

WEEKLY REPORTS

Checklist
7/12/2013

Elizabeth Miller/Aly Richards

- Agency of Commerce and Community Development – Lawrence Miller
- Department of Labor – Annie Noonan
- Department of Financial Regulation – Susan Donegan
- Agency of Education – Armando Vilaseca
- VT Commission on Lottery – Greg Smith

Louis Porter/Drusilla Roessle

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

Sue Allen/Leigh Appleby

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

Sarah London/Carolyn Wesley

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

Susan Spaulding

- Boards and Commissions (**no new appointments**)
- Department of Liquor Control

Other

- Irene Recovery Office

To: Governor Peter Shumlin
From: Lawrence Miller, Secretary - Agency of Commerce and Community Development
Date: July 12, 2013
Re: Weekly Report

Lawrence will be out of the office on vacation from July 20 through August 5.

Lawrence's trip with Brent to the immigration lawyers' conference yielded contact with the general counsel of the SBA's advocacy division. This is the group that comments on other Federal agencies rules and procedures to make sure small business needs are considered. We also found a model for using EB5 as part of the construction capital stack in major projects that could be valuable for a range of project financing needs. This will be included in capital formation conversations that include DFR and Vermont's implementation of rules to complement the new SEC regulations from the JOBS act that loosen advertising for private offerings including opening up internet solicitation for equity. Equity and near-equity meeting scheduled for July 18.

Historic Preservations has completed their required 106 review of **the F135 Impact Statement**. The draft finding is NO adverse impact but with some observations that the military could have done a deeper analysis.

SELDON TECHNOLOGIES: We have been working very closely with the new majority owners of Seldon on site selection and helping them access our programs and services. At this time, it appears that their current Windsor site is the best option for their expansion. No longer recruiting EB5 investors.

Recruiting: Officially began welcoming applicants for the newly-approved Housing Policy Specialist and CDBG-DR II Grants Specialist positions. Please send good candidates our way!

Results of BGS Siting Analysis: The State Operations Working Group added a new goal to examine how the location of state buildings influences land use, development and emissions. Since 1999, statute requires BGS to give designated downtowns priority consideration when siting or leasing space. To see how we're doing, BGS and ACCD mapped the location of state buildings and leased properties and measured how much office space was located in and around downtown districts. Excluding corrections, public safety and temporary space leased due to Tropical Storm Irene, 68% of new space was located greater than a half mile from a designated downtown (389,905 square feet outside – and 183,484 square feet within ½ mile). Obviously there's room for improvement. However, the good news is ACCD and BGS are working together to reverse this trend and locate more state offices within downtowns. Recent examples include St. Albans and Barre – both big wins for the long-term economic viability of the communities and the state.

St. Johnsbury Academy: After a rather contentious hearing last week, Jamie prepared comments for the District 7 Act 250 Commission regarding St. Johnsbury Academy's Cramton Dormitory project. The Academy brought to DHP a finished design that does not meet the standards and have been unwilling to make design changes. Furthermore, the District 7 Commission is questioning whether the National Register-listed site qualifies as historic and the appropriateness of the Secretary of the Interiors Standards. *LWM: Rather contentious is an understatement. If the district commission treats my staff like that again I will go talk to them.*

Streamlining Small Hydro Power Projects: Now that an agreement amongst PSD, ANR and DHP streamlining the permitting process for small hydro projects in Vermont has been signed, Scott Dillon and Judith Ehrlich continue to work with staff from PSD and ANR on the specific details of how the three departments will work together to assist project applicants with the state and, hopefully, federal licensing processes.

TELECOM

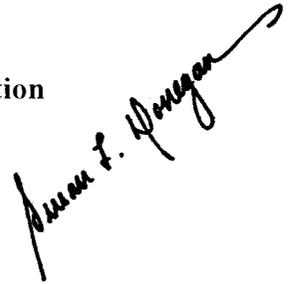
- BROADBAND UPDATE:
 - ✓ Presently, there are 222 addresses without a broadband solution. Of these, approximately 60 have been identified by the VTA as having a reasonable solution identified. If Exede satellite is considered as “reasonable”, then that number jumps to about 170. The VTA Broadband Committee voted to approve a proposal from Southern Vermont Cable to serve addresses in the Putney and Newfane areas. They also okayed a pilot project that Exede will undertake serving 20 addresses (the offer will be contingent on Exede agreeing that no subscription will be required by the trial customers). Both of these proposals will need to be approved by the full board.
 - ✓ The VTA will evaluate this and if it proves that this is a good, reliable technology (it does meet our speed requirements), then this option will be further examined. In the meantime, we will be talking with other providers about their interest to serve some of these areas. We will work simultaneously to identify solutions for the last 52 or so addresses that clearly will be the hardest to serve.
 - ✓ Additionally, Lawrence and Kiersten are meeting with VTel next week and will have a much better sense of where they are in terms of build-out and timeline. We will also ask if they will agree to a technical meeting among Public Service, Stone Environmental and their team to scrub unserved address data.
- CELLULAR UPDATE:
 - ✓ CoverageCo will be ready for a commercial launch in the next few weeks. Presently, T-Mobile and Sprint users will benefit from this infrastructure. The majority of Vermonters have either AT&T or Verizon (or both!), but this is important for the rural area of Vermont that it serves.
 - ✓ The VTA wants to do some sort of event to announce this and think that it would be ok if GPS participated.
- PUBLIC SERVICE BROADBAND NETWORK:
 - ✓ Our next meeting of this group will be in early August. On the agenda will be a debrief from the Needham event; an update on FirstNet and discussion of how to deal with the deluge of consultants that want to assist with this project. We are still waiting for the grant funds for outreach and planning to be announced/awarded.
- POST 2013 PLANNING:
 - ✓ This will officially begin next week with a meeting among AoA, ACCD, VTA, Public Service and members of both the Senate and House.
- COMCAST:
 - ✓ While in Boston last week, Kiersten met with John Sutich of Comcast. They are very interested in helping us reach our end-of-year goals and she strongly encouraged the VTA folks to get in touch with Tuck. Additionally, they are hosting an event in a couple of weeks at the Flynn in conjunction that will feature a speaker from CNBC. He did mention that the USF study was of concern to the company. Kiersten will follow up with Porter directly.

State of Vermont
Department of Financial Regulation
89 Main Street
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For consumer assistance:
[All Insurance] 800-964-1784
[Securities] 877-550-3907
[Banking] 888-568-4547
www.dfr.vermont.gov

CONFIDENTIAL and PRIVILEGED

To: Governor Peter Shumlin
From: Susan L. Donegan, Commissioner, Department of Financial Regulation
Date: July 12, 2013
Re: Weekly Report



Status of Governor's Priorities:

Commissioner Susan Donegan certified today the health insurance plans filed by Blue Cross Blue Shield of Vermont and MVP to be in compliance with applicable federal and state standards. Now certified, they have been submitted to Commissioner Mark Larson at the Department of Vermont Health Access in order for him to select which plans will be included on the exchange.

Captives Division:

Two new captives have been licensed recently bringing the total to 995. Pratt Insurance, a Vermont company, manufactures recycled corrugated paper, corrugated sheets and related packaging containers. Its manufacturing facilities are located primarily in the mid-west and east. And Highmark Inc., whose members and owners are Pennsylvania and New York hospital systems, was also issued a license.

Deputy Commissioner David Provost attended the summer meeting of the National Conference of Insurance Legislators this week at the request of various Vermont legislators who were in attendance. The topic discussed was the use of Special Purpose Financial Insurers (SPFIs), which are subsidiaries of insurance companies, not captive insurers. Issues have been raised at the national level as to whether life insurance companies are following proper accounting rules regarding these special companies. The Commissioner, as well as VCIA and Dan Towle at ACCD, have been following national issues relating to these types of companies in order to make sure that Vermont's captive industry is not adversely affected by mischaracterizations and/or misunderstandings of the role these special companies play in the market.



Insurance Division:

DFR renews insurance producer (agents and brokers) licenses biannually in odd-numbered years. Predicting revenue from renewals is not a precise exercise. There are many factors that influence the numbers including the economy and insurance industry job prospects. DFR's prediction for FY 2013 renewals was approximately \$17.8 million. Although final numbers are still being tallied, it appears that renewals will result in approximately \$19.2 million in revenue for the state.

While producer licensing income is good news, revenue from surplus lines (non-admitted insurance companies) premium tax has predictably declined by 20 percent (slightly more than \$2 million) from FY 2012. The reason for the decline is arguably attributed to the result of the changes to the way in which multi-state surplus lines insurance tax is allocated and collected under the federal Dodd-Frank Act. The definition of "home state" was changed under the law to be the domicile of the insured not the location of the insured exposure. For example, a second home in Vermont owned by a Connecticut policyholder no longer pays the premium tax to Vermont (where the exposure is located) but rather pays to Connecticut where the policyholder is domiciled. The Vermont Legislature passed a bill two years ago requiring DFR to participate in a multi-state compact in order to fairly collect and allocate surplus lines premium tax. That compact never became effective since too few states enacted legislation. Vermont is in the situation whereby it has significant out-of-state policyholders taking advantage of the surplus lines market. Until a solution is reached among states to correcting multi-state tax allocation, Vermont will be stay behind 20 percent past levels of revenue. The Commissioner is working with a coalition of states through the National Association of Insurance Commissioners and Vermont Legislators (also participating in the NCOIL) to address the problem.

Crosby Sherman, deputy commissioner of the Insurance Division, joined the staff on Monday. He comes to DFR from the New Jersey Department of Banking and Insurance where he was chief of the Captive Division. He grew up in St. Johnsbury, graduated from St. Johnsbury Academy and the University of Vermont. He was an insurance examiner at DFR in the 1980s. His father, Joe Sherman served in the Vermont State Legislature from 1996 to 2000.

Banking Division:

Deputy Commissioner of Banking and Securities Tom Candon attended a meeting this week of the Consumer Financial Protection Bureau to learn more about its new regulations regarding collection agencies. Vermont currently does not license collection agencies. Candon and Attorney General Sorrell heard updates on how collection agencies are being dealt with by other state regulators and attorneys general.



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**CONFIDENTIAL AND PRIVILEGED: NO SHARING
MEMORANDUM**

TO: Governor Shumlin
FROM: Armando Vilaseca, Secretary
SUBJECT: Agency of Education (AOE)
DATE: July 12, 2013

Annual Leave: I will be in Cuba on annual leave from July 10 - 23, 2013. During this time I am assigning responsibility to Deputy Commissioner John Fischer and Deputy Commissioner Bill Talbott. If the need arises for another step in the order of succession, Stephan Morse would be that designee.

