

WEEKLY REPORTS

Checklist
3/21/2014

Elizabeth Miller/Aly Richards

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

Louis Porter

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

Sue Allen

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

Sarah London/Carolyn Wesley

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

Susan Spaulding

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

To: Governor Peter Shumlin
From: Lucy Leriche, Deputy Secretary - Agency of Commerce and Community Development
Date: March 21, 2014
Re: Weekly Report

LEGISLATIVE ACTIVITY

- **Economic Development Bills H.736/S.220:** The House seems less motivated to pass their bill out knowing that S.220 is moving. Nonetheless, Lucy expects the bill could still be voted out of committee Friday. Botzow would like One Stop shop language to remain as is in H.736 (requiring ACCD to begin work on a one-stop portal to provide clear technical assistance) to differentiate from One Stop shop language in S.220 which specifies that the Secretary of State's office will create a one-stop shop for business registry and other forms related to tax, employment, etc.

The Senate bill is making the rounds in various committees and will be headed to the senate floor soon. While changes are being made along the way, they are mostly good changes or changes we can live with. They are proposing to take all sections that deal with changes to Act 250 out and deal with them in H.823. [Note the housing sections in H.220 are the same as H.823 already].

- **Made in Vermont:** The draft language from Senator Campbell contained an expansion of the Made in Vermont program concept to include products that are designed, engineered or formulated in Vermont as well as those that are manufactured in Vermont. It also took Vermont Origin Rule authority away from the AG. Nancy met with Rebecca Ramos and Brian Dunkiel of Dunkiel Saunders, a law firm that's represented several Vermont companies in Vermont-origin claims disputes with the AG's office and explained ACCD's two concerns: (1) staff capacity – we don't have Made in VT off the ground yet and only have one part-time employee dedicated to that launch; and (2) is it fair to promote/reward companies that may have originally been based in Vermont but have since grown and moved their manufacturing facilities and jobs out of state? Nancy offered the example of Bove's, which started here but no longer has any manufacturing jobs here. On the flip side, Dunkiel offered the example of Seventh Generation, which still employs 200 people here in VT despite the fact that much of their production is happening outside the state. All agreed that the broader concept is a good one, but more work needs to be done to clarify rules and requirements. They agreed to keep the broader concept, but remove the administrative rulemaking requirements from the bill (along with its July 2015 deadline), allow ACCD to report back on how they would structure a broader Vermont Products Program, and push the deadline out one more budget cycle in case additional positions or program funding needs to be requested. Lucy recommended the AG be notified of the bill.
- **R & D Tax Credit:** Ways and Means Chair Janet Ancel seems intent upon capping the credit at 2 million and requiring disclosure. Lucy and Mary Peterson testified about the value of the credit to economic development activities in the state, and to the administration's position that the credit should remain intact and unchanged.
- **H.823:** Passed out of the House and on its way to the Senate. While not officially assigned yet, it looks like Senate Natural Resources will receive the bill. Noelle met with partners to discuss strategy. Met with Sen. Hartwell and Snelling to provide an overview of the bill. Developing a 2-page FAQ to go with the one page section-by-section review.

- **Condemnation:** Disaster-related condemnation authority for municipalities was approved by the Senate this week as part of S.168, the municipal tool box bill. With Shaun's help, Jen will continue to work in support of the language in the House.
- **Renter Rebate:** In coordination with AHS and the Tax Department, Jen and Shaun continue to work on study language re: the renter rebate program. As of this writing, there is placeholder language in the property tax rebate bill. Rep. Keshia Ram, D-Burlington, has drafted language – with input from DHCD and VAHC – that would task the Vermont Housing Council with recommending alternatives if the Ways and Means Committee moves to phase out the program which is administratively complex and difficult to access but provides \$6-8 million annually to low income renters.
- Lisa met with representatives from the NEK region to discuss Kennametal situation. Provided written updates to Representative Dick Lawrence (copied Deputy Secretary Leriche) on efforts made by DED to reach out to Erica Clayton Wright of Kennametal public affairs office and to Dan Lawson, negotiator for USW. Provided both with estimates on VEGI incentives that might be applicable should the company consolidate operations in Vermont as well as Vermont Training Program opportunities. Wright inquired as to whether there might be a “retention” incentive. Negotiations are still underway with USW.
- Lisa met with Senator Sears and Deputy Secretary Lucy Leriche on 3/20 to discuss Bennington and BCIC's financial situation and ACCD's response. ACCD has requested a business plan from BCIC that shows how it will reach sustainable financial solvency. Reiterated that ACCD is eager to help in all possible ways and to put together a team to examine how BCIC can improve its financial situation and better meet the region's needs. Senator Sears has asked ACCD to look into potential of extending rail transport to Bennington, to find ways that Bennington and other regional partners can better collaborate and whether Bennington might be able to work with the Vermont Council on Rural Development, per Lucy Leriche's suggestion.

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LUCY LERICHE, DEPUTY SECRETARY

- **Vermont Wood Pellets:** Lucy, Chris Recchia and Ron Shems met with Chris Woods of Vermont Wood Pellets, and his business associates who are interested in converting the old talc plant in West Windsor into a wood pellets operation. They have an aggressive timeframe to work with, and need the plant to have cleared the permitting process and be in operation by October. Lucy and Chris made it clear that the Governor is supportive of the industry and that we are there to do whatever we can to help.

Chris Brooks said he thinks Vermont needs five plants to meet growing demand and is looking at other locations including the NEK.

- Lucy is working with her team and Sue Allen to pull together a press conference for next week around the improving economic outlook and the two jobs bills currently moving through the legislature.
- At the request of Liz Miller, Lucy has tasked Fred Kenny with pulling together a broad R&D/jobs/incentives proposal.
- Looking into the VTP, Doug Hoffer found an eligibility requirement in statute that ACCD has been misinterpreting in practice. Lucy asked him to meet with her and her team including, Lisa, Beth, and Kessler. The meeting went well and we arrived at an agreed upon methodology. We did learn in the process that he will be looking into how we calculate background growth in VEGI.

DEPARTMENT OF ECONOMIC DEVELOPMENT

Lisa Gosselin, Commissioner

- Lisa attempted to attend Forest Products Summit at White House on 3/17. Flight was cancelled and then conference was rescheduled due to snow. Commissioner Michael Snyder did attend and will circle back with him for updates.
- Lisa met with internal team on CEDS and had discussions with Debra Beavins of EDA around progress on CEDS and concerns with contractors. Followed up in writing with areas where deliverables had not been met. Contractor contract has expired. Have submitted goal structure to Secretary Miller for presentation and approval.

VERMONT ECONOMIC PROGRESS COUNCIL ♦ Fred Kenney, Director

VEGI

- At its monthly meeting, the Council approved:
 - An Initial Application for VEGI Incentives from Keurig Green Mountain, for incentives totaling \$980,339, to put Williston site in contention for locating an Early Production Center for the Keurig/Coca Cola partnership to produce a new cold beverage system. Vermont is under consideration along with Knoxville, Windsor VA, and Burlington, MA for the EPC, which will involve a \$90 million investment and 150 new jobs. The EPC would be operated separate from any existing KCup production and will test out the production systems for the new cold beverage single serve pod and eventually produce the product. However, KGM will also establish larger single serve production in several other locations. The cold beverage Keurig platform will be designed in Burlington, MA and produced in Asia. **NOTE: JOB AND INVESTMENT NUMBERS ARE NOT FOR PUBLIC DISTRIBUTION.**
 - An Initial Application for VEGI Incentives from Blodgett Oven, for incentives totaling \$335,582 to allow local Blodgett staff to present a proposal to corporate parent Middelby to move newly acquired Market Forge operation to Vermont from MA. If Middleby agrees, and the real estate deal can be finalized, the company would be moved to the former Huber/Suhner building in Essex and if a buyer can be found for the current Blodgett building in Burlington, an addition would be built in Essex to combine Blodgett and Market Forge. Project involves 35 new jobs and up to \$8 million in capital investment if the expansion is built. **NOTE: JOB AND INVESTMENT NUMBERS ARE NOT FOR PUBLIC DISTRIBUTION.**
- Interview with Steve Zind, VPR. He is doing a story on KGM, but interview was about VEGI generally. Suspect story will also include Doug Hoffer, who will be critical of decision to offer incentives to GMCR for fourth project because they are a fast growing company “not deserving of State assistance.” He will also be critical of VEGI program methodology for calculating background growth.
- Worked with following companies on potential VEGI applications:
 - New Chapter, Brattleboro: Not eligible as new job creation does not overcome background growth
 - 1366 Technologies
 - Resolute Forest Products
 - Stone Brewing Company

Recruitment

- Continued work on potential recruitment projects:

- Prestige Ameritech, Texas – arranged for principal and Dr. Robin Robinson, BARDA/HHS to meet with Senator Leahy to discuss federal procurement of surgical masks, which are currently being purchased from foreign sources in violation of US law. Resolution of this issue could result in Prestige establishing a mask production facility in Vermont.
- 1366 Technologies, Mass (Silicon wafers for solar technology) - VEGI Pre-Application and recruitment package from Governor's Office.
- Resolute Forest Products, Que: VEGI PreApplication and continued discussions on relocating sales and service staff from North Carolina to VT and potential to move some Quebec operations to VT.
- Stone Brewing: VEGI PreApplication and helped prepare multi-site recruitment package.

OTHER

- Participated in meeting with Director of Federation of Quebec Chambers of Commerce and staff from Quebec government to discuss possible cooperation between VT and the FCCQ (with Brent Raymond). Plan is to draft an MOU regarding specific projects and steps to be taken to expand cooperation between VT and FCCQ and between Quebec and Vermont businesses.

VERMONT TRAINING PROGRAM ♦ Beth Demers, Director

- **Freedom Foods:** Beth Demers met with owner Cathy Bacon to see the company's new facility in Randolph and discuss the existing VTP grant. The newly built 50,000 square foot food production facility is nearly fully operational. The contractor is working through the final punch list and the last of the equipment (industrial coolers and freezers) are being installed. Since the move in January the company has taken on fourteen new co-packing clients. Cathy was also on her way to a trade show in Maine where she hoped to pick up additional clients. Beth and Cathy discussed the existing VTP grant and developing modifications to the scope of work. Now that employees are in the new facility Cathy has identified new areas of training.

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

Commissioner MacKay and Deputy Commissioner Hollar

Commissioner MacKay

- **Native American Artifacts to be Auctioned:** Seven artifacts that were recovered in the early 1970's on a property on Monument Road in Highgate/Swanton are to be sold in an auction. The artifacts were part of a Native American burial site that was discovered when the land owners were building a home. The remains and all the artifacts, except these seven items, were repatriated back to the Missisquoi Abenaki and lie in conserved sacred land that is now owned and permanently conserved by the Division for Historic Preservation. As you can imagine this is a difficult issue and if you receive any questions, please forward them to Dale.

Deputy Commissioner Hollar

- Jen traveled to Washington D.C. this week with Ann Kroll and Josh Hanford for the annual Council of State Community Development Agencies conference as well as meetings with HUD Acting Deputy Assistant Secretary Mark Johnston and staff in Rep. Welch's and Senator Leahy's offices. Highlights:

- HUD has lost 100 of its 800 employees and has not been able to make a new hire in 18 months due to budget constraints. Decreased capacity, pressure to modernize and increasing demands for transparency, accountability and efficient use of funds are combining to move it towards more centralized technical assistance, online reporting systems and increased scrutiny of grantees.
- Made the congressional delegation aware that the OIG is currently “surveying” our CDBG Disaster Recovery program. Will keep them updated.
- Congressman Welch’s office was very interested in work being done in the department from disaster recovery projects to EV charging stations in downtowns. Promised to see that they receive the Strong Communities Quarterly.
- Senator Leahy is circulating Dear Colleague letters for CDBG (\$3.3 billion) and HOME (\$1.2 billion.) Staff predicts FY15 funding levels will not be resolved until the end of the year – post election.
- We received word of the actual amount of regular CDBG program funds for the next program year (Federal FY14) which begins on July 1. \$6.49 million or slightly more than 1% less from the current year. Funding has dropped 25% since FY10.

COMMUNITY PLANNING & REVITALIZATION ♦ Chris Cochran, Director

Downtown Report

- **2013 Downtown Reinvestment Numbers:** With 22 of the [24 designated downtowns](#) reporting (no reports from Middlebury and Burlington), results show a net gain of 87 new businesses and 642 new jobs. Total public investment was over \$12 m and private investment almost tripled since 2012, at \$96 m. Next steps include drafting a press release to share the good news.

GRANTS MANAGEMENT ♦ Ann Karlene Kroll, Director

KPMG State Single Audit

- Ann drafted a Management response and Corrective Action Plan to the Finding that was edited by Dale and Jennifer for Lawrence’s approval before being submitted to Heather Kuney of KPMG.

HISTORIC PRESERVATION ♦ Laura Trieschmann, State Historic Preservation Officer

Environmental Review

- **St. Johnsbury:** Jamie sat in on Counselors John Kessler and Dale Azaria’s recent status conference with the Environmental Court Judge hearing ACCD’s appeal of the ACT 250 District 7 Commission’s decision regarding the amendment to St. Johnsbury Academy’s Cramton Dorm Project. The judge granted our request for an opportunity to brief the issue of whether the Academy should have been allowed to request changes to the permit after it had been issued. The Natural Resources Board supported our request for this. Our motion on this issue will be filed within the next 6 weeks with the judge to rule if the case will proceed next to mediation.

VERMONT COMMUNITY DEVELOPMENT PROGRAM ♦ Josh Hanford, Director

CDBG-Disaster Work

- **Town of West Windsor:** Secretary Miller approved the recommendation made by The Vermont Community Development Board to fund the West Windsor application to construct a municipal sewer system in the Village of Brownsville. This sewer line will replace private septic systems damaged by flooding during Tropical Storm Irene, allowing for increased development in the core village area located at the base of the former Mt. Ascutney Mountain Resort. The minimum grant award of \$750,000 will be categorized under the Urgent Need National Objective. It may be possible to increase the award if costs associated with connecting LMI households is found to be acceptable to the Agency. The town has

scheduled a bond vote (tentatively) for mid-May. If successful the project will eliminate onsite septic systems that are a source of pollution to and are located in the Mill Brook floodplain.

- **Buy-outs:** Working through Duplication of Benefit (DOB) issues on a buy-out in the Town of Wardsboro. The Stratton Foundation, trying to assist a homeowner purchase a new home prior to the completion of the Buy-out process, provided what they feel was a loan to the homeowner and wants to be paid back with the CDBG-DR buy-out matching funds. This may not be possible due to the DOB rules associated with federal Disaster Recovery funds. Josh is discussing with the RPC administrators and consulting the regulations. Unfortunately, it is another example of how common sense local assistance is sometimes in conflict with the federal disaster assistance regulations.

DEPARTMENT OF TOURISM & MARKETING

Megan Smith, Commissioner

- **Snow:** The storm was great news for the ski areas; the far southern resorts did not see much, but as far down as Killington and Pico received over a foot of snow.
- **Senate Judiciary Committee Hearing:** Megan attended the U.S. Senate Judiciary Committee hearing in Rutland concerning the opiate issues. The meeting was standing room only and very productive. Commissioner Chen was one of the witnesses and was very well received given his history at Rutland Regional Medical Center.

RESEARCH & STATISTICS ♦ Greg Gerdel, Research & Operations Chief

- **Research**
 - **MRA Taxable Receipts Strong for 2013:** Estimated revenue generated by Meals, Rooms and Alcohol sales during calendar 2013 is \$138,055,541, a nearly six percent increase over calendar 2012 and substantially ahead of the annual increase of 1.5 percent for the Consumer Price Index. The 9.09 percent increase in the sales of commercial rooms is a solid indicator of increased visitor spending as our research and shown the nearly 90 percent of room sales are to non-residents.

Calendar Year Taxable Receipts: % Change 2013*/2012/2011				
	Meals	Rooms	Alcohol	MRA Total
2013*	910,243,296	433,841,842	170,878,790	\$ 1,514,963,928
2012	874,187,148	397,673,819	158,659,866	\$ 1,430,520,833
2011	\$ 831,367,980	\$ 381,001,406	\$ 149,421,238	\$ 1,361,790,624
2013*/2012	4.12%	9.09%	7.70%	5.90%
2013*/2011	9.49%	13.87%	14.36%	11.25%
<i>*Preliminary (75 Day Report) Vermont Dept. of Taxes</i>				

The detailed reports, including county and community totals, can be viewed [here](#).

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

- **One Stop Shop Website:** A group from IT, DED, VDTM and the CMO's office got together this week to continue discussions of requirements for a possible one-stop shop business outreach/promotion website. The discussion continues to range widely from a narrow focus (on recruitment messaging and a replacement for the state bid registry, currently being run on an outdated and un-supported software/hosting platform) to a very broad focus (re-envisioning the entire Vermont.gov portal). Consensus seemed to be that it was more realistic and feasible to start smaller, as any of these projects will require a substantial

investment of money and time. The group will meet with the Secretary of State team next week for a demonstration of their Business Portal for “one-stop” business registration (which will hopefully, in later phases, incorporate registration forms from Tax and Labor, and may also provide a good platform for the ACCD bid registry system).

