

From: Miller, Elizabeth

Sent: Sunday, June 16, 2013 4:25 PM

To: GPS

CC: Porter, Louis; London, Sarah

Subject: Weekly Reports - Executive Privilege 06.14.13

Attachments: Weekly Reports - Executive Privilege 06.14.13.pdf; ATT00001.txt

Some highlights for you in case helpful

WEEKLY REPORTS

Checklist
6/14/2013

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 (**John Wood will send tomorrow**)
- Agency of Administration – Jeb Spaulding

Susan Spaulding

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

Other

- Irene Recovery Office

To: Governor Peter Shumlin
From: Lawrence Miller, Secretary - Agency of Commerce and Community Development
Date: June 14, 2013
Re: Weekly Report

she is
great
yea!

CMO Kathy Murphy announced she will be leaving August 1st to take a position with Norwich University.

General Counsel: Dale Azaria has joined the DHCD team as General Counsel.

NEK Lucy is working with Deputy Commissioner Hollar, Rural Edge, and Ken Jones to facilitate the creation of a Housing Needs assessment for the NEK. We awarded NVDA through the town of Burke a CDBG grant for \$30,000 for community planning support for the NEK EB-5 Projects. It will be announced at the VCRD summit on Saturday. Commissioner MacKay and HP staff reached out to Lucy to coordinate HP issues related to the NEK project. Lucy is working with the NEK workforce development team to organize an Innovation Engineering training to be applied to workforce issues in the NEK.

Middletown Springs: In conjunction with the Southern Windsor County RPC, we are funding – as a subgrant - the remediation of the former Parker’s Service Station property in Middletown Springs. Once the site is cleaned-up, a new Town Hall will be constructed. This is an excellent example of how our Brownfield RLF funds can support small towns with limited resources.

poss presser?

St. Albans: All aspects seem to be moving along well. Mylan happy. Timing will be critical.

Connect VT Woodstock: At the request of Joan Goldstein of GMEDC, Kiersten met with some of the Town Leaders of Woodstock, who are very interested in increasing broadband (specifically speed) in the community. Fairpoint and Comcast already serve the area and to a smaller extent, ECFiber, but there is a push to make service even better. Kiersten discussed with them a concept that the VTA board is considering, which includes funding underserved business **districts** (we are working through the definitions of “underserved” and “business district”). This is permitted under the 2011 Backroads Broadband legislation. The VTA board is also open to including home based businesses in this definition, which was of great interest to the Woodstock group.

Connect VT General: A recent decision by the VTA board to classify the addresses that were to be served by VTel (in their grant application to VTA) as now “unserved” brings our total unserved number to around 325 or so. Stone will be doing the final analysis and is working with VCGI, Public Service and VTA to confirm these numbers. It should be noted that VTA is in receipt of funding requests from other providers for some of the addresses that VTel was supposed to have served. That, coupled with a rather interesting conversation about improved satellite offerings, should keep us on track for meeting the deadline. VTA understands that the priority for their funding remains to be serving “unserveds”. Projects such as funding underserved biz districts is clearly second. With respect to the satellite conversation, a relatively new provider called Exede (associated with ViaSat and WildBlue) said that they could serve many addresses at a low-cost. Additionally, Lawrence and Kiersten are trying to find time to meet with Michel @ VTel to gauge exactly where they are with respect to RUS projects, etc.

no
nu

PSBN Event/Boston: The Public Service Broadband Network has held two meetings since its creation a couple of months ago and the team is traveling to Boston to learn more about federal FirstNet efforts. This will give us a much better sense of how states will engage in this initiative and provide the required outreach and planning associated with it.

Innovation Hub – Randolph: Ken Horseman attended the initial organizing meeting at the Vermont Tech Enterprise Center. This event is the initial exploration of an effort by GMEDC, VTC, VtSBDC, VMEC, Applied Research Associates, and the department to create a culture for and support of entrepreneurship and innovation. This includes but is not limited to networking and collaboration, clustering, mentoring, supply chain, risk capital, higher education, support services, and marketing.

RPCs: The RPC's have hired a consultant (and the CP&R team provided some of the funding, along with the RPC's and High Meadow Fund) to review all their regional plans. Brandy Saxton, the consultant from Place Creative, met with Commissioner MacKay, CCPRC Director Charlie Baker and member of the CP&R team to provide an overview of the results. Brandy is currently making the round to RPC boards to present the result. The final report will be available by the end of this month. Overall, each RPC has strengths and weaknesses; however, one element where all need improvement is in infrastructure. We are also close to finalizing the RPC contracts.

ISC Resilient Vermont: ISC is working on their schedule for the upcoming months. They are currently planning 6 focus groups in three locations around the state to be completed by July and targeting municipal stakeholders. They have a separate outreach plan for the business community. They plan on hosting the final stakeholder meeting by mid September and release the draft document on August 26th. If there are concerns about these deadlines or if there are already scheduled meetings in September, please touch base with Commissioner MacKay. For information on the project: http://www.iscvt.org/where_we_work/usa/article/resilient-vermont/

FY13 CDBG: Delayed by sequestration, notice of our CDBG award amount arrived from HUD just recently. Due to a quirk in the disaster recovery appropriation in FY12, DHCD will actually receive \$360,000 more bringing the total to \$6,571,638 for the next program year which begins July 1st. The small state minimum embedded in the HOME Program statute has held harmless Vermont's allocation at \$3,000,000. With these final numbers, we now have the information needed to complete our annual update to the Consolidated Plan.

Sunset Mobile Home Park: With Dale Azaria and Arthur Hamlin, met with ANR's Division of Drinking Water and Groundwater Protection. The park is under a "Do Not Drink" order from the Town of Bennington and is now headed to foreclosure. Short and long term options for assisting residents were discussed. The owner has not been willing to fix the water system. ANR has a long history of involvement with the park. General Counsel Matt Chapman will contact People's Bank to encourage it to consider receivership which would allow adequate management of the park while foreclosure proceeds.

Agency of Human Services: In ongoing collaboration with AHS, Jen met with Director of Housing Angus Chaney, to consider formal comments on HUD's proposed rule for the new Rural Housing Stability Assistance Program.

A Win for Barre: Big thanks to the Governor's Office, Senior ACCD managers, the Division for Historic Preservation, the Chief Marketing Office, Tourism & Marketing, IT, Economic Development and Community Development, partners, volunteers, and to everyone else who helped make the Downtown Conference such a success. The event received solid media coverage and well over 200 people attended the event, including folks from New Hampshire and Massachusetts. Countless community members expressed their gratitude to the Agency for its role showcasing Barre's downtown renaissance.

June 17th Green Corridor Announcement: Deputy Commissioner Cook will join the Governor in Montreal for an announcement with Premier Marois regarding the advancement of the electric vehicle green corridor connecting Montreal to Burlington.

Memorandum

To: Honorable Governor Peter Shumlin

From: Commissioner Annie Noonan

Re: Weekly Report - Weeks Ending June 7 and June 14, 2013

Most Current: IBM - The VDOL UI Claim Center and our Burlington and St. Albans regional offices have been relatively busy with both actual claimants and soon-to-be laid off workers calling and coming in for assistance. We have attempted to get as much information from the workers as possible (date of actual layoff, their current job, age, job tenure, etc.) So far we have entered 13 actual UI claims, but many of the employees have a 'notice of layoff' of July 12th, some of whom are still working, others who are no longer performing services (which then qualifies them as receiving wages in lieu of notice). We continue to state that the VDOL ESB Rule requiring notification to the Department within 24 hours of "separation" of 25 or more workers has 'presumably' not been triggered since IBM has not provided us with mass separation notice. We need to review the ESB rule (once we are beyond this immediate case) to determine necessary changes, which might be better addressed through as statutory provisions for a "State level WARN notice" such as adopted in 4 other states. **Most notable information: VDOL will start our Rapid Response sessions on WEDNESDAY and again on SATURDAY at the Sheraton in South Burlington. We will be announcing that by press release today.** We did hear from an IBM engineer that came to our office that 93 people in his division in Vermont have received notices.

NEK Project: The VMEC training is next Wednesday and ½ day Thursday. With all that is going on, I may only be able to stop in for a short while. We have made some connections through Gerry Creaner (trainer in bio-pharma/clean room technology) with Dr. Lee of AnC, and should be able to start developing the training programs for those jobs. I met with CCV this morning to advise them that a portion of the Career Readiness Certificate money they receive will be directed to the NEK project and managed by Penne Ciaraldi (of CCV) with Cindy Robillard of my staff.

Legislative for VDOL: S.155: I met with the Study Group for 4 hours yesterday. Leg Council had 2 staff, and JFO had 1 staff in attendance. H.169: The deadline has now passed for applications for the UI tax relief (for disasters of 2011). We had 58 employers apply, impacting 250 workers. S.7: VDOL has started some work for the social network privacy study in conjunction with Julio Thompson of AG. **Prevailing Wage: VDOL's annual report/update of the Prevailing Wage Rates has been released.**

Unemployment Comp & Wage: Claim Center Stats: For the week ending 06/08/13 we took 2,407 calls. This is an increase of 74 calls from the week ending 06/01/13. We processed 372 initial and 540 additional claims. This is an increase of 47 initial claims and an increase of 152 additional claims from the week ending 06/01/13. Two claimants exhausted all tiers of benefits with the week ending 06/08/13 compared to 4 claimants who exhausted all tiers of benefits during the week ending 06/01/13. One claimant exhausted Tier 1 benefits with the week ending 06/08/13 compared to 1 claimant who exhausted with the week ending 06/01/13. We paid 5,658 claimants during the week ending 06/08/13 compared to 5,783 for the week ending 06/01/13.

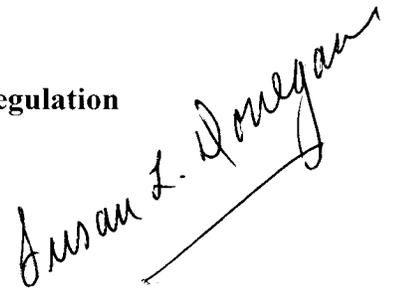
Other: It is important to note that VDOL staff members, me included, have been directly contacted by other employers interested in connecting with the IBM workers. We cannot yet release specific information as to who those employers were, but we will do career fairs to assist. Tramway Board meeting 6/3 - rejected request to support costs of an apprentice; Business Portal - VDOL moving forward; BGS meeting on Vergennes Job Corps future; Met with Gov's Committee on Successful Aging; VDOL working with VBSR to hire interns for our regional offices, green grant and other projects; ESB hearings; UVM Board of Continuing Ed; Workforce Dev Council meeting with USDOL.

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[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: June 14, 2013
Re: Weekly Report



Significant Events:

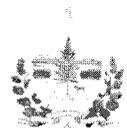
Commissioner Susan Donegan and Deputy Commissioner of Captives David Provost attended the Vermont Captive Insurance Association meeting this week in Burlington and had the opportunity to answer members' questions during an open forum.

Banking Division:

Residential mortgage foreclosures in May numbered 163, down one from April. The past three months have been consistent at 162 in March, 164 in April and 163 in May, with slight increases in Caledonia, Orange and Washington counties. Deputy Commissioner Tom Candon said he expects to see a decrease in filings in the months ahead.

An out-of-state lending firm hoping to move its trust charter to Vermont has a new investor, prompting DFR to examine the investor's balance sheet and business plan.

1
check





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**CONFIDENTIAL AND PRIVILEGED: NO SHARING
MEMORANDUM**

TO: Governor Shumlin
FROM: Armando Vilaseca, Secretary
SUBJECT: Agency of Education (AOE)
DATE: June 14, 2013

Windsor Central Supervisory Union (WCSU): Monday evening I attended a meeting in Woodstock with members of the WCSU, community members, and staff from schools in this supervisory union. I was invited to speak to the group on the topic of small schools in Vermont. Local legislators were also invited and Representative Alison Clarkson attended. My position is that their organization needs to change and/or evolve to better meet the needs created by declining enrollments and rising costs and to afford more opportunities for students.

Summer Reading Program: Wednesday staff and I met with Martha Reid, State Librarian, her assistant and representatives from MetaMetrics® to discuss closing the opportunity gap in reading and math through summer learning. MetaMetrics® offers education services and products to promote summer learning and reading and is working with state education agencies throughout the country. We had originally entertained the idea of working with MetaMetrics®, but instead decided to incorporate some of their resources into the existing summer reading program sponsored by State Libraries as part of the national librarians group. We will be collaborating with the Department of Libraries on getting schools engaged in this program in an effort to help mitigate summer loss for students. We hope to jointly write an Op-ed that will build enthusiasm and awareness for summer reading. Last year 130 libraries participated and 11,653 children were registered. Hopefully, we can have even better participation this summer.

School Visits: I visited the Montpelier schools this week and met with Superintendent Brian Ricca.

Governor's Early Childhood Summit: Staff from AOE joined AHS staff to share updates on the current planning for this summit and to review and approve the proposed topics for the Pre-Summit focus sessions. We are striving to offer sessions that will generate dialogue and thinking across stakeholders groups in preparation for the development of a Governor's Framework for Early Childhood Education.

Barre City Place: The meeting that Deputies Fischer and Talbott and I had with Secretary Spaulding and others around the floor plan at Barre City Place was productive; we are pleased to be able to finally move forward and meet with furniture vendors and begin other preparations as this project is moving along quickly. The plan is to have an AOE meeting in Barre and give Mayor Lauzon a chance to highlight the benefits of the city and give AOE staff a chance to see the building, assess the parking, and explore some of what downtown Barre has to offer.

Education - Join the Conversation: This month's roundtable discussion was filmed on Tuesday and focused on harassment and bullying prevention and included several members of the HHB Advisory Council: Tracey Tsugawa, Civil Rights Investigator, Human Rights Commission; Henri Sparks, Equity Director, Burlington School District; and Ken Page, Executive Director, Vermont Principals' Association. The HHB Advisory Council envisions inclusive, healthy, and collaborative learning environments for all Vermont schools that are free of bullying, hazing, and harassment. More information on Secretary Vilaseca's monthly video series, Education – Join the Conversation, can be found here: http://education.vermont.gov/new/html/dept/join_the_conversation.html.

LOTTERY

Traveling today. Not much occurring except work on strategy, year end and next year sales plan. VLC commission mtg yesterday and tri state mtg today. More next week.

Welcome Jess.

Greg

Executive Privilege

TO: Governor Peter Shumlin
FROM: Deputy Secretary Sue Minter
DATE: Friday, June 14, 2013
SUBJECT: VTrans - Confidential Report to the Governor

1) Regional Partnerships

I had the opportunity to get to know my counterparts in the Northeast region at the National Association of Transportation Officials (NASTO) meeting earlier this week (Portland, ME). It was a great conference both due to content (including small meetings with Federal Highway leadership, presentations on Innovation, Performance Management, and Customer Service), and due to the connections/ partnerships with other DOT execs. Our conversations included good discussion on Emergency Response and Preparedness, including improved communication and coordination around jointly shared road closures (recall I-91 closure in Feb. due to snow emergency), as well as Amtrak negotiations.

Nearly every other state is in the midst of a revenue battle. MA, PA and DL seemed very optimistic, while NH was quite demoralized. ME (and we did hear from LaPage) was pursuing bonding.

good idea

When I learned that every other DOT Secretary/Commissioner – along with their respective Governors – had been to several Emergency Response drills (and none of them had a tenure longer than 2 years), I realized we need to do more of these in Vermont. I have discussed with Jeb, and while I may be more paranoid than most about the next event, I hope we will follow through with this in the near term, and that you will be a part of this drill.

Brian and I are planning a visit to DC on 6/24 and will be discussing our funding needs with our Congressional Delegation, as well as our push for a TIGER grant to get additional funding for Western Corridor Rail investments. I am also presenting on Irene to a national science conference that day in DC.

2) Staff Outreach & Engagement

I am meeting with groups of 20+/- people from throughout the Agency with the goal of having “face time” with all staff (1,300) by a year from now. The conversations are educational and

rewarding. In addition to understanding the work of the Agency in greater detail, I am matching names with faces and having frank discussions about what people like about their work, and what they think we should improve upon. What stands out most is how much people love their work, overall, and believe in our Agency mission. Yeah!

We have been reworking our Strategic Plan and are holding an Exec. Staff retreat for 6/27. We are motivated to increase our focus on customer service and accountability/transparency, as well as measuring our performance.

3) Safety

2 more fatal crashes this week:

6/6/13: Hartford – US 4. Two vehicle, cross centerline head on crash. Driver fatality, seatbelt not worn. Second driver was wearing a seatbelt and survived.

6/11/13: Brownington – VT 5A. Single vehicle ran off road into boulder and trees. Driver fatality, no seatbelt.

4) Awards

In addition to the national award for engineering excellence we received for the Champlain bridge and a state Historic Preservation award for the Richmond bridge, this week VTrans has been approved for a \$1.9 million dollar FHWA Highways For Life Grant for the Stockbridge/Bethel project. This latest good news brings in more federal dollars to use on our highways and bridges. See the map via the link to the federal highway site for HLF. VTrans Innovates! <http://www.fhwa.dot.gov/hfl/maps/>

Privileged and Confidential
Memorandum

To: Peter E. Shumlin, Governor
From: Douglas A. Racine, Secretary of Human Services
Re: AHS Weekly Report
Date: June 14, 2013

Vermont Department of Health (VDH)

Application of Banned Insecticide: (See DCF report as well)

- The VDH is working with the Agency of Agriculture on reported insecticide applications for bed bug control done by an applicator using a banned insecticide. One home that was treated with the insecticide believes the bedbugs were brought in by a DCF-placed foster child; DCF paid for the pesticide applications.

The levels of the banned insecticide inside the family's home are higher than the US Environmental Protection Agency (EPA) considers safe for human exposure. Members of the family are claiming that they are suffering health effects from the pesticide applications and have retained counsel. The Attorney General's Office has sent a litigation hold to AHS to preserve relevant documents.

Act 39 Implementation:

- On June 18th the VDH is convening stakeholders to discuss implementation of the patient choice and control at the end of life act.

Chittenden County Ranks Third in America's 50 Healthiest Counties for Kids:

- The first national, county-level analysis of the effect of health and environmental factors on the well-being of children was released this week and Chittenden County is ranked third in the nation.

The county received a score of 93.6 on a scale of 100 points based on factors such as percent of low birth weight babies, the infant death rate, the teen birth rate, the percent of children living in poverty and the injury death rate. The rankings also took into account the percentage of uninsured children, access to physicians, air quality, rates of adult smoking and adult obesity, and access to parks. The rankings were developed with the help of the University of Wisconsin Population Health Institute in collaboration with the Robert Wood Johnson Foundation.

Calls to the Quitline and quit attempts increase during anti-tobacco media campaign:

- The VDH's anti-tobacco media campaigns began April 1st, piggy-backing on the Centers for Disease Control and Prevention's (CDC's) *Tips from Former Smokers 2013* TV campaign. The graphic TV ads have shown to be very effective at motivating smokers to take action.

Department of Mental Health (DMH)

Press Coverage:

Fox 44 and VTDigger profiled the opening plans for the Secure Residential Program in Middlesex this week. Coverage overall was positive. Vermont Public Radio (VPR) will be reporting on the ongoing potential of the Brattleboro Retreat decertification by the Centers for Medicare and Medicaid Services (CMS). Interim Commissioner Frank Reed anticipates this coverage to be consistent with the current messaging of the State's concern and support for their corrective action process.

Middlesex Secure Residential: The Divisions of Fire Safety and Licensing and Protection have given the "green light" for the facility to begin admitting residents. A license to operate the facility is to be received on June 14th. A low-key open house will be planned for either Monday or Tuesday to allow members of the public and stakeholders to tour the facility. Residents may be admitted as early as June 19th, but this will depend on the court schedule for issuing the necessary Orders of Non-Hospitalization and conditions to reside at this facility.

Brattleboro Retreat:

DMH's Quality Management Director was at the Retreat last week and intends to participate again this week in the treatment team meetings, reviewing adult records, and meeting with quality oversight staff at the Retreat to monitor their plan of correction and secure technical assistance where needed. The Retreat's plan of correction has now been accepted by CMS and the Retreat will need to demonstrate that the changes have been implemented as outlined in upcoming monitoring and review activities conducted by CMS surveyors.

Department of Disabilities, Aging and Independent Living (DAIL)

Appropriations Chairs grapple with Developmental Services costs:

Commissioner Wehry met with Rep. Heath, Sen. Kitchel and Stephanie Barret on Wednesday to discuss the budget bill language concerning developmental services. Julie Tessler, Vermont Council of Developmental and Mental Health Services, has complained that DAIL is attempting to circumvent the process. The legislators acknowledged their inability to say no to perennial requests for more funds and frustration with our shared inability to find new and cost effective models. The meeting was productive and positive and Commissioner Wehry anticipates a clarifying statement of intent from them that she hopes will settle the waters.

Press inquiries regarding DAIL's involvement in an investigation of allegations regarding the Dodge land deal increasing:

Stuart Schurr is DAIL's spokesperson for Adult Protective Services (APS) and has made it clear that the work of APS is confidential, including the confirmation of whether or not we have revived reports regarding this situation. He has referred reporters to statute if they want further information. It has not been disclosed that the Commissioner has delegated her authority in this matter to avoid the appearance of a conflict of interest.

FI/J not sure they meant to include this info.

Department of Corrections (DOC)

Rustee Dewees Performance:

A few months ago, we were contacted by the performer to host a tour of our facilities. We agreed but asked the performer to keep his act clean. The residents of the facilities indicated their desire to have Mr. Dewees perform. To date, he has performed at all 7 facilities. Following those performances, a troubling account appeared in the Seven Days.

Moving forward, our Prison Rate Elimination Act (PREA) Director is contacting Mr. Dewees regarding his content. Assuming he agrees to comply, we will allow him to continue doing facility shows.

Population:

- The Department's incarcerated population continues to absorb high presentence numbers averaging 385 for the previous week.

The Department continues to absorb a female population comprising 1/3 presentenced. The average for the previous week is 32% presentenced compared with the male population which is 18% presentenced. The out-of-state headcount is currently stable at 477 inmates.

Department for Children and Families (DCF)

Bed Bug Issue in Rutland: (See VDH report as well)

Recently DCF has been working on a bed bug issue in the Rutland area. Family Services tried to assist a foster family with bed bugs that may have come into the home through a foster care placement. A local exterminator serviced the foster home using a banned pesticide and allegedly applied twice the recommended rate of application. The VDH completed a swab analysis and while working in conjunction with the Agency of Agriculture, arranged for ServicePro to do an intensive cleaning of the home. Following this the VDH will conduct another swab analysis to determine if the home is safe for occupancy. The foster family has retained an attorney. DCF Family Services is paying for alternate housing for the foster family until this issue is resolved.

Brandon Foster Family Under Investigation:

Recently a dispute between two neighbors, a Brandon foster family and the Churchill House Bed and Breakfast, was brought to the attention of State Representatives Carr and Shaw as well as other Brandon local officials. The Churchill House owners, Seth & Olya Hopkins, report that their neighbors, foster parents Melissa and Tim Gibbud, have created so many problems that their business has been rendered worthless. The Gibbud's have a long history of fostering challenging youth with success and recently received an award from DCF Family Services. Unfortunately since the Gibbud's adult sons moved onto the property there have been numerous complaints and allegations. The foster family is currently being investigated by Family Services Residential Licensing and Special Investigations. At this time there have been no sanctions or violations against the Gibbuds. However, due to ongoing concerns including placing foster children in the middle of an ongoing dispute, the decision was made that the home is not an optimal caregiving environment to place more youth at this time. As the dispute seems to be escalating, we expect the media may soon be involved.

high interesting.

Champlain Housing Trust (CHT) seeks Purchase of Econo Lodge:

CHT is exploring purchasing the Econo Lodge on Route Seven on Shelburne Road, just outside of Burlington, to provide temporary transitional housing to the homeless. The Chair of CHT is the Shelburne Town Manager and he has helped to garner early Shelburne support for the idea. The local police view the Econo Lodge as a challenge and believe a well-run housing program would present far fewer problems. CHT is managing the legislative relations on this; Rep. Joan Lenex is in the loop and is supportive.

CHT wants a commitment from DCF to rent the 49 units. Our data indicates that 30 units could be filled routinely by moving consumers from shelters. This will help create shelter capacity and reduce the reliance on motels. The cost of housing a person at the CHT Econo Lodge will average \$20 less per night than what is paid for a motel in the Burlington area, saving \$200,000 per year. DCF had earmarked \$300,000 to help create additional shelter capacity in the Burlington area and will use those funds to help CHT make needed repairs to the Econo Lodge.

CHT is looking for other organizations to fill the 19 rooms that DCF doesn't believe it will need. While DCF is a key player in this possible transaction, it should be messaged as a CHT initiative, not a DCF initiative.

Department of Vermont Health Access (DVHA)

Legislative Issues/Contacts:

- Robin Lunge and Commissioner Larson met with legislative leaders to discuss exchange readiness and single payer financing.

The outcome of the meeting was that legislators would report back to the Administration about how they would like to participate in financing plan development. We also agreed to continue conference calls on a regular basis.

Governing Magazine:

Commissioner Larson spoke with a reporter from Governing Magazine about the state-based financial support for individuals and families purchasing plans on Vermont Health Connect.

Graduate Medical Education (GME)/Fletcher Allen Health Care (FAHC):

DVHA continues to work with FAHC to implement retroactive GME payments in addition to a contract for payment going forward. On June 11th, DVHA deposited a check from UVM in the amount of \$25,756,529. This should be the match amount for the GME payments due to be paid before the end of this SFY.

Provider Tax Hospital Appeal Update:

The Washington County Superior Court scheduled a status conference in the matter of Central Vermont Medical Center (CVMC) v. DVHA for June 21st, at 9:00 A.M. at the Washington Superior Court in Montpelier. Although all hospital appeals were assigned to Washington Superior court for handling, the notice of status conference pertains only to CVMC.

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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: June 14, 2013

Secretary's Top Issues:

Mosquito trapping has begun in earnest over in Addison, Rutland, and Grand Isle Counties. Alan Graham, Dan Fraysier, and another vector control technician will be setting and servicing these traps to determine the presence and abundance of several species of disease-carrying (vector) mosquitoes.

Plant Industry has been dealing with trace-forward material from Washington State. Plant Industry and USDA - APHIS will be jointly initiating follow up surveys regarding rhododendrons that originated from a west coast nursery that tested positive for *Phytophthora ramorum* (Sudden Oak Death).

Activities related to the Pesticide Program that ARM Division staff have been involved with at the national level (through participation in AAPCO & SFIREG) include: 1) Herbicide Residues in Compost; 2) The EPA Water Quality Benchmarks/Standards Database; and 3) The USDA Bee Health (Pollinator Protection) Action Plan.

Some Vermont composters continue to call upon the Agency to further protect their business from herbicide residues that may persist through the composting process. Some of the issues raised are still about chemical analysis.

The Working Lands Enterprise Board (WLEB) will be hosting a Press Conference on June 18, 2013, 11:00 a.m. at the Beaver Brook Tree Farm in Marshfield, VT to announce Service Provider and Capital & Infrastructure grant recipients.

The VAFPDB elected Lynn Coale, Director of the Patricia Hannaford Career Center, as their new Chair of the Board. Jackie Folsom, VT Farm Show and Fairs/Kingdom Creamery, was elected Vice-Chair.

ARMS Section has been dealing with an enforcement investigation regarding the misuse of the federally cancelled pesticide, chlorpyrifos. Uses of this pesticide were canceled beginning in 2000 because of human exposure risks.

Deputy Secretary Bothfeld, Assistant Attorney General Zamos and Act 250 Specialist Kyle Davis (part time) met with Sam Sammetts and engineer John Benson to discuss primary agricultural soils at the Exit 4 project.

Consumer Protection Chief Henry Marckres, Consumer Protection Agricultural Production Specialist Steve Parise and Deputy Secretary Bothfeld met with representatives from the Beekeepers Association to discuss the fee that was proposed during the legislative session.

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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: June 14, 2013

Status of Governor's Priorities:

Jobs in Agriculture

Press

Significant Events/Meetings:

Emilie Inoue attended the Urban and Community Forestry council meeting on 6/12/13 as the Agency of Agriculture representative. The discussion covered a wide range of topics—a lot of time was spent on Emerald ash borer and its imminent arrival to Vermont. Municipalities are concerned about the cost of chopping and chipping ash on municipal property once it arrives, and the degrees of preparedness at the community level.

Dr. Haas represented Secretary Ross in the Governor's Emergency Preparedness Advisory Council meeting on June 13th. The purpose of the Council is to inform the Governor and Lieutenant Governor on the status of the State's overall homeland security preparedness, policies, and communications, and to advise on strategies to improve the current system. Topics of discussion at the meeting included an overview of the CATEX exercise planned for March of 2014, an overview by the Captain of the Vermont State Police of cyber crimes in Vermont, and challenges related to school compliance with the E-911 system. VAAFAM was referenced as an agency that is participating in CATEX and is taking proactive steps to improve internal preparedness and response capabilities through the upcoming tabletop and related exercises.

The Agency emergency group met this week with contractor Paul Luciano to continue the planning process for the VAAFAM tabletop exercise in early July. Plans are coming along and the event will give participants a good overview of the manner in which the Ag operations center will be activated and the way that it will communicate with the SEOC.

Animal Health Specialist (AHS) Zachary Bartlett will be traveling next week to Athens, GA, to represent the Agency at the annual conference of the National Poultry Improvement Plan – attendees will be made up of State officials, USDA official, and poultry industry representatives.

Dr. Mehlenbacher participated in the NASDA Technical Working Group Conference Call on Wednesday. The group's focus has changed from comments on the Produce Rule to the Preventive Controls Rule. Elisabeth Wirsing from VT DOH has agreed to participate when able and her input will be valuable as DOH regulated manufactured food. Dr. Mehlenbacher is also working on a final draft of the Agency's comments on the Produce Rule and will be meeting with Abbey Willard next week to review the draft.

AHS Jim Cameron and Dr. Mehlenbacher met on Monday to update the Agency's tissue residue investigation contract with FDA. The contract will be for five years with yearly minimum and maximum inspections. Financial information on salaries, fleet costs, etc was requested from the Business Office.

Evolving Issues:

Dr. Haas has been communicating with the Vermont Disaster Animal Response Team Board and with key people affiliated with the Large Animal Technical Rescue (LATR) group to determine the feasibility of the LATR group to be moved under the organizational structure of VDART. This move might be mutually beneficial in that it would make available to LATR the resources that VDART already has available such as training money and lessen the cost associated with incorporation. The responsibility for large and small animal sheltering falls under the VAAFM purview through the SSF11 annex of the state emergency operations plan.

Animal Health Section has received two calls from producers requesting tags for their cattle as they are not able to receive tags through their DHIA representative until the tag distribution agreement between Lancaster DHIA (who absorbed VT DHIA), USDA, and VAFFM is finalized. We are providing these producers with their own tags after they sign a tag agreement so this has not been a problem as of yet.

The owner of a company that applies protective coatings to buildings and other structures will receive an administrative penalty for violations of the Vermont Pesticide Regulations. The individual instructed employees to make an application of a pesticide against wood destroying organisms to a covered bridge without possessing the required applicator certifications and company license. The company owner has been licensed and certified in the past, so he should have known the regulatory requirements regarding the use of a pesticide in this manner.

Consumer Protection Chief Henry Marckres, Consumer Protection Agricultural Production Specialist Steve Parise and Deputy Secretary Bothfeld met with representatives from the Beekeepers Association to discuss the fee that was proposed during the legislative session. The fee proposed would have charged beekeepers per hive. The Beekeepers were abuzz during the legislative session and the solution was to work together toward a solution prior to the next legislative session. The meeting was productive – the Beekeepers Association had been working with their membership on what were the needs of beekeepers and what was a reasonable fee to support the needs. Key needs include disease surveillance, inspection of bee nuclei for significant disease prior to sale, assistance for new beekeepers, and a contact at the state that has keep up to date on bee related disease. At the end of the meeting the following proposal was proposed - \$10 per locations of hives per year. This would raise approximately \$20,000 per year. The proposal from the Agency during the legislative session would have raised approximately \$9,000. The money collected above the \$9,000 needed by the agency would be granted to the Beekeepers Association to support a surveillance program in the summer to broaden the disease surveillance and a mentoring program that would assist new beekeepers to learn how to spot disease and to properly manage their hives. This proposal will be voted on at the Beekeepers Annual Meeting this summer. Follow-up discussions are proposed after the beekeepers meet based on the outcome of the vote.

Summary of Key Agency Department Activity:

Administration

Deputy Secretary Bothfeld, Assistant Attorney General Zamos and Act 250 Specialist Kyle Davis (part time) met with Sam Sammetts and engineer John Benson to discuss primary agricultural soils at the Exit 4 project. The Agency pointed out the need for more mitigated land and requested more accurate maps to depict: total acres of primary ag soils on the project site, impacted primary ag soils on the site and the building footprints on the site. This effort will map out the total possible acres of primary ag land that can be mitigated on-site by “clustering” the buildings. The agency will provide the developer a preliminary determination on primary ag land for the application for ACT 250. It was made clear to the developer that there is not enough land on site with current building plans to mitigate for primary ag soils. The agency does not take a position on the ability to mitigate for primary ag soils off site through payment – that is the purview of the district environmental

commission. The Agency will work with the developers but cannot determine the actions of the district commission. It was also made clear that the determination would be preliminary on primary ag soils – as the permit progresses and other criteria are addressed (such as ANR wetlands, stream buffers etc.) the amount of primary ag soils remaining may affect the preliminary determination by the agency.

Agricultural Development

Working Lands Enterprise Initiative

The Working Lands Enterprise Board (WLEB) will be hosting a Press Conference on June 18, 2013, 11:00 a.m. at the Beaver Brook Tree Farm in Marshfield, VT to announce Service Provider and Capital & Infrastructure grant recipients. The Board will announce over \$750,000 in awards to 16 grantees representing sectors across agriculture, forestry, and forest products, all of whom offer benefits to the supply chain and provide regional and statewide impacts. Grant recipient impacts will touch every corner of the state and are housed in 9 of the 14 counties.

Vermont Agricultural & Forest Product Development Board (VAFPDB)

The VAFPDB elected Lynn Coale, Director of the Patricia Hannaford Career Center, as their new Chair of the Board. Jackie Folsom, VT Farm Show and Fairs/Kingdom Creamery, was elected Vice-Chair. The Board will have a regular meeting on July, 3 in Montpelier to discuss upcoming work for the year.

Deputy Secretary Bothfeld and Communication and Promotion Administrator Alison Kosakowski met with Cast Iron Media to discuss a series of 6 videos to promote value added dairy producers, their products and local chefs and restaurants. These videos are funded with dairy farmer promotion money and will be filmed in summer and early fall 2013. Videos will be web based and distributed on the Agency's web site, DigInVt, VT Fresh Network and New England Dairy Promotion web sites.

Food Safety and Animal Health and Consumer Protection

Marc Paquette, Weights and Measures Specialist, attended the Northeast Weights and Measures Association meeting held in Saratoga Springs. This governing body voted on many items to be forwarded to the National Conference of Weights and Measures (W/M) to update and revise current W/M laws and regulations. Presentations from representatives from the National Institute of Standards and Technology (NIST) were given on topics including alternate e fuels and data collecting and reporting strategies for W/M jurisdictions. The Vermont W/M specialist was nominated and placed on the Professional Development Committee and will work with Vermont's counterpart from Hew Hampshire in doing regional planning on training issues. Sumner Kuehne, Consumer Protection Specialist, attended the concurrent training component of the meeting and received training on the inspection of VTM meters (Fuel Trucks) provided by NIST personnel.

Animal Health (AH) completed dairy biosecurity surveys in the Waterbury, Waterford, Kirby, Westfield, and Irasburg areas.

AH delivered supplies to Dr. Treat, who will be drawing blood to test horse at the Bondville horse pull.

Meat Inspection

Agricultural Resource Management

Nursery Inspections are underway, and the Plant Industry Section has a new temporary employee helping out with the scheduled inspections. Ben Dillner will be providing his services to us until he goes off to Cornell this fall, to start his studies in plant science. Some of you may have met him in the hallways, and you might run into him in the nurseries. A big welcome to Ben!

Mosquito trapping has begun in earnest over in Addison, Rutland, and Grand Isle Counties. Alan Graham, Dan Fraysier, and another vector control technician will be setting and servicing these traps to determine the

presence and abundance of several species of disease-carrying (vector) mosquitoes. Trapping and testing is expected to continue through September.

The hemp bill (S.157) was signed by Governor Shumlin earlier this week. This law provides a process for cultivation and harvesting of industrial hemp in Vermont, with some government registration and oversight. The impetus for the bill came from those farmers wishing to try hemp as a potential source of fodder, bedding, fiber, oil, and grain, for mainly on-farm purposes, but there has been interest in commercial cultivation as well. Although the growing season is already well underway, and the likelihood that a successful crop could be planted in 2013 is slim, there is significant interest from a small group of Vermont farmers wishing to get something going as soon as possible. Of course, there remains the matter of the Federal prohibition on hemp cultivation, and the practical issues surrounding obtaining industrial hemp seed legally, processing of harvested material, and so forth.

CAPS surveys are up and running. 21 traps targeting exotic wood boring and bark beetles have been set in the northwestern region of the state. USDA APHIS is supplementing this survey by setting other traps in different parts of the state. Traps for light brown apple moths have been set at several, identified high volume nurseries. New nursery inspector will be actively looking for about 10 target nursery pests in nurseries around the state this summer. Additionally, the emerald ash borer traps (purple box traps), set by USDA subcontractors, are all up at this time.

Plant Industry has been dealing with trace-forward material from Washington State. Plant Industry and USDA - APHIS will be jointly initiating follow up surveys regarding rhododendrons that originated from a west coast nursery that tested positive for *Phytophthora ramorum* (Sudden Oak Death).

Working lands initiatives have been creating a ripple of previously unplanned engineering activities within the division. Small processors, when provided working lands funding, are then being directed to our engineering section for assistance with wastewater management issues. This is coming at a time when engineering services are seeing increased demand from farms being directed to make infrastructure improvements as a result of regulatory requirements. At some point we will need to establish priorities so that grants from one program do not negatively impact the priorities of another. The following is a summary of working lands related activities from the engineering section:

2012-2013 Working Lands Initiative Enterprise Investment Applications

Funded

Karen Freudenberger, Vermont Goat Collaborative – Ranked #1

Bruce Hennessey, Maple Winds Farm – Ranked #2

Paul Lisai, Sweet Rowen Farm – Ranked #8

Not Funded

Lisa Kaiman, Jersey Girls Dairy

Regina Ritsher, Karim Farm

AnneMarie Gillian, Quarry Hill Farm

The BMP program has been providing technical assistance to the above farms. Funded farms have or are anticipated to receive cost share for disposal or treatment systems for the waste water. Kaiman did not request funding. Technical assistance and UIC discussions with ANR. Discussions with Ritsher in the preliminary stages. Gillian under construction with conservation practices for manure handling and waste water disposal.

2012 – 2013 Working Lands Initiative Capital and Infrastructure Applications

Funded

Carl Cