

ROUND 2

WEEKLY REPORTS

Checklist
5/13/2011

Bill Lofy

☒ Agency of Commerce and Community Development – Lawrence Miller

Addendum Agency of Agriculture – Chuck Ross

☒ Agency of Transportation – Brian Searles

Department of Labor – Annie Noonan

Alex MacLean

Agency of Natural Resources – Deb Markowitz

Department of Public Safety – Keith Flynn

☒ Public Service Department – Liz Miller* (shared with Beth)

Susan Bartlett

Agency of Human Services – Doug Racine

Beth Robinson

BISHCA – Steve Kimbell* (shared with Anya)

Jeb Spaulding

Agency of Administration – Jeb Spaulding

Special Reports

Additional Report: Education

Additional Report: GIRO

Additional Report: _____

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△ The rest of the reports will be distributed Monday, assuming they come in...

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Chuck Ross, SECRETARY

STATE OF VERMONT
AGENCY OF AGRICULTURE

Confidential and Privileged

TO: Gov. Peter Shumlin
FROM: Chuck Ross, Secretary of Agriculture
RE: Weekly Memo
DATE: May 13, 2011

Status of Governor's Priorities:

Jobs in Agriculture

- Upper Valley Produce - Customer Service Manager - Stowe
- Intervale Center - Farm Manager - Burlington, VT
- Larson Farm - Farm Manager - Wells, VT

Legislative Issues/Contacts:

Implementation of H52 has begun with a visit to the Cavendish Gamebirds. We will give them a 2 week transition period if they need it. It was discussed with them the way to request voluntary inspection services, and what the rates will be.

Press Issues/Releases/Contacts:

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Press Releases

- Vermont Farmers Battle the Impact of Flood Conditions in Many Areas of the State
- Recorded PSA around flooding and assistance available to farmers
- Meat Inspection Supervisor spoke with Terri Hollenbeck of the Burlington Free Press for clarification of H.52
- Hardwick Gazette printed story about the Greenfields Highland issue referenced below

Media Inquiries

Date	Contact Name	Media outlet	Topic area
5/9/2011	Michelle Monroe	St Albans Messenger	General Ag. issues
5/10/2011	Bridgette	WPTZ	Mosquitoes
5/10/2011	Kristin Carlson	WCAX	Termites
5/10/2011	Chris Fleischer	Valley News	Slaughterhouse Facilities
5/11/2011	Michelle Monroe	St Albans Messenger	Flooding, value added crops
5/11/2011	Terri Hollenbeck	BFP	S.105
5/11/2011	Terri Hollenbeck	BFP	H.411
5/11/2011	Dirk Van Susteren	Vermont Properties	Farmland values
5/11/2011	Leslie Engle	Fox 44	Flooding and mosquitoes
5/12/2011	Terri Hollenbeck	BFP	H.52

Upcoming Press Events: Press conference with Senator Leahy on May 20th to highlight Farm to School in Vermont and May 23rd for update on AIC projects; Secretary Ross will visit a farmer's market – date TBD.

Jon Turmel (State Entomologist) provided information to WCAX regarding recent mailings from the Terminix Company to Vermont residents. The mailings stated that dry wood termites have been swarming in the resident's towns. The mailing went on to solicit business by offering inspections and a \$29/month maintenance plan. These solicitations are concerning for two important reasons: 1) Dry wood termites are very uncommon in Vermont and we have no reports of any in the towns where the mailings were received. 2) The Vermont Regulations for the Control of Pesticides require that a pest be present or reasonably expected to be present prior to a commercial applicator making pesticide applications. The Agency felt it important to warn residents who may respond to this mailing that the likelihood of termites in their homes or properties is very, very low. The Agency is considering further action with the Terminix Company.

The St. Albans Messenger printed an article late last week regarding some ditching being done by a local farmer and excessive sediment loss to a tributary of the Mill River. The article made it appear that the Agency was working in coordination with the farmer to install new ditches that led to the resultant sediment discharge. In reality, the Agency was involved in a project with the farmer to install 17 acres of forested buffers in the same vicinity. The farmer had taken on the ditch work prior to the recent flooding in order to gain more productive cropland. The high lake levels backed up the tributary to the Mill River into the ditches thus causing the sediment loss. The Agency is currently working with the reporter to provide more accurate information regarding this situation.

Significant Events/Meetings:

Secretary Ross and Deputy Secretary Bothfeld met with Commissioner of Agriculture from New York and Secretary of Agriculture from Pennsylvania and representatives from the dairy industry to discuss the status of the industry in the representative states, dairy policy, the upcoming Farm Bill and the labeling of milk – such as soy “milk”. Group discussion will be very useful in formulating dairy policy for Farm Bill or for a standalone dairy policy bill in Washington, DC.

South Lake Work Group met to continue to make progress on the water quality work plan developed last year. The group consists of state and federal agencies, conservation partners such as TNC, conservation districts, LCBP, Lake Champlain Committee and NY watershed groups, municipal stakeholders such as the regional planning commission and interested citizens. The group has created subgroups for agriculture, riparian areas (wetlands and rivers), invasive species, and developed lands. These subgroups will meet to continue to drill down into the plan to ensure implementation of the goals continues.

USDA EQIP subcommittee met this week to determine how USDA Natural Resource Conservation Service farm bill funds in the Environmental Quality Incentives Program (EQIP) are utilized on Vermont farms. Typically 75% of the EQIP funds are used to support the implementation of structural production area practices, which the Agency of Agriculture often collaborates on to enhance the cost-share opportunities for farmers. Beyond how the funds are spent, decisions about how the ranking of projects is done was also discussed. The Agency of Agriculture participates in these conversations to ensure a positive partnership between us and USDA, but also to ensure the State's water quality goals are integrated into the ranking and funding decisions.

State veterinarian continues to send out invitations for the regional milk movement permitting meeting scheduled for May 24th. The anecdotal feedback is positive and it appears that the meeting will be well attended by dairy farmers, co-ops, emergency management personnel and other industry stakeholders.

Evolving Issues:

State veterinarian received notification from USDA this week that both shortage locations for the Veterinary Medicine Loan Repayment Program that were submitted by this office were approved. Private veterinarians have been notified of this development and a press release is being developed for wider distribution. The

deadline for veterinary applications for providing service in both geographical locations is July 8th. Two shortage areas were approved in the 2010 award cycle but neither was filled. This program will reimburse veterinarians willing to practice at least 30% of the time in an underserved area up to \$25,000 per year. The recently approved funding in the jobs bill of \$30,000 from the Next Generation fund will enhance the loan repayment program with \$30,000. May help to attract Veterinarians to these underserved areas.

State veterinarian met today with Phil Fagan from Department of Economic Housing and Community Development to discuss the transfer from that Department to VAAFM the funds to cover the cost of slaughterhouse employee training as mandated during the 2009 legislative session.

State veterinarian participated in a conference call focused on potential federal funding options for covering the costs of the development of a dairy licensing and inspection software package. The Agency's current database is obsolete and does not allow that section to efficiently meet its regulatory and emergency management obligations. Agency managers are currently consulting with CAI, Inc for the development of this database as that company is the vendor for other recent software packages that have been implemented within the Agency.

Received a FOIA request for the letter of Warning that was sent out in the case of the Greensboro heifer that was killed by an itinerant slaughterer. The Agency followed up on the report of an itinerant slaughterer slaughtering an animal on another person's property, verbally, and in writing via a letter of warning for that itinerant slaughterer. The other matters that have been mentioned this week related to this case are of a criminal nature, and as such are being investigated by the local police, who have jurisdiction and authority in these matters. In cases such as these, the Agency's role is to provide subject matter expertise to the authorities during the course of their investigation, and as always, we are here if they need to consult with us.

Summary of Key Agency Department Activity:

Administration

Mad River Food Hub: Agency of Ag staff are working to support the agribusiness development of a meat, and fruit and vegetable, processing facility in Waitsfield. A variety of state and federal programs are supporting the initiative, which also has support from the Mad River Localvore project, a huge farmer and community contingent, the VT Sustainable Jobs Fund and Farm Viability program. This is a great example of ag innovation, using an L3C in partnership with a local non-profit. Anticipated start-up in July.

Ag Development

- Ag Policy Administrator working with the CMO to ensure Ag Development Division is in compliance with their policies regarding social media such as Facebook.
- Strolling of the Heifers and Vermont Dairy days are the first weekend in June. Media advisories and releases are being drafted for distribution closer to the date of the events.
- Agriview was completed and will be distributed May 13th. The next deadline is May 20th for print May 27th.

Wednesday, May 11th – Fifty farmers, educators, food service staff and others gathered at Montpelier High for the second official Farm to School Network meeting. During the meeting, Montpelier High School science teacher, Tom Sabo, brought attendants on a tour of the Montpelier High School greenhouse and gardens. Sabo, Vermont's 2009 teacher of the year, shared with folks how he integrates vegetable production, composting and soon egg production into his science curriculum at the school. The group also heard from Betty Hammond, food service director for the district. Hammond talked about how she utilizes food harvested by the students for the school lunch program. She also reported that she is now buying twenty five percent local in addition to onsite harvest for the Montpelier food service program and definitely sees a change in students' attitudes as a result. Hammond stated, "They now have a real interest in where their food comes from and they ask is that from Vermont?"

Later attendants were lead through a discussion on evaluation and it's importance for the success of Farm to School. Andrew Powers from PEER Associates shared the findings from the 2010 Centers for Disease Control funded evaluation project spearheaded by Shelburne Farms, partner of the Vermont Food Education Every Day. The 2010 project was a result of funding secured by Senator Patrick Leahy and provided Farm to School practitioners from around the state the opportunity to come together and design and evaluation program that would determine the best practices of Farm to School as well as the impact Farm to School has on fruit and vegetable consumption. Results from this report will be released to the media on Friday May 20th at Hunt Middle School in Burlington. Big thanks to the Vermont Food Education Every Day partnership, servant leader to the network, for making this event possible.

Deputy Secretary Bothfeld met with Jeffrey and Debbie Kittell from Sheldon, VT. Mr. Kittell stated he spoke with Governor Shumlin regarding an idea for a Agriculture Producers Association. This association would be mandatory for all raw food producers in the state of Vermont for any product – dairy, beef, poultry, apples, vegetables etc. All producers would be marketed jointly and use of products by value added processing would be given priority – any remaining products would be sold out of state to value added processors. The promotion of Vermont food products would be coupled with tourism type promotion. Notes from the meeting will be compiled and sent to Mr. Kittell for any editing of this idea. There are many items that would require stringent legislative action and regulation.

Food Safety and Animal Health and Consumer Protection

State veterinarian continues to collaborate with UVM Dairy Extension specialist on the development of Vermont's Animal Health Network. This emergency alert notification system will be tested twice in June.

Assistant state veterinarian attended the FDA listening session on the proposed milk sampling proposal for residue detection. VAAFM's position statement was read during this meeting.

Consumer Protection

Animal Health Field personnel –

A farmer has reported problems getting feed to his beef cattle. He has 100 head of cattle and due to the flooding is looking for assistance. The inquiry was turned over to the Animal Welfare Division.

Assistant State Veterinarian-

Meat Inspection Points of Interest

- FSIS had a conference call about the final rule of interstate shipment of state inspected product to answer questions. It is evident that there are many details about the administration of this program that FSIS either will not share or do not know. From the conference call, it was apparent that none of the other 3 states that originally expressed interest will go much further with planning until FSIS clarifies some of the fundamental policy issues that surround the administration of this program.
- Update on humane handling plans: 6 red meat and 2 poultry plans have been approved so far. Awaiting 4 poultry and 2 red meat resubmissions.
- Met with representatives of Vt. Food Venture Center concerning original plan for state inspection and having a meat cell for individual producers to be able to access.
- Consulted with Janice Bosworth of the Hannaford Career Center concerning process for business planning and approvals for a slaughterhouse operation as well as how operations work for the Center to utilize the state inspected mobile poultry slaughter unit and sales of the resulting finished product.
- Spoke with Clarence Davis of NY Ag and Markets concerning exotic animal inspection and possibility of restarting the state meat inspection program in that state.

- Continuing participation with the slaughter infrastructure group including representatives from VHCB, VEDA, Agriculture development, etc.
- Provided emergency relief inspection for the federal inspection service at a poultry plant not normally covered by us due to an injury to the assigned federal inspector allowing the federal plant (a Vermont business) to continue their slaughter operations

Meat Inspection Compliance and Enforcement

- Received progress report from the Grand Union Company concerning flooded store in Johnson, VT

Agriculture Resource Management

The Agency has been responding to calls regarding recent flooding and manure application to fields that have been flooded. Some manure application had occurred prior to the excessive rains of late April. Manure application is allowed after April 1st. When manure is spread on land subject to annual overflow incorporation is required within 48 hours. In the case of the recent floods, areas beyond where annual inundation occurs were flooded. Farmers have no incentive to apply valuable nutrients only to lose them a week later; rains greater than 3 inches in one day had not been predicted prior to most manure application. The Agency has confirmed that in some of the areas where public concern has been raised, manure was incorporated or injected thus minimizing loss.

A draft of the Noxious Weed Rule has been provided to stakeholders for comment. The draft rule will add species to the invasive species list namely Norway Maple (*Acer plantanoides*), Burning Bush (*Euonymus elata*), Common Barberry (*Berberis vulgaris*) and Japanese Barberry (*Berberis japonicus*). The rule prohibits the movement, sale or distribution of these plants. It is hoped to have an adopted rule by the end of the year.

Enforcement Actions:

- Matt Lindstrom, Hardwick – will receive a cease and desist order (CDO) with an opportunity for a hearing as a result of a release of manure from his storage structure. Last year, he discharged manure to Haynesville Brook as a result of a woodchuck hole in the side of his pit. He received a corrective action letter instructing him to take immediate action to prevent future releases of manure from the pit. While he did fix his pit, this second release of manure from his pit (due to the lack of storage capacity) constitutes another violation of AAP Section 4.01(b) and requires that we move to the next step in the AAP enforcement process, which is a CDO.
- Newhall Farm, Reading (Andrew Hall, Owner, Southport, CT)– will receive a corrective action letter for a violation of the AAPs. The farm was experiencing manure pit problems during the winter spreading ban. Instead of requesting an exemption, they attempted to stack liquid manure in an area that sloped towards water. Once the snow had melted, Agency staff confirmed that manure had run down slope and entered water.
- Robert and David Mack, Charlotte, will receive an administrative penalty for violations of the Medium Farm, Operation General Permit and an Assurance of Discontinuance (AOD) entered into with the Agency. The AOD required that Mack submit a nutrient management plan for Mack Brothers Farm by April 1, 2011. Mack has not submitted the plan and has been unresponsive to repeated attempts to contact him by phone. The Agency will impose the portion of the original administrative penalty suspended by the AOD, and will impose a daily penalty to accrue until the Macks submit a nutrient management plan.
- Dennis Rainville, Highate Center will receive a Corrective Action Letter for violations of the AAPs. Rainville had a release of manure to water from his storage structure during the spreading ban. He had been given a spreading exemption, but never spread any manure. As a result, the structure overtopped and manure ran overland to a nearby stream. In addition, he has a manure stack at the Haberstroh Farm on Parent Road that had been running off to water for some time. The CAL contains specific actions, with due dates, that must be taken in order for Rainville to correct his violations.

