury Department for VT EB-5 RC to be able to utilize their securities law firm, and John Kessler and Brent have been assisting an EB-5 project that will be acquired by a publicly traded company.
- Seldon is still under weekly reporting and review status.
- AnC Bio received first 2 investor I-526 approvals.

OFFICE OF THE CREATIVE ECONOMY ♦ Lars Torres, Director

- **Vermont Public Television “Innovation Series”:** Identified Jon Cone of Cone Editions Press and InkJetMall as the subject of our next video profile. Jon and his wife have quietly transformed the digital printing industry by developing light-fast grey-scale inks and rechargeable cartridges out of their West Topsham business.
- **Film Inquiries:** Handled several film inquiries, including television shows (History Channel, NatGeo), commercial shoots, location scouting, and a potential fall/winter feature shoot.

VERMONT ECONOMIC PROGRESS COUNCIL ♦ Fred Kenney, Director

Recruitment

- Participated, with Kiersten and Lisa, in a meeting with principals from Edgewood Holdings regarding potential project in Vermont
- With Kiersten, finalized 1366 Technologies and Resolute Forest Products offers
- With Kiersten, met with Dr. Avinish Shejale of Samarth Pharmaceuticals regarding potential manufacturing operation in Vermont. Showed potential sites.

VERMONT TRAINING PROGRAM ♦ Beth Demers, Director

- **AirShark:** Beth Demers, of the Vermont Training Program, had an inquiry from Jon Budreski of AirShark in Central Vermont. AirShark is a new start up that aims to develop hardware and software for the use of drones for thermal imaging in the energy sector (utility lines, solar farms, buildings, etc.). They participated in LaunchVT and are currently working with UVM in the R&D of hardware. The company is also working with SBDC to formalize a business plan. The purpose of Jon's call to Beth was simply for future information. Beth did mention that as AirShark grows and looks to take advantage of state funded resources a clear understanding of the legal issues surrounding the commercial use of drones will need to be presented. Jon and Beth will keep in contact as the company grows.
- **Smart Resource Institute:** Beth Demers and Jess Simon met with AJ Rossman of Smart Resource Institute. AJ was a founder of Draker Labs and Smart Resource Institute is his new startup. The company will specialize in hardware and software for green energy monitoring (mainly solar and wind). The company has two employees and is looking to train them in software applications such as Ruby and Java.

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

Commissioner MacKay and Deputy Commissioner Hollar

- **VY Funding Process:** Facilitated a public meeting in Townshend with about 60 people, with some overlap with the stakeholder meeting. Comments will be grouped and were discussed with the ACCD Team and recommendations brought to Pat and Lucy in prep for the transition from Noelle as point to Fred. Project in good shape.
- **Climate Cabinet:** Participated in the meeting where the Cabinet members formally endorsed the Vermont Zero Vehicle Emission Plan. DHCD's role will be to support charging stations in our downtowns and continue to promote stations throughout the state.

COMMUNITY PLANNING & REVITALIZATION ♦ Chris Cochran, Director

- NRB**
- **Expedited Downtown Permitting (Act 147 implementation):** Chris and Dale met with the leadership of the Natural Resources Board to provide feedback on their interim policy to speed up Act 250 reviews of projects located in designated downtowns. We expressed disappointment that their interim guidance had expanded beyond the short list of criteria in statute. It's consequently unclear if the administration's goal to speed downtown permitting was achieved. We also discussed the challenges meeting Act 250's undefined energy conservation requirements as well as ways to track the outcomes.
 - **AOT Tree Policy:** CP+R and the Urban and Community Forestry Program (ANR) submitted a memo to AOT noting shared concerns regarding a proposal that could reduce or eliminate many trees along streets in communities. We look forward to working with AOT to develop context sensitive design and maintenance solutions to assure that the placement of street trees minimizes potentially hazardous situations and equipment conflicts.

HISTORIC PRESERVATION ♦ Laura Trieschmann, State Historic Preservation Officer

- **Pot Luck Retirement Party for Giovanna Peebles on Friday, June 13, 2014 at 11:30 in the Calvin Coolidge Room. Please join us!**
- **National Pollutant Discharge Elimination System (NPDES) Stormwater Program Conference Call:** Laura participated on a conference call with EPA and other New England State and Tribal Historic Preservation Offices to discuss the status of the draft programmatic agreements for the NPDES Construction General Permit and Multi-Sector General Permit. All activities and outcomes relating to coordination with the EPA and historic preservation activities, including historic properties screening results, additional historic properties requirements, and the implementation of measures to address any potential to cause adverse effects to historic properties by the construction, installation or alteration of subsurface controls must be fully documented by operators in their Stormwater Pollution Prevention Plans (SWPPPs). The process offers NPDES permit coverage for stormwater discharges associated with industrial activity by a Federal Operator. The draft agreements are still under review.

VERMONT COMMUNITY DEVELOPMENT PROGRAM ♦ Josh Hanford, Director

Regular CDBG Potential Applications

- **Town of Middlebury:** Vermont Livestock and Slaughterhouse has identified a potential new location in the Middlebury Industrial Park. Robin Scheu from ACEDC contacted our program about a potential loan to assist with the project. This \$4M project includes acquisition, equipment and fit-up and working capital. In expanding, they hope to add at least five jobs in the first two years. Currently, the slaughterhouse is located in Ferrisburg.

DEPARTMENT OF TOURISM & MARKETING

Megan Smith, Commissioner

- The Vermont Ski Area Assn. annual meeting was held this week in Killington at the new Peak Restaurant and the Killington Grand Hotel with over 300 people in attendance. They reported 4.5M skier visits this year, almost tying last year's skier days and ranking the third best season in history.

Steve Cook, Deputy Commissioner

- **VDTM/VT Chamber mobile and desktop travel planner development:** VDTM and the Vermont Chamber have reached out to our business partners to begin registration for the 2.0 version of the Vermont Travel Planner. Response has been strong in the early part of the campaign. The Vermont Chamber has a communications team that will begin calling and directly reaching out to businesses in the coming weeks to grow registration.

RESEARCH & STATISTICS ♦ Greg Gerdel, Research & Operations Chief

Research

- **Summer Travel Demand up Nationally:** Post recession, American consumers are evidencing pent-up interest for summer vacation travel:

With the economy rebounding, Americans are taking vacations in near-record numbers again. But that surge in demand is driving up prices for travel costs such as airfare, hotels and attractions, making it tougher for many to afford that much-needed respite from the daily grind, according to –
Hugo Martin, Los Angeles Times, May 30, 2014

For Vermont, stable gas prices will mean strong potential for attracting summer and fall visitors from a drive market of 80 million people. The jump in the cost of air travel vs. relatively stable gasoline prices will work in Vermont's favor as a destination for our drive market.

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

- **Circulation:** [Source Interlink](#) (SI), one of our newsstand distributors, closed its doors last week after Time, Inc. dropped them as their distributor. This is bad news in the short term, as we had just gotten Vermont Life in [Costco](#), and Source Interlink was the Costco supplier (SI also supplied CVS, Rite Aid and some grocery stores). Howard White, our newsstand consultant, says he is working on finding an alternate distribution method. This will factor into our discussions about how we want to move forward with consideration to newsstand sales. Source Interlink owes us nearly \$20,000, and we will get started on collections. Atlas News owes us about \$60,000, and we have asked Howard to request payment.

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

- **Made in VT / VT Products Program Study:** While the "Vermont Products Program" study (feasibility study of possibly expanding Made in VT to include products "conceived or developed" in Vermont, but manufactured elsewhere) won't begin in earnest until 2015 (after Made in VT has launched) — Nancy met with a representative of Seventh Generation last week in response to their interest in participating in that discussion. Nancy talked with Joey Bergstein, Chief Marketing Officer for the company, about how a broader "Vermont products designation" could help their brand. Nancy invited Joey to stay in touch about this and other topics, and invited him to be a part of the formal "focus group" or study committee.
- **Increasing Local Procurement by SOV:** Nancy attended a multi-agency discussion of how to increase the level of local (in-state) procurement of goods and services by various state agencies. The discussion was hosted by the Agency of Agriculture, and prompted by a research project undertaken by a team of state employees enrolled in the Vermont Public Managers (VPM) program.
- Highlights: There is a huge need to improve communication about (1) opportunities for Vermont companies to bid for state contracts, (2) how those vendors can connect with the right individuals to learn more about how to bid, and (3) streamlining online procurement tools. Vendors also strongly suggested that state procurement systems needed to be "simplified, simplified, simplified," which led to a discussion of whether state contracting requirements could be simplified for very small commodities contracts and small service providers (i.e., perhaps dropping the requirements for insurance and indemnification).

The VPM team pointed out that, in their review of regulations in place in other states, there are already some examples of "retaliatory practices" between neighboring states — whereby State B punishes any bidders from State A by adding premiums onto their proposed prices — in exchange for State A's own "buy local" procurement regulations. So that's something we would need to keep in mind. Next steps: the Agency of Agriculture will take the lead on appointing an advisory group from various state agencies to continue the discussion of ways to improve and streamline outreach, communication and processes surrounding state contracting.

7 of Admin...?



219 North Main Street, Suite 402, Barre, VT 05641
(p) 802-479-1030 | (f) 802-479-1835

CONFIDENTIAL AND PRIVILEGED
MEMORANDUM

TO: Governor Peter Shumlin
FROM: Rebecca Holcombe, Secretary, Agency of Education
SUBJECT: AOE Weekly Report
DATE: June 6, 2014

Significant Events/Meetings:

Tuesday, we had an all day Leadership retreat for Deputies and Directors. We hired a leadership coach who does a lot of private sector work. It was helpful in building our operation as a team.

Wednesday was a 160-handshake day. I spoke at a Career Planning conference cosponsored by VSAC and the AOE at Vermont Technical College. I also spoke in the evening at the Vermont Association for Middle Level Education (VAMLE)/New England League of Middle Schools' (NELMS) Annual Scholar Leader Banquet.

Thursday, I spoke with Tim Ashe about governance issues. His sense is the Senate will remain more interested in finding savings, incentivizing good behavior, and punishing profligate behavior. He is coming up with a list of questions on which he wants information. He is also feeling optimistic on health care.

Thursday, I also spoke with Bonnie Johnson-Aten about the State Board of Education and how to improve the Board's work related to the Strategic Plan. She has been tasked with leading the Board Session on Strategic Planning. My hope is to refocus them a bit.

Evolving Issues:

Small Districts with Declining Enrollments

To give you another snapshot of the challenge of some of these small districts, see attached. This is data for Roxbury, whose Board Chair contacted me last week. He told

me he went into the legislature “and wagged my finger at them” because they were so irresponsible. He is eager to have us develop the solution. However, Roxbury’s forecast is not promising:

**Roxbury School District
Equalized pupils**

	EqPup with 3.5% max loss (hold-harmless)	Actual EqPup (calculated)	Δ
Equalized pupils	89.14	67.12	(22.02)
Education Spending	1,019,814	1,019,814	-
Ed Spend / EqPup	11,440.59	15,193.89	3,753.30
Equalized tax rate	1.2075	1.6037	0.40
CLA	107.80%	107.80%	-
Actual tax rate	1.1201	1.4877	0.37

They currently have 67 “equalized pupils,” but have 22 “phantom students” due to the hold-harmless provision, so are receiving Education funds as if they have 89 students. If they lose their phantom students next year, their actual tax rate would jump from about 1.12 to about 1.49. The underlying fundamentals for some of these districts should be motivating their boards to begin a conversation about their economic sustainability. They will need to change how they operate to stay afloat without eroding quality.

Governance

There are at least three competing strategies/agents out there now, trying to push the governance conversation.

1. Steve Dale has invited me to participate and speak at a series of presentations to School Boards next fall. (This is a month and a half long process in September and October.) The Governor might want to participate in one, as well.
2. I have been invited to a conversation on Governance by Vermont Council on Rural Development (VCRD), as have Jeff Francis, Jeb Spaulding and Joey Donovan. It takes place after the State Board meeting on June 25th, and their goal is to figure out what role they will take in a two year statewide conversation. (Two year process).
3. Lisa Ventriss is working on a proposal for a forum next year which would bring together a large group of people representing all relevant stakeholders (from legislators to school board members to State Board members) for an “appreciative inquiry session.” Lisa plans to put together a set of documents for

Handwritten notes at top: "Gov level - can we opt VBR J?".

participants to read, and then engage the group in two days of discussion to understand the problem and propose strategies for moving forward. She has included Jeff Francis, who says we will be invited to discuss plans and substance in advance. She is apparently willing to put some resources behind this. (Preparation plus a two-day conversation this year.)

We need to decide which horse(s) to ride, soon. Jeb, I think we should meet soon to discuss strategy.

Burlington School District (BSD)

We are still concerned about BSD, and in particular, about whether the current Board will be able to lead the District out of its current mess in an effective and efficient way. The District pools much of its cash and short-term investments with the City, and bank accounts are maintained in the name of the City. Cash balances from all funds, **except those required to be segregated by law**, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the general fund. However, Title 32, Section 5402(b)(1) requires the legislative body of each municipality to function as an agent of the State in regards to the billing of Statewide property taxes for education. Title 32, Section 5402(b)(2) subjects the collection of State funds, by the municipality, to the same procedures used by the municipality in the collection of local funds under Title 32, Chapter 133. Title 32, Section 4791 requires municipal treasurers to “keep separate accounts of all moneys received as highway or school taxes and pay out the same upon orders of the proper officers.”

While the taxing authority is the City of Burlington, the City is acting as an agent of the State in the collection of state education taxes. As the City is the governing body that collects the state education taxes, it is the duty of the municipal treasurer to manage those assets in accordance with the legislature’s policies. Title 32, Section 4791 requires the Treasurer to segregate and keep separate the cash assets of the State, as derived from the collection of statewide school property taxes and any interest earned thereon, from those of the municipality. No pooling of state and municipal assets is permitted.

There is more, and we are following up with Burlington School District. We hope that working behind the scenes to persistently push on compliance with statute will help lead them out of the woods, which seem pretty deep at the moment.

Beyond that, there is not a lot to say this week. It has been a week of tending the garden in house: trying to generate and address a few strategic conflicts, improve processes, and move some hires. Not much good for reading, but foundational work nonetheless.