I will be out of state on Monday and Tuesday for the funeral, but back Wednesday.

Quick Recap on VDOL Bills this week:

- UI - passed with House floor vote of 136-0. Bill Botzow wanted a roll call because of the "disregarded earnings", as he may want to ensure that folks can't later claim they did not support change to the 2010 UI "compromise".
- Workers Comp - passed House
- WARN - passed House
- VDOL and BGS finalized the fiscal note for Prevailing Wage today with Joint Fiscal Office. House Institutions voted in committee on the UVM/State College amendment 9-1-1 (C. Browning as big "no"). The underlying bill committee vote was a straight party line vote. They will not ask for the bill, but will go over the fiscal note on Tuesday after the floor. Matt Hill, who did most of the wage analysis and data point review of the construction contracts from BGS, will be there for VDOL.
- Min. Wage: Wednesday morning 3/26 I am scheduled to testify
- Tramway bill - passed
- VDOL Budget - no problems, according to House Appropriations

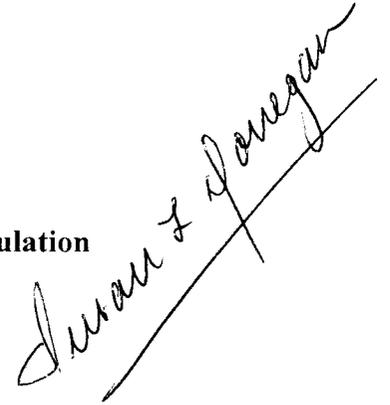
Anne M. Noonan
Commissioner, Vt. Dept of Labor
Tel: 802-828-4301

State of Vermont
Department of Financial Regulation
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For consumer assistance:
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[Securities] 877-550-3907
[Banking] 888-568-4547
www.dfr.vermont.gov

CONFIDENTIAL and PRIVILEGED

To: The Honorable Peter Shumlin, Governor
From: Susan L. Donegan, Commissioner, Department of Financial Regulation
Date: March 21, 2014
Re: Weekly Report



Banking Division:

The Banking Division has received a number of money servicer applications for entities that are engaged in the business of converting, storing, buying, and selling virtual currency (i.e. bitcoins). A number of entities engage primarily in the exchange of virtual currency into U.S. currency, both online and through kiosks. One company was licensed this week, and other applications are pending.

Representatives from the Banking Division attended the National Credit Union Administration (NCUA) annual meeting last week. The purpose of the meeting was to determine the focus of credit union examinations for the upcoming year. The three areas of primary interest were interest rate risk, cyber security, and consumer compliance. The conference also addressed economic issues, federal regulations that have been earmarked for review, regional anomalies, new products, and other areas of regulatory concern.

The department anticipates some consolidation among credit unions during 2014. We may see several smaller institutions merge with each other or with larger credit unions. Given the continued low interest rate environment, pressure on margins and difficulties of economies of scale for smaller credit unions, consolidations are inevitable and in some cases, desirable.





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CONFIDENTIAL AND PRIVILEGED
MEMORANDUM

TO: Governor Peter Shumlin
FROM: Rebecca Holcombe, Secretary, Agency of Education
SUBJECT: AOE Weekly Report
DATE: MARCH 21, 2014

Sorry for being late!

Legislative Issues/Contacts:

House Ed agreed on a governance bill. Need I say more. Issues that we will continue to see evolve include school choice, privatization, and the impact of the proposed legislation on tax rates.

I understand the need to hold on the data privacy bill for now. Longer run, it speaks to an issue many in VT care about deeply, and would incidentally help the AOE, in that it would limit the requests we get from private corporations which want to use our data to identify and target business opportunities. These requests can be time consuming.

Press Issues/Releases/Contacts:

Ed Week interviewed me in DC, after I asked Secty. Duncan for a white paper on appropriate and inappropriate uses of test scores under high stakes conditions. My comments made a lot of people in the field very happy, but will not make US DOE happy.

I was on the "Vermont Conversation" on Wednesday.

Significant Events/Meetings:

NEASC and "certification" of private school teachers

In a moment of irony, Tom Lovett and NEASC met with me last week to share the new NEASC independent school certification process, which incidentally, looks exactly like

the public sector process that Joel Cook, with the help of Senate Ed., just succeeded in pressuring the Vt. Standards Board for Professional Educators to give up.

Evolving Issues:

We continue to meet with the Secretary of State's office on the possible transfer of licensing from the AOE. If licensing is going to transfer, we would prefer to do before any changes in the process, so that we don't end up having to invest more money into a new systems that is going to then be obsolete if the process transfers to SoS.

This whole licensing issue is a bit of a mess. The VSPBE is moving in a deliberative way, which means they have told the world they are making changes, but not been clear about how and when. Meanwhile, the NEA is telling everyone the current requirements (goals, portfolios, etc.) are gone. I have tried to push Steven John to be more proactive in managing communication, but that may not be possible. The questions from the field are starting to roll in.

In terms of streamlining licensing, this does present an opportunity for the AOE to involve the Vermont Standards Board for Professional Educators in a more robust way in efforts to improve educator quality. I admit to not being short on opinions, and one of them is that the only tool we really have to improve learning is to improve teaching, and we have a ways to go to ensure that every child is taught by a skilled, demanding (in the best way), innovation-oriented teacher. The current role of the VSPBE is after the fact; they basically review paperwork after the "learning" for recertification is done. The process involves a lot of work by teachers, but is not widely perceived as related to school improvement or even professional learning.

What I have been pitching them is a more active role in:

1. determining whether Districts' local teacher supervision and evaluation processes are consistent with our goals for instruction and research on best practice (if they are not, they will have to use the AOE's model);
2. developing and staffing our proposed "Education Quality Reviews," which is our proposed new process for school quality reviews, coming out of the Education Quality Standards.

The logic? Our current accountability model, based on federal policy, is broken, in that it doesn't work (e.g. no evidence it is helping schools/teachers get better), it is focused on compliance not innovation, and it is creating a lot of bad feeling in the field. Our



goal is to use the Education Quality Standard to motivate a new process for evaluating and providing feedback to schools that both provides schools with richer data and provides educators to look at teaching and learning across other schools site, as a way of pushing conversation around what good teaching is and how we will know it when we see it. The review teams will review a much broader spectrum of evidence than what we currently use (e.g. test scores) to identify goals for improvement. VSBPE has local teams in place all over the state who could be supported to join in this work. I can give you more details on this if you are interested.

This work has strong parallels to work that is taking place in CA, and we are working very hard to build our relationship with the CA Department of Education, as that relationship will be very useful as we look towards either reauthorization or new legislation on school accountability in Washington. I would also like to send a team that includes members of the State Board of Education, the VSBPE and the AOE to Toronto to observe school quality reviews there. That work has been developed and studied by Dr. Michael Fullan, a nationally recognized person in the field of educational transformation.

A heads up: I am tilling the ground for a few more changes at the AOE. (Thanks, Jeb, for supporting efforts to line up some new positions, all of which will end up being exempt). It is worth noting that of the deputies at the AOE, one is in charge of finance, and one is in charge of innovation and transformation. These are both critical functions, but neither addresses teaching or learning directly. By focusing an exempt position (repurposed from our legal office) to Educator Quality, I hope to be able to make headway on some of the challenges around school leadership and teacher quality that make improving our schools challenging. My goal is to bring in someone very strong, with credentials in developing both teachers and principals, as well as the research skills set to evaluate impact. To get someone of this quality, I will need to pay a competitive salary.

Bringing in the new exempt positions has been a little threatening to both deputies in house, to say the least. It has also highlighted some inequities, including the huge pay differential between the two deputies. As I position someone in a strong way around educator quality, I want to be very careful to not undermine John Fischer, who has been instrumental in holding a diminished and inconsistent staff together and herding them towards a positive, ambitious agenda for VT schools, without a lot of support. I would like to seek some pay increase for him, as a way of reassuring him of the value we place on his work.



Accountability

I spent Saturday through Tuesday in DC for the CCSSO. It was a great lesson in the relationship between corporate interests, career lobbyists and the business of education. The session was well orchestrated, from the national media campaign to support the Common Core they are orchestrating, to the initial overview of “our” goals to the lobbying packets they handed us to use with our congressional delegations on the closing day.

Nationally, many states are experiencing very strong pushback against the Common Core, mostly because they have tied the Core to high stakes testing for the evaluation of teachers. So far, we have not experienced this, because we have taken a strong stand in opposition to using test scores to evaluate teachers and fire principals. I was struck by how absolutely unwilling US DOE is to acknowledge the substantial body of research literature suggesting his policies are suspect and problematic. I have been trying for over two months to get SBAC to respond to some of our concerns. When I saw their Director in DC, he said in a private conversation that he agreed with all our concerns and the tests would not support many of the uses to which they will be put, but that he/SBAC could not say that publicly because it would violate the contract with USDOE—that it was up to Arne Duncan. In other words, if SBAC says publicly that it can’t be used to support USDOE policy, it will have to pay back the USDOE contract. When I asked Arne Duncan in a private session if he would support or ask for a white paper on the appropriate and inappropriate uses of the SBAC and PARCC tests for the purposes of evaluation, he told me that SBAC works for us, so he couldn’t do that—that SBAC is accountable to the states, not him. Thus, we are in a Catch 22 on this. We did manage to have an impact, as I noticed that a subsequent SBAC session had added a reference to a white paper with a question mark.

It is worth noting that when we question whether the tests can legitimately support decisions around hiring and firing, the response from states that are doing this is to attack us for being soft on civil rights. My concern is that mindless policies are creating a new civil rights issue that is going unnoticed: poor kids will be subjected to increasingly impoverished learning as teachers in low scoring schools (e.g. poor schools) feel compelled to narrow instruction to the test. There is an irony in that one of the reasons I hear people give for choosing private school is that they feel public schools are too test-obsessed. When people don’t like their schools, they have too choices. They can exercise their voices to make them better, or they can choose to leave, usually to the private sector. When too many high human capital people leave the public sector, we lose important voices we need to motivate us to get better.



Practically speaking, what we are trying to do is create a little space politically for some new models to emerge that reflect VT's commitments to strengthening and involving local voice, reducing our overreliance on high stakes testing, and prioritizing capacity building over ranking and sorting.

Rebecca



CONFIDENTIAL and PRIVILEGED

To: Governor Peter Shumlin
From: Greg Smith, Executive Director, VT Lottery
Date: Mar 21, 2014
Re: Weekly Report

Status of Governor's Priorities: .

n/a

Legislative Issues/Contacts:

Now that these two bills have moved to the Senate I have spoken with Sens Sears and Mazza for any guidance to testimony based on who is sponsoring the bills, and the value of having business owners testify to the Senate committee. The House did not make the opportunity for business owner testimony realistically achievable due to 24 hour notice.

Press Issues/Releases/Contacts:

I spoke with VPR yesterday regarding H 575. Same general message.

Significant Events/Meetings:

n/a

Evolving Issues:

n/a

Summary of Key Agency Department Activity:

Business as usual. Good training of new staff is occurring, and exposes different strengths and weaknesses of current staff and processes. We were granted approval from National Lottery Security to implement a brand new approach for securing our evening drawings in the event of an out-of-balance (called Lockdown). New process uses technology procedures so we can eliminate 1.5 hours of on-call overtime that occurs 6 days every week. Total savings from this change will range from \$20K - \$30K annually. We also did a table-top COOP drill with Dept of Emerg Mgmt on Wed. Great review and success.

Executive Director's Commentary:

At Wednesday's VLC meeting, I asked for and was granted authority and approval to order 25 of these new vending machines to test on the market, and to amend our contract with Intralot to program and maintain them. If any law passed this session prohibits the use of these machines we can cancel the order with no cost incurred by the lottery. This timing will allow us to get the machines in place in Q4 of this year.

Our gaming vendor, Intralot, has hired the services of Andrew MacLean to help defeat H 575. They kept a low profile while the bill was in the House but expect more effort now that it passed to the Senate. I will be at a lottery conference most of next week for the MUSL (multi-state lottery) organization. I contacted the Senate committee that has these bills to let them know, and to plan availability in April.

Executive Privilege

TO: Governor Peter Shumlin

FROM: Secretary Brian R. Searles

DATE: Friday, March 21, 2014

SUBJECT: VTrans - Confidential Report to the Governor

NOTES FOR GOVERNOR

New Director of Finance and Administration

Faith Brown of Montpelier started this week in this important role. She comes to us after serving in similar roles for Goddard College, the Vermont Community Foundation and the Visiting Nurse Association. She holds an MBA from the University of Vermont. Lenny LeBlanc, who has served in this role on an interim basis and was not interested in continuing, will return to his classified job as Financial Manager VII, which at VTrans is the CFO.

Winter Maintenance Record

It's official; we have now spent \$26.2 million on winter maintenance activities breaking the previous record of \$26.1 million. We have also set a salt use record of 122,200 tons. These totals will grow over the next couple of days. It is too early to start patching potholes, with the exception of the most dangerous, but once we do we will be facing a cost of more than \$2.5 million or about double the normal spring season.

CCTA Strike

No official word yet from CCTA management on whether they view the drivers' latest proposal as worthy of a meeting this weekend. Early indications are that they don't. The rumor is that it is worse than what was on the table. It is also believed that there is an internal struggle in the Teamsters about this strike and control of Local 597 and that this is complicating things. We have an array of options that we could use but only if we are convinced that there is no movement toward resolution.

For instance, we could contract with another bus company to provide partial service (i.e., schools), or beef up the special services system to help move more people to medical appointments. We could also publicly say that we support Miro in his call for binding arbitration or we could make an offer to take the interim step of trying to mediate a solution. There is no action that we could take that would not generate some controversy

because our contract with CCTA clearly states that strikes are an allowable reason for an interruption in service. I am still of a mind that we should wait until early next week to see what, if anything, happens over the weekend but there will be increasing pressure on everyone, including the State, to bring an end to this hardship for so many of our most vulnerable citizens.

NOTES FOR STAFF

Transportation Bill Moves to Senate

The T-Bill passed the House yesterday on a unanimous voice vote and now moves to the Senate. Senator Mazza will, of course, make changes but we are not expecting serious problems with the possible exception of positions where the education of committee members continues on the subject of enhancing our ability to provide services to towns through making the District Tech positions permanent and moving the Vermont Local Roads program into our Operations Division.

On the latter point, the House agreed that absorbing the program and its \$400,000 budget rather than contracting and paying St. Michael's College \$91,000 in "indirect costs" was the right thing to do. However, there is pushback from a handful of towns, led by the Town of Calais which has chosen to challenge VTrans on several fronts lately. Led by a former state employee (ANR) and now select board member named John Brabant, they are objecting to our processes for setting speed limits, our new standards for culvert sizing and other runoff issues, and the Vermont Local Roads. They are doing so in a rather strident and accusatory way which will eventually hurt them with the people they are trying to convince. However, in the meantime, they are putting pressure on Janet Ancel who represents them to seek legislation that puts her at odds with us and the House Transportation Committee.

Transportation Funding and Authorization

CONEG reports that the Obama Administration is gearing up a sales effort for its reauthorization proposal which includes more than \$300 billion in spending and the raising of \$150 billion from corporate tax reform and the redefining of the HTF to include transit and rail as mandatory and not discretionary spending items. Not surprisingly, Republicans in the House have no appetite for any of this.

In the meantime, the HTF is running dry and hope for an actual Reauthorization bill before the election is less and less realistic so we are probably looking for another short-term solution. The problem is that there is still no plan (other than the President's) to fill the HTF and a General Fund transfer would require some painful offsets.

Sue will be in Washington next week to testify before Senate EPW and she will also touch base with committee and other congressional staff, along with AASHTO, to try to get a better read on what is likely so we know if we must pull back some contract advertising for this construction season.

Decelerated Bridge Program

This is the latest example of what ails the Transportation Board, in our opinion. The T-Board has insisted on a review and site visit of an Accelerated Bridge Project (ACP) on Rt. 30 in Rutland over the Clarendon and Pittsford Railroad. Although it is not a town road they have invited participation by the Town of Rutland and the Regional Planning Commission at the site visit. In our petition to the Board to approve a railroad clearance variance we pointed out that:

The railroad has reviewed and approved the clearance;

The project does not involve town highways or assets;

There is no statutory requirement to conduct a public hearing and/or site visit when VTrans and the railroad have a signed variance agreement;

The proposed clearance is an improvement over the existing clearance;

The proposed vertical clearance of 21'0" is sufficient to accommodate present and reasonably foreseeable freight and passenger train traffic;

The project is designed to allow for future lowering of the tracks, as needed, to provide 23'0" vertical clearance.

The actions of the T-Board can only result in added time and cost to this project which we believe to be unnecessary and in direct conflict with our innovative project development process improvements such as ACP. The site visit is scheduled for March 27 and our project managers and Assistant AG's will be present.