Secretary's Commentary:

Secretary Ross undertook the following activities:

- Attended another showing of the Bloom movie in Middlebury and took part in the public discussion. All parties were civil and it was a good exchange of information.
- Attended meeting with Secretary Grieg of PA and Commissioner Aubertine of NY and the leadership of the Northeastern Cooperatives to discuss the dairy industry and upcoming political policy as well as the Farm Bill.
- Met with Tim Camisa to discuss renewable energy project in Franklin County.
- Presented information on the direction of agriculture from the Agency of Agriculture's perspective to the UVM Extension Professional In-service Conference at Lake Morey.
- Worked with Vermont Housing and Conservation Board on conservation project at board meeting.
- Chaired the VHCB Farm Viability Program meeting to discuss the lack of funding for this program and possible solutions. Also discussed current grant programs.
- Discussed Vermont Council on Rural Development Working Landscape plans with the executive committee.
- Met with the Vice President of UVM to discuss the role of food spires at the University and how the Agency of Agriculture can partner in this activity.

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Deborah L. Markowitz
Agency Secretary

Christopher Recchia
Deputy Secretary

**State of Vermont
Agency of Natural Resources**

CONFIDENTIAL and PRIVILEGED

To: Governor Peter Shumlin
From: Deborah Markowitz, Secretary, Agency of Natural Resources
Date: May 13, 2011
Subject: ANR Weekly Report

Status of Governor's Priorities:

- **Climate/Energy:** You are invited to kick off your Climate Cabinet on May 17th 9:00 am in the VTrans conference room (5th floor National Life).
- **Flooding:** The agency has conducted a preliminary estimate of flood damage at state parks and fishing access areas, and damage is estimated at almost \$1.2 million, not including any loss of revenue due to late openings. Some of our trails partners helped to locate and photograph damaged areas for the FEMA recovery assessment. Full damage will not be assessable until the waters recede.

Telecommunications:

- FPR will hold a public meeting May 26 on the Ascutney Management Unit long range management plan. We will be inviting telecom providers to attend this meeting and provide input to the planning process. Progress is being made on replacing the failed backup generator at the Ascutney North Peak. The goal is to have the failed generator removed and the new generator installed by late spring.
- VELCO is interested in establishing a telecommunications facility at Okemo Mt. as part of their statewide radio project. This project would be on state forest land under lease to Okemo ski area. Several local emergency responders have also expressed an interest in locating at Okemo Mt. We have asked VELCO to coordinate with these local agencies in developing a consolidated plan for all these electronic communication uses that are proposed for Okemo Mt. We will be providing VTA with information on this site.

Legislative Issues/Contacts:

- **None** – Thank Goodness.

Press Issues/Releases/Contacts:

- **Press Contacts:** Staff provided information and photos to a Burlington Free Press reporter regarding the impacts of Lake Champlain and river flooding on the vegetation and the Allen Point causeway. Staff were also interviewed by Channel 5 News regarding impacts of flooding on wildlife.
- **Flooding:** Staff had numerous press contacts during the week regarding flooding, and appeared on VPR Vermont Edition on Tuesday regarding river and flood management.

Significant Events/Meetings:

- **Frye Quarry Dam, Danville:** This case has been referred to the enforcement division. The dam was constructed in 1995 without a Chapter 43 Order being issued. A NOAV was issued in 1996 but the case was never referred to enforcement, since a 2000 Act 250 permit also required the owner to receive a permit. That also never happened, and the reissuance of the Act 250 permit this year once again brought this case to light. Despite numerous attempts and opportunities for the owner to obtain a Chapter 43 permit, he has refused.
- **Southwestern Medical Center:** Permitting staff is scheduled to meet with a representative of Southwestern Medical Center on Thursday this week (5/5/2011) to discuss plans for a biomass boiler at the facility. There is a real possibility that the biomass could be grass pellets.
- **Wood Ash:** Air, Waste Management (Solid and Hazardous) and Residuals staff have coordinated to understand the requirements for handling/disposal of wood ash as it relates to the numerous school sized systems we have been permitting. We would now like to take the existing waste management requirements and Residuals policy and put it into a simple fact sheet that would be of service to these school systems we permit.
- **Montpelier Water Supply** – Collected the third round of samples from the Montpelier Water Treatment facility for purposes of evaluating potential effects of the Fukushima Japan nuclear accident. The first two sample rounds have been non-detect for all radionuclides.
- **Stormwater Program:** A draft Multi-Sector General Permit (MSGP) relating the requirements that industrial facilities need to meet relating to preventing contaminated stormwater runoff was put on public notice on 5/4/11. This permit will replace the existing MSGP which is due to expire 8/11. Approximately 700 industrial facilities will need to renew their permit coverage. The draft MSGP has multiple changes versus the existing MSGP, but does not contain any major new requirements.
- **Lake Champlain Flooding:** Due to the extreme weather conditions, especially in the Lake Champlain region, a number of fishing access areas have been damaged and/or closed. Of the 27 Lake Champlain access areas, only five are currently usable. Significant damage as a result of erosion has occurred at the Allen Point and Rouses Point Access Areas. The Allen Point site is a causeway and part of an old

railroad bed. The Department is currently trying to assess the future of the causeway as preliminary estimates for repairs exceed \$300,000. The Rouses Point site suffered some shoreline erosion which has compromised one of the shore fishing platforms.

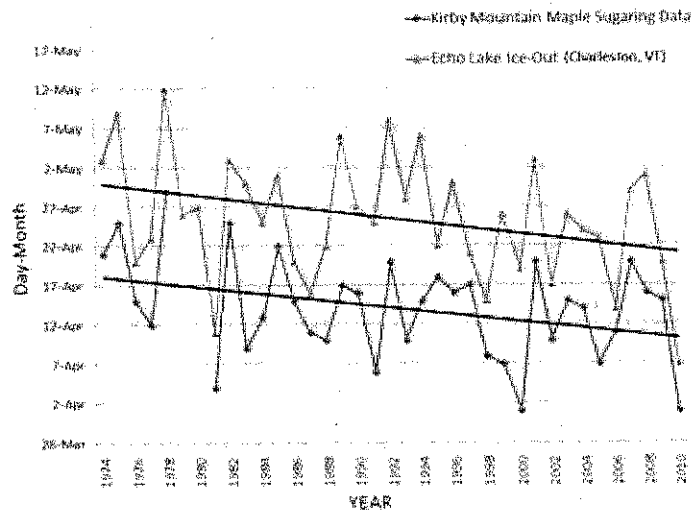
- **Moose Hearings:** The two Board hearings on the proposed moose permit numbers were sparsely attended (20 attendees in Island Pond; nine in Barre), however, mostly favorable comments were received at both. The Department does not foresee any changes being made by the Board based on the public input received.
- **Public Waterfowl Hearing:** The public hearing on the proposed waterfowl zone boundary change was held on May 3 in Swanton. The hearing was attended by approximately 30 hunters, three Board members, and Department and USFWS personnel.
- **Black Bear Workshop/North Carolina:** Staff attended a meeting of the NE Black Bear Technical Committee as well as the Eastern Black Bear Workshop in NC and gave Vermont's Status Report as well as a paper entitled *Wind Energy Development and Black Bear Habitat Protection in Vermont*.
- **Wind – Wildlife Forum/Maine:** Staff attended and gave a presentation at a Wind-Wildlife Forum in Orono, Maine, sponsored by the Maine Chapter of The Wildlife Society. Our presentation was entitled *White-nose Syndrome and Implications for the Wind Industry in Vermont*. The event was attended by 150 people.

SUMMARY OF KEY DEPARTMENT ACTIVITY

Environmental Conservation

- **Green Mountain College:** Carbon monoxide emissions testing were performed on the new wood-fired boiler at Green Mountain College last Friday. This completes a testing program begun at the end of April with particulate matter emissions testing. We have not received a report on the results of either tests, but preliminary information provided by the test consultant indicates emissions are low.
- **Outdoor Wood-fired Boiler (OWB) Change-out Program:** Continue implementation of Vermont's Outdoor Wood-fired Boiler (OWB) Change-out Program. As of 5/2/11, 30 applications have been received, 23 vouchers issued, and 4 old OWBs replaced with cleaner burning units. Also continue to work with dealers, and to answer questions regarding the program with potential applicants. Additional outreach to priority OWB owners and potential participating dealers continues.
- **Citizen Science:** We obtained a new **climate change indicator dataset** to share in the "Citizen Science" section of the next issue of the Climate Connection Newsletter. The dataset outlines the "date of last sap boil" at Wood Family Maple on Kirby Mountain, VT from 1974 through 2010. The data show that the maple sugaring season is ending about a week earlier at this location on average than it did in 1974. The trend closely mirrors the dataset for ice-out at Echo Lake in nearby E. Charleston, VT that was highlighted in the first Climate Connection newsletter. The first newsletter can be viewed at: <http://www.anr.state.vt.us/anr/climatechange/Newsletter.html> (... And stay tuned for the upcoming

issue of the newsletter where the maple sugaring data will be featured)



- **Adaptation White Papers:** A follow up to last week's report on the adaptation white paper series...two new reports were finalized and posted this week on the Climate Change Team web site (<http://www.anr.state.vt.us/anr/climatechange/Adaptation.html>), on Public Health and Public Safety.
- **Business Transformation Initiative (BTI) Plan:** We are assessing and optimizing the stormwater program. The goal of this effort is to streamline the permitting process and develop the business requirements needed to implement a technology solution.
- **Winooski River Flood Control Dams: Waterbury, Wrightsville, and East Barre:** It has been an extremely active month for the three Winooski River Basin flood control dams but there have been no major issues.
 - **Waterbury Dam:** Between April 11th and April 13th, when the recent flooding event began, Waterbury Reservoir rose 15 feet to elevation 600.4, which was to that point the highest recorded since 1995. That record was short-lived, since the deluge we had on April 28 brought the elevation to 605.4, the highest the reservoir has been since 1944!
 - **Wrightsville Dam:** This reservoir had an initial peak of 665.8 feet on April 14th, the sixth highest recorded to date. On April 29th, the reservoir peaked at 678.1 feet, which is the highest ever recorded at this dam. The elevation at that point was 44 feet higher than the normal pool, but still 7 feet below the fixed spillway elevation. The reservoir has since receded to elevation 668 as of May 5th.
 - **East Barre Dam:** Pool elevation peaked on April 13th at an elevation of 1149.6 feet, well below the record of 1165 feet but still high enough to temporarily close State Highway 302 (which happens about every five years).

Dam Safety will continue to monitor these dams closely until and after the pools return to their normal levels.

- **OMYA** - The Solid Waste Management Program sent a letter to Omya outlining our position in regard to the beneficial use of Omya's tailings. We encourage alternatives to landfilling of the new material if the tailings have value, replace another material, are not used as fill, and do not constitute a threat to public health or the environment. Omya has several markets developing, including the use of tailings as a substitute for agricultural lime. For that application, Omya is working with the Agency of Agriculture.
- **Mercury Thermostats:** We have begun to visit wholesaler and retailer locations to monitor mercury thermostat recycling. About 20 locations have been visited with another one hundred or so to go. Generally the program is running smoothly, but we often assist businesses in shipping back their thermostats for recycling or reminding them of paperwork procedures. We are trying to retain participation of Aubuchon Hardware stores in the voluntary collection program (also an issue in the Maine program) and are in communication with their corporate office to work out issues with accounting for incentive payments received by the Thermostat Recycling Corporation.
- **Autobody Guidebook:** We are continuing work on a revised compliance and pollution prevention guide for auto body shops. We hope to complete the guide in early June and do some follow up workshops in the summer and fall.
- **Green Restaurants Program:** Lt. Governor Phil Scott presented a Green Restaurants certificate to the owners of the Wayside Restaurant this week, generating some publicity for the program.
- **Impact of Lake Champlain flooding on Burlington Main Wastewater Treatment Facility:** We have been in almost daily contact with Burlington staff this week. Part of the facility discharge is now going out the emergency discharge structure within the breakwater instead of out beyond the breakwater. The City has been directed to test for coliform at the emergency discharge structure due to reduced chlorine contact time in the discharge pipe. Wednesday morning the City operator reported the Lake level was causing surcharging of the secondary clarifiers which will impact the treatment efficiency of those units. The City appears to be taking the appropriate steps to reduce the impacts of this unusual flooding event.
- **Fishing:** Fishing pressure is increasing steadily as the water levels return to normal. Fish stocking has finally begun in earnest, some stocking has been delayed or rescheduled due to high water flows. The walleye fishing season opener was disappointing. Fishing pressure on the Lake Champlain tributaries was extremely light due to the record high water levels in Lake Champlain that rendered most of our boating access areas unusable.
- **Turkey Hunting:** Turkey hunting is continuing with varying degrees of success around the state. It appears there was a significant winterkill in some regions.
- **Bears Are Waking Up!** Two different bears were shot and killed in **Windham County** by residents protecting their homes. A resident shot a bear in **Whitingham** after firing warning shots to scare it away. Instead of leaving, the bear walked onto the resident's deck and began clawing at the screen of his sliding glass door attempting to gain entry into the home. The resident shot and wounded the bear; the local warden tracked the wounded bear and dispatched it. In **Plymouth** a resident shot and killed a bear while it was on his front porch eating garbage. The local warden investigated and felt the occupants of

the home truly felt the bear was about to break in so they shot the bear. Although the action was not legal, no charges will be brought.

- **Kingdom Community Wind Project:** Agency staff met to discuss the easements for the Kingdom Community Wind project in Lowell in preparation for a meeting with Green Mountain Power on May 11. The primary issue was whether and how the easement parcels could continue to be enrolled in UVA.
- **Fish Lift:** As of May 3, 41 steelhead rainbow trout have been captured in the fish lift at the Winooski One Hydro Facility. Fish captured in the lift are measured, tagged and released downstream. Some of the steelhead collected this spring were recaptured after being collected and tagged there last fall. Despite the lift being shut down for a significant time due to the flooding in recent weeks, the number of steelhead collected to date is much greater than the full spring season totals of every year since 1999. The lift will continue to operate through the second week in May.
- **Viral Hemorrhagic Septicemia (VHS):** Staff collected fish from South Bay of Lake Memphremagog for disease testing as part of an interstate effort to monitor the spread of VHS, which can infect and kill many fish species. VHS has not been found in Vermont, but it has been found in New York waters.

Forest, Parks and Recreation

- **Arbor Day** was celebrated May 6, and completed Arbor Day Passports are rolling in from school children around Vermont. Thank you for participating in the Statehouse awards and tree planting ceremony!
- **Parks** statewide are generally in very good shape in preparation for Memorial Day weekend opening. Key staff training took place last week and facilities and grounds are frantically being readied for the summer season. Camping reservations are slightly ahead of last year. Lake Champlain flooding will result in major cleanup efforts and **delayed opening at several parks: Burton Island, North Hero, Sand Bar, Kill Kare.** All other Lake Champlain parks are expected to be open on schedule. Affected campers with reservations are being notified starting today. They will be given an opportunity for a refund or transfer to another park. Status information will be available on the website and updates will be delivered regularly via Facebook.
- **No Child Left Inside:** Staff presented a session about the value of kids and their families playing outside at the annual Head Start and Early Head Start Coordinators training this week. Venture Vermont, Outdoor S'More, and Check out the Parks programs provided the focus of the discussion.
- **Prescribed Burns:** The recent dry weather raised hopes that we may yet be able to accomplish some of our prescribed fire program goals. So far, a 15 acre burn at Victory Basin WMA and a 20 acre burn at Plymbsbury WMA have been accomplished. A prescribed fire will be conducted at West Mountain WMA on Thursday. Wildlife habitat improvement is the primary goal.
- **Ski Areas:**
 - **Bromley:** Richard Wiseman (President of Bromley Ski Area) will be leaving Bromley at the end of this week. We will be meeting with the ski area next week to discuss planned improvements

on the mountain and related ski lease issues. The meeting may also include a representative of Jiminy Peak Ski Area in MA which may be interested in purchasing the ski area. .