SU Consolidation: On Thursday evening Vaughn Altemus, Education Finance Manager and Mark Oettinger, General Counsel, attended the historic first meeting of the new Two Rivers SU Board. Altemus spoke on my behalf and expressed my gratitude for their achievements and conveyed my best wishes going forward. In addition, Oettinger and several local officials offered comments and congratulations on this momentous occasion. By consolidating the SU operations of Windsor Southwest and Rutland Windsor, this combined SU has realized approximately \$300,000 in savings, which will be used to provide increased educational opportunities for students and taxpayer relief. This is very exciting work.

Early Childhood Summit: The focus of this summit is on children from infancy through third grade. Since the AOE oversees pre-K through grade three education, it is appropriate for AOE to play a lead role in this effort. Currently, there is only one representative from the Agency of Education on the planning committee; we request that there be an additional representative on this committee in recognition of the essential role of early education in this work. I hope that you will give this request consideration.

Race to the Top – Early Learning Challenge (RttT-ELC): I request that AOE be considered for the role of lead agency for this competitive grant. AOE would continue to collaborate with AHS and other entities that also have a pivotal role in developing a reform agenda and successful application. However, my understanding is that in all of the states that were successful in receiving an RttT grant in the first round, the lead agency was the state's Education Department/Agency or Department of Early Learning. This is even more significant since this grant is funded and managed by the US ED working in collaboration with HHS. Additionally, the goals of the early learning initiative include: 1) to better prepare at-risk children for entry into school by improving the quality of early care and education programs and staff, 2) to build an early childhood data system that will interface with the AOE Longitudinal Data System, 3) to strengthen the state's early learning standards, and 4) to align practices across the Pre-K to grade 3 continuum. Under AHS' lead an RttT grant was not received last time around, so this might be a good time to try something different and make AOE the lead agency.

Flexible Pathways Implementation: The first meeting of the Personal Learning Plan (PLP) work group was held on July 11, 2013. This group was tasked in Section 13 of Act 77 of 2013 (S.130 Flexible Pathways) to publish by January 20, 2014 guidance, technical assistance, and model practices for the successful process and implementation of PLPs.

Additionally, dual enrollment and early college expansion work is underway. The support to schools to expand virtual learning opportunities and internships has been developed and will be implemented in the Fall.

School-Based Mental Health and Substance Abuse Services: As specified in Section 6 of Act 68 of 2013 (S.4) a meeting has been scheduled between AOE and AHS staff to inventory services in place, identify needs, establish best practices and detail costs and sources of funding. The work of this collaborative group will be presented to the specified legislative committees by January 15, 2014.

ESEA Waiver: I have reached out to Deborah Delisle, US ED Assistant Secretary, Office of Elementary and Secondary Education, to request a discussion on the ESEA Flexibility waiver. Deputy Commissioner Fischer and I will have a phone conference with her upon my return to the office.



CONFIDENTIAL and PRIVILEGED

To: Governor Peter Shumlin
From: Greg Smith, Executive Director, VT Lottery
Date: July 12, 2013
Re: Weekly Report

Status of Governor's Priorities:

n/a

Legislative Issues/Contacts:

n/a

Press Issues/Releases/Contacts:

n/a

Significant Events/Meetings:

n/a

Evolving Issues:

n/a

Summary of Key Agency Department Activity:

Just finishing our year end results. Sales were up over LY 1%, and below forecast by 1%. Our contribution exceeded LY by over \$500K and budget by over \$300K. Two large Powerball jackpots provided the extra profit.

During the last two weeks we have been present at two Lake Monster baseball games and the Gov Cup Race at Thunder Road promoting Lottery and partnering with local businesses to provide extra prizes. We will do 2-3 more ball games this month. In August we will be at the Champ Valley Fair.

Executive Director's Commentary:

Working on filling two openings in staff using new HR system. Both should be filled in August. Commission meeting was cancelled this month due to light agenda and scheduling conflicts. We will receive Instant Ticket Proposals by end of July for review and decision by early Sept.

Executive Privilege

TO: Governor Peter Shumlin
FROM: Secretary Brian R. Searles
DATE: Friday, July 12, 2013
SUBJECT: VTrans - Confidential Report to the Governor

NOTES FOR GPS

End of Weather-Related Road Issues?

The last weather-related road closure on the State system, Route 12 in Brookfield, ended with the reopening of that site at 5:00 PM on Wednesday, July 10. No further problems have been reported. We have more than two dozen sites that need follow-up work as a result of the weather over the last several weeks. For staff, there is no need for action concerning emergency declarations since it is anticipated that a Presidential declaration will extend to FHWA ER damage on the state system.

Lake Memphremagog Issue

At yesterday's event in Newport I learned of a troubling situation involving the government of Canada and/or Quebec and a new cruise business trying to make it on the lake. The Northern Star is providing cruises on the lake and these cruises travel into Canadian waters, although they make no Canadian stops. The government has informed the operator that he must pay \$1,000.00 each time the boat crosses into Canada. I have made some inquiries and it seems that Senator Leahy's office is also looking into this. This is just an FYI at this point.

French Hill Lane Closure, I-89 SB, Williston

This weather-related slope and pavement failure was deemed too serious for a permanent maintenance solution so our project engineers have completed construction plans for a project that was put out to bid yesterday. The selection of a contractor is scheduled for Tuesday, July 16 and the contractor will be at work shortly thereafter. There is no further work going on until that time but the lane must remain closed. This project is not likely to be completed until the end of August.

Lac-Megantic Explosion Leads to Questions for Vermont

We have spent some time explaining the regulation of railroads to the press this week in the wake of the accident in Quebec. VTrans is a landlord, with specific responsibility on our state-owned lines of building a capital budget each year and inspecting bridges over water. Safety of rail operations is the exclusive purview of the Federal Rail Administration and they take it seriously. They don't have a permanent presence in Vermont but have been very responsive to problems on both the NECR and the VRS. The Montreal, Maine and Atlantic, the railroad involved in the accident, owns and operates the line between Richford and Newport. Although specific information is proprietary and closely guarded by the railroads, we know that Vermont sees in excess of 10,000 rail cars per year carrying gasoline, LPG, fuel oil, ethanol, diesel fuel and kerosene.

Town Road Issue at Jay Peak

Also coming out of yesterday's event at the airport was a discussion with Steve Patterson, Jim Greenwood, Bobby Starr and Bill Stenger concerning the condition of a road owned by the Town of Jay, the Stony Path Road, which connects Rt. 242 to the Jay Peak entrance road. We are rebuilding Rt. 242 but the Town won't do anything with their road, which extends about 1.2 miles. Back in 1995 or so, then Secretary Pat Garahan facilitated a project for the repaving of that road. The anticipated cost is about \$100,000.00 and I have begun discussions with staff about how to respond to this need. It doesn't appear to be too heavy a lift, especially if we can move it out a year or two until the Rt. 242 project is done and if we can get the cooperation of the Town to apply for a Class II Town Highway grant. Bill Stenger has agreed to help with efforts to get the cooperation of the town.

NOTES FOR STAFF

Barton and State-Owned Rail Line

We have a building controversy with the Town of Barton where a local road has been washing over a state highway and the Washington County Railroad Corporation (WACR) line, which is state-owned. The Town Manager has a problem with VTrans, going back to other issues, and chooses a passive-aggressive approach of simply ignoring our efforts to reach out and find a solution to town-generated erosion that is causing problems and costing money. The recent weather has exacerbated this situation and brought the problems into focus. You may hear something about this as we continue to push for solutions.

Connecticut River Transit

This is a poor performing system, based in Rockingham that has had four Executive Directors in the last several years, none of whom have worked out. The Board of Directors has been urged by VTrans to enter into a management arrangement with the neighboring Deerfield Valley Transit Agency which is a high functioning organization. We have a strong interest in the performance of these agencies since we administer most of their funding.

We have concerns about how the Board of CRT is managing the operation and they have recently acted to renew the contract of their E.D. The interim Town Manager of Rockingham, Chip Stearns, has objected to the strong stance we have taken. Sue Minter is reaching out to Rep. Carolyn Partridge to further discuss our concerns with the CRT. You may hear more about this one, as well.

AASHTO Conference July 22-25, Sheraton, South Burlington

GPS will be delivering opening remarks to the conference which involves about 200 or so people from DOTs around the country involved in Asset Management and Maintenance. The conference will have a heavy emphasis on weather this year so the location is appropriate. It will be a rare appearance for one of these conferences in Vermont. It is also fitting since the Maintenance Committee is headed by Carlos Braceras, the newly named Secretary of Utah DOT who was formerly their Chief Engineer and AASHTO is headed by Michael Lewis, the Director of the Rhode Island DOT, both of whom are graduates of the University of Vermont, College of Engineering.

I will send talking points next week.

SNAFU at Exit 11

Drivers were not happy with the night paving project at Exit 11 on I-89 when the contractor had a brain cramp and completely closed both exits without proper warning to motorists. It created a dangerous situation and frustrated a number of people. We will be taking this up with the contractor and have apologized to the three callers who made it known to us this morning.

Railroad Propane Off-Load Facility

As you know railroads are exempt from most land use regulation, including Act 250 and town zoning. The long-planned propane facility in the Town of Rockingham is now in trouble, partly due to the incident in Quebec. The railroad does need a fire safety permit from the Town and they are resisting and have asked for a legal opinion from their attorney concerning a course of action that could stall or otherwise disrupt the plans for this facility.

Privileged and Confidential
Memorandum

To: Peter E. Shumlin, Governor
From: Douglas A. Racine, Secretary of Human Services
Re: AHS Weekly Report
Date: July 12, 2013

Vermont Department of Health (VDH)

Eastern Equine Encephalitis (EEE) Update:

Staff from the Agency of Agriculture and the Department of Health held an informational meeting about EEE in Brandon on July 10. Approximately 100 people attended the meeting.

Integrated Substance Abuse Treatment – “Hub & Spoke” Rollout:

As of July 1, two new hubs have begun their integrated work to treat opioid dependent Vermonters.

- Central Vermont Addition Medicine, a collaboration between BAART Behavioral Health and Central Vermont Substance Abuse Services, will operate in Berlin and serve Washington, Lamoille and Orange Counties.
- Southeastern Regional Comprehensive Addictions Treatment Center, a collaboration between Habit OPCO and Brattleboro Retreat, will serve Windsor and Windham Counties from Brattleboro and W. Lebanon, NH locations.

With these expansions capacity for serving complex opioid addicted patients will increase to approximately 500 patients at these hubs. Funding is a mix of Medicaid, Federal grant funds and private insurance.

Vital Records:

Since the U.S. Supreme Court ruling on the Defense of Marriage Act, the Health Department has received at least 100 calls/emails from the public with a variety of questions. The majority of questions are related to applying for federal benefits, legality of civil marriages in states without same-sex marriage, and whether civil unions fall within the scope of the Court’s ruling. We are currently working with other organizations that are receiving similar calls to develop a FAQ.

Department of Mental Health Department of Mental Health (DMH)
DMH)

Legislative:

The summer workgroup on involuntary treatment laws is ready to start July 17th.

