

WEEKLY REPORTS

Checklist
7/25/14

Elizabeth Miller/Alyson Richards

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

TBD

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

Sue Allen

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

Sarah London/Carolyn Wesley

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

Susan Spaulding

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

To: Governor Peter Shumlin
From: Patricia Moulton, Secretary - Agency of Commerce and Community Development
Date: July 25, 2014
Re: Weekly Report

PATRICIA MOULTON, SECRETARY:

IBM: Frank Cioffi called with what I think is a decent idea to offer funds from the Enterprise Fund to IBM if they commit to invest in R&D in Essex. I.e. Give them \$1 million if they invest \$10 million in R&D, \$2 million if they invest \$20 million, etc. up to a max of \$3 million. This assume we do not need funding for GF or anyone else. We can discuss in more detail but I think it has some merit depending on what we are hearing.

Rescission: I have talked to our staff. They are of course gun shy given the experience of ACCD during the great recession when we went from 105 employees to 83. I assured them we hope to avoid any RIF's. I have gotten some good ideas from some staff already. They require discussions with VSEA which we will be doing but consider:

- Reinstatement of the option of unpaid time off. And/or the option of voluntary shortened work week.
- Consider offering employees the option of paid time off instead of a COLA each year. This came from an employee whose peers in the private sector often receive 6 to 7 weeks of paid time off to her 3. She would value more paid time off than more money.
- Early retirement. I recognize this is a double edge sword and we may have two very key people take this option which would be a problem. We have a succession plan with these two but would not implement for another year.

FAHC: Noelle briefed me on the conversation with FAHC. Sounds like they are open to her ideas. We agree they should maximize the density on their South Burlington site. We are meeting with them again on August 6.

Air quality and wood stoves: I participated in a good meeting with ANR (FPR, DEC), Health, and us regarding a wood stove upgrade incentive program. This is the beginning of a process to see what we can do to get Vermonters to buy more efficient wood stoves. The goal is air quality but also more wood burning. I learned our two main stove manufacturers (Vt. Castings and Hearthstone) already comply with Phase one of new EPA emissions standards for residential wood stoves. Vt. Castings may already comply with Phase on slated for implementation in 5 years. Vt. Castings would love to see a "cash for clunkers" type program to incentivize change out.

Windham County Economic Development Program: We hope to launch Friday, July 25 or Monday the 28th. The "hold up" is getting the right technical solution to enable fillable PDF and uploading of documents without having to attach and potentially clog up in-boxes. We are there now and are testing. Press release and all is ready to go.

Public records request: We have a records request from Brady Toensing for all information for "all state employees" who have traveled outside the US, their itineraries and agendas. John Kessler is responding to try to narrow this request and explain we can only provide ACCD employees not all state employees. As with all public records requests, I will closely monitor what we may be sending and we will work with Sarah.

Personal I will be out the next two Fridays. Next Friday for a long planned camping trip. August 8 for moving to Montpelier! I close on my house Friday, 7/25 and move my belongings from Londonderry to Montpelier 8/8! Lucy will do the weekly the week of 8/8, I expect to do it next week.

LUCY LERICHE, DEPUTY SECRETARY

- **Biomass Energy Resource Center (BERC) at Vermont Energy Investment Corporation (VEIC) Stakeholder Meeting:** BERC presented goals for increasing biomass for home heating in Vermont from the current level of 15% to 28%. This increase would fill all of the estimated remaining wood biomass capacity of 900,000 cubic tons. Additionally, there was broad support for VEIC to serve as the sponsoring utility for the Rural Utilities Service RD utility funds. VEIC has applied, and is hopeful that VEIC will be an approved applicant and awarded up to \$100 million dollars to create a renewable energy and efficiency granting fund that would be available state-wide. There was also considerable discussion of the MOU with Upper Austria and organizing a delegation to visit the country at a cost of about \$3,000 per participant.

BERC/VEIC feel strongly about having representation by the Shumlin administration on the trip. Lucy made the point that this would be highly unlikely in this budget environment and in order for this to even be considered, there would have to be an outcome with significant and tangible benefit for Vermont.

DEPARTMENT OF ECONOMIC DEVELOPMENT

Lisa Gosselin, Commissioner

- Lisa Gosselin and Kiersten Bourgeois followed up with **Efficiency Vermont** on how EVT might help certain companies DED has been meeting with to achieve better results and what opportunities there might be in a “cash-for-clunkers” style rebate program to encourage the replacement of aging, inefficient wood stoves that do not meet new EPA standards. This comes on the heels of a meeting David Mears had held on how to encourage wood heat. EVT’s budget is limited as the majority is in electricity savings and must be steered back toward electricity but suggested an option might be to consider VLITE fund options.
- Lisa Gosselin followed up with **Vermont Castings** CFO Jacob Reuben to discuss programs that might help the company and relay concerns raised by constituents on wages. VC was very appreciative of the Governor’s visit and efforts that are underway and is working on the wage issue. Is interested in learning more about EVT options and also working with the Vermont Training Program.
- **Vermont dominates Google Economic Impact Report.** Lars Torres, Ken Jones, Lisa Gosselin and Pat Moulton worked on analyzing the significance of new data Matt Dunne and Google are presenting that show that Vermont has seen an astounding 400% increase between 2012 and 2013 in what Google calls its “economic impact.” (West Virginia, the second highest saw only a 41% increase.) The report shows how Vermont has seen a huge increase in the use of Google AdWords and AdSense that now put our use per capita in alignment with Massachusetts and indicates an upswing in our businesses use of e-marketing tools. (<http://www.google.com/economicimpact/reports/vt.html>).

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

- Brent and Becky are drafting a 5 pager for a book Invest in USA, which is going to be published in both Chinese and English, affiliated with ILW.
- Brent has provided BMF Bioscience and NRG system trade show grants. By doing that, the Leahy Grant trade show grant has been fully allocated.
- Becky has been talking to a potential investor. By talking to Becky from the Vermont Regional Center, the investor gained extra confidence, and decided to invest in Mount Snow.

VERMONT ECONOMIC PROGRESS COUNCIL ♦ Fred Kenney, Director

Vermont Economic Progress Council

- At their monthly meeting on July 24, the VEPC Board took the following actions:
 - Approved an Initial Application for VEGI incentives totaling \$595,000 to Twincraft, Inc. for a potential project to expand into liquid personal care products. The company is choosing between acquiring a Canadian company that already manufactures liquids, or purchasing a facility and M&E and hiring 84 full-time employees in Vermont. If the build option is selected, the incentives would also mean the project would be accelerated.
 - Terminated incentives for Alpla, Inc. and Airboss, both of whom moved to Vermont and are still in operation, but have not met performance requirements by the end of the grace period.

VEGI

- On July 24, staff presented 2014 model changes to the Joint Fiscal Committee for approval (received unanimous approval).
- On July 24, staff presented a request to the Emergency Board to increase the cap for calendar 2015 to \$15 million.

VT PROCUREMENT TECHNICAL ASSISTANCE CENTER ♦ Robin Miller, Director

- **Nu Harbor – Huntington:** Justin Fimlaid contacted Joanne Spaulding to inform her that he had been selected as the contractor for the INFORMATION TECHNOLOGY REQUEST FOR PROPOSAL FOR

VERMONT OFFICE OF THE SECRETARY OF STATE SECURITY ASSESSMENT solicitation she assisted him with. More information to follow after contract is signed. Great job Joanne!

- **Sugarsnap - South Burlington:** Babette Lizotte requested award information from Abbey Duke. She will forward short success story and photo. Abbey is still pursuing additional opportunities and Babette will assist her with the research. Abbey's award was a result of the 2014 Matchmaker Event held in Burlington, VT.
- **White Wolf Consulting - Jacksonville:** Bob Lambert contacted Ed Williams to inform him that he had been awarded the contract for the "Sewing Machine Inspection & Preventative Maintenance/Repair" Solicitation for the Sachem Central School District (NY). Bob anticipates putting 10-12 people to work within three months and even more within a year.
- **Other PTAC news: Client Feedback- Brattleboro, VT**
"I am an independent historic preservation consultant in Brattleboro and a registered federal contractor. I'm writing to tell you how much I appreciate the help that I've received from VT PTAC, in particular from Ed Williams. I've been to two workshops hosted by Ed, which were both very helpful, and have had one-on-one consultations with him regarding my federal contract registration and problems associated with it. Ed even called a federal agency for me to resolve a conflict. He also helped with two federal contract RFP's, giving my team immediate assistance whenever we needed it. It is good to know he will be there when I need help again. Best regards, Paula Sagerman"

VERMONT TRAINING PROGRAM ♦ Beth Demers, Director

- **VTP Reboot:** It has been a productive week for the VTP Reboot project. The VTP staff and ACCD leadership gave presentations to the DED Staff, the RDC Executive Committee, Commissioner Noonan from VDOL, and Chris Loso from the WIB. Each group had great questions and were in agreement with the changes and improvements to the VTP.

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

Deputy Commissioner Hollar

- **U.S. Office of the Inspector General:** Received the preliminary results of the HUD OIG's audit of the \$40 million CDBG Disaster Recovery Program. OIG auditors reviewed all aspects of our CDBG-DR I and II work over the course of five months. The only issue they have raised is related to staffing levels and capacity. This week, they sent an outline of the finding they will include in their draft report. The Department will be able to respond to the draft before it is finalized. The finding outline cites a lack of capacity as the cause of some deficiencies in reporting, documentation and monitoring follow up. DHCD has added three limited service positions for the program. The OIG recommends that HUD consider requiring DHCD to add and reassign additional staff and request a waiver of the two-year project completion deadline for CDBG-DR II. This recommendation is welcome as two years is unrealistic given HUD compliance requirements and we likely would have pursued, in any case. That the auditors had only this concern, while significant, is a testament to years of sustained and hard work on the part of the VCDP and GMS teams. Thank you.
- **CDBG-DR and Enterprise Alley:** Coordinated, with the assistance of Josh Hanford, an awards ceremony at which the Governor announced a \$1 million CDBG-DR grant and \$600,000 in brownfields funding to the City of Barre for Enterprise Alley. The City will combine with its own Tax Increment Financing funds to address flood risks, clean up environmental contamination and redevelop the area behind the businesses along Main Street. Long slated for improvements in the City's master plan, the area was flooded in the spring of 2011 when the Stevens Branch overflowed its banks during heavy storms. Flood waters damaged the area - the site of environmental contamination - flowed into businesses and threatened the spread of hazardous materials. Project is the result of many years of work by City, VCDP and ANR staff to combine the funding from HUD and EPA in support of the City's redevelopment plan. Much credit is due to Carl Bohlen who shepherded the project through the application process.
- **Migrant Labor:** At a meeting hosted by the Agency of Agriculture, discussed housing quality and labor and wage issues experienced by farmers and migrant workers. Ag has brought the Department of Health, DHCD and DOL together to review current protections, responsibilities and enforcement authority. All agreed education and outreach would be a good first step and Ag has extended an invitation to groups working with and representing migrant workers to begin.

COMMUNITY PLANNING & REVITALIZATION ♦ Chris Cochran, Director

- **First Annual Vermont Commercial Development Conference** is scheduled for November 5th in South Burlington. [White + Burke](#) is spearheading the conference which will offer tracks on project permitting, finance and design. The event is targeted to developers, designers, architects, and attorneys and Caitlin will present on the Rehabilitation Tax Credits. A “Funding Panel” is also planned and organizers would like to showcase other ACCD programs. Please follow up with Chris and Caitlin if you would like to participate.

Neighborhood Development Area Designation

- Hinesburg will submit the first developer-driven application. The Town is supportive of the application and will work with the developer to expand the designated area to include the village.

HISTORIC PRESERVATION ♦ Laura Trieschmann, State Historic Preservation Officer

- Francis "Jess" Robinson will be joining the Division for Historic Preservation to serve as our State Archaeologist. Jess will start on August 11. The opening event for this year's Archaeology Month will be a meet and greet for Vermont's newest archaeologist. Welcome Jess!!

Environmental Review

- **Energy Code:** DHCD staff met with DPS staff to discuss the VT Commercial & Residential Energy Code update. DHP staff developed a waiver request form for owners of historic buildings who are concerned that certain code requirements will adversely affect the building's historic integrity. The code is due to be updated and approved by the end of 2014 with implementation coming around March of 2015.
- **Gilding the State House Dome:** Jamie attended a meeting with staff from BGS and the State Curator's office to discuss plans to assess the State House dome and drum and develop specifications for its repair and restoration. The dome was last gilded in 1976. The dome was inspected yesterday by Skyline Engineering, the company who performed the work in 1976, and reports and photos show that while the gilding has eroded in some places, the overall condition is very good. The team laid out a menu of strategies and has asked the contractor to develop pricing and durability expectations for the various alternatives.

SITES:

- **Hubbardton:** The Town of Hubbardton held its 250th Anniversary Event on Saturday at the battlefield. About 500 participants enjoyed the activities, music, and fireworks. Sunday evening's astronomy night had 60 attendees, including children from a Green Mountain College camp.

VERMONT COMMUNITY DEVELOPMENT PROGRAM ♦ Josh Hanford, Director

CDBG-Disaster Work

- **Village of Woodstock:** An CDBG-DR II application has been submitted and is being reviewed to ensure that it passes threshold. If no issues arise in the review, the application to fund the construction of a stormwater retention system will be brought to the September Community Development Board meeting, and will be considered under the National Objective, Urgent Need. The stormwater retention system is designed to eliminate potential contamination of the Ottauquechee River from stockpiled snow removed from the Village's streets and sidewalks.
- **Town of Readsboro:** Technical assistance was provided to the Town Administrator on their application to stabilize the bank of the West Branch of the Deerfield River that is threatening homes along School Street. The application is expected to be submitted in time for the September Community Development Board meeting.
- **Town of Windsor:** Technical assistance was provided to the Southern Windsor County Regional Planning Commission who are working with the town to complete their application to fund repairs to the Mill Pond Dam. The repairs would address structural deficiencies associated with damage caused by the severe flooding during TS Irene. This project is expected to be submitted for consideration at the September Community Development Board meeting.

Regular CDBG

- **Town of Bennington:** Opponents of the recently approved Monument View Affordable Housing Project continue to request information from VCDP staff and seek ways to continue to oppose the project and stop the town from proceeding with the grant.

DEPARTMENT OF TOURISM & MARKETING

Megan Smith, Commissioner

- **Travel and Recreation Council:** The monthly meeting of the [Travel and Recreation Council](#) had a full agenda with presentations from Bill Schubart and Charlie Dooley on the upcoming [Celebrate Vermont Festival](#), as well as an in-depth presentation by UVM on the “Visitor Intercept Research Project” that has taken place over the past two years (view [one page overview](#) or [full report](#)). They surveyed 8,555 guests at State Parks, Vermont Welcome Centers and Attractions. Everyone was very interested in the results and we received good feedback for designing future studies.
- **CONFIDENTIAL - New England Culinary Institute:** Megan set up a meeting with NECI and Representative Warren Kitzmiller so that he can help them with some fundraising. Jean-Louis Gerin is the chef now running NECI, and he is looking to buy out Fran Voigt. Warren Kitzmiller has many ties to the school and was very enthusiastic about the presentation. VDTM has several ongoing projects with NECI, and we will be sharing our booth at the Celebrate Vermont Festival in Stowe where they will provide food samples and promote the school, while we give out information and register people to win a [Vermont Teddy Bear](#) dressed as a NECI chef.

Steve Cook, Deputy Commissioner

- **Apples 2 iPods 2014:** Cook has been in communication with [Woodchuck Cider](#) and the [Vermont Tree Fruit Growers Association](#) regarding this year’s [Apples to iPods](#) event. With the recent opening of Woodchuck’s new facility in Middlebury, we are considering focusing media, events and a press conference around that location. More to come soon.

COMMUNICATIONS ♦ Jen Butson, Director of Communications

Media Projects

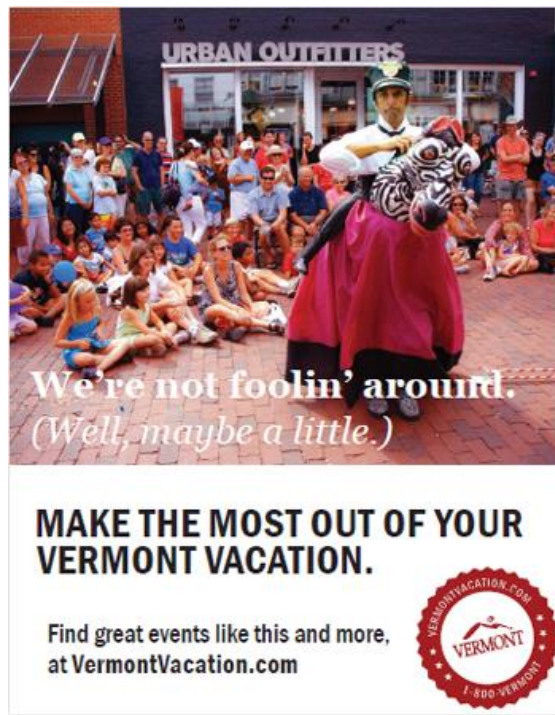
- **VDTM Media Projects:** I’ve got up to 10 upcoming press visits now, in various stages of logistics. Added this week: two Canadians (bloggers), one Italian (daily newspaper) and one German (magazine), to the current mix of bloggers (2), print journalist (1), documentarians traveling with professional athletes (4-7), and NYC culinary (4) and Brand USA video producers (4) and one 200 page magazine site visit.
- [Waterbury VT Travel Feature](#) in the Boston Globe. I supplied a solid roster of these recommendations and article proofing.

MARKETING & DESIGN ♦ David Burnell, Marketing Coordinator

- **VDTM Euro Stickers | Redesign & Production:** David redesigned the VermontVacation.com Euro stickers. The direction was to gain more of the traditional green euro stickers while adding #ThisIsVT, and to develop half to be orange – consistent with the current trade show elements.



- **2014 Festival of Fools | 2014 Program Sponsorship Ad:** David developed the ad below to support the 2014 Festival of Fools Program. The ads jovial approach to highlighting [VermontVacation.com](#) represents the event and other great events happening in Vermont.



RESEARCH & STATISTICS ♦ Greg Gerdel, Research & Operations Chief

Research

- **Summer Tourism Prospects Strong:** Nationally, indicators are positive for a strong summer tourism season. Both Consumer Confidence and the more specific Traveler Sentiment indexes have moved steadily upward in recent months.

Employment and Consumer Confidence



Source: Bureau of Labor Statistics, Conference Board

Traveler Sentiment Index



Source: U.S. Travel Association/MMGY Global

In Vermont, the only indicator of the current summer season available so far has been from State Parks where day use and camping attendance were both up during June, closing FY 2014 with a 30 percent increase over the previous fiscal year.

International Promotion: Brand USA

- **Congressman Peter Welch Recognized for Supporting Tourism:** The U.S. House of Representatives has approved the reauthorization of the Travel Promotion, Enhancement and Modernization Act (H.R. 4450 / Brand USA). Approval is still sought in the Senate (S. 2250).

Unanimous approval for reauthorization of the act by the House Energy and Commerce Committee brought enthusiastic appreciation from the [U.S. Travel Association](#). "America's travel community is grateful to Congressmen Gus Bilirakis and **Peter Welch** for championing this vital economic measure in the House," said U.S. Travel President and CEO Roger Dow.

Brand USA is a public private partnership designed to increase international visitation to the United States. A report released last week, *Brand USA: Working for All of Us*, details the positive economic benefits of Brand USA for destinations nationwide. In 2013, Brand USA:

- Attracted more than 1.1 million additional visitors to the United States;
- Resulted in \$3.4 billion in additional visitor spending;

- Supported 53,000 new U.S. jobs;
- Generated nearly \$1 billion in federal, local and state tax revenue; and,
- Yielded a 47:1 return on investment (ROI) on marketing programs—a far higher ROI than travel promotion programs operated by competitor nations such as the United Kingdom and Canada.

[Click here](#) to learn more about Brand USA

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

- **Italian Language Project:** Christiane is working on a culinary itinerary that will be translated for the Italian Food show in November. This information will be added to the Italian pages of VermontVacation.com by the end early August.
- **Familiarization Trips:** Christiane is working on October itineraries for [Visit USA Ireland](#) that will be sending 12 people to the Okemo / Manchester area and the second for *Compagnies des Etats Unis*, a Parisian tour operator sending four staff to the Okemo and Burlington areas.

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

- **Circulation:** Our international shipper has been slow to get subscriptions to our customers and has not returned our calls to inquire about this, so we have switched to a new shipper. The result is a cost savings and a promise of improved ship times. This will begin with our AUT14 issue. We are saving 50 cents on Canadian and 15 cents on international shipping. In other news, Paul has completed his first print order instructions!
- **Calendars:** Sales of 2015 calendars has begun.
- **Promotion:** We're coordinating a trade with [Seven Days](#) to promote our calendar/photography party. Mary and Sky have been invited to the Downtowns conference next month in the Islands. Last year this was a valuable visit, as we helped downtowns understand Dine, Shop, Stay, Play advertising sections and how those can benefit their towns.

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

- **Health Care Reform Website:** Nancy has been working with the staff at the Office of Health Care Reform to get their website onto the current version of the state web template.
- **VTrans Recruitment Marketing:** Nancy met with the VTrans recruitment team and a representative from VSEA. This group is working on a collaborative marketing effort to more aggressively market job openings for plow drivers and maintenance workers at VTrans. The group talked about coming up with an overall “brand” for VTrans recruitment, incorporating concepts such as “service beyond self,” “first responders” after disaster, career advancement, and the family-type work environment. Nancy made some suggestions as to how to firm up those concepts without hiring a brand consultant (something that was brought up as a possibility). Discussion also centered on how the VSEA’s print-based components and VTrans’ broadcast components could best complement each other.
- **Legislative Discussion:** Nancy put forth some suggestions for the upcoming legislative session pertaining to the Chief Marketing Office. Those include: (1) Creation of a new position, Web Content Strategist, to work with state agencies on site mapping and organization of official websites (a service for which the state has collectively outsourced \$150,000 worth of work over the last 12 months, indicating an opportunity for substantial cost-savings by hiring internally); (2) Establishment of statutory language pertaining to the CMO’s office in actual statute, rather than in the 2005 Appropriations Bill (where it is currently); (3) Basing CMO priorities on thematic and statewide marketing objectives, rather than on a list of “priority agencies” for the office to work with; and (4) Modifying the process for marketing contracts to give the CMO’s office more oversight and more opportunity to streamline marketing work and achieve greater cost-efficiency.

PRIVILEGED AND CONFIDENTIAL

TO: GOVERNOR PETER SHUMLIN
FROM: LAWRENCE MILLER
SUBJECT: HCR WEEKLY REPORT
DATE: JULY 25, 2014
CC: EXE

Top Issues

VHC: I went to bed late Thursday night thinking we had a draft Change Order for migration of 3.3.2.9 (renewals) to the test environment for OPTUM to begin their work early next week. This was tied to agreed transition and settlement terms to be papered over the next few days. I woke up Friday morning with a revised draft that did not meet my expectations from evening's conversation. Given little movement over the last two days my response was to ask CGI to work with Mark to complete all three documents (CR, Transition and Settlement) for signature no later than Monday while I turn my attention to COC and Renewal contingencies that do not rely on the portal. My intention, with Martini's support, is to have those contingencies ready in structure and to be able to go ballistic on Tuesday. Hmmm, we just received an updated draft CR from CGI with significant improvement. Stay tuned. Will update meaningful progress by email but we will be prepared for Tuesday if needed. CMS is fully supportive.

ACO's: Additional operational funding was approved by the SIM core team.

Blueprint/ACO's: There is evident progress in the ACO Blueprint relationships. The Blueprint Executive Committee Meeting, which included a decent number of providers and others, made it really clear that Per Member Per Month rates under Blueprint are really not adequate for the work required. Where the money comes from is another question.

VITL: The board retreat seems to have gone well. The board seems aligned on the single primacy of their public utility mission and that they need to fulfill that before anything else. Management, not so much.

GMC: Continuing to focus on breaking dependencies and perceived dependencies of GMC on the Health and Human Services Enterprise program at AHS.

Significant Events/Meetings

CSSIO finished up a three day inspection and I went to the exit conference. Overall they were extremely impressed. It was really weird, talk about your "tale of two worlds." They think the world of Lindsey. There will be 3 findings but they feel like we have the issues under control and expect that our documented responses by the time they finish the draft report in a couple months will close those issues.

Legislative Issues/Contact

Shap agrees with meeting with a selection of key chairs to discuss breadth of legislative approach to GMC financing and overall tax system. Meeting with Campbell next week.

Testified in House Healthcare. Popped the balloon of anger and frustration on the committee but the noise startled the press and general public.

I represented AHS with Dixie Henry and Stephanie Beck at the Joint Fiscal Committee to request 37 positions to support Integrated Eligibility and the Program Management Office. When asked why Racine was not doing so I tied it to the responsibility place on me by GPS when I went to VHC in January to make sure lessons were learned and applied. Approved.

Press Issues/Contact

Multiple. Ugh. BUT, progress with Morgan True on his understanding of some key foundational facts. Really need to schedule a detailed background briefing for interested reporters on the HSE, and other issues. Will work with Scott to do so. Will be on the record with Paul Heintz later today (Friday).

Other Issues

Amy Cooper from HealthFirst reached out to make sure that we know Dr. Reiss was misquoted in Vermont Watchdog. Full comments below since their perspective is critical:

"Of course if single-payer means equalizing payment rates somewhere between current Medicaid/Medicare and Commercial rates, and equalizing rates among different providers for the same service, then it could be a very positive development for small independent practices. What Dr. Reiss was objecting to, which partially came out in the article, was the same thing we discussed while in your office - tacit state support for the development of a single-provider model dominated by one large hospital system.

The history over the past 20 years of the state protecting monopolies in the healthcare delivery market through the application of a highly restrictive CON process (VT has the lowest penetration of low-cost urgent care and ambulatory surgery centers of any state in the nation, in addition to having a very small number of independent practices), plus the state's lack of effort to make health care pricing data more available and transparent (see the recent state auditor's report on this issue), plus a lack of willingness to regulate equal pay for equal services (the current report you're working on will hopefully be a positive step towards addressing this issue), have all contributed to the impression that state regulators are trying to encourage a single-provider hospital-centric system.

The truth is that single-payer systems flourish, costs are controlled, and consumers maintain choices when there is substantial competition in the market for delivery of healthcare services (take France, for example, where 70pct of PCPs and 50pct of specialists are in private practice). If this is part of the vision for single-payer in Vermont, then obviously independent practices would not be at all opposed."



State of Vermont
Department of Financial Regulation
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For consumer assistance:
[All Insurance] 800-964-1784
[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: July 25, 2014
Re: Weekly Report

A handwritten signature in cursive script, reading "Susan L. Donegan", written over a diagonal line.

Securities Division:

The Securities Division has entered into an agreement with JP Morgan Chase in connection with a multi-state investigation examining unregistered sales activity by JPM employees. As part of the settlement, Vermont will receive \$51,840 in administrative fines and JPM has agreed to enhance their employee training and internal record keeping to help prevent the same situation from happening in the future.

Also this week, the Commissioner signed the Vermont Solar/Utility No-Action Exemption Order, which exempts solar developers from registering securities under the Vermont Uniform Securities Act if certain investor protections are met. The S.U.N. Exemption seeks to protect Vermont investors while promoting the development and use of renewable energy in the state. Further, the S.U.N. Exemption provides solar developers with legal clarity and a number straightforward exemptions tailored to the common business models the Department has seen. This will save solar developers time and money and eliminate the legal risk that they could be selling unregistered securities.





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CONFIDENTIAL AND PRIVILEGED **MEMORANDUM**

TO: Governor Peter Shumlin
FROM: Rebecca Holcombe, Secretary, Agency of Education
SUBJECT: AOE Weekly Report
DATE: July 25, 2014

This will be brief—I talked your ears off yesterday.

Evolving Issues:

College Attainment

Aly and I have already discussed this, but I want to be clear that I think we can actually achieve a lot on college access and attainment without the involvement of the legislature. My sense is new legislation would actually slow this work down.

Vermont International Academy (VIA)

We are trying to figure out the cleanest way possible to get out of a messy situation. John Fischer told Jim Cross that VIA was not eligible for re-approval as a distance learning school, because it does not meet that description by any stretch of the imagination. Cross appears interested in pushing the issue before the Board. Rather than handling this as a straightforward re-approval, we are handling it as a technical correction of a past error. We will have to eat crow on it, but propose to come clean and move quickly to put this behind us. Stephan Morse is aware that it will be coming up.

Chittenden East MUUSD

Discussions continue on this merger. I am really impressed by some of the movers behind this work, who are handling a very tricky board. This will go to a vote. They have a plan for what do when/if one or two districts elect to not participate at the elementary level. We may see something positive come of this yet.

Isle La Motte

A community minority is discussing flipping. The town is apparently telling citizens who are complaining about taxes that their taxes jumped because we made an error, when apparently their school board “forgot” to account for and explain a substantial

deficit when they presented their budget. We have provided some information so they can have a more informed conversation about the implications of closing a school.

Addison Northwest Supervisory Union (ANWSU)

We meet next week with Superintendent JoAn Canning and School Board Chair Jeff Glassberg to discuss our recent letter asking for changes in their business office. They have until July 30th to respond to the letter from us. The letter was a little stronger than past AOE practice, so apparently created a little bit of a stir. However, I still feel the strong stand was necessary, given the persistently poor financial practices of this district, and also to strengthen the superintendent in her efforts to fix current challenges. It is, incidentally, one of the districts that led the Federal Government to whack the AOE on last year's audit. I know this will create a little bit of a stir in the field, but perhaps it will also send a signal to School Boards that they are managing multi-million dollar enterprises and actually need to ensure they have sound financial management practices.

My next area of internal work

We are getting closer to a place where our licensing office will not be such a perennial island of misfit toys. John Fischer and Debi Price have been instrumental in this—they are mid-way through an “intervention.” We still have a few months to go before all is sorted out, but they already hit bottom and now there is only one way to go. I would like my next focus to be our finance office, which has some incredible strengths and some substantial weaknesses. This will be much more complicated. I would like to begin with a meeting with Jim Reardon around succession planning. I am thinking I can use a conversation around succession planning, documentation of systems, and anticipation of the FY16 fiscal cliff to push better and more transparent practices, as well as the need for greater redundancies in responsibility for the purpose of risk management.

Food for thought....

The current VT student to staff ratio is about 4.67. Total salary and benefits at this level comes to about \$1.13 billion. If this ratio were 1:5, we will still have one of the lowest ratios in the country. See what happens to cost if we adjust this ratio:

Student to Staff Ratio	Total Salary and Benefits at this ratio
4.6	1,144,672,446.68
4.8	1,096,977,761.41
5	1,053,098,650.95
5.2	1,012,594,856.68

Have a great weekend!

---Rebecca

CONFIDENTIAL and PRIVILEGED

To: Governor Peter Shumlin
From: Greg Smith, Executive Director, VT Lottery
Date: July 25, 2014
Re: Weekly Report

Status of Governor's Priorities:

Reviewing expenses to achieve the 4% reduction.

Legislative Issues/Contacts:

Appeared before JFComm to explain FY15 approach for Problem Gambling services with new provider. Received guidance to work with Finance and JFO to attempt transition of grant admin to Lottery from Dept of Health. Not clear at this time how that this will work so we can provide grant money before Feb 2015. Lottery wants oversight and accountability with service provider as that was not occurring with DOH.

Press Issues/Releases/Contacts:

none

Significant Events/Meetings:

none

Evolving Issues:

none

Summary of Key Agency Department Activity:

Tri-State auditors are in house this week followed by VT Lottery auditors next week. Each audit firm is new this year.

Executive Director's Commentary:

none

OFFICE OF THE SECRETARY

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Executive Privilege

TO: Governor Peter Shumlin

FROM: Secretary Brian R. Searles

DATE: Friday, July 25, 2014

SUBJECT: VTrans - Confidential Report to the Governor

NOTES FOR GOVERNOR

Gasoline Sales In Vermont Continues Downward Trend

Figures through June show that the number of gallons sold in Vermont was down another 2.8 million from the previous fiscal year. The number for FY-14 is 42.3 gallons less than in FY-2006, or nearly 12%. This is the primary factor in the T-Fund performance which has resulted in a \$2.4 million revenue forecast downgrade for FY-15. We are developing a plan to manage to that new number which, fortunately, is not so significant as to require a rescission.

HTF Status in Congress

The U.S. Senate will consider the House passed short-term Highway and Transportation Funding Act (H.R. 5021) next week after reaching agreement on the number of amendments to be considered, the threshold for passage of those amendments (60 votes) and the time allowed for debate (1 hour each for five amendments). Conventional wisdom suggests that delaying this until the final four days before the August recess creates a situation where the Senate must pass the House version as there would be no time to work out the differences. However, conventional wisdom is not often applicable in Congress.

If that happens we will have full funding of our capital program at least through May, 2015 but it will come largely at the expense of worker's pensions. If they get stuck and go on recess without a bill, we will begin the "cash management" process on August 4 which will likely mean a reduction of at least 1/3 of federal reimbursements and a serious dent in this construction season and the next one.

2014 Statewide Snow Plow Roadeo Training

The culmination of the off-season training program for our snow fighting crew happens at Fort Ethan Allen in Colchester, the District 5 HQ, on September 3, beginning at 9:30 am and running until 2:00 pm. This is a skills competition that not only enhances our

ability to do winter maintenance but is a real morale booster. Sen. Mazza and Rep. Brennan are judges and I mention it in case your schedule allows you to drop in that day.

Route 242 – Jay Peak

We have been getting increasingly frantic calls from both Bill Stenger and Bobby Starr concerning the completion of the rebuilding project on this road, the first half of which was completed last year. Although scheduled to be completed this year, we had to wait for the town of Jay to do a sewer project and they got behind schedule. It appears that they will not complete the sewer in time for us to do our paving and we are trying to determine a way to make the road more drivable over the winter without investing too much. You could get a call on this and we will do everything we can to improve the road, but it won't be what they want. We simply can't spend hundreds of thousands to smooth this road and then tear it up in the spring.

NOTES FOR STAFF

Signs in the State Highway ROW

This is a problem that usually comes up later in the election season but the current issues are not about political campaign signs. As mentioned in the June 27th weekly report, a Colchester furniture store was putting temporary off-premises signs in the ROW all over northwestern Vermont and we had to threaten legal action to get them to stop. This was followed by increased activity around removal of signs from the ROW around the state by our district forces.

A complaint was received from a resident of Cambridge concerning the removal of her nursery business signs and she was instructed to place them outside of the ROW. We are working on a public outreach strategy to put in place before the campaign season gets into full swing.

Camp Access Issue Along the Lamoille Valley Rail Trail Project

Claudia Sacuk, the owner of a seldom-used rustic camp in West Danville, is seeking permission to reach that camp by motor vehicle on the LVRT. This is not possible now that the ROW is the site of a federal aid project that specifically prohibits motor vehicles, except for snowmobiles in the winter.

Ms. Sacuk has apparently been using the abandoned rail line for years to reach the camp which is only otherwise accessible by boat on Joe's Pond. She has never had legal access via land and none is possible due to the wetlands surrounding her property. She has been informed that there is nothing VTrans can do to provide relief as the project money is specific in this prohibition and the project is being managed by the Vermont Association of Snow Travelers (VAST). She has contacted members of the Congressional delegation and may very well contact the 5th floor.

Project Update Stowe-Morrisville Airport

The first phase of a \$27 million upgrade, the redesigned and reconstructed runway, taxiways and apron with new state-of-the-art navigational aids and lighting, will be

completed in early August. It would be a good site for an event that the Governor could lead given that most of this project is private investment. A press event could highlight the completed state and federal piece and announce the beginning of the private sector piece which is a terminal and hangar project by Stowe Aviation, a company led by Russell Barr of Stowe. Megan Smith is also involved and the newly redesigned airport will be the home of a first-rate air charter operation along with fuel sales and flight training. There will also be a maintenance facility that will do both piston and turbine-powered aircraft work. A café is also planned and Barr is working with Bill Stenger on sharing some of the same services.

I think that Sue Minter and Erik Filkorn are already talking to Sue Allen about this possibility.