- **Stowe:** The District 5 Environmental Commission has scheduled an evidentiary hearing on May 18 in Montpelier to review potential impacts of Stowe Mountain Resort's proposed ski patrol building on the nearby Stone Hut. Representatives from FPR and the ski area will be attending this hearing.
 - **Killington** has submitted an Act 250 application for replacement of the summit lodge building and associated improvements and is preparing associated ANR permit applications. Other major ski area projects that are pending include improvements to several ski trails at Jay Peak and ski trail improvements at Bromley.
 - We met with the **State Auditor** last week to discuss the state ski area lease program. The Auditor's Office offered some helpful advice regarding establishment of standardized financial reporting forms to accompany ski area lease fee payments, improving the means to validate lease fee payment, when and how to conduct audits of ski areas, and documenting internal ski lease administrative processes. The Auditor's Office will be assisting the department on these efforts.
- We will be closing with the Town of Groton on an exchange of rights-of-way at the intersection of the **Boulder Beach Rd. and Rt. 232** once the Town has secured the necessary permits for the Boulder Beach construction project.
 - We will be closing next week on the department's **purchase of leased camp at Ricker Pond State Park**.
 - **Farm and Wilderness Forest Legacy** appraisal should be finalized this week. With the appraisal complete, the department will be in a good position to close on this project by the end of the month as required by the recently extended Forest Service grant for this project.
 - **True North Wilderness** is proposing to construct a wilderness-based therapeutic camp for at risk adolescents on the Lathrop property adjacent to the Phen Basin Block of Camel's Hump State Park. The Lathrop property is subject to a public access easement held by the department. The department testified at a Fayston DRB hearing about concerns that the proposed project could impact or be incompatible with the public access easement. True North is aware of the public access easement and feels it is fully compatible with their proposal.
 - **West Mt. WMA long range management plan** and the Long Term Access Plan for the working forest lands now owned by Plum Creek are due for updating. Both the easements and the legislation for the former Champion lands project require these updates to be completed in 2012. This will involve a significant effort including close cooperation and assistance from ANR's partners, input from the various stakeholder and the public, and reestablishing the Champion Lands Advisory Committee. We are hopeful that we will be able to secure some funding from VHCB to support this planning effort.
 - **Land Record Scanning:** We are continuing to work with ANR IT, DII, and the Secretary of State's Office to refine the Scope of Work for the Lands Records scanning project and have secured funding to begin this important project.

Privileged and Confidential
Memorandum

To: Peter E. Shumlin, Governor
From: Douglas A. Racine, Secretary of Human Services
Re: AHS Weekly Report
Date: May 13, 2011

Vermont Department of Health (VDH)

Status of Governor's Priorities:

Entergy VY. Vermont Yankee officials released its 501 page report entitled *Hydrogeological Investigation of Tritium in Groundwater* to the Health Department's radiological health chief, the state nuclear engineer, the state geologist and an ANR hydrogeologist. This report contains the site conceptual model which consists of descriptions of the regional hydrogeological setting and local groundwater and surface water users. It also includes a description of the plant construction, the investigation as to the source of tritium contamination and the fate and transport of groundwater contamination. In accordance with an MOU with the U.S. Nuclear Regulatory Commission (NRC), the details of the report cannot be shared with others until an NRC groundwater inspection scheduled for June 2011 is complete. State officials are accompanying the NRC during the two-day inspection, and will use knowledge gained from the report and inspection in deciding whether the Construction Office Building well, a former drinking water well at VY taken out of service fifteen months ago, should be sampled again.

Update on Synergy Counseling. On May 5th Barbara Cimaglio, Vicki Loner & staff met with Bob Bick from Howard Center for an update and to discuss next steps for serving Synergy clients. The site is stabilized; Howard is operating temporarily under the name Twin Oaks Counseling. They continue to work with DVHA to sort out the billing process. One ongoing issue is whether the landlord would rent less of the space to continue operations, as the current amount of space exceeds what is needed. Howard is continuing to review staffing needs and will be submitting a draft program plan for our review for long-term sustainability. Our goal is to develop a model similar to the Central Vermont Substance Abuse Services "hub" so that standardized screening and assessment can take place centrally, with linkages to physicians, counselors or other treatment programs for continuing care. We will be working with Substance Abuse and Mental Health Services Administration (SAMHSA) to determine whether we can implement a model that blends methadone treatment and buprenorphine services. Our workgroup will be meeting again on 5/31 to work on the model for continued operations. Out of the 177 original patients, 151 are still receiving services. A limited number of new admissions will be allowed from the waiting list.

Press Issues/Releases/Contacts

Alcohol Testing Program. John Curran, Associated Press, interviewed Harry Chen on 5/12 for a story about the Vermont Department of Health Laboratory and its breath alcohol testing program. Andy Bromage, Seven Days, is also continuing work on this story with a new set of

questions. Both have requested documents under FOIA.

Designer Drugs. Deputy Commissioner Barbara Cimaglio spoke with Molly Smith, WCAX, referred her to our website for survey and treatment info, and discussed the challenges in classifying designer drugs due to lack of knowledge about what is in them without chemical analysis.

After the Flood. The Health Department issued a press release on drinking water guidelines after a flood for private well owners - including boiling water and using bottled water. Updated 'Before and After a Flood' public health information on our website, with emergency preparedness info syndicated from CDC.

Department of Mental Health (DMH)

Governor's Priority/Media Contact

Terry Rowe, Executive Director of the Vermont State Hospital, accepted a position with the Department of Children and Family. Commissioner Oliver is contacting potential candidates to replace her. Fletcher Allen and Dartmouth have been very helpful in identifying possibilities and offering assistance.

In addition, VT Digger, the Burlington Free Press and the Associated Press contacted Christine. She acknowledged Terry's many contributions to the hospital and voiced optimism about moving forward.

Department of Disabilities, Aging and Independent Living (DAIL)

Status of Governor's Priorities

Jobs. This week Vermont hosted the 2011 Johnson and Johnson/Dartmouth Community Mental Health Program Annual Meeting. This meeting highlights the success of a model known as IPS (Individuals Placement and Support) for helping individuals with severe psychiatric disabilities find meaningful employment. The partnership between DAIL's Division of VocRehab, the Department of Mental Health and the Dartmouth Psychiatric Research Center has been in existence for over a decade and continues to help Vermonters with disabilities return to work.

In a related, but separate happening this week, SAMSHA auditors visiting the Department of Mental Health remarked at the close of the exit interview that they have visited VocRehab/Mental Health sites across the United States and the working relationship in Vermont between Voc Rehab counselors and Mental Health is the BEST they've ever seen.

Health Care Reform. Along with Commissioner Wehry, Deputy Secretary Flood and other AHS Commissioners, I participated in the day long Health Care Reform Implementation meeting in Montpelier. It was gratifying to be reminded of the strong base of initiatives (Dual Eligibles, Blueprint, Integrated Family Services, others) and impressive talent our agency brings to this effort. DAIL looks forward to working on the core implementation teams.

Legislative Issues/Contact

Commissioner Wehry received a letter from Representatives Donahue and Greshin on behalf of their constituent Lynne Kingsbury alleging the failure of Adult Protective Services to act in a matter of alleged theft from her mother by a home health caregiver in December of 2010.

Commissioner Wehry spoke with Ms. Kingsbury (whose mother has since passed away) and acknowledged the prior serious backlog and informed her of our continuing efforts to address it. Ms. Kingsbury also provided Commissioner Wehry her mother's name, which will now allow the Commissioner to determine the current status of this case.

Press Issues

The United Cerebral Palsy Association (UCP) publishes an annual report entitled *The Case for Inclusion* which benchmarks states' actual performance in improving lives for individuals with intellectual and developmental disabilities. More than how much or how little is being spent, *The Case for Inclusion* shows what is being achieved. The 50-state analysis from United Cerebral Palsy compares services offered across the country, giving preference to states where more individuals are served in the community as opposed to institutions. Vermont ranked number one and is said to offer "the best Medicaid services for individuals with intellectual and developmental disabilities". As in previous years, states at the top are both large and small, wealthy and poor. Moreover, they have varying tax structures and differ significantly in the amount they spend on Medicaid home and community-based services waivers.

Department of Corrections (DOC)

Status of Governor's Priorities:

Facility Transition. Commissioner Pallito and Special Assistant Bartlett visited the St Albans facility this week to meet with the women currently housed at that facility. The support for the move was overwhelming, but they did express concerns about room assignments, uniforms, etc. We are revisiting each of these concerns.

Female numbers overall continue to remain high and hit 179 this week. We are investigating a few relief mechanisms and strategies to bring these numbers down in time for the transition. These strategies include alternative housing, community placements and release under S.108. The spike appears to be in detention, which is not in control of the DOC. These high numbers (which were 155 when the plan was announced on 1/25/11) continue to be the one sticking point of the transition plan. All other planning efforts appear to be proceeding on target.

Commissioner Pallito and Deputy Commissioner Menard continue to meet with Contractor Elizabeth Ready and Special Assistant Bartlett for the planning of the transition of the two facilities. There will be a follow up meeting at the United Way in Burlington on May 13th.

In addition, DOC staff is meeting with the Governor's Commission on Women to address their concerns regarding the transition.

Addition of twelve beds at the St Johnsbury Work Camp. Representative Robert South, St Johnsbury, has communicated to Commissioner Pallito that we have a "deal in spirit" with the town of St Johnsbury for the addition of twelve beds. We have asked the Town to deliver to us in writing their proposed language. They have agreed to \$10,000 and a work crew when they need one. In exchange, we can add twelve beds and house people who are serving time for all misdemeanants and non-violent felonies. This is a minor change in the population profile in that they had only agreed to non-violent misdemeanants in the past.

Significant Events/Meetings

Reward and Recognition Ceremony for DOC Employees. On May 12th DOC held its Reward & Recognition at the Elks Club in Montpelier. Awards were given for Administrative Support Person of the Year, Supervisor of the Year, Community Service Team Leader(s), Corrections Service Specialist of the Year; Team of the Year, Preservation of Life and Anniversaries-Years of State Service (20,25, 30 and 35). Also, awards will be given for Valor and Life Safety.

Other

Population: The department's population spiked by 22 inmates over the weekend; many of them staying after being arraigned. The female population is trending in the middle 170's this week with 4 women being lodged on drug court sanctions; their next court hearing is May 17th. The department is moving 28 more releases to field supervision than it is returning from that status. The department does not currently have anyone on home detention status and only 8 on home confinement status.

Superintendent Position of the Northern State Correctional Facility. Carl Davis is the final candidate for the position of Superintendent of the Northern State Correctional Facility. The Appointment Approval letter has been sent for your approval.

Furloughee - Aubuchon, Brian. On May 9th Probation and Parole Officer Hayden received a call from VSP requesting assistance in identifying the suspect in an Armed Robbery at a bank in Hartland which had occurred earlier in the day. VSP had reason to believe that the suspect was Brian Aubuchon, who was on escape. The Parole Officer positively identified him as the person who committed the offense.

Mr. Aubuchon was sentenced to 6 month to 3 years on March 16th for Felony Larceny from a Person. He was incarcerated on July 23, 2010, as a detentioner and later placed on home detention on September 16, 2010. He was compliant the entire time on home detention and was immediately placed on furlough following sentencing.

Michael Potter (07/23/75). Mr. Potter, who was on probation after serving a sentence for Attempted Murder and Aggravated Sexual Assault, had a probation violation of possessing pornography. Mr. Potter has been the subject of intense community resistance, and the DOC attempted to continue to hold Mr. Potter beyond his incarceration sentence for lack of an appropriate residence. The DOC was ordered to release Mr. Potter by the court in July of 2010.

Department for Children and Families (DCF)

Significant Events/Meetings

Performance Based Contracts (PBC) Training. ShareDynamics was originally hired by the State to provide PBC training state-wide in January-March 2011. While this training was beneficial, it was felt that a more focused training was necessary to help write grants and contracts that were specific to human services and the nuances for providing treatment and services to DCF clientele.

ShareDynamics was brought in on May 4th, 5th and 6th to provide a DCF specific training for writing grants and contracts. They provided 3 days of training split into 2 groups for 1.5 days each for grant and contract managers from all divisions in DCF. A total of 35 people attended, 34 from DCF and 1 from AHS Central Office.

The purpose was to provide a hands-on writing workshop to teach DCF grant and contract writers the components of putting together a well written grant or contract that follows a methodical, consistent approach and how to tie payments to performance measures.

Evaluations at the end of the workshop showed 81% of people gave positive feedback and felt the training was beneficial to their jobs. A challenge moving forward will be to bring this new performance based culture to our community partners, who have varying degrees of comfort with this notion. We look forward to working with our partners in this regard.

Seasonal Fuel Assistance – Record Number of Families Assisted. This past winter, the DCF Economic Services Division (ESD) assisted a record number of households with LIHEAP-funded Seasonal Fuel Assistance. Over 36,500 families received assistance in four benefit categories compared with over 27,800 the previous winter. The primary drivers that increased eligible households was a statute change to serve families with higher gross incomes and matching fuel program eligibility with 3SquaresVT.

Over 26,500 families shared \$22 million in benefits. In the prior year, 20,400 fuel liability households received assistance. The average full season (5 months of November to March) benefit this past winter was \$866 compared to \$1,064 in the prior year.

This past year ESD modernization was under pressure to improve eligibility processing for all programs. Responding creatively, ESD and the Fuel Assistance Office created a temporary only fuel unit. That unit, referred to as ToFU, processed 40 percent of all eligibility reviews and/or applications.

Federal LIHEAP Funding for FFY2012. Looking ahead to the federal funding for the LIHEAP Block Grant in FFY2012, the Obama administration has proposed cutting \$2.5 billion from the \$5.1 billion national program. For Vermont, LIHEAP block grant funding could be less than half:

Last Year (FFY2010)	\$25.6M
This Year (FFY2011)	\$25.1M

Next Year (FFY2012) \$11.6M (worst case block grant distribution formula)

The average full season fuel liability benefits for Vermont families would compare as:

Last Year (FFY2010)	\$1,064
This Year (FFY2011)	\$866
Next Year (FFY2012)	\$400

Eligibility Determination for the Child Care Financial Assistance Program. The decision has been made to support application and eligibility determination for the Child Care Financial Assistance Program (CC FAP) in community through regional Community Child Care Support Agencies. The previous administration of this agency and department proposed to centralize eligibility determination for this program as part of the Department for Children and Families (DCF) benefits modernization process. We believe that it is in the best interest of families and child care providers who serve families to maintain the current practice of determining eligibility for CC FAP benefits in community.

Community Child Care Support Agencies have agreed to deliver CC FAP eligibility determination services for twenty percent less funds than was provided by the department to support those services in State Fiscal Year (SFY) 2010. They have further agreed to work with DCF staff to explore and provide outreach and navigation support to families accessing child care benefits for other benefits administered by DCF and AHS such as health care insurance, 3 Squares VT, heating assistance and Reach Up.