Brattleboro Retreat:

DMH is waiting on the Retreat to sign the three month extended contract. All indications point to the Retreat signing.

There are fewer level one beds available as the Retreat is not extending these level one beds to their other unit at this time. They are preparing for their CMS site visit. DMH continues to send their quality management director to assist them. DMH continues to work with AHS on contingency planning in case the Retreat is decertified.

Rutland Medical Center has signed their three month extended contract.

Department of Disabilities, Aging and Independent Living (DAIL)

Legislative Issues/Contacts:

Representative Alison Clarkson called on behalf of a constituent experiencing difficulty accessing her Choices for Care benefit in May. Representative Clarkson called again this week. While she appreciated our efforts, she indicated a problem remained. Susan Wehry will look into this and bring this situation to a more successful resolution.

Vermont Veterans Home continues working to come into compliance:

Between now and August 26th, there will be 2 investigations. The first will be for investigation of a complaint and the second will be a full compliance survey. Contingency planning has begun in the event the VVH fails to come back into compliance. The state could elect to:

- 1) Close the facility, in which case they would have 30 days to transition and would receive CMS payment during that time
- 2) Downsize the facility to a size that accommodates private pay residents with a plan to
 - a) Re-expand in the future if further analysis predicts need, or
 - b) Close in the future as private pay residents decrease;
- 3) Pay full freight and keep it running as is for a state cost of 10-12million dollars per year

Settlement talks on APS still in play:

Plaintiffs, their attorneys, DAIL and our attorneys have agreed to a “timeout” to keep the settlement talks going. Meanwhile, the program continues to be stable, with continuous attention to quality improvement.

Solution found to SILC Chairman Sam Liss’ travel problems:

Vermont Center for Independent Living (VCIL) has agreed to advance funds for Sam Liss. DAIL will grant VCIL the funds. DAIL also agreed to revisit AHS policy.

DAIL Commissioner trying to ratchet down expectations for visit to the Lodge at Otter Creek on July 18:

Despite repeated clarifications that the DAIL Commissioner lacks authority to overturn a decision by Life Safety (not to grant a permit), developer Gregg Beldock continues to aggressively advocate for her to do so. DAIL Commissioner agreed to tour his facility with Survey Unit Director Fran Keeler to assure him that we do understand his point of view but support the decision by Public Safety.

Department of Corrections (DOC)

Homicide Investigation:

Members of the media have contacted the Rutland Probation office about Christopher Sharrow. Sharrow, accused of killing his girlfriend in Pittsford, was under supervision with DOC almost 6 years ago for sex offense, DUI, LSA. His supervision began with deferred probation, which he

violated resulting in revocation of probation to sentence served. Sharrow participated in sex offender treatment and maxed out on furlough on 10/05/07.

High risk sex offender slated to max-out sentence 7/26/2013:

On 5/3/2000 Tim Szad kidnapped and sexually assaulted a 13 year old male stranger. Szad was shooting bottles with a rifle along the river bank in Bellows Falls. This offender grabbed the boy, handcuffed and dragged him across the river where Szad gagged and sexually assaulted the victim. Szad threatened to kill the boy if he told anyone and then released him. Szad fled to Idaho, was subsequently arrested, convicted of aggravated sexual assault on minor and sentenced to serve seven to twenty years.

Szad will complete his sentence on 7/26/13. He selected his parents' home as his residence in Springfield. DOC notified and met with the Springfield Town Manager and local and State police. Monday, July 15th, DOC will notify the Select Board that a high risk sex offender will complete his incarceration and carry out a media release. DOC plans to go door to door with law enforcement notifying neighbors of the release and provide them with a handout with safety tips to protect children.

Weekly Population: Detention Remains High:

The average incarcerated population has risen over the 2100 inmate mark with an increase of both men and women. This appears to be driven by detention, which has been as high as 425 this week. As of Wednesday, July 9, the number is 411.

The average female population for last week was 169, 35% of which were presentenced women. The male population averaged 1939, with a presentenced population of 18%. The overall presentenced population was 20% of the incarcerated population .

Department for Children and Families (DCF)

Fraudulently cashed child support checks:

The Office of Child Support (OCS) was recently contacted by a grandmother who reported the mother of her grandchild was deceased and that child support payments were being sent to the deceased woman's address.

OCS investigated and found nine child support checks were issued to the deceased woman prior to OCS learning she was deceased. OCS determined that the current resident of the deceased woman's apartment appeared to have cashed the checks by forging the signature of the deceased woman.

OCS staff contacted the Burlington Police Department (BPD) and filed a complaint for theft and forgery. The BPD Detective Bureau investigated, arrested and charged the check forger with nine counts of False Pretenses.

The case is pending in the Chittenden County Superior Court, Criminal Division.

Why have we not fixed the "SNAP Error Rate" problem?

The "Eligibility Modernization" effort implemented by the Douglas administration failed miserably. Staffing was cut concurrently with the loosening of eligibility standards. As caseloads skyrocketed, the entire training unit was eliminated due to further cutbacks. Caseloads were then

less than 1 worker to 400 cases. The ratio today is 1 worker to over 600 cases. Vermont was then sued by Vermont Legal Aid for the slow processing of public assistance applications.

When the current administration took office, only 65% of public assistance applications were completed within 30 days, compared to the required 97% completion rate. Currently 95% of all applications are processed within 30 days. However, accuracy was sacrificed for timeliness. Recently the Economic Services Division received permission to hire 18 more staff, with capacity to restore 3 positions within a 5 person training unit. Despite the current error problem, the USDA has cited ESD as the 7th most improved program in the nation.

Department of Vermont Health Access (DVHA)

VITL Grant Agreement:

DVHA's fiscal year 2014 grant to Vermont Information Technology Leader (VITL) in the amount of \$5.2 million has been held up pending approval from CMS. A "perfect storm" of issues arose, including increased federal scrutiny, confusion around how to properly execute amendments to our funding authorizations (IAPDs), the fact that this was the first time VITL had been reviewed by CMS, and new leadership at VITL which led to a longer than normal negotiation process.

A verbal agreement was reached with CMS on Wednesday on a two-phased process to resolve these issues and get the approvals we need to execute the VITL (and several other) contracts. A key part of the agreement was CMS' proposal to back-date the approvals to 7/1/13 so that proper and appropriate expenses now being incurred will be reimbursed. We estimate it will take 2-3 weeks to complete the first phase of approvals and sign the agreements. The second phase of work will lead to an entire re-working of the "Jumbo" IAPD (covering all Health Services Enterprise programs) to become effective 10/1/13.

Health Benefit Exchange Update:

- Customer Support: dedicated small business support line preparing to launch this month
- Navigators: selection of 18 organizations with two days of training starting this week
- Brokers: finalization of \$20 per employee per month broker fee
- Qualified Health Plans: Rates finalized by Green Mountain Care Board Monday; selection of plans this month
- Administrative Rule: Draft completed; updated with public comment for LCAR submission next week
- Website: individual subsidy calculator complete; small business calculator being finalized with premium rates
- Technology Development: Testing with Federal Hub Data Services in Progress
- Funding: receipt of 4th establishment grant on Tuesday, \$42.7m

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Chuck Ross, SECRETARY

STATE OF VERMONT
AGENCY OF AGRICULTURE

Confidential and Privileged

TO: Gov. Peter Shumlin
FROM: Chuck Ross, Secretary of Agriculture
RE: Weekly Memo
DATE: July 12, 2013

Secretary's Top Issues:

The Agency is working in cooperation with the Department of Health in managing the public health response to the misuse of a cancelled insecticide used for bed bug control. The Agency had previously investigated the misuse in one home in Rutland. In that case a commercial pesticide applicator had used the insecticide chlorpyrifos inside a home for bedbug control.

FDA issued a press release this week pertaining to an injunction filed against Lawson Farm for repeat violative tissue residues detected at slaughter from animals originating from their farm.

Nelson Farms Inc.-this Friday ANR, VAAF and the Attorney General's office are meeting to discuss three different farms and the various violations at these farms.

Vermont is down one captive cervid herd as the one remaining animal this particular farm was found dead. AHS visited the farm to confirm the identification and take a brain sample for Chronic Wasting Disease. It appeared from the condition of the carcass that the animal died about 10 days ago so we were not able to obtain a sample. The owner has no plans to repopulate his farm with cervids.

EPA Lake Champlain TMDL- EPA gave a demonstration of what the Best Management Practice Scenario Tool is capable of doing. It connects all the various parts of the Lake together so you can see how changes in phosphorus loading in one watershed will impact the lake phosphorus levels throughout.

The Animal Health office has received numerous calls from town clerks with questions about the new pet dealer requirements in statute.

Agency staff participated in a public meeting with the Dept. of Health to outline the arbovirus response plan and how the state plans on responding to incidences of Eastern Equine Encephalitis (EEE) and West Nile Virus this season. The meeting, held in Brandon, was attended by 60 to 70 citizens.

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Chuck Ross, SECRETARY

STATE OF VERMONT
AGENCY OF AGRICULTURE

Confidential and Privileged

TO: Gov. Peter Shumlin
FROM: Chuck Ross, Secretary of Agriculture
RE: Weekly Memo
DATE: July 12, 2013

Status of Governor's Priorities:
Jobs in Agriculture

Legislative Update

Press

Dr. Haas worked with Alison Kosakowski to draft a press release for dissemination on the new pet dealer requirements passed in the legislature this past session. The information in the press release corrected erroneous information that was contained in a WCAX news story that aired recently.

FDA issued a press release this week pertaining to an injunction filed against Lawson Farm for repeat violative tissue residues detected at slaughter from animals originating from their farm. FDA's regional compliance officer had kept commissioned VAAFME employees updated on this situation as it unfolded. Hopefully the injunction and consent decree will force the farm to establish SOPs that will eliminate the incidence of violative residues in their food-producing animals.

North Country Public Radio-this Friday Laura DiPietro is meeting with Sarah Harris from NCPR to discuss tile drainage. Vermont does not have an opinion on the issue, however we can explain there is conflicting data about whether it is better or worse for water quality and that we are seeking to learn more.

Significant Events/Meetings:

Agency of Ag completed its first tabletop exercise for its internal Incident Command Structure. The exercise was graded by 4 reviewers and focused on the ability of the agency to set up its incident command structure, ability of the specific section chiefs to prepare an incident plan and to implement that plan. Exercise concluded with practice on how to interact with State Emergency Operations Center – getting information to the State EOC and taking direction from the State EOC to implement a required action. This was a very new activity for many Agency staff and they all performed well. The Agency will be better prepared during future emergencies. A second exercise is planned for the fall that will involve agency field staff in a field exercise.

Animal Health (AH) is conducting interviews for a temporary data entry position. The amount of movement documents and animal test results grows exponentially in the summer. We should have someone hired and starting in the next 2 weeks.