Road Closure – Rt. 12A Braintree

The road will be closed on the weekend of August 1 for the replacement of a large box culvert crossing Cahee Brook in Braintree. Plenty of public notice has been done and a detour is in place utilizing Rt. 12 but you still might get a call.

VTrans Foreman Arraigned for Fraud

Roger Daigle, a foreman at the garage in Barton, was arraigned in Orleans Superior Court for attempting to defraud his insurance company by reporting a hit and run when, in fact, another VTrans worker had hit Daigle's personal vehicle with a state truck. This December, 2013 incident has been under investigation since April when it was reported through an anonymous letter to VTrans and was subsequently reported by DHR to the police leading to the arrest and arraignment this week.

We are currently engaged in confidential settlement discussions on the HR part of this investigation.

Innovative Bridge Projects Completed

The Accelerated Bridge Program (ABP) is in full swing and we are closing bridges (short term) and cutting ribbons at a rapid clip. On July 20, the first of two weekend closures on VT 73 came in 14 hours ahead of schedule. The next Rochester Bridge is scheduled to close this weekend. We will also have a weekend closure on VT 11A for a rapid culvert replacement. These are our first ever weekend rapid rebuilds, and thus far they are succeeding and pleasing area residents. Residents of East Middlebury and Ripton came out in pouring rain (Wednesday) to celebrate the reopening of the Sand Hill Bridge on VT 125 this week—another accelerated bridge project that came ahead of schedule. Deputy Secretary Minter joined Governor Douglas at this celebration and parade which also highlighted local pre-cast materials construction company (Carrara) from Middlebury which has greatly benefited from our deployment of innovative technologies and materials. In Cavendish, an Irene-damaged bridge on VT 131 was reopened on Thursday -- eight days ahead of schedule -- enabling a Harley Davidson Rally to cross and participate in the ribbon cutting. This bridge was dedicated to a National Guard member who died while working on the Cavendish Canyon during Irene, and the project deployed the innovative "lateral slide" method which can be seen in this video:

<http://bit.ly/1nXEkwY> . These kinds of stories are being repeated all over the state this summer with meticulous planning, thorough public involvement, teamwork and technology coming together to exceed expectations.

Privileged and Confidential
Memorandum

To: Peter E. Shumlin, Governor
From: Douglas A. Racine, Secretary of Human Services
Re: AHS Weekly Report
Date: July 25, 2014

Vermont Department of Health (VDH)

50-State Working Meeting to Prevent Opioid-Related Overdose:

The Department of Health and Human Services (HHS) hosted teams from 46 states in Arlington, VA on July 17th and 18th to address the national problems related to opioid overdose and related concerns. Attending from Vermont were Deputy Commissioner Barbara Cimaglio, Board of Medical Practice Executive Director David Herlihy, and Secretary of State's Office of Professional Regulation Director Chris Winters. The focus of the meeting was on healthcare provider oversight, increasing use of prescription monitoring programs, and prescriber guidelines and education. There will be a report compiled with state recommendations for HHS. During our work sessions Vermont participants focused on how to better use our prescription monitoring program data and how to have more uniformity in our medical provider guidelines for opioid prescribing. We plan to follow up in our Prescription Drug Abuse Workgroup.

Recovery Support Grant:

On July 17th, the state held a forum to close out the Bringing Recovery Supports to Scale grant VDH received from the Substance Abuse and Mental Health Services Administration (SAMHSA) in 2012. The forum focused on the accomplishments and challenges faced in bringing recovery supports to scale in Vermont through the integration of primary and behavioral health by considering how to include peer recovery services into the broader Vermont healthcare reform efforts. Participants at the forum strategized steps for bringing pilot activities in Rutland and Windsor counties to scale across the state in a funding collaboration between VDH, DVHA and DMH in 2016.

Vermont Asthma Program Awarded Five Year Grant:

VDH was awarded a 5-year Asthma grant from the Centers for Disease Control and Prevention (CDC) that will begin September 1, 2014. VDH has been awarded this grant in the past however, the grant title has changed. The grant amount is \$450,000.00 per year for a period of five years. Vermont will be one of 18 state asthma programs in the country awarded and will continue its progressive work around health systems, creating community and clinical linkages, promoting asthma care and prevention to minority populations.

Department of Mental Health (DMH)

Vermont Psychiatric Care Hospital (VPCH):

The Vermont Psychiatric Care Hospital opened a second Unit on Tuesday evening. They will continue to proceed slowly, opening 4 additional beds by the end of next week.

Brattleboro Retreat (BR):

The Brattleboro Retreat's Plan of Correction for the Centers for Medicare and Medicaid Services (CMS) has been verbally accepted. They are awaiting the written acceptance from CMS.

Legislative Issues/Contacts:

DMH presented reports to the Mental Health Oversight Committee (MHOC) on Tuesday, as well as Joint Fiscal and MHOC Committees on Thursday. These reports included the VPCH staffing tool, outcomes, RBA Process for VPCH, data collection for the New System of Care, and the Beyond Level I report.

Associated Press – David Graham:

The Associated Press has submitted a request for public records regarding VPCH. Attorneys are reviewing the request. Apparently some of the staff has expressed some concern about the design of the building and it being less than ideal for serving this population.

Counterpoint – Donna Iverson:

Donna Iverson with Counterpoint has a question on the future direction of the Vermont Psychiatric Survivors following Linda Corey's (former CEO) departure. Donna has specific questions related to statutes and legal issues related to the CEO replacement. DMH General Counsel is reviewing the request for the Commissioner's response.

Rutland Herald- Susan Smallheer:

The Rutland Herald called DMH to obtain information regarding an incident that occurred in the Adolescent Unit at the Brattleboro Retreat. The incident resulted in two staff members being treated onsite for minor injuries, as well as two staff members being treated at the Brattleboro Memorial Hospital. Deputy Commissioner Reed has asked the Quality Unit to review this incident.

Department of Disabilities, Aging and Independent Living (DAIL)

Health Care Oversight Committee acknowledges hard work and successes by Adult Protective Services (APS):

DAIL Commissioner Susan Wehry testified on Thursday on the continued strength and ongoing improvements in the APS unit. Though Senator Ayer joked that it was "boring" not to be sparring, Rep. O'Brien thanked DAIL for the hard work that clearly went into our achievements.

Department of Corrections (DOC)

Northeast Regional Work Camp:

In February of 2012, Northeast Correctional Complex (NECC) experienced an escape from work crew when two inmates, who were part of the facility grounds crew cutting firewood, walked away from supervision. With the assistance of local, state and federal agencies both men were apprehended within approximately 3 hours and returned to the jail.

In response to that escape, NECC instituted a GPS program for all grounds crews at the facility that mandated that all inmates who were assigned to a grounds crew would be required to have a GPS unit installed on their person during the work day. While this is not an end all solution, the practice did put

into place a risk reduction strategy. The cost and time associated with the program however, was less than desirable.

Since the escape in 2012, NECC has seen updates to its video surveillance system. There are now three roof mounted PTZ cameras that are capable of seeing the entire grounds of the complex which also increases our ability to monitor our grounds crew. Increased supervision practices of the work crews were also implemented as part of this process. We have continued to deal with the cost and time associated with the GPS program, but have been unable to realize any risk reduction data associated with it. We have discussed the program with the Town of St. Johnsbury and they are in support of us discontinuing the use of GPS on grounds crew inmates.

As a result of ending this program we will see a savings of approximately \$3,000.00 per month for the GPS units themselves as well as an increase in the time that crews will be able to perform the work crew duties as we will no longer have to spend time at the beginning and end of the day installing and removing the devices which at times could be between 1-2 hours depending on the size of the crews.

Community High School of Vermont (CHSVT) – Motorcycle Wins Award:

The CHSVT project bike won the bike show at the Crossroads Rally in Waterbury this past weekend for Best American Custom!! It had a lot of competition. We will figure out how to get the trophy placed in the shop in the facility and recognize the students involved in this project.

Corrections Oversight Committee (COC):

The COC met on Tuesday to hear updates from DOC and set the meeting calendar for this year. Items of interest are the CHSVT's future operations, DOC's Recidivism Grant and the State Auditor's Office Sex Offender Registry Audit.

Pre-Trial Services Director:

The first round of interviews was held on Thursday, July 24. There are 9 candidates, all of whom were interviewed except for one, due to a scheduling conflict.

PREA Audits

The first round of PREA audits will start on Monday July 28th. Three facilities (Chittenden Regional Correctional Facility (CRCF), Southern State Correctional Facility (SSCF) and Southeast State Correctional Facility (SESCF)) will be audited over a two week period. A Department of Justice certified auditor will be on site during that time period.

DOC Female Incarcerated Numbers:

The Department is currently experiencing a population reduction in male and female inmates. At the peak of the female population on April 14th the population was 176, and the male population was 1,991, for an overall total incarcerated population of 2,167. On July 18th the female population had decreased to 148 and 1,896 for the men, for a total incarcerated population of 2,044. The reasons for the across the board reduction in the population of inmates is difficult to trace to any specific action or process. That said, most every year the Department does tend to see a reduced population during the summer months.

Population:

The Department's incarcerated population averaged 2,044 for the previous week. The male population averaged 1,896 with 328 being presentenced inmates. The female population averaged 148 with 35 being presentenced inmates.

Department for Children and Families (DCF)

Completion of Child Care Workforce Grant:

In the 2012 Legislative Session, the legislature granted \$100,000 to DCF's Child Development Division through the Department of Labor Workforce Education and Training Fund. These funds were to support initiatives that improve the quality of child care by strengthening the workforce. This grant has ended as of June 30, 2014. The original target of the grant was to train a total of 400 individuals through 6 projects including college coursework, assistance with teacher licensure through peer review, environmental rating scale training as part of STep Ahead Recognition System (STARS), and a Strengthening Families training of trainers as well as regional trainings. Because of this grant, the Child Development Division has trained 758 individuals (almost twice as many as expected), with more Strengthening Families trainings still underway. The Child Development Division plans to apply for another grant in the next round to build upon the work started in this grant.

Complaint Filed on ESD Burlington District Office:

A complaint was filed this week with ESD regarding staff at the Burlington district office. The complaint alleges that on June 27, 2014 a Supervisor and Benefits Program Specialist physically removed an elderly applicant from the office who was upset and refusing to leave. The report alleges the applicant sustained visible bruising in multiple areas of her body. The complaint was filed by the local Agency on Aging who also filed a complaint with Adult Protective Services. The matter has been referred to HR for investigation. The involved Supervisor retired from state service several weeks later as previously planned. The Benefits Program Specialist involved will be assigned duties that do not include in person contact with applicants pending the investigation.

Department of Vermont Health Access (DVHA)

Vermont Health Connect:

Center for Consumer Information & Insurance Oversight Visit: CMS was on-site for three days this week for an operational assessment. This is a step in the final "Blueprint Approval Process" to fully approve our state-based marketplace. They were "impressed with our progress in our program" and our "outstanding and competent staff". They had suggestions for us to make improvements in the following areas: Governance structure; Organizational/Human Resources; Oversight & Monitoring; Policies & Procedures; Contracting, Outsourcing and Agreements; and Financial and Accounting/Sustainability.

There were three areas where corrective action will be required: 1) reporting potential privacy breaches to CMS (we currently only report actual breaches); sending our eligibility notice of decision; and performing verifications for inconsistencies in customer data for qualified health plan enrollment. The draft report from CMS will arrive in 30-45 business days, and we will develop corrective action plans immediately.

Optum Work: In order to successfully transition from CGI to Optum, we need to move forward immediately with two Optum task orders (to cover knowledge transfer and testing of the current system in the test environment) and an amendment to allow them to take over the system and move forward with defect remediation. The task orders need to be signed by July 28th and July 31st respectively; the amendment should be signed by July 31st.

VHC privacy incident: On July 23, 2014, VHC Privacy and Security Officers became aware that an internal staff member, without appropriate permission, could access certain Federal Tax Information (FTI) elements, specifically annual income amounts of consumers. Visibility of this information was removed the same day. A draft privacy incident report to CMS related to VHC being out of compliance with its Safeguard Procedures Report (SPR) has been filed with the IRS/CMS. While VHC procedurally was out of compliance with the SPR we do not believe we were out compliance with permitted uses of Federal Tax Information (FTI) per the IRS, nor are we aware of any misuse of FTI by any Seibel user. Because this is a policy compliance situation and not a breach of PII (per the IRS permitted uses of FTI), a report to the AGO is not required. We are still working with CGI to know how long this information was visible and which user roles have been able to access it.

Vermont Digger:

Commissioner Larson spoke with Morgan True from Vermont Digger on Thursday regarding Medicaid reinstatements and preparations for open enrollment and renewals. He is particularly interested in more information about why Medicaid beneficiaries did not renew and what information was provided to them.

Medicaid Eligibility Reinstatement and Medicaid Renewals:

In response to abnormal failure to renew rates, the state has begun reinstating Medicaid eligibility for approximately 14,000 individuals that failed to renew between the months of April and June of 2014. The individuals affected are those who were receiving Medicaid for Adults and Children (MCA) and who were transitioning from using traditional paper applications to applying by phone, online, through an assister or a new VHC paper application. Reinstatements began on Monday and are targeted to finish by the end of July. Outreach to providers has also been implemented this week. Provider and member call centers have been provided with scripts to assist them with responding to calls regarding impacted Vermonters.

Additionally, the State has received permission from CMS to postpone current and future Medicaid renewals. The date for restarting Medicaid renewals will be determined based on completion of a mitigation plan, which will lay out strategies for improved renewals rates moving forward. Mitigation strategies under consideration include use of SNAP (formerly known as food stamps) case information to verify eligibility as well as creation of a new, expedited renewal form. Vermont is meeting regularly with CMS to complete this plan.

Performance Improvement Project:

Under the terms of the Global Commitment (GC) Waiver, DVHA is required to have a formal performance improvement project (PIP) going at all times. The quality unit implemented a PIP last year focusing on follow-up after hospitalization for mental illness. It is required that the Health Services Advisory Group (HSAG) audit us annually on the PIP, focusing on our process and compliance with the CMS protocols for implementing PIPs. DVHA received the results of the audit Thursday and scored 100%!! Erin Carmichael has been the lead on the PIP and the project team includes representation from DVHA, DMH, DAIL, and DCF.

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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: July 25, 2014

Secretary's Top Issues

Renewable Energy

Continued exciting overlaps between agriculture and sustainable/responsible energy keep coming up in Vermont. Recently there has been interest in thin-film solar panels to be used on barn roofs. There is also continued interest in the development of digesters, and examination of alternative sources of methane to fuel those digesters (such as food scraps).

Grade "A" rating for Agrimark

The Dairy Division completed ratings of Agrimark's cheese making facility which resulted in a designation of Grade "A", and also the inspection of a milk producer which reinforced the Grade "A" designation of Agrimark. This is great for Agrimark because the cheeses and milk products like Whey can continue to be labeled as such which is important for marketing.

Agricultural Enforcement meeting with Attorney General's office

Members of ARMS met with Attorney General Sorrell to discuss ag enforcement. The AG's Office is interested in knowing if there are ag water quality cases appropriate for the AGO in the Northern Lake Champlain region. Staff will meet again in September to review the cases and resource concerns known by the agency. Agency is resource challenged in this area which this conversation is already starting to highlight. Agency has a lack of inspection staff, lack of technical and financial support, and lack of case management abilities within the Agency of Ag. Agency also knows that per the first round of medium farm inspections we had a 78% non-compliance rate so there is a tremendous amount of work that needs to be done.

Marijuana Study Steering Committee

Plant industry represented the Agency at the first meeting of the marijuana study steering committee. The Rand Corporation has been selected to assemble the report on the potential economic impacts of regulating non-medicinal marijuana in Vermont, as required by Act 155. Areas where the AAFM may play a role include management of pesticides and pests, active ingredient(s) testing, interaction with industrial hemp, and other areas pertinent to agriculture or market regulation generally.

Organic Wastes to Digesters – Act 88

ANR & VAAFM are meeting to clarify and streamline regulations regarding farm-based digesters accepting food waste. Already farms are accepting "food processing residuals" from dairy processors, beverage makers, and others, via the well-established indirect-discharge permit. These are well-understood liquid wastes from a single source. Now the challenge, with source-separated organics becoming available because of the Universal Recycling Law (Act 148), is how to process and regulate "food residuals," i.e. solid-form food waste collected from multiple sources, for use in farm-based digesters, so that it is safe and in no way a nuisance.

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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: July 25, 2014

Status of Governor's Priorities:

Significant Events/Meetings:

Successful visit this week with a farm in Shoreham where Agency used a court issued administrative search warrant and the presence of 2 state police to accompany us on a water quality inspection. First time Agency has invoked the use of law officers for water quality inspections and was due to 2 previous threats from farmer about use of a firearm in the presence of staff.

Deputy Secretary Bothfeld attended Joint Fiscal Committee meeting prepared to discuss grant that committee had questions. Did not present due to committee member rescinding his questions regarding the grant. Rep. Sharpe from Bristol did make a comment on the grant's funder – VLITE. Felt that the grant proposal did meet the requirements of VLITE to further the Comprehensive Energy Plan but felt VLITE should be focusing its grant funds on weatherization of homes not renewable energy project. The grant from VLITE to the Agency of Agriculture will have two functions – testing manure methane digester substrate for pathogens when pre and post-consumer food wastes are added and to do a location study with Green Mountain Power on best locations to site new manure methane digesters based on power transmission lines, food waste availability and farm size and location. Executive Director of VLITE has been informed of Rep. Sharpe's concerns.

Evolving Issues:

Assistant State Veterinarian, VAAFM Legal Counsel, and Animal Health Program Coordinator participated in a pre-hearing conference with a non-compliant cervid producer in Bennington. The producer signed an AOD and staff traveled to the producer's facility to complete the required herd inventory reconciliation.

Summary of Key agency Department Activity

Administration:

Deputy Secretary Bothfeld worked with the business office to prepare materials for the budget discussion required for the upcoming rescission.

Land Use:

As the grant coordinator for the VT Fairs and Field Days Capital and Stipend Grant programs the Land Use Administrator attended the VT Fairs and Field Days Association's 2014 Summer Picnic meeting hosted by Lamoille County Field Days in Johnson on July 22nd. The Administrator distributed revised FY2015 Capital grant applications, information on grant funding cycle timelines, the opportunity for direct deposit/wire transfer of funds, vendor portal for tracking grant payments, new Capital Grant program legislation including the new requirement for a 15% match by participating fairs, and reporting requirements on FY2012 grants. VT Fairs and Field Days Association will collaborate with VAAFM to assist fairs transitioning to an electronic administrative format.