President's Task Force on Climate Preparedness & Resilience

Activity is ramping up with the Climate Preparedness & Resilience Task Force. VTrans is represented (by Gina Campoli) on the "Built Systems" subgroup as a lead on Transportation. I was contacted by CEQ to initiate an effort to have the Task Force agree to a set of principles and recommendations for the Transportation Reauthorization bill, which we have developed a first draft of, and will work through the Committee process (bureaucracy!). We are including stormwater management as an element to resilient infrastructure, which supports our TMDL funding efforts. I will also be discussing this issue directly with Congressional Staff and Senate EPW staff (if I get a meeting). I also participated, with the Mayor of Fort Collins, CO (my Co-Chair of Disaster Recovery and Resilience Sub Group) in a meeting/conference call of the "Mitigation Framework Leadership Group", which is a collection of high-ranking federal officials from a broad range of federal agencies. We presented a PowerPoint that illuminated some big picture recommendations and we focused, in particular, on Vermont's post-Irene recovery and mitigation challenges. It seems this will be a successful forum for advancing our recommendations. A LOT of work ahead on this Task Force, including the next convening in May (14-15), where I will lead several Sub Group meetings and support

Deb as the representative for GPS. We should meet before that date to coalesce around our top “short-term actionable recommendations”. A goal for the May Task Force meeting is to have some key elements the President can announce shortly thereafter.

Privileged and Confidential
Memorandum

To: Peter E. Shumlin, Governor
From: Douglas A. Racine, Secretary of Human Services
Re: AHS Weekly Report
Date: March 21, 2014

Vermont Department of Health (VDH)

Public Health Accreditation Board Site Visit:

The VDH's accreditation site visit started on March 20th. This is the final step in the accreditation process. There are currently 2 state and 20 local health departments that have achieved this recognition. The department's goal is to join these accredited health departments by demonstrating to the Public Health Accreditation Board our commitment to national standards to continually improve public health in Vermont.

Loss of Community Transformation Grant (CTG) and National Public Health Improvement and Innovation (NPHII) Grant Funding and Positions:

The National Public Health Improvement Grant was awarded to the VDH in 2010, with expectations for funding to continue over a period of 5 years (until September, 2015). Due to the cancellation of the final year of the grant, the activities associated with the funding will not be funded as of September, 2014. Nine staff in the department are funded by the NPHII grant (6.3 FTE), with 4 being fully funded by the grant, and 5 being partially funded.

Three positions were funded by the Community Transformation Grant. Two of the three are currently filled and are slated to end September 29, 2014. Current sub grants that will be affected by grant cancellation include:

- Cathedral Square for SASH work in Rutland, Northeast Kingdom and Brattleboro
- Burlington Partnership for a Healthy Community
- Agency of Agriculture
- Parent Child Centers of Addison, Bennington and Windham Counties
- Live Healthy Vermont Chronic Disease Coalition
- Healthy Retailer
- Healthy Community Design

We are exploring options to maintain minimum capacity.

Department of Mental Health (DMH)

Green Mountain Psychiatric Care Center (GMPCC):

On March 20th, GMPCC received final approval and certification to the Health Insurance Program from the Centers for Medicare and Medicaid Services (CMS). A copy of the full report has been sent to Secretary Spaulding. DMH will be issuing a press release.

Out-of-State Hospitals Follow-up:

A team from the DMH visited 4 hospitals in Massachusetts operated by Arbor Health Systems. There were more legal issues that arose which would have to be addressed. DMH is recommending that we not pursue the out-of-state option at this time.

Non-refusal System of Care:

On Wednesday, Commissioner Dupre and Deputy Commissioner Reed held a meeting with the CEO's and staff from Brattleboro Retreat (BR) and Rutland Regional Medical Center (RRMC) to discuss issues related to the no-refusal system. Secretary Jeb Spaulding and I participated in the meeting as well. I believe that we resolved current issues and the no-refusal system will continue. A decision was made to meet quarterly.

Psychiatric Inpatient Order:

A status meeting on a Corrections high risk inmate will take place on March 24th, regarding a Psychiatric Inpatient Order.

Department of Disabilities, Aging and Independent Living (DAIL)

Green Mountain Psychiatric Care Center (GMPCC) gains deemed status:

CMS has given its seal of approval to the GMPJCC in Morrisville this week, retroactive to March 7, 2103. This means that having met the terms and conditions of participation, the hospital may be paid by Medicare/Medicaid.

Birchwood Terrace cited for immediate jeopardy to residents' safety:

Birchwood Terrace Nursing Home was issued the highest level deficiency finding yesterday in connection with an incident where a staff person presumably unintentionally caused an elderly woman to be ejected from a new lift chair, resulting in a broken neck and subsequent death. The facility is expected to be successful in correcting the deficiency.

Sisters of Mercy:

The Sisters of Mercy have been granted a variance to a licensing requirement in a way that protects both the Sisters' and the State's interests. This matter is successfully resolved to all parties' satisfaction and the nuns will not have to move.

Department of Corrections (DOC)

Senate Committee on Appropriations (SAC):

On March 14th, the DOC testified on the Governor's Proposed FY 2015 State Budget. Testimony was short with the exception of some concerns related to S.295, an act relating to pretrial services, risk assessments, and criminal justice programs. The SAC is concerned about the impact and capacity of the treatment community from the impact of S.295.

Transitional Housing RFP:

The DOC received and scored 9 bids from across the state in response to its recently issued RFP for transitional housing. Based on the aggregated results from this process, we will be proceeding into initial discussions with Rutland Mental Health Services for a larger scale project, and also following-up with Health Care and Rehabilitation Services of Southeastern Vermont,

Inc. (HCRS) and Washington County Mental Health Services for smaller projects that would serve the Serious Functional Impairment (SFI) population.

Population Report:

The department's population averaged 2,148 for the previous week. The male population averaged 1,983 with 380 being presentenced inmates. The female population averaged 165 with 46 being presentenced inmates.

Community High School of Vermont (CHSVT):

Costs related to the operation of the CHSVT continue to drive conversation with the Legislature. The Legislature is considering adding the following language to the Appropriations bill.

Sec. X. COMMUNITY HIGH SCHOOL OF VERMONT

(a) On or before July 15, 2014, the Commissioner of Corrections, in consultation with the Community High School of Vermont Advisory Board, shall prepare and submit a report to the Joint Legislative Corrections Oversight Committee on the current trends relating to the student population at the Community High School of Vermont. The report shall include the following:

(1) a detailed description of the School's programming, curriculum, and outcomes;

(2) data and projections on the student population, including the total number of students enrolled at the School, the number of students who are currently incarcerated, student ages, and the current cost per student;

(3) a comparison of the School's current cost per student with statewide education spending per student;

and

(4) an analysis of whether the School may enroll students who are not in the custody of the Commissioner and who have not completed secondary education if space is available and no budget increase would be required.

(b) On or before January 1, 2015, the Joint Legislative Corrections Oversight Committee shall prepare and submit recommendations to the General Assembly based on the report submitted in subsection (a) of this section for a plan to fund programs and curriculum at the Community High School of Vermont.

Department for Children and Families (DCF)

Runaway Youth:

On any given week, DCF has several children in custody on runaway status. This past weekend three girls ran away. Two have been found and one is still in the Boston area. We worked with the FBI this past weekend to locate one seventeen-year-old girl who we thought may be part of a human trafficking effort. She is en route back to Vermont. We will debrief with her to learn all we can.

In 2000, 163 children in DCF custody ran away for an average of 57 days. Protocols were put into place including central office tracking. Since then, the number of children on the run has continued to drop. In 2006, 97 children ran; in 2012, 57 children ran for an average of 11 days.

The Vermont Coalition of Runaway Youth & Homeless Programs, which receives the bulk of their funding through DCF, reportedly served 784 youth who had run away from their homes last year.

All of this is indicative of the high-stakes, high-risk, work that DCF does. Troubled children present a myriad of challenges. The cost to meet those challenges is significant. While the unfavorable outcomes we experience may be very visible, the many successes we have had receive little fanfare.

Changes to Vermont Department of Labor (VDOL) contract in FY15:

In 2013, the Office of Inspector General (OIG) came to Vermont and audited Vermont's Food and Nutrition Service (FNS) contract. They made a finding that we were over allocating Employment and Training (E&T) funds to Title IV (TANF) households. For the last two months we have been working on alternatives to realign our funding to bring us within the allowable limits set by FNS. The only way we can do this is by reducing some grants that receive E&T funding, and by reallocating others to work with non-TANF related households.

Specific for this report, we will be reallocating the work that the VDOL does in FY15 to work with non-TANF households. The funding amount (\$963,427) will remain the same, but they will be working with 3SquaresVT households. Specifically they will work with Able Bodied Adults without Dependents (ABAWD) who need to either be employed (min. 20 hours per week) or in a work for benefits program (21 hours per month) to continue receiving a monthly 3SquaresVT (SNAP)benefit. The VDOL has staff in each of the 12 local offices and are best equipped to work with this population. This means that we will need to shift the current Reach Up households (approximately 350) they are working with back to DCF's Economic Services Division (ESD) to provide case management and employment supports. The average increase in caseloads to ESD will be approximately 6 cases per worker. We feel that adding substance abuse/mental health supports to district staff will allow the districts to reabsorb this work with no impact on consumers.

Department of Vermont Health Access (DVHA)

Vermont Health Connect Update:

Customer Support Update: The call center experienced the second busiest day ever on Friday, March 14th (busiest day to date was December 23rd). While service levels did not meet goals, the average wait time for a live CSR was 17 minutes, a significant improvement over the 50 minute average wait time on December 23rd.

Outreach & Education Update:

- In March alone, 7,919 accounts were created, 8,520 individuals submitted an application and 14,096 individuals checked out a plan. We now have about 37,400 Vermonters who are fully enrolled through VHC. This does not include the 30,000 small business employees who are covered by a VHC plan through their employer.
- From late February through mid-March, 23, 244 transition notices, 2,355 enrollment event postcards and 6,605 "Act Now!" postcards were sent to Catamount/VHAP beneficiaries. 6,600 Catamount/VHAP households were contacted via a direct dial message. Also, 1,434 VHC posters were sent to restaurants and bars to reach Young Invincibles, 246 packages of Plan Comparison Brochures, Navigator Directories, and tip sheets were sent to town clerks to bring to Town Meeting Day and 187 VHC materials packages were provided to public libraries. Additionally, we held 77 enrollment events (with Navigators) and Navigators were available at 78 locations and applications counselors were available at 29 locations across the state. Indirectly, we continued our paid media campaign which included two commercials (run on both TV and online), radio advertising, and digital advertising.
- Through the end of open enrollment (ends March 31st), we will continue to advertise on the radio and through digital channels. We are also working to have a countdown run on the television stations for the last few days of open enrollment. Catamount/VHAP

beneficiaries will be contacted directly through mail, auto-dial and email. There are 53 enrollment opportunities scheduled now and more are continuously added to the calendar.

Brattleboro Retreat:

Commissioner Larson met with Rob Simpson and Peter Albert from the Brattleboro Retreat on Tuesday. This meeting was a further step in resolving outstanding issues related to first day payments and establishment of appropriate clinical guidelines. Commissioner Larson is preparing an additional financial proposal for the Retreat's review.

Hepatitis C Drug:

Recently, one of DVHA's Drug Utilization Review Board (DUR)members, Amanda Kennedy, sent a letter to Vermont's Congressional Delegation and DUR Board regarding Sovaldi, a new, and very expensive oral therapy for patients with Hepatitis C, and costs \$84,000 per one course of treatment per patient, a cost of \$1000 per capsule.

There are more new oral therapies on the horizon for Hepatitis C and are all expected to be quite expensive. At this time, we do not know what the impact to DVHA's budget will be, as we don't know exactly how many Medicaid beneficiaries have Hepatitis C and are candidates for this treatment. We are doing further research to determine possible budgetary impacts. Currently, any requests for this medication will follow a process of clinical review from our Medical Director.

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Chuck Ross, SECRETARY

STATE OF VERMONT
AGENCY OF AGRICULTURE

Confidential and Privileged

TO: Gov. Peter Shumlin
FROM: Chuck Ross, Secretary of Agriculture
RE: Weekly Memo
DATE: March 21, 2014

Secretary's Top Issues

State veterinarians forwarded a draft press release to Alison Kosakowski this week regarding the importance of vaccinating horses for **EEE and WNV this spring**. It is hoped that this release can be distributed to the media soon in order to remind Vermonters to protect their susceptible livestock against arboviruses that are circulating in the state.

Status Update: Rutland Bedbug mis-use Clean-outs

Completed Residences: The following houses are considered complete (owner has received walkthrough following completion of all risk reduction measures):

- ✓ 31 Hazel #2
- ✓ 31 Hazel #4
- ✓ 78 Strongs Unit #6
- ✓ 159 State Street #1 (tenant returned on 2/20/14)
- ✓ 114 Park (no cleanup needed; Final letter sent to owner)
- ✓ 364 Stratton (tenant returned on 3/6/14)
- ✓ 125 Park Ave – no tenant; walkthrough with owner was on 3/3/14
- ✓ 159 State #3 Cleanup complete, owner walkthrough on 3/11/14. Relocation occurred on 2/24. Unit is ready for tenant move back. Several considerations on-going regarding whether tenant will move back to this apartment.

Bed Bugs - Residential Cleanups in Final Stages:

159 State #2: Phase 1 and 2 were completed on 3/14. EPA is working with owner on restoration actions and schedule. Phase 3 expected to start week of 3/17.

Bed Bugs - Schedule for Remaining Residences:

10 Chaplin Ave: Final Inventory Compensation/Disposition completed. Two smaller, independent inventories within property to be resolved the week of 3/17/14. Cleanup plan targeted for 3/19 pending owners' cooperation; EPA OSC and legal team facilitating these discussions. Granville: Property disposition and compensation review, and cleanup plan development to be finalized week of 3/17. Pending resolution, Phase I start planned for 3/31.

Cease and Desist Order

A hearing will be held for a small farm in West Charleston before a cease and desist order (CDO) is issued for violations of the AAPs. Issue from 2011 as a result of his manure management contributing to high levels of nitrate in groundwater. The farm has failed to manage manure in the manner required by the Agency. Nitrate levels in groundwater have continued to increase above the groundwater quality standards enforcement level of 10 ppm nitrate.

Corrective Action Letter

A CAL has been issued to vegetable grower in Westminster for violations of the AAPs. The farmer constructed a shed in the floodway of the CT River. The AAPs do not allow for the construction of structures in a floodway, but allow for their placement in the floodplain if constructed according to National Flood Insurance Program (NFIP) standards. The farmer will need to move the shed into the floodplain and provide information on the structure's construction so the Agency can coordinate with DEC to determine if it is constructed in accordance with NFIP standards.

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Chuck Ross, SECRETARY

STATE OF VERMONT
AGENCY OF AGRICULTURE

Confidential and Privileged

TO: Gov. Peter Shumlin
FROM: Chuck Ross, Secretary of Agriculture
RE: Weekly Memo
DATE: March 21, 2014

Status of Governor's Priorities:

Legislative Activities and Issues

3/13/14

H. 448 An act relating to Act 250 and primary agricultural soils-House Agriculture and Forestry Products Stephanie Smith

The committee review some suggested changes addressing:

- Clarity that the Secretary of Agriculture's recommendation is not an appealable action and it is the District Commission's decision that is appealable
- Reconcile H. 823 and H. 448 with the inclusion of New Town Centers designated as of January 1, 2014 will receive 1:1 mitigation
- Include that the "determination of suitable mitigation shall be consistent with the agricultural elements of the applicable local or regional plans and goals of 24 V.S.A. § 4302." In §10 V.S.A. 6093 (b)(2) of the bill
- Stephanie Smith from VAAFM provided an example of on-site and off-site mitigation calculations done in Act 250 based on the acreage of primary agricultural soils impacted due to development, the agricultural value of those soils and the factors (2:1 -3:1 based on the Ag. value).
- Kate McCarthy, VNRC, spoke in support of the proposed definition of "primary agricultural soils," however is concerned that the proposal will encourage full development of parcels in rural areas or scattered away from areas where development is desired- because location is not considered.
- There was one more review of the H. 448 in the afternoon. Representative Bartholomew did not support the bill as drafted, because agreement could not be reached on by all stakeholders.
- The bill passed out of House Agriculture and Forestry Products 10-1.

H.374 Senate Agriculture Dental procedures on animals- Kristin Haas

This amendment to H. 374 proposes to hold barn owners responsible for violations that lay dentists might incur when performing power assisted dental floating on horses by allowing VAAFM to impose administrative penalties against them. Kristin Haas testified to the fact that there is already a mechanism in place to pursue lay persons who practice veterinary medicine without a license. The Sec of State's Office of Professional Regulation handles this via the VT Board of Veterinary Medicine. Dr. Haas testified to the fact that the proposed Senate amendment does not enhance the language in H.374 as it was passed out of the House. I also testified to the fact that although the Agency of Agriculture is opposed to the amendment, we are supportive of the House language in H. 374.

3/18/14

H.586 Water Quality Bill- House Agriculture and Forestry Products- Jim Leland

Jim Leland went through the bill section by section and explained

- what impacts the various initiatives would have,
- how they related to the TMDL ‘reasonable assurances’ process with EPA,
- which provisions were recommendations of the ag working group and identified those sections that went beyond current authorities in Chapter 215.