Happy weekend. I am headed out of state for my daughter's laser tag birthday, rather than Barre, so I am not spotted in public doing anything that would make for hilarious and ironic headlines. My apologies for not bringing business to Barre.

Rebecca

Roxbury

T170

Roxbury School District Equalized pupils

	EqPup with 3.5% max loss (hold-harmless)	Actual EqPup (calculated)	Δ
Equalized pupils	89.14	67.12	(22.02)
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Equalized tax rate	1.2075	1.6037	0.40
CLA	107.80%	107.80%	-
Actual tax rate	1.1201	1.4877	0.37

Roxbury School District ADM

Grades	FY11	FY12	FY13	FY14
prekindergarten	-	1.35	6.00	11.00
kindergarten	9.00	5.00	1.00	8.00
1st	6.00	5.00	5.00	2.00
2nd	8.00	4.00	6.00	5.00
3rd	2.00	6.00	3.00	7.00
4th	6.00	1.00	5.00	3.00
5th	10.00	5.00	1.00	4.00
6th	5.00	9.00	5.00	1.00
preK-6 ADM	46.00	36.35	32.00	41.00
K-6 ADM	46.00	35.00	26.00	30.00
7th	5.00	3.00	9.00	9.00
8th	6.00	5.00	3.00	6.00
9th	3.00	5.00	5.00	4.00
10th	6.00	3.00	5.00	5.00
11th	9.00	5.00	5.00	5.00
12th	3.45	8.25	3.00	6.00
7-12 ADM	32.45	29.25	30.00	35.00
Total ADM	78.45	65.60	62.00	76.00

Roxbury Village School Personnel

	FY11	FY12	FY13	FY14
Teachers				
pre-K teachers	1.00	0.50	0.50	0.50
Kindergarten teachers	-	0.50	0.50	0.50
Elementary Teachers	3.90	3.90	3.40	3.30
Teachers Aides				
Teachers, ungraded classes	1.10	1.10	1.20	1.20
	1.60	1.60	1.40	2.43
Professional Support Staff				
Guidance counselors	0.40	0.40	0.40	0.40
Nurses	0.20	0.20	0.20	0.20
Librarians	0.20	0.20	0.20	0.18
Administrative Staff				
Principal	0.50	0.50	0.50	0.40
Administrative assistants	1.00	1.00	1.00	1.00
Maintenance				
Maintenance personnel	0.38	0.38	0.77	0.66

Grades / Courses by individual teachers based on FY2013 SECT data

K - 1st grades
2nd - 3rd grades
4th - 6th grades
5th grade mathematics
Art
Physical Education & Health
Music
Health & Life management
Study Skills

PSID PS250 Roxbury Village School Enrollments

	FY09	FY10	FY11	FY12	FY13	FY14
prekindergarten	-	6	-	1	6	11
kindergarten	8	6	9	5	1	8
1st	2	7	6	6	5	2
2nd	8	3	8	4	6	5
3rd	13	5	2	6	3	7
4th	6	11	6	1	5	3
5th	7	6	9	5	1	4
6th	6	5	5	9	4	1
Total	50	49	45	37	31	41
no preK	50	43	45	36	25	30

FY2013 course data

based on FY2013 SECT data

	Courses	Students
English Language and Literature	4	17
Mathematics	7	25
Life and Physical Sciences	4	17
Social Sciences and History	4	17
Fine and Performing Arts	10	34
Music	3	11
Art	7	23
Physical, Health, and Safety Education	10	36
Physical Education	3	12
Health Education	3	9
Health and Life Management	4	15
Miscellaneous - study skills	3	12

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To: Governor Peter Shumlin
From: Greg Smith, Executive Director, VT Lottery
Date: June 6, 2014
Re: Weekly Report

Status of Governor's Priorities:

n/a

Legislative Issues/Contacts:

none

Press Issues/Releases/Contacts:

none

Significant Events/Meetings:

n/a

Evolving Issues:

n/a

Summary of Key Agency Department Activity:

We should complete the documentation for the new vending machines this week. We continue to see improved results in our weekly sales compared to last year, having been down 2.5% YTD in Nov.

Executive Director's Commentary:

I just returned from a very good lottery conference which provided some direction in our marketing efforts and spending. Commissioner Flanagan expanded his learning in the industry which will help us as well.

Executive Privilege

TO: Governor Peter Shumlin

FROM: Secretary Brian R. Searles

DATE: Friday, June 6, 2014

SUBJECT: VTrans - Confidential Report to the Governor

NOTES FOR GOVERNOR

DMV Investigates Missing Cash

In the last two months, the Department of Motor Vehicles reported cash shortages of \$1,100 at the Rutland office and \$1,000 at the South Burlington office. After lengthy and comprehensive investigations, the Department of Motor Vehicles Enforcement and Safety Division was unable to determine a probable suspect in the Rutland case but found the TD Bank Teller admitted to taking the cash in the South Burlington case. During the investigations, it was determined that the contractual agreement between the State of Vermont Treasurer's Office and the courier service does not authorize the courier to transport cash from any state agency location to any bank. The courier service has been transporting DMV cash on a regular basis and has been doing so for years. There are no other known cases of cash shortages.

The DMV has taken immediate and appropriate actions in reducing the risks and potential losses related to these cases:

- Investigations were begun immediately;
- Upon investigation TD Bank reimbursed the state for the loss in the Rutland Office;
- Internal controls of cash receipts were reviewed with branch offices;
- Evaluation of alternative methods of transporting deposits is in process.
- Jim Reardon, Commissioner of Finance and Management was notified by VTrans of the situation.

Mark MacDonald Fence Issue – A Perennial

Senator MacDonald is not pleased with the condition of the interstate fence south of Exit 5 on I-89 which doubles as the fence on his property which keeps in his livestock. Each year he introduces a bill to make us maintain the fence in such a way that it will better contain his cattle and each year the Senate Transportation committee ignores it. Our

fences are primarily boundary indicators and taking on the responsibility for other purposes outside of our ROW would be very costly and otherwise unmanageable. There is currently no federal or state requirement for maintenance and most farmers maintain separate fencing along our rights-of-way.

This year our maintenance folks have noticed evidence that someone, likely Senator MacDonald, has electrified our fence, without our knowledge. This represents a potential hazard to our workers.

Now that we are aware of this we have two choices: one is to order the electric fencing and barbed wire removed and the other is to negotiate a fencing agreement with him that allows him to keep this arrangement in exchange for taking responsibility for fence maintenance along his property line.

ugh.

Intercity Bus Service Starts Monday

Premier Coach, dba *Vermont Translines*, will begin daily bus service on Monday between Burlington and Albany and Rutland to White River. These lines, partially funded through our Public Transit Program, will make key connections with other bus lines, the rail stations in Rutland and Albany and the airports in Burlington and Albany.

Vilas Bridge Update

Some possible progress to report as I have been invited to discuss our offer to New Hampshire with NH House Public Works and Highways Chairman David Campbell and Commissioner Chris Clement. Apparently, Rockingham, VT, Economic Development Director Dutch Walsh, a NH resident, called Campbell and urged further consideration of our offer. The meeting is scheduled for June 20 in White River Jct.

NOTES FOR STAFF

Champlain Parkway

There is still one hurdle left to overcome on this project and it is the design of traffic flow from the new section of roadway on to Lakeside Avenue and in and out of the Innovation Center (formerly General Dynamics) across the street. The least expensive design is to have a one-way traffic flow on the *Innovation Center* property with traffic entering opposite the Parkway intersection with Lakeside Avenue and exiting at a separate driveway to the west of the building. However, the owner of the property, Chuck Bayer, who has battled the City of Burlington on many issues over the years, objects strenuously to this one-way plan and wants a four-way intersection with his main entrance relocated opposite the new construction.

This was the issue of a recent court proceeding which ended with the judge hinting that he really wanted a settlement and didn't want to have to make a decision in this case. Both the City and VTrans are OK with the four-way, as long as it passes muster with our permittees, but Bayer wants certain guarantees about those permits being issued that we cannot make. Since we don't see any real permitting problems with the plan and since all

parties are willing to accept the four-way intersection, members of the Burlington business community have asked if I would intervene with a personal call to Bayer.

I have not decided to do this and am discussing it with our attorneys since the most recent communication from him is a threat to tie us up in court for five years. These things are very hard to predict but it is unlikely that he could actually tie us up for five years. His appeal would go to environmental court and then possibly to the Supreme Court and there is a good probability that we would prevail. However, if we lose and then go to the four-way there are others who might object through zoning appeals by third parties, etc. and it could take the five years anyway.

This all leads to the obvious conclusion that a settlement of some kind is the way to go and with FHWA willing to fund the four-way intersection with the 95% money the project is eligible for, it is likely that I will reach out to Mr. Bayer who, by all reports, is very difficult to deal with. More later on this one.

Waterbury Roundabout Bid Accepted

The first of a number of major transportation projects in and around Waterbury is about to begin with the review of the apparent low bid from J.A. McDonald at \$3.88 million to redesign with a roundabout the intersection of Rt. 100N and Rt. 2. A recommendation is scheduled today and barring necessity appeal or other significant concerns, the award could be made as early as Tuesday of next week.

ANR-VTrans Discussions on Design-Build Projects

Discussions are underway between the attorneys representing the two agencies over the potential for compliance with permits under Design-Build. It is clear that ANR is quite satisfied with communications and responsive under our traditional project development regimen but they perceive VTrans design-build projects, such as the I-91 bridge project in Brattleboro and the I-89 bridge project in Milton, represent a significant problem for them. Hopefully, we can work this out since design-build is one of the most important new strategies in getting projects done more quickly and less expensively.

ANR / AST contact F11

Privileged and Confidential
Memorandum

To: Peter E. Shumlin, Governor
From: Douglas A. Racine, Secretary of Human Services
Re: AHS Weekly Report
Date: June 6, 2014

This has been another tough week at DCF. It's become a feeding frenzy with the press, with sensationalism, inaccuracies and unjustified conclusions appearing daily. Confidentiality laws leave us unable to respond to most. Commissioner Yacovone and his team have been handling all this with professionalism, grace and a willingness to address the real issues that have arisen. A call from you to Commissioner Yacovone as a vote of confidence in him, Deputy Commissioner Walcott and all of DCF and Family Services would be a big morale boost. People are understandably down, but still have important and difficult work to do to protect Vermont's children.

Vermont Department of Health (VDH)

Board of Medical Practice:

At its June 4th meeting the Board of Medical Practice approved a policy statement on the treatment of Lyme disease as mandated by Act 134 of 2014.

Department of Mental Health (DMH)

Vermont Psychiatric Care Hospital (VPCH):

The new hospital continues to be on schedule. Staff training will be occurring on two shifts over the next 8-10 day period. The trainings will held at the new hospital in order to familiarize staff with the floor plan as well as the patient care unit safety and security features. Hiring and orientation of new personnel continue. Licensing and Protection will do a walk-through of facility readiness later next week.

WCAX:

Deputy Commissioner Reed was approached for comment from WCAX, Alexi Rubenstein, following the Bennington article regarding potential movement of a high profile patient from the Brattleboro Retreat to the Middlesex Secure Residential Program. This move is likely to be opposed by the Bennington County State's Attorney. Without addressing the specific individual, comments were framed with general overview of the current continuum of services available and movement of patients when ready to move from one level of care to another. At all levels, patients are assessed by treating staff to determine readiness to move before potential changes in placement are pursued.

Vermont Psychiatric Survivors (VPS):

The DMH continues working with the Board of Directors for Vermont Psychiatric Survivors regarding the organization's financial/operations policies and potential leadership changes being considered by the Board. A large stakeholder contingent attended the most recent meeting of the board to show solidarity for the current Executive Director and to challenge the Board's current considerations. The Board is still somewhat fragmented, but DMH believes that the current evaluations underway and the actions under consideration are appropriate.

Department of Disabilities, Aging and Independent Living (DAIL)

Public Signing of AFSCME Contract Scheduled for Next Week:

Independent support workers represented by AFSCME will gather next week for a public signing of the recently ratified contract negotiated by the State on behalf of self-directed service recipients. The unionization of these workers has not been met with enthusiasm by providers, families of children receiving personal care and a substantial number of the disability community, all who fear funding will not keep pace with workers' demands and thus services will decrease. You should be aware of this possible backlash as it could mar what will otherwise be a positive event for workers. Details of the contract have not yet been made public and will cause consternation when they are.



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Caledonia Record Praises DAIL's Choices for Care Program: From The Rehab To A Residence:

The Caledonia Record ran a nice piece on the successful transition of a 67-year-old woman to a new Adult Family Care Home after spending the last 20 years in a nursing home. This latest addition to Vermont's portfolio of community based options not only dramatically improved her quality of life but will save taxpayers money. The average daily rate for nursing home care is \$142, with a high of \$260/day; the reimbursement rate for a private home setting can be as low as \$77 a day up to \$156/day depending on the needs of the person and the services provided.

State Closes Investigation on Employee Misconduct and Allegations of Retaliation:

The Burlington Free Press ran the story today about the investigation into VR Counselor John Howe's violation of policy concerning authorizing funds for consumers. While publically acknowledging that he was "guilty as charged", Howe's defense was that "everybody did it". The Department of Human Resources looked into 15 co-workers, whom Howe identified as equally culpable, and did discover that a handful of employees also violated the policy stating that it was unclear. Commissioner Wehry concurred further disciplinary action was not warranted but will provide supervisory feedback to the employees who violated policy, and thanks to those who followed the expected practice. The relevant policy will be re-drafted and other related policies examined and re-communicated to staff.

Eagle Eye under Investigation by Division of Licensing and Protection:

A team of surveyors headed out to Eagle Eye Farm yesterday to investigate claims of criminal activity (drug use by staff while on the job, and growing marijuana on facility grounds). Adult Protective Services (APS) is also poised to go in if there is any evidence they should be involved. This facility was in the news a few years ago regarding the death of a resident.

check results 2

Couple Receiving Developmental Disability Services under Investigation for Child Sexual Abuse:

DAIL Division Director Camille George reported yesterday that she had received a critical incident report from Upper Valley Services informing her that a couple whom they serve is under investigation by the state's attorney's office for possible criminal conduct involving a child currently in DCF custody. No other details are available at this time but we will follow up later today.