Dr. Mehlenbacher and Jim Cameron participated in the Agency's ICS table top exercise.

Vermont is down one captive cervid herd as the one remaining animal this particular farm was found dead. AHS visited the farm to confirm the identification and take a brain sample for Chronic Wasting Disease. It

appeared from the condition of the carcass that the animal died about 10 days ago so we were not able to obtain a sample. The owner has no plans to repopulate his farm with cervids.

Drs. Haas and Mehlenbacher have been communicating on an ongoing basis with two new potential producers who would like to start businesses in VT. One individual is interested in establishing an elk herd in Franklin county, and the other is planning on acquiring land in VT to start a bison herd. In both instances, these animals would be raised for meat, and both individuals have also spoken with in-state slaughter/processing businesses. Ongoing discussion will take place with both individuals to ensure they are compliant with VT's import rules and facility requirements, as well as to provide technical assistance pertaining to slaughtering and marketing these species.

Agency staff participated in a public meeting with the Dept. of Health to outline the arbovirus response plan and how the state plans on responding to incidences of Eastern Equine Encephalitis (EEE) and West Nile Virus this season. The meeting, held in Brandon, was attended by 60 to 70 citizens. Erica Berl from the Department of Health and Alan Graham from the Agency of Agriculture provided information about EEE and mosquito vectors. The public asked many questions and were genuinely appreciative of the efforts made by the State to address issues related to EEE and WNV.

Evolving Issues:

Rutland/Bed Bug/Pesticide Misuse:

The Agency is working in cooperation with the Department of Health in managing the public health response to the misuse of a cancelled insecticide used for bed bug control. The Agency had previously investigated the misuse in one home in Rutland. In that case a commercial pesticide applicator had used the insecticide chlorpyrifos inside a home for bedbug control. The levels found through laboratory analysis were extremely high. Chlorpyrifos was cancelled for all indoor uses several years ago. In response to this misuse the Secretary of Agriculture summarily suspended the company license and applicator certification for AAA Pest Control and Cary Buck (applicator). In addition, subsequent investigation determined that AAA pest control has made numerous other applications for bed bug control to other residences. Initial sampling at these sites determined that chlorpyrifos had been used. As a result the Agency and the Department of Health have begun sampling all homes treated for bedbugs by AAA pest control going back to January 2012. This is a public health response to determine if residents have been exposed to high levels of chlorpyrifos. The Department of Health has opened their Health Operations Ctr. To manage the public health response. Health and Agriculture staff are contacting residents, arranging for sampling, and providing temporary housing assistance for those displaced as a result of chlorpyrifos residues. Health and Agriculture are in continuing discussions with Region I EPA staff and ATSDR staff to determine methods for cleanup and explore resources available for assistance as the scope of this problem potentially widens. The State is also in the process of requesting assistance from US EPA's National Emergency Response to assist with remediation of effected properties. The current goal is to have all residences that were treated for bed bugs by AAA Pest Control contacted and/or sampled by the end of next week (approximately 40). Conference calls with the Health Operations Center occur twice daily as efforts are coordinated. All samples are currently being analyzed by the Agency of Agriculture laboratories currently located at UVM. As sample loads grow the Department of Health Laboratory will provide assistance. In addition, if sample loads grow beyond the State's capacity, EPA labs in Chelmsford, MA may be able to assist. It should be noted that the number of samples being managed by the Agency of Agriculture lab is unprecedented. It is especially impressive given the temporary nature of the current facility and its' limitations.

Representative Sharpe of Bristol inquired as to the legal status of a gravel pit allegedly being operated by the Four Hills Farm. Neighbors have complained about truck traffic to and from the site as well as potential water quality issues. Rep. Sharpe stated that an ANR representative had visited the site already. We will follow up with ANR as to their findings and determine under what jurisdiction this operation should fall. The Four Hills Farm is a "Large Farm Operation" and operates under an individual permit issued by the Secretary of

Agriculture. The Large Farm Permit program does have some authority over truck traffic related to farming activities.

The Animal Health office has received numerous calls from town clerks with questions about the new pet dealer requirements in statute. Two conference calls were held last week to address these questions, but there was minimal town participation due to the holiday and the weather events that many towns were dealing with. There is discussion about holding a workshop for town employees to explain the new law and provide them with resources.

Summary of Key Agency Department Activity:

Administration

NEASDA Federal Milk Marketing Order Initiative work began in earnest this week with two meetings with industry representatives to discuss potential changes to the Federal Order System of milk pricing. First meeting was on Tuesday in Albany, NY and commissioners and state representatives met with dairy co-op leadership to discuss what areas of federal orders needed changes and the potential level of support for these changes from the industry. Four main areas were defined as needing adjustment: 1. Overall federal milk orders are too rigid and require a formal hearing process for any changes. Would request that some areas of Federal Orders have a time specific review process for adjustments that would not require a hearing. 2. Adjustment for milk price calculations should include export contract prices and possibly an index to adjust make allowances. Also more dairy products could be added to the pricing surface. 3. Transportation costs should be addressed – either through Class I differentials or transportation credits. 4. Class I price could be decoupled from Class III and Class IV prices. Details on how this would be accomplished are quite important and would need further discussion. The second meeting was on Thursday of this week in Hartford, CT. Dairy related businesses – lenders, feed companies and dairy processors were in attendance. Lenders made it quite clear that volatility in milk prices can be tracked within the banks viability of loans – milk price change shows up within 60 days in lending institutions. Same is true for feed dealers but feed debt is unsecured and feed dealers are having trouble with banks with open accounts. Dairy processors wanted specific details of federal order changes but in the end were willing to share some areas of federal orders that could be changed – from list above willing to look at 1 and 2 and possible #3. As details are formulated, milk price affects for farmers, co-ops, processors and consumers will need to be determined.

In re Highland Crossing A250. Discovery complete. Finalized and filed, along with co-counsel McDougall, the Agency's a summary judgment motion and memorandum, along with a statement of undisputed facts.

In re VT Gas Systems, PSB #7970. Prepared and filed the Agency's response to first round of discovery requests filed by intervener Nathan Palmer.

In re: Limerick Road Solar, PSB # 8027. Finalized negotiations, reviewed and approved language in proposal for decision, and executed written stipulation.

In re: Claire Solar, PSB #8002. Finalized negotiations, reviewed and approved language in proposal for decision, and executed written stipulation.

In re AAA Accredited Pest Control Company/Cary Buck. #2013-06-05 PT. Represented the ARM Division in a contested case on AAA/Buck's request for a hearing on summary suspension of pesticide license and certificate. Prepared and submitted proposed findings of fact and memorandum for the Hearing Officer's consideration on expedited basis. Hearing Officer's Recommendation issued 7/5. Filed a request for the Secretary to consider the recommendation forthwith. Decision is pending.

Agricultural Development

Meat and Poultry Processors Association Annual Meeting (6/29): Ag Dev staffer Chelsea Bardot Lewis coordinated the annual meeting of the MPPA, which brings together the state's commercial meat processors,

retail butchers, and representatives of livestock producer groups to build capacity in the livestock industry. The 30 attendees toured the new Black River Meats facility in North Springfield, and shared information about new opportunities and threats in the local meat marketplace. A delegation from the MPPA will be attending the American Association of Meat Processors Convention next week.

Summer Fancy Food Show, NYC (6/30-7/2): Ag Dev staffer Chelsea Bardot Lewis worked with the CMO and Vermont Specialty Food Association to implement a Vermont promotional booth at the nation's premier gourmet and specialty food show. There were 25 Vermont companies among the 2400 exhibitors and 25,000 buyers and other attendees at the show. Project partners hired Chef Sean Buchanan of Black River Produce to run cooking demonstrations over the three days, showcasing creative and delicious ways to utilize Vermont products. The event was a huge success, and we are making plans for an even larger promotion at the 2014 show.

Farm-to-Plate Steering Committee Meeting: Secretary Ross and Chelsea Bardot Lewis attended the Farm to Plate Steering Committee. Working Group leaders reported positive progress towards meeting F2P goals. Funding was approved for an asset mapping project regarding Act 148 brought forward by the Close the Loop Task Force. Plans are underway for the fall Network Gathering.

Food Safety and Animal Health and Consumer Protection

AH staff spent two and a half days reorganizing the office to accommodate the plans to add two work stations. The effort involved downsizing the number of file cabinets and rearranging the placement of current occupants and the lab fridge. Everything in the office is essential and used every day.

Henry Marckres, Chief of Consumer Protection, participated as an instructor in the IMSI Maple Grading School, held in Cornwall, Ontario, from July 8 – 10. 27 participants are scheduled to attend.

Henry Marckres, Chief, Consumer Protection, served as a judge for the maple syrup and products contest, held at the summer meeting of the Ontario Maple Producers Association on Thursday in Cornwall, Ontario.

Meat Inspection

- Three more state inspected establishments have started last and this week, and one more is slated to start next week.
- The new Public Health Information System, the computer system from the USDA FSIS to document inspection tasks, is in full use.
- New Food Safety Specialist Trainee to start 7-15-2013.
- One Food Safety Specialist on medical leave for approximately 2 months further taxing our resources.
- Receiving several inquiries concerning new on-farm slaughter rules and associated recordkeeping.

Agricultural Resource Management

Nelson Farms Inc.-this Friday ANR, VAAFM and the Attorney General's office are meeting to discuss three different farms and the various violations at these farms. This is an effort to determine who takes the enforcement lead, and what the alleged violation charges will be. Nelson's is currently involved with a case being managed by the AG's office for a fourth farm with discharges. This case does have potential to be the first CAFO permitted farm in Vermont if they do not fix the discharges.

EPA Lake Champlain TMDL- EPA gave a demonstration of what the Best Management Practice Scenario Tool is capable of doing. It connects all the various parts of the Lake together so you can see how changes in phosphorus loading in one watershed will impact the lake phosphorus levels throughout. The next step is to outline a few scenarios with the leadership at EPA, DEC and VAAFM in order to do outreach and allow the

public to comment. The scenario tool also has a place holder for determining costs for the various decisions, this portion was not complete enough at this point.

MFO/LFO Team:

- Staff conducted one complaint investigation at a MFO to look at silage problem and address neighbor's complaint.
- Staff conducted 6 technical assistance (TA) visits which included a percolation test to evaluate a site for silage runoff treatment, Nutrient Management Plan (NMP) discussions, MFO to LFO program transition discussions and Farm Agronomic Practices (FAP) program field checks.
- Staff conducted an enforcement compliance check on a SFO.
- Staff are continuing to process NMPs for payment as part of the Agency's NMP financial assistance program.
- Staff met with a technical service provider in St. Albans to discuss NMPs.
- Staff received a complaint of manure and possible pesticide runoff from farm onto lawn, ground water and dog health concerns.
- Staff received a complaint of manure spread over the property line and on a house.
- Staff have been working on preparing reports for several inspections of Nelson Farms in Orleans County.
- Staff conducted 2 follow-up inspections of MFOs in Orleans County and also visited farms with USDA Natural Resource Conservation Service (NRCS) to evaluate Best Management Practices (BMP) structures.
- Staff conducted 1 TA visit to a LFO with NRCS to discuss water quality BMPs for silage runoff.

Conservation Reserve Enhancement Program (CREP):

- Two CREP visits to small farms in Franklin and Lamoille counties.
- Conducted a site visit with Friend of Northern Lake Champlain and Stone Environmental staff re: potential bridge rebuild/stream restoration work on a tributary in Georgia and potential impact to CREP buffer.
- Provided extensive assistance/guidance to CREP planner on two projects in other counties via phone and email.
- Had long discussion with VT Land Trust (VLT) staff about timing of potential CREP contract and purchase of farm with VLT assistance.
- Followed up with VT Gas about ability to install CREP practices (trees, fence, stream xing) in their ROW on a farm in Georgia – will need follow up visit at farm.
- Met with DEC watershed planner, Franklin Watershed Committee volunteer, and NRCS staff to discuss Ag BMP work that's been implemented in Lake Carmi Watershed, how to better use the small amount of funds the committee has that are dedicated to ag, and how to respond/follow up on some of the recent/current surface water monitoring data.

Secretary's Comments

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Deborah L. Markowitz
Agency Secretary

Justin G. Johnson
Deputy Secretary

State of Vermont
Agency of Natural Resources

CONFIDENTIAL and PRIVILEGED

To: Governor Peter Shumlin

From: Deborah Markowitz, Secretary, Agency of Natural Resources

Date: July 12, 2013

Subject: ANR Weekly Report

Governor Level Issues:

Moretown Landfill: ANR and MLI filed a proposed settlement agreement with the court this week and will be working with the other parties (the town and neighbors) to negotiate an agreement that settles their appeal of our denial of recertification of the landfill. As part of the settlement MLI will stop all operations as of July 15th and will phase in permanent caps on all but a small portion of cell 3. This will allow MLI to focus on doing the work to put together an application to build a new cell (cell 4). Our technical staff remain skeptical that a new cell can be engineered to avoid odor and water pollution problems but will review any application that comes in with an open mind. I gave a heads up to the local legislators in advance of the court proceedings.

Flood resilience and Land Use: Now that the sun is out again it would be great if you included in your post-flood messages a reminder that as a state we are having an important conversation about how we can make our communities more resilient to future flooding. It includes not only right-sizing our infrastructure but also rethinking where we build, and how and where we rebuild. If you like I can send you a set of more complete talking points.

Shoreland Legislation: I met this week with the legislative commission that is planning a series of public meetings to educate the public about, and get feedback on the proposed shoreland protection approach. Five meetings are being planned, and our technical staff are creating a presentation to explain the science behind the law and with pictures to illustrate how similar laws have been implemented in Maine and New Hampshire to give landowners maximum flexibility in using their properties.

Park Attendance: Park visitation for the season remains about 25% behind 2012, entirely weather related. The numbers after the 4th of July holiday have not been compiled yet, but should show a bounce-back to some extent because the weather was good. The weather pattern appears to be changing, and we would anticipate heavy visitation due to pent up interest in outdoor recreation.

VT Gas Review: The Office of Planning and Legal Affairs continues to review and provide comments on the Vermont Gas Addison Project. We reviewed their greenhouse gas emissions benefit analysis and found their new life-cycle analysis acceptable. Note that as Vermont Gas continues to change the proposed route for the pipeline there are a couple of locations that raise some serious environmental concerns related to a couple of segments and their proposed vegetative management plan in a couple of sensitive natural areas. We will be working with them to find an acceptable approach.

EVERYTHING ELSE:

Press Issues/Releases:

Ecosystem Restoration Program: On June 28, Kari Dolan participated on VPR's Vermont-edition – the noontime call in show – to discuss the status of phosphorus controls to Lake Champlain and other major watersheds. <http://digital.vpr.net/post/keeping-nutrients-out-our-waterways>.

Fox 44: Fox 44 did a piece with David Mears on Motor Vehicle Pollution and a piece with me on Stormwater and climate change. Dan Dillner, FPR Protection Forester and instructor for wildland fire training, appeared on Fox 44 News and gave a demonstration of a personal fire shelter used by crews on wildland fires.

VPR: VPR did a piece with Mike Snyder on about forest management at Sterling Forest in Stowe, where a timber harvest successfully improved songbird habitat. VPR "Vermont Edition" featured a Vermont State Parks piece on "Camping Tips and Tricks." VPR also did a piece with David Mears on the Lake Champlain TMDL and with me about stormwater and flood resilience.

WCAX: WCAX did a piece with me on Moretown Landfill (as did the Burlington Free Press).

F&W in the News: Press releases were sent out about a free seminar entitled "Getting Started in Bear Hunting" in St. Johnsbury on August 17, 2013. The department hopes to increase interest in bear hunting and to teach bear hunters how to become more successful. In addition, a release was sent about a public informational meeting on July 22, 2013 in Littleton, N.H. to discuss the proposed stocking of walleye into Moore Reservoir. Moore Reservoir is an impoundment on the Connecticut River in the communities of Littleton and Dalton, N.H., and Waterford and Concord, Vt. Finally, a release was put out asking for public input on the management plan for West Mountain Wildlife Management Area (WMA) in Essex County.

Significant Events/Meetings:

ECOS/EPA – Justin went to DC to meet with the Environmental Commissioner of the States Executive Committee and EPA to discuss the impact of the sequester and the budget cuts on the EPA and the state programs. We will keep Jim and Jeb in the loop as we get more specific information about Federal funds.

SUMMARY OF KEY DEPARTMENT ACTIVITY

Environmental Conservation

Strategic Plan Finalized: The DEC Strategic Plan (2013-2015) has been finalized and posted on the Commissioner's public website.

Air Quality Alert Issued: On July 2, working closely with the Health Department, an air quality alert was issued. Air quality mostly from fine particulate had reached unhealthy conditions in the Burlington area. This was primarily from forest fires located close to St. James Bay in Quebec. Similar high values and health alerts were issued in the New York Mohawk Valley, Montreal, Northern New Hampshire and Maine. Some of the haze contribution was also from Canadian forest fires in the West. Southern winds have reduced the pollution threat, which will continue to remain at moderate levels.

Troy-Jay Sewer Project: Facilities Engineering staff met this week with Leach engineering and Troy-Jay wastewater plant representative to workout solutions to design problems identified in the proposed sewer pipe from Jay Peak resort. DEC staff proposed revised design concepts, currently under review by Leach. We expect revised engineering plans in the near future.

Green Grocers Business Recognition Program: Environmental Assistance is working with NEWMOA states on a regional environmental recognition program for the supermarket and grocer sectors. We aim to share the program details (consisting largely of required and elective best management practices) with grocers' associations in July and August, and launch a pilot program in September.

Federal STAG Funds: Ferrisburgh decided not to use a federal earmark to build a new drinking water system. Following conversation with Senator Sanders' office, two alternative projects were identified as candidates to use these funds; Waterbury phosphorus treatment with an approximate \$290,300 projected cost overrun, and Troy-Jay sewer project with an approximate \$704,500 cost overrun. These changes will require congressional approval.

Business Transformation Initiative (BTI): The RFP for the Lean pilot and training consultant was posted, and we've had several contacts regarding the post. We have begun the internal recruitment process for both our project manager and systems analyst positions. We expect to post the project manager position in the next few weeks. The systems analyst posting will follow.

<http://www.anr.state.vt.us/dec/co/documents/DECStrategicPlan2013-2015.pdf>. Staff are now developing corresponding work plans.

VAG, Lowell: Waste Management has requested EPA's assistance in removing an old "ore" building at the VAG mine site. The building's material shows 45% asbestos contamination, and faces imminent collapse. If it collapses, there would be the potential for widespread distribution and deposition of asbestos laden materials in the area. We advised the local community of the problem and our request to EPA. We plan to meet with residents this summer to evaluate plans for demolition and disposal of the material.

Small Hydroelectric Project Reviews: Watershed Management Division continues to work with ANR, PSD and ACCD staff on an MOU calling for coordination of site visits and development of informational materials and designation of points of contact.

Fish and Wildlife

Lake Fairlee Boating Access: Warden Jeff Whipple spent half a day monitoring the access area due to participants in a local triathlon illegally parking in the access. After numerous verbal warnings the message was received.

Endangered Species Committee: Staff participated in a meeting to identify how VFWD/ANR can better support the Endangered Species Committee in the coming months as the ESC adjusts to the retirements of Sally Laughlin and Ian Worley both of whom have served on the Endangered Species Committee for 30+ years.

Geese Banding: Staff spent two days banding Canada geese in the Springfield and Addison regions. Age and sex were determined prior to affixing a standard federal metal leg band. Recorded data was entered into Bandit, the national banding data base utilized for all bird banding records. We captured 99 birds in the Springfield area and 123 birds at the public roundup in Addison. The final yearly totals are 635 birds captures, of which 550 birds were new bandings.

Stiles Pond: Staff counted anglers at Stiles Pond to assess the amount of fishing effort occurring on this water body where only very limited fishing occurred until this last winter when anglers realized that the town of St. Johnsbury had no right to keep people off of the water. The angler count data will be used to evaluate the new test waters designation (catch and release for bass, perch creel limit of 10), that went into effect on July 10.

Forest, Parks and Recreation

ANR Land Transactions: The Division is working this summer with BGS to market the Lafreniere sale parcel at Camel's Hump State Park in Bolton to prospective buyers. Barn stabilization work at this parcel is expected to begin later this month. We expect to close on the Stone donation in Rupert and Dorset in the near future. Work continues on the acquisition of the Fitzpatrick parcel at Coolidge State Forest in Killington, Benson inholding in Okemo State Forest in Andover, Alburgh Dunes land exchange, and other priority land transactions.

Survey Section: The ANR Lands Surveyor will meet later this week with a camp owner and DFW staff at Les Newell WMA to discuss resolution of an encroachment on state land by the camp owner. Survey work continues at Blue Berry Hill WMA and Alburgh Dunes State Park. Contract surveys will soon be underway at Jamaica State Park and along the West Shore Access Road at Groton State Forest.

Leases, Licenses, and Special Use Permits: We continue to work on a number of electronic communication and utility licenses, including: a supplemental license agreement with the U.S. Customs and Border Protection at the Killington Peak electronic communication site; new license agreements with Vermont Public Television for their communication facilities at Mt. Ascutney, Burke Mountain and Killington Peak; a new "Master license" agreement with Green Mountain Power for their utility lines on department lands; and a new license agreement with Stowe Electric for their buried power cable up Mt. Mansfield.

Rain Impacts Parks: High water in Lake Champlain has affected Sand Bar and Burton Island State Parks, but with no damage to report. Flash flooding due to thunderstorms has affected Mt. Ascutney and Allis State Parks; FEMA has been notified of the damage.