The American Farmland Trust, with the Conservation Law Foundation, and Northeast Sustainable Agriculture Working Group hosted a webinar titled “Reducing Farmland Conversion: State Land Use and Protection Policies.” The presenters emphasized that the primary way to protect farmland is to have profitable farms, but shared examples of initiatives and land use policies from the northeast to help prevent the loss of farmland and encourage smart growth. Cris Coffin, New England Director of the American Farmland Trust, said that good data or analysis on whether farmland conservation programs are effective is hard to find and there are challenges in how to fund acquisitions, and New England states go about it in different ways. Jennifer Rushlow, Conservation Law Foundation, highlighted Vermont’s Act 250 program as an example of a state land use program that addresses the protection of farmland, includes mitigation requirements that fund farmland conservation, and incentivizes development in areas where the growth should occur. However, it was noted that Act 250 looks at a small percentage of development in the state; therefore, it is important to provide technical assistance to municipalities about farmland preservation that can be addressed at the local level. Other programs mentioned included Connecticut’s law that requires mitigation of farmland when municipalities take land by eminent domain; and Maine has a voluntary municipal farm support program where towns are able to provide tax relief to farms in exchange for a 20-year easement on the farmland.

Agricultural Development:

- Worked with the Sizen Dairy farm in Georgia Center on potential project with Green Mountain Power. Sizen’s received a grant to offset some of the costs to build a new dairy facility. Green Mountain Power is looking at a dairy barn roof to try out a thin film solar product that is manufactured in Albany, NY. Deputy Secretary Bothfeld and Renewable Energy Coordinator Alex DePillis are working to make the connections and move this project forward.
- VAAFM staff continue to examine options for the next wave of digester development in Vermont. Secretary Ross and two VAAFM staff met with staff from Green Mountain Power to update each other on complementary activities undertaken recently, and next steps. Two paths are under investigation: a central digester adjoining the Northwest Regional Correctional facility, taking manure from several farms, and ~8,000 tons of food waste from local sources; and multiple smaller digesters, including the possibilities of innovative technologies and of third-party ownership of some or all of the digester and electrical equipment.
- Reflecting the changes in Act 88, effective July 1, 2016, ANR and VAAFM are meeting to clarify and streamline regulations regarding farm-based digesters accepting food waste. Already farms are accepting “food processing residuals” from dairy processors, beverage makers, and others, via the well-established indirect-discharge permit. These are well-understood liquid wastes from a single source. Now the challenge, with source-separated organics becoming available because of the Universal Recycling Law (Act 148), is how to process and regulate “food residuals,” i.e. solid-form food waste collected from multiple sources, for use in farm-based digesters, so that it is safe and in no way a nuisance.

Food Safety and Animal Health and Consumer Protection:

Consumer Protection:

- Henry Marckres, Chief, Consumer Protection and Marc Paquette, Weights and Measures Specialist, judged a variety of products at Lamoille County Field Days on Thursday night.
- Henry Marckres, Chief, Consumer Protection judged maple syrup and products at the 2014 Vermont Maplerama held at Franklin County Field Days site on Friday.

Meat Inspection:

- Met with individual in Burlington concerning startup of a facility to produce Ready to Eat meat dumpling type products under State Inspection
- Consulted with an individual in Pawlet concerning the progress of a State Inspected red meat mobile slaughter unit for that area of the state. Projected startup is summer 2015
- Construction of a processing plant in Arlington is progressing and will be operating under State Inspection when completed
- Set up meeting to review plans for a slaughter and processing plant in Panton that will operate under State Inspection
- New State Inspected Poultry plant in Berlin set to start operations on July 30th

- New State Inspected Poultry plant in Randolph Center is progressing and hoping to be operating by the last week of August
- Consulted with an individual from Wolcott on requirements for a combination pork and poultry slaughter operation that would operate seasonally for fall slaughter operations
- Beginning process of application review for two food safety specialists trainee positions
- Visited processing operation in Orange preparing for State Inspection by the end of August
- Spoke with a representative of Co-operative insurance company concerning insurance coverage for a small state inspected processing facility. Apparently the under writers are saying they have to be USDA inspected, We explained our designation of "At Least Equal To" status with USDA and the representative asked if I could explain further to the underwriters the next time that they meet in August
- Consumer complaint investigated about dogs in a retail market that has a working deli and sells raw meat products.
- Consumer complaint received that a large supermarket did not have hot water available for hand washing and/or cleaning and the meat inedibles were not being removed in a timely manner from their cooler.
- Answered questions about the movement of animals from another state to and/or through Vermont going directly for commercial slaughter.
- Met with and issued a Retail, Wholesale and Public Warehouseman license to a firm in Vershire.

Animal Health:

- Animal Health Field staff received a report of an unlicensed livestock dealer in the Williamstown; investigation did not result in any needed enforcement activities.
- Animal Program Coordinator is working with USDA to finalize paperwork for the Swine Enteric Corona Disease Program award of \$20,000.
- Animal Health Program Coordinator is working with the National Poultry Improvement Plan to utilize their new database and online registration of NPIP participants. The online access is very convenient and more efficient as field staff will now be able to keep track of VT NPIP participants and activate or inactivate their status at needed. The Section will also be able to ensure that poultry importers who import into VT based on NPIP statues actually do have that status.
- The first quarter for the USDA Cooperative Agreement has ended and the activity and financial reports are due the end of July however Animal Health has not received budget reports from the business office.
- Animal Health is working with a dairy producer on biosecurity methods and pressure washing facilities in preparation for a new herd. Animal Health Program Coordinator completed a site assessment to plan for the cleaning, which will occur in late August. The activities will be considered an Animal Health Biosecurity Emergency Drill.
- Animal Health is working with a reindeer producer who imported two reindeer from New York. The premises will be under quarantine until the deer are tested for Brucellosis between 45-120 days post-entry, as required by the VT Importation Rules. Field staff will coordinate with private veterinarians to confirm the official identification of the reindeer when blood is drawn for Brucellosis testing.

Dairy:

- This week, Greg Lockwood with assistance from Brian Young and Steve Volk completed a rating at two of Agrimark's cheese making facilities so that the whey they produce could be considered a Grade "A" product. The whey is sold as a number of dried milk products such as Whey Protein Concentrate. Their products are sold all over the world so this designation will increase the value of all the product they sell.
- Sue James and Steven Nicholson completed a rating on one of Agrimark's producer groups in Vermont. These rating happen every two years on each group of producers and are a critical component to the overall Grade "A" milk program in Vermont. The ratings verify that Vermont is in substantial compliance with the national Grade "A" milk program regulated under the Pasteurized Milk Ordinance.

- Eric Perkins and Jon Magnant cooperated on a joint project inspecting a number of the bulk milk tank trucks that transport milk throughout the Northeast to assure the tankers are being kept sanitary and are suitable for use in food transportation.
- Laurel Junkins spent the week assisting farms with milk quality programs identify the cause of their problem and assisting them with developing solutions.
- The dairy section has a nice problem in that we have a very experienced staff. Half of the section has over 25 years of service. To that end we have been working on a reorganization that both rewards employees for the increased skills and knowledge they gained over time and to have the section in a better position for the inevitable transition. The section has worked hard and this week we completed and submitted to HR a set of RFRs that cover all of the inspections staff creating an equitable career ladder and dividing the duties of the section in a manner that should make changes in personnel smoother for the Agency.

Agricultural Resource Management Sector (ARMS):

Water Quality:

- Lots of press over the past weekend on the BMP petition in the Missisquoi Bay watershed. Hearing went well and all PR was represented the Agency fairly.
- The EPA will be coming next week to review water quality files for farms to set inspection goals in the next year or two.
- James Ehlers of the Friends of Northern Lake Champlain requested information about winter spreading ban exemptions we've provided over the last decade, request was completed.
- Members of the ARMS met with Attorney General Sorrell to discuss agricultural enforcement. The Attorney General's Office is interested in knowing if there are agricultural water quality cases appropriate for the AGO in the Northern Lake Champlain region. We will meet again in September to review the cases and resource concerns known by the agency. We are resource challenged in this area which this conversation is already starting to highlight. We have a lack of inspection staff, lack of technical and financial support, and lack of case management abilities within the Agency of Agriculture. We also know that per the first round of medium farm inspections we had a 78% non-compliance rate so there is a tremendous amount of work that needs to be done.

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

- Staff conducted technical assistance visits on one LFO in Orange County. The visit was to discuss the construction of a new waste storage facility that is associated with the farm's recent LFO permit amendment.
- Staff conducted two complaint inspections on MFOs (one in Orleans County and one in Franklin County which was forwarded to AAFM by ANR). Both complaints related to farm field runoff onto neighboring homeowner properties. Staff will continue to work with the farms to develop solutions and alternative management options to reduce impacts from the farm fields.
- Staff conducted field checks related to the use of a no-till corn planter that was purchased by a MFO in Orleans County operator through the Capital Equipment Assistance Program (CEAP). The goal is to document that farms are meeting the conditions of their grant agreements and implementing no-till as specified in their grant agreements. Thirteen farms received financial assistance to purchase no-till corn planters through CEAP and this was the final evaluation of the use of the planters.
- Staff are continuing to process applications and information for several MFOs that are increasing in size and we are working to transition the farms into the LFO program. Several draft permits and permit amendments have been submitted to our Directors for review and are being revised as needed. We are also working with farms to set up public meetings if the farms are proposing to build animal housing. Adding animal housing requires a discretionary public information meeting as well as a permit amendment for existing LFOs.
- Staff are working on developing the water quality section of the new CAI USA Food Safety water quality database.

Conservation Reserve Enhancement Program (CREP):

- Staff participated in regional CREP meetings with partner organizations in Franklin and Grand Isle counties, as well as Rutland and Bennington counties. Barriers/challenges to increasing interest in program given NRCS staff turnover,

and a CREP not being a priority for NRCS given their EQIP workload. In addition to conservation district staffing turnover and time allocated for CREP outreach and planning, slashed/reduced soil rental rates, etc.

- Staff met with contractors at a SFO in Cambridge to discuss a barnyard runoff BMP project, rough out design, and provide enough info (with follow up) to elicit estimate. Staff marked out EQIP runoff diversion structures for long and steep animal trail with contractor and flagged out EQIP exclusion fencing with fence contractor.
- Staff met FSA staff at same farm in Cambridge to review CREP proposal during another farm visit.
- Staff visited/responded to concern of MFO in Franklin about silage leachate treatment area vegetation and pump station.
- Staff continued ongoing emails and discussions with partners regarding CREP current and potential CREP projects.

Plant Industry:

- Vector survey – As of July 21, 758 mosquito pool samples have been submitted for arbovirus analyses by VT Department of Health. There have been no new arbovirus detections in the analyses since the Eastern Equine Encephalitis detection in June (Grand Isle, June 26). An additional 200 pools were submitted Monday, July 21, and preliminary results are negative on these pools as well.
- Risk levels remain unchanged for West Nile Virus (low, but widespread across Vermont) and for Eastern Equine Encephalitis (low to moderate in Franklin and northern Chittenden counties, and moderate for Addison/Rutland counties), but caution is advised in both areas. DOH Risk assessment descriptions and maps are available online at: <http://healthvermont.gov/prevent/arbovirus/surveillance/index.aspx>. As before, the best protection is prevention (insect repellent, limit exposure during dusk and dawn periods when mosquitoes are more abundant and feeding, maintain window screens, eliminate standing water where practical).
- Marijuana Study Steering Committee – on July 23, plant industry represented the Agency at the first meeting of the marijuana study steering committee. The Rand Corporation has been selected to assemble the report on the potential economic impacts of regulating non-medicinal marijuana in Vermont, as required by Act 155. Attendees included Department of Public Safety, Liquor Control, Health, Economic Development (ACCD) and administration, as well as Beau Kilmer of Rand. In addition, the study will include examination of a variety of other policy, health, and general programmatic issues surrounding potential marijuana legalization and regulation in Vermont. Areas where the AAFM may play a role include management of pesticides and pests, active ingredient(s) testing, interaction with industrial hemp, and other areas pertinent to agriculture or market regulation generally.
- Vermont Forest Pest Roundtable – On Monday, July 21, Plant Industry staff attended the quarterly Vermont Forest Pest roundtable meeting in Woodstock. This group, consisting of representatives from Forests and Parks, USDA APHIS PPQ, USDA Forest Service, and UVM Extension, meets regularly to review forest pest management and control plans and policies, discuss the state of forest pests in the US and internationally, and exchange information from each of our respective agencies. This meeting was dedicated to reviewing the Vermont Invasive Forest Pest response plan, and a cooperative agreement between UVM Extension and AAFM.

Secretary's Comments:

Hearings:

Hearing on CLF Petition for BMPs in Missisquoi River Basin: conducted hearing on Friday the 18th in St. Albans, received public input on petition, hearing lasted from 9:30 until approximately 1 pm; attended by approximately 100 people, with about 25 speakers; attendees were respectful and engaged, extensively covered in press; must issue response after public comment period closes in August.

Meetings:

- Food Safety Meeting: met with VAAFM staff to review role and response of VAAFM, DOH and state to ongoing activities of FDA on implementation of FSMA; partnership with VT and other states still very much in flux and 7 draft rules of FDA for FSMA are not final and uncertain.
- WASDA, Western Association of State Departments of Agriculture - participated in meeting of western commissioners, secretaries and directors and discussed range of issues facing agriculture nationally including discussions of: Food Safety Modernization Act and emerging partnership with FDA; EPA Draft Rule Waters of the

United States (WOTUS); new CEO and transition for NASDA and NASDA annual meeting to be held in Vermont from September 10-13.

- White House Rural Opportunity Investment Conference - participated in meeting held to identify private sector investment opportunities in rural communities with a focus on infrastructure including roads, water quality, waste water, water systems, conservation and telecommunication; met with many USDA and EPA officials and interested private sector and not for profit representatives.
- New Zealand Ambassador and staff - met with Ambassador Michael Moore and staff to discuss on going collaborations on water quality, education exchanges and research collaboration.
- American Farm Bureau National President Robert Stallman - discussed wide range of issues facing agriculture at national level and relevant to VT including FSMA, WOTUS and Farm Bill Implementation.
- Attorney General, ANR and VAAFM - met to discuss water quality enforcement, reviewed history of work, ongoing efforts and outlined opportunities to work more closely and conduct some joint efforts including announcements of resources, enforcements and celebration of good practice.
- VAAFM Leadership - discussed upcoming legislative session agenda and budget management.

CONFIDENTIAL and PRIVILEGED

To: Governor Peter Shumlin

From: Deborah Markowitz, Secretary, Agency of Natural Resources

Date: July 25, 2014

Subject: ANR Weekly Report

Governor Level Issues:

Budget: We greatly appreciated the administration's approach to managing the rescission news by bringing the cabinet together so we could fully understand the implications and brainstorm together the approach moving forward. Although this will be a difficult exercise for ANR (as I imagine it will be for my sister agencies) we are already working up a set of options for how we will meet the recessionary goal while meeting our mission as an agency.

EVERYTHING ELSE:

Legislative Issues/Testimony:

Battery Meeting: Solid Waste Program staff spoke with several battery manufacturers and their lobbyist (Allison Crowley Demag) to discuss the new extended producer responsibility primary battery legislation, which was supported by the industry. The manufacturers had two key questions, which we are working with counsel to answer: (1) Do retailers with their own brand alkaline batteries, like Walgreens or CVS, and others that import foreign off-brand batteries, such as Dollar General, meet the definition of a primary battery producer?, and (2) Are products containing batteries covered in the bill, even though the legislative intent was to exclude the products?

Press Issues/Releases:

Wood Energy Grants Announced: On July 15, US Dept. of Agriculture Secretary Tom Vilsack announced the award of more than \$2.5 million in grants to develop wood energy teams in eleven states, and an additional \$1.25 million for nine wood energy projects across the US. The VT Department of Forests, Parks & Recreation was the recipient of a Statewide Wood Energy Team Grant of \$250,000 over three years. Grant funds will support the development of a database of potential sites for the installation of modern, high efficiency, clean burning/low emitting wood energy systems; support outreach and education efforts to facilities in targeted sectors and communities; and provide technical planning and engineering assistance to the most promising facility conversions. In addition, the Northern Forest Center was the recipient of a \$47,000 Wood-to-Energy grant for engineering analysis for a wood pellet mill in St. Johnsbury.

This grant program is intended to help applicants complete the necessary design work needed to secure public or private investment and move projects to construction. It is hoped that expanding markets for wood fuels in Vermont will stimulate the development of additional wood fuel suppliers and help to further the goal of providing viable markets for the products of forest management and fuel treatments from federal, state and private lands in Vermont.

Fish and Wildlife Press Releases: Public meetings on the status of waterfowl populations and waterfowl hunting seasons for the State of Vermont and Lake Champlain zone in New York will be held Tuesday, August 5, in Whitehall, New York, and Wednesday, August 6, in Essex, Vermont. **Man Charged for Feeding Bears:** Jeffrey Messier, 54, of Black Falls Road was charged with feeding bears after Game Warden Sgt. Carl Wedin received a report of a bear being killed in self-defense at a neighboring residence on June 22, 2014. **Eating Wild-Caught Fish Can be Healthy for You and the Environment: Vermont Moose Hunting Permit Winners Are Drawn:** The winners of Vermont's 2014 moose hunting permits were determined Thursday, July 17, at a lottery drawing in Montpelier.

ANR v. Maple Glen, Inc.: This matter involves a communal camp ground that had failed wastewater and Act 250 violations. It was recently resolved via a negotiated settlement (Assurance of Discontinuance) which included corrective action and a penalty of \$28,650. The Compliance & Enforcement Division issued a media release announcing the resolution of the Maple Glen, Inc. enforcement matter.

Significant Events/Meetings:

Vermont Parks Forever: I would love a chance to brief you (Jeb, Liz, Sue – and ultimately the Governor) on the progress we are making with Vermont Parks Forever, the Foundation for Vermont's State Parks. There is a lot going on!