Check

Department of Corrections (DOC)

St. Johnsbury Case:

We are receiving requests from the media regarding the status of the parents involved in the deceased child case in St. Johnsbury. We are providing the following information: the mother is not currently under supervision with the DOC, the father is on supervision for a work crew requirement only (meaning we document that he is fulfilling his court ordered work crew days).

Sex Offender Registry Audit:

On June 6th, the DOC and State Auditor's Office (SAO) staff will meet to discuss the draft audit report of the Sex Offender Internet Registry System. It appears, preliminarily, that the DOC has improved in areas, however, may also need continued remediation in other areas. Once we receive the report, we will draft a response and remediation plan for those areas needing attention. The outcome of this audit is to recommend to the Legislature the issue of whether or not to publish addresses on the internet registry.

Chittenden Regional Correction Facility (CRCF):

The DOC held a second interview for the CRCF superintendent. The DOC interviewed Ed Adams, the current interim superintendent, for the position. Ed has done a remarkable job of stepping in and ensuring the facility remains safe and is fully staffed. (This has greatly reduced overtime.) The required exempt position approval documents are now being prepared and circulated for approval.

Population:

The department's incarcerated population averaged 2,096 for the previous week. The male population averaged 1,930 with 346 being presentenced. The female population averaged 166 with 44 being presentenced.

Department for Children and Families (DCF)

Sexual Abuse Hazing with Milton Football Team:

DCF Family Services continues to collaborate with the Chittenden Unit for Special Investigations (CUSI) in an investigation into alleged hazing among members of the Milton High School football team. The hazing took the form of sexual abuse. Also being investigated is an allegation that school officials knew about this and did not report it to DCF. On May 29th, a

multi-disciplinary team meeting was held to discuss status and next steps. Chittenden State's Attorney was in attendance, as were representatives from Agency of Education's (AOE's) licensing unit. There is a plan to interview all members of this past fall's football team. Additional school personnel and coaches will also be interviewed. There is active exploration of charges against school personnel. Also, one of the alleged victims committed suicide. The circumstances around this suicide will be re-examined.

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There is no time frame for information being publically available. We expect to be notified before that occurs.

Shelter Development in Burlington:

We are making progress on developing another shelter in Burlington, with the hope that it can be functioning by November, to help us manage the cold weather demand. Champlain Housing Trust (CHT) has property that may be useable. We have \$395,000 in our budget to help make this work. Rita Markley of COTS may be a problem. She is telling Mayor Miro Weinberger that it is not needed. Michael Monte of CHT is helping to convince the Mayor we need more capacity. People are intimidated by Rita. We think she is worried it will dilute business from COTS. We believe there is plenty of business for everyone and will work to reassure her. We will keep you posted.

(F4)

Department of Vermont Health Access (DVHA)

Vermont Health Connect:

DVHA continues to negotiate for services from Optum related to operations assessment and staff augmentation as well as enhance project management and IT assessment. The goal is a signed contract to allow for Optum to be on site the week of June 9th.

Major Issues and Risks:

- Lack of a Development Timeline: Absence of a future CGI project plan puts all additional necessary functionality at high risk.
 - Specifically, lack of renewals requirements in current CGI project plan puts necessary delivery of automated renewals functionality in doubt.
 - Another open item is the IRS Report: We still have not had substantive conversations with CGI about how we will compile, ensure accuracy of, and transmit data for monthly IRS reports that are likely to begin in July. This is a significant issue because the transmission of inaccurate information will impact customers when they file their 2014 taxes.
- Testing: Testing for Package 2 deployment (Change of Circumstance) continues to struggle. We recommend to delay Go Live date until testing can be completed successfully. Need to be sure carriers are aligned before making any affirmative Go Live decision.
- Security: CGI is working to close security risks. CMS will send us a letter indicating we need to have significant action on this in the next 90 days.
- BCBSVT 820 Processing: Blue Cross has not configured their accounting system to track balances due and grace periods. As a result, they accept any payment from VHC as a full payment, removing an individual from the grace period even if additional funds are due.

BIG problem

This is out of compliance with federal law and will result in significant reconciliation issues at the end of the year. We are working to determine next steps.

Disproportionate Share Payments for Hospitals (DSH):

Notices were sent to hospitals on June 5, 2014, with their estimated disproportionate share payments for federal fiscal year 2015. Typically these notices are sent mid-May, but a delay was experienced in order to address a stipulation in the graduate medical education (GME) memorandum of understanding (MOU) with Fletcher Allen Health Care. This stipulation required a change in the formula to not adversely impact DSH allocations as a result of new GME payments. While the payments are not made until October, notices are provided in order to help the hospitals with their budget submission to the Green Mountain Care Board in July.

AG's Investigation of VHC Privacy Incidents:

DVHA received notice from the AG's office that they have closed their investigation of privacy incidents at VHC. These incidents related to misapplied checks that occurred in December and January. The AG's notice recognized the steps VHC took to resolve the issues involved and called for no further action.

Vermont Information Technology Leaders (VITL) FY15 Contract Negotiations:

Contract negotiations with VITL for core Health Information Enterprise services, new projects and SIM related work continue. DVHA informed VITL last week that they will need to reduce their proposed FY 15 budget in order to meet budgeted amounts and reasonably expected federal funding match rates; that response from VITL was due on June 5th. Complexities around different federal and state funding sources that do or could support VITL's work complicate the situation and the negotiations. We are also concerned about receiving clear guidelines and decisions from CMS in a timeframe that can work for the State and for VITL, given that the FY 15 work needs to start on July 1, 2014, and we are in the process of escalating these concerns within CMS.

116 STATE STREET
MONTPELIER, VERMONT 05620



OFFICE OF THE SECRETARY
TEL: (802) 828-1619
FAX: (802) 828-2361

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: June 6, 2014

Secretary's Top Issues

Animal Welfare

- The Animal Health office continues to receive complaints from citizens regarding an animal welfare case in Poultney. These complaints are referred to the humane officers/law enforcement officers managing the case as they are received by VAAFM
- The Animal Health office was informed this week of a USDA Federal Order mandating reporting by labs, veterinarians and producers of positive cases of Porcine Epidemic Diarrhea virus. Vermont currently has one infected premises, and the farm owner has been cooperative with the quarantine that we issued. The information contained within the Federal Order will be disseminated to Vermont veterinarians this week.
- The dairy farm in Woodstock VT that was quarantined for a suspect Tuberculosis heifer has had movement restrictions lifted after the heifer was confirmed negative on followup confirmatory testing.

Disaster Simulation

- The Food Safety and Consumer Protection Division has unilaterally staffed the State Emergency Operations Center (multiple 12 hour day and night shifts) on behalf of the entire Agency during the statewide catastrophic exercise. Due to the excellent planning effort that has been put forth for more than a year by Annie Macmillan and Kathy McNamara, there was a steady stream of activity related to this exercise on June 4th and 5th. Thank you to Kathy McNamara, Jim Cameron, Shelley Mehlenbacher, Scott Dolan, Dan Scruton and Stephanie Parks for fitting these responsibilities into already-busy schedules.

Northeast Association of State Departments of Agriculture conference in Boston

- Secretary Ross attended the Northeast Association of State Departments of Agriculture (NEASDA) annual conference in Boston, MA. He was joined by Secretaries, Commissioners and Directors of agriculture from throughout the Northeast.
- The full group representing the state of Vermont at NEASDA consisted of Secretary Ross, Deputy Secretary's Diane Bothfeld and Jolinda LaClair, Assistant Attorney General Diane Zamos and Executive Assistant Sam Werbel.
- During this ~2.5 day conference meetings and panel sessions focused on many contemporary issues, including:
 - Waters of the Northeast (Lake Champlain, Great Lakes, Chesapeake Bay)
 - The new Food Safety and Modernization Act
 - The Environmental Protection Agency and waters of the United States
 - Crop insurance and dairy processing
 - Raw milk
 - Labelling of genetically engineered food

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FAX: (802) 828-2361

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: June 6, 2014

Status of Governor's Priorities:

Jobs in Agriculture

The Agency of Agriculture, Food and Markets is currently accepting applications for two Senior Agriculture Development Coordinator positions.

Significant Events/Meetings:

- State Veterinarians Mehlenbacher and Haas met with Dr. Charles Gaiser, regional epidemiologist for the federal scrapie program, as part of a state consistent status audit this week. Vermont is a scrapie consistent state, and the purpose of the visit was to ensure that Vermont's federal and state animal health programs are meeting federal standards for scrapie traceback and ID compliance.
- The Food Safety and Consumer Protection Division has unilaterally staffed the State Emergency Operations Center (multiple 12 hour day and night shifts) on behalf of the entire Agency during the statewide catastrophic exercise. Due to the excellent planning effort that has been put forth for more than a year by Annie Macmillan and Kathy McNamara, there was a steady stream of activity related to this exercise on June 4th, 5th and 6th. Thank you to Kathy McNamara, Jim Cameron, Shelley Mehlenbacher, Scott Dolan, Dan Scruton and Stephanie Parks for fitting these responsibilities into already-busy schedules.
- Assistant State Veterinarian and Animal Health Program Coordinator provided technical assistance to a cervid producer who is out of compliance with the Cervid Rules. The producers needs to build or obtain a capture facility to individually restrain the deer, individually identify each deer with two types of identification, and keep records on the deer in terms of ID, deaths, births, and imports.
- State veterinarians and Animal Health Program Coordinator met to review DLAN procedures for the upcoming CATX and Ag COOP exercises.
- Assistant State Veterinarian attended the NASDA FSMA Technical Working Group Conference Call to provide input on the Operation Plan. VAAFM will be working with the states of NY and OR to formulate a white paper on foundational law and FSMA. This paper will help states, and VT, design a way to obtain or revise authority for food safety inspections.
- Assistant State Veterinarian and Local Foods Administrator met to flesh out what needs to be written for the SCBG proposal to hire a staff person to work on FSMA. This is an involved application that is due June 30.

Evolving Issues:

- Dr. Haas provided information through Sam Werbel to the Governor's office on the equine dentistry bill that was signed into law as follow up to a constituent complaint.
- The Animal Health office continues to receive complaints from citizens regarding an animal welfare case in Poultney. These complaints are referred to the humane officers/law enforcement officers managing the case as they are received by VAAFM

- The Animal Health office was informed this week of a USDA Federal Order mandating reporting by labs, veterinarians and producers of positive cases of Porcine Epidemic Diarrhea virus. Vermont currently has one infected premises, and the farm owner has been cooperative with the quarantine that we issued. The information contained within the Federal Order will be disseminated to Vermont veterinarians this week.
- The dairy farm in Woodstock VT that was quarantined for a suspect Tuberculosis heifer has had movement restrictions lifted after the heifer was confirmed negative on followup confirmatory testing.
- Animal Health is heavily involved this week in the CAT exercise taking place this week at the EOC. Field personnel are staffing the EOC as the SSF 11 leads and office personnel are logged into DLAN as SSF 11 Ag Support to review routed tickets and provide assistance to needs of the exercise.
- Field Inspectors are following up with 2 non-compliant cervid producers. Both producers are out of compliance with the Cervid Rules and are passed their compliance timeline laid out in letters of warning to obtain capture facilities, identify deer, and keep records. Information is being documented in the USA Herds database and NOV's are pending.
- Assistant State Veterinarian met with State Veterinarian to discuss the Animal Health Career ladder and the structure of the proposed RFRs.
- Animal Health Field staff will be attending the Dairy Fest this weekend to inspect animal identification and monitor out of state animals for correct entry paperwork.

Summary of Key agency Department Activity

Administration:

Deputy Secretary Bothfeld met with Gail Busch from Algaepower to discuss her proposals for utilizing substrates from methane digestion to grow algae that can be used for oils, feed, fertilizer and other useful products. She is also looking a potential project using waste wash water from dairy processing facilities as a substrate for algae growth. Bothfeld will provide a letter of support for the concepts and the potential to mitigate dairy processing waste water issues as seen by Cabot with its land application of these wastes.

Deputy Secretary Bothfeld is working with the Attorney General's office on the rule making process for GMO. Assisted the AG's office to distribute survey this week to agriculture community. Dairy Cooperatives, farmers and those associated with the farming community received a direct e-mail. Farm to Plate was also willing to distribute the survey to their list. Should receive wide distribution and the results will be interesting in moving the rule making process forward.

Land Use:

The VAAFM participated in the Vermont League of Cities and Towns Spring Planning and Zoning Forum on June 4, 2014 at the Lake Morey Resort in Fairlee, VT. There were 101 attendees that included municipal planning and zoning officials, conservation commissions and attorneys. The Agency presented information on farmland conservation and the potential role of municipalities in the conservation process (creation of advisory committees, reserve funds, writing letters or support, and including the protection of farmland in its town plan and through its bylaws). The Agency also explained the limitation on a municipality's ability to regulate agricultural activities and farm structures as outlined in municipal planning and zoning enabling statute. The discussion was lively and fueled by insightful questions. The Agency looks forward to continuing this dialog with municipal officials, and assisting them with implementing goals related to preserving farmland and supporting the agricultural industry in Vermont.

Agricultural Development:

- Deputy Secretary Bothfeld accepted status as potential applicant to USDA for an RBOG to study powering milk trucks and/or farm machinery with biogas from a digester. The original potential applicant, VEIC, after preparing much of the application materials, had to withdraw because of a new USDA policy that applicants could not write themselves into a grant application as performing the work. VAAFM will include indirect cost of 34% to the application, increasing the total amount requested as compared to the original application.
- The Vermont Energy Legacy Project, now renamed the Vermont Energy Legacy Initiative, continues to gestate. The initiative's intent is to get ~40 MW of PV installed at a mixture of locations, and via a mixture of ownership options and payment terms, in order to displace 100% of state facility electricity consumption. The team of four proponents (Linda McGinnis; Andrea Colnes, Energy Action Network; Representative Rebecca

hr

Ellis; and Jamie Ervin, Waterbury LEAP) has visited with most relevant state agencies at least once, and has a meeting with Chief of Staff Liz Miller scheduled. The group of four anticipates seeking funding from VLITE to staff the effort. Staff at VAAFM have suspended efforts to provide feedback to the group, pending policy support from the Governor's office.