Fire News: Vermont wildland firefighters are still awaiting possible deployment to the Western US, where the fire season started early this year. Chris Stone from the Rutland Office was recently assigned to a crew from West Virginia that was deployed to work on a fire in Alaska. Huge fires in Quebec and Labrador sent smoke south to Vermont for the Fourth of July holiday.

Rain Damages Roads: Meanwhile torrential rains have caused mostly minor road damage on forest highways around the state. FEMA staff expect to visit some forest roads in and around Ascutney State Park that suffered more severe damage. State land staff is continuing to check for damage and clean out culverts as the rains continue.

Business Office

Budgets: The last FY13 financial adjustments, with this Friday being the deadline, are being completed to finalize our year-end close. No significant issues have arisen. By the end of the month we will have completed some pre-planning to jump-start our early FY15 budgeting planning.

ERP: The Agency ERP "Readiness" Team is being re-invented into the ERP "Optimization" Team with a goal of making sure that the new Time Reporting and Expense modules and the associated processes are working as efficiently and effectively as possible.

ANR Records Management: We interviewed 2 vendors and decided to use Winooski-based Aerie Consulting to help with the ANR Records Management implementation.

Fish & Wildlife: What a remarkable improvement from a year ago with DFW's year-end close and the start of the new fiscal year!



Privileged and Confidential

MEMORANDUM

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

From: Christopher Recchia, Commissioner

Date: July 12, 2013

Subject: Weekly Report

Governor Level Issues:

Status of Priorities and Cases of Interest:

North Springfield Sustainable Energy Project: Filings this week included a new road proposal and the harvesting agreement. We supported VNRC's request for additional testimony – limited in time and scope – and some additional process on the road, which caused DRM to melt down and argue the Proposal for Decision should issue with no additional process. I discussed this with Pete Van Oot and he agreed to submit a revised filing that emphasized the existing road was adequate to accommodate the project – we in turn, will support that. As for the harvesting proposal, the VNRC schedule was very expedited, and we want the opportunity to get on the record our changed position to support the project as now being sustainable and in the public interest. NSSEP now seems receptive to that.

CEDF Budget: The CEDF Board met and approved the new budget (\$1.3M down from \$5M), which includes a necessary change (given the budget) to the incentive for small scale renewables that will lower the per watt incentive for solar from 45 cents to 25 cents, to take effect in October and get us through the fiscal year. We are no longer competitive with our neighboring states' (NY, NH) investments in small scale renewables – and so we need to

seriously plan on re-invigorating this program in FY15

Net Metering Cap: PSD/utility/developer meetings continuing over summer, VEC and WEC and Hardwick have all met 4% cap and it is unclear if they will continue the program (or can) in absence of new legislation.

NEG/ECP: We are working with CONEG and NESCOE to address the draft resolution provided by Quebec for the meeting in September. I am working with Michael Snyder to see about advancing Vermont's sustainable wood procurement model to the region. We'll be talking with Massachusetts next week to see if substantive agreement can be reached among the states.

Significant Meetings/Events:

- **July 8:** I met with Tony Klein to discuss a range of issues
- **July 9:** Chris and Darren went to Bennington on tour with Rep. Botzow and Sen. Hartwell; Jim Porter met on our behalf with Jeb and others on VTel and how best to serve unserved addressed before the end of the year – or at least to get closer.
- **July 10:** CEDF Board meeting; Gov's Council on Energy and Environment meeting. The gas discussion was a preview for the REC discussion, which will be even more difficult.
- **July 11:** PSD staff visit to Lowell; CR and Anne Margolis presentation to Electricity Generation Advisory Committee, per Act 50 (Big Bill) requirement
- **July 12:** NICE committee conference call; talked to Andrew Stein of VTDigger about our curtailment report.

Next week significant events/meetings:

- **July 15:** Transmission meeting with VELCO
- **July 16:** Gov's retreat at Grafton Inn – Day One
- **July 17:** Gov's retreat at Grafton Inn – Day Two; VSNAP meeting in Brattleboro
- **July 19:** VTA meeting

Media:

- Steph Machada Fox 44 interview on Canadian train crash versus pipeline Wednesday
- Andrew Stein/VTDigger interview Friday – follow-up on Wind Curtailment report presented yesterday

Everything Else:

Engineering

Stowe Electric and von Trapp Lodge

The Department met with Stowe and Trapp representatives to forge a resolution to metering

issues at the Villa development of the Trapp Lodge. An agreement is being written that will transfer ownership of the underground electric facilities that serve each of the 22 existing Villa units. Stowe will re-arrange their primary meter points and take over the billing of these units. The agreement is in response to a requirement from the PSB for Stowe to resolve an issue of the appropriate electric rates for the Trapp Lodge complex.

Solar Farm Fencing

The Department held an internal meeting, in preparation for the solar installer workshop on July 22, to make sure we are all on the same page on the issue of what, if any, fence is required around a solar farm installation. The issue revolves around whether the National Electric Code (NEC) or the National Electric Safety Code (NESC) applies. We have been informed by the Division of Fire Safety that the NEC applies whenever there is a building that someone can walk into, while PSB Rule 3.500 states that the NESC shall apply to construction of all electric systems and facilities. The Department's position is that compliance with either code can satisfy 248(b)(5) public safety, but that the developers should meet in advance with the Department, ANR, and the Division of Fire Safety to make sure any fencing issues are resolved early in the process.

Fault on VELCO Coolidge to West Rutland 345 kV line

At approximately 5:00 pm on Sunday, VELCO's Coolidge to West Rutland 350 line tripped and locked out due to a permanent fault. One pole of a three-pole structure failed near the top along with the cross-arm, and two phases made contact with the structure. VELCO completed the repairs and the line was restored to service at approximately 10:00 am Wednesday morning. An investigation of the cause of the incident is in progress.

CAP

Consumer Complaints

During the period July 3 to July 9, CAPI received 100 contacts from consumers and opened 56 investigations. On July 4th I received a complaint about Dish TV (which we do not regulate – but since I'm a customer), to which I responded and received the following reply: "Thank you so much for your immediate response. I am incredibly pleased, surprised and astounded that you would respond on July 4. You even took time to help troubleshoot my problem. This is the kind of thing that makes Vermont a Great state & place to live. Have a great Fourth of July!"

Post-CPG wind complaints

Between June 26 and July 9, CAPI took in five noise and health-related complaints about Lowell Wind (three complaints) and Sheffield Wind (two complaints).

Public Advocacy

Burlington Telecom, Citibank v. – Case No. 2:11-cv-00214 – Citibank filed a motion asking the Court to appoint a receiver for BT. The Court has scheduled a hearing for August 16. PSD is considering whether to seek to participate, although the Department's motion to intervene as amicus was recently denied as moot. The Department will meet with the Treasurer before the

scheduled hearing to understand any concerns from that office's perspective.

GMP Upgrade of the Woodstock Substation – Docket 8030 –The Board issued a certificate of public good finding that the upgrade will promote the general good of the state, subject to conditions including post construction noise monitoring.

Demand Resource Plan Proceeding- EEU 2013-01 – The Department in collaboration with EVT and BED filed an initial schedule and illustrative timeline with the Board in this matter on 7/3/13. We also filed proposed changes to the EEU Process and Administration governing document on that same date. The Board has scheduled a workshop for 7/16/13 on the proposed changes to the P&A document. The workshop may result in amendments or in further process.

Ryegate Biomass Facility – Docket 7782 – Following Board approval of the contract in which compensation to Ryegate from the DU's was set, the Board, Department, Ryegate and the DU's have engaged in a process to ascertain whether Ryegate would be willing to install Selective Catalytic Reduction technology at the plant and whether the DU's and the Ratepayers would be willing to pay for it. Ryegate made two proposals and the DU's rejected them both as too costly and too risky (one of the Ryegate proposals involved the DU's giving up 90% of the value of the RECs associated with the facility, which are likely to be made more valuable with the addition of SCR technology, but the proposal placed all the risk of REC market and REC legislation uncertainties on the DU's. DPS obtained a continuance on submitting a position statement on the proposed compensation mechanisms and will provide that statement after reviewing as yet un-received supplemental data on the SCR installation costs and also after giving Ryegate and the DU's more time to negotiate a mutually acceptable deal. A status conference is set for July 26th. We will be meeting internally on this next week.

Regulation of Voice Over Internet Protocol – Docket 7316 – Comcast will be filing responses to the Department's Information Requests on July 11th. The company has prepared a Protective Agreement to address certain allegedly confidential information.

Chester Solar Farm Section 248 CPG Proceeding – Docket No. 7989 – A final order approving the project and issuing a CPG was issued on July 3.

GMP Base Rates Filing – No Docket – The pre-filing process is in full swing. Today, GMP will file a revised cost of service with all updates/revisions made to this point and updated inputs on power costs, billing determinants, etc. Bill Schultz is currently on his second visit to GMP and appears ready to complete his review by next week. Department staff is today submitting lists of questions related to smartpower savings and preliminary study cost recovery.

GMP Residential Rate Integration – Docket 7770 – GMP came in to discuss how it proposes to integrate residential rate schedules by Oct. 1, consistent with the merger order. Staff provided feedback to GMP, and GMP is in the process of responding to staff's comments. Of note, GMP is initially receptive to a Department proposal that it track TOU customer usage under

alternative “shadow” rate schedules. The purpose of this proposal is to provide data on how TOU rates would compare under alternative scenarios, so that the design of TOU rate schedules can be more well-informed in GMP’s next rate design case.

Winooski One Partnership Avoided Cost Rate – Docket No. 8010 – On July 2, the Department responded to Winooski One’s letters urging the Board to lodge the pleadings and decision from the FERC Otter Creek proceeding (EL13-60-000) in this docket. The Department agreed that the Board should incorporate those pleadings into the instant proceeding. The Department objected, however, to Winooski One’s characterizations of the Department’s position as well as its request that the Board estop the Department from arguing that revised procedures under Rule 4.100 should be implemented in developing avoided cost rates under that rule.

FairPoint BLES Tariff and Customer Service Agreement – No Docket – FairPoint and the Department executed an MOU requiring FP to give the Department notice of any changes to certain non-tariffed BLES-related services. The MOU has been filed with the Board. The Department and FP also executed a side agreement whereby FP will issue a revised customer service agreement, reflecting changes negotiated by the Department, within 60 days to all customers that had received the now obsolete service agreement. The side agreement has not been filed with the Board.

Telecommunications

VTel Data Networks CPG Application – The PSB granted an extra 2 weeks for the PSD to consider the VTel Data Networks (“VDN”) CPG application, with comments now due July 16, 2013. Telecom staff spoke with VDN representatives informally, and understands that VDN will operate as a CLEC within the VTel ILEC and VTel Wireless service territories for business customers. VDN representatives said ILEC and wireless services resold in bundles by VDN will show the respective VTel entities as the actual provider of the services, but it is not clear whether revenues will be allocated to those entities after services are bundled. Telecom staff is still considering comments on the CPG application.