Commissioner Yacovone states in his May 9th memo communicating this decision to Community Child Care Support Agencies; Child Care Providers; and Child Development Community Partners and Stakeholders; "I believe strongly that the capacity to sustain strong effective relationships for those who may require them is critical to helping children and families succeed. You are best positioned to support those relationships and it is my intent to support you the best I can to fulfill this important role. There will be details to work out as we move forward but please know that we do so in the spirit of supporting you so that this important work can be done as effectively as possible for the families we serve."

Department of Vermont Health Access (DVHA)

Graduate Medical Education. DVHA representatives met with the Vermont Association of Hospitals and Health Systems (VAHHS) Board on 5/11 to present the new Graduate Medical Education (GME) Program, a collaborative initiative between the DVHA, Fletcher Allen Health Care (FAHC) and the University of Vermont (UVM). GME is the clinical training and education that typically occurs in teaching hospitals and via teaching physicians. GME payments are statutorily required for Medicare and are included within the Medicare reimbursement formula. While Medicaid statute does not require GME payments, most state Medicaid programs provide for these payments. GME payments compensate for the direct costs such as program administration and the indirect costs associated with providing care in a teaching environment. The premise of these payments is that clinical training and education is expensive and that public subsidies are needed to ensure an adequate supply of physicians, and specific to Medicaid, a

special emphasis on ensuring access to quality healthcare services for Medicaid beneficiaries. This is especially important as we embark on our federal and state health care reform efforts.

DVHA is entering into a Memorandum of Understanding (MOU) with the UVM and FAHC to provide GME payments to FAHC and the UVM Medical Group via two mechanisms: 1) Payments for Qualified Teaching Physicians, and 2) Payments for Qualified Teaching Hospitals. These payments require CMS approval via the State Plan Amendment (SPA) process; the state (non-federal) share of the GME Payments will be provided by UVM to the AHS through Intergovernmental Transfers (IGTs). The GME Program will be effective July 1, 2011.

The GME Program is estimated to provide FAHC between \$13M and \$18M in new additional funding.

Congressional Testimony. On May 12th, Lisa Dulsky Watkins, Associate Director for the Blueprint for Health, testified on Medicare physician payments before the Ways and Means Committee, Health Subcommittee, of the U.S. House of Representatives. The hearing is related to the pending steep cut in Medicare payments for physician services as a result of the Sustainable Growth Rate formula. The focus of the hearing is on promising delivery and payment system reform models and we were asked to share our Vermont Blueprint for Health program.



State of Vermont...

Department of Banking, Insurance, Securities & Health Care Administration (BISHCA)

89 Main St. Drawer 20 Montpelier, VT 05620-3101 Main Number: 802-828-3301

Divisions: Banking, Insurance, Captive Insurance, Securities, and Health Care Administration

www.bishca.state.vt.us

Memo from Commissioner Steve Kimbell

CONFIDENTIAL AND PRIVILEGED – NO SHARING

Report to the Governor for Week Ending May 13, 2011

Governor's Priorities

The Commissioner and General Counsel are co-leaders of an H.202 core implementation team with responsibility for benefit plan design and for the restructuring of the insurance market. BISHCA also has responsibility for a number of report-backs to the Legislature under H.202.

Evolving Issues

The Commissioner issued a cease and desist order against a number of individuals and their front organizations for selling illegal and apparently non-existent health insurance policies into Vermont using the internet. The order was followed by a press release warning Vermonters about these people and organizations. On consultation with the Attorney General's office, BISHCA General Counsel referred the matter to the Criminal Division of the U.S. Attorney's office.

Federal officials from CMS and Ingenix, technical consultant for the development of a national multi-payer claims database to support comparative effectiveness research, are interested in Vermont becoming a data partner in sharing our claims data under a data use agreement. In return, CMS is exploring options such as royalty revenues and customized reporting for state partners. CMS is interested in partnering with Vermont, Maine, and New Hampshire for phase one including Onpoint Health Data as the technical consultant for the three states that would process the approved data for the federal program under a federal contract.

Monitored ongoing press interest in the New York Times article on captive insurers.

Outreach

Representatives of the Captive Division, Economic Development, and the captive insurance industry represented Vermont at the Risk & Insurance Management Society annual meeting in Vancouver, BC. There were approximately 10,000 in attendance. Initial and/or follow up contacts were made with a significant number of companies interested in forming a captive in Vermont.

Held public hearings May 13 on Draft Rules regarding Licensure of Mental Health Review Agents, and Independent External Reviews of Health Service Decisions.

Act 53 Hospital Price and Quality postings are in final stages of review and are expected to be published on the web by June 1.

Legislative

The Governor visited BISHCA offices to sign H 432 (BISHCA housekeeping bill) and thank BISHCA staff for their work on health care reform and other issues.

General Information

The Banking Division held a hearing in Saint Johnsbury on Thursday to receive comments from credit union members and the general public on the conversion of Northern Lights Federal Credit Union from a federally chartered credit union to a state credit union charter. The New Hampshire Banking Department has tentatively approved the conversion and change in membership pending the completion and approval of the application by the Vermont Commissioner. This will be the second conversion of a federally chartered credit union to a state charter, both having branch offices in New Hampshire, in the last year.



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Jeb Spaulding, Secretary

**PRIVILEGED AND CONFIDENTIAL
MEMORANDUM TO THE GOVERNOR**

TO: Governor Peter Shumlin
FROM: Secretary Jeb Spaulding
DATE: May 13, 2011
SUBJECT: Confidential Report to the Governor

CONNECT VT

Legislative issues/ contacts

S 78 passed Senate and House, YEAH!

Press/Media Notes:

Launched www.broadbandvt.org. Press response was favorable and engaged. We have work to do to create the PSA campaign (Marketing Partners will create), and will work with Sue Allen to schedule additional media events (on air interviews, editorial boards are targeted).

Significant Events/Meetings:

Met with Waitsfield Champlain Valley Telecom to review RUS funded project and concerns regarding FCC and Universal Service Fund. I am preparing for RUS, NTIA and FCC visits next week. At FCC we will be discussing spectrum/ att and t mobile merger and the proposed rule making regarding shift of USF to broadband. There is significant concern that USF will go only where Bband is not and our CLECs will face significant operating revenue shortfalls.

Upcoming:

- Panelist at the Vermont/Sandia conference next week at UVM, regarding Smart Grid and telecommunications integration.
- e-Vermont conference next Saturday, intro of www.broadbandvt.org site

DEPARTMENT OF BUILDINGS AND GENERAL RESOURCES

Status of Governor's Priorities:

- Governor's priorities intact in two-year Capital Bill including district heating project, VTA, health lab, DOC master plan, transitional housing, replacement VT state hospital, Westminster DPS barracks and VHCB.
- PR opportunity exists for Governor at Pittsford for LEED certification (energy, green) and later this summer at dedication of 133 State Street Gardens (ANR/DEC).

Legislative Issues/Contacts:

- Reaching out to Sen. Harold Giard.
- Scheduling at least monthly conference call with the chairs and vice chairs of SIC and HCI to update and hear concerns.
- Have draft of Capital Bill task list and asking for volunteers.
- Staff to review other legislation passed for BGS tasks, directives or responsibilities.

Press/Media Notes:

- Met with Chris Fleisher of Valley News with Sue Minter and Ed von Turkovich for interview regarding public private partnerships (PPP) and the rest area program.
- Mr. Sammis' Randolph project came up twice. Generally pleased with the exchange.

Significant Events/Meetings:

- Waterbury-Chittick move meeting with AHS and ANR resulted in alternative plan utilizing vacant space, doubling up, fitting up Chapel and Stanley. Customers seem happy and engaged.
- Wanda Minoli and Mike Kuhn met with UVM and DOH folks regarding the DOH Lab. Working on development agreement. Demolition of VCET building presently scheduled for December, 2011. PR opportunity for GPS (Governor Peter Shumlin).
- Meeting with City of Montpelier regarding 6/9/11 deadline for district heating MOU.

Evolving Issues:

- Conference call with Leahy's Office Ted Brady re: selling 20 Houghton Street State Office Building, St. Albans to INS for expansion with State becoming tenant in new space.
- MVRTD Rutland garage lockdown in the near future; will notify when schedule finalized. Will be open 6 am to 11 pm.
- Working on collecting \$100,000 owed for Brandon property.

DEPARTMENT OF FINANCE AND MANAGEMENT

Issues Update:

- The relocation of the VISION system (operating software & databases) from the servers at 133 State Street to the new servers at National Life, previously delayed, will occur over the coming weekend through Monday, May 16, 2011. This move is essential for the HCM/VISION upgrade. Oracle has resolved the query problems that caused users to be booted out mid-transaction; therefore the planned relocation will begin.
- Deputy Zeller participated in a meeting attended by the Attorney General's Office, Secretary of State's Public Records Office and Finance & Management on the retention of VISION back-up

documentation. The issue was determining the time period hard copies of vendor invoices processed for payment through the VISION system must be retained. Financial retention requirements for audits and financial statements differ from legal retention needs. The meeting was held to find a way to encompass both needs into the Public Records Office recommendations and retention schedule templates. Ultimately, each department and agency will be required to have a written retention schedule that meets statewide minimum retention requirements and accommodates department specific requirements for payments made against projects, programs, contracts, grants, etc.

Legislative Contacts:

- Analysts began the annual bill review process this week. The procedure remains essentially the same as it has been in the past: the Governor's Office requests a financial or administrative review; the analyst(s) documents the review; the review is approved by the Commissioner or Deputy; the review is emailed back to the executive office with copies to Secretary of Administration & Deputy. Most bills have a 2-3 day timeline for review, albeit some require one-day turnaround. The timeline is driven by the 5 days the Governor has to sign bills once presented to him for signature. If he does not sign within the statutory 5 days, the bill becomes law without signature.

DEPARTMENT OF HUMAN RESOURCES

Status of Governor's Priorities:

Changes to Health Care Plan: The Department of Human Resources is meeting with VSEA and VTA on Thursday to finalize a package of health care reforms designed to save overall labor costs. If the parties agree on a package, the package will be sent out to union members for ratification prior to July 1, 2011.

Legislative Issues/Contacts:

Bill Review H. 448: The Department of Human Resources prepared a final bill review on H. 448 for the Governor's counsel. H. 448 amends the State Employee Labor Relations Act and makes minor changes to the last best offer process when the parties reach impasse. DHR worked with the Secretary of Administration's Office and the VSEA to craft the final bill language. DHR has recommended that the Governor sign the bill.

Significant Events/Meetings:

Meeting on H. 202: Commissioner Duffy and Nicole Wilson, who leads DHR's Employee Benefits Group, attended a meeting to discuss the implementation of H. 202. The Department will participate in several committees addressing the insurance market and public programs planning. DHR will work to ensure that an overall implementation plan is developed that integrates state employees and addresses collective bargaining issues.

Strategic Planning/Meeting of Extended Cabinet: Commissioner Duffy and members of her staff will attend an extended cabinet meeting on Monday and will discuss the Secretary of Administration's plan to conduct statewide strategic planning over the next year. DHR has also prepared a memorandum that will be sent from the Governor prior to the meeting to establish his commitment to the process and request full involvement and commitment from his leadership team.

Public Records Request from Pat McDonald: The Department of Human Resources responded to a public records request from Pat McDonald. Ms. McDonald requested information regarding

the number of filled positions and salaries, both individually and overall, in May 2010 and April 2011.

DEPARTMENT OF INFORMATION AND INNOVATION

Significant Events/Meetings:

PeopleSoft Finance Migration: The planned migration this weekend to the new environment housed at National Life, will finally consolidate the DHR/Finance environments allowing us to save money and prepare for the next infrastructure upgrade in approximately four years. DII will no longer have to spend \$250k on maintenance for old equipment. This budgeted money now can be utilized to refresh the environment and the flood risk associated with the old environment at 133 Data Center is fully mitigated. In addition, there is approximately \$25k in green savings from power and cooling in the data center that simply goes away.

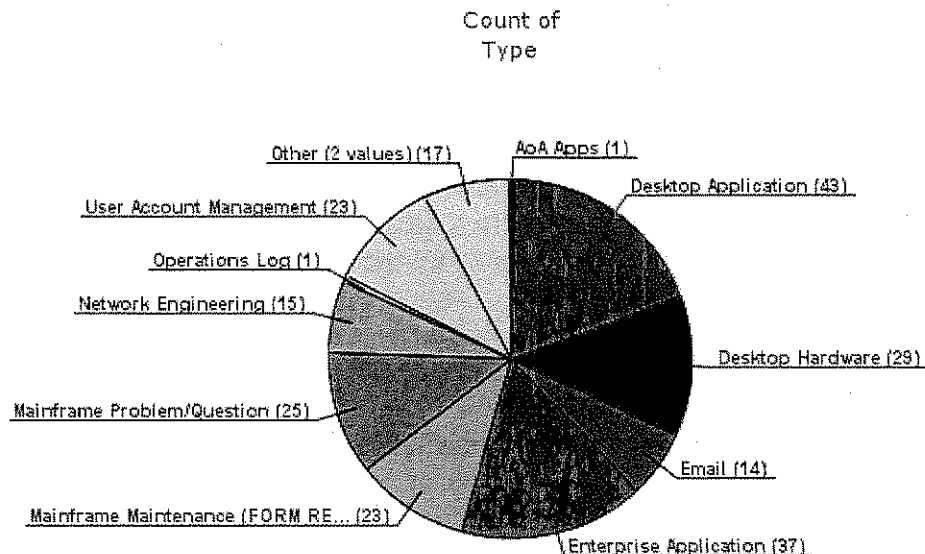
ERP Expansion Project: The HCM Upgrade and Expansion Project to include Time and Labor, Expenses and numerous improvements to system utilization for areas such as Absence Management, Recruitment and additional self-service applications, hit the ground running this week. The implementation vendor's Project Manager and Change Manager are now on-site. Efforts are underway to develop a preliminary project plan, training plan, stakeholder identification and leadership awareness assessment, as well as begin initial project communications. Next week vendor staff presence will also include the Business Process Optimization Lead as well as a System Architect. Special Note – Implementation of the PeopleSoft Finance Migration project this week is a prerequisite to successfully establishing the environment for the ERP Expansion Project.

Tax Discovery Project: DII completed the Enterprise Architectural assessment with Tax and their Vendor as well as the 5 year cost model. The detail design is started and initial implementation will begin next week. Many details have been flushed out through the Enterprise Architecture process and anticipated cost saving from the initial vendor system design are \$200k.

Harry Bell, Director of Web Services reports the Enterprise Content Management System (ECMS) that hosts state Web sites has been upgraded as of 5/10/11. Criminal Justice Training Council is moving forward rapidly to migrate their content into the ECMS and to begin using the Events Registration System for class scheduling. VIC has sent the eProcurement document created by BGS to their corporate legal team. They will review the language and respond. The Department of Libraries has made a request to begin reworking their Web presence. They are currently in the ECMS but the site was designed by the previous Librarian and they are seeking to modernize it.

DII Mgmt Rpt – Support Tickets – Snapshot of Last Week

This report contains data from 228 Tickets.



DEPARTMENT OF LIBRARIES

Nothing to report this week.

DEPARTMENT OF TAXES

Status of Governor's Priorities:

Health Care: The Tax Commissioner and Susan Mesner participated in the Health Care kick off, including the first meeting of the Financing Team. Susan has pulled together a small working group within the Department to start looking in the broadest view at revenue principles that the Team might want to consider, as well as a laundry list of revenue sources. As a Department, we are also considering how this effort might interplay with Income Tax and Education Finance reform.

Flooding and Property Tax Abatement: The question is gaining of whether the state will pick up the tab if towns abate property tax liabilities due to flooding. As background, the property tax due is set on the value of the property as of April 1, however the town has the authority to abate both municipal and statewide property taxes for "property lost or destroyed during the tax year." Under the statutory scheme, the town's ed fund liability is not affected – if it grants abatement, it must pick up the cost to the ed fund. The Department is researching the issue further, but it is unclear whether the Commissioner's general authority to abate taxes within her "jurisdiction" extends to the SWPT, since the Commissioner of Education actually sets the municipal liability, and then the town sets the

individual liabilities. The conventional assumption seems to be that it would take a legislative fix to forgive the towns' ed fund liability.

Staff in the Department could not yet think of a circumstance, even for example in the case of downtown fires, where the town did not bear the cost of any abatement. However, there have been numerous other special provisions for towns in relation to ed funding (just this session, covering tuition towns, Putney's late filing, certain health clubs and skating rinks, disabled veteran exemptions). And of course, the scope of the problem here cutting across town lines may be unprecedented since Act 60.

Push back on state action might be encountered since other property taxpayers would be picking up the ed fund shortfall, while the affected towns and properties may have access to disaster financial assistance. In the arcane world of property valuation, the value of lakefront property is often largely in the land, and second homeowners and income sensitized payers may raise distinct questions. On the other hand, one could strongly argue that in a statewide system, the cost of abatement for such a widespread disaster fairly should be borne by all the states' taxpayers.

The Department is directing its District Advisors to contact their towns, and also is encouraging towns to call the PVR main office. For now, the Department is trying to gather information on the extent of the property tax issue, advising the towns on proper abatement procedure, conveying that ordinarily towns would bear the cost of abatement, and acknowledging that there are statewide discussions but it is premature to predict the outcome. The Secretary of State's office and VLCT are planning to cover this topic in upcoming workshops. In the meantime, the Commissioner will continue discussing this matter internally and externally, and will keep the Secretary in the loop.

Misc Tax: The Tax Department will start in earnest its work on implementing relevant provisions of the bill at its Staff Meeting. A preliminary update on fallout from the bill:

Revenue Provisions: The Commissioner joined the Commissioner of Revenue in a Fox 44 interview on the new taxes, emphasizing the relatively small level of tax increase versus the responsible budgeting.

Ed Finance Reform Study: The Commissioner and Susan Mesner attended a meeting convened by JFO on the RFP, and offered comments on the several drafts. Legislatives leaders, including JFC and Ed Committee Chairs, approve the winning bid, and JFO is hoping to have the vendor working by July 1.

Current Use: The provision in the bill limiting "parking" in the program to two years after obtaining the last municipal permit or certain state permits has drawn some heat. Of course, current use changes generally are controversial – not surprising with a high stakes, highly subscribed program with competing interests. The spirit of the provision is not particularly controversial, but the possible application, for example to already permitted parcels and family subdivisions, is creating concern.

Unfortunately, and a bit of a theme with this year's bill, drafting issues complicate the matter further. The new Leg Council staffer on Tax is very skilled, but was given many challenging last minute assignments, and the Tax staff frankly had trouble keeping up with the changes, much less being heard – part of a larger discussion with legislative leaders. In any event, the Tax Department will work to find any practical solutions to implement the "parking rule" as drafted, and seek technical fixes next year if need be. The full Current Use bill, with enhanced penalties, is in the Senate – the parking provision is viewed by some as a defensive measure to passage of comprehensive reform.

TIFs: Turns out that Colchester is unhappy with the provision drafted to create a presumption in favor of an extension for obtaining financing. The Commissioner has discussed (including in a Freeps interview) that the Administration is neutral on TIFs at this point. The Commissioner has described the Department's role as collaborating with advocates on workable technical solutions, providing information for the legislature, and supporting the Secretary of ACCD in developing the state's strategic economic development plan.

Auctioneers: Variations on a theme, turns out that Tax did not catch that the provision redefining auctioneer sales tax rules was placed in a new section such that it has the unintended consequence of exempting certain sales that were generally considered covered (for example, the onetime sale of items from a defunct restaurant on its premises). We will need to propose a fix next year. The Department has now received a public records request from the auctioneer whose audit in process captured the legislature's imagination (one of about 200 total auctioneers licensed in the state).

Disabled Veteran's Property Tax: Rep. Pearson inquired about efforts to locate disabled vets, and the Commissioner put him in touch with Clayton Clark.

Operations: The Tax Department is planning a retreat for directors and supervisors, to focus on strategic planning, and particularly communication and technology. The data warehouse kick off has commenced – the first mailings to taxpayers should be expected in approximately six months (November). The vendor, RSI, appears well versed in positioning the "Tax Gap" effort favorably with both legislative bodies and the public, and the Department will draw on that experience. The Department at the same time is developing its taxpayer outreach initiatives, key to dispelling any misconception that enforcement is getting ahead of education. As one example, the Department will be looking to reinvigorate collaboration among various departments to provide a one stop form for new business registration. The Commissioner will be contacting the Secretary of State, Secretary of ACCD and Commissioners of DII and Labor.

MEMORANDUM TO GOV. PETER SHUMLIN

To: Gov. Peter Shumlin

From: GIRO Staff

Date: May 13, 2011

RE: Weekly Constituent Update

Current Issues:

- **Bill Signings**
 - Constituents and support groups have been calling and e-mailing to determine the location of bill signings/whether they have already occurred.
 - With our public calendar down (due to VIC problems) we have had an increase in requests regarding your public appearance schedule.
- **Judicial Bureau**
 - People still contact the office everyday regarding their inability to contact the bureau or leave a message.
 - Had an interesting conversation on the matter with a DMV employee. DMV gets as many calls as we do on the matter. The Bureau only having a full voicemail and not getting back to constituents creates a situation where the constituent is not notified if their payment is not received/they do not know how much they owe. This delays revenue for the State and a majority of these constituents want to pay, they just don't know how.
- **Immigration**
 - More people have e-mailed regarding immigration coverage in health reform.
 - 70/30 in favor of covering everyone, regardless of status (e-mails).
- **Flooding**
 - Consistent number of e-mails from last week coming in for flood damage assistance.
 - People are curious about the FEMA process and how far that's developed.
 - Majority of issues that do not get sent to Emergency Management local officials go to the Agency of Transportation. The damage to public roads, let alone private, is having a huge impact in communities.

APPOINTMENTS TO BOARDS/COMMISSIONS/JP MADE WEEK OF MAY 9TH

Justice of the Peace, Townshend:

APPOINT: Barbara Marchant

Justice of the Peace, Thetford:

APPOINT: Cyrus Severance, Thetford

Vermont Housing and Conservation Board:

APPOINT: Emily Wadhams of Burlington

Fish & Wildlife Board:

REAPPOINT: Grant Spates, Derby

Vermont Student Assistance Corporation:

APPOINT: Katharine Hutchinson, St. Albans, Director of Guidance at BFA

REAPPOINT: David Coates, Colchester

Human Services Board:

APPOINT: Harold Billings, from North Clarendon

Natural Resources Board

Land Use Panel:

Appoint: Don Sargent, Colchester

Water Resources Panel:

Appoint: Jeff Cueto, Montpelier

Alternate Member:

Appoint: Mark Illick, Charlotte

District #2 Environmental Board:

REAPPOINT: Michael Bernhardt, South Londonderry, CHAIR

REAPPOINT: Leslie Hanafin Cota, Esq., Bellows Falls

APPOINT/ALTERNATE: Julie Schmitz, Springfield

REAPPOINT/ALTERNATE: Stanley Borofsky, Brattleboro

APPOINT/ALTERNATE: Chris Callahan, West Windsor

District #3 Environmental Board :

APPOINT: Abbey Willard, Randolph – CHAIR

REAPPOINT: Roderick Maclay, South Stafford

APPOINT/ALTERNATE: Tim Taylor, Fairlee

APPOINT/ALTERNATE: Stuart Blood, Thetford

APPOINT/ALTERNATE: Anne Margolis, Corinth

District #6 Environmental Board :

REAPPOINT: Daniel Luneau, St. Albans – CHAIR

APPOINT: Julie Wolcott, Fairfield

APPOINT/ALTERNATE: Allen Thomas, Fairfield

APPOINT/ALTERNATE: Mark Na

State of Vermont
Vermont Department of Education
120 State Street
Montpelier, VT 05620-2501

**CONFIDENTIAL AND PRIVILEGED: NO SHARING
MEMORANDUM**

To: Governor Peter Shumlin
Cc: State Board of Education
From: Armando Vilaseca, Commissioner
Re: Commissioner's Weekly Report
Date: May 13, 2011

Upcoming Data Collection: To meet the requirements of the federal State Fiscal Stabilization Fund, the DOE will be conducting a new data collection this summer. A notice was sent to superintendents this week alerting them to this upcoming summer effort and advising them of the need to have staff available to complete the work. The collection asks for data on student course registration and school staff will be asked to map local course codes to national standards and report course inventory for each individual student. Also collected will be data on teaching staff, credits earned, and grades received. In the message sent to the field, we indicated that they can send comments to DOE until May 23. The purpose of this data collection is to look to the future and move towards streamlining data collection for schools, reducing data redundancy and enhancing data collected in the Educational Data Warehouse (EDW). With this data collection, we will have student-teacher data linked and can take another step towards a comprehensive repository of data to enhance the educational system offered to Vermont students. Since this is a consequence of the Douglas administration's acceptance of the Stabilization funds, we are obligated, unless directed otherwise by the Governor, to comply with this requirement.

Weekly Field Memo: In case you did not see it, here is the link and list of subjects covered in this week's Weekly Field Memo.
http://education.vermont.gov/new/html/dept/field_memo.html#first.

CONFIDENTIAL and PRIVILEGED—No Sharing

To: Governor Peter Shumlin
From: Lawrence Miller, Secretary, Agency of Commerce and Community Development
Date: May 13, 2011
Re: ACCD Weekly Report

Status of Governor's Priorities:

Beginning visits with businesses and organizations focusing on leg wrap up and health care. I actually got a good reception at the Stowe Rotary after working through the issues for a while.

Commissioner MacKay and Deputy Commissioner Hollar

- Thanks to the **National Association of Development Organizations (NADO)**, Noelle was able to **participate in a peer exchange in Asheville, NC**. Along with 18 other representatives from planning and economic development organizations from around the country, Noelle learned about what rural Western North Carolina is doing in economic development and land use. We met farmers doing diversified agriculture, toured woodworking co-ops, saw a brownfield area becoming an creative mecca, and several other redevelopment projects
- Finishing touches were applied to the **Consolidated Plan**, which will be submitted to HUD by the end of the week. Comments focused on the emphasis given to the goals of perpetual affordability and Smart Growth development, match requirements for planning grants and funding for mobile home parks.
- Jen participated in a meeting of the **Preservation Council** which will work on the preservation bill through the summer. Through subcommittees, the Council will meet with private owners, assess the risk of loss of each project that is currently subsidized but without permanent affordability restrictions, and work on new draft of the bill (H.216.)
- Jen attended the monthly meeting of the Vermont Affordable Housing Coalition. As part of its legislative review, the Coalition **expressed its deep appreciation for the Governor's support of VHCB funding and the housing-related programs** at the Agency of Human Services. Most significant was the Administration's support for \$1.7 million in state funds to replace federal stimulus monies for the Homelessness Prevention and Rapid Re-Housing program.
- Jen led a meeting of the **Housing Council** at which it voted to recommend revisions to the executive order that created the council in 1995. The recommendation will now go to the Governor for his consideration.
- Agencies that fund affordable housing development, including Jen for DEHCD, met this week to discuss the **Roadmap for Housing Energy Affordability** and its implications for building design standards.
- Planning for the **Governor's Summit on Housing the Homeless** continues. Invitations and calls for public participation have been issued. Six workgroups have developed recommendations for addressing barriers and are gathering initial feedback. Jen met with a planning committee subgroup to discuss how the event can both allow for broad public participation and result in specific policy recommendations and action steps.

Business Support

- **Edlund Co., Inc.:** Curt Carter of GBIC and Ken Horseman visited with the new COO. The company was purchased by the Ali Group of Italy earlier this year which owns 66 companies worldwide, 12 of which are in the U.S. Ownership is giving local management support and independence, and new VTP funding has launched lean manufacturing changes that will significantly improve operations. New product development is in the planning, with employment remaining at approximately 100 fulltime positions. Appropriate referrals will be made.
- **Amoskeag Woodworking, Inc.:** The company purchased for former Morse Hardwoods facility in Fairfax and currently employs 42 doing custom woodwork jobs largely for commercial customers. The company is considering a co-generation installation to utilize thermal load to be created by two kilns and also have strong interest in developing export business. Appropriate referrals will be made.
- **Super Sized Cycles, Inc.:** The business sells bicycles that are for large riders using a website and has been in business for 5 years. The owner is working with VMEC to craft a business plan, and is seeking a local welding operation and eventually wants to assemble the bikes in Vermont. Appropriate referrals will be made.
- **Vermont Woodworking School:** The school is affiliated with Burlington College and has a fulltime enrollment of about 26 students annually. A barn in Fairfax has been completely renovated with a state-of-the-art facility with students coming from all of the U.S. A tour of the facility was done by FCIDC, Amoskeag Woodworkers, and the department.
- **Bertek Systems, Inc.:** The company is profitable with fulltime production staff employment at 25 having laid off 5 workers a few months ago. The company expressed assistance in expanding Vermont customers especially in the food industry sector. FCIDC and the department offered any assistance that could be given in that effort.
- **WEBiomass** – received word this week that WEBiomass will be locating in Rutland and will create up to 25 jobs. The company will be making (assembling) pellet boilers for residential and commercial use. They will likely be locating in space that Joe Giancola owns at the Howe Center. Final details are being worked out with their European partner. The CEO has asked if we could help out w/ planning a grand opening/ribbon cutting .
- **Mobile Medical** – have had several conversations with Rick Cochran, the CEO of MMIC this week. The St. J- based company is interested in expanding its operations and is starting to look at sites in the NEK region. Their timeframe is likely 8-12 months out. Also re-connected to James Candido on EB-5.
- **Village of Johnson** – toured area in downtown Johnson with Congressman Welch on Monday and brought a team of ANR flood experts up on Wednesday. The municipality is, like others, waiting until FEMA finishes their assessment, but has a more immediate problem with their only grocery store. The property is owned by Pomerleau and the store is operated by C&S. The market has been closed since the flood and there are apparently no plans to re-open by C&S. I talked with Ernie P. who will be following up ASAP with the Village Manager, Duncan Hastings. The building seems to have been damaged by the flood, but the exact \$ amount is unknown at this time.
- **Shelburne – former Snelling property** – met with Yves Bradley and Graham Goldsmith, as well as with about 7 potentially interested tenants, to talk about the redevelopment of the former Snelling

manufacturing property. Goldsmith has very impressive plans for the property, which will include space for several small specialty food producers and similar companies.

- **Ecovative Design** – have been working with GBIC on a visit by our Green Island, NY prospect. Ecovative Design will be in town next week for a visit and to check out the Chittenden County area.

Community Development Program

- VCDP staff have started reviewing the applications submitted (see below) for the June 9th VCDP Board Meeting. There is a good mix of ED- job creation, ED- creative economy, affordable housing, community planning and access modification projects. Unfortunately, funding request greatly exceed the funding available.

Applicant	Organization	Grant Type	Specialist	VCDP Funds Requested	Other Resources	Brief Description
AM-2010-Morristown-00014	Morristown	AM	Carl	\$40,700	\$64,936	Subgrant to the Morristown Centennial Library to assist in bringing it into full compliance with state and federal accessibility requirements.
AM-2010-Town of Shoreham-00010	Shoreham	AM	Carl	\$50,000	\$333,323	Grant to the Platt Library to assist in bringing it into full compliance with state and federal accessibility requirements.
AM Total				\$90,700	\$398,259	
IG-2010-Barre-00037	Barre	IG	Carl	\$100,000	\$7,450	Subgrant to Barre Housing Authority to construct seven (7) roll-in accessible shower facilities in their units that are currently designated for occupation by handicapped residents and to purchase and install a lift (small elevator) at the newly renovated Community Center at Green Acres. Consortium with Barre Town.
IG-2010-Brighton-00036	Brighton	IG	Beth	\$300,000	\$252,214	Grant to restore the original exterior wood clapboards and improve the energy efficiency of the historic Brighton town hall "Opera House" in Island Pond village.
IG-2010-Guilford-00032	Guilford	IG	Beth	\$625,000	\$3,754,030	Housing Vermont and the Windham Housing Trust (WHT) are seeking to construct 17 new affordable housing units in two buildings in the village of Algiers; Algiers is part of the town of Guilford. The Algiers Village Housing project will redevelop an abandoned warehouse in the center of the village. This project is part of the greater village revitalization which the local non-profit development and preservation group Friends of Algiers Village, Inc (FOAVI) is leading.
IG-2010-Hartford-00030	Hartford	IG	Beth	\$300,000	\$316,135	Subgrant to the Center for Cartoon Studies (CCS) to establish the Inky Solomon Center, a state-of-the-art incubator designed to create workspaces for low and moderate income graduates of CCS. Funds will be used to lease and renovate the ground floor of the Old Telegraph Building, at 57 Gates Street in the village of White River Junction.
IG-2010-Hinesburg-00039	Hinesburg	IG	Lisa	\$555,000	\$250,770	Loan to Vermont Smoke and Cure to expand its operation into a larger and more efficient processing facility and to fund working capital to implement the expansion. CDBG funds will pay for a portion of the building improvements and 13 new jobs will be created.
IG-2010-Middlebury-00009	Middlebury	IG	Lisa	\$600,000	\$627,406	Subgrant to HOPE, VT to construct 13 units of housing. 8 of the proposed 13 units will be Single Room Occupancy with shared bath, kitchen and living space, 1 unit will be an efficiency apartment, 3 units will be one bedroom and 1 unit will be offered at a discounted rate for a resident manager of the Single Room Occupancy Units.
IG-2010-Winooski City-00034	Winooski City	IG	Lisa	\$385,000	\$1,323,090	Deferred Loan to Champlain Housing Trust to rehabilitate 10 apartments in three Winooski properties located on 114 West Allen St., 135 West Canal St., and 6 LeClair St.. All three buildings are within walking distance of downtown Winooski and serve a very low-income population.
SS-2010-Winooski City-00006	Winooski City	SS	Lisa	\$968,320	\$32,233,570	Subgrant to Champlain Housing Trust to continue its Champlain Housing Loan Fund to provide loans to income eligible homeowners to preserve their home equity through affordable financing of maintenance, repairs and energy efficiency improvements in Franklin, Grand Isle, and Chittenden counties.
IG and SS Total				\$3,833,320	\$38,764,665	
PG-2010-Rockingham-00019	Rockingham	PG	Beth	\$30,000	\$13,660	Feasibility analysis for the adapted re-use the Robertson Paper Mill building on the Bellows Falls Island. Possible re-uses include: manufacturing, retail, recycling, environmental, and research & development businesses working in green industry fields. Southeastern Vermont Community Action (SEVCA) and Sustainable Valley Group (SVG) are the project partners.
PG Total				\$30,000	\$13,660	
Grand Total				\$3,954,020	\$39,176,584	

EB-5

- James Candido accompanied Joe Perrotto from country Home Products on an EB-5 Marketing trip to China. Joe and James held EB-5 seminars in Shanghai, Beijing, Guangzhou, and Shenzhen. The trip was incredibly productive and CHP signed numerous investors on the trip for their EB-5 project and the ACCD VT Regional Center was able to market its brand and create valuable relationships with Chinese immigration brokers who source EB-5 investors.

Historic Preservation

- **Chimney Point, Flooding, & Bridge Project:** The lake is about the same level as last week, with yet more debris washing up on what used to be the field at Chimney Point. Flatiron has concentrated work on the approach and deck. Their subcontractor cut the buried Chimney Point telephone line, for the second time, on Monday and we were out of phone and email service all morning. Digsafe hadn't marked the line properly. Elsa attended the Lake Champlain Bridge Community opening celebration safety and transportation committee meeting last Thursday. We hope the event will be this October, if the bridge will be finished on schedule; otherwise it will be in the spring. There are a lot of factors to consider in inviting lots of people to this celebration weekend.
- **Mount Independence Friend Passes Away:** A long time member of the Mount Independence Coalition board, Mike Coates of Williston, passed away last week. He was very influential at the highest levels in government and was a strong supporter of the Mount and the historic sites. He cared so much about the Mount that it was included in his obituary and eulogy.
- **Site visit to Sweet Pond Dam, Guilford:** The pond behind this 200 year old, in-the-middle-of-nowhere, masonry dam has been dewatered for public safety. The town has contacted DHP with concerns that ANR will demolish the dam. Conversations among stakeholders are just now under way and ANR had told Gio that their preferred option is to build a new dam in the same location and restore the pond.
- **Monitoring inspection of Skitchewaugh archeological site, Springfield:** Northern New England's earliest farming site dating to 1100 AD, this important Native American site was conserved by DHP, VHCBC and Upper Valley Land Trust about 20 years ago. Gio secured \$ 200,000 to stabilize hundreds of feet of severely eroding bank that was eating away the site. The site inspection shows that the stabilization plan has worked beautifully, the trees along the riverbank are growing strongly, and the river bank is intact.
- **Programmatic Agreement (PA) with FEMA Executed at the Right Time:** The flooded lake is likely to result in damage to historic buildings and structures and archeological sites. An immediate example is the partially submerged historic bathhouse at Sand Bar State Park and the likelihood that the park beach, adjacent to Native American archeological sites, may disappear as the waters drop. DHP has been in touch informally with FEMA cultural resources team and expects to be formally contacted soon to jumpstart the process in the PA.
- **Capital Budget Requires that DHP/BGS Historic Buildings Dedicated Fund Program be Developed by July 1:** Commissioner Obuchowski called Gio concerned that this deadline was pretty tight. Needless to say, Gio has been paying attention to that looming deadline as well.
- **Meeting Between the Division for Historic Preservation and the Agency of Natural Resources:** Noelle Mackay, Julie Kelliher, Judith Ehrlich, Devin Colman and Scott Dillon met with resource staff and counsel from ANR to discuss DHP's regulatory role in ANR's projects, which is required under

various federal and state regulations and statutes. At this initial meeting we reviewed why we are working together, what interactions work well between DHP and ANR and where we see need for improvement. The group will continue to meet to seek ways to improve our working relationships and ensure that the respective resources we work with are appropriately considered throughout the project review process. DHP and ANR will also seek opportunities to help ANR ensure that the historic and archeological resources they own and manage are properly identified and funded.

Recruitment

- Follow up work continues with a Montreal based company looking at Vermont for a possible U.S. expansion. Following an extensive location search an in-person site visit was made with the prospect to a potential facility in St. Albans. Building appeared to meet many of the prospect requirements and a list of fit-up requirements and modifications will be forwarded to the building's owner once completed.
- Following several months of correspondence an initial in-person meeting with a Quebec based prospect was recently held in Newport including several local and regional ED partners and city officials. Prospect is looking to expand into the U.S. and is interested in N. Eastern VT due to proximity to company headquarters. Following referrals the company has made some initial real estate enquiries and has located several potential sites in the Newport area. They have also recently run a blind employment advertisement in the local paper to determine workforce interest and are concerned about local availability and skill-set for what will be primarily a clothing manufacturing operation. VT job creation incentives were discussed as was the local prevailing wage for this type of worker which could preclude participation in VEGI and VTP. Company estimates starting with approximately 25 employees with significant growth potential. They are also being courted by NY State for this U.S. expansion. Follow up will continue.

Tourism & Marketing and Vermont Life

- **Fish & Wildlife:** Deputy Commissioner Cook met with Commissioner Berry and staff of Fish & Wildlife in an effort to revive the annual Fish & Wildlife calendar. Utilizing the services of Vermont Life magazine we believe that we will be able to produce a 2012 calendar that will be sold through Vermont Life magazines network of retailers.
- **Vermont Life magazine Sales Team:** Deputy Commissioner Cook executed two new contracts for Vermont Life advertising and product sales. David Hakins was hired to manage advertising sales within the magazine and throughout the website as well as develop new Vermont Life events. Jan Hubbard was hired to manage both retail and wholesale product sales.

Secretary's Commentary:

Secretary Ross undertook the following activities:

- Attended another showing of the Bloom movie in Middlebury and took part in the public discussion. All parties were civil and it was a good exchange of information. This issue continues to be elevated by the movie and the "discussion" held in the aftermath of the movie. Unfortunately, the substance of the issue and the nature of its significance is distorted and misrepresented by poor information and innuendo contained in the movie.
- Attended meeting with Secretary Grieg of PA and Commissioner Aubertine of NY and the leadership of the Northeastern Cooperatives to discuss the dairy industry and upcoming political policy as well as the Farm Bill. Sec Ross will attend a hearing in Washington DC next week where processing industry will explain their opposition to the National Milk Foundation for the Future proposal being supported by the largest group of dairy interests ever.
- Met with Tim Camisa to discuss renewable energy project in Franklin County. Tim's mother Rep. Kathy Keenan was attending. The project focuses on capturing phosphorus and other nutrients from manure systems and exporting out of Vermont by using them as plant medium for raising flower and nursery stock.
- Spoke at the UVM Extension Professional In-service Conference at Lake Morey. He congratulated them on their work and invited them to help construct the food system of Vermont that could serve as a model system to be emulated by other locales.
- Worked with Vermont Housing and Conservation Board on conservation projects at a board meeting held in Middlebury. Over 12 projects were approved for conservation awards from all over the state and ranged from new farm start ups to long standing conventional dairies.
- Chaired the VHCB Farm Viability Program meeting to discuss the lack of funding for this program and possible solutions. Also discussed current grant programs and review applications.
- Spoke to the COS concerning incoming concerns about the current use language attached to the Misc. Tax Bill. Advised not vetoing the bill but warned of bad reactions from the farm community if implemented. Given the nature of the language in the Bill it might be difficult to implement in a fair and appropriate way which might require the current use portion of the Bill to await the return of the legislature.
- Discussed Vermont Council on Rural Development Working Landscape plans with the executive committee.
- Met with the Vice President of UVM to discuss how the Agency of Agriculture can partner with UVM on issues ranging from food systems, water quality and distributed rural energy generation and utilization.
- Spoke with Janet Steward of Greensboro Highland Beef about the unauthorized slaughter that took place on her farm. Sec Ross will be visiting the farm next Tuesday to see the operation and to further discuss the slaughtering situation that occurred on her farm.
- Met with VTC President Conroy and Professor Dutton to discuss a range of possible agricultural projects VTC is considering. VTC is on the verge of partnering with a local processor who may rent some facilities on campus to process foods to be used by the whole VT State College student body. While more conceptual development needs to occur there might be a possible EB5 opportunity with this project.

OFFICE OF THE SECRETARY

Phone: (802) 828-2657

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Executive Privilege

TO: Governor Peter Shumlin
FROM: Secretary Brian R. Searles
DATE: Friday, May 13, 2011
SUBJECT: VTrans - Confidential Report to the Governor

Circ

The following groups or individuals have been briefed concerning a revisiting of the Circumferential Highway (A & B) purpose and need and alternatives given today's transportation problems in the corridor: IBM, CCMPO Executive Board, Lake Champlain Regional Chamber of Commerce (Tom Torti and Tim Shea), Towns of Colchester, Essex and Williston (Managers), the Manager of the Village of Essex Junction, the CLF, the VNRC, Senator Mazza, Representative Brennan and the Preservation Trust of Vermont. All are on board with the strategy and willing to be involved in the conversation which will be conducted by the CCMPO.

Larry Dwyer of FHWA says his agency is open to considering an amendment to the project that would split A from B and focus on A. The new evaluation would be of Segment A and any other ideas that can adequately respond to a review and update on the actual problems we're trying to resolve here in 2011 as opposed to what existed on the corridor historically. For example, the situation at IBM is different than it was 10 years ago.

We are proposing that you go public with these plans after we're sure that FHWA D.C. office has reviewed and approved the Record of Decision which should be Tuesday or Wednesday of next week followed by Larry Dwyer's signature on Friday.

Dubois and King

I met with Jeff Tucker and staff at D & K concerning their allegation that they were being discriminated against by VTrans for some reason, perhaps because they are a Vermont-based company. I traveled to their headquarters in Randolph and asked for examples of this and learned that they have actually made some progress understanding this issue and admitted that they screwed up a couple of bridge projects in the last five years and that their presentations weren't the best they could be to our team on the recent Rail Retainer projects.

I have set up sessions with key agency personnel designed to help them understand how to improve their submissions and presentations. Further, we will work with them on some rail crossing work through an existing retainer contract in the roadway section. They are pledging to upgrade their roster of bridge engineers and we will consider them for more bridge work when they do that. Bottom Line: They understand better what we need and we'll help them deliver the right product.

Rail

Focus has shifted to the NECR as that is clearly the line favored by the Feds. Spent most of the day on Thursday with a team from the Ministry of Transport Quebec, led by special assistant to the Premier, Raymond Chretien, who has been tasked to get the Vermonter service to Montreal. All specific tasks were identified on both sides of the border, track and bridge upgrades, border security concerns and Central Station fit-up along with some Canadian labor issues. All are fixable and we have a goal to get this done in three years or less. The biggest stumbling block is our own Department of Homeland Security, Customs and Border Protection and we are working on a strategy to bring this to the highest levels of our government. More on that later.

Memorandum

Vermont Department of Public Service

Privileged and Confidential

To: Hon. Peter Shumlin, Governor & Beth Robinson, Governor's Counsel
From: Elizabeth H. Miller, Commissioner
Subject: Weekly Report
Date: May 13, 2011

Status of Governor Priorities:

To be quite honest, I haven't had any chance this week (including today at 4:40...) to sit back, gather my thoughts for the week, and provide a report. There are many balls in the air, including the Comprehensive Energy Plan, the broadbandvt.org rollout, Burlington Telecom, the Entergy litigation, the VGS expansion, and smart grid issues – just to name a few. I am very sorry not to have the time today to gather up a concise report; I nevertheless am forwarding below my division reports which include the detail on pending dockets and other matters of interest.

Press Issues/Releases/Contacts:

- Some press contacts re: broadbandvt.org
- Entergy litigation press contacts (AP, Bratt Reformer) re: intervention of parties and related issues

Significant Meetings/Events:

- ISO
- GMP re smart grid, possible future business deals
- CVPS re smart grid
- Sandia re meeting next week
- VGS re system expansion
- BT re upcoming contempt hearing

Evolving Issues:

I believe we have time scheduled this coming week to go over energy plan priorities. I need to refine a list of policies to pursue (or not pursue) before further stakeholder and consultant work, and am on a tight timeframe to get the work done. I look forward to discussing many exciting options soon.