We have been in conversation with the Kunin family about establishing a new park in Springfield in honor of Edgar May, using his historic property, Muckcross. The board of VPF did a tour of the property and, with the strong support of Mike Snyder and his park's director, Craig Whipple, we are beginning to move forward with the project. I plan on looping in Alice Emmons, as well as the town manager (who is already very much aware of this project as we are collaborating on it with Bob Flint) because the next step is ensuring the town is on board.

We are planning a kick-off event for the foundation November 1st at the Flynn Theater. It is a story-telling event. We are approaching VELCO to be the event sponsor (and if not them, then GMP) We will be reaching out to a number of businesses to support the event, and along with tickets, we hope to raise 90,000 (in honor of the 90th anniversary year of the parks.) I will not be personally soliciting businesses that we regulate (including GMP and VELCO). I have already invited the Governor to be a "Special Guest" at the event. I expect that Governor's Kunin and Douglas will be there as well, as they are honorary board member of VPF. At some point I would love your thoughts on what businesses you think might have an interest, and, although we already have a great board, we could use a couple more board members from Chittenden County.

Hinesburg Hannaford 401 Issuance: The development of a new Hannaford grocery store in Hinesburg has been very controversial. Because of some early staff miss-steps we added additional public process to ensure we have been as transparent and inclusive as possible. That being said, this additional process did not result in new information that would affect the outcome. We have now closed the public comment period, DEC completed its responsiveness summary, and the 401 Water Quality Certification will be issued shortly. We expect that this decision will result in another flurry of objections from the opponents of the project. A stormwater permit for the project was issued a few months ago. The wetland determination has already been appealed. I am happy to brief you if you would like more information.

Jay Peak Amphitheater project : Jay is currently constructing its new amphitheater, which is the subject of an Act 250 amendment application. An initial review of the stormwater project files suggested that this project did not have stormwater permit coverage. Further review suggest that Jay did in fact account for this project in their stormwater permits, however the level of plan detail provided by Jay in their stormwater permit applications was sub-standard. Jay has been directed to provide updated plans. The deficiencies in their plans do not rise to a level requiring permit revocation or amendment. Note that the permits that cover the project are the subject of the pending VNRC/VLS appeal.

Solar Summit: On July 16th ANR co-hosted with PSD a summit of solar developer, community energy committees, regulators and legislators. The summit filled room 11 at the Statehouse and included presentations by PSD, ANR, VAAFM, Division of Historic Preservation, Renewable Energy Vermont, and Energy Action Network and included robust discussion moderated by Rep. Tony Klein of successes, opportunities and challenges related to solar deployment. Overall the event was positive and resulted in a better understanding of the constraints and challenges faced both by regulators and developers in moving the state towards our in-state renewable generation goals.

Universal Recycling Implementation- DOC: The Solid Waste Program staff has been holding meetings each month since May with correctional facilities around the state, in an effort to implement the Universal Recycling law. The Northwest State Correctional Facility in Swanton should have their organics diversion program up and running—with collection services provided by Casella—by the end of July. The Northeast State Correctional Facility in St. Johnsbury may be the next facility to start increasing recycling and exploring composting options. Next month staff will be meeting with the Marble Valley Correctional Facility in Rutland. Bob Arnell of DOC has been instrumental in this process.

I-89 Williston South Bound Rest Area: This rest area has its own water source, with the most recent total coliform samples exceeding the maximum contaminant level. As a result, an NOAV was sent to BGS notifying them that the facility was being placed on a Boil Water Notice. Staff discussions were held and the facility's water will no longer be used for coffee making/drinking. BGS will also post signs on any drinking fountains until the cause of the coliform violation is found and resolved and the Boil Water Notice is lifted.

SUMMARY OF KEY DEPARTMENT ACTIVITY

ANR Office of Planning and Legal Affairs

Vermont Gas Phase II. OPLA filed with the PSB ANR's responses to Vermont Gas's discovery requests in connection with the Phase II CPG docket. The narrative responses of seven ANR technical staff stretched over 90 pages.

TDI New England Clean Power Link. OPLA and DEC staff participated on a driving tour/site visit of TDI's proposed 50-mile preferred land route from Benson to Ludlow.

OPLA staff has begun to participate in VTRAN's weekly TDI meetings/conference calls – each Tuesday morning VTRANS discusses the project internally then participates in a conference call with TDI. OPLA will continue to attend these meetings/calls as appropriate in order to facilitate coordination between the two agencies in the permitting and review of the project.

OPLA this week provided additional comments to TDI regarding their proposed work plan for water quality modelling as well proposed work plans for thermal and magnetic field modeling. These plans continue to improve and are close to being acceptable to ANR and DEC technical staff.

EAN/Solar Industry Workgroup Meeting. OPLA facilitated another bi-monthly workgroup meeting that included staff from ANR, PSD, VAAFM, and ACCD, solar developers, and executive directors from Energy Action Network and Renewable Energy Vermont to continue our efforts to streamline permitting of well sited group net-metered solar projects. This installment focused on the Vermont's wetland protection rules and the state wetland permitting program, and provided guidance to the development community on how these rules are typically applied to solar projects and the best process and approach to reduce wetland-related permitting issues for solar.

BED Solar project @ BTV. Burlington Electric has partnered with Encore Redevelopment to propose a 500kw solar facility on the roof of the Burlington International Airport parking garage. Given the roof-top location, there are very few natural resource considerations in play; however, BED has raised questions regarding ANR's request for a report of as-built componentry and annual output/component replacement activity. Providing this information once at the time of commissioning then once annually allows ANR staff to evaluate the net GHG/kwh efficiency of the project; this Vermont specific data is requested of all non-net metered solar generators and will be used to address the GHG considerations under Sec. 248, create a database that tracks the highest efficiency designs and componentry for Vermont's unique climate, and will help to inform future public policy decisions. OPLA continues to work with BED to address their reservations and move the project forward with the GHG reporting provision intact.

Solar on Landfills. OPLA has received increased inquiries regarding siting solar generation on capped landfills. ANR supports the siting of solar at these facilities provided they are designed and operated appropriately. This week OPLA brought together staff from several ANR programs to look at our existing guidance on landfill solar development and ways to improve that guidance and coordinate our permitting in anticipation of an uptick in new projects.

Solar Technical Assistance. OPLA staff provided technical assistance and coordinated staff review of a proposed 150 – 500kw net metered solar projects in Bennington, Berlin, South Burlington, Colchester, Royalton, Thetford and Proctor. OPLA attorney successfully negotiated a stipulated agreement for the 2mw Bridport Solar project on July 8th.

New Applications

Week of July 7, OPLA received 3 new Sec. 248 applications and 6 new Act 250 applications.

Week of July 14, OPLA received 2 new Sec. 248 applications and 6 new Act 250 applications.

Week of July 21 OPLA received 1 new Sec. 248 applications and 6 new Act 250 applications.

Environmental Conservation

Natural Gas Conversions - Failure to Obtain Permits: The following four facilities have made fuel conversions to compressed natural gas, or are in the process of converting, and did not obtain prior permit approval: Rutland Regional Medical Center, Central Vermont Hospital, Foley Services, and UTC Corporation. We are working with each of these entities to obtain the necessary permit. While we are supportive of these conversions to a cleaner fuel, there are a few items we must review and document to ensure compliance. We do not expect any issues and have recently approved approximately 12 such conversions.

Diesel Emissions Reduction Efforts: We recently received from EPA a one-time waiver, starting October 1, to allow us more flexibility giving out grant money for diesel fuel reduction. The grants will be given to hospitals with the goal of improving air quality on campus and reduce infiltration of diesel engine exhaust pollutants into the building's interior, especially the emergency room and intensive care areas, by eliminating the need for emergency vehicles to idle. The project is the first of its kind in the U.S., and will also reduce greenhouse gas emissions, and increase the energy efficiency of emergency services.

EPA Residential Wood Heater New Source Performance Standards: Our air and climate division spoke with representatives of the Northeast State for Coordinated Air Use Management and the Hearth, Patio and Barbecue Association, representing the wood burning device industry, with the goal of finding common ground and reconciling differences regarding the New Source Performance Standards for residential wood heating devices recently proposed by the EPA. Agreement was reached on developing a new test method utilizing cordwood as fuel, sell-through provisions for future existing non-compliant stock, and lab certification testing oversight and a testing certification process. The agreements will be submitted to the EPA for guidance in an upcoming letter.

Danville School Chemical Cleanout: Staff assisted Danville School this week in cleaning out its unwanted science lab chemicals, creating proper storage, and dealing with disposal issues. This was a typical high school science lab with years of accumulation of unused chemicals, with probably 90 percent reduction in chemical inventory when we were finished. Northeast Kingdom Solid Waste District will dispose of the hazardous chemicals at no expense to the school. Additional compliance assistance follow-up will be conducted with the school on needed safety equipment and required safety plans.

Troy/Jay Sewer Line Funding: We issued our concurrence to award a construction contract for a new sewer line along Route 242. The contract price is \$1.287M and is being jointly financed with USDA and STAG (congressional earmark) funds.

ANR Online / nForm Project: The online permitting project is on-track to be rolled out to three Programs (Underground Storage Tank, Underground Injection Control, and National Pollution Discharge Elimination System) in September. An nForm update is scheduled for July 28. Once that work is done, a number of training events will be held for staff in the first set of programs. This will be followed by a couple rounds of testing. The testing will include the functioning of the base system, developed forms (including the data integration) and enhancements including the integration with our payment processor (Authorize.Net) to ensure everything is functioning properly before launch. nForm will meet EPA's Cross Media Electronic Reporting Rule for electronic submittals associated with federally delegated programs where a signature is required. .

Act 186 – Population Based Indicator Reporting: DEC has completed the population based outcome reporting to the Administration for a report due to the Legislature under Act 186 - *An act relating to reporting on population-level outcomes and indicators and on program-level performance measures*. We are proposing a few substitutions for reporting on population based indicators and provided this information along with the indicators for the last three years.

Dam Removal – Kendrick Pond: A major removal project is underway at the Kendrick Pond dam in Pittsford. Over 8,000 yards of accumulated sediment are being removed in conjunction with a controlled dam release and removal being supported by USFWS. Work started this week.

Fish & Wildlife

Lingering Problems from Irene: The Department is still working on one final project from the Lake Champlain flooding from 2011; FEMA disaster #1995. This project is to restore 3 dikes within the Sand Bar Wildlife Management Area that are used to manage wetlands for waterfowl habitat. The Department had requested that FEMA re-evaluate the scope of the project as it had omitted a number of key portions of the restoration and significantly underfunded the project. Last winter FEMA responded to the scope change request by requesting the Department to bid out the project so they could use the bid to help write up and fund a new project. FEMA has now instructed the Department to put the contracting process on hold because they are requesting additional information; formally known as a Request for Information (RFI). Typically, this information is requested at the beginning of a project or not at all. The Department is working to compile all the requested information by the end of July.

New Osprey Nests: Staff checked osprey nests in the Islands for chicks. A new nest was discovered in South Hero on one of the major VELCO lines which should not be a problem for electrical transmission. A new osprey nest was reported in Pittsford by USFWS staff. This will be checked soon to verify.

Bear attack reported: Wardens responded to a reported bear attack at the Bromley ski area. Upon arrival they met with a very intoxicated female claiming to have been knocked down by a bear. Additional investigation of the area didn't indicate a bear having been present.

Bears, bears and more bears: There have been a number of bear damage complaints throughout the state. There seems to be a slight decrease in complaints indicating that natural foods (berries) are likely ripening. During the week two bears were killed by motor vehicles. Another bear was shot and wounded in Rochester when it returned to kill more cattle. The farmer wounded the bear but unfortunately didn't kill it. It is unknown if the bear eventually died or not.

Forest, Parks and Recreation

Park Visitor Numbers: State Park visitation is still 17% ahead of last year to date.

Sources of Firewood: FPR was approached by BGS Purchasing to identify potential vendors for full log-length firewood for the Correctional Facility in St Johnsbury. The Montpelier and St. Johnsbury FPR offices are working with BGS purchasing to identify and structure a purchasing method to encourage participation by local forest product vendors.

ADA Celebration: Branbury State Park will host a celebration of the 24th anniversary of the Americans with Disabilities Act this Thursday. The event is to acknowledge the many accomplishments of the Act in Vermont, and is being sponsored and coordinated by the Vermont Center for Independent Living.

Storm Damage at Stowe Mountain Resort: Brad Greenough, State Lands Forester, inspected damage from a wind event that occurred July 3 at Stowe Mountain Resort on Mount Mansfield State Forest. Tree damage was significant in an area of approximately 1400' x 200' or 6.4 acres. The first landing pad site for a new zip tour currently under construction as well as some ski trails were affected by this storm, so Brad made a visit to the site on July 7. Since the zip tour construction is controlled by an Act 250 permit, Brad submitted his observations and recommendations for clean-up in writing to the District Environmental Commission, Stowe Mountain Resort officials as well as some ANR staff.



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MEMORANDUM

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

From: Christopher Recchia, Commissioner

Date: July 25, 2014

Subject: Weekly Report

Governor Level Issues:

Status of Priorities and Cases of Interest:

- **VGS:** I met with Don Gilbert on Wednesday to discuss several issues of concern, and then with staff to talk about options for Phase II enhancements. First the problems: 1) They have annoyed ANR by not filing a soil management plan as they had committed to – VGS did give ANR a plan this week, but today, the board issued an order stopping work on Phase I in VELCO right-of-way until a plan is filed with the board; 2) their recent filing on costs revealed they are paying VELCO for use of right of way equivalent to \$29,000/Acre, while they've been offering homeowners \$3,500/acre. This may somehow be justifiable, but I explained they will need a very good explanation if/when this comes to light; 3) We were asked by Addison County delegation to investigate options for homeowners to have access to legal counsel regarding eminent domain issues – we're trying to be responsive, but haven't identified a path that is not a very slippery slope toward DPS providing individual

legal advice or intervenor funding; 4) VGS was quoted in press as saying “they did not need to update their Phase II cost estimates as they had used ‘updated methodology’ for that.” The problem is this Phase II analysis was filed in November of 2013 BEFORE they board acted on Phase I CPG, however they’ve stated they did not know about Phase I estimation problems until January. A better message is that they ARE relooking at Phase II estimates carefully to be sure they are accurate based on the Phase I info.

Second part of meeting was to discuss possible MOU on Phase II with enhancements to include solar HW program and biogas. The proposal they had (a draft MOU, but without commitments) had no real substance, so they are working to revise over next week or so to include concepts Liz, Deb M. and I had discussed that day – including payment of an ACP for non-biogas used to provide an incentive to continually move toward increased biogas (first preference). Told them “cow-power” model not going to work, looking for something on the order of 10% by 2020 and 20% biogas by 2030, with ACP if that could not be met (or ACP based on non-biogas portion from day one as first preference noted above). Also, we needed commitments on solar HW volume of installations over a specific timeframe. I raised issue of a limited-life CPG – needless to say, they were not excited about it and are concerned about IP’s reaction – but the issue, rationale and that we’re seriously thinking about it has been brought to their attention. NG Vehicle fueling stations is also part of the proposal, though VGS wanted to include in rate base and as an initial position we are looking for them to pay for the fueling stations below the line. I asked for a revised proposal from them by 7/31, but realistically, they thought they’d need into the following week. Our rebuttal testimony is due September 16th, so would be good to resolve this in August. As soon as I have a decent proposal, I’ll forward to Liz and Deb to review.

- **FairPoint:** Strike authorized. Negotiations ongoing around the clock. Federal mediator has been appointed. Contracted emergency service personnel are on call. Beth Festiggi says their customer service call center will function as it currently does (which was not terrifically reassuring, but I guess will have to do!).
- **Docket 8010, PURPA Rates:** Following lengthy inaction on requests by renewable energy developers and Department for a scoping order in this docket regarding Vermont PURPA compliance, the PSB issued a proposal for decision on 7/24. PURPA

is a federal law that requires utilities to purchase output from merchant plants that qualify, based on the utility “avoided cost.” Vermont previously successfully defended the Standard Offer program against litigation at FERC by a developer seeking to invalidate it as impermissible under PURPA. The Department’s argument at FERC relied on there being a separate PURPA process (under PSB Rule 4.100) for developers to utilize. For that to be accurate, this docket needs to move forward with a PSB order revitalizing the Rule 4.100 process. The PSB asked for comments on the proposal by 8/4, and for PSD to file new avoided cost rates by 9/30, although we anticipate doing so sooner to move this along. We are executing a contract with La Capra for \$15K to do the analysis in the next two weeks. We hope to file with Board on August 7th.

- **Regional Initiative:** VELCO made its presentation to NESCOE yesterday on cost discipline and NTA’s. They did a great job. I believe we have a very good chance of getting firm commitments from the other states to support both through ISO and to make specific changes to ISO’s rules that would make sure any transmission projects are properly estimated up front, so a fair comparison to NTAs could be evaluated. This is true ONLY IF WE STAY A PARTNER IN THE REGIONAL INITIATIVE and are willing to “pay costs appropriately based on the benefits” as previously stated in Governor statements. We are slowing the process down with respect to RFPs and selection of projects, but other 5 states want to move forward with the NEPOOL process and tariff filings at FERC. To do so, tariff language, including agreed upon cost allocation methodology, must be presented to NEPOOL by August 5th, for a vote by them on August 16th. It is decision time – and I recommend we go forward with this cost-allocation at this point for the purpose of moving the tariff process. We did reiterate and confirm that regardless of tariff, if ANY state objects to ANY project, or if benefits do not substantially exceed costs (1.5:1), that project(s) will not go forward, or if VT believes it will not sufficiently benefit from projects, a revised tariff can be filed, so we have multiple options to withdraw or adjust participation at a later date if we wish. We also will work on market corrections to address this problem in the intervening years it would take for any projects to come on-line, possibly alleviating the need to socialize project costs. Finally, we are still working to reduce the costs by assuring merchant projects are not socialized, just the incremental changes states are seeking. Gas capacity to southern New England has the most critical impact on Vermont and reliability, and gas will not go forward in MA if transmission does not go forward as well.

I've attached a briefing paper on the Regional Initiative recounting where we are and what the pros/cons are of moving forward or not. States are working on another joint statement for Governors to have available next week following final determination of the MA legislation, expected by the 31st.