The committee was most interested in how various initiatives such as the small farm certification requirements, farmer water quality training, manure applicator certifications and livestock exclusion requirements would be implemented. They were also very interested in the programmatic costs associated with these new initiatives. Testimony was consistent with testimony provided previously to the House Fish and Wildlife committee.

3/19/14

H. 329 Use Value Appraisal -Senate Agriculture – Stephanie Smith

Peter Griffin, Leg Counsel reviewed the highlights of the House version of H.329 with Senate Agriculture committee, and reviewed the proposed strike all Senate version of the same bill that was the result of the summer committee that toured the state. The committee discussed:

- the “cost method” of assessing methane digesters- is this the best method
- needing clarity on the floating parcel provision in Sec. 2. (correction from email on 3/19/14) - the floating parcel would experience a land use change tax at the time of development , all the while paying the average fair market value of the 2 acre floater.
- the cap thinking it could result in farmers appealing assessments to stay under the cap, and would remove the subsidy to large lots with a high per acre value.
- a possible 3rd category of land (besides farm and forest land) to be included in the program- land held for open space.
- the possibility of including “farm worker housing” not on the farm parcel in the program; not including rental property .
- the lien that is on a property when it is removed from the program and either eliminating the lien or reducing the lien to reflect the penalty cost at the time the land is taken out of the program.

H. 448 An act relating to Act 250 and primary agricultural soils- House Agriculture and Forestry Products Stephanie Smith

The committee wrestled with bringing H. 823 and H. 448 together. H. 823 provided for all off site mitigation in in Designated Downtowns and their Neighborhood Development Areas, Growth Centers, New Town Centers existing as of January 1, 2014, whereas H. 448 provides mitigation flexibility for these designated areas and everywhere else.

Kate McCarthy of Vermont Natural Resources Council testified District Commissions could consider onsite mitigation in Designated Downtowns and their Neighborhood Development Areas, Growth Centers, New Town Centers existing as of January 1, 2014 under the current bill as it passed out of the committee on Friday.

The committee felt that an applicant should be able to set aside land for on-site agricultural purposes and receive the reduction in the off-site mitigation costs in designated areas.

Stephanie Smith from VAAFMS stated that the Agency testified in support of the language for off-site mitigation default in H. 823 for these designated areas before House Natural Resources and Energy.

H. 112 GE/ GMO- Senate Judiciary Tim Schmalz

Testimony was taken on the GMO Labelling bill from numerous individuals. James Maroney -

- believes this bill is a distraction from the more important issues of value of organic farming, the impacts of conventional farming on the environment, and the need to convert farming in Vermont to solely organic.
- Supports right to know, but doesn’t see the need for the bill Dan Barlow, VT Bus. Soc. Resp.
- Doesn’t want to ban GMOs,
- Supports a 2 year delay in implementation in order for business to catch up
- Does not support a trigger (al a CT or ME, original house bill)
- Doesn’t have a good answer whether the VTBSR membership would put this GMO labelling priority above their other agenda items (clean water, health care)

Brigit Asay, VT Atty Gen Office

- Defense of the bill will likely run upwards of 5 million \$ for defense costs, if Vermont loses the inevitable court challenge
- Costs based on costs of three other defenses, all of which cost 5 mil or more with transferred fees and defense costs o IMS v Sorrell (pharmaceutical case) o Entergy v Shumlin o Randall v Sorrell (campaign finance)

Stacy Chagnan, private citizen

- Supports GMO labelling and RTK, feels very strongly that the consumer is being victimized by the GMO interests

Laura Murphy/Andrew Homan, VT Law School clinic

- Again stated that the bill was defensible, constitutionally
- Representing/advocating VPIRG position, not a neutral party
- Discussion of constitutional first amendment issues, states duty to protect the citizenry

Panel Discussion with

- Dr. Michael Hansen, Senior Staff Scientist, Consumers Union, Yonkers, NY Hansen supports bill, feels that the science is sound and the constitutional/legal issues are easily addressed, Vermont should proceed without triggers
- Val Giddings, Senior Fellow, Information Technology and Innovation Foundation, Silver Springs, MD Giddings feels the GMO labelling issue is foolish, the EPA regulates food safety adequately, and the science behind the GMO labeling proponents claims is speculative and poorly conducted, supports greater public education efforts around the topic
- Stanley H. Abramson, Attorney, Arent Fox PLLC, Washington, DC - via Phone- Abramson has serious concerns about the bill and the motives of the GMO labelling proponents, predicts claims being brought against VT on fronts other than (and in addition to) the dormant commerce clause and first amendment (including equal protection clause), and also feels more education of consumers is important
- Sen Sears closed with remarks indicating he hopes to have a committee vote on the bill by the end of next week also strongly considering an amendment requiring establishment of a defense fund, which would trigger review by Senate Appropriations

Agency of Agriculture Budget- Senate Ag Committee and House Agriculture and Forestry Products- Deputy Secretary Diane Bothfeld

VAAF presented budget to Senate Ag Committee. Areas of concern are cuts to 2+2 dairy scholarship program, fair stipend and farm to plate program. General uneasiness on increasing Working lands program by \$75,000 and decreasing the three programs mentioned by \$45,000. Overall supportive of budget.

House Ag and Forest Products Committee – asked by House Appropriations to find the \$45,000 in cuts made in Governor’s recommended budget. Reviewed all general fund granting programs offered at the Agency. Farm to School, Market Development Grants, Sponsorships for Ag Programs, VT AG and Forest Development Program with VT Sustainable jobs fund. Information was provided on the amount of carry forward funds associated with the 2+2 dairy scholarship program – approximately \$30,000. Committee discussing leaving cut to 2+2 dairy scholarship program as is. Would then need to find \$30,000. Carry forward money and sponsorship program being targeted but no decision at this point.

Budget Discussion – Discussed agency budget with Rep. Toll and Partridge. VT Sustainable Jobs fund will make up the Agency’s proposed cut to the Farm to Plate Program (\$14,688). Cut to the 2+2 Dairy Scholarship program will be accepted (\$14,688). Carry forward money from 2+2 program will be used to back fill proposed cut to Fair Stipend Program (\$14,688). Concerns around additional \$75,000 for working lands program – may sustain cuts to fill budget holes. Potential for level funding.

H.448 – proposed amendment to H.448 to bring this bill in line with H.823 was discussed in House Ag on Thursday. No written language was available to review but the concept of the amendment was discussed. Developer in a designated growth center, designated downtown and associated neighborhood development area and a new town center can all choose to mitigate on site and then pay for offsite in a 1 to 1 ratio. Point made to committee that if land is used for on-site mitigation that this land will be considered at a 1:1 ratio regardless of the soil type. Language to be drafted and available early Friday morning.

Dr. Kristin Haas, State Veterinarian, has been asked to provide testimony to the House Judiciary committee on S.237, the civil forfeiture bill. That testimony is slated for Wednesday, March 26th.

Press

State veterinarians forwarded a draft press release to Alison Kosakowski this week regarding the importance of vaccinating horses for EEE and WNV this spring. It is hoped that this release can be distributed to the media soon in order to remind Vermonters to protect their susceptible livestock against arboviruses that are circulating in the state.

Henry Marckres, Chief, Consumer Protection, attended a press conference on Wednesday held by Representative Peter Welch at the Morse Sugar house in Montpelier, to announce the assistance for the maple industry in the new Farm Bill. Specific programs have money for energy savings and promotion and research.

Significant Events/Meetings:

Assistant State Veterinarian attended the first class series for the Supervisor Development Program. This course is designed to provide supervisors in-depth training and practice in skills and knowledge essential to successfully manage in Vermont State Government and meets twice a month from March-June.

Animal Health Section held a monthly meeting to receive training on poultry disease in preparation for the upcoming bird swap and exhibition season. USDA has indicated that they are moving into the enforcement phase of implementation of the Animal Disease Traceability rule. To prepare stakeholders for this phase, the Section reviewed the animal disease traceability activities of Vermont's livestock dealers, best practices, and communication methods that can be employed in the next few months. USDA is emphasizing proper animal identification and movement paperwork accompanying shipments such as Certificates of Veterinary Inspection and Owner Shipper Statements.

Evolving Issues:

State Veterinarian and Dairy Section Program Chief participated in an IT-hosted meeting this week to receive an update on the USA Food Safety database initiative, which will house the Dairy section database. This initiative is moving along, and Computer Aid Inc. will be in Montpelier the week of March 24th for data collection on the Dairy program. The Dairy section inspection and registration modules will be implemented by May/June of 2014.

State veterinarians and Animal Health Program Coordinator met with a beef producer to review a certified farm variance the Agency is drafting.

Animal Health Inspector provided consultation for an animal welfare investigation regarding beef cattle in the Jeffersonville area. Complaint was thin cattle with no shelter – complaints were unfounded as the animals looked healthy and had shelter. One animal was a dairy cow – and would look thin in comparison to the beef cattle.

Bedbugs - EPA received States outreach status report for Vermont "B" homeowners, based on the revised guidelines and implementation of additional risk reduction actions. Several households have performed additional risk reduction measures via State outreach and the revised guidance. VT conducting final sampling consistent with EPA's procedures; EPA NERL performing analysis on all sampling. EPA is developing an Action Memo Addendum for additional households proposed for second round cleanup of Chlorpyrifos contamination.

Summary of Key agency Department Activity

Administration:

Agency of Agriculture continues to work with ANR on ideas for submission for **President's Climate Resiliency Council**. Working group on Agriculture and Natural Resources has a deadline of March 21 for submission.

Agricultural Development:

Agency participated in planning discussion with State Chief Marketing Officer and VT Department of Tourism and Marketing about Made in Vermont Marketplace to take place April 11-13 at Champlain Valley Fairgrounds. Agency of Agriculture and Department of Tourism and Marketing are co-sponsors. VT Business Magazine is sponsoring; to date 50 Vermont Businesses participating.

Farm to Plate Leadership Session: Deputy Secretary LaClair, and Ag Development Policy Administrators Abbey Willard and Chelsea Lewis joined 40 leaders in the farm and food system sector for a one day retreat focused on the F2P 10 year strategic plan. Assessment of progress to date on 25 goals to build the food system economy – from technical assistance and market development for producers and processors to workforce education and land use.

Working Lands Enterprise Initiative

- The Working Lands Enterprise Board (WLEB) met on Tuesday, March 18, 2014, 9:00 a .m. – 12:00 p.m. in Montpelier, VT.
- The WLEB released a Request for Proposals to conduct a Forest Economy Systems Analysis. Proposals are due Friday, March 21, at 4 p.m. The purpose is to better understand the market as it applies to all segments of the industry, to better understand the industry’s supply chain from a systems perspective, and to develop a strategy for stakeholder engagement. The WLEB Forestry Committee will be meeting at the time of the bid closing to officially open sealed bids and record the receipt of applicants.
- The WLEB Finance committee; co-chaired by Board member Eric DeLuca, and Gil Livingston, President of the Vermont Land Trust; will be compiling a report with preliminary findings on Financing tools, options, opportunities and limitations for working lands businesses by May, 2014. Preliminary findings will be informed through a series of panel sessions, business interviews, grant recipient data, and one-on-one interviews with finance and lending experts.
- The WLEB will be making investment decisions on Capital & Infrastructure grant recipients at their April Board meeting, and on Service Provider grant recipients at the May Board meeting. A June 17, 2014 press event is in the planning stages to announce all grant recipients. A theme of this year’s working lands grant recipients will highlight the importance of technical assistance for the successful development of projects and sustainable planning for viable businesses. Eight of the 19 recently awarded Enterprise Investment grants were 2nd time applicants. Sixteen of the 19 grant recipients are actively working with a Service Provider.
- The WLEB reserved the dates July 22 & 23, 2014 to host a Board symposium for evaluation and thoughtful reflection of the past 2 years and to strategize for round three.

Food Safety and Animal health and Consumer Protection:

State Veterinarian, Dr. Kristin Haas, completed her first (and likely last) half marathon this week in Virginia Beach. She clocked in at a blistering 13:30 min/mile pace, which is only slightly faster than a fast walk. She is sore, but alive, so feels very fortunate.

Consumer Protection:

- Henry Marckres, Chief, Consumer Protection, and Steve Parise, Agricultural Product Specialist, received training on performing Country of Origin Labeling (COOL) inspections, which USDA contracts with us to handle.
- Marc Paquette, Weights and Measures Specialist / Metrologist, is coordinating the Northeast Measurement Assurance Program’s Inter Lab Proficiency Test for NIST in 2014. A total of 13 labs are participating in the testing.
- Our Weights and Measures Lab is testing a large amount of test weights for both in and out of state service companies. The companies comment on our attention to detail and quick turn around time
- During the past week, Consumer Protection staff have: Inspected 80 scales, done 9 scanner audits, checked 300 packages for proper weight, done 35 agricultural product inspections, followed up on 5 consumer complaints and provided technical assistance in a wide area of responsibilities from firewood to labeling.

Meat Inspection:

- The entrance meeting with USDA FSIS occurred, and the Meat Inspection Section is gathering the requested documentation in order to go forward with the on-site review in June.
- Food safety assessments have been progressing through the state plants.

Meat Inspection Compliance:

- Received information that door to door meat sales person returned to consumers' home and gave back \$400.00 for restitution from prior sales of meat products. He also verbally apologized for his intimidating and threatening behavior in regards to that visit.
- Met with local farmer about previous violations of Vermont's on-farm slaughter laws. A full signed statement was attained.

Animal Health:

- Assistant State Veterinarian worked with Deputy Secretary to provide budget information on the Animal Health Section animal health disease testing activities for a hearing with Senate Agriculture regarding the VAAFMM budget and possible Chronic Wasting Disease testing.
- Animal Health Program Coordinator met with USDA-AMS regarding a possible commodity grant the agency could receive for weekly reporting.
- Inspected livestock dealers in Franklin County and provided traceability supplies.
- Inspected a Waitsfield area livestock dealer.
- Met with a non-compliant cervid producer to schedule an inspection and herd inventory reconciliation.
- State veterinarians and staff participated in a USDA webinar on traceability exercises the Section is required to perform for the Cooperative Agreements.
- Completed pet shop inspections in the St. Johnsbury area.
- Met with a livestock dealer in Whiting and provided traceability supplies.
- Completed a compliance inspection at the Addison County Commissioned Sale.

Agricultural Resource Management:

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

- Staff visited two MFOs in Addison County that are transitioning to the LFO program to discuss the transition and complete paper work.
- 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 for the coming month.
- Staff are working on compiling information related to several LFOs that require permit amendments.
- Staff met with a Technical Service Provider to discuss MFO and LFO permitting and amendments.

Conservation Reserve Enhancement Program (CREP)

- Continued mapping/planning work for several ongoing potential CREP projects.
- Created maps showing potential agronomic practice configuration that a LFO could employ to greatly reduce soil and manure-laden runoff from reaching surface waters.
- Provided similar potential agronomic practice maps/estimates for NMP planner working with MFO in Franklin and spoke with farm about applying for EQIP to plan practices and implement.
- Provided map and fence length estimate for Franklin Watershed Committee working on Livestock Exclusion project.
- Wrote proposal for on behalf of VTAAFMM and FNLC to request lab services from VTDEC to analyze milk house wastewater at various stages of treatment in an alternative treatment system installed at a dairy farm in Fairfield with Agency of Ag BMP cost share and ERP grant funds.

Cease and Desist Order

A hearing will be held for a small farm in West Charleston before a cease and desist order (CDO) is issued for violations of the AAPs. The farm was sent a corrective action letter in 2011 as a result of his manure management contributing to high levels of nitrate in groundwater. The farm has failed to manage manure in the manner required by the Agency. Nitrate levels in groundwater have continued to increase above the groundwater quality standards enforcement level of 10 ppm nitrate.

Corrective Action Letter

A CAL has been issued to vegetable grower in Westminster for violations of the AAPs. The farmer constructed a shed in the floodway of the CT River. The AAPs do not allow for the construction of structures in a floodway, but allow for their placement in the floodplain if constructed according to National Flood Insurance Program (NFIP) standards. The farmer will need to move the shed into the floodplain and provide information on the structure's construction so the Agency can coordinate with DEC to determine if it is constructed in accordance with NFIP standards.

Matt Wood Pesticide Certification & Training Supervisor spent Thursday March 20th at Stone Environmental conducting a training for 7 of their employees to get certified as pesticide applicators to prepare for pesticide-related research to be done under an Experimental Use Permit issued by the Agency later this year.

Secretary's Comments

Legislature

- Testified in Senate Economic Development, Housing and General Affairs committee on a possible amendment to S.220. Also participated in discussion with committee and Secretary Spaulding about the Executive Development Cabinet.

Press

- Participated in press event at St. Albans Cooperative Creamery Inc. to celebrate Commonwealth Yogurt giving money to the Farm and Forest Viability Program. This event was also attended by staff from the offices of Senators Sanders and Leahy.
- Visited local farm of Burr Morse with federal delegation staff to celebrate the Federal Farm Bill and its implications for maple.