- Deputy Secretary Bothfeld and Ag Development Coordinator Louise Waterman discussed migrant housing issues and public communication with Gary Wheelock, Executive Director and Jenny Karl, Vice President for Communication of the New England Dairy Promotion Board. Determined a method to distribute information to dairy farmers on a housing checklist for cleanliness and needed repairs and what messages could be used to get this information out to farmers. Deputy Secretary Bothfeld will follow-up with dairy cooperatives on this issue. Further meetings are planned with state agency partners to address migrant labor issues and with VHCB and VLT for concerns of farm labor housing on conserved land.
- Allison Carrier recently joined the Agency of Agriculture as the new University of Vermont Food Systems intern.

Food Safety and Animal Health and Consumer Protection:

Animal Health:

Animal Health Field Inspectors...

- Inspected Addison County Commission Sales for ADT compliance
- Provided annual Pullorum poultry flock test for ad NPIP Participant in Ferrisburg
- Completed initial Pullorum testing of poultry flock in Bristol for application to be a NPIP participant
- Participated in an on-line training webinar hosted by FDA on BSE Inspections that are completed on farms as part of the Tissue Residue Investigations
- Completed a TR investigation on a farm in the Poultney area – violation was a cull cow and penicillin. The producer doubled the drug dose, which is an off-label violation, and did not observe an appropriate withdrawal time.
- Provided Pollurum testing for a poultry producers in Northfield, Tunbridge for upcoming shows, 4-H events, and exhibitions
- Provided technical assistance to a livestock dealer regarding 840 (RFID) tags
- Provided technical assistance to a livestock dealer in Enosburg that had questions about bonds and ADT compliance supplies
- Contacting rescue organizations registered as pet shops who have either let their licenses lapse or need an annual inspection

Agricultural Resource Management:

Pesticide Program:

As a result of the AAA Pest Control chlorpyrifos mis-use case, ARM Field Agents have made a concerted effort to inspect the pesticide storage areas of structural pest control operators (PCOs) in Vermont to determine if any other PCOs have cancelled or obsolete pesticides in their possession. When these products are found, the applicator is given information on how to properly dispose of these products through the local solid waste district. In May, the Chittenden Solid Waste District reported that there has been a significant increase in pesticides dropped off at their facility due to the inspections conducted by the Agency!

Water Quality Program:

A small and medium farm, both located in Swanton, will receive corrective action letters for failing to have sufficient vegetative buffers between row crops and adjacent surface water. The AAPs require a 10 foot buffer for small farms, while the Medium Farm General Permit requires 25 foot buffers for medium farms.

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

- Staff conducted technical assistance visits on 4 MFO (two in Franklin County, one in Chittenden County and one in Windham County). The visits were to discuss upcoming BMP practices to address water quality concerns and coordinate VAAFM's outreach strategies for the BMP program for the 2014 construction season.
- Staff conducted on compliance follow-up visit on a SFO in Franklin County regarding a manure stacking site. The visit was related to an enforcement action issued to the farm.

- Staff processed a FAP grant for an education outreach grant for a grazing workshop in Sudbury put on by UVM Extension. The field-based part of the grazing workshop will be held on a MFO that produces beef.
- 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 rest of the month. Several draft permits and permit amendments have been submitted to our Directors for review.
- Staff are working on developing the water quality section of the new CAI USA Food Safety water quality database.

Conservation Reserve Enhancement Program (CREP):

- Staff visited two SFOs in Williston with staff from VLT, Town of Williston Planning office, and USFWS Partners program to determine areas eligible for CREP or other programs.
- Staff visited a SFO in Johnson to present/discuss option of enrolling in CREP and VT DEC River Corridor Easement program.
- Staff visited a SFO in East Fairfield to further discuss WRP options along with staff from NRCS and USFWS.
- Staff worked with a SFO for a day and a half to oversee installation of three stream crossings and a 300' section of animal trail/walkway cost shared via VAAFM BMP program.

Secretary's Comments:

Press:

- Secretary Ross spoke with reporter Chris Richard of "Grist" to discuss the recent CFL petition regarding Lake Champlain water quality, specifically in Missisquoi Bay area.
- Secretary Ross will be participating in an interview on WCAX program "You Can Quote Me" with Anson Tebbetts.

Meetings:

- Secretary Ross attended the Northeast Association of State Departments of Agriculture (NEASDA) annual conference in Boston, MA. He was joined by Secretaries, Commissioners and Directors of agriculture from throughout the Northeast.
- The full group representing the state of Vermont at NEASDA consisted of Secretary Ross, Deputy Secretary's Diane Bothfeld and Jolinda LaClair, Assistant Attorney General Diane Zamos and Executive Assistant Sam Werbel.
- During this ~2.5 day conference meetings and panel sessions focused on many contemporary issues, including:
 - Waters of the Northeast (Lake Champlain, Great Lakes, Chesapeake Bay)
 - The new Food Safety and Modernization Act
 - The Environmental Protection Agency and waters of the United States
 - Crop insurance and dairy processing
 - Raw milk
 - Labelling of genetically engineered food
- Secretary Ross attended and participated in and presented at the Vermont Environmental Consortium's 3rd Annual Water Quality conference in Burlington, Vermont
- Secretary Ross participated in the University of Vermont's College of Agriculture and Life Science Advisory Board meeting at the University of Vermont.

Ongoing Discussions with Governor's Office:

- Secretary Ross met with Governor Staff for a discussion on Prime Ag Solar

Upcoming Issues and Events:

- Secretary Ross will be attending regional conferences in Virginia and Michigan in his capacity as president of the National Association of State Departments of Agriculture for the first half of next week.

1 National Life Drive
Davis 2
Montpelier, VT 05620-3901

Tel: (802) 828-1294
Fax: (802) 828-1250

www.anr.state.vt.us



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: June 6, 2014

Subject: ANR Weekly Report

Governor Level Issues:

VNRC Appeal of Jay Peak Stormwater Permit: Late this week VNRC filed an appeal of the stormwater permit we issued for their Stateside development. Staff have not fully briefed me on this yet, but it appears that they are arguing that no new development should occur until Jay Peak resolves problems with two tributaries which have been impaired as a result of their earlier construction. Note that our staff have been having issues with Jay Peak insofar as they are not taking action to fix the problems, and as a result, one impaired waterway is getting worse, and now, for the first time, there is a second tributary that is impaired. We have let them know that we cannot begin to consider the West Bowl project until they have a plan to remediate the existing problems.

Lake Champlain Clean-Up Plan (TMDL): The Phase-One Implementation Plan for the upcoming Lake Champlain TMDL and Governor's commitment letter were submitted to EPA this week and publicly announced through a press briefing. Media has been largely positive with support from all sectors. This is a great tribute to David's hard work to get EPA and the many diverse stakeholders to the table, as well as to Chuck, Lawrence and Brian for their help and support, and of course, to the DEC staff who worked so hard to develop a plan that is practical, transparent and shows a clear path forward for lake cleanup.

EVERYTHING ELSE:

Press Issues/Releases:

EPA Rules for Existing Power Plants: We provided favorable comments on EPA's new rules addressing greenhouse gas emissions from existing power plants which were reported in numerous media outlets.

Multi-State Zero Emission Vehicle (ZEV) Action Plan: There was a press release and media availability by the eight states that signed the ZEV MOU announcing the release of a Multi-State ZEV Action Plan to guide efforts to put 3.3 million ZEVs on their roads by 2025. The eight states are California, Connecticut, Maryland, Massachusetts, New York, Oregon, Rhode Island and Vermont. The Action Plan describes efforts the states can undertake collaboratively and individually to ensure the success of this groundbreaking effort to reduce greenhouse gas emissions from vehicles.

F&W and Trout Unlimited Work to Improve Trout Habitat in NEK: The Fish & Wildlife Department and Trout Unlimited have partnered to improve trout habitat in the Nulhegan River watershed in Vermont's Northeast Kingdom. The team, led by Jud Kratzer, fisheries biologist for the F&W, and Joe Norton, Project Manager for Trout Unlimited's Upper Connecticut Home Rivers Initiative, has been updating culverts under roads to improve upstream passage for trout so that they can access spawning habitat and find cooler water in the heat of summer. They have also been strategically felling trees into the river in order to improve trout habitat.

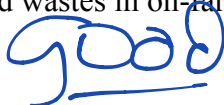
Burlington Awarded \$1.5 Million Boating Infrastructure Grant: The U.S. Fish & Wildlife Service has announced that the City of Burlington has been awarded a \$1.5 million grant to enhance boating opportunities at the Perkins Pier Marina. This grant was one of 16 competitive grants given out this year through the USFWS's Boating Infrastructure Grant program to enhance boating opportunities throughout the country. The project will improve Burlington's harbor protection, provide public access to the water and increase the number of transient boat slips available on the waterfront.

SUMMARY OF KEY DEPARTMENT ACTIVITY

Office of Planning and Legal Affairs

TDI NE Clean Power Link: OPLA staff coordinated a meeting of DEC water quality technical staff and TDI New England Clean Power link consultants to discuss TDI's proposed water quality model that they'll use to determine the potential impacts to Lake Champlain that could result from construction of their proposed electric transmission project.

Inter-Agency Energy Policy Coordination: OPLA staff met with staff from VAAFM, PSD and BGS to coordinate on range of energy related projects and policy initiatives including a RFP for incorporating organic food wastes in on-farm methane digesters, the award of community



solar grants, and efforts to identify state land to site solar generation facilities to power state offices.

VGS Phase II: OPLA staff coordinated a meeting amongst Vermont Gas representatives and technical staff from several ANR programs to discuss VG's recently developed assessment of the potential hydrologic impacts to state significant Cornwall and Shoreham swamps resulting from the construction and operation of the pipeline. OPLA attorneys are also working with staff to compile ANR's first round of direct testimony on this matter, which must be filed with the PSB by Friday, June 13th.

GMP Georgia Project: OPLA staff successfully completed negotiations with Green Mountain Power on an MOU regarding GMP's proposed substation expansion and reconductoring in Georgia and Fairfax. The MOU will be filed with the PSB and resolved any natural resource issues that were initially raised by the project.

Costo Trial Prep: OPLA attorneys are busy preparing witnesses for the Costo trial, which begins June 17 and is scheduled to run for three weeks. At the trial the Environmental Court will hear appeals of ANR's issuance of the wetlands reclassification, individual wetlands permit, construction storm water permit and operational storm water permit.

Solar Technical Assistance: OPLA staff provided technical and siting assistance to Green Lantern Capital for projects in Chester and Williamstown and to Novus Energy for projects in Barre Town and Royalton

New Applications: OPLA received 6 new Sec. 248 applications and 10 new Act 250 applications this week.

Environmental Conservation

Low Sulfur Fuel Limits: Elaine O'Grady, Air Quality & Climate Director, gave a presentation at the Vermont Fuel Dealer Conference on Vermont's low sulfur fuel limits which start to go into effect on July 1. As part of a regional air pollution control strategy to reduce regional haze and improve visibility, Vermont adopted regulations in 2011 to lower the allowed sulfur content of fuel oils used, purchased, or sold for use for heating and power generation. Commencing on July 1, 2014, the sulfur content of No.2 and lighter distillate oils shall not exceed 0.05% by weight (500ppm), and commencing July 1, 2018, such oils shall not exceed 0.0015% by weight (15ppm). Also commencing on July 1, 2018, the sulfur content of No.4 residual oil and No.5/No.6 residual fuel oil shall not exceed 0.25% and 0.5% by weight, respectively.

School Lab Science Workshop: Environmental Assistance sponsored a half-day workshop this week in Berlin for science teachers on lab safety and chemical management. The workshop was co-sponsored by the Vermont School Science Lab Safety Team, with team representatives from VOSHA, Agency of Education and the Vermont School Boards Insurance Trust in attendance.

Permit Assistance Outreach to Municipalities: Permit Specialists in the regional offices have recently conducted outreach to the following municipalities, primarily through town office visits, to meet new town officials and/or provide information and brochures for public dissemination: Peru, Manchester Arlington, Shaftsbury, Middlebury, Weybridge, Leicester, Salisbury, Cornwall, Monkton, New Haven, Starksboro, and Milton.

PCBs in Schools Meeting: DEC and VDH staff attended a meeting with faculty on May 27 at Champlain Elementary to discuss the results of recent indoor-air sampling for PCBs. The sampling conducted last winter found four detections (out of 20 total samples); four detections were above the VDH level of concern (15 ng/cm) but not to levels that would require further investigation and action. The faculty did not seem overly concerned with the results, and there were not many questions. Burlington School District staff attended the meeting as well, and after the meeting said the District may be interested in doing indoor air testing for PCBs at other District schools (several of the schools in the district were constructed in the 50's-60's when PCB-containing construction materials were in circulation).

Tractor Trailer accident (Chester): The Spill Team responded to a gasoline tanker accident on May 16 which resulted in the loss of nearly 2,500 gal of gasoline. Haz Mat, fire and police departments also responded. The responsible party sent a tanker to offload product and minimize the release as much as possible after the fact. No impacts were noted, initially, to the Middle Branch of the Williams River, but sheens were detected five days later in spite of an interceptor trench and test pit which were dug in the suspected path. Additional treatment that will be installed/maintained includes additional soil vapor extraction as determined necessary and a multi-phase extraction system.

Shorelands: The Lakes Program has been receiving an increasing number of calls from landowners, most with concerns about projects already underway or already permitted. The shorelands team met with an external review committee to get comments on the draft Shoreland Manual. The manual is planned for public release June 6. The annual Lake Seminar is being held June 6th at the Green Mountain Club in Waterbury Center. The focus this year is on the new Shoreland regulations, with a field component in the afternoon on the Vegetation Management Practices, how to measure slope etc.

Fish & Wildlife

Fishing: Fishing activity is increasing substantially, statewide, with the warming weather. Wardens continue to encounter numerous license violations along with violations involving keeping bass in closed season and fishing in closed spawning areas. Boating activity has also increased substantially with the improving weather conditions. Wardens continue monitoring streams and ponds that have been recently stocked. The majority of the stocking is now complete. A substantial number of the endangered Sturgeons are being incidentally caught in the Winooski River.

Turkey Hunting: Turkey hunting season has closed. The last week of the season saw low hunter participation and zero law enforcement problems.

Search & Rescue in Glastenbury: A couple of wardens assisted local fire and rescue personnel in locating and assisted in removing an injured hiker on the Long Trail.

Endangered Jesup's Milk: Staff spent 2 days monitoring federally endangered Jesup's Milk Vetch at all 3 known sites. The Vermont population remains very low although there are more plants (10) vs (6) last year. In addition, 8 of the transplants from the last 2 years are in flower. The 2 NH sites have 18 and approximately 150 plants, respectively. Both NH sites have new populations of the invasive Narrow-Leaved Bitter-Cress (*Cardamine impatiens*) which we mostly removed.

Forest, Parks and Recreation

CONFIDENTIAL - West Shore Access Road: We are responding to a public document request from Peter Lyon's attorney for documents relating to the West Shore Access Road at Groton State Forest. This request is related to the draft ROW survey for the West Shore Access Road prepared under contract for the Department by Dubois and King, which Mr. Lyon opposes. Additionally, we received a letter from Lyon's attorney outlining specific concerns related to the proposed ROW survey. We will be evaluating this information later this week in considering how best to respond. It is possible that this issue may end up being resolved in court.

Sugarmakers: The Department is coming under increasing pressure from sugarmakers to use Department lands or Forest Legacy easement lands for industrial scale sugaring operations consisting of more than 100,000 taps. This extensive use poses potential conflicts with wildlife, recreation, forest health, and other forest management objectives. We will be meeting with the Department's Sugarmaking Advisory Committee next month to discuss this and other related issues.

All Parks Are Now Open: The last two parks, Burton Island and Alburgh Dunes State Parks, are now fully operational for the summer season.

Park Attendance: State parks have seen over 56,000 visits so far this season resulting in an increase of 20% over last year to date.

Conservation Fund Purchase: Yankee Forest LLC has sold 10 parcels in Addison County enrolled in the UVA Program, encompassing 6297 acres, to The Conservation Fund. Chris Olson, Addison County Forester received maps and plan acceptance signature pages. The largest parcel, 5,130 acres in East Granville with contiguous lands in Braintree (Orange County), recently filed a "large-landowner format" UVA Plan update.

Shorelands Act: FPR is sponsoring a workshop on the new Shoreland Act for forestry staff on June 17 at Wrightsville Reservoir. DEC trainers will help foresters understand the new vegetation management guidance, including tree removal and pruning procedures for areas near lakes and ponds in Vermont. FPR not only manages shore areas of state lands, but serves to refer private landowners who are enrolled in various tree and woodland programs.



Privileged and Confidential

MEMORANDUM

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

From: Christopher Recchia, Commissioner

Date: June 6, 2014

Subject: Weekly Report

Governor Level Issues:

Status of Priorities and Cases of Interest:

- **GMP Rate Case:** We reached agreement with AARP. However the AARP agreement is in the form of an MOU with them and GMP where it looks as if they obtained additional concessions, all of which were agreed to prior by all five parties involved (PSD, GMP, AIV, IBM, AARP).
- **Vermont Gas:** At a meeting on 6/6 with VGS and Gaz Metro, we discussed opportunity for bio-gas to be included in fuel supply. Estimates from Gaz Metro are that a 5 percent bio-gas mixture is possible in near-term, and up to 20 percent in the longer run. Discussions ongoing with VGS about how to incorporate this into docket (voluntary or required, or some combination). Could be an important component of a Phase II MOU if one can be reached.
- **Connecticut Renewable Energy Proceeding:** Last year Connecticut updated its renewable portfolio standard (RPS) and the RPS now precludes Connecticut utilities

from purchasing renewable credits from projects that also meet another state's renewable energy goal. This presented a potential risk for Vermont utilities that sell these credits to Connecticut utilities for the benefit of Vermont ratepayers. On 5/15 NextEra sent a letter to regulators and utilities stating it would no longer use Vermont credits for compliance in Connecticut if the credits were associated with the SPEED program in Vermont. On 6/5 Connecticut's Public Utilities Regulatory Authority opened a proceeding looking at this issue as it relates to Vermont's program, and other possible "double-counting" situations with renewable credits. PSD is meeting with Vermont utilities next week to determine if we can come to a joint position in advocating to Connecticut regulators on this issue. Our primary near-term concern is avoiding a significant ratepayer impact in Vermont from an adverse ruling in Connecticut.

Significant Meetings/Events this and next week:

June 2: Meeting with EnerNOC re FCM.

June 3: PSD meeting with solar developer for South Forty 2.5 MW project in Burlington; Chris meets with AGO; Darren, Anne Margolis, and Ron Behrns meet with GMP on state solar initiative.

June 4: Chris meeting with Mary Powell; Chris attends energy discussion at ACCD with Noelle Mackay; Chris and Autumn Barnett and Aaron Kisicki meet with opponents of Seneca Wind

June 5: PSD/GMP on Deerfield Wind; PSD/BED on BT

June 6: Meeting with VGS and GAZ-Metro to discuss Phase II and opportunities to bring in bio-gas into the VGS system.

Next week

June 9: Cabinet mtg

June 10: GMP rate case hearing

June 11: Bill Signing for S. 202; transmission corridors meeting; PSD/utilities meeting on RECs

June 12: PSD discussion BED solar airport project

June 13: Chris speaks at Public Manager Graduation; Darren, Jim Porter, Geoff Commons, Louise Porter participate in energy/environment Continuing Legal Education event by Vermont Bar.

Media: Chris quoted in VTDigger.org on IBM rate freeze. Darren provided quote for Rutland Herald story on potential for geothermal heating in Vermont.

PERD

SEP Competitive

2014 Applications:

- Worked with VEIC and the State Energy Office in New Hampshire to bring the NH SEO into a proposed building labeling and disclosure project as a sub-recipient. We feel that

a multi-state proposal has greater chance of success (with NH not a recent recipient of SEP \$), and building this proposal multi-state allows us to also submit a proposal with GMP.

- Met with GMP staff, along with Engineering division, to discuss the potential for an SEP Competitive proposal regarding interconnection cost for distributed generation through increased transparency, information sharing, and rule updates. Idea would be to get DOE support for: updating rule 5.500; connecting the electronic ePSB/PUREDOCs 248 application process to the interconnection process, allowing full electronic interconnection requests; and accelerating GMP's "DG map" project, which aspires to provide grid information, including load-flow analysis

PERD Awards

- VSJF Energy Atlas Grant – Received a satisfactory answer to a question on particular grant expense, adjusted the reimbursement amount down for a slight overcharge on their maximum contracting rate, and approved their invoice for \$2,895. Nudged VSJF to send a formal request to change their scope/budget and extend their grant to produce ad hoc functions for PSD to create the CEDF and Sitting Commission style maps with the remaining \$8,839 in grant funds.

Clean Energy Development Fund

- With other staff selected the top proposals received in response to the Community Solar and Small Wind RFP. We selected 10 projects (out of 19 applicants) for awards totaling \$475,000 of grants. There is one proposal that we will follow-up with before making the final decision on the grant awardees and the grant amounts.
- Reviewed the two proposals received in response to the Farm Food Waste RFP. Both proposals received are strong proposals. CEDF has not discussed the proposals with ANR or AAFM (both are also reviewing the proposals) but at this point the CEDF is looking to find a way to fund both proposals.
- **Vermont Clean Energy Industry Report:**
 - Comments received and integrated from DOL; final draft under review by PSD senior leadership; anticipating finalizing the document next week
 - **Revised Target release date for the report: June 12th (per advisement from the department/administration)**
- Upcoming meeting: 6/5 – Meeting by phone with the Windham Regional Planning Commission's Energy Committee re: the CEDF plan for the \$2.6 "Windham funds".

Renewable Energy Items

- Attended biweekly 150-500 kW solar project developer-ANR-PSD meeting. For the next meeting, staff will prepare document/presentation of relevant Sitting Commission recommendations that may be worth revisiting. Scheduled internal follow-up meeting to attempt to draft acceptable fencing (per NEC/NESC) guidelines for developers of these larger net metering projects to enhance permitting predictability. Also agreed to

work on “developer checklist” in conjunction with ANR (most of which would be drawn from our joint training session materials).

- Sent list of potential BGS-owned lands/parameters for state solar siting to Deputy Commissioner ahead of his meeting with Linda McGinnis and her meeting with Commissioner Obuchowski. Also spoke with Gina Campoli of VTrans about their potential lands; turns out they’re already looking at where they can do net metering under the All Earth contract (first potential site is the Dorset garage), but they’re also going to do a mapping exercise internally to look at their other lands (such as ROWs) to figure out potential sites. Meeting with her Monday 6/2 to discuss further.

Net-metering

<u>Net Metering Activity 5/24/14- 5/30/14</u>			
	Registrations*	Applications	CPGs Granted
Count	25	1	20
kWAC	160.77	75	202.339
Ave Size kW	6.4308	75	10.117

Cumulative Capacity of Registrations and Applications Submitted			
Year To Date		Total Since 1999	
2013 kW	2014 kW	1999 – 2014 kW	% of 15% CAP**
3607.83	5029.10	43,361.38	~ 28.9%

*Note: As of April 1st projects up to 15kW are now eligible for the registration process. Prior to this change, systems larger than 10kW were required to file an application.

** Note: That table does not include systems larger than 150kW that go through the full 248 process. Those projects (pending or approved) total approximately 12 MW to date.

Standard Offer

- With Finance and Economics division, drafted and filed comments related to VPPSA’s proposal under the standard offer “provider block” for a 2.2MW project that it will not own, but have an underlying PPA for. Although the ownership structure proposed was never contemplated in the creation of the Provider Block, there appears to be no prohibition on this structure. The size of the plant is substantially larger than the nominal allocated capacity, however the PSB has set in place rules that appear to allow its inclusion as a standard offer project. The project in question was the only bid and was less than \$0.16/kWh. Most other commenters have been negative toward VPPSA’s proposal.

Total Energy Study

- Dunskey Energy provided draft report with results of its modeling of three policy scenarios – carbon tax, Total Energy Efficiency and Renewables Standard (TREES), and TREES-Local. The results have not changed significantly from those reported earlier in this space. Comments on the draft report are due back to the consultant by June 10
- Presented draft results of modeling to the Climate Cabinet, who were very engaged with the presentation. Highlights of interest include discussion on cost, the reliance on biofuels (and the noted desire to kickstart efforts to increase biofuels), and how natural gas is treated and affected in the model. The Department requested comments from Climate Cabinet agencies by June 5 to coordinate and provide to Dunskey by the 10th.
- Corresponded with DEC to clarify interpretation of FACETS model outputs—information does not clearly distinguish whether costs are incurred by producers or consumers, important distinction in REMI. Concluded most appropriate way to model Carbon Tax policy scenario is to let the fossil fuel price increases endogenously determine costs of production. Corresponding with REMI to settle best approach to TREES scenarios. Looking to RPS simulations for precedent.

Engineering

Vermont Yankee Files 60-Day Notification to NRC Regarding Radiation Monitor Spike

VY filed a 60-day notification report to the Nuclear Regulatory Commission (NRC) regarding the 4/5/2014 invalid Primary Containment Isolation System (PCIS) signal due to a momentary spike of the “A” Refuel Floor radiation monitor reaching its high trip setpoint (Report #50164 in the NRC Event Notification Report System). The 4/5/2014 radiation monitor spike and PCIS activation was reported in Engineering’s weekly report dated 4/9/2014.

New State Liaison Officer (SLO) Designee to Nuclear Regulatory Commission (NRC)

Anthony R. (Tony) Leshinskie began working as the Vermont Public Service Nuclear Engineer on Monday, June 2. His working job title will be State Nuclear Engineer & Decommissioning Coordinator. As part of his duties, Tony will become Vermont’s SLO Designee to the NRC Region I office. Tony will divide his time between the Public Service Department offices in Montpelier and the Vermont Yankee site.

U.S. Department of Transportation (DOT) Pipeline and Hazardous Materials Administration (PHMSA)

The Department received official word yesterday that we have been awarded a PHMSA grant for our One-Call (Dig Safe®) program. This grant funds our investigations of damage to utility underground facilities. The grant is for \$45,000.00 for PHMSA’s fiscal year 2014.

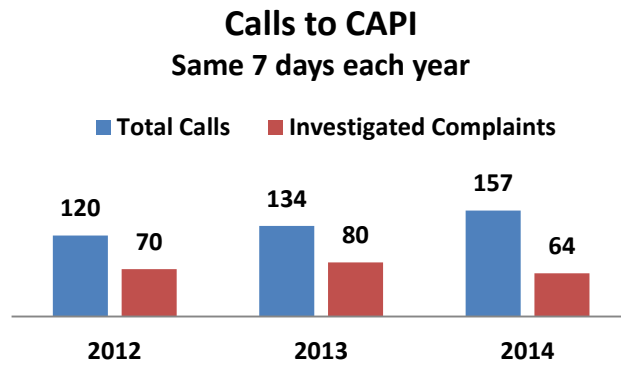
Weekly Summary of Underground Damage Prevention Activities

* Underground Facility Damage Reports (UFDR) received: 1

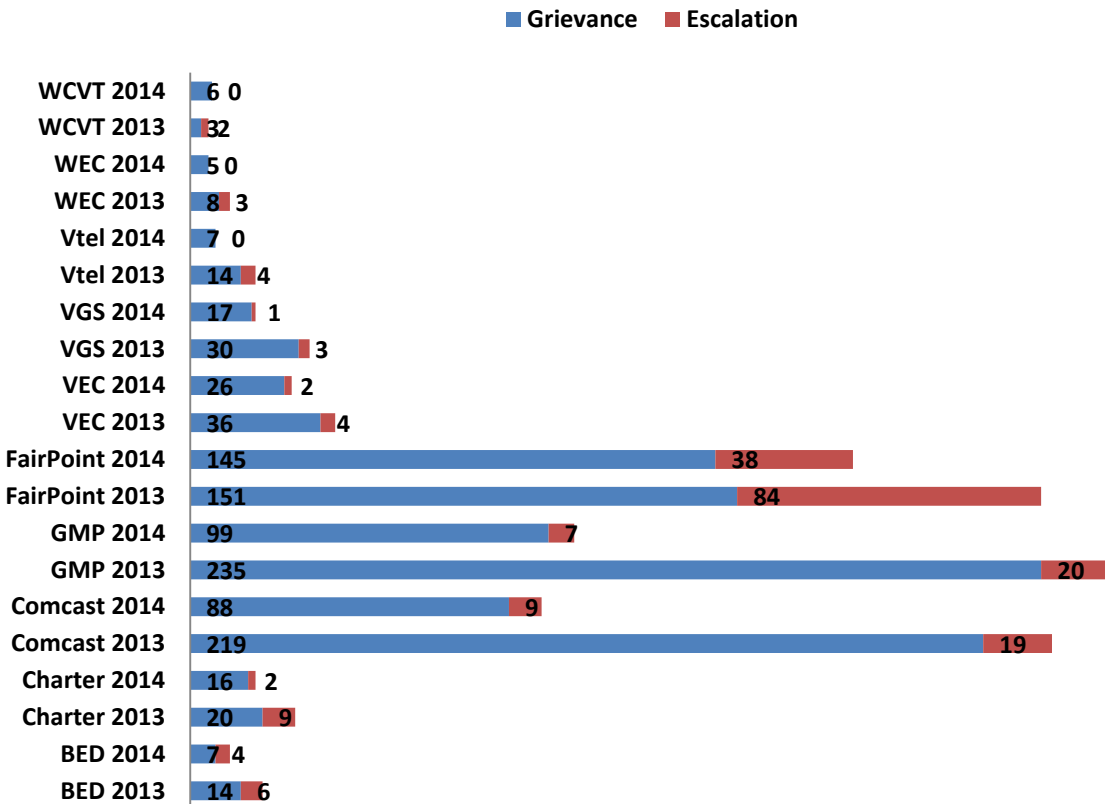
- * Notice of Probable Violations (NOPV) issued: 0
- * NOPV Agreed to by Violator and will pay to PSB: 4 (PSB agreed with PSD on penalties)
- * NOPV Challenged by Violator and requesting a hearing: 0
- * PSB Orders issued: 0

CAPI

CALL DATA



Number of Complaints Investigated, by Company YTD 2013 and 2014



CONSUMER COMPLAINTS

Complaint topics included, but were not limited to:

- (1) Broadband availability
- (1) Battery back-up costs and limitations for 911 access
- (2) FairPoint change to advanced billing on some plans
- (1) EAP fee
- (2) GMP new bill format
- (3) FairPoint early termination fees
- (7) Consumers responding to Comcast's Quality of Service notice with negative comments about Comcast's internet speeds (1), programming (2), signal quality (2), and rates (1); and with positive comments about Comcast's service in general (1)
- Question: is VEC accepting net-metering applications

OTHER DIVISION ACTIVITY

Sovernet & Lifeline: It was brought to our attention that Sovernet is no longer a designated ETC in the State of Vermont, and has not been since 2012, though they have continued to receive ETC funds since then. Sovernet overlooked a required filing due to the Board in 2012. As a result, the company's ETC expired at the end of 2012. However, Sovernet continued to

provide the Lifeline discount to qualified customers and sought USF reimbursement. Sovernet filed with the PSB to withdraw the application on February 26, 2014. On May 23, the Board asked for further information from Sovernet. The company met with CAPI and Telecom to discuss this issue and the process for sorting it out. Sovernet has indicated that, even without receiving the ETC funds, they will continue to offer the Lifeline discount, through June of 2015, to those who are currently enrolled.

Windham wind project: Attended a community meeting in Windham where representatives from Ibedrola and Meadowsend Timberlands presented information about a possible commercial wind development in the area. PSD counsel, Aaron Kisicki, also presented information on the Public Service Board process, the PSD role, and community-member opportunities to be involved. After presentation there was a question/answer period, during which roughly half of the questions were directed to Aaron. Questions implied a range of support and opposition among the participants. Approximately 80 people attended.

Public Advocacy

GMP Rate Case and Alternative Regulation Filing – Docket Nos. 8190 & 8191 – All parties have now settled this case, with AARP and GMP reaching an agreement on June 4 that supplements the previous May 30 MOU reached by the Department, GMP, IBM, and AIV. As of June 4, the supplemental MOU is still not filed, but all substantive issues have been addressed, and only details remain. Overall, the settlement results in a rate decrease of 1.46 percent and a revised alternative regulation plan that will govern GMP's rates for the next 3 years (with a possible 1 year extension). It also includes a rate freeze for IBM and addresses how the recently-announced \$17.8 million in revenue from Vermont Yankee will be returned to ratepayers. (With the inclusion of the VY revenues, the immediate effect is a 2.46% rate decrease, effective October 1, 2014 if approved by the PSB.)

The Department will be filing testimony from Commissioner Recchia and ACCD Secretary Moulton in support of the final agreement in this case. Recchia testimony will address the settlement globally and Moulton testimony will address the portion related to IBM (i.e., 3-year rate freeze and exemption from exogenous storm costs). Technical hearings are slated to begin on June 9, and should take significantly less time than the 5 full days originally scheduled, given the settlement among all parties.

Hardwick Electric & Hill Farmstead Dispute – No Docket – Hardwick and Hill Farmstead Brewery have had an ongoing dispute about upgrades to the system that are needed to accommodate Hill Farmstead Brewery operations. Hardwick asserts that, even after recent upgrades to the system near Hill Farmstead, the brewery needs to pay for approximately \$100,000 of system upgrades to accommodate a brewery expansion. Hill has complained to the Department about this and the Department is currently trying to assess the engineering basis for the assertion, as well as the basis for the full allocation of costs to the brewery. Hardwick, in turn, complains that the brewery did not follow the Act 250 process properly and is unresponsive to Hardwick's communications. The Department is first working with Hardwick to determine whether the upgrades are necessary and the cost allocation reasonable, and then will attempt to resolve the

matter informally with the parties if possible.

Burlington Telecom – Docket 7044 – BT filed supplemental testimony from Terry Dorman and Miro Weinberger outlining why the Citibank settlement with the Pecor bridge financing arrangement is preferable to direct City bridge financing. Department discovery requests are due to BT by June 12, 2014.

Sheffield Wind – Docket 7156 – The Department's sound expert, Jim Barnes of Acentech Inc., had a discussion with First Wind's expert David Hessler regarding Hessler's activities at the site during the quarterly monitoring sessions. Based on his review of Hessler's work and further investigation into Les Blomberg's indoor-to-outdoor attenuation study conducted at the Brouha residence, Barnes believes that conducting his own indoor-to-outdoor attenuation test is appropriate. Barnes and Blomberg have tentatively agreed to conduct the test in late June. The Department intends to file an update to the Board on these issues by June 6, 2014.

ask
Jim
about
this

VTel 248a Application – Hyde Park – No Docket – The Department's aesthetic expert has redrafted an aesthetics report in response to a filing by VTel contending that factual errors were present in an initial report filed with the Board, undermining the expert's recommendation that mitigation efforts should be made at the site. The latest report concludes that the project does not create an undue adverse aesthetic impact on the area.

Seneca Mountain Wind – Docket 7867 – The Commissioner and Department staff met with members of the various intervenor groups opposed to wind development in the Seneca Mountain area to discuss the group's concerns related to a perceived ongoing threat of development, despite SMW apparently pulling the project from the ISO queue. The discussion was productive but yielded no commitments from the Department.

Lowell Mountain Wind – Docket 7628 – The Department filed comments in response to a round of questions issued by the Board related to the feasibility of continuous sound monitoring near the site. The Department made clear that its sound expert, Jim Barnes of Acentech Inc., could be relied upon to fashion and execute an effective and accurate continuous sound monitoring protocol, and that experts recommended by opponents of the project had specifically declined to engage with the Department during the RFQ process in late 2013. GMP also filed a response, as did Annette Smith of VCE, whose comments were lengthy and vitriolic.

Middle Road Ventures Middlebury Solar – Docket 8060 – The Board granted the petitioner's renewed motion to amend its CPG, allowing the project's system-rated capacity to be 500 kW as measured by the aggregate AC nameplate capacity of the Project's inverters. The Board found the amendment consistent with the recently enacted Public Act 99 definition of "capacity" for net metering systems.

Rutland Renewable Energy, LLC – City Solar Garden Project – Docket 8182 – GMP has informed the PSD that GMP will provide its draft of the Board requested testimony to the PSD and the petitioner by Friday. The prefiled testimony is due by June 18th.

NextSun Solar – Park Street – Docket 8194 – The hearing officer issued a second set of information requests on the petitioner regarding noise, municipal plans, prime ag soil and inconsistencies in the filing. Responses are due to the PSB by June 13th. Petitioner responses to PSD discovery are due by June 6th.

NextSun Solar – Main Street – Docket 8195 – The hearing officer issued a second set of information requests on the petitioner regarding noise, municipal plans and inconsistencies in the filing. Responses are due to the PSB by June 13th. Petitioner responses to PSD discovery are due by June 6th.

Addison Expansion—Docket 7970—The Department will participate in an informal site visit this week to the Old Stage Road area in Monkton, which is the subject of pending post-CPG siting issues.

Addison Expansion Phase 2—Docket 8180 - Responses to the second round of discovery on VGS are due June 6. Non-petitioners' direct testimony is due June 13 and draft PSD testimony is being reviewed. The Commissioner and staff will meet this week with representatives of Gaz Metro and Vermont Gas to discuss future bio- methane projects.

Vermont Gas System Expansion Fund - Docket 7712 - Department staff met this week with representatives of Vermont Gas to discuss the company's plans with respect to withdrawals from the Fund and the process to be utilized. It is planned that this will be a separate, complementary process outside of the annual rate adjustment pursuant to the alternative regulation plan.

Nulty CNG Project—no docket—Counsel for Nulty remains in contact with the PSD, hoping to respond to questions informally and avoid protracted litigation.

Comcast Billing and Disconnect Policies – Docket 8224 – The Department is in discussions with Comcast regarding its responses to the PSB's and PSD's questions. The Department must file a recommendation to the Board on June 6th and needs additional information before it can determine its position. However, based on the information reviewed so far, it is likely that the Department will report that Comcast's soft disconnection policy is both consistent with the Board's cable disconnection rules and benefits consumers relative to the alternative of full disconnection.

Charter Cable CPG Renewal – Docket 7820 - The Department filed discovery on May 20th. Responses were received on June 3rd. The Department's testimony is due on June 18th. The Department is considering proposed CPG conditions that it will discuss with the company prior to filing testimony.

Sovernet Eligible Telecommunications Carrier Designation – Docket 7619 – Sovernet withdrew its request for renewal of its ETC designation on May 5th. On May 23rd, the Board issued a

memorandum seeking information regarding the status of Sovernet's Lifeline customers. The Department has learned that Sovernet has received high-cost support payments for 2013 and 2014, after expiration of the company's ETC designation. The Department intends to bring this to the Board's attention, and comment on the company's response to the May 23rd memo, after its response is filed. The Department met with the company on May 31st to discuss these issues.

Willoughby – No Docket – The PSD continues to handhold this owner in an effort to have some semblance of order in how this utility is conducting business. Unfortunately, he has run this water system since 1986 and has no idea what a disconnection notice is or how to provide documentation to support his expenses. PSD believes that the owner will seek PSB approval of a temporary rate very soon – mostly because the PSD keeps informing him that he cannot legally charge anything until the PSB approves a rate. The PSD has a status report due June 26th regarding this owner's petition to abandon the system.

Champlain Valley Solar – Docket 8248 – The PSD is reviewing this docket and is in the process of retaining Jean Vissering as the aesthetics expert. The prehearing is on June 5th.

GMP Upgrade to Woodstock Substation Project – Docket 8030 – The petitioner advised the PSB that it has fulfilled all requisite CPG conditions and intends to commence construction of the project.

GASNA 14P Williamstown Solar Project – Docket 7632 – PSD filed a recommendation that GASNA 14P LLC, the owner and operator of this 2.0 MW standard offer project, be sanctioned with a \$5000 penalty for constructing the project in a manner that deviated materially from the approved design with respect to the secondary containment system for oil from the inverters. GASNA had sought a non-substantial change determination from the PSB, and it was unclear whether it made that filing before or after the construction occurred, but did not wait for a PSB ruling before completing construction.

Appointment of a Natural Gas Energy Efficiency Utility - Docket 7676 – Parties met informally to discuss progress towards a 6/30/14 filing deadline for draft versions of the Process & Administration and Order of Appointment documents. There is significant disagreement on whether VGS should be required to use the existing Fiscal Agent process for funds management that is currently used by electric EEUs. VGS believes this is not a legal requirement and will cost additional resources that would be better devoted to energy efficiency services. BED and VEIC strongly disagree and want the Fiscal Agent process to include the natural gas EEU. PSD initially agreed with VGS but will reexamine our position before the 6/30/14 filing deadline which will include legal briefings on this issue, as well as a proposed schedule for the remaining matters in the docket.

Soveren Solar 500kW Net Metering Project (Westminster) - Docket 8211 – on 6/4/14 Soveren filed amended testimony requesting to include additional panels to the proposed project in order to bring the project up to the 500kW DC limit.

Westminster Farm Methane Project – Request to install second generator - Docket 7483 – PSD filed comments indicating we had no significant substantive issues under 30 V.S.A. § 248, but requested that the petitioner address whether the second generator would have any noise impacts. The petition was silent on this issue.

Standard Offer - Docket 7873- The Department filed comments in support of a VPPSA proposal for the so called Provider Block portion of the standard offer capacity for 2014. While the provider block amount was set at 500kw, the Board's prior Orders note that where the last project needed to award the amount available in a given RFP cycle exceeds the remaining available amount of capacity for that year, that the Board will award a contract to that bidder and reduce the amount available in future years. The VPPSA proposal was for 2.2 MW. PSD also commented that while the Board and all parties had contemplated utility ownership of projects proposed for award under the provider block, that this was not a requirement of the law or any PSB orders. The VPPSA proposal is for a third party owner, though they would have the right to buy the project at the conclusion of the standard offer contract term of 20 years.

Telecommunications

St. Albans City Council Meeting – PSD telecom and PA staff are meeting with the St. Albans City Council at the request of Representative Lynn Dickinson, on June 9, 2014, to discuss the 248a and 248 process generally.

Charter Build-Out – In response to questions about its proposal to renew its license, Charter stated that since 2004 it has spent about \$275,000 and built about 35 miles of plant to pass about 375 new locations. The company generated \$14M in revenue and \$875,000 in net revenue in 2013.

FairPoint Numbering– FairPoint has requested that the Board reinstate phone number prefixes for Readsboro, Maidstone, Lunenburg, and Concord that were inadvertently released by Verizon in 2003. PSD staff has requested additional information from FairPoint.

248a – Staff held a teleconference with counsel for VTel and AT&T to discuss issues that have arisen in recent 248a petitions. Staff discussed issues related to the calculation of aggregate surface area for the faces of the equipment. It is the contention of applicants' attorneys that the law should be construed broadly to exclude calculation of bits of equipment that are partially exposed to view. However, the Board in recent weeks has interpreted the statute very narrowly; the Board has rejected several recent petitions for inconsistencies as well as for failing to meet the substantive criteria of 30 V.S.A. § 248a (b) (2). The Department and the companies agree that these issues would be best resolved by re-opening the procedures order. VTel and AT&T plan to file a petition this week.

Telecom Plan Survey – The survey will begin this coming Monday. Staff reviewed the survey instrument for the business survey and made necessary changes. The survey will include new

questions aimed at measuring cell phone data plan adoption, video and satellite use, as well as questions that will help the broadband mapping team verify address data provided by service providers. The survey will also ask a number of questions aimed at gauging the public's opinion on high cost support for rural telephone service.

Telecom Plan – Staff researched and wrote parts of the telecom plan dealing with future requirements. Staff hopes to have this section completed by mid-June. DII has agreed to finalize the state telecom assessment by June 11. The Survey is slated to be complete in around the end of July.

248a – There's been a bit of tumult over facial surface area calculations for *de minimus* cell tower modification applications. The Public Service Board is insisting on accurate calculations that include the face of all equipment/antennas/ancillary improvements that can be seen head on, and on consistency between the description of the project, the calculations, and the drawings. Applicants, on the other hand, are fomenting confusion by not including the facial area of equipment/ancillary improvements that are mounted behind antennas. In many cases all or part of such equipment/improvements are not obscured from a head-on view and should be included in the calculations. Telecom staff have spoken with some frequent applicants to encourage them to include all facial surface area in their calculations and descriptions. Applicants are pushing back and plan to petition to change and clarify the issue by amending the procedures order.

A summary of Department comments on 248a applications filed in the past week:

5/30/2014	AT&T/Burke Mtn, <i>de minimus</i> modifications	lattice tower; due to protruding surge arrestors and RRUs not included in surface area calculations recommended DISapproval or inaction until applicant resolves issues
5/30/2014	AT&T/Putney, <i>de minimus</i> modifications	Lattice tower; due to protruding RRUs and/or wrong drawings recommended DISapproval or inaction until applicant resolves issues
5/30/2014	AT&T/E. Ryegate on Baley Hazen Rd, <i>de minimus</i> modifications	monopine; recommended approval
6/3/2014	AT&T/Brighton Paradise Mtn Rd, <i>de minimus</i> modifications	monopole; recommended approval
6/3/2014	AT&T/Morrisville Lanphear Rd, <i>de minimus</i> modifications	two silos; recommended approval
6/3/2014	AT&T/Williston Lincoln Rd, project of limited size & scope	existing lattice collocate; recommended approval

Finance and Economics

Electric

BED-presented a draft proposal for a solar installation at the Burlington Airport. Staff has reviewed the business case and the project financials and found questionable assumptions and analytic errors that, when corrected, would increase the kWh cost of the solar project to levels above currently available market-based solar supplies. When looking at the 25 and 30 year levelized cost options (BED costs vs long term market price forecasts) the project has potential to provide rate payer benefit, however the BED project costs are above the current market prices which reduces the achievable for rate payers. We have recommended the Department should not oppose the project and should encourage BED to consider reducing the cost of the proposed project or consider buying from a merchant solar generator outside of Burlington.

BED Request for Accounting Order - Burlington Electric Department requests the Board to issue an Accounting Order allowing BED to book and defer \$4,341,051 in income it will receive from New England Power Company (NEPCO) on or before July 10, 2014 pursuant to a Termination and Release Agreement between the parties signed June 30, 2003. BED proposes to amortize this income over a period of 120 months, commencing in July 2014 and continuing through Fiscal Year 2024. The request is under staff review and a Department recommendation is due June 15, 2014.

GMP – PSB Tariff Filing #8501: GMP Modified Alternative Regulation Plan Power Adjustor Filing: Second Fiscal Quarter, 2014. GMP has filed the Second Fiscal Quarter 2014 Power Adjustor, filed pursuant to GMP's Alternative Regulation Plan, as approved by the PSB in Docket 7864. The proposed power adjustor calls for no rate adjustment. Staff is awaiting receipt of additional information requested on 5/22/14. PSD Recommendation is due June 13, 2014.

SPEED-Merchant Generation--NextSun Energy – PSB Dockets 8194 & 8195: Petition of NextSun Energy Rutland, LLC, pursuant to 30 V.S.A. §248, for a Certificate of Public Good authorizing the installation and operation of a 1.5 MW and 1.83 MW a solar electric generation known as the “Main Street Solar Project and the Park Street Solar Project. Staff is reviewing NextSun’s economic analysis that shows benefit to ratepayers over 25 years of \$1,003,453 of savings or \$0.026/MWh for 37,958,926 MWh and over a 35 year period the ratepayers save \$1,843,212 or \$0.043/MWh for 42,385,506 MWh. Our review found several probable errors, but notwithstanding the errors, the levelized costs of these projects are near \$200/MWh, the GMP avoided energy system value is \$187/MWh, and the cost of merchant solar generation is now less than \$150/MWh. NextSun has not changed its prices and both of these projects remain uneconomic to Vermont ratepayers.

WEC – PSB Tariff Filing 8505: Washington Electric filed a new net metering tariff pursuant to 30 VSA§ 219a (o) and Act 99 on May 23, 2014; Staff is reviewing the tariff. PSD Recommendation is due 6/20/14.

Gas

VGS - Docket 8180- Petition for a certificate of public good authorizing the construction of the

“Addison Natural Gas Project – Phase II”-the International Paper Company. The Department received the VGS response to the 2nd round of discovery that we are currently reviewing. Under the new scheduling order the Department is due to file testimony on June 13, 2104.

VGS - Tariff 8506 VGS Purchase Gas Adjustor per Successor Alternative Regulation Plan. VGS filed its quarterly Purchase Gas Adjustment (PGA) on May 28, 2014 effective with bills rendered on and after August 7, 2014. The PGA reflects a 4.08 percent increase in overall firm rates based on a 8.98 percent increase in the Natural Gas charge. The rate increase reflects an under collection of revenues of \$542K. A Department recommendation is due July 22, 2104.

Energy Efficiency Utilities

The Fiscal Agent has been asked but has not responded to questions about the late payment of the Gross Receipts Tax that has generated a penalty liability for the PSB of \$10,868.77. We are continuing to seek a response to our inquiry. We plan to send a late payment invoice to the Board next week.

VEIC - Staff has met with and held numerous discussions with VEIC, VEC and Stowe to discuss costs incurred by Vermont utilities related to the AMI interval data transfer to VEIC. Staff expressed the established policy that cost causers pay. Any data modification or manipulation beyond the native utility format is a cost that should be paid by VEIC along with any other incremental costs incurred by the utilities to provide the data with payment terms determined by the utility. VEIC is seeking to confuse the cost causer pays principle.

GRT

Gross Revenue Taxes continue to come in. This week’s receipts are all subject to the 25% penalty and the utilities have been advised of the penalty by email. The most recent totals are:

This week:	\$ 1,755
Fiscal YTD	\$8,468,621
Budget Projection:	<u>\$8,362,740</u>
Variance for FY 14	\$ 105,881

Last year: ...\$8,144,516.

Regional Policy

Forward Capacity Market Performance Incentive

- On May 30, FERC issued an Order approving in large part ISO-NE’s proposed Performance Incentive program for the Forward Capacity Market and also portions of NEPOOL’s proposed alternative, which involved changes to pricing in the reserve market. FERC required ISO-NE to make a compliance filing by July 14 that implements the changes in the May 30 Order.

- Under ISO-NE's Performance Incentive proposal resources with a Capacity Supply Obligation would be paid a base capacity payment and also a performance payment or penalty depending on whether the resource is operating during scarcity conditions. The Performance Payment Rate will be phased in over time: \$2,000/MWh from 2018-2021, \$3,500/MWh for 2021-2024; and \$5455/MWh after 2024. FERC concluded that ISO-NE's proposal, while a significant change to the FCM, is just and reasonable. ISO-NE had proposed that all resources would be subject to the penalty/payment rate; FERC required that ISO-NE modify the tariff provisions to apply the performance payments/penalties to energy efficiency resources only during those hours for which the resource has a Capacity Supply Obligation.
- NEPOOL has submitted a competing proposal to FERC that involved an increase in the Reserve Constraint Penalty Factor, which has the effect of increasing the amount of operating reserves on the system.
- FERC's acceptance of the Performance Incentive proposal means that the performance payments/penalties will be in place for resources participating in the next Forward Capacity Auction; these resources will have Capacity Supply Obligations beginning in 2017. The change will therefore not have an immediate impact on resources or the amount that ratepayers are paying for capacity until 2017. The increases to the Reserve Constraint Penalty Factor will take place after FERC's review of the July 14 compliance filing; this change will increase costs for FERC accepted this proposal, in addition to the Performance Incentive proposal, and the

Demand Response in Wholesale Electricity Markets

- On May 23, 2014, the D.C. Court of Appeals ruled that FERC does not have jurisdiction to require that demand response be paid wholesale market prices in the real-time and day-ahead energy markets. The Court stated that demand response is a retail product, and therefore states have exclusive jurisdiction.
- In response to the May 23 ruling, ISO-NE issued a memo stating that its market rules are still in effect and has no intention of changing the rules at this point.
- A company doing business in PJM filed a petition at FERC requesting that FERC require PJM to remove demand response from its wholesale markets. It's likely that NESCOE will be filing comments in that docket stating that this legal issue should be addressed on a national basis and not in each region individually.



State of Vermont
Department of Public Safety
103 South Main Street
Waterbury, Vermont 05671-2101
www.dps.state.vt.us

To: The Honorable Peter Shumlin
From: Keith Flynn, Commissioner of Public Safety
Date: June 6, 2014
Subject: Weekly Report

DEMHS

Issues/Updates:

Initiated the Catastrophic Exercise Cat2 which has absorbing all staff all week.

There was an exercise within the Cat2 exercise to establish functional COOP capability at the alternate EOC at Camp Johnson. DEMHS and SSF's relocated on the morning on 6/4 and set up and connectivity was established in 1-hour. There were telephone issues and CJS Radio Shop and OTM were present and very helpful. The COOP was accomplishes and devolution to SEOC in Waterbury occurred late morning.

The remained of Cat2 continues to unfold at this time and the scenario and resulting confliction(s) is unknown.

Planning Chief received notification from VY of their notification to the NRC regarding a radiation monitor spike that occurred on 4/5/14. The spike was confirmed to be erroneous and an incorrect reading.

Summary of recent Hazard Mitigation program activities: DEMHS submitted more than \$2 million in HMGP applications to FEMA by May 31; DEMHS was awarded an Advance Assistance grant for HMGP projects related to DR 4022; SHMO currently resolving floodwall issue with town of Londonderry with input from ANR, VTrans; received phased approval from FEMA for large floodplain restoration projects in Waterbury and Middlebury.

Vermont State Police

A Troop

Troopers arrested (6) subjects with 5 charges for 4 subjects and multiple burglary and unlawful mischief charges for the sixth arrested subject.

Troopers handled 109 complaints in Williston area. Troopers arrested a subject who had committed multiple burglaries (theft of drugs) from residential homes in the Westford, Jericho, and Underhill communities. This subject also admitted to breaking into two schools in the area and stealing drugs contained in the nurse's office. Subject also admitted to breaking into the Cambridge Family Health Center and stealing two script pads. Many of the containers holding these pills and the missing script pads were recovered at the subject's homes.

On 6/1/14 at approximately 1525 hours, Troops were called to a fatal crash in the town of Fletcher. Upon investigation, it was determined that the operator, a 58-year-old male, lost control of his vehicle, fishtailed and ultimately struck a large tree. The crash remains under investigation.

Arrest in Tractor Supply hazmat case, employee confessed to doing it, he was seeking promotion and wanted to show the boss he could handle a critical incident. Subject cited for Reckless Endangerment later in July.

whoa .

B Troop

St. Johnsbury Troopers investigated 4 burglaries to residence over this past week and 6 theft complaints. The majority of the burglaries appear to be committed by Eric Jackson, who was the individual that was pursued this week while operating a stolen vehicle, by St. J Troops to include Sgt. Girouard and Tpr. Loomis. At the conclusion of the pursuit Jackson rammed both Girouard's cruiser and Loomis' cruiser putting both in fear for their safety. Both Girouard and Loomis engaged Jackson and shot him several times. The majority of the burglaries appear to be linked to Jackson and investigation continues.

Troops responded to a report of a 22 month old not responsive in St. Johnsbury. The child was found deceased and troops secured the scene while BCI Detectives responded and began their investigation. Autopsy did not reveal signs of trauma, possible cause may be viral. Still pending.

Officer involved shooting being handled by D troop detectives, with assistance provided by Det. Sergeant Cornell.

C Troop

Troops responded to a man with an assault rifle in his vehicle attempting to leave to buy drugs. The subject was transported to the medical center to be evaluated.

Located dead body in Proctor. Maryanne Foster, missing person. Contacted family, met with RCSD.

Grant Heroin Overdose Death Follow Up: Met with judge for wire warrant authorization, met with CI in Rutland for scripting of call(s). Wire warrant executed on Saturday. Continued investigation on Wisell homicide.

New Case: Buprenorphine found in inmate cell at correctional center.