Broadband Mapping Initiative – Telecom staff sent 12/31/12 data requiring verification to 21 carriers. Verification will involve carriers confirming whether addresses were properly characterized as served or unserved in the previous round of broadband service information collection. Telecom staff also sent a request for information regarding where carriers offer service, and at what speed, as of 6/30/13. All responses are requested by August 2, so VCGI can then process the data before submitting it to the NTIA.

Finance and Economics

Electric

Swanton – Docket No. 8024: Investigation into Swanton Village, Inc. Electric Department’s tariff filing is requesting an overall rate increase in the amount of 10.69% that took effect on 4/16/13. Staff reviewed discovery responses and issued a final set of discovery questions. Staff is engaged in informal discussions with the petitioner and is exploring the probability of a

settlement. The primary issue in the case is the level of earnings Swanton is requesting and it is likely a settlement can be reached. According to the schedule for the case the department is to file a status report on Friday, July 12 indicating if a settlement is likely.

Stowe Time of Use Tariff – D8453 – Stowe intends to use this initial rate design for one year until customer response and usage data is collected and a permanent rate design is implemented in 2014. Staff reviewed and discussed methodology, calculations, and implementation plans with Stowe staff. Despite conveying numerous concerns, Stowe made its tariff filing by the June 30 deadline. Staff is reviewing the filing and plans to complete its recommendation by July 12.

Gas

VGS - Docket 8009 Investigation into Vermont Gas Systems, Inc. proposed rate design changes. Staff provided live testimony at a hearing on June 9th, 2013. Discussions have begun concerning a possible MOU with VGS which may include provisions to spread out the rate impact over future years for the interruptible customers (IBM and Rock Ten), the full cost of which would be borne by the interruptible customers.

VGS---Alt Reg---Met with VGS to review the preliminary Cost of Service Plan (based on 11 months of actual and 1 month preliminary data). VGS expects to remain on schedule to file its final COS no later than August 28. The preliminary filing reflects a rate decrease of about 2% or \$2.2 million for the new rate year that begins on October 1, 2013. No issues have been identified.

Water

Barnet Water Company - Petition of Proposed Increase in Rates of 520%, staff is continuing work on this filing with additional informal and formal discovery. Efforts are underway to stimulate some movement towards the sale of the company to the fire district.

Regional Policy

Winter Reliability Filing

- ISO-NE filed a proposal with FERC to ensure sufficient generation during cold spells when natural gas is not always available for generation units.
- ISO's proposal provides out-of-market payments to oil-fired and dual-fuel facilities and also demand response providers. The ISO proposal received approximately 70% support from NEPOOL stakeholders.

Coordinated Procurement

- NESCOE is restarting the coordinated procurement process with a goal of having the necessary documents - RFP and draft contract - complete by the end of August.

Memo



TO: Governor Peter Shumlin
FROM: Keith W. Flynn, Commissioner
DATE: July 12, 2013
SUBJECT: Governor's Report

Shooting incident at the Hartland Park and ride; witness advised she heard bangs, and then saw a male get out of a truck with a shotgun and shoot at another male who was running away towards the interstate. A car went down the interstate off ramp the wrong way, picked up the running male and took off. Windsor PD located the truck and one accused who basically advised he was attacked and was defending himself. Investigation is on going.

In Braintree there was a report of 15 people stranded on the second floor of a house with water coming through the first floor. Troopers responded along with fire departments and Swift Water rescues from Bethel and Hartford. The rain stopped, water started to come down, and it was decided to let them shelter in place and have them walk out in the morning.

Serious injury two cars 10-50 in Orwell, this was a T-bone accident, one operator in critical condition who had to be resuscitated at the scene and the other operator fled the scene on foot; evidence that both operators may have been drinking. K-9 and additional Troopers called to the scene, and operator who fled was apprehended.

Death of a 58 year old female reported as possible overdose. Does not appear to be suspicious, but the body was sent for autopsy.

26 year old male swept over Bartlett Falls in Bristol. Troopers, Bristol Fire, Middlebury Technical Rescue, and Fish and Wildlife responded. Body was seen down river, but efforts to recover were suspended due to additional rain and rising water. It was decided that SCUBA would respond on Friday to recover the body.

Death of a 57 year old female in Stratton does not appear suspicious, but body is being sent for autopsy.

Homicide in Pittsford troopers responded to report of Domestic in progress, ended up forcing the door open and locating a deceased female and her boy friend alive inside.

BCI- Lt. Illingworth reported that the missing female from Charlestown was located in New Hampshire. BCI coordinating with New Hampshire and will be doing a Fugitive Warrant and Search Warrant in Vermont.

Troop B BCI assisted Hardwick Pd with fatal fire death investigation at 134 Terrace Hill Rd. VSP Fire investigation Unit investigated the fire. Female victim has suicidal prior to the fire and not suspicious in nature.

Homicide in Westfield- Newport resident was arrested in Indian for DUI and volunteered that he had a killed an acquaintance in Westfield. Derby troops went to residence on Fuller Rd and found male victim deceased from gunshot wounds. BCI and CSST activated.

St. Albans town structure fire at the Ladd farm. Third time address has been hit with fire. 16 year is responsible the fire unit investigated and arrested suspect.

Major flooding in Huntington and Hinesburg handled by Williston. Many road closures and wash outs SEOC activated

Death of a 38 year old male from Waterbury is found to be of natural cause.

Troop B phone lines were down for several hours in the afternoon.

Suicide investigation of 43 year old male at end stage liver cancer in Danville.

Kirk Biancardi age 24 drowned in Groton while at grandparent's camp with family and friend's large group swimming. Everyone got out and couldn't find victim, continued looking in and around water. Found victim in approximately 2 feet of water. Appears he hit his head on rock.

Sgt Matt Denis investigated the untimely death of Melanie Parker in Marshfield.

Sgt Kelly Clark investigated the natural death of James Powers of Newark. Found in bed at 1000 hours deceased. Nothing suspicious and no signs of foul play. VA is signing death certificate.

Fire Safety Division

A proposed bulk propane plant in the Rockingham area is stirring controversy between Vermont Railway and locals. Eric Benson, Attorney for Vermont Railway contacted me yesterday expressing concern that locals are delaying the permit process for this new facility. He asked that the Division of Fire Safety get involved persuading locals to get on board. The hazards associated with 3 (60,000 gallon propane tanks) requires a fire safety analysis. This analysis by default requires input from local communities and emergency response groups making sure they can properly handle a propane emergency. Water supply, response time, exposures, site restraints, and other issues are addressed.

Emergency Management

FEMA Hazard Mitigation Technical Assistance Program is providing two experts to assist in HMGP application development for HMGP Round 5, including an application to cover \$660K of demolition for selected buildings at Waterbury State Office Complex (subject to timely Waterbury sub-division). Applications are due July 12.

On July 11, FEMA will brief Agency of Administration personnel on status of Waterbury State Office Complex Project Worksheets. On track for firm numbers by second anniversary of Irene.

Revisions of PWs to incorporate hazard mitigation for some culverts and bridges are ongoing, nearly complete.

DR4120 Requests for Public Assistance and ERAF forms are due from applicants by July 13. All known applicants have submitted RPA at this time.

FEMA representatives came to the EOC on 07/09/13 to kick off Preliminary Damage Assessments for June 25-present. Chittenden, Washington, and Windsor appear very likely to meet thresholds. Orange County is probably. Caledonia County is short thus far (\$69K of damage reported in Sheffield, Sutton, and Wheelock, short of the county threshold of \$108K). Site visits will continue on 07/11.



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Jeb Spaulding, Secretary

**PRIVILEGED AND CONFIDENTIAL
MEMORANDUM TO THE GOVERNOR**

TO: Governor Peter Shumlin

FROM: Secretary Jeb Spaulding

DATE: July 12, 2013

SUBJECT: Confidential Report to the Governor

BUILDINGS AND GENERAL RESOURCES

Legislative Issues/Contacts:

- Reps. Gresham and Grad inquired about the real estate closing on the Duxbury Farm land. The locals, including the select board and land trust want the closing to occur soon.
- Met with Rep. Ellis at Waterbury flood choke point study meeting.

Significant Events/Meetings:

- Meeting on St. Albans Mylan project with the City and the developer ReArch designed to bring some closure to the development agreement situation.
- Offer made to Julie Gutsell for the COO position which was accepted 7/5/2013. First day of work is Monday 7/15/2013
- Met with Secretary Markowitz about the Ag/ANR combined lab feasibility and governance study.
- Talked with Mayor Hollar about the operation of the Montpelier heat plant in 2013-14 and the rates anticipated to be charged for heat.
- Bennington SOB nearing substantial completion and conversation regarding liability of architect and DEW to take place.
- Meeting in Barre to answer AoE employee questions regarding Barre City Place.
- Talked with chairs of HCIC and SIC regarding the use of some of the proceeds of the sale of 20 Houghton ST to Milan to buy down the rental rate.

FINANCE AND MANAGEMENT

Significant Events/Meetings:

With the start of the 2014 fiscal year on July 1, the new Vantage system successfully achieved its final key first-year performance hurdle – the electronic transmission of all FY 2014 As Passed appropriations from the Vantage system to the VISION accounting system. The success was the result of an effective collaboration between the Division of Budget & Management and the Division of Financial Operations. The two divisions worked together over the past 18 months to develop the technical process to integrate the two systems, and then worked intensely since the passage of the final FY 2014 budget to ensure data accuracy. As a result, departments have access to correct spending authority immediately “out of the gate” of the fiscal year – and the process is in place for smooth transmission of data in future years.

HEALTH CARE REFORM

Status of Governor’s Priorities:

- **VHC:** The insurance rates are approved by the GMCB. DFR is now applying rates to plans so that we can finalize the small business calculator and plan design charts. The next step is for DVHA to determine whether to accept all plan designs or a subset of plan designs. DVHA has rated the plan submissions by using the criteria in the RFP. There are a total of 24 plans across all metal levels, DVHA is considering accepting 16 of those plans.
- Navigators are being trained this week and will be in communities later this month. There continue to be weekly community forums around the state. Technology testing is slated to start at the end of July.
- DVHA received a final \$42 million grant for exchange development.
- We are finalizing a letter to Congressman Issa regarding our market regulation in for individuals and small employers.
- **Single Payer Operational Planning:** mark and I are working with his team on the MMIS procurement to align with the Governor's long term vision for single payer operations. We are discussing procurement models that are reusable and are trying to determine how that impacts on potential vendors as well as cost.

Press/Media Notes:

VHC is doing weekly press releases now. We are beginning 30 min press coord calls with 5th floor and VHC staff.

Julie Edgar, WebMD - she is inventorying state approaches on the exchange.
Stories about new grant, Issa letter, and rates.

Significant Events/Meetings:

July 2:

Business Advisory on Health Care Financing (small group)

Governor's Commission on Successful Aging - presentation on VHC and health care reform to engage this group to think about Medicare and integration with green mountain care.

July 8:

Congressman Welch's Small Business Forum

Extended Cabinet Meeting - presented overview of VHC

July 9:

Valley News Editorial Board focused on VHC

Working Vermont meeting with union representatives - this group had concerns about the governors message that small insurers should drop insurance and they have concerns that employee compensation will suffer. I talked them through the more nuanced approach currently being used at the small business forums, which includes analyzing the employee impacts as well as employer financial impacts.

Single Payer Advocates - monthly meeting with Dr. Deb, Ellen Oxfeld, and others. Costa attended.

Discussed financing issues and how to proceed over next 2years.

July 11:

NGA Technical Assistance Workshop on Population Health - public and private stakeholders were invited to participate in this one day workshop to discuss and brainstorm ways to integrate population health with clinical health and delivery system reform. Included GMCB, insurers, one care and FAHC, and multiple state agencies.

HUMAN RESOURCES

Significant Events/Meetings:

- The Vermont Labor Relations Board sustained the state's position in the grievance filed by the VSEA requesting "double time" pay in connection with work performed in the aftermath of Tropical Storm Irene. The Board found that work of the agencies and departments continued by Tuesday following Tropical Storm Irene and there was no complete emergency closing entitling employees to additional compensation.
- Chief of Staff Miller, Secretaries Spaulding and Racine, Deputy Secretary Henry and Commissioners Wehry, Reardon and Duffy and Finance staff participated in a meeting to discuss the possible decertification of the Vermont Veterans' Home. The parties focused on the short term plan should decertification occur and the impact that any such decision would have on long term possibilities to restructure the governance structure of the home.
- Secretary Spaulding, Deputy Secretary Clasen, and Commissioners Reardon and Duffy attended a meeting with Mike Pulling, the third party tasked with reviewing the governance structure at the Vermont Veterans' Home and proposals on short and long

term changes. VVH Board members also participated in the conversation. The parties focused on a draft report prepared by Pulling, which will be issued in the next few weeks.

Evolving Issues:

- VSEA served the state with a request for bargaining and a demand for the production of documents prior to bargaining. This will require extensive work to prepare, but is part of the general process and was anticipated. DHR is now in the process of an RFP for a lead negotiator.
- DHR has received responses to its request for proposals for medical, drug, dental, and stop loss insurance coverage. Most of the entities responding will be interviewed, and these interviews are scheduled for late July. After the interviews and analysis, DHR will make a recommendation to Secretary Spaulding on the award of the bid. VSEA and VTA will participate in the interviews of each bidder.
- DHR will be participating at a job fair for displaced employees being hosted by the Department of Labor.
- The Department of Financial Regulation has advised DHR that it will be RIFing a position, effective in August.
- DHR continues its work, with Finance and DII, to stabilize the new ERP system. Significant issues persist with the Recruitment module, which has created issues both for internal customers and external applicants. DHR resources have been directed to focus on the Recruitment module and efforts are now underway to ensure that sufficient development work is focused on the Recruitment module to ensure that these issues are addressed as soon as possible.

INFORMATION AND INNOVATION

Status of Governor's Priorities:

PeopleSoft/VISION/ERP: ERP has now successfully processed four payrolls to payment. The system has stabilized, yet the cross functional process has not become fully transparent. Finance published their processes and determined the time necessary to produce its portion of the process, while HR has not published its process nor has a timeline for its portion of the process.

The Recruiting section of HR is under great scrutiny at this time. The system appears to be working as requested for the most part, but often seems to confuse applicants. DII has made changes to the recruiting portion of the system a priority, but there are many other competing HR priorities. DII is reaching out to Cherry Road for additional assistance as well as putting out a request to the pre-qualified PeopleSoft vendor community to help with the additional requests for support.

Healthcare: Solid progress on HBE across multiple fronts including a renewed focus for all teams to be managing every day to those most critical items that must be executed to make 10/1/13 successful. Core management and project leadership teams between CGI and SOV have established ongoing cadence of meetings and processes to ensure we are on track and adjusting as necessary.

Business unit operational readiness activities are underway in all key areas to ensure we are operationally prepared for 10/1/13.

We continue to refine the unified issue and risk management process between SOV and CGI along with how it ties into our existing efforts. This helps to ensure we are immediately on top of our biggest issues/risks with a quick path to resolution. This continues to occur on a daily basis with direct input from the daily stand-up meeting held with all the key business leads.

We continue to operate under incredibly tight timeframes with a high degree of overall risk and many open issues, but are taking all the steps possible to mitigate those and ensure our success on 10/1/13.

Evolving Issues

We have interviews scheduled for the two Chief Information Security Officer (CISO) finalists on July 15th and 18th. We hope to make an offer by the end of July.

LIBRARIES

Significant Events/Meetings:

Vermont FiberConnect - Five public libraries are now up and running with their new fiber optic connections and are receiving internet service from the VTLIB Wide Area Network. Sovernet plans to “turn up” two more in the next week.

Retreat: Vermont Historic Preservation - This week Christine Friese and I attended the 2-day retreat in Grand Isle which brought together folks from across the state seeking advice and direction on local renovation/building/repair projects on historic buildings, including churches, community centers and several public libraries. The retreat included presentations from “experts” including ours on the services of the VTLIB and library trends and future library building needs/considerations. We had resource lists available and a display of topical books from the Library Science collection at the State Library.

II. Other

Board of Libraries Retreat - The Board of Libraries will meet 10-noon on 7/16 at the Wilder Memorial Library in Weston. They will move to the home of Board member Deb Grandquist for lunch and an afternoon retreat which will focus on critical needs/problems of VT public libraries and the roles of the Department and the Board related to those problems.

VT Digital Economy Project - I attended the Project Partners meeting yesterday at VCRD and heard partner updates related to business workshops and website builds, town website builds, Front Porch Forum expansion, consultations on social media for non-profits, etc. VTLIB and CCV are working together to provide internet interns (CCV students) in 10 libraries for citizen digital literacy one-on-one

training and assistance. Though we have had some trouble getting students to commit to this during the summer, the stories/feedback from citizens have been very positive. VTLIB submitted a proposal to IBM for a social media workshop on fund-raising and advocacy for libraries, and it looks like that will probably take place this fall.

TAXES

Legislative Update:

Sept 1 Late Deadline for Homestead Declarations:

We are arranging a meeting with clerks, treasurers, listers and VLCT in August. Hopefully we can troubleshoot any lingering issues towns are experiencing, and come to some consensus about harmonizing the declaration date to the Oct. 15 claim date. At Rep. Ancel's suggestion, we are including Rep. Sharpe in the meeting.

Solar:

So far we have collected a small amount from a few taxpayers, and actually have had less inquiries than expected.

Sharing Tax Data with JFO:

The Commissioner met again with Steve Klein, still thorny – we agreed that the best solution is to hire an outside vendor to blur the data, assuming it is not too expensive (response to RFI due next week). In meantime, for the next legislative session, Klein would like the Department to keep Deb Brighton on part time. For 2015, he agrees we should investigate a full microsimulation model. He wants to have a plan to present to the money chairs on a meeting set for July 23.

Operations:

RFP for Integrated Tax System:

The project team decided to conduct demos with all three bidders, although the proposal to continue with the Oracle product is clearly deficient. Two demos are next week, one the following week. In meantime, we also intend to submit questions to the vendors.

CONFIDENTIAL and PRIVILEGED

To: Governor Peter Shumlin
From: Michael J. Hogan, Commissioner of Liquor Control
Date: July 12, 2013
Re: Weekly Report

Status of Governor's Priorities: Revising our strategic plan.

Legislative Issues/Contacts:

- Setting up meetings with manufacturers and distributors and other interested parties to discuss steps to writing regulation for break open tickets as outlined in the Executive Fee Bill. .

Press Issues/Releases/Contacts: Nothing at the moment.

Significant Events/Meetings: None

Evolving Issues:

- Working with DII on our ERP/POS Project and the planning for the future steps with the selected vendor. Started the independent review. Not very confident we are getting through this with a green light! I understand the need for oversight. I just hope this project and others don't get so bogged down in bureaucracy so that a lot of time and manpower gets wasted and morale goes down the toilet! I will keep Job posted on this.
- Preliminary review of department processes for potential licensing and enforcement system.
- Working on some regulation changes- mostly clean up with a few new ones added.

Summary of Key Department Activity:

- Fiscal Year sales ending June 30 ended up +3.89% ahead of last year. \$67.9 million. I projected \$68 but the weather has been a factor. That's \$2.5 million over last year! Pretty confident in continued growth for FY14 as July numbers look good despite the weather!

Commissioner's Commentary: Have a great weekend!

VERMONT RECOVERY

Week of July 6 - 12, 2013

General Comments:

- At the State's request, joint Preliminary Damage Assessments (PDAs) are being conducted in three counties (Washington, Chittenden, and Windsor) to verify damage from recent weather events. A request for PDAs of three additional counties has been received (Rutland, Orleans and Orange).
- JFO Staff, including Paul Ford, Acting Regional Administrator, met with State officials to discuss implementation of Sandy Recovery Improvement Act (SRIA) options.

External Affairs (EA):

Joint Information Center:

- Supported PA PDAs; gave two media interviews and provided background information to a third media outlet.

Congressional Affairs:

- Supported PA PDAs; advised congressional interest of the same.
- Researched an inquiry made by Representative Welch's Office regarding a constituent NFIP claim.
- Researched an inquiry made by Senator Sanders' Office regarding a constituent NFIP claim.

Intergovernmental Affairs

- Liaised with local officials from Huntington, Jericho, Richmond, Roxbury, Williston and Northfield and discussed the Public Assistance process, the disaster declaration process and the per capita threshold.

Waterbury State Office Complex (WSOC):

- Task Force briefed State leadership on July 9 and July 11 on implementation of SRIA options specific to WSOC.

Public Assistance (PA):

- Obligated \$656,700 over the past week for eight DR 4022 projects.
- Began processing Category Z PWs. These are related the State's administrative costs associated with disasters.
- Conducting PDAs as requested by the state.

Environmental and Historic Preservation (EHP)

- The EHP team assisted with PDAs in Washington, Chittenden and Windsor Counties.

Mitigation (MIT):

- Participated in State Leadership briefing on 7/11/13.
- Provided support in development of PDA teams for Washington, Chittenden and Windsor Counties 7/8 and continuing.
- Made arrangements to extend HMTAP mitigation support for State Mitigation office until 9/1/13. Arranged through the Headquarters Mitigation Section.
- Provided support to Closeout team for PW's as required.
- Provided support to WSOC in further development of Hazard Mitigation Projects and BCA's.