Meetings

- Spoke at a Farm to College event in Randolph, addressing how colleges can be leaders in changing food systems and how college farms can serve as an educational tool while remaining functional and viable.
- Attended REAP zone meeting in Newport
- Met with David Mears and ANR staff to discuss Lake Champlain TMDL funding.
- Met with members of the Vermont Maple Sugar Makers Association to discuss strengths, weaknesses and threats to the maple industry. Central to the discussion was the issue of "fake" maple and misbranding.
- Participated in NASDA (National Association in State Departments of Agriculture) Board Meeting.

Ongoing Discussions with Governor's Office

- Meeting with Governor's staff to discuss S.119 on Conservation Easements.
- Participated in conference call with Governor's office and the USDA in anticipation of meeting between Governor Shumlin and Secretary Vilsack.

Upcoming Issues and Events

- Traveling to Washington, DC next week to meet with USDA

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Deborah L. Markowitz
Agency Secretary

Justin G. Johnson
Deputy Secretary

State of Vermont
Agency of Natural Resources

CONFIDENTIAL and PRIVILEGED

To: Governor Peter Shumlin

From: Deborah Markowitz, Secretary, Agency of Natural Resources

Date: March 21, 2014

Subject: ANR Weekly Report

Governor Level Issues:

White House Task Force: The Climate Cabinet and staff have been working hard to develop a set of recommendation to include in the White House Task Force Report to the President. We are investing a lot of time and resources into this effort because we think it holds promise for achieving a number of changes in Federal policies, practices and funding approaches. We have been impressed by the access we have to top Federal agency officials. It is obvious to us that they are taking this process seriously. Sue, Sarah McKearnan (my special assistant for Climate Change) and I will be going out to Iowa for the third meeting of the Task Force. I will be keeping Aly and Liz apprised of our progress.

Burlington Contaminated Soils: We spoke with Miro about his concerns that the state had improperly reversed its decision, of several years ago, to allow soils to be moved from the former Moran Generating Station to another waterfront redevelopment site (called the Flying A site) north of Moran for disposal. Having looked into the issue it seems that there is a misunderstanding of what was permitted (the temporary stockpiling of contaminated soils – then permanent disposal off-site) and what they seem to be proposing now (the use of contaminated soils from a variety of brownfield sites as fill for the site). If it is the latter then there are a whole host of regulatory requirements that will add expense to the project. A meeting is being held next week to straighten this out. I have a follow-up meeting scheduled with Miro in a couple of weeks.

Wetlands Permits: The Wetlands Program issued a wetland permit for the Costco Gas Station on Fri, March 7. We have not yet heard of an appeal of that permit, but we would not be surprised.

EVERYTHING ELSE:

Legislative Issues/Testimony:

Shoreland Bill (H.526): Conference committee applicants were designated for H.526, the Shoreland Protection Bill. In the House, Fish and Wildlife Chair David Deen, Ranking Member Steve Beyor, and committee member Bob Krebs; in the Senate, Natural Resources Chair Bob Hartwell, Vice Chair Diane Snelling, and committee member John Rodgers. The House Bill was much less specific – leaving more to the agency to determine through rule making. We are comfortable with the Senate version and expect that with some small tweaks the conferees will be able to reach agreement.

Dam Safety (H.590): DEC Dam Safety Program Manager Steve Bushman provided testimony to the House Ways and Means Committee on H.590, the Dam Safety Bill. The primary focus of the testimony was on the proposed fees in the bill. In support of a new annual registration requirement and fee, Bushman provided a summary of DEC's program and current resource needs to meet safety inspection goals. Although the committee initially questioned the proposed fee structure and revenue projections, DEC worked with committee members and bill proponents to revise the proposal consistent both with committee suggestions and DEC's programmatic goals and revenue needs.

Miscellaneous Solid Waste Bill (S.208): The Senate Committee on Natural Resources and Energy approved S.208 last week. The bill implements most of DEC's recommendations for continued implementation of Act 148's Universal Recycling Law, as well as creating a pilot study of a recycling requirement for construction and demolition debris and mandating that DEC work with stakeholders to develop an infrastructure development plan for recycling and organics processing. A proposed increase of \$1/ton in the solid waste franchise fee (DEC requested an increase of \$6 to the fee, which is currently \$6) must be approved by the Senate Finance Committee before the bill is voted on by the full Senate. The fee has not been increased since 1987, and the \$6 proposal accounts for inflation.

Batteries Recycling (H.695): DEC testified before the House Ways and Means Committee last week in support of the proposal by manufacturers of primary batteries to establish a primary battery recycling program in Vermont. Staff previously worked with representatives of primary battery manufacturers and other stakeholders in the House Committee on Natural Resources, and look forward to working with manufacturers to implement the program. Under the bill, DEC will oversee the proposed battery program, including review and approval of battery stewardship plans, education and outreach to consumers, and assisting stewardship organizations to establish collection services. The bill requires an annual fee of \$15,000 for each stewardship plan, which will pay for 0.2 FTEs at DEC. If all manufacturers participated in one plan, the fee would be equivalent to \$100/year/manufacturer.

Press Issues/Releases:

Valentinetti In the News: WCAX aired a report on the potential effects of EPA's proposed wood burning device new source protection standard on local wood stove manufacturers, specifically Hearthstone located Morrisville. Dick Valentinetti, former DEC Air Quality & Climate Division Director, was interviewed for the story:

<http://www.wcax.com/story/24936086/impact-of-wood-stoves-in-vt>

Hinesburg Hannaford: Dorothy Pellet from the Burlington Free Press contacted the Wetlands Program to inquire about the Hinesburg Hannaford wetland determination decision. This is her second contact about the determination. She will be added to the list of interested parties to receive the final decision.

Endangered Species Act op ed: Papers ran an op ed jointly written by me and the new chair of the Endangered Species Committee, Dorothy Allard. It discussed the 40th Anniversary of the Endangered Species Act and what it has accomplished.

Significant Events/Meetings:

Northeast Committee on the Environment (NECOE): Commissioner Mears and Deputy Commissioner Schuren met with environmental commissioners from throughout the region. Highlights included discussion with EPA on climate adaptation and our investment / disinvestment grant process, a wetlands permitting meeting with Colonel Samaris of the Army Corps of Engineers, and advancing carpet recycling market strategies region-wide.

Building with Wood: Commissioner Snyder represented the Gov. at the White House Rural Council's workshop "Building with Wood: Jobs and the Environment", held in Washington, DC this week. The workshop, part of the Council's work to promote enhanced quality of life and economic opportunity in rural America, offered educational information on the environmental and climate benefits of wood building materials and highlighted the use of advanced wood products and innovative design applications. We are hopeful that it might result in some pilot projects/investments here in Vermont.

SFY 2015 Performance Measures: The Final version of DEC's Department Performance Measures is now posted on the Commissioner's Office website. It includes descriptions of each division along with performances measures and examples of the work that we do.

www.anr.state.vt.us/dec/co/documents/DEC_FY15_PerformanceMeasures_FullVersion.pdf

SUMMARY OF KEY DEPARTMENT ACTIVITY

Environmental Conservation

NOAVs for Outdoor Wood Boilers: The Field Services Section of the Air Quality & Climate Division has issued NOAVs and warning letters to uncertified outdoor wood boiler (OWB) owners who have yet to comply with the retirement provision of 10 V.S.A. §584(g). This is

being done in conjunction with the plan to wind down the OWB Change-Out Program by November. We are hopeful that the NOAVs will help to encourage OWB owners who have not complied with the retirement mandate to participate in the change-out program and avoid the need for enforcement actions.

High School Science Lab Chemicals: Hartford High School was assisted this week in the development of a Chemical Hygiene Plan required under VOSHA. The VT School Lab Science Safety Team (DEC Environmental Assistance, VDH, Public Safety, VOSHA, and Education) has finalized a letter to school administrators on the importance of lab science safety and proper chemical management. Several workshops and training events are being scheduled for school science teachers and administrators in the coming months.

Grow Compost of Vermont, LLC: In response to ongoing, unresolved odor complaints, and a July 2013 NOAV, Grow Compost has decided to cease the acceptance of food residuals. They have chosen to continue to allow residents to drop-off food residuals at their facility, and to continue to accept deliveries of coffee chaff, but all other deliveries have been halted at this point. Program staff met with representatives from Grow Compost last week to discuss the technical details of the pending recertification application for the facility. Staff are currently evaluating the application for conformance with the Solid Waste Management Rules.

Alburg Golf Links, Inc.: The Stormwater Program participated in a multi-program enforcement action led by the Compliance and Enforcement Division against Alburg Golf Links, Inc. The Environmental Court entered the signed assurance of discontinuance as an order of the court on March 3, 2014. The order stipulates payment of a \$25,000 penalty. CED is drafting a press release.

Shadow Lake: The Lake Program's Matt Probasco held a meeting earlier this week about a request for closure of part of Shadow Lake as part of a milfoil early intervention project there. Vermont's Use of Public Waters Rules Section 4 lays out a pretty clear process for allowing this. It was last done in Lake Morey over 15 years ago and we have those files and will follow that process as well. We will be reaching out to F&W about it before getting started. The proposed "closure" is the buoying off of an approximate 2 acre section along one shore where the milfoil is currently the densest to conduct suction harvesting and to keep motor boats from fragmenting the milfoil in the meanwhile.

Fish and Wildlife

Fishing: Ice fishing activity has been depressed due to the recent unseasonably cold weather and heavy snowfall. The few anglers wardens are encountering have been compliant with the laws. Wardens are receiving complaints of over-the-limit violations occurring on Lake Champlain involving Crappie. To date these complaints haven't been substantiated but wardens continue to monitor activity on the lake.

Safe Passage for Wildlife: Staff attended a meeting with VTrans to review the current design and placement for animal passage within the Swanton section of the Rt. 78 project, as well as the structure for Charcoal Creek. Eight terrestrial passage tunnels are planned in the Louie's

Landing area and an arch-type structure was suggested for safe passage by VTrans at Charcoal Creek.

Ceremonial Use of Wildlife: Staff consulted with a Native American spiritual leader wishing to collect bird feathers for ceremonial purposes. If/when the legislature amends statutes to allow wildlife possession for (Native American) ceremonial purposes. The Department will then be in the uncomfortable position of determining who will be eligible. There does not appear to be clear agreement within the Abenaki community either.

Deerfield Wind Bear Project: Staff worked much of the week on the Deerfield Wind Bear Project doing den work, including reconnaissance work to locate the den and organizing supplies and people to visit the den to replace collars. Lawrence Pyne accompanied staff on this past Sunday to the den of an adult female that had three cubs-of-the-year.

Bear: The first spring complaint of bear damage for the year came this week in Middlebury where a bear broke into a chicken coop. Wardens assisted department biologists in visiting the denning sites of tagged bears and tagging some newborn cubs.

Snowmobile accident: Wardens Eckhardt, Stedman, and Watkin were the first to arrive at a serious snowmobile accident. A 37 year old female had crashed her snowmobile on a remote trail and was seriously injured. Wardens stabilized the victim until ambulance crews arrived. The victim was air-lifted to Albany Medical center and continues in intensive care.

Search Warrant Resulting in Numerous Violations: Warden Gregory and numerous adjacent wardens conducted a search warrant in Burke Vermont at a residence and recovered illegal antlers, venison, guns, drugs and live smelt. Charges are pending.

Potential rabies: Warden Brown received two unique complaints involving potential rabid skunks in and around residences. One person was feeding skunks and got nipped. He went to the emergency room where the wound was washed and dressed and he was sent home. He was advised to call the rabies hotline and maybe consider getting a series of rabies shots. It is unknown if he followed the advice. The second person suspected he had a rat gnawing on his ankle while he was sleeping on his couch. This sound sleeper was giving the name of a nuisance trapper because he also has five skunks that live in his trailer.

Fish Buyers Feud: Staff had discussions with the NW District Warden Lt. and Sgt. about fish buyers and permits. The discussions focused on complaints from one fish buyer toward another. A local fish buyer was complaining because the other buyer (from another area of Lake Champlain) was out on the ice purchasing fish directly from anglers. The local buyer felt the other buyer was cutting into his business. Staff plan on further investigation into this matter with the wardens' assistance.

Forest, Parks and Recreation

Appeal of Plum Creek Timberlands (Confidential, Attorney Client Privileged, Attorney Work Product): The State's appeal brief is due on May 23. The Vermont Land Trust will be submitting an amicus brief in this appeal supporting the state's position that the Superior Court erred in that it did not appropriately apply the legal standard set forth by the Vermont Supreme Court in the Jones case and that the Department of Forests, Parks and Recreation's decision in Plum Creek was not "standardless" but was based upon the appropriate silvicultural standards and that Plum Creek's expert did not apply accepted or appropriate silvicultural standards.

State Lands Administration Meetings: Staff from the Department met with representatives from Jay Peak Resort this Monday to discuss ski area plans and issues. Staff from the Green Mountain Club joined us for part of the meeting to discuss backcountry skiing and related impacts on the Long Trail and adjacent state lands. The ski area is reporting a robust ski season with lift ticket sales approximately 15% ahead of last year's figures for this period. Staff will be meeting with Killington ski area officials today, March 21.

Leases and Licenses: The Department has reached a tentative agreement for this sugaring season with Blue Ridge Properties which would allow for up to 3,000 taps on the former Bertha parcel in Mendon in exchange for a fee and a right of first refusal to acquire the timber rights in 2014. This parcel and the adjacent parcel (formerly owned by Burch) are owned by the State, subject to timber and mineral rights which are now held by Blue Ridge Properties. Blue Ridge and the State disagree on whether the timber rights include the right to sugar. A special use permit (SUP) will be developed which will allow for limited tapping for the 2014 sugaring season. The SUP would provide a framework for reaching a long-term agreement for sugaring these parcels in exchange for timber right concessions that would provide additional permanent protection to the Long Trail and other natural resource values associated with these lands.

State Parks Seasonal Hiring: Park field management staff are busy conducting interviews for the 280 seasonal positions needed for the summer prime operating season.

Londonderry Town Forest (1.5 Mile Gap Forwarder sale) Timber Sale: This sale was administered by Sam Schneski and has been completed. This was an extremely wet site with low-quality wood that had to be done in a cold winter. It was also the last year of the contract so this cold winter came at a perfect time. John Adler won the bid and completed the sale with his cut-to-length mechanized harvester/forwarder system. Some interesting features of the sale were a grouse patch cut, a leave tree marked shelterwood, a triangular shaped patch cut for beaver leading to a wetland, single tree selection in large pine, and multiple other wildlife patches. The most interesting thing on this property is the 10-acre blue heron rookery which sees 6-8 nesting pairs annually from March 15 to August 1.



Privileged and Confidential

MEMORANDUM

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

From: Christopher Recchia, Commissioner

Date: March 21, 2014

Subject: Weekly Report

Governor Level Issues:

Status of Priorities and Cases of Interest:

GMP Rate Case: We are filing today our pre-filed testimony on the rate case. It has been a horrific week, but I am comfortable with where we have ended up for this stage. You may recall GMP proposed a reduction of .03 %. As discussed last week, \$198,000,000 worth of projects GMP wanted to include in the rate base as “known and measurable” were at risk, as GMP had little or no supporting documentation of the costs or benefits of the proposed projects. In the end, the Department is recommending that rates be reduced by \$17.13 million, or 2.92%, including a proposed ROE of 9.0%. We reached agreement with GMP on how to address incentive comp, and I avoided us having any discussion of taxes, prudence, the synchronous condenser, wind curtailment, animatronic cows, Rutland expenses, or any such items, in any of our testimony. We also did not discuss the ROE based on any Alt Reg plan, other than to say it was likely to be “somewhat lower” than a ROE based on traditional ratemaking. GMP is aware of where we are ending up.

H.702 Net Metering: As discussed below, the House has concurred with the Senate’s bill

and we have a new net metering act coming to your desk probably in about a week! We are planning a signing ceremony in East Montpelier. I am very pleased that we were able to get all utilities and most all developers and environmental groups on board. Darren did a terrific job on this – and he'd REALLY like a signing pen from you!

GMP/IBM/AARP: We have reached agreement between the parties in the Economic Assistance Program docket to move forward with a new effort at enrolling eligible consumers. We also reached agreement on not challenging efforts to have a 0% rate freeze for IBM for the next three years. Coincidence? I think not. I've now got things in place to move forward with for IBM both for the rate freeze and the Industrial Peak Electricity Reduction initiative with EVT.

Vermont Wood Pellet: At the request of Chris Brooks, I initiated a meeting yesterday to discuss a new proposed wood pellet facility in West Windsor. Looks like it is going to happen and we got ACCD (Lucy) and Act 250 (Ron Shems) and me in my office to talk with them about helping them get through the process quickly. They need to be operational by October 2014, and this, we all believe, is doable. The only change to the site is burning wood for the pellet dryer instead of propane, and air permit issues have already been identified and are permissible based on VWP's current operations.

VGS Phase II – FERC Intervention: We have used our newly clarified authority in S.25 to file an intervention into the filing with FERC by opponents of VGS Phase II who want FERC to take jurisdiction over the case. Today we are just intervening as a party, but obviously we do think Vermont has adequate process and protections to handle this case here.

Regional Initiatives: CLF filed FOIA requests with all states and got AP on the story of the "back room deals" being made (See Boston Globe article today). Several states addressed the openness of the process, beginning with the Governor's announcement, through letters to ISO, press statements, and now the open NEPOOL process. Wilson Ring is also doing a more substantive article on the regional initiative and why it is important. I do think the other states will agree to a reduced cost for Vermont in the 2.2% of peak load range in lieu of the 4% normally attributable for reliability projects, but discussions remain ongoing.

VY: We reached agreement with Entergy on the **site restoration trust agreement** form, and relayed that to the Board. The Parent Guaranty has been a little harder, but we think there will be agreement on that today. Expect **CPG decision** by next Friday. The **VT Digger article** I gave a heads-up about a few days ago came out today. Bernie Buteau of VY was not entirely accurate with Bill Jordan on his report to him or VDEMHS of the other day – the VT digger article seems more accurate with regard to the anonymous condition report filed. No one except NRC has seen the Corrective Action Report so far. VDEMHS wants to send a letter to VY and I'll be reviewing that with them late this afternoon. VY also reported a **positive drug and alcohol result** on one of its subcontractors today. No further information

is available.

Legislature:

- S. 238 and VGS - Darren testified on S. 238 and reiterated the Department's support for long-term CEDF funding but our deferral to Tax on question of revenue. We also noted that assessing the pipeline would lower the economic benefit of the project. Related to this, Senator MacDonald met with Chris and Darren and requested some legislative language he could offer to assess pipeline connections to fund solar thermal. We told him we did not seek or need that authority, and provided instead broader language directing the Department to evaluate opportunities to increase access for customers to renewable thermal energy in our work related to fossil fuel infrastructure. The Department has had productive conversations with VGS about providing an option for their customers who are interested in renewable thermal, in particular perhaps a no-cost to VGS bulk purchase discount negotiated for their customers with solar thermal companies. Energy Co-Op of Vermont does something similar, and Darren confirmed with Eileen that VGS is interested in this following the hearing on S. 238.
- H. 702 Net Metering - Darren testified in House Natural Resources and Energy on the Senate's amendments to H. 702, and recommended the House concur with the Senate's proposal for amendments. The Committee voted 11-0 to do so, and the full House concurred by voice vote on 3/20. The official version of the bill should be available next week, and we will work with Sarah to complete a final bill review. Relatedly, Patty Richards met with Darren to preview WEC's net metering plan once they attain 90% renewable energy (evidenced by owning renewable energy credits) and opt out of the statutory program as is allowed under H. 702. Basically WEC would follow the statute except they will not allow customers to zero out the fixed customer charge, and would assess a separate grid access charge that escalates the more kWh a customer uses. WEC will also seek to own the renewable energy credits generated from their customers who sign up, and require energy audits in certain instances. In practice this likely means customers in WEC territory will pursue smaller systems not designed to zero out their bill. The Department plans to support WEC's proposal, pending further confirmation of the details.
- S. 202 and Efficiency - Senator MacDonald and Senator Hartwell sought the Department's assistance in drafting a narrower version of the Efficiency Vermont proposal to use electric ratepayer funds to incentivize heat pumps. The new proposal would allow for such incentives following a Board investigation, with a number of conditions including that the customer installing the heat pump have a building that meets specified energy standards, or that the building be improved to meet those standards. It could be attached to S. 220, the economic development bill, or another vehicle.

Legislative Testimony:

March 18: Darren testified on S.238 in Senate Finance; Kelly covered S.202 and S.302 in SNRE

March 19: Darren testified on H.702 in HNRE; Anne covered S.201 in Senate Finance

March 20: Autumn testified on H.576 in Senate Health & Welfare; Anne covered S.201 in SNRE

March 21: Darren testified on S.201 in Senate Finance

Significant Meetings/Events this week and next:

March 17: Chris, Darren and staff met with AARP; Chris, Darren and staff met with Mary Powell and staff to discuss GMP rate case.

March 18: PSD and GMP meeting to held to discuss state energy goals and GMP products/services; Chris attends ENVY monthly meeting at SEOC in Waterbury; Staff met with GMP in Colchester to review smart grid costs and benefits; Staff met with Vermont Gas Systems to discuss current and long term plans for system expansion, including cost, location, and customer base. VGS also discussed changes in energy markets or customer demand that may offer opportunities to offer new services.

March 19: Chris and PA held conference call on GMP and Cost of Capital

March 20: PSD held meeting with Vermont Wood Pellett, ACCD, and Ron Shems

March 21: Chris participated on NESCOE conference call; staff met with VELCO engineers

March 25: Chris, Darren, Jim Porter, Geoff Commons and Aaron Kisiki attended BT meeting at Mayor Miro Weinberger's office

Media: Chris spoke with Susan Keese of VPR on VY MOU; Wilson Ring of AP on Regional initiatives; Darren was quoted in VTDigger articles on energy efficiency for large businesses, and EVT's desire to enter into EV and Heat Pump markets.

Everything Else:

PERD

Clean Energy Development Fund – Staff worked with GMP to clarify energy storage project details for DOE and Sandia. The project is actually now 4 MW of installed battery capacity, as opposed to the 2 MW they proposed to CEDF. It remains 3.4 kWh. Sandia's contract to CESA, which will be passed through to GMP, has been delayed as they await clarification on one final piece of information from GMP/Dynapower. Details of Dynapower design proposal were sent to DOE and Sandia for review.

Renewable Energy – Staff met with interagency hydro MOU partners to plan for stakeholder input on the draft project screening criteria, request for comments sent to stakeholders on 3/19. We'll have an in-person (with webinar option) meeting with interested stakeholders on 4/14 and ask for written feedback to be submitted by 4/30. The plan is to issue the final screening criteria and a summary of received comments by the end of May. In the meantime,

we'll be populating the PSD site with useful resources and putting together a draft VT-specific hydropower guide.

Net Metering

Cumulative Capacity of Registrations and Applications Submitted			
Year To Date		Total Since 1999	
2013 kW	2014 kW	1999 – 2014 kW	% of 4% CAP
1326.68	1436.43	40199.92	~ 100.5%

Total Energy Study – Staff met with DEC and FPR to discuss methodologies for accounting for carbon emissions for bioenergy, and reviewed DEC’s electric energy cost values for generation by different technologies; biomass and solar PV appear to be significantly different from current market pricing. Staff also met with environmental stakeholders (CLF, VNRC, VPIRG, REV, VEIC) to discuss the current status of the TES, timeline for next public engagement, etc.

Docket 8180 – Staff met with ANR regarding roles as it pertains to analysis of GHG. ANR staff and attorneys agreed that they will analyze the estimated GHG emissions impacts of the project, while the Department will take that value and incorporate it into any economic analysis. The Department will also support ANR in any power supply related questions necessary. Staff also began drafting discovery requests.

Engineering

Vermont Yankee Operation -VY has been at 100% power since the last report, with no notable issues. VY has conducted routine maintenance and surveillance activities during this period. The plant has operated continuously for 348 days. The Director of Engineering will be at the plant on March 25.

Nuclear Engineer Position - Five candidates were interviewed via conference call this week.

Nuclear Regulatory Commission (NRC) Meeting on High Burn-up Fuel -The Director of Engineering observed via webinar a meeting on the research that has been conducted on high burn-up fuel that experiences a loss-of-coolant accident (LOCA). If all of the independent cooling systems of the plant fail to operate as designed, the fuel temperature can increase to the point of damaging the reactor. Under these conditions, the fuel cladding can also rupture and release fuel fragments. This webinar was very focused on fuel fragmentation, and was not an appropriate forum to ask whether DOE would reimburse for repackaging and transportation of high burn-up spent fuel.

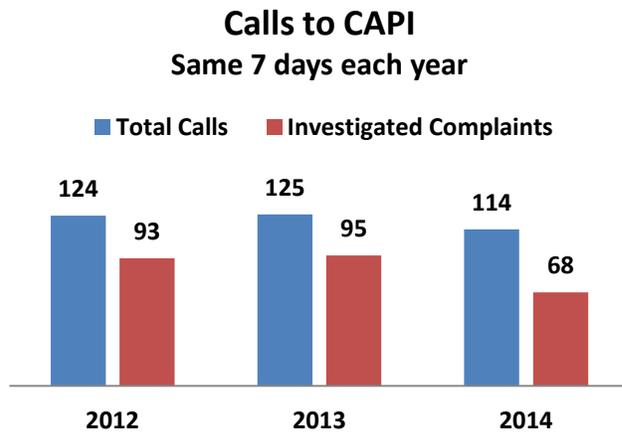
FERC Reliability Standards for Physical Security Measures – Follow-up -The issue of physical security came to the forefront following an April attack by armed gunmen at a San Jose, CA - area substation and knocking it out of service. The topic has now become a news media and

political issue. In recent days the Wall Street Journal published an article titled “U.S. Risks National Blackout from Small-Scale Attack” quoting a FERC study in which the WSJ says that “FERC analysis that concluded the country could be forced into an 18-month blackout if terrorists merely knocked out nine key substations and one transformer manufacturer. The agency’s so-called power-flow analysis found that different sets of nine big substations produced similar results.” The WSJ article drew criticism because many believe that the release of sensitive information was unwise. The Engineering Division discussed this topic with VELCO engineers on March 21.

NECPUC Cyber Security Consultant Visit - NECPUC cyber-security consultant Steve Parker conducted a cyber-security meeting at VPPSA on March 18 with the electric cooperatives and municipals. In attendance were VEC, WEC, BED, Johnson, Morrisville, Northfield, and Stowe. Each utility described its cyber security practices, and then a general discussion was held on best practices.

CAPI

Call data is from Sunday to Saturday, March 9-15, 2014.



Post CPG Wind Complaints

- Lowell Mountain (3)
- CAPI received requests from 2 people for raw data and the 4th quarter reports from sound monitoring at Green Mountain Community Wind.

Other Division Activity

Telephone Relay Service RFP: Two companies responded to the RFP with Letters of Intent to bid: Sprint and Hamilton (these are the only two companies that offer the service in the United States). CAPI received questions from both companies and will be responding by April 1.

Lifeline: Telrite, a wireless ETC, contacted CAPI for help initiating offering of Lifeline service. DCF (and PSD, though we have no formal role in this) approved the QLink application used to

subscribe people to Lifeline. The company is working on drafting an MOU between them and DCF regarding the process of information sharing between them. Conversations continued between TracFone and DCF, with PSD supporting/facilitating. CAPI continues to facilitate communication between the Department for Children and Families and Eligible Telecommunications Carriers on data sharing and application processing. Lack of staffing resources at DCF seems to be a significant barrier in communication and process regarding Lifeline. This issue has caused collaboration failures prompting contact by USAC (Universal Service Administrative Committee) and the Federal Communications Commission.

Burlington Electric: CAPI discovered that BED is adding 25% to the usage data used to come up with consumers' first year budget amounts. This violates Board rules on budget calculation. CAPI explained the PSB rules and offered suggestions on how BED could handle setting of budget amounts. BED has stopped this practice and will credit customers who have been billed the 25% higher amount. The investigation highlighted other areas of misunderstanding by BED about budget billing and CAPI is scheduling a meeting with them to review the regulations.

Burlington Telecom: Stephen Barraclough was informed of interest by PSD to re-initiate discussion and come to resolution about an HD/DVR pricing mistake of theirs, first discussed in spring 2013. Mr. Barraclough has been invited to a meeting with PSD staff.

Informational brochures: 14 years ago, CAPI created a brochure for the public with information about utilities (account initiations, disconnections, payment assistance, etc.). It was well received, and CAPI continues to get requests for it, but we have stopped sending it out because it is outdated. CAPI staff developed a list of public information topics to be addressed in new materials and an initial draft of a new brochure was created devoted to information about electric service for consumers.

Public Advocacy

GMP Rate Case and Alternative Regulation Filing – Docket Nos. 8190 & 8191 – The Department will submit its initial testimony on March 21: ROE testimony from Randy Woolridge, General testimony (focusing on plant additions and other issues) from Bill Schultz, and Power Supply testimony (potentially including some smart grid adjustments) from Sean Foley. The Department has met with the GMP executive team to brief it on the broad strokes of issues that will be raised in the Department's testimony on March 17. At present, the Department's testimony is recommending a reduction between 2.5 and 3%. This is a tentative figure as testimony is being reviewed and finalized.

GMP Power Adjustor Tariff – Tariff No. 8489 – GMP filed its power adjustor tariff for the first quarter 2014. After questions from the Department, it became clear that there were numerous errors in the filing. Nevertheless, after review of a corrected filing, the Department concluded that the errors did not upset the end result, and therefore recommended that the Board accept the filing without investigation.

Barton Solar – Docket 8148 – The Menards filed a Motion to Revise the Schedule to allow two additional weeks for them to file testimony. The Menards base their motion on their misunderstanding of what “non-petitioners” meant in the context of filing testimony, which resulted in them not submitting any prior to its due date. The petitioner objected to the Menards’ motion. The Hearing Officer granted the Menards two additional weeks to file testimony; but, kept the technical hearing scheduled for the week of April 21st. In a letter to the PSB, the Chair of the Barton Planning Commission and the Zoning Board of Adjustment accepted the revised site landscape plan and admonished ANR’s limitation on the vegetative screening (in order to protect the marsh horsetail) as excessive and inappropriate. The Menards testimony is due by March 21st.

Rutland Renewable Energy, LLC – City Solar Garden Project – Docket 8182 – The PSD issued a second set of discovery questions upon the petitioner in an effort to narrow the issues. An MOU or status report is due by April 4th.

GMP Stafford Hill Solar in Rutland – Docket 8098 – GMP provided responses to ANR’s first set of discovery requests. ANR immediately issued follow-up discovery responses. The petitioner also responded to the PSD’s third set, which are being reviewed. An MOU or litigation schedule is due by March 26th.

Northfield T&C Tariff – Tariff No. 8490 – Northfield filed revised T&C tariff sheets intended to eliminate provisions that proved cumbersome from a regulatory point of view. The Department requested one change from Northfield—to require that Northfield provide customers with an estimate of the cost of a service call where the problem is determined to be on the customer side of the meter. Northfield agreed to the change and the Department recommended acceptance without investigation.

Stowe Rate Case – Docket No. 8074 – The Department and Stowe both filed comments approving of the Proposal for Decision issued by the Hearing officer in this case. The PFD accepted the MOU between the Department and Stowe that results in a 3.5% rate decrease and requires Stowe to undergo a Business Process Review and make corresponding changes.

VEC Replacement of Madonna Substation in Cambridge – Docket 8171 – A technical hearing will be held on March 25th. The case is fully settled.

Regulation of Voice Over Internet Protocol – Docket 7316 – Direct Briefs were filed by the Department, Comcast, and the Independent Telephone Carriers on March 17th. Reply briefs are due on March 31st.

Addison Expansion—Docket 7970 –The Department continues to monitor Vermont Gas’s progress with landowners who have not negotiated easements and consequently are moving toward condemnation proceedings. Conversations also continue with the Monkton Select board. Department staff met with the Vermont Gas ROW agents to discuss process.

Addison Expansion Phase 2—Docket 8180- The Board extended the intervention deadline after receiving several landowner complaints—new deadline is March 21. One potential intervenor (Randy Martin) has now requested that the schedule be suspended until the Board conducts pro se workshops in Addison County. In the last week, Motions to Intervene were filed by the Palmers (Monkton landowners), Phase II landowners Raphael Worrick, John Reynolds & Edwina Ho, Christopher Kirby, and Associated Industries of Vermont. As previously reported, the Board has already admitted several intervenors in the process of issuing other procedural orders (15 days had elapsed since their filing with no objections filed), but the new deadline for opposing interventions is March 28. VGS has objected to the scope of some of these interventions granted. VPIRG as well as four individuals have filed Motions to Intervene in the FERC proceeding—VGS’s FERC counsel does not think these have merit. The Department is considering intervening to preserve any right to appeal it might choose to avail itself of.

AT&T, VTel & Verizon 248a Applications – The Department is engaged in various stages of litigation in a number of § 248a applications. The Board is holding a prehearing conference on March 20 for a VTel application for a new tower in Richmond. It is unclear what issues the Board seeks to investigate. After conducting a third-party aesthetics review, the Department has concluded that the Project does not raise a significant issue with respect to a substantive § 248a criteria. The town of Richmond still has outstanding issues with the project as does ANR. AT&T has issued a 45-day pre-application notice for a trio of new towers in Richmond. The Department will be attending a town meeting discussing the proposal on March 24. The Department has also retained an aesthetics expert to evaluate the impacts of a proposed tower in Bennington. The town has already filed an aesthetic analysis indicating that the tower poses an undue adverse impact on the area. The Department’s review is pending. Lastly, the Department is researching the proper role of town zoning regulations in a proceeding in Ludlow. The Ludlow selectboard opposes the proposed new AT&T facility for violating a 1500’ setback requirement contained in the town’s telecom zoning ordinance. The Department will file comments in the Ludlow proceeding on March 20.

Burlington Telecom – Docket 7044 – The Department has received a draft of BT’s petition requesting that the Board approve the settlement agreement between Citibank and the City of Burlington, executed last month, as well as supporting testimony. The Department is reviewing the draft filing.

VGS Looping VI Project—Docket 7929—VGS has now filed a supplemental response to the Board’s memo requesting information on the drug incident in Swanton, which involved two former pipeline workers. The Department and its expert safety consultant will review.

GMP/VELCO 248 Petition for Georgia Interconnection Project—Docket 8205- A Public Hearing was held on March 17. Three members of the public (landowners) attended. Off the record, representatives from GMP answered many of their questions regarding vegetation in the ROW. PSD’s first round of discovery on petitioners is due March 21; we have a limited number of questions related to system design and need.

GMP AARP Low Income Program—Docket 7535—GMP and AARP have provided an initial draft proposal regarding the refund of the “over-collected” funds to the PSD and IBM for review. It includes a second, unanticipated arrearage forgiveness window to enhance participation. The filing deadline for the proposal is March 28. IBM has advised that it will most probably oppose any additional arrearage forgiveness and request that all amounts over the \$ One Million cushion be refunded. The Department is still considering the proposal and negotiating with IBM and AARP.

Sovernet Eligible Telecommunications Carrier Designation – Docket 7619 – The Board issued a memo asking Sovernet for additional information on its request for ETC status renewal.

Charter Hill Solar Project – Docket 8212 – The Petitioner as requested an extension until March 25th to file a proposed schedule. The Department has flagged its concern that the proposed PPA price of \$0.18/kWh does not satisfy Section 248(b)(4).

Willoughby Water – Docket 8117 – The PSD continues to be involved in the customer discussion regarding purchasing the water system from Mr. Collette. The PSD’s next status report is due by March 27th. Moving the system out of PSB jurisdiction would require that all customers agree to join an association, which at this point does not appear likely; other customers are unlikely to agree to acquire a system that would continue to be PSB-regulated.

Barnet Water System Sale – Docket 8214 – In a letter to the PSB, the petitioner requested permission to sell the system to the Barnet Fire District 2. The PSB requested a copy of the Purchase and Sale Agreement and a recommendation from the PSD regarding process and/or disposition of the petition within 15 days of the petitioner making the supplemental filing. The petitioner has filed the requested documentation, so the PSD’s recommendation is due by March 31st. The PSD has communicated with the Barnet Fire District 2 and ANR in order to inform its recommendation, as well as to request that the Fire District supply additional information.

Red Pines Development Water System Rate Increase – Tariff 8478 –In compliance with the stipulation, the petitioner has filed an operation and maintenance contract with Morrisville Water and Light Department, along with a revised tariff and an executed copy of the tariff that became effective on March 1st. Petitioner also provided a copy of its revised disconnection notice, which CAPI has reviewed and approved.

Demand Resource Plan Proceeding - EEU 2013-01 – Participants await PSB ruling on whether additional information will be required that excludes behavioral savings from budget modeling. The deadline for submitting budget recommendations was 3/14 and PSB has indicated they will also adopt a new schedule for the proceeding.

Proposed Revision of Efficiency Savings Account (ESA) Program -EEU 2013-02 – PSB has scheduled workshop on 4/4 to discuss proposed changes to the program.

Soveren Solar 500kW Net Metering Project (Westminster) - Docket 8211 – PSB has requested additional information from Petitioner regarding Town comments in response to 45 day notice. Petition is under review by PA and Engineering. Comments due on 3/26.

CPG # NMP – 3634 VASS (NERCF – St. Johnsbury) – PSB has requested Petitioner to provide information requested by ANR with respect to wetlands within the project and the project’s secondary containment system for the transformer. On 3/12/14 PSD filed comments indicating that we are unaware of any significant issues with any of the § 248 criteria.

CPG # NMP – XXXX – Waterbury Solar – Petition filed on 3/17 under new PSB Rule 5.100 procedure affording a 21 day comment period. Petition under review by PA and Engineering. Comments due on 4/7.

CPG # NMP – XXXX - Townshend Dugreneider Solar - Petition filed on 3/17 under new PSB Rule 5.100 procedure affording a 21 day comment period. Petition under review by PA and Engineering. Comments due on 4/7.

CPG # NMP – XXXX – Westminster Dukeshire Solar – Petition filed on 3/17 under new PSB Rule 5.100 procedure affording a 21 day comment period. Petition under review by PA and Engineering. Comments due on 4/7.

(Note: CPG # NMP- XXXX connotes a CPG application for a Group Net Metering Project. The PSB typically does not assign numbers to these matters until a CPG has been issued.)

Finance and Economics

Electric

Merchant Generation – Staff is currently reviewing four (4) separate renewable energy projects that have filed for Section 248(j) approval to build solar electric generation facilities in Rutland.

Stowe Electric Department – Docket 8074 Rate Investigation—the PSB hearing officer last week issued a Proposal for Decision (PFD) recommending the Board adopt the MOU that will result in a 3.5% reduction in rates for Stowe customers. The MOU also provides that Stowe will perform a business process review of its business and management practices. Stowe this week has advised that the cost of modifying its billing system will cost \$11.2 thousand as opposed to the original estimate of \$5.0 thousand and asks if an accounting order to defer those costs for later recovery would be appropriate. We will respond that using normal criteria for granting accounting orders, this transaction would not qualify for deferral.

VGS—The Department met with VGS who presented an overview and analysis of past year customer expansion projects, residential conversions, infill, and commercial natural gas growth. Based largely on the advantageous price differential for natural gas, building permits, and the outlook for economic growth VGS, projects \$5.6 million in capital investment to accommodate continued growth for 2014 (excluding its Addison and Rutland expansion).

Energy Efficiency Utilities

VEIC EVT – AMI Data Formatting--VEIC has provided a proposal for Vermont distribution utilities (DUs) to recover their extraordinary, one-time expenses associated with meeting VEIC's prescribed formatting of AMI data. VEIC would like the DUs to bill the department who would approve the invoices for payment by the fiscal agent for the recovery of costs that VEIC has caused. The intent of the proposal appears to be an effort by VEIC to avoid the budget hit for such costs and proposes the utilities recover the formatting costs directly from the current Energy Efficiency Fund with the fund to be made whole with an increase in the EEC rates for 2015. There is a consensus of opinion among department Staff (Fin and Econ, Telecom, and Planning) that the DUs should bill EVT/VEIC, the cost causer, and EVT/VEIC should then pay the utilities. EVT/VEIC would then recover its costs through the normal invoicing process where it would receive funds from the fiscal agent. VEIC is opposed to this approach and plans to present its proposal to the Board.

Telecommunications

Burlington Telecom – The City of Burlington intends to file a petition with the Public Service Board on March 28, 2014, wherein it will seek approval of the settlement between the City of Burlington and Citibank and seek to remediate and resolve outstanding CPG violations. Kim Hayden, counsel for the City shared its first draft of the petition, financing agreement and testimony with the Department on March 19, 2014. Department staff will meet with Counsel for BT and Terry Dorman on March 21, 2014, to discuss the proposed financing. A meeting has been scheduled with the Department and the Mayor of Burlington and his legal counsel for March 24, 2014 to discuss the filing, settlement and Board proceeding. The Department will support approval of the settlement between the City of Burlington and Citibank; however, the Board approval process will likely provide some challenges relative to CPG conditions and the Burlington City Charter.

2014 Telecom Plan – Telecom staff are working on creating a draft telecom plan that can be vetted for public comment. This process has stalled in recent weeks due to the upturn in 248a applications and the increased amount of these applications that are being challenged by the towns and adjoining landowners.

248a Petitions – 248a applications are requiring an unprecedented amount of time on the part of telecom and PA staff. Notable applications that are seeing serious opposition are: Richmond (AT&T), Richmond (VTel), Shelburne (AT&T), Ludlow (VTel), Bennington (Verizon), and Berlin (Verizon). In an effort to streamline the process, the telecom division is seeking to convert a currently unfilled telecom infrastructure position from a classified position to an exempt position so that we may hire a lawyer within the telecom division to handle all 248a applications. PSD staff will attend a town meeting in Richmond on March 23, 2014, at which time AT&T will present its most recent proposal for three telecommunications facilities to be constructed. We do not anticipate that AT&T will placate the opponents at this meeting.

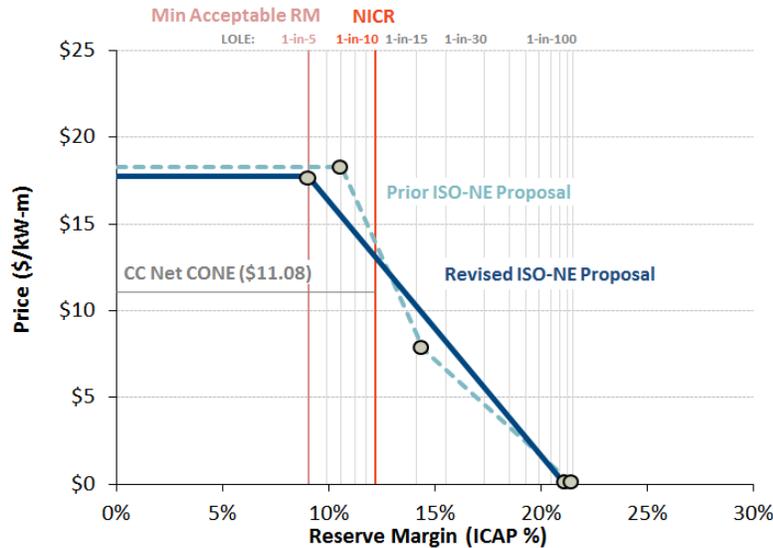
248a and Telecom Legislation - A working group has been established consisting of Senator Bray, Senator McDonald, Representative Young, Representative Ralston, the Secretary of Administration and a member of the PSD telecom staff. The working group will draft 248a and other telecom related legislation, to be attached to a germane bill in Senate Finance, that hopefully will receive approval from both the Senate and House.

Broadband in Putney – In response to calls that indicate a lack of understanding (as well as irritation) from Putney residents regarding broadband options – both existing and in progress, the PSD has scheduled a meeting in Putney. The PSD, VTel, FairPoint, VTA and ACCD will have representatives in Putney on the evening of April 2, 2014, at the fire station to discuss broadband deployment in Putney. We will explain what broadband options are currently available and what projects are in process. Based upon the number of calls we receive from Putney residents, we expect this to be a well-attended meeting.

AMI Related Costs and VEIC – Stowe Electric and VEC contend that VEIC requested that its' format for AMI data to be transferred to VEIC be in Green Button Format. The PSD also requested this format based upon VEIC's desire to use Green Button Format. Stowe Electric and VEC paid to have this format built-in to their AMI systems for data transfer. VEIC recently retained O Power as the third-party entity that will be receiving bulk AMI data on behalf of VEIC from the Distribution Utilities. O Power will take the data in a format different from Green Button Format. Stowe Electric and VEC believe that the cost to reprogram their systems to accommodate O Power should be borne by VEIC and the Department initially agreed that this was appropriate. VEIC does not believe this is appropriate and would like for Stowe Electric and VEC to pay this cost and recover it in rates. PSD is reviewing the recent assertion by VEIC.

Regional Policy

Sloped Demand Curve - ISO-NE and NESCOE reached an agreement regarding ISO-NE's proposed sloped demand curve. Under the agreement, ISO-NE would propose a net CONE value of \$11.08, a demand curve with a cap at 1.6 x net CONE that begins sloping downward at a 1 day in 5 years loss of load expectation, crosses the net Installed Capacity Requirement (1 day in 10 years loss of load expectation) at approximately \$13/kW-month and reaches a price of \$0 at a loss of load expectation of approximately 1 day in 100 years.



ISO-NE's proposal also includes an exemption from the Minimum Offer Price Rule for up to 200 MW per year of renewable resources that have contracts in furtherance of state policy. This exemption allows these resources to be able to effectively compete in the forward capacity market and therefore reduce costs to ratepayers. NEPOOL's Market Committee held a vote on ISO's proposal, which passed with 74% support. The Markets Committee also voted on other proposals, most notably an exemption from the MOPR for self-supply resources for the Public Sector (municipal and cooperative utilities). This amendment failed with 25% of the vote. NEPOOL's Participants Committee will hold its final vote on March 21.

Vermont Gas 7(f) Petition - VGS has petitioned FERC requesting that FERC treat the pipeline extension to Ticonderoga as essentially only an expansion of its service territory rather than an interstate pipeline. The petition asks that FERC recognize that Vermont and New York adequately regulates the rates and environmental impacts associated with the pipeline expansion. VPIRG filed a protest to VGS's petition at FERC, stating that FERC must do its own environmental review, including greenhouse gas impacts, of the pipeline expansion. Staff are preparing a brief motion for intervention and comments to FERC stating that Vermont adequately regulates rates and environmental impacts, and accordingly, additional FERC regulation would be duplicative. This argument is consistent with FERC precedent.



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
cc:
Date: March 21, 2014
Subject: Weekly Report

Vermont State Police

A Troop

Large amount of accident and slide off investigations this past week as there was a large storm and wind events after the storm that caused havoc on the interstate and back roads.

On Thursday (3/13) troopers responded to a crash that involved 12 vehicles on I 89 south near Exit #18 in Georgia during a snow event on an ice covered bridge. The road was closed for approximately one hour.

Waterbury crash on IS-89 looking like a suicide, death investigation was turned over to Det. Sgt. Thomas

New drug case at CCCC, inmate cited for possession of heroin/importing into a facility.

B Troop

Four reported forced burglaries to residence in Stannard, Barnet, Sheffield & Lunenburg; three suspects for the case in Stannard.

Clint Fournier was arrested as a fugitive from Justice. When troops stopped him, he was in possession of 65 grams of coke & 85 grams of heroin.

Heavy snow storm accounted for increase in accident and cases.

Tpr. and (K-9) Arrow assisted NIU- Arrow alerted on vehicle that had been stopped. Heroin and Cocaine were located in the vehicle.

Follow up work on O'Hagan case. Working to get third suspect back to Vermont.

C Troop

Lost skier/ Killington (age 16)...located and fine.

Shooting in Killington, two victims shot in the leg, and another person charged with simple assault-roommate argument gone bad.

Many crashes this week due to mid-week snow storm.

Conducted a consent search and arrested a passenger for possession of heroin and possession of a regulated drug. Tprs. assisted the Vergennes Police Department with a search warrant for narcotics.

D Troop

Multiple crashes due to snow storm

Executed a search warrant in Brattleboro after a six month long investigation into burglaries/thefts; over \$40,000 in stolen property was found; and one female was arrested for Burglary, Possession of Stolen Property and Retail theft.

Troopers responded to a home invasion in Westminster; through investigation, Troopers located and arrested four individuals (3 of which were juveniles) for Burglary to an occupied residence.

Arson

Fire investigation in Rutland Town – Old Flory’s motel , suspected arson fire

Fire Safety

Issues / Updates:

The Division received \$3,000,000.00 in new plan review construction valuation collecting \$19,000.00 in permit fee revenue.

Appears NFPA is going to drop its Consumer Fire Works Standard which is currently adopted in Vermont and across the country. Consumer fireworks are those we see at NorthStar in East Montpelier.

Emergency Management/Homeland Security

Legislative Contacts:

DPS Finance responded to an inquiry from Rep. Fagan regarding the funding source for the second Public Assistance Coordinator (PAC) position, which is eligible to bill hours against FEMA Public Assistance Category Z indirect administration.

Received copies of congressional staffers’ correspondence with FEMA from Patricia Coates of Rep. Welch’s office.

Administration

Accounting, Budget, and Procurement Update:

It appears that HAC is assuming the scoop of \$3.2M from the Fire Safety special fund #21901, but also shows in their Committee notes shared with me by David Beatty that they have penciled in an additional \$1.6M in vehicle funding for DPS.

Grant Management Update:

Prison Rape Elimination Act (PREA): We are attempting to sort out the implications of this federal act on our Department of Justice grants. We have heard that there will be percentage reductions of our granted funds for non-compliance with the requirements under this legislation. Vermont's non-compliance with PREA will result in a 5% reduction to our Byrne/JAG funding going forward. We are still discussing the implications of complying with the requirements.



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Jeb Spaulding, Secretary

**PRIVILEGED AND CONFIDENTIAL
MEMORANDUM TO THE GOVERNOR**

TO: Governor Peter Shumlin
FROM: Secretary Jeb Spaulding
DATE: March 21, 2014
SUBJECT: Confidential Report to the Governor

BUILDINGS AND GENERAL RESOURCES

Pavilion Steam Pipe Burst Update

The maintenance staff was able to replace a damaged steam valve and also replace a damaged gasket in a large gate valve in the basement of 109. Almost all of the maintenance staff and a couple of the custodial staff were present to clean up water, move furniture or perform repairs. Everyone stayed on site until the system was up and running, shortly before 1:30 pm. Although this incident has been resolved, we plan to identify the causes and make necessary changes so that it doesn't occur again.