New Case: Inmate on return from Field Supervision found in possession of marijuana. Arrested Andrew Bissonette for transporting drugs into correctional center.

D Troop

Received report of a very intoxicated subject at the Mobil; upon arrival, subject was very disorderly and carrying 3 knives attached to his chest; subject was arrested and charged with Attempted Aggravated Assault on a P.O.; Attempted Simple Assault on a P.O.; Resisting Arrest; Disorderly Conduct; and Carrying a Deadly Weapon. *Was high on Bath Salts and Cough syrup.*

Family disturbance - reported male subject highly intoxicated with a knife cutting himself. Troopers responded and had to use minimal UOF on subject. He was transported to BMH and screened by HCRS.

Fire Safety

The Division received \$13 Million in new plan review construction valuation collecting \$68,000.00 in permit fee revenue. We certainly need a strong revenue month in June.

The Division of Fire Safety has been actively involved in the Cat-2 exercise this week. We have inspection teams on the ground and the Haz-Mat team has been active as well. Our central office has been housing close to 30 outside participants in our large training room.

A gentleman in Fairhaven contacted the Governor complaining about us. He failed to file a permit for some work and he occupied the auction house without authorization thus he was fined. I spoke with him in length and told him he needed to appeal the fines or they would become final orders. It's been a week and still no appeal. Just a heads up in case you hear more on this.



State of Vermont
Agency of Administration
Office of the Secretary
Pavilion Office Building
109 State Street
Montpelier, VT 05609-0201
www.adm.state.vt.us

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

Jeb Spaulding, Secretary

**PRIVILEGED AND CONFIDENTIAL
MEMORANDUM TO THE GOVERNOR**

TO: Governor Peter Shumlin

FROM: Secretary Jeb Spaulding

DATE: June 6, 2014

SUBJECT: Confidential Report to the Governor

BUILDINGS AND GENERAL RESOURCES

Of Interest to 5th Floor from BGS Directors:

Berlin – VT Psychiatric Care Hospital: New Construction: DMH started training on Monday, June 2nd. Completing punch list work and providing support for testing and inspections.

Legislative Issues/Contacts:

- Met with Rep. Poirier and Senator Cummings, along with Joe Aja, Julie O'Tool, Bob Rea and Teigh Southworth regarding the Barre Courthouse and the high temperature (over 80 degrees F) working conditions. The elected officials asked for some relief from the heat. BGS to evaluate options.
- Phone conversation scheduled with Rep. Emmons and Senator to Flory to discuss H. 864 and BGS work plan. This is a regular monthly call with the Chairs in off session. Will expose them to project managers of AG/ANR Lab.

Significant Events/Meetings:

Bob Rusten, Chief Administrative Officer of Burlington regarding CCTA: Meeting scheduled for next week – we have to work closely with the City in order to mitigate the effects of CCTA's station.

Sammis/Lamberton: Working on amendment to Sammis agreement to amend the 5,000 sq. ft. facility to 8,000 sq. ft. while extending deadlines. Conversations held with Lamberton.

Mylan: Signed copy of 2 Houghton Street Purchase & Sale submitted to Mylan yesterday. \$5.5 million re-paid to State Treasury on or before 6/26/2014.

FINANCE AND MANAGEMENT

Issues Update:

Deeghan Restitution: The Retirement Office has begun redirecting James Deeghan's retirement benefits to the State of Vermont as part of his restitution. The current monthly amount being received is \$3,000.62 and will remain as such until there is a COLA, payroll tax or medical deduction change. Deeghan's total restitution paid to date is \$20,526.61 with an outstanding balance of \$182,220.84.

Vermont Center for Geographic Information: Continuing to work with ACCD to determine the best way to transition VCGI into state government. There is growing concern as to the intended timeline for making this transition occur. There are many financial and payroll issues that need to be addressed. We believe that this will need to be addressed in the letter of intent document for H.885.

Reduced Mileage Rate for July 1, 2014: A memo has been drafted for Secretary of Administration Spaulding so he can introduce the reduced mileage rate of reimbursement for use of a personal vehicle when a state owned or leased vehicle is generally available. The memo outlines the reason for the change and the expectations of employees and supervisors in implementing this new reimbursement rate. New Expense Types have been added to VISION and they are currently being tested.

Food Fight Fund: Through the morning of June 5, 2014, the food fight fund has received \$15,298.58 in donations from 388 individuals/organizations. Two reporters (Dobbs from VPR and Parker from Watchdog) requested and were sent the list of donors with their zip codes.

Budget Bill: The bill review of H.885 has been completed and was sent to the Governor's office.

HEALTH CARE REFORM

Issue Updates:

GMC Financing:

AOA published an RFP for economic modeling services related to the Green Mountain Care Coverage and Financing plan on May 27th. Proposals are due June 20th.

Michael Costa and Commissioner Mary Peterson have reached a crossroads in how to design income tax reform that could be presented alongside the Green Mountain Care financing plan. Both approaches involve switching from Vermont's current Taxable Income tax base to the more commonly used Adjusted Gross Income tax base. The benefit is the ability to lower rates and create more state control over tax policy decisions. One approach is to use a lower and flatter rate and bracket structure. The other approach is more innovative, deploying a flat tax but maintaining the system's progressivity through a system of targeted credits. Turning both approaches into a viable policy proposal is impractical given the significant difference between the approaches and the volume of tax/finance work that must be done prior to the next legislative session. Michael Costa and Mary Peterson would like the Governor to select

FYI
fundamental Q is
whether UR OK

V w) tax ref. as a part of HC Fin.

an approach prior to the end of June. Michael will draft a background memo and we will work the topic into the HCR meetings scheduled with the Governor.

Similarly, Michael Costa and the Tax Department have made significant strides designing a consumption tax designed to supplant the Sales Tax, Purchase and Use Tax, Meals and Rooms Tax, and possibly replace the Corporate Income Tax to be proposed as a possible complementary revenue source for Green Mountain Care. Michael and Mary reviewed the work this week and determined that they should be able to bring a detailed model to the Governor prior to the end of July to determine whether the Administration should continue with this work.

It is worth noting that the Tax Department is making an important contribution to Michael Costa's work. Likewise, Michael Costa continues to assist Commissioner Peterson and her staff on possible changes to the education property tax and estate tax.

(FH) In Michael's opinion, the most important issue emerging within health care reform financing is to maintain or replace the value of the benefit businesses and individuals receive by having employer sponsored insurance excluded from payroll/personal income. That conversation is coming to the fore. Health care reform staff have discussed this issue with the federal tri-agency team, which includes federal staff from the US Department of Labor, HHS, and US Treasury. That tri-agency team elevated the conversation to the White House and we are in the process of setting up a meeting to discuss the issues when Robin is in DC in person with the Governor for the Progressive caucus.

Paul Harrington requested to meet with Michael regarding the Administration's commitment to designing a provider payment mechanism for Green Mountain Care in the finance and coverage report. This is a positive development. Paul had said repeatedly that he thought that designing a provider payment mechanism is a mistake because the Green Mountain Care Board has the authority to set provider payment mechanisms and rates. Other parties, like Todd Moore from OneCare, have been anxious to have the provider payment discussion with the Administration. Michael's speculation is that Paul doesn't want to be left out as this conversation happens.

The State of Vermont Partners for Health Care Reform provider reimbursement workgroup made significant progress last week. The group agreed on the parameters for modeling the provider reimbursement baseline for the finance and coverage report. More importantly, the Partners group provided two hours of thoughts on how to design Green Mountain Care in a way that would be easier to administer than the current system and help keep costs down. The goal is to incorporate this conversation into our plan design.

SIM Update: The SIM Team hosted both the Payment Models and HIE/HIT Work Groups this week. The Payment Models Work Group discussed Episodes of Care program development and the HIE/HIT Work Group received updates on past recommendations and their upcoming tasks. Next week, the Care Models/Care Management and Population Health Work Groups will meet. On June 18th, CMMI will conduct a site visit in Vermont receiving an update on Vermont's SIM project and Vermont's plan for the second year. The SIM leadership team is also actively planning for this site visit to ensure that we provide the necessary update to CMMI.

HUMAN RESOURCES

Press Contacts:

DHR is working on a request from VT Digger for information concerning the status of DCF employees over the last five years for an article that will apparently focus on caseloads and turnover.

Significant Events/Meetings:

DHR held a kickoff meeting with Express Scripts and representatives from the VSEA, the Retirees Committee and the Treasurer's Office on the implementation of the Employer Group Waiver Program (EGWP). The implementation of EGWP will require a significant commitment of resources from DHR.

Evolving Issues:

DHR worked with the Secretary's Office to provide guidance to appointing authorities on salary increases for exempt employees. Commissioner Duffy will follow up with specific guidance next week, with the expectation that response will be required by June 19th. The responses will then be reviewed with Secretary Spaulding for approval.

INFORMATION AND INNOVATION

Status of Governor's Priorities:

Healthcare Security:

- CGI continues to work on aligning resources toward security work in light of the suggested CMS letter.
- As of this update, June CMS POAM reporting is anticipated to show a reduction in High items from 47 to 44.
- CGI will be providing an update to SOV security on this number by end of week. The majority (42) of these items are tied to one larger auditing platform deliverable.

Significant Events/Meetings:

DII and DFM have reached agreement on the way forward to upgrade the VISION financials application. The first step will be a requirements gathering RFP for the upgrade to version 9.2 for DFM, requirements for AOT and Labor for the STARS and FARS systems, and requirements for BGS around eprocurement. Following phases will include execution of the VISION upgrade, and solution recommendations and implementation for other systems.

Evolving Issues:

Web - Whistleblower training from DHR: The Web Services SharePoint site is now live and files have been uploaded. The Human Resources presentation and the PowerPoint are now live on the site and linked from the respective Websites.

LIBRARIES

Significant Meetings/Events:

Digital Skills Roundtable: The Digital and Internet Skills Roundtable met this week to review my draft letter and survey which will be sent out in the next month to selected organizations, non-profits and state agencies to assess the current state of computer training for Vermont citizens. Our Department has taken the lead on this effort and we are working with Caro Thompson (VTA) to inventory existing training programs, identify where there are gaps, and create an online clearinghouse for citizens. Participants are from AOE, ACCD, adult education, community action, CCV, and other non-profits.

TAXES

Legislative Update:

Ed Finance: The Department's fiscal and policy analysts are modeling moving income tax to AGI, changing the base for our consumption taxes, and various education finance changes. Ideas being vetted for ed finance include stiffening the penalty for the excess spending threshold, incentivizing consolidation, incentivizing lower spending, and simplifying household income (to line up with health care MAGI).

EO material, FY1 Alys - - - ?

Cloud: By way of history, Michigan has been the streamlined state most aggressive in taxing cloud software, with Vermont one of three streamlined states that followed its lead. The Michigan DOR in recent weeks lost two cloud software cases, with the Court of Appeals rejecting the characterization of a research service as software, and rejecting the interpretation that something had been used within the state when it was accessed in the cloud. Both opinions are unpublished for now, which by Michigan convention means they have limited precedential value. But they are likely to fuel the business community argument that taxation of cloud software is a bridge too far, particularly under streamlined language. In the meantime, the Department will have a more narrowly drafted proposed regulation next week, and ACCD will convene a focus group of tech companies to discuss.

ANR Pilot Moratorium: The Department is looking to Finance and Management for guidance on how to interpret budget language inserted by the Senate that directs PVR to use 102% of 2014 values for 2015 PILOT payments. ANR believes that it would be prudent to layer onto the 2014 valuation a new methodology for allocation of developed land for ski areas, which would be somewhat more expensive, and beneficial for most (not all towns). This allocation is under study by the Auditor.

Operations:

Procedures: Our policy director came to the Department as a litigator with over a dozen years of administrative law experience at the Pentagon and other federal law forums. She is leading our initiative to tighten our procedures in moving a case through the Department. We intend to have a revised standard operating procedure in the fall, to be implemented over the winter. We have a complementary initiative, corollary to the new IT system, to rewrite all of our correspondence. We simply cannot move quick enough on this front, as we are facing numerous practitioner complaints with respect to how our audit division makes assessments and handles appeals of those assessments.

CONFIDENTIAL MEMORANDUM TO GOV. PETER SHUMLIN

From: Susan Spaulding
Date: June 06, 2014
RE: Boards and Commissions Update

Pesticide Advisory Council: After consulting with Chuck Ross I called Evan Darrow and had a nice conversation with his wife Andrea. She is going to ask Evan and Casey, her son, if either of them would agree to serve on the Council.

*(10) Two members appointed by the governor. In choosing these members, the governor shall consider people who have knowledge and qualities that could be useful in pursuing the goals and functions of the council. One of these members shall have practical experience in commercial agricultural production and shall be **appointed in consultation with the secretary.***

Board of Libraries: Had a nice conversation with Ari and she wants to do what Marty and the Board prefer. She understands why they prefer to have Board members physically present at the meeting. I have asked Ari to send an email saying she will continue to serve until her replacement is appointed.

APPOINTED 6/4/2014:

State Board of Education

APPOINTED: Dylan McAllister, Greensboro (Student Member)

CONFIDENTIAL and PRIVILEGED

To: Governor Peter Shumlin
From: Michael J. Hogan, Commissioner of Liquor Control
Date: June 6, 2014
Re: Weekly Report

Status of Governor's Priorities: The administration is doing a study on marijuana. I have offered our services and contacts to Jeb to help in any way. We have many contacts in Washington State and have been following their process. It's an interesting model and one worth watching for future outcomes.

ASK Jeb re plan.

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. Powdered Alcohol Study also included. I met with the Health Department folks and will work on the study this summer and fall.

Press Issues/Releases/Contacts: Nothing now.

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

Evolving Issues: ERP/POS Project underway. New DLC IT Manager started June 1.

- Preliminary review of department processes for potential licensing and enforcement system.
- Performance Audit underway. Report hopefully in June or July.
- Planning an alcohol symposium for early December for policy makers, licensees, and industry partners. I hope some of your staff will be able to attend. Will keep you informed.

Summary of Key Department Activity:

- May sales final totals look good! We are \$2.5 million ahead of last year's sales.

Commissioner's Commentary: Have a great weekend.

Elizabeth H. Miller
802-522-3090, cell
elizabeth.miller@state.vt.us