- **Connecticut PURA proceeding on Vermont RECS:** On 7/21 Connecticut PURA held a workshop to determine whether Vermont SPEED program constitutes double counting under CT RPS law. BED and GMP participated along with Department. The utility/PSD position is that neither SPEED program nor Vermont's statutory total renewable energy targets present any double-counting issues until 2017, when certain compliance targets kick in. This argument, if accepted, would avoid an immediate rate shock to consumers while providing time for us to harmonize our program with rest of region. By the end of the workshop, most participants accepted that SPEED did not present double counting issue until 2017, but CT Office of Consumer Counsel had concerns about Standard Offer double-counting based on its annual requirements. CT PURA staff indicated they would start drafting order soon to help resolve issue quickly and address REC price uncertainty.

Meetings this Week:

July 21 – Chris has conference call with AGO re CAN; Chris and Darren attend State Solar Initiative meeting at BGS

July 22 – Chris meets with Amy Shollenberger and CAN; Darren attends State Buildings Renewable Energy meeting at 5th floor; Darren and Geoff meet with Jason Day of Star Wind Turbines; Chris attends Residential Wood Heating meeting at ANR

July 23 – PSD meets with VGS; Chris attends BEREC stakeholder meeting at VEIC; Darren attends legislative planning meeting, and Cabinet meeting, and participates on delegation call with DOE.

July 24 – Chris and Ed attend NESCOE/GIG meeting in Westborough, MA; Darren participates in BED/ANR call on GHG reporting requirements.

July 25 – Special CEDF Board meeting; EVT/PSD meeting on EEN financing; Darren meeting with Andrew Savage and VOTE Solar to discuss Vermont solar initiatives

Meetings next Week:

July 28 – Chris lunch meeting with Jim Volz; PSD hosts interagency State Renewable Energy Initiative follow-up meeting

July 29 – PSD/Neighborworks meeting; Chris and Jim Porter participate on conference call with Michel and Diane Guite; Chris meets with Todd Bailey re Stilebrook and Iberdola;

Darren meets with Rep. Rebecca Ellis, and attends solar summer tour event in Waitsfield July 30 – Chris attends 2-day ECOS-Step conference in Washington, Regional Initiative congressional briefing arranged by Senator King; Darren meeting with James Moore of SunCommon

Media: Susan Smallheer article on Tony Leshinskie in Rutland Herald and Times Argus; extensive media coverage on Rising Tide VGS protest at PSD/PSB; continued. Darren spoke with John Herrick at VTDigger about net metering and SPEED. John Herrick calling about wind projects in Vermont.

Everything Else:

PERD

Net-metering

Net Metering Activity 7/5/14 – 7/11/14

	Registrations*	Applications	CPGs Granted
Count	21	3	56
kWAC	124.429	353.000	330.338
Ave Size kW	5.9252	117.667	5.899

Cumulative Capacity of Registrations and Applications Submitted

Year To Date		Total Since 1999	
2013 kW	2014 kW	1999 – 2014 kW	% of 15% CAP
5510.66	8469.67	46982.72	~ 31.3%

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

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

Total Energy Study

- REMI input structure has been set. Input values for both CT and TREES BASIC high biofuel scenarios have been entered and results are being analyzed to spot areas needing further refinement. Decisions need to be made regarding who receives the

money flows associated with payment for TREES allowances. This could be government or renewable energy industries.

Engineering

Proposed Amendment to VY Emergency Plan Published in Federal Register

The NRC notified the State Nuclear Engineer, Tony Leshinskie, that VY's proposed changes to its Site Emergency Plan (SEP) following the plant's final shutdown and permanent defueling were officially published in the Federal Register on Tuesday, July 22. These SEP changes were formally submitted to the NRC (with PSD on copy) for regulatory review (via Entergy Letter BVY 14-018) on March 24 of this year. Publication in the Federal Register opens a 30 day period for public comment on the proposed changes and a 60 day period for person(s) whose interests may be affected by the proposed changes to request a hearing and a petition to intervene in this regulatory process. The deadline for public comments is August 21. The deadline for hearing / petition to intervene requests is September 22. The State Nuclear Engineer, Tony Leshinskie, will coordinate with VT Department of Emergency Management and Homeland Security personnel to submit formal comments on the proposed SEP changes. (PSD and DEMHS have already provided some comments on the proposed SEP changes via the NRC's Request for Additional Information process.)

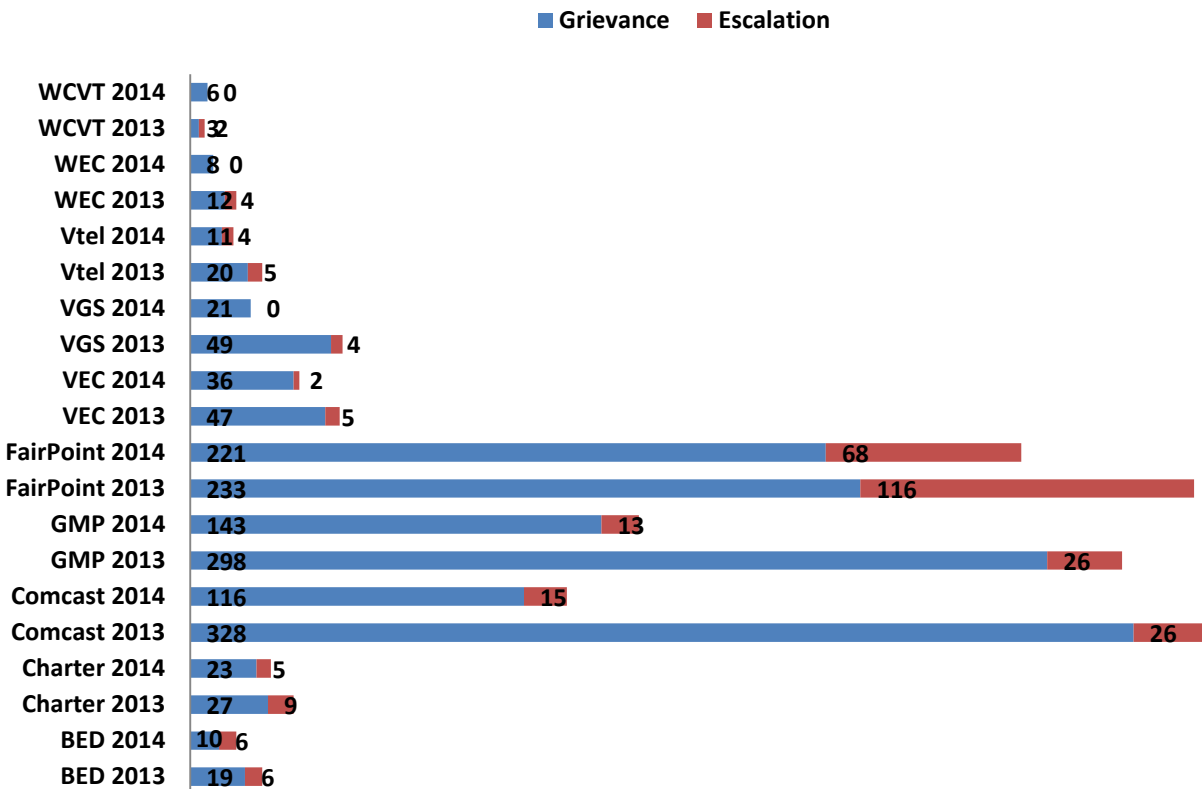
SDPP report release

Norwich University provided its recently completed State Damage Prevention Program report to the Department in electronic format. The report addresses one of the US Congressionally-determined elements for an effective state damage prevention program, i.e. the use of technology to enhance underground facility safety. The Engineering Division plans to post this report on the PSD website, along with case studies the university performed with several companies and municipalities operating various types of underground facilities in Vermont.

CAPI

CALL DATA

Number of Complaints Investigated, by Company YTD 2013 and 2014



POST CPG WIND COMPLAINTS

- Kingdom Community Wind (2), for noise
- Georgia Mountain Community Wind (1), for noise

Public Advocacy

Rutland Renewable Energy, LLC – City Solar Garden Project – Docket 8182 – The hearing officer issued his proposal for decision (PFD) recommending the project be approved with the usual conditions. Interestingly, the PFD recommends that the cost-effectiveness of the PPA should not be part of the section 248 review, but should be reviewed in a rate proceeding. Findings on § 248(b)(4) (economic benefit) are thin. Comments on the PFD are due by August 4th.

Barton Solar – Docket 8148 – The Board approved the letter of credit, subject to one technical correction. The petitioner submitted a motion to approve certain changes and to amend its CPG accordingly. The changes include consolidating two power stations; changing the design of the inverter structure; modifying the size of the inverters; and changing the specifications for the perimeter fence (as requested by the PSD). The Menards' responded by asking the PSB to re-evaluate the CPG and request the petitioner go through the process of obtaining a new CPG

since the proposed plan is significantly different from the original. The PSD is reviewing the filing.

NextSun Solar – Park Street – Docket 8194 – The petitioner provided supplemental testimony that included updated site plans (reflecting the project change revealed at the technical hearing) and the revised ratepayer benefit amount. The PSD responded with a no comment letter. After consultation with the PSD, GMP submitted a letter further supporting its conclusion that the project will not have any adverse impacts to system stability and reliability. The petitioner has circulated a proposal for decision for parties to join. The PSD has informed the petitioner that we will not be joining (due to changes to project without consultation and abandonment of MOU). Still, we will not be opposing the project. ANR is still reviewing the recent project changes that impact natural resources and has until July 28th to provide comments.

NextSun Solar – Main Street – Docket 8195 – The petitioner has circulated a proposal for decision for parties to join. The PSD has informed the petitioner that we will not be joining – same issues as above.

Champlain Valley Solar – Docket 8248 – The petitioner responded to PSD's second set of discovery responses. In coordination with ANR, PSD is negotiating with the petitioner in hopes of reaching an MOU, which is due by July 24th.

Springfield Solar Alliance I Project – Docket 8034 – Leslie Cadwell and Gravel & Shea filed motions to withdraw as counsel. Dunkiel Saunders filed a notice of appearance and a copy of a letter of credit. Additionally, the petitioner provided notice that all the CPG conditions have been satisfied and that they intend to commence construction.

Charter Hill Solar Project – Docket 8212 – The parties are still discussing MOU terms, but the process is in a stand still due to a delay in the rare, threatened, and endangered plants report.

Charter Cable CPG Renewal – Docket 7820 - Charter provided its comments on the Department's proposed CPG conditions and the parties held a follow up call on July 23rd. The Department is considering the company's edits and plans to meet internally before responding to the proposed changes. The Board issued public hearing notices for the nights of August 4, 5, 6, and 7th. The Hearing Officer convened a telephone status conference to discuss the schedule on July 23rd and the Department's testimony is now due on August 14th. The Department will be participating in settlement discussions with the Vermont Access Network on July 24th.

Burlington Telecom – Docket 7044 – The Board held a technical hearing in the proceeding on July 22. It appears to be in agreement with the Department's position that the proposed BT-Pecor bridge financing transaction should be approved in order to significantly limit the city's current exposure to a potential \$33.5M+ judgment against the city in federal court. The Board focused almost exclusively on teasing out particular details of the transactions from the city's

witnesses. The Board did not have any questions for the Department. Briefs are due to the Board by August 12, 2014.

Hardwick Electric & Hill Farmstead Dispute – No Docket – Hardwick and Hill Farmstead Brewery have had an ongoing dispute about upgrades to the system that are needed to accommodate Hill Farmstead Brewery’s growing operations. The Department has submitted a list of questions to Hardwick to determine whether the upgrades are necessary and properly attributable to Hill on a direct cost allocation basis. Hardwick has responded and Department staff is meeting with Hardwick on July 24 to go over responses. At present, the Department has concerns with the manner in which Hardwick has been engaging with Hill, but wants to make sure it understands the facts before reaching a conclusion on the matter. The Department has also been in touch with Hill Farmstead (which is candid about its dissatisfaction with the utility), and intends to seek an informal resolution with the parties, if possible.

VGS Purchased Gas Adjustment – Tariff No. 8506 – On July 22, the Department recommended that the Board accept VGS’s quarterly PGA filing, which results in an approximately 4 percent rate increase due to increased gas costs over the winter season.

Swanton Rate Case – Tariff No. 8518 – On July 17, Swanton filed for a 7.42 percent rate increase. The Department is reviewing the case and has reached out to Swanton to discuss it, with a recommendation due on August 14.

Appointment of a Natural Gas Energy Efficiency Utility - Docket 7676 – VEIC filed comments on the VGS proposed Natural Gas Process and Administration document. Their main objection to the proposal is that VGS would not be required to use the existing EEU Fiscal Agent process for review and payment of EEU expenses. DPS supports the VGS proposal and will reiterate this in comments to be filed on July 28, 2014. Parties met informally to discuss a draft Order of Appointment (OOA) for VGS on July 23, 2014 and will continue discussions on July 29, 2014. Deadline for parties to file draft OOA is August 18, 2014.

Sudbury Solar 2.0 MW Solar (Std. Offer) - Docket 8225 – PSB issued a procedural order on 7/10/14 adjusting the deadline for filing a stipulation to July 21, 2014 however, parties have not yet reached a stipulation. Petitioner was obligated to file either a stipulation or litigation schedule with the PSB, but has not done so.

Demand Resource Plan Proceeding - EEU 2013-01 – QPI negotiations between PSD, VEIC and BED are ongoing.

Addison Expansion—Docket 7970—The Department has reviewed the draft brief of Vermont Gas to be filed in connection with the Lyons appeal at the supreme court. We are in the process of determining our level of participation in the proceeding, which we may elect to sit out. Vermont Gas has provided a soil management plan to ANR, AAFM and the Department for review. We will respond to this plan and the Hurlburt Motion to Delay Construction on July 28; a joint response is planned. In response to Vermont Gas’s capital costs increase notice, CLF, the

Palmer and Kristin Lyons have asked the Board to enjoin further construction and order that the company seek an amended CPG. The Board has yet to announce a process for this. The Board had requested comments on the filing and in response thereto, the Department urged the Board not to further delay construction as it would only exacerbate the cost increases.

Addison Expansion Phase 2—Docket 8180- The Department, together with all non-petitioners, filed discovery responses on July 18. Motions to strike non-petitioners' direct testimony are due July 25. Vermont Gas's rebuttal testimony is due August 1. Vermont Gas has provided a draft proposal for its renewable energy initiative and the Department hopes to reach agreement on this and enter into an MOU by the time our testimony is due to be filed in September.

Energtek North Country-Petition for Declaratory Ruling-Docket 8303—Tim Nulty's new venture, a company that will buy gas from VGS, compress it and truck it to commercial entities, has petitioned for a declaratory ruling that it is not subject to the Board's jurisdiction. Their petition relies heavily on the NG Advantage docket and the businesses are very similar; the process used by Energtek allows for the transportation and sale of much smaller amounts of CNG, thereby significantly increasing the size of the customer base. At this time, they are committing to only commercial sales. The Department has met with the Nulty team several times and is reviewing the petition. A prehearing conference is scheduled for August 4.

Finance and Economics

Electric

Hardwick Electric Department – (HED) has filed a §108(c) financing petition totaling \$375,000 for the replacement of a substation transformer @ \$205,000 and to refinance a digger truck for \$170,000. It seeks an expedited decision on the petition. Staff is reviewing the petition and will complete its recommendation on an expedited basis by July 31.

PSB-PURPA Annual Rate Development; Staff has begun an effort to provide 'avoided cost' rates for PURPA facilities for 2015 in accordance with the existing PSB Rule 4.100. We are currently negotiating with La Capra to utilize as much of their avoided cost information as possible that will help us put together the information needed to be compliant with the Rule. This work has been delayed waiting on the status of a possible PSB order that may clarify what is needed for avoided costs-given that the Rule is outdated. See also PSB Rule 4.100 Avoided Cost Rates Determination project plan schedule below.

PSB – Docket 7874 Avoided Costs for Standard-Offer Prices: The PSB order in this docket requires the Department to submit a proposal for the development of avoided costs that will serve as caps on the standard-offer prices solicited through a market-based mechanism pursuant to 30 V.S.A. § 8005a(f)(3). Staff has begun work on the proposal. The PSB has requested the proposal be submitted by September 4th, 2014 with a workshop to be held on September 9th, 2014.

Swanton –Electric Department has filed for an overall rate increase of 7.42% or \$490,499, to take effect September 1, 2014. The increase is primarily attributable to increased depreciation expense and changes in power supply costs driven by the effects of expiring power contracts and fluctuations in the price of wholesale energy. We have met with VPPSA to review the filing and have requested documentation that would support the proposed adjustments. PSD recommendation is due on or about August 16, 2014.

Gas

VGS - Tariff 8506 Quarterly Rate Adjustment for the Under or Over Collection of Purchase Gas Costs. VGS filed its quarterly Purchase Gas Adjustment (PGA) on May 28, 2014 to be effective with bills rendered August 7, 2014. The PGA reflects a 4.08% increase in overall firm rates based on an 8.98% increase in gas rates. The increase also includes an under collection of revenues of \$542K for the prior quarter. Staff is reviewing the filing and will complete our recommendation that is due July 22, 2104.

VGS 2014 Base Rate Filing – The Company filed its preliminary cost of service on June 30, 2014 (was due on June 27) for the October 1, through September 30, 2015 rate year. The filing is requesting an overall rate increase for its firm customers of 2.34% or \$2,007,874. The Department has begun a review of the filing and has had teleconference discussions with VGS staff on the filing. Our recommendation is due on September 26, 2104.

Telecom and Cable

Charter Communications CPG Renewal- the Company has petitioned the Public Service Board for a renewal of its CPG and to extend its service coverage areas. Following a settlement meeting with Charter the Department presented a proposed revised list of 40 CPG conditions including 7 new conditions. The original Charter CPG had 74 conditions. Finance related CPG conditions were modified, combined and simplified in the proposed CPG settlement. Charter has not responded to the Department's proposal. The Department due date was extended to August 15, 2014 to accommodate scheduled public meetings in July and supplemental discovery questions to Charter Communications.

Water

Vermont Water Utilities has submitted a petition for a 46% rate increase effective September 1, 2014. Staff has begun a review of the filing and has found potential flaws in the case pertaining to depreciation and the rate base/return calculations. Additional information has been requested. A tentative recommendation has been drafted to open an investigation. Our recommendation is due by August 15, 2014.

Vermont Water Utilities has filed a petition (Section 108) seeking authorization to enter into a loan agreement in the amount of \$55,000 to finance work required by the State. Staff has begun a review. Within the Petition there is also mention of a short term bridge loan of \$35,000 for which VWU believes it does not need Board approval. Staff questioned the basis of this and submitted a request for documentation to VWU for both the bridge loan and the 55K loan. Recommendation due July 24.

Telecommunications

VTel CMRS Determination at the FCC – Several months ago the PSD and E911 Board were contacted by FCC staff regarding VTel efforts to avoid having to provide E911 services as a CMRS provider. VTel had retained counsel who contacted FCC staff and floated the argument that VTel's wireless voice product was nomadic VoIP and not CMRS and was thus not subject to certain federal rules regarding the provision of E911 service. The larger wireless carriers have avoided making this argument and VTel is the first provider to make this argument, even informally, to the FCC. As VTel either is or is soon to be offering wireless voice service (financed in part through a federal grant to provide voice service) FCC staff have asked that the Department request a declaratory ruling from the FCC as to the nature of VTel's E911 obligations for the voice service it provides. PSD staff believe the FCC will be disposed to rule that VTel must provide E911 service. The PSD will likely make a request for declaratory ruling from the FCC within the next couple of weeks and will notify VTel of our intentions next week. VTel will not be receptive to this action.

Comcast/GMP Pole Attachment Rate Discussions – Comcast and GMP are having negotiations whereby the current 2 foot pole attachment imputed space "rate" would be reduced to a revenue neutral imputed space of approximately 1.3 feet. All companies currently subject to the 2 foot rate would receive the lowered rate and all current 1 foot payers would continue to pay the 1 foot rate. These negotiations are a result of the Public Service Board recently declining a request by Comcast to open a rulemaking to effectuate the same result. The Department is generally supportive of this concept and once Comcast and GMP reach an agreement it will likely have to receive Board approval as a special contract. The Department has concerns that the Board may be hesitant to approve a special contract with such ramifications and might see the need to make such a rate applicable to all pole owning utilities and those who attach to them. To this end the Department has offered to Comcast and GMP that we would reach out to BED and FairPoint to see if they would be willing to adjust their attachment rates accordingly. The hope is that this action would cause the Board to conduct a rule making that would be applicable to all.

Charter CPG Renewal – PSD staff met with representatives of the public educational and government channels and discussed a possible global settlement of conditions for the Charter CPG. VAN staff is preparing a set of proposed conditions for consideration.

Interactive maps on PSD Site – PSD staff is working to develop a proposal to bring interactive map capabilities to the PSD website.

Telecommunications Plan – telecom staff will be putting together a rough draft of the plan today. Two elements will be missing from the draft: (1) the telecommunications survey, and the (2) state government telecommunications plan. The survey is on schedule to be completed mid-August. DII has not submitted a completed draft of the state government plan. The DII Director of Telecommunications has, however, edited half of the 2004 Telecommunications Plan chapter

on state government. Department staff will try to work with what is submitted in the hopes of producing something that meets the requirements of 202d (b)(4).

Telecommunications Plan Survey – The director of the Castleton Polling Institute, Rich Clark, notified Telecom Division staff this morning that his staff made an error with the residential survey instrument. Specifically, the instrument included a “skip” command for certain questions that caused the majority of participants to miss questions pertaining to fiber. Mr. Clark informed Department staff that his staff was back in the field following up with participants to ask those missed questions. He expects this problem to have no impact on the existing timeline.

Wireless Telecommunications Facilities (248a) Report –

A summary of DPS comments and recommendations filed in the past week about wireless telecommunications facilities:

Comments filed	Applicant/Location/Type of Filing	Brief Synopsis and DPS recommendation to the Public Service Board
7/21/2014	AT&T/Richmond/follow-up on a full petition	DPS filed aesthetics report, which found no undue adverse effects, didn't object to Town request for intervention and a hearing
7/21/2014	VTel/Halifax-02 on Old County Road/project of limited size and scope	90' monopole on undeveloped woodland; after a change in the location to avoid historical ruins, Town and Regional Commission submitted concerns, which are addressed in VTel's proposed project; DPS recommended approval
7/21/2014	VTel/Hartford (Quechee) /project of limited size and scope	90' monopole, VTel responded to Town's prefilng aesthetic concerns by planting trees, fencing the facility, and working w/Town to allow for potential collocation of public safety equipment; DPS recommended approval
7/21/2014	VTel/Hinesburg/project of limited size and scope	75' monopole, VTel responded to Town's prefilng aesthetic and erosion concerns by redesigning and relocating the access road and by preserving a tree buffer; DPS recommended approval
7/22/2014	VTel/Barnet Kinerson Lane/project of limited size and scope	90' green monopole, VTel responded to Town's prefilng aesthetic concerns by agreeing to paint the pole forest green; DPS recommended approval
7/23/2014	Lamoille County Sheriff Dept/Hyde Park	100' guyed tower; addition of 10' whip antenna atop the tower; DPS recommended approval once Sheriff's Dept files proposed findings and CPG
7/23/2014	VTel/Castleton/project of limited size and scope	90' monopole; VTel responded to Town's prefilng aesthetic and setback concerns by shifting the location of the facility; DPS recommended approval

Regional Policy

New England Governors' Infrastructure Initiative

- On July 22, NESCOE provided a presentation of recent updates to NEPOOL's Transmission Committee. Much of NEPOOL has continued to ask for additional information and to express skepticism of the initiative. In addition to the NESCOE presentation, NRG set forth additional detail regarding its proposal to have state development funds (VEDA was mentioned in this context) provide funding for individual generators to purchase firm natural gas capacity.
- On July 23, staff provided a brief update regarding the initiative at the quarterly Vermont System Planning Committee meeting.

New England Transmission Owners Return on Equity

- In mid-June FERC issued an order establishing a base Return on Equity of 10.57% for New England Transmission Owners, in response to a complaint by several New England public advocates, including the DPS, as well as other stakeholders. The Massachusetts Attorney General's office filed a petition for rehearing at FERC, with the DPS and other stakeholders signing onto the petition.

TDI Presidential Permit

- Comments are due to Department of Energy by August 8, 2014. There had been a previous email exchange (May 23) that discussed the idea that the DPS will file a motion to intervene and the DPS, Agency of Natural Resources and the Agency of Transportation would submit joint comments that say we're not taking a position on the project at this point, but for the benefit of DOE we're providing a summary explanation of the reliability and environmental review contained in Section 248, and also ANR's and VTrans' permitting authority. This wouldn't need to be a treatise, just a few pages explaining that there will be an in-depth review of the impacts.
- DPS staff will circulate a draft to VTrans and ANR early next week.

PRIVILEGED AND CONFIDENTIAL

Briefing Points on Regional Initiative

History and Status:

Six-State Governors' Direction to NESCOE Managers from December 6, 2013: from Governor's Statement:

"The Governors therefore commit to continue to work together, in coordination with ISO-New England and through the New England States Committee on Electricity (NESCOE), to advance a regional energy infrastructure initiative that diversifies our energy supply portfolio while ensuring that the benefits and costs of transmission and pipeline investments are shared appropriately among the New England States. At the same time, we must respect individual state perspectives, particularly those of host states, as well as the natural resources, environment, and economy of the States, and ensure that the citizens and other stakeholders of our region, including NEPOOL, are involved in the process. The Governors are committed to achieving consensus as we move forward, consistent with laws and policies across the region."

GPS Statement in 12/6/13 Press Release:

"Building on the work we started two years ago to coordinate procurement of power in the region, I am pleased that the states today agree to work together on infrastructure improvements to ensure we make New England power more reliable, and more cost competitive." said Governor Shumlin, Vermont. "Coordinating electric and gas transmission in the region will put downward pressure on power rates into the future, and ensure any infrastructure built is both needed and cost effective for Vermonters and all New England consumers."

January 16, 2014, NESCOE sends letter to ISO requesting assistance and support through a tariff for "1200 up to 3600 MW" low or no carbon transmission and energy and 1.0 bcf (0.6 bcf beyond current proposals) of additional gas capacity.

Cost issues in ISO letter were treated as follows:

Electricity: "Through this effort, then, the States will seek a portfolio of projects that produce region-wide benefits and which supports an appropriate allocation of costs based on these benefits. The States agree that the costs of transmission infrastructure would be recovered through the ISO-NE tariff or through merchant project(s) in a manner that ensures that the benefits and costs of transmission investments are shared appropriately among the New England States."

Gas: "The New England States preliminarily agree, through NESCOE, that recovery of the net cost of any such procurement of firm pipeline capacity be collected through the Regional

Network Services rate shared appropriately among the New England States. States are in the process of discussing appropriate cost-allocation.”

General Interests of States:

- Northern three states are more interested in the gas capacity and think that will do more to stabilize prices than anything else.
- Southern three states: MA, more interested in Transmission (min. 2400MW) from Hydro Quebec and Class I resources (Wind) to meet its Carbon goals. CT interested in both. RI in both.
- NH concerned about Northern Pass being selected, or worse, paid for by NH residents as part of this process;
- ME interested in getting hydropower from Maritime Provinces, and freeing up stranded wind developments in the state. Strongly supportive of gas pipeline development
- VT interested in (carefully) hosting a transmission project or two that benefitted Vermont financially at least, if not with power and capacity. We have indicated a possibility of our VT utilities purchasing up to 50MW.
- We are less-exposed to wholesale price increases than others – Winter 2014 cost NE states \$3B extra in energy costs. Though not as exposed, it does impact us. Example: \$1M cost to VEC each in 2013 and 2014 due to winter prices.

The Regional Initiative Process and Schedule:

- For ISO to process a tariff request(s) with FERC, States must go through the NEPOOL stakeholder process.
- Presentation made on general initiative to Participants Committee (PC) in winter, 2014
- Meetings with Transmission, EGU and Gas-Electricity subcommittees occurred since then (hence CFL criticism of meeting in back rooms with industry).
- IF WE GO FORWARD on the original schedule (see below), Tariff language must be voted on by NEPOOL by September, including general tariff language indicating “states have reached agreement on cost allocation” by end of July, and specific tariff language by first or second week of August.
- Tariffs would get to FERC in October.
 - FERC likely able to process Transmission Tariff quickly, but Gas tariff a new concept that FERC staff has indicated may not be consistent with the Federal Power Act.
 - IF FERC even issues a tariff acceptable to the states, it is likely to be subject to litigation
 - Therefore, Transmission tariff likely to pull ahead of any gas tariff. Gas projects in the ground likely, at best, 5-7 years out, Transmission 3-5 years.
- RFP Drafts would be issued in September 1 for public comment.
- It is a five month process after that until selection – at best.
 - Any procurement results and project selections would need to wait for resolution at FERC – therefore project proposals are likely to be stale by the time they can go forward.
 - NH concerned that if NP selected – that leaves another couple of years for it to be shot at by opponents while FERC litigation pending

- CT wants a more aggressive schedule with RFP selections done before a change in Governors in January
- VT and NH in particular, think this is totally unrealistic, and would regardless not bind new administrations from reconsideration.
- MA recently indicated its desire to slow down a bit – because of both pending legislation and a new secretary getting up to speed (and who is likely to be replaced in January in any event)
- NH and VT want to revisit a market solution to the gas procurement as likely the most expedient option
- All states, except VT, seem prepared to go forward with Tariff language at NEPOOL in the next month.

Current VT Position:

- 1) Cost Allocation share of 53% of Energy Load Share. This would mean payment of 2.32% instead of about 4.5% of regional costs.
- 2) Projects must have a benefit:cost ratio of at least 1.5:1, and benefits are calculated based only on regional LMP price suppression effects of the projects;
- 3) States pay only for incremental costs of projects that were not going to happen anyway (i.e. merchant proposal costs not be socialized) (Still trying to figure out mechanism to do this, but NH and VT believe this to be important);
- 4) Agreement to pursue strong NTA program across the region, building on Vermont's success at reducing transmission projects. This would start with a presentation on NTA's and cost estimation by VELCO at an upcoming regional meeting.
- 5) States retain full independent siting authority with the expectation that host states will negotiate the best deal possible for themselves, and that this will not in any way count against their cost allocation share;
- 6) Use the same formula for Gas as for the electric transmission (i.e. 2.32% share, or 53% of LMP load).
- 7) States have been informed this is a working proposal and ultimately this will be a decision from the Governor's office as to whether and how to proceed.

Some Random Facts/Points:

- HQ says they only have between 1200 and 1400MW of firm capacity to offer.
- NALCOR Hydro will not be on-line before 2020 at the earliest.
- A solicitation for 2400 or 3600 MW without a phased in approach that allows NALCOR to bid is likely to generate the balance (between 1000 and 2400MW) of perhaps speculative wind projects in response to such an RFP;
- FERC Staff was cool to the idea that they could approve a tariff for gas EGU's through the electricity tariff
- FERC will not approve a tariff to reduce LMP, but needs a reliability (or policy) justification
- **Lurking in the background is Order 1000 – enabling states to recover costs for policy projects with 70% shared by other states and 30% by host state. If MA, for example, went forward with the Transmission project as an "Order 1000" project, it would cost Vermont more, with less control over outcome.**
- Order 1000 is being litigated and will take years to resolve regardless.
- **Last winter, we had 18000MW of Gas Capacity, only between 3000 and 6000 were able to run**

during the coldest days due to gas shortage.

- The Region will continue to be more reliant on gas generation as we expect another 8000MW of coal and nuclear retirements over the next several years.
- All new EGUs proposed are either gas or wind, exacerbating winter reliability problems.
- All new gas pipelines in the region have been funded through gas distribution companies purchase of capacity – gas-fired EGUs simply buy whatever gas is left over after heating and industrial process needs are met.
- **The result of the gas constraints is that we are relying on 50-60 year old oil fired units on the coldest days of the year, days when widespread outages have the potential for significant consequences for public health and safety.**
- **Last Winter, wholesale prices due to gas constraints increased \$3B beyond “normal”**
- **Gas pipeline(s) of sufficient capacity to have desired LMP effect are estimated to cost \$1.7B. Even if one doubles that, payback would be a couple of years.**
- We do not yet have a way to guarantee that gas pipeline capacity constructed under this initiative could be dedicated to EGUs and not, over time, be subsumed by other thermal uses. Options being explored include seeking FERC approval to provide capacity to gas EGUs directly, with any incremental capacity auctioned, or providing an incentive for gas-fired EGUs through rate design (providing one rate class for generators and another for all other sectors).
- **MA has clearly stated that they are interested in helping to fund the gas piece only if states also fund the transmission for clean energy.**
- **Any new gas pipeline under the initiative would be located in MA or CT. MA is willing to pay approximately 50% of the total costs of the initiative and CT approximately 25%. If either state took the position that they would not pay anything towards a pipeline sited in their state, the initiative would collapse.**



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

To: The Honorable Peter Shumlin
From: Keith Flynn, Commissioner of Public Safety
Date: July 25, 2014
Subject: Weekly Report

Vermont State Police

A Troop

Williston Troopers arrested (3) subjects with (4) total charges and handled 108 complaints. Troopers were very active in DUI production.

Williston had a fatal single motorcycle accident in Bolton. Speed was a factor with the 24 year old male operator impacting guardrails.

St. Albans had six arrests/seven charges for the week: Six Directed Patrols were conducted in active DDACTS areas this past week.

Middlesex had 14 arrest including 2 DUI's and 5 DLS's.

WCSIU, brothers having sex with sisters in three counties (Washington/Orange/Addison), Addison County, declined prosecution.

Suicide in Marshfield, 66 year old male shot himself in the head, had issues with depression and marital problems

Multiple SOR photos taken

Continued work on Special Investigation by Thomas

Continued work on Peduzzi by many, reviewing last year of statute of limitations (July 2008 to June 2009)

C Troop

FF

Missing Person (runaway juvenile) with a troubled past and medical and mental health issues. The male was located early that morning in Rutland City and placed at the ER for assistance; 7/20- missing person/ welfare check of an individual from Fair Haven a Fair Haven PD case involving a stolen car. Vehicle was located in Middletown Springs, and the male was located a short time later, once a hasty search was coordinated and a partial SAR activation. The male was hiding, contemplating suicide. He was taken into custody and assistance was sought for him thru the ER.

MV stop and SW performed by Sgt. and Tpr. on US 7 in Pittsford Village. Heroin discovered.

Tpr. responded to a collision and determined the operator was under the influence of prescription drugs, DRE evaluated, blood results pending.

D Troop

Rockingham 141 car stops; no fatalities

Brattleboro a total of 12 SORC done in Windham County

Possession of Heroin arrest.

Division of Homeland Security/Emergency Management

Issues/Updates:

Director and Deputy Director joined others and visited the Center for Internet Security (CIS) and were briefed by the Multi-State Sharing and Analysis Center (MS-ISAC). The facility and its capabilities are working with the SOV. Mr. Richard Licht is the Executive Director of the Integrated Intelligence Center at the CIS and regularly attends CYBORG meetings.

The final script for the August 8th visit of the President of Senegal has been submitted to VTNG and DEMHS is working with the Secret Service in advance of the visit.

48% of the LEOPs have been completed and submitted. The deadline was May 1st. ERAF rules require LEOPs be on file. DEMHS is working with towns, RPCs and the VLCT to prompt towns who have not yet submitted their LEOPs.

SEOC redesign team met with VTrans' architect.

RECOVERY & MITIGATION - For the December Ice Storm (DR 4163) applicants are receiving payments including soon the large payment to VEC in the amount of \$4 million.

DEMHS PIO has brokered a deal with the VT Lake Monsters in which they will broadcast preparedness messages during home games. DEMHS will thank the team on its social media pages.

Fire Safety

Issues / Updates:

The division received \$5.5 million in new construction valuation collecting \$31,000.00 in permit fee revenue.

Wallace Noland is bombarding us with written complaints regarding handicap parking violations. We have looked at few of them but we are also authorized by Statute to prioritize our inspections and these are simply low inspection priorities. I have decided to respond to the complaints by providing building owners a Fact Sheet (memo) that explains what the ADA requires and most of the issues can be handled directly by the owner or property manager. Wallace has also made numerous legal threats to a number of staff in our division and after speaking with Rosemary, it was decided all future calls received by Mr. Nolan will be directed to legal.

Ray Ezio from Colchester contacted the Governor's office and the State Auditor alleging the Fire Academy is purchasing T-shirts, hats and decals which cost the State a tremendous amount of money and that it's a conflict because an employee of the academy is related to the business owner (Mitchel's) located locally in Pittsford. The Academy in 2014 spent \$3018.00 at Mitchel's in which one invoice was \$1700.00 for a sign which Corrections could not do thus approximately \$1300.00 was spent on items. These items are purchased and then sold as authorized by Title 20, Chapter 179, § 3153(b) (2). It should also be noted this individual apparently owes the fire academy a set of gear as he is no longer an instructor at the academy.



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Jeb Spaulding, Secretary

**PRIVILEGED AND CONFIDENTIAL
MEMORANDUM TO THE GOVERNOR**

TO: Governor Peter Shumlin

FROM: Secretary Jeb Spaulding

DATE: July 25, 2014

SUBJECT: Confidential Report to the Governor

NOTE FROM JEB:

Jim Reardon met with JFO, Martha Heath, and Jane Kitchel about the schedule for rescission process. It is still fluid right now, but the preliminary thinking is we will have an internal session with them on Monday, August 11 to make sure we have a plan they will support, followed by a public presentation on August 13. Then they will have a public hearing later that week or early the next week and hopefully approve our plan that week (8/18-22) as well. Jim and I do not think it is essential you be in town at that time. If you disagree, we could probably push the schedule out to 8/25-27, but I doubt we could go more quickly.

BUILDINGS AND GENERAL RESOURCES

Significant Events/Meetings:

AG/ANR Lab: Thursday meeting with Governor postponed. Met with Jolinda LaClair and Justin Johnson to discuss site options. Next steps include conversation with Administration. Hope to have recommendations ready and in Institutions committee's hands by August 8th. House Institutions and Corrections meeting August 27/28. Senate Institutions Committee meeting date TBD. Approximately 7-8 sites will be costed out. ANR appears to support the VTC site while AG is trying to convince itself on VTC.

Veteran's Cemetery: Master plan will be submitted in application to federal funding entity on or before August 15th. VTC not will to gift or trade parcel for welcome center. We will know funding and waiver decision by November 1st.

Exit 7 Agreement: Proposed agreement between developers and State of Vermont regarding the provision of tourist services 24 hours, 365 a year. Developer trying to mime Sammis (Randolph) deal to include non-compete clause. At this point, non compete clause is off the table as is State investment in development

State Solar Initiative/Renewable Energy: Decision to be made in early September whether or not State will host GMP solar development -20 megs is 5 meg bites. Until then, Dan Edson to be point of contact to (clearing house) for all the data.

Employee Memorial: Meeting to define mission, the upcoming Capitol Complex Commission meeting and plan the first fund raising appeal; inviting Governor Shumlin and former Governors to announce support fund raising for state employee memorial.

Waterbury State Office Complex – Hunger Mountain Day Care – Traffic Flow: Met with Paco Aumand and Rosemary Gretkowski of DPS, along with Mike Stevens, Emily Montgomery and others to discuss the Department of Public Safety concern over the traffic flow at Hunger Mountain Day Care site. Approval of agreement is pending Paco's conversation with Commissioner Flynn.

Legislative Planning Session: Cited the Capital Bill and likely reduced authorized bonding (\$123,000,000 rather than \$159,000,000) and its impact on BGS customers.

Heat Plan: Monday, the Heat Plant rate was released by CBGS. City to adopt rates at their July 30th meeting.

FINANCE AND MANAGEMENT

Issues Update:

Commissioner Reardon and the budget office are preparing for the FY 2015 general fund rescission following the updated consensus forecast that will be delivered to the Emergency Board today. Agencies and Departments will need to respond with their plan to reduce general fund spending by 4% by next Friday, August 1.

The Joint Fiscal Committee and Emergency Board meet today.

Deputy Commissioner Clark is attending the National Association of State Budget Officers annual meeting. The meeting has been useful to gather information about the revenue situation in other states and their varied responses to the issues. Vermont is not alone in suffering revenues less than originally projected and is taking a proactive approach to dealing with the issue.

As of the morning of July 24, 2014, the food fight fund has received \$162,119.64 in donations from 1,073 individuals/organizations. There were two big donations this week. One for \$50,000 from Kent Whealy and Judy Kern of Michigan and one for \$5,000 from Stonyfield Farm.

HEALTH CARE REFORM

Green Mountain Care:

July 21 Kick Off: The team organized a kickoff meeting with UMass, Wakely and MIT in Boston. State staff carpooled to Boston as it was cheaper than paying the consulting team (most of who are in Boston) to travel here. The day included a description of the GMC policy work to date, areas which need further development and thinking, a discussion of areas where people had new ideas. Dr. Gruber reviewed his model and we discussed data needs for his model and for the actuarial team at Wakely. We were able to get a good start on identifying data sources and getting the data collection moving. In addition to existing VHCURES & VHHIS data, we will ask insurers to complete a survey of employer coverage to get a good sense of which employers are offering what types of benefits. We will supplement that with an employer survey as well.

GMC Financing:

The team updated the Governor on the Green Mountain Care individual/family tax plan concepts, revenue generation, distribution, and key risks. The team now has the initial business and individual/family financing concepts for Dr. Gruber to model.

SIM Update:

The SIM Team released the second round solicitation for the provider grant program. The grant program is intended to support provider innovation around the state. The grant program has over \$3m to spend in this round and applications are due September 4th. Anyone with questions should reach out to Georgia. The SIM Team convened the DLTSS Work Group in the past week. This work group is engaged in planning for policy recommendations that would impact Shared Savings Program Year Two design. In the next week, the Quality and Performance Work Group will finalize recommendation for the quality measures that would be applied to Year Two of the Medicaid and Commercial Shared Savings Programs. This work is incredibly challenging as various constituencies feel quite strongly about adding or not adding new measures. This work will consume significant resources throughout July and August as we work towards consensus decision-making and recognition of the balance between administrative burden and the need for appropriate measures.

We also have several documents due to CMMI by the end of the month: our April-June Quarterly Report, our Year One Budget Narrative and Financial Updates based on actual spending and our request for a no-cost extension of year one to accommodate the extension of the whole project by three months.

Legislative Issues/Contacts:

GMC Discussions with Joint Fiscal Office Staff: Operations - Robin, Lawrence, and Tom Boyd met with Nolan Langweil, Catharine Benham, and Steve Klein about how they are articulating the health and human services enterprise information technology projects to members of the legislature. Nolan drafted an issues brief which overstates the need for the new AHS information technology projects. The brief asserts that these projects are a precondition to implementation of GMC. We talked with them about the operational planning for GMC working on a parallel track without dependency on the information technology projects needed for AHS and how their premise was not accurate. Nolan had relied on Secretary Racine's assertions at the GMCB presentation about integrated eligibility. Lawrence was

going to speak with Doug about how he is articulating the projects in relationship to GMC so his descriptions more accurately reflect our planning.

House Health Care testimony: Robin testified about the contract with Dr. Gruber, MIT with the House Health Care Committee. There was no press present and the only legislator who asked questions was Mary Morrissey. She asked both Klein and Robin about the maximum under the contract, how many people it was paying for, and also asked Robin why the financing report had not been submitted and when it would be. Robin explained the basics of the contract, the scope of work and also why it was important to have information on what people pay now and how any proposals impact them in the future. Robin also stressed the need to have this information inform the policy choices prior to submitting the report. Robin also took the opportunity to talk about the current inequities in how people pay for health care in today's system.

Health Care Oversight Committee Testimony: Repeat of HHC. Senator Lyons asked about stakeholder engagement and I talked about our work with Partners and with others in smaller groups. Rep. O'Brien asked about how to preserve legislative independence while working together. Klein clarified we are trying to ensure that we use the same data, so the modeling differences are policy driven, not data discrepancies. Anne Galloway was there.

Significant Events/Meetings:

VSEA Legislative Committee Meeting: Robin and Michael met with VSEA's legislative committee to give them an update on health care reform planning, specifically GMC and the SIM grant. We had a robust discussion about benefit design, which seems to be one of their primary interests. VSEA is likely to lobby for a higher actuarial value probably 94% which is the same as the current state employee plan or even potentially 100% AV (ie. No cost-sharing). Robin talked about the economic research on how cost-sharing can impact behavior in a way which will help improve health, if cost-sharing is designed carefully. We should think about involving the VSEA benefits committee prior to the public input process, so we can a) use their expertise in this area and b) understand where their issues are.

GMC Strategic Teleconference with MLI: Commissioner Larson organized a call with the Medicaid Leadership Institute and others who are available to provide input on GMC operational build. The call included the AOA team, Anya Rader Wallack, Al Gobeille (for part of the call), Commissioner Larson, Tom Boyd, and the operations side of Wakely Consulting. The purpose of this call was to get people up to speed on GMC. There will be future calls to begin to work through specific issues.

HUMAN RESOURCES

Nothing to report.

INFORMATION AND INNOVATION

Status of Governor's Priorities:

Healthcare: As negotiations with CGI continue, getting service, or even responses, from CGI is increasingly difficult. Because of this, DII has begun to question our plan to leave VHC/HSE hosting in the CGI cloud and we are actively pursuing our contingency plans of moving hosting to another vendor.

We still hope that it will not be necessary to execute on our contingency, but we are preparing none the less.

ERP

- With the introduction of the HR Advice, Cherry Road has completed all original scope work for the ERP expansion project with the exception of functional FLSA processing
- Coding for FLSA is complete and in user acceptance testing
- Timing for implementation of FLSA has not yet been determined but will likely occur after the Cherry Road contracted resources are no longer on site. Even with the conclusion of the CR amended development support hours, CR remains on the hook to provide support for FLSA
- All development work has been completed for FY15 contract modifications

Legislative Issues/Contacts:

Richard was present for testimony with House Healthcare.

LIBRARIES

Significant Meetings/Events:

FY2014 VTLIB Work Plan: Marty Reid is working with the VTLIB Management Team to update our FY2014 workplan which will inform updates to our state strategic plan and our federal LSTA 5-Year Plan. Associated with this work:

- Seeking a facilitator to lead a 1-2 day Management Team retreat in August to help us with communication, team building and setting priorities
- Working with the AoA Business Office to review our budget structure and to set budgets and spending plans for specific VTLIB units and programs
- Reviewing and strengthening our internal controls
- Developing competencies for staff positions and employee training plans
- Updating (and creating) department policy and procedure
- Implementing RBA (Results based Accountability)* and LEAN (staff training now in progress)

**Note: We have purchased multiple copies of the RBA (Mark Friedman) book and DVD for the State Library Collection – available to all state employees for borrowing.*

Gates Foundation Grant: The grant period for our Bill & Melinda Gates Foundation Grant to support fiber broadband in libraries (Vermont FiberConnect Project) ends at the end of July and Marty is preparing her final report. We will have \$30,000 unspent funds and Marty is preparing a proposal for the use of those funds which she will include with her report.

The proposal will be to use the remaining funds to conduct a needs assessment for digital literacy (computer/digital skills) training for Vermont citizens – and the role of public libraries in offering free digital learning programs, tutors, and classes.

iConnect Training for State Employees?: As part of the Vermont Digital Economy grant project (VT Council on Rural Development), CCV developed the iConnect curricula for: (1) “train-the-trainer” for

state agencies (AHS) and CCV student Internet Interns to provide basic computer skills training, and (2) citizens/state employees learning these basic computer skills. The Internet Intern program has been successful in 24 libraries (one-on-one assistance to new computer users) and this week Christine Fries presented the iConnect training to our department's leadership team and State Library reference staff. As a result:

- We will use the program to train VTLIB employees with weak computer skills
- We will film a training session to see if this would be valuable for DHR and other state agencies to do basic computer skills training for state employees
- We will film a training class of "First Aid for Computers", a class we offer to public libraries for learning the basic operation of computers (i.e. "What's a hard drive?") that we plan to use with our staff and all new VTLIB hires and which we would make available to DHR/other state agencies.
- Will develop a training program for state employees on the use of the Vermont Online Library (<http://www.vtonlinelib.org/> databases and Universal Class online classes, now available to all state employees at no cost.

Miscellaneous:

VTVLIB Sponsorships:

- **Celebration of the Life in Poetry of Galway Kinnell**
August 7, 3:00 p.m. – Vermont State House
Sponsorship: printing of the event program
- **StoryHack Vermont:** <http://storyhackmedia.com/>
2nd annual digital storytelling event/contest, September 27-28
Working with Coordinator Nate Herzog to include a focus for this year's event on a theme about the future of libraries
Sponsorship: \$500
- **Freedom and Unity: The Vermont Movie**
\$2,000 provided to Upper Valley Arts to support 40 of the smallest public libraries to purchase the 6-part documentary for their library collections, to purchase public performance rights for showing the film in these libraries and/or to sponsor speakers/facilitators for film discussion programs in these libraries.
- **Burlington Book Festival, September 19-21**
\$2500: Our second year as a sponsor for this event. I will be one of the speakers at the opening evening event on 9/19.

TAXES

Legislative Update:

Tax Reform and Health Care Data: At the kick-off meeting with the health care economic analysis contractors, the Department received our data task list, which actually appeared quite reasonable. In the meantime, our team continues to refine possible income tax reform models, while also spending time considering possible design changes that might encompass sales & use, meals & room and/or corporate

taxes. With respect to education finance, the Commissioner will be meeting with Aly and the Commissioner of Ed in August.

Cloud: The Commissioner spoke with Kelley Miller, a leading national practitioner, who complimented the draft reg that we put out for being thorough and responsive to recent developments (for example, the Michigan court cases that have trimmed back application of the cloud tax in that jurisdiction). She will be participating in our focus groups, and hopefully this forcefully enhances our work in developing collaborative and constructive relationships with practitioners.

Operations:

VTax, Compliance and Communications: While in Boston, the Commissioner met with the MA Commissioner of DOR and the consultant who is working with both states on FAST implementation. All three of us had the same perspective that FAST is a truly remarkable partner, with hands on executives, quality employees and a tried and true effective product. All three of us also had the same perspective that some of the biggest challenge in implementation comes not even in adapting to the new IT resource, but in retraining staff that some of the practices that had been developed previously had strayed from actual law. We are planning for some MA personnel to come on a field trip to VT in September to develop relationships between the two teams.

CONFIDENTIAL MEMORANDUM TO GOV. PETER SHUMLIN

From: Susan Spaulding
Date: July 25, 2014
RE: Boards and Commissions Update

State Retirement Board – Jeb spoke with Bob Hooper and explained why he wasn't eligible to be considered for appointment.

APPOINTMENTS MADE July 24, 2014

Justice of the Peace, Town of Wallingford

APPOINTED: Thomas Truex, Wallingford - Republican

Governor's Council on Employment of People with Disabilities:

APPOINTED: Donna Curtin, Montpelier (Service Provider)

APPOINTED: Sam Liss, Sunderland (Person w/ Disability)

Aviation Advisory Council:

APPOINTED: Russell Barr, Stowe

Vermont Pension Investment Committee:

APPOINTED: David Starr, Weybridge (Alternate)

Vermont Council on Domestic Violence:

APPOINTED: Deborah Cellis, Essex Junction (STOP DV Unit)

APPOINTED: Erica Marthage, Manchester Ctr (State's Attorney)

REAPPOINTED: Keri Darling, South Barre (Deaf/Dis Serv Provider)

REAPPOINTED: Kim Fountain, Milton (Same Sex DV Service Provider)

REAPPOINTED: Susan Ide, Richmond (Child Advocate)

REAPPOINTED: Krista Atwood, So. Burlington (VT Clergy)

REAPPOINTED: Amy Messina, Cavendish (Survivor)

Interagency Coordinating Council for Families, Infants & Toddlers:

REAPPOINTED: Terri Edgerton, Bomoseen (DCF/CIS)

REAPPOINTED: Ruth Houtte, Franconia (Foster Care)

REAPPOINTED: Diana Langston, South Hero (Provider)

REAPPOINTED: Elizabeth Jordan-Shook, Williston (Provider)

REAPPOINTED: Nicole Mondejar, Waterbury Center (Provider)

REAPPOINTED: Tracy Wells, Duxbury (Health Insurance Agency)

Consumer Advisory Council on Health Care Reform:

APPOINTED: Kelly Stoddard Poor, Montpelier

Vermont Rail Advisory Council:

REAPPOINTED: Michele Boomhower, Georgia

Selective Service System: to serve on Local Board

APPROVED: Robert Coons, Rutland

APPROVED: Rev. John Perks Saxtons River

Historic Preservation Advisory Council:

APPOINTED: E. Blaine Cliver, Brandon (Architect)

Allied Mental Health Practitioners:

APPOINTED: William Scarlett, Rockingham (LCMHC)

CONFIDENTIAL and PRIVILEGED

To: Governor Peter Shumlin
From: Michael J. Hogan, Commissioner of Liquor Control
Date: July 25, 2014
Re: Weekly Report

Status of Governor's Priorities: Nothing Now

Legislative Issues/Contacts/Updates:

- Looking at potential issues for the upcoming session. I don't see many on the alcohol side with maybe some small fixes.
- On the regulatory side there should be quite a healthy discussion on the issue of marijuana. As you know, a group of us met Wednesday with one of the folks from Rand Corp. I thought it was a good start to get information for the report due in January. The alcohol model seems to be the tightest one for tax revenue, control and flow of product, and enforcement. Lots of questions, but Colorado and Washington have gone through many steps and we can learn from them. I have accumulated lots of information and contacts for this discussion. Thanks for allowing me to be a part of it.

Press Issues/Releases/Contacts: Nothing now.

Significant Events/Meetings: Next Board Meeting 09/03/2014 - Enforcement Hearings.

Evolving Issues:

- ERP/POS Project underway. Excellent Progress!
- Preliminary review of department processes for potential licensing and enforcement system.
- Performance Audit underway. Report hopefully in August-September.
- Planning an alcohol symposium for early December for policy makers, licensees, and industry partners.
- Working with VIC on break open ticket reporting process. Prototype has been developed.

Summary of Key Department Activity:

- Working on a Pilot Program to help the Department increase its business and eliminate some of the impediments to future business growth.
- Trying to foster some partnerships with big out of state distillers so that they can find ways to work with our instate distillers in a market that is bursting at the seams!

Commissioner's Commentary: Have a great weekend.