Legislative Issues/Contacts

- Brief weekly meeting with Speaker Smith to discuss mini Bacon Davis
- Weekly meeting with Sen. Flory and Rep. Emmons scheduled for tomorrow re: capital adjustment bill and other matters
- Econometric Modeling meeting with Senator Pollina, Jason Aronowitz and Deb Damore

Significant Events/Meetings

- Sidonie Macritchi & Kevin Hardy: met with each individually
- Prospect Street/White River Junction: lease executed
- CCTA Follow up meeting with Steve Carlson and Bill Watterson (CCTA) along with Mike Kuhn and Dave Burley to discuss impacts on the State of Vermont of CCTA
- Heat Plant Testing

Evolving Issues

- St. Albans: deal coming together. Emily putting together an update.
- WSOC – Rats on Randall Street. The State of Vermont is practicing good will. Mike Stevens is on top of the situation.

FINANCE AND MANAGEMENT

Issues Update

The House Appropriations Committee continues to “mark-up” the FY 2015 budget bill and plans to move the bill out of committee by this Friday or next Monday, March 24, 2014. Budget Analysts are covering the mark-up process and our office is communicating developments and concerns to the appropriate Secretaries and Commissioners. At this point, HAC is working to fill a \$14 million gap left by not including the claims assessment and have identified various reductions to the Governor’s budget. In addition, they have asked House Ways & Means to identify an additional \$4 million in new revenue to help fill the gap.

The House Committee on Government Operations voted to pass the Pay Act (6-5) on Thursday, March 20, 2014. The bill was adjusted from the Administration’s version to declare a total rate of adjustment (increase) of 3.3% as opposed to 4.2%. House Appropriations will take up the bill next.

H.877 – bill that repeals reports – has been introduced. Finance & Mgmt will work with Agencies and Departments to ensure that no crucial reports are repealed.

HEALTH CARE REFORM

No significant updates to report.

HUMAN RESOURCES

Legislative Issues/Contacts

Commissioner Duffy testified before House Government Operations on the Pay Act. Republicans on the Committee expressed concern about the necessary appropriations, and a reduction to the cost of living increase and rate of adjustment was made. Nonetheless, Republicans voted against the bill, and we can anticipate a contested discussion on the House Floor.

Secretary Spaulding and Commissioner Duffy reached a compromise with the VSEA on S. 218, a bill on temporary employees. The compromise included a provision providing limited sick time for temporary employees. Commissioner Duffy testified on the bill in Senate Government Operations, which passed the bill out of Committee. She then testified on the bill in Senate Appropriations. Senate Appropriations stated concerns about the sick leave provision and amended the bill to delete this provision.

After the original version of S. 241 was defeated in the Senate Economic Committee, the VSEA presented a revised bill calling for a study committee to address whether the Legislature should allow state employees to bargain for the right to go to arbitration, rather than requiring a final decision by the Labor Board. The Committee passed out that bill, and testimony will be taken on the bill in Senate Appropriations.

Deputy Secretary Clasen and Commissioner Duffy are working with representatives from the Legislature to insert language into the appropriations bill that would permit a pilot program allowing certain departments to hire employees within existing appropriations, without requiring legislative position authorization. This would permit a department to manage to its budget, and potentially reduce overtime and usage of temporary employees.

Commissioner Duffy testified, along with Commissioner Boes, before House Government Operations on H. 516, a bill to move the Vermont Center for Geographic Information into state government. Given questions about increase in positions that would be required, as well as funding, there is doubt the Committee will pass the bill out. An extension has been granted on this bill, however, so further testimony will occur in House Government Operations.

Commissioner Duffy testified on H. 864, the Capital Bill Adjustment, on language inserted into the bill regarding change management practices to be implemented for all redesign of offices and moves of employees. This language was inserted in lieu of language requested by VSEA that would have mandated unworkable actions when designing a new office space and moving employees.

General Counsel Collier testified before Senate Government Operations on H. 863, the whistleblower law requested by the Auditor's Office.

Press Contacts

Commissioner Duffy spoke with Nancy Remsen about the Pay Act and the split vote of the Committee on the bill. She also spoke with the AP and Vermont Digger about the entry into a side letter with the VSEA to permit the Administration to implement an Employer Group Waiver Program (EGWP).

Significant Events/Meetings

DHR has entered into a side letter of agreement with the VSEA permitting the Administration to implement an Employer Group Waiver Program (EGWP).

The Vermont Veterans' Home appears poised to implement a schedule allowing the use of part time employees, which will enable the Home to address concerns of the VSEA that some employees did not have weekends off.

Evolving Issues

DHR is continuing to address minor issues regarding claims processing as a result of the move to Blue Cross Blue Shield. One former employee, Governor Douglas, has expressed his concerns around a particular provider, but DHR has advised him the provider cannot be in the BCBS network based on unsound billing practices.

DHR has worked with Blue Cross Blue Shield to launch a wellness web portal. As part of this process, DHR worked with the Chief Marketing Office on rebranding and marketing. DHR has also announced an incentive program and 5K challenge. DHR will prepare an announcement for Secretary Spaulding to send to appointees requesting their leadership support for the challenge.

DHR has prepared a video training on whistleblower activity, based upon concerns raised by House Government Operations. Commissioner Duffy will present the video to Secretary Spaulding for final approval, and if approved, distribute to appointing authorities.

INFORMATION AND INNOVATION

Healthcare

Integrated Eligibility (IE) RFP - The IE RFP has been modified so it includes appropriate time for vendors to respond, but is still on the aggressive side. It has completed the review cycle and should be posted today or tomorrow.

VHC – CGI negotiations and relationships continue develop. The separation of the Access Integration statement of work (SOW) and the primary VHC (SOW's) is now causing confusion with even Maintenance and Operations costs, delivery and expectations. Efforts are underway to clarify Access Integration efforts (interface management, troubleshoot, data quality issues, etc.) that have put upward pressure on M&O cost.

CMS requested a conversation about the Security Event that was reported by VPR. Nick will be facilitating a phone conversation on this topic in the coming weeks but not releasing documentation.

Legislative Issues/Contacts

Richard met with Mitzi Johnson late last week and Mitzi asked if DII could reduce costs in any way. During that conversation I said we would look to see what had changed since we submitted the budget request, but that one area we expected to see reductions was in response to the auditor's cell phone audit and that the administration was looking at land lines as well. However, we did not have any good way to distribute potential savings until the work is complete. I have since been asked by the legislative council to provide some language for the big bill by tomorrow morning and have reached out to Sue Zeller to see what we can put together quickly.

Evolving Issues

DII is continuing work with Sarah London and Jaye Johnson on a public records request from Randy Brock. We expect to respond on 3/21.

Judiciary Cloud project is well underway. It is clear that Judiciary skillsets need to be improved in areas like active directory, group policy, printer management. Many issues have arisen because of this gap and fortunately the VDI vendor has helped where they can. We are engaging their new CIO in these discussions to give him some IT foundational areas he may want to consider improving or augmenting.

Discussions pertaining to the last Amber Alert issue with DPS went well. There is a clear focus on simplifying the design and removing other state system dependencies that are not value added. Further discussions and design efforts will be underway in the next several weeks.

LIBRARIES

Significant Meetings/Events

Board of Libraries, 3/21

Board meets this morning at Norwich University

Geographic naming item: the Town of Westmore responded to our inquiry as to whether the Town had an interest in changing the name of Mud Pond (as requested by the USGS Board of Geographic Names.). There is a lot more to this story if you need more information, but the end result is that we will respond to the US Board that we have followed their directive to get a response from the local town regarding this name, and that the Town chooses to retain the name.

State Data Center

I responded to an inquiry from the Joint Fiscal Office regarding the \$100,000 item in ACCD budget for a grant to support the work of the State Data Center (UVM Rural Studies). I had several conversations this week with Michael Moser (Data Center director) and sent the document (attached separately) to the JFO. I see this \$100,000 in funding as essential, particularly with our move to use of big data, need for

training and assistance in state government with census data/demographics and the work that the Data Center continues to do with State agencies/organizations).

VT FiberConnect

This week we reached a milestone when the 42nd library went online with their new fiber optic connection. The final library (Manchester) will have fiber installed in April in their new library (under construction.) They expect to begin use of the fiber and the State Wide Area Network when they open their new building in September.

TAXES

Legislative Update

Ed Finance

W&M Draft as of Thurs. Aft, Changing Rapidly

Base Case: This year's rates were 1.44 (non-res), .94 (res), 1.8%, \$9141 base ed amt. By statute (the revised Dec. letter) the rates would be \$1.51, 1.01, 1.84% and \$9382 base amount.

W&M Bill: The Committee took a straw poll and landed at \$1.52, .98, 1.90% and \$9382. Koline, Johnson, Greshin and Wilson voted against, Condon reluctantly voted for. Greshin's concern was non-residential, Wilson thought income sensitivity rate should go higher/non-res. lower, and did not want to vote when other provisions of the bill are still in play. Koline is increasingly vocal that they should not be wasting so much time nibbling around the edges rather than doing larger reform.

Other Provisions: Extending the slope for claiming partial income sensitivity to about \$125,000 income seems settled. Still looking to cap income sensitivity at 6000, but exempting the over 65. Still grappling with renter rebate, equalized pupil breaks, small schools grants, spending penalty provision (now considering anchoring the current per pupil amount, indexed to inflation), design of provision to rebase the GF transfer. Appear poised to use \$6M of the supplemental property tax relief fund.

Miscellaneous Tax Bill

Revenue Target and Proposals

As of Thursday morning, Rep. Ancel announced that W&M was tasked by Appropriations to find only \$4.4M in revenue. They stripped out the health claims assessment, and as of the moment, have cigarettes, soda and supplements on the table. They heard from the health advocates in favor of raising the tax on cigarettes, and from various groups (including elder advocates) in opposition to taxing supplements.

Research & Development Credit

Last week Sara Teachout testified that the new federal regulation could mean a loss of \$500,000 in revenue. This was not consensus. Tom Kavet testified that there might not any increase. The Commissioner testified that the regulation (which reflected caselaw) did not justify a change in the credit, and any such change would be perceived very negatively in the present competitive climate with other states. Several companies that receive the credit testified as to its utility. Companies were uniform in their opposition to disclosing the amount of their credit, although some were less opposed to being listed as a recipient (The Commissioner noted that disclosure of a small number of companies, especially without the context of the amount of tax the recipient paid, could be inappropriate). The Chair was captivated by the fact that Vermont's 30% piggyback was high relative to other states, and may look to lower it.

Senate Finance

S. 220, Economic Development Bill

The Committee stripped out the Entrepreneurial Tax Credit, as well as the limitation on cloud taxation. The Commissioner testified that the cloud language was problematic as drafted (and that the lost revenue was not in the Governor's budget). The Chair did suggest to Sen. Mullin that cloud would be discussed further in the context of the Miscellaneous Tax Bill.

Natural Gas Pipeline

Sen. Bray continued in his quest to have the Department value natural gas pipelines rather than local listers, and also to assess a fee based on value (over and above the property tax) to fund CEDF (which would disburse to towns hosting the pipeline). The Commissioner testified that although not unsympathetic to the issue of inconsistent valuations, this was part of a larger issue affecting our entire appraisal system, and would rather it was dealt with comprehensively. The concern is that added appraisal duties would be given to the Department piecemeal without appropriate resources. Already, the Department's role in the hydropower litigation is straining our legal department (only one attorney deals with property tax issues; scores of cases bubble up from the towns even without direct involvement). Privately, the Commissioner tried to sell the Senator on a study, but he wasn't buying it. He concedes the CEDF piece is probably not moving this session.

Current Use and Compost

Senate Ag took testimony from Bill Johnson of PVR once again on current use, covering a whole range of issues. They also took up the agricultural compost sales exemption passed by the House.

ANR PILOT Payments To Towns

Based on appraisals by PVR (required periodically), the PILOT payments to towns with ANR property would increase greatly. The payments are based on a formula where the rate typically exceeds the host town's municipal tax rate. House Natural Resources apparently has been tasked to take the first shot at trimming these payments, perhaps with some sort of moratorium.

Operations

VTax Project

The Department has drafted for approval two small contract amendments to address staff augmentation during the project – the purchase of service hours from RSI, our data warehouse vendor, in order to keep the warehouse fully operational; and the purchase of further consulting hours from the consultant who assisted with the contract negotiation to support our project director, as well as to analyze and report on the first rollout when completed to suggest improvements in later implementations. (This consultant is still working with MA on project management of their FAST implementation.)

Returns Processing

As the IRS and other states are also reporting, we are running ahead of returns over last year (although last year got off to a slow start with the IRS delay, and never recovered until the end of the filing season). The IRS announced it is more than halfway through its anticipated number of returns, we are just a bit behind that. Over \$350,000 in refunds have now been stopped (exhibiting the robust black market in stolen IDs, some refunds are requested for taxpayers whose accounts were also compromised last year).

CONFIDENTIAL MEMORANDUM TO GOV. PETER SHUMLIN

From: Susan Spaulding
Date: March 21, 2014
RE: Boards and Commissions Update

NOTES:

Commission on International Trade and State Sovereignty: Asking Claudia Ashton if she is interested in serving.

Agricultural and Forest Products Development Board: Will make sure that Ted Brady doesn't have a conflict of interest.

Vermont State Housing Authority: Asking John Mabie if he is interested in serving.

Community Development Board: I spoke with Jen Hollar and she says Bruce MacLean and Ame Silver are GREAT board members. I will contact Bruce and Ame and ask them if they would like to be reappointed. *Jen said it looks like there is going to be a resignation which will open a spot for David Scherr if you would like to appoint him.*

Housing & Conservation Board: Asking Cheryl Rivers if she is interested in serving.

Vermont Economic Development Authority: Liz is asking her sister if she would like to serve and if not we'll ask Charlotte Ancel.

Appointment made March 21, 2014

Vermont Communications Board:

REAPPOINTED: Alton Barber, Hinesburg (Vt State Firefighters Assoc.)

Travel Information Council:

APPOINTED: Tom Lauzon, Barre (public member)

REAPPOINTED: Elizabeth Kennett, Rochester (Agriculture rep)

Access Board:

APPOINTED: Michael Charron, Northfield Falls (Individual with Disability)

Justice of the Peace, Town of Weybridge

APPOINTED: Laurie Borden (Democrat)

Governor's Council on Physical Fitness & Sports:

REAPPOINTED: Janet Franz, Shelburne (CHAIR)

REAPPOINTED: Nancy Heydinger, Vernon

REAPPOINTED: James Pepper, E. Montpelier

REAPPOINTED: Connie Tompkins, Colchester

Board of Public Accountancy:

REAPPOINTED: John Borch, Hinesburg (CPA)

Board of Architects:

APPOINTED: Beth Chenette, Barre (Public Member)

Vermont Economic Development Authority:

APPOINTED: Thomas Gallagher, St. Albans

Lottery Commission:

REAPPOINTED: Martha O'Connor, Brattleboro (CHAIR)

REAPPOINTED: Karen O'Hagan, Winooski

Lake Champlain's Citizen Advisory Committee:

REAPPOINTED: Paul Hansen, Alburgh

REAPPOINTED: Lori Fisher, Williston

District #2 Environmental Commissions:

APPOINTED: Jim Olivier, Putney (Member)

Human Rights Commission:

REAPPOINTED: Mary Brodsky, Essex

Pathways from Poverty:

APPOINTED: Whitney Nichols, Brattleboro

APPOINTED: John Gorczyk, Montpelier

APPOINTED: Brenda Brow, Northfield -. (1963-?)

Consumer Advisory Council on Health Care Reform:

APPOINTED: Walter Carpenter, Montpelier

APPOINTED: Ellen Oxfeld, Middlebury

APPOINTED: David Reynolds, St. Johnsbury

Vermont Housing Council:

APPOINTED: Christopher Curtis, Montpelier (Low Income Advocate)

Historic Preservation Advisory Council:

APPOINTED: Helen Whyte, Manchester (Public Member)

CONFIDENTIAL and PRIVILEGED

To: Governor Peter Shumlin
From: Michael J. Hogan, Commissioner of Liquor Control
Date: March 14, 2014
Re: Weekly Report

Status of Governor's Priorities: House marking up Budget- no issues with DLC.

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. No additional House Testimony Scheduled this week.
- S260: Allows for licensees that have had their applications approved on the local level but don't have the state's approval (DLC) due to other requirements to have a wholesale dealer deliver product to them to sample and prepare menus for actual opening of the business. Senate passed the bill this week and in House General. Testified this past Tuesday and all went well. The committee was very receptive to the intent of the bill in that it will help businesses be prepared and ready to go once fully licensed. No additional House Testimony Scheduled this week.
- H671: This bill moves our Liquor Investigators under Public Safety. Board Chair testified last week. I don't see this bill having any movement for now. I think it needs more testimony as a move like this is very complicated as to regulatory issues and Board interaction. Somehow this bill got an exemption for cross over. Not sure where it stands.

Press Issues/Releases/Contacts: Nothing now.

Significant Events/Meetings: Next Board Meeting 04/04/2014 - Enforcement Hearings.

Evolving Issues:

- ERP/POS Project Contract signed this week. Kick off meeting in April.
- Preliminary review of department processes for potential licensing and enforcement system.
- Performance Audit underway. Report hopefully in April.

Summary of Key Department Activity:

- March sales still looking good.

Commissioner's Commentary: Have a great weekend.