Public Advocacy and Consumer Affairs:

Vermont Gas Systems—System Expansion Fund - Docket 7712 - The Public Hearing was held this week. It was very well attended; in excess of ten individuals and agency representatives spoke enthusiastically in favor of, and no one spoke in opposition to, the establishment of the Fund, with one individual exception. The Department and VGS are in the final stages of executing a Memorandum of Understanding. It is anticipated that the MOU, together with a Proposal for Decision, will be filed by weeks' end. Counsel for the parties has requested expedited review by the Board due to upcoming customer notifications VGS must deliver.

WEC Rate Case – Docket 7691 – DPS and WEC continue to pursue settlement, though DPS is somewhat disappointed in the lack of movement on WEC's part from the 24% propose rate increase. The parties have agreed to suspend the litigation schedule until May 20 in order to focus on settlement.

Green Mountain Power (GMP) AMI Plan - Docket 7704 - DPS filed a letter supporting the GMP plan on 5/4. GMP filed their rate impact analysis on 5/6. GMP and DPS had hoped file a Joint Revised Proposal for Decision by May 11th and to submit a joint MOU to the Board by 5/13. The parties are unable to meet this schedule and will be jointly asking the Board for additional time. DPS will suggest a deadline for both documents of 5/20, with the goal of trying to do so sooner. DPS had informed the Board that they did not believe the May 12th workshop was necessary and the Board cancelled the workshop. Instead GMP and DPS met on May 12th to go over the 'Rates Roadmap' for GMP's plan to implement new rate designs using the new meters. The meeting was very productive and GMP expressed willingness to work very closely with the Department to refine and revise as necessary GMP's plan to implement AMI enabled rate designs.

Ferrisburgh Solar Project – Docket 7594 - The Board held a site visit on 5/6 to evaluate the success of aesthetic mitigation requirements of the CPG issued by the Board in the autumn of 2010. The project is immediately adjacent to Route 7 in Vergennes and is highly visible from the highway. The mitigation under review was a line of 25 foot tall spruce trees which will screen the facility from a private club to the south and a border of low bushes that will over the next 10-15 years improve the aesthetic impact of the project, but not screen it. The mitigation plan was executed successfully so it is unlikely that the Board or any party will recommend further action.

EOS Solar - Docket 7618 - This solar facility proposed for Pownal was issued a CPG in September 2010, which included a condition requiring establishment of a decommissioning fund with "appropriate financial security." EOS Ventures LLC (EOS) filed two proposals, one involving creation of an escrow account, and the other submission of an irrevocable standby letter of credit. DPS recommended some revisions to the plans, and PSB approval if the revisions were made. EOS agreed to the revisions. On May 5 the PSB issued an order rejecting the escrow plan without prejudice, while acknowledging that it had approved a similar plan in another docket. If EOS wishes to pursue an escrow fund it must provide the operative documents for review, as well as a legal opinion from a bankruptcy attorney regarding the bankruptcy-remoteness of the escrow account. The PSB approved of the letter-of-credit proposal, provided that the letter of credit is filed prior to construction for review and approval.

CVPS Smart Power – Docket 7612 - The Board issued a procedural memorandum on 5/6 seeking clarification of the Department's 4/29 comments on the CVPS Business Case Update for their Smart Power Plan. In a letter to be filed on 5/13 the Department will clarify that it believes the Board should approve the updated plan immediately and request that three specific items of additional information be submitted within 30 days of Board approval, and that the remainder of the DPS comments were recommendations to be considered when filing future updates. DPS understands that CVPS intends to submit additional substantive information tomorrow and DPS will respond to that additional information either by the reply comments deadline of May 18th, or later if the Board sets a different deadline.

VELCO 115/46 kV Substation in Jay, Vermont – Docket 7708 – Staff met with representatives from VEC and VELCO on 5/9 to discuss Staff's concerns with cost of substation design. MOU will be filed on 5/13; technical hearing on 5/20.

Jay Peak Switching Station – Docket 7604 – Companion to Docket 7708, seeking an amendment to a VEC CPG permitting it to connect to the substation at issue in Docket 7708. MOU will be filed on 5/13; technical hearing on 5/20.

VT ANG Net Metering Project – No Docket - The VT ANG put in two applications for net metering projects at its base. One was approved because it was less than 150 kW, but the Board indicated that the ANG had to apply for a CPG under Section 248, albeit through a streamlined process, for the other project, which exceeds 150 kW. DPS Staff believes that the Board has failed to consider 30 VSA § 219a(m), which provides that ANG projects under 2.2 MW are subject to net metering rules. DPS worked with the ANG last year and convinced them not to invoke federal preemption and to apply under net metering. DPS will write a letter supporting the ANG when it notifies the Board that 30 VSA § 219a(m) applies to the project.

Highgate Interconnection/Converter Terminal – no docket – The Joint Owners of the Highgate Converter are proposing to refurbish the facility. The converter station was built in 1986, with a transfer capacity of 200 MW. In 1995 the PSB authorized an increase in capacity to 225 MW. The converter is near the end of its useful life, and the Joint Owners plan to refurbish it to operate another 30 years. Since neither the capacity nor the footprint of the converter station will be expanded, it falls within an exception to review under § 248: it is the "replacement of existing facilities with equivalent facilities in the usual course of business." The Joint Owners sought DPS concurrence with this conclusion, and following review and discussion DPS gave it. The Joint Owners plan to file a letter with the PSB describing the project and noting DPS agreement with the legal conclusion that § 248 review is not required. The Joint Owners also propose to replace a storage shed at the site with a larger one, but will submit a petition under § 248(j) for PSB approval of that change.

VEC Green Pricing – Docket 7717 – Parties still negotiating MOU. DPS has agreed to earmark funds collected to projects in VEC territory, but we're working through problems regarding how to allocate the funds. VEC wants to use the funds to supplement projects that have already been

awarded CEDF funds; DPS wants to use the funds to fund grants for projects that are eligible for CEDF grants but for which there is inadequate CEDF funding. MOU is due to be filed on 5/13.

EEU 2010-06 - The Energy Efficiency subcommittee of the Vermont Systems Planning Committee (VSPC) met at the DPS offices on the morning of 5/10. The main item on the agenda was a discussion of geotargeting and an exploration of a process to be used going forward for selecting areas to geotarget. The subcommittee developed a proposal that will be submitted to the full VSPC at their June meeting. The Board held a workshop on the afternoon of 5/10 to consider geotargeting within the context of the Demand Resources Plan proceeding. Whether to recommend the continuation of geotargeting and how to budget for it are complex and contentious issues with the municipal utilities generally opposed to it for equity reasons. Parties will file comments at the end of the month.

Burke Mountain Resort Group Net Metering System - CPG1187 - This group was granted a group net metering CPG in March 2011. Despite the issue having been raised by the applicant and Lyndonville Electric Company prior to issuance, the Board's Order accompanying the CPG did not resolve the issue of what rate(s) were applicable. LED filed a Motion for Clarification and requested a workshop, which was held this week and attended by the Department. The outcome was that the affected parties, with DPS consultation, will file a proposed rate calculation with the Board within two weeks.

Lamoille County Project – Docket 7032 – The PSB is planning a post-construction site visit to review the installed aesthetic mitigation measures. No date has been set. DPS will attend, along with its aesthetic consultant and electrical engineer.

Voice over Internet Protocol—Docket 7316—Comcast filed an argument with the Supreme Court supporting why it believes the Board's Order was final for the purpose of appeal. The briefing schedule is suspended until the Supreme Court decides whether to hear the appeal of the Phase I Order. Verizon has asked the Department if it would consent to Verizon submitting to the Supreme Court an amicus brief siding with Comcast that the Board was preempted. Verizon provides VoIP service in Vermont. The Department has asked for a draft of the brief and an explanation why Verizon should be considered as an amicus with broader interests than the parties to the appeal. On a related note, VON, an association of VoIP providers who "may" provide service in Vermont, has moved to intervene in Phase II of the Docket. The Hearing Officer has scheduled a status conference for Phase II on May 19.

- Consumer Affairs (CAPI) has devoted a great portion of time this past week in preparation for Governor Shumlin's official launch of the broadbandvt.org website. CAPI will be providing consumer support for the site, contacting consumers who may be in unserved or underserved areas, as well as those experiencing speed issues. While the service provided to consumers is no different than what CAPI has been providing to consumers with complaints about broadband (lack of availability, but also including service quality and billing issues), it is anticipated we will be providing service to an even greater number of Vermonters. Additional work remains to be

done with respect to template letters and the CAPI database, neither of which should affect the service provided to consumers.

- CAPI has received a number of calls from electric utility companies seeking advisement on a variety of customer issues. Many of the issues relate to accounts involving landlord/tenant situations. While we have worked with each company individually with these issues, it has been determined that this may be an area for more in-depth focus at the Energy Summit hosted by CAPI in the fall.

Planning and Energy Resources:

Comprehensive Energy Plan:

- All information from the stakeholders meetings (including presentations, discussion questions, public feedback, and meeting transcripts) have now been posted on the DPS website.
- Met with staff from Dept of Forests, Parks and Recreation to outline revisions to Biomass chapter and discuss carbon analysis at ANR; worked on revisions to the chapter.
- Finalized public involvement plan for website.
- Staff met twice with AOT to review scope of effort and the outline of their contribution to the CEP document. One of the meetings also focused on transportation and land use modeling – consistency with overall CEP modeling effort, current transportation models in AOT and ANR, other partners, long term needs for modeling vs. what can be accomplished by September to inform the CEP recommendations.
- Staff documented and distributed notes from the Vermont Clean Cities Coalition April 27 meeting about the research and funding for Plug-in Electric Vehicles and its impact on the Vermont electric grid.

Residential and Commercial Building Energy Standards (RBES & CBES):

- The contractor facilitating both of these update efforts is working on completing an annotation for the previous and current energy standards.
- Staff submitted a request for contract amendment for funding the additional annotation task required by LCAR.

Act 250 Review:

Commercial construction continues at a slow pace despite the beginning of favorable weather. This past week reviewed four permits under Act 205 review.

- TOWN: ESSEX PROJECT: Construction of a 6,000sf warehouse with associated infrastructure.
- TOWN: BARRE TOWN PROJECT: Construction of a 90'x50' single story addition, to serve as an expanded storage area for existing Vermont Wholesale Granite building on Lot 2 of Wilson Industrial Park.

- PLAINFIELD PROJECT: Construction and use of a 4,500sf accessory building for use as counseling facilities, garages and related uses. Project includes 12 additional parking spaces.
- TOWN: UNDERHILL PROJECT: Construction of 2 additions 400+/-sf and 500+/-sf to existing building, construction of new driveway segment and improvements to existing driveway. Additions to be used as a day retreat/yoga facility.

ARRA Funding/Programs:

- Grant & Contract Monitoring Plan –
 - Updated Risk Assessment and related sections and created a PDF and sent to DPS legal and DOE's SEP representative.
 - DOE's SEP representative highlighted the monitoring plan as excellent in his overview of his monitoring visit.
- Staff collected monthly reports from sub-recipients.

Energy Efficiency and Conservation Grant Program (EECBG):

- Provided guidance to Thetford regarding revisions to their PACE financial incentive program
- Staff developed contract for VEIC's work on the Vermont Energy Code Education, Outreach, and Training project, which will train builders, bankers, lawyers, realtors, and towns on new residential and commercial building energy codes.
- We paid about \$2990 for energy efficiency and planning work for two Regional Planning Commission grantees.
- Approved invoice for Wardsboro School for \$4,965 to retrofit existing facilities to improve energy efficiency. Project is approx 75% completed.
- Approved invoice for Town of Mendon for \$14,145 to retrofit Town Garage to improve energy efficiency. Project is approx. 30% completed.
- Final payment in the amount of \$50,000 was made to Underhill Central Elementary School who completed their \$155,000 building retrofit project. The project, supported in part by a rebate from Efficiency Vermont, involved the installation of two super-efficient furnaces to replace two 60-year old furnaces, and installation of six roof-top exchangers that will supply heat to five classrooms plus a school office area. The expected energy and environmental benefits derived from the retrofit include the reduction of 875 gallons of fuel oil and 19,617 lbs of CO₂ annually.
- \$26,419 was paid to the Town of Shelburne for their street lighting project. The purchase of 109 LED street lights is a component of a re-lamping project agreement between the Town, Green Mountain Power, and Efficiency Vermont. The project is also being supported financially by funding from the Chittenden County Regional Planning Commission.

State Energy Program (SEP):

- We paid \$6,129 to VERA (VT Environmental Research Associates) for monitoring equipment for the continuation of the Vermont Small Wind Energy Production Monitoring Program.
- SEP monitoring visit: 15 sites over three days to projects in Chittenden, Washington, Addison and Windsor Counties. Gathering monitoring data to submit to DOE.
- Processed two invoices: \$17K to the SEMP program and \$3,207.92 to VEDA
- Received \$20,912 payment from VEDA of returned ARRA-SEP loan funds.
- ARRA-SEP: Paid invoice for Milton Town School District for parking lot light replacement project (\$44,532)

Clean Energy Development Fund:

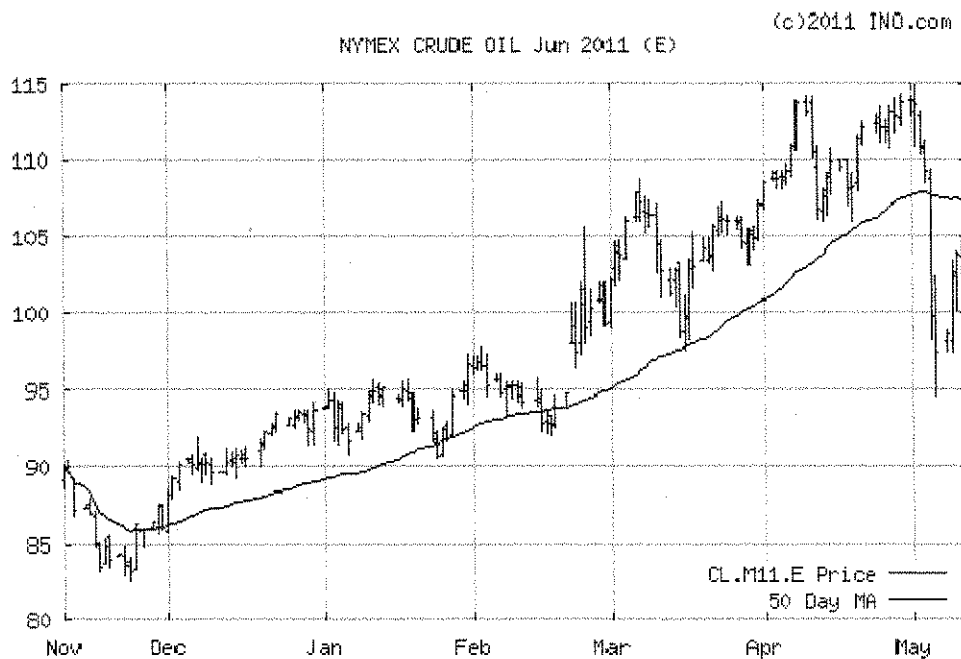
- Processed a \$25,000 invoice for the Gebbies Maplehurst Farm methane digester project in Greensboro.
- Processed two invoices: \$2,135 to VEIC for the small scale incentive program & \$3,207 to VEDA for loan admin. fees.
- Received \$84,758 payment from VEDA of returned CEDF loan funds.

Sustainable Energy For Homes & Business Project (Sanders DOE Earmark):

- Obtained clearance under NEPA from DOE for Housing Vermont to substitute a project in Townshend rather than at the Applegate facility; no additional approvals needed; passed on approval for HVT to proceed with bid process for new project
- Obtained approval for DPS to incur pre-award costs from Vermont Technical College to allow cost share for the Red School House pellet boiler project

Fuel Survey:

Crude Oil – is rapidly retreating from its early May high of \$115 and is trading this am at \$96.43 having dropped over \$18 per barrel in less than two weeks. Locally prices have yet to respond to the decrease and are holding at the \$4 range for regular. It would be reasonable to assume that local prices will begin to reflect the decrease as current stocks are replaced.



Biennial:

- All Divisions have submitted edits and changes have been incorporated. The draft is being reviewed by the Deputy Commissioner pending release.

Energy Efficiency Utility Activities:

- Staff provided assistance to the Public Service Board auditor of the Vermont Energy Efficiency Utility Fund (VEEUF) in reconciling bank statements of the VEEUF
- Staff processed invoices for payment from the VEEUF to GMP for revenues associated with the GMP Efficiency Fund Forward Capacity Market commitments.
- Staff attended meeting with VEIC to review the current invoice structure and gain more background information on how it is created with the aim to create efficiencies where appropriate

Demand Resources Plan (DRP) Proceeding:

- Staff participated in two Public Service Board workshops in this proceeding
 - In the Electric Efficiency Track, Conservation Law Foundation and Vermont Public Interest Research Group presented their proposals for energy efficiency budgets – ramping up to \$85 million statewide by 2014 (nearly double the DPS proposal). Comments on all proposals are due on May 27 – staff will develop draft comments for internal comment by May 20.
 - In the Geotargeting Track, stakeholders discussed various issues related to the geographic targeting of energy efficiency measures, including whether or not the policy should continue (parties largely agreed that it should), the appropriate

venue to select target areas (parties largely agreed that the VSPC is the appropriate venue), and the appropriate funding mechanism (parties did not agree here). Comments due along with the above comments on May 27.

- Staff met internally to discuss 'administrative efficiency', one of the new required EEU quantifiable performance indicators (QPI's). Methods and metric(s) are being developed to gauge performance in this and other somewhat difficult to quantify QPI categories including Market Transformation and comprehensive treatment of customers.

Evaluation:

- Staff participated in its weekly internal FCM Evaluation meeting to discuss project status and resolve issues. All initial project verification reports are scheduled to be completed within a week.
- Staff began review of SMEEP efficiency investment backup materials.
- Staff completed verification activities for HVAC Upstream measures; results will be incorporated into the preliminary Realization Rate (adjustment of savings claims) to be provided to EVT
- Residential and Business Sector Market Assessments
 - Staff participated in bi-weekly conference calls with contractors to discuss progress on the residential and business sector studies.
 - Staff provided the Department's final comments on the residential new construction and existing home owner phone surveys.
 - Staff also reviewed the on-site survey for the business sector study to ensure an appropriate prioritization of data collection.

PSB Workshops on Cost-Effective Screening of Energy Efficiency Measures:

- 'Externality' adder to benefits: Staff responded to stakeholder questions regarding the Avoided Energy Supply Component Study's development of an externality value, and requested feedback from stakeholders regarding a path forward.
- 'T&D' avoided cost: Stakeholders discussed a workplan to develop appropriate T&D avoided cost values. As a first step, utilities will be providing a list of load growth related transmission and distribution projects in the planning horizon, and the associated costs for those projects.

Technical Advisory Group (TAG) and Technical Reference Manual (TRM) review:

- Staff attended VEIC for discussions regarding the freerider rates for snowmaking efficacy tower guns for years 2010 and 2011. The DPS agreed to lower the freerider rate as the previous agreement appeared to be a barrier to the installation of efficient snowmaking equipment. This new agreement will apply prospectively. The DPS does not agree to retroactive adjustments where investments have already been made.

Avoided Energy Supply Costs Study Group:

- Staff received a draft of sections of the AESC report, it is currently under review.

Vermont System Planning Committee (VSPC):

- Staff facilitated a meeting of the VSPC Energy Efficiency and Forecasting (EE&F) Sub-Committee:
 - The EE&F created and will be recommending a process to the full VSPC for selecting geotargeting areas (to the extent the program continues).
 - The EE&F created a workplan to discuss issues related to the relationship between efficiency savings that are allowed to be claimed by EEU's and the impact that efficiency measures have on the electric grid. There are indications that the forecast doesn't appropriately capture the full effect of improving baselines. A meeting has been tentatively scheduled for mid-June where stakeholders will present and tackle the issue.

Issued the following 202(f) determination as consistent with the Electric Plan:

- Reviewing request by Vermont Public Power Supply Authority to Issue Long-Term Debt for the Refinancing of Prior Purchases of Membership Units in Vermont Transco for the Benefit of the VPPSA members and/or a non-member cooperative.

Public Service Board Dockets:

Docket No. 7660 : CVPS & Vermont Marble - Joint Petition of Vermont Marble Power Division of OMYA, Inc. to sell, and Central Vermont Public Service Corporation to purchase assets of VMPD. Public request to provide Docket updates, estimates of planned capital improvement expenditures, and estimates of future generation.

Docket No. 7717: VEC – Staff reviewed and provided comments on proposed changes in the petition for VEC's Voluntary Renewable Energy Pricing Program.

Other Items:

- Lyndonville Electric Dept. /Burke Mountain Net Metering Workshop – LED and Burke are seeking a resolution to the question of which of 2 rate class should be used to value the credits from Burke's net metered wind facility. Unique to LED is that they have two general service rates GS and GS-Large. GS only consist of kWh and customer service charge whereas GS-L in addition to the kWh charge includes demand and time of day components. LED and Burke have come up with a proposed solution and are working out the details and are expected to have a proposal for the Department's comments submitted within two weeks.

Finance and Management:

Regulatory Policy Related Activity:

Legal Proceedings

Docket Activity-State

Rate Cases and Tariff Filings

GMP filed their Power Cost Adjustment for the 2nd Qtr that will result in a \$2.6 million refund. Fin and Econ is currently reviewing the filing. The DPS recommendation is due to the PSB by May 16.

We have reviewed Tariff Filing (#8223) from Johnson Electric establishing "Terms and Conditions" related to their rate offerings and have recommended it be approved without hearing or investigation. The Department recommendation is due to the Board by May 16.

Fin and Econ attended a workshop regarding a Burke Mountain/Lyndonville Electric petition asking for clarification on pricing for net metering. After much discussion, a framework for an agreement was worked out where Burke would receive compensation for both energy and capacity as part of their group net metering project. Lyndonville had initially suggested that compensation should only include the energy component. The Hearing Officer asked and the parties agreed to meet to draft an MOU with details on how the compensation was to be determined and file it with the Board within two weeks.

Vermont Public Power Supply Authority (VPPSA)—has filed a petition pursuant to 30 V.S.A. § 108(a) for authority to Issue Long-Term Debt for the purpose of financing Its 9.36% ownership share of costs related to the Highgate Converter Project. The Department recommendation is due to the PSB by June 10.

Financings, Mergers, Acquisitions, Change of Control:

Met with Shoreham and Otelco officials regarding the sale of Shoreham to Otelco. Otelco plans to purchase all of the stock of Shoreham in a straight cash deal for \$4.5 million. In reviewing Otelco's financials they are highly leveraged, have earned no net income, and are in a financial position that is not totally dissimilar from that of FairPoint. Our review of their petition for a change of control has just begun. No new activity to report this week on the acquisition. .

Certificate of Public Good (CPG) Petitions:

CRC Communications of Maine, Inc., a subsidiary of Otelco, has filed a petition to offer competitive local exchange, resold intra- and inter-LATA toll, and other ancillary services in the territory now served by FairPoint Communications —NNE. In addition, CRC will offer intra- and inter LATA toll and other ancillary services in the territory now served by Shoreham Telephone Company, Inc. We have met with the Telecom Division to review and discuss this CPG and the development of a department recommendation. There is some concern the petition is premature until the Otelco/Shoreham acquisition is completed.

Emerging and Developing Docket/Settlement Activity:

Gross Receipts Tax:

An issue has come up regarding the taxability of internet services offered by cable companies. This could evolve into other general questions about the state and federal taxability of various communications services offered by telephone and cable companies. Regarding the Gross Receipts Tax it appears internet service offered by cable companies should be included in revenue when calculating Gross Receipts Taxes. We have found the Board has specifically stated in CPGs issued to Comcast and Charter that internet service is taxable for Gross Receipts Tax purposes. Additionally, we have found that, although internet service has been decreed by the FCC to be an interstate service, such a classification is no bar in assessing sales tax on internet revenue billed in Vermont. We have met with the Telecom Division to discuss the issue. Telecom has argued that internet service is not taxable because it is an interstate service. We concluded that a thorough legal review of the total tax situation for communications services should be undertaken. Telecom agreed to enlist in-house legal counsel to assist in that effort.

Street Lighting Tariffs:

The department is currently in the process of reviewing LED street lighting tariff proposals from three companies-Hardwick, CVPS and GMP. We have received a draft copy of the GMP tariff and have routed it for department review. We plan to discuss or meet with CVPS and VPPSA to finalize the review of their tariff proposals next week.

Internal Controls and Risk Management:

Our "internal control assessment" has been completed and presented to the Commissioner. Our assessment shows significant improvement over last year.

Engineering:

NTA Analysis Deferred:

VELCO reported that during a meeting regarding cost estimates for the VT/NH transmission solutions study that ISONE had delayed their work on evaluating non-transmission alternatives (NTA's) since staff was focused on the FERC FCM compliance order. The result of this action is that transmission design will progress while developing a methodology to consider alternative approaches will be delayed.

Cost Allocation Market Rule Change:

ISONE has advised NEPOOL participants that it will introduce changes to the rules that govern allocation of costs associated with generation run out of merit. As an example, during a VY refueling outage generation is often run out-of-merit order in other states to support the system while VY is out of service. Currently, these generation costs are allocated as 1/3 NH, 1/3 VT,

and 1/3 Western Massachusetts. With the proposed change, generation costs will be allocated on a load ratio share basis and will like reduce VT's share of excess costs.

VELCO Pole Design:

VELCO consultants have finished their investigation into the pole fire that disrupted IBM operations. The full analysis is scheduled to be released in the next week. Initial findings suggest one possible cause is related to lose staples that hold the pole ground to the pole. The theory is that the gap between the loosen staple and the ground conductor arced and was the source of ignition. VELCO is working closely with IBM on implementing a solution so that the plant is not adversely affected.

T&D Avoided Costs:

Engineering participated in the VSPC / PSB workshop regarding T&D avoided costs. There is an interest in updating the level and methodology used to assign a value for energy efficiency improvements that defer or avoid T&D upgrades. The discussions centered around two topics: 1) whether to have one statewide avoided cost value, or whether to assign specific values to "geo-targeted" areas that are electrically constrained, and 2) how to calculate the deferred and avoided costs. Currently, historical, average costs are used. Using forward-looking estimates, and project-specific costs are being considered.

Telecommunications:

FairPoint Petition for Waiver of Certain Requirements under the Performance Assurance Plan ("PAP") – Docket No. 7506 and FairPoint Petition for a Modification to the Performance Assurance Plan ("PAP") – Docket No. 7539 – This docket concerns service quality and associated penalties for the failure of FairPoint to provide adequate service to the Competitive Local Exchange Carriers ("CLECs"). The CLECs sought a stay of the proceeding in Vermont, New Hampshire and Maine. The Vermont Board and Maine Commission denied the requests for a stay. Subsequently, the New Hampshire Commission granted the stay pending the outcome of an audit of the PAP that the New Hampshire Commission ordered. The PAP is applicable to all three states and the general thought is that the more the three states can coordinate the schedules and evidence in the three proceedings the better. Vermont and Maine will likely amend the schedules that have been set and the DPS will attempt to coordinate with Maine and New Hampshire to attempt to establish a schedule that allows for three-state workshops and for one expert witness to be shared among the three states.

FairPoint Petition for Approval of a Successor Incentive Regulation Plan – Docket No. 7724 – The Board conducted a prehearing conference on 4/6/2011. The Board has scheduled a workshop on 05/26/2011 at which FairPoint will present its successor Incentive Regulation Plan in greater detail and make its witnesses available for questions in an effort to minimize the amount of written discovery in the proceeding

FairPoint Petition to Amend the Vermont Performance Assurance Plan to Redirect Certain Penalty Monies for Broadband Build-Out – Docket No. 7725 and FairPoint Petition to Amend

the Vermont Retail Service Quality Plan to Redirect Certain Penalty Monies for Broadband Build-Out – Docket No. 7726 – FairPoint is scheduled to file testimony in support of the two petitions on 05/13/2011. FairPoint's testimony will highlight efforts on the part of FairPoint and the DPS to more accurately identify target areas for broadband deployment to areas that are actually unserved.

AT&T Proposed Acquisition of T-Mobile – The judiciary subcommittee for antitrust and competition issues conducted a hearing in Washington, D.C., on 05/11/2011. DPS telecom staff assisted Senator Leahy's staff in preparing questions which were submitted in writing to AT&T and T-Mobile at the hearing. The Department generally advocated that should the acquisition be approved, such approval be conditioned upon AT&T being required to expand its current service areas in Vermont using the spectrum it will acquire from T-Mobile.

Vermont Broadband Consortium – The hard launch of broadbandvt.org occurred on 05/13/2011 in Room 11 at the Statehouse with a press conference hosted by the Governor and Karen Marshall, Chief of Connect VT. A Flash version of the integral parts of the website was developed and demonstrated at the press conference.

The DPS will receive consumer data generated from the broadbandvt.org website and will correspond with each consumer and develop a map of unserved areas based upon its verification of the data. DPS telecom staff held a workshop with CAPI staff regarding receipt of e-mail from the broadbandvt.org which included instruction on procedures for handling inquiries as well as how to use tools provided. The workshop also included history of data collection and interpretation issues with the interactive map.

Testing has been completed for the e-mail going to CAPI from the broadbandVT.org website. Information input by the customer arrives at the CAPI address and a record is created in the broadbandVT.org database.

DPS staff continues to coordinate with Connect VT so that data received by DPS will be dealt with quickly and efficiently while providing accurate data as to remaining unserved areas in the state.

Microsoft proposed purchase of Skype – Microsoft Corp (MSC) announced plans to acquire Skype for \$8.5 Billion. This purchase positions MSC as a leader in the Voice over Internet Protocol (VOIP) arena as Skype boasts 170 Million connected users and 600,000 new registrants each day. Couple with MSC's money and ability to bundle with other packages and this action could change the landscape for VOIP in the near future. MSC has stated that they will continue to support the cross platform abilities of the current Skype product.

FCC Tracking – The FCC will hold an open forum in Omaha, NE on 05/18/11 to examine modernizing the Universal Service Fund to include broadband deployment. John Burke of the Vermont PSB is scheduled to be a panelist.

The FCC is assisting FEMA and several wireless carriers to deploy a new public safety service in New York City to be called PLAN (Personal Localized Alerting Network). PLAN is a free service that will allow customers with an enabled mobile device to receive geographically-targeted, text-like messages alerting them of imminent threats to safety in their area. The service is expected to be available by the end of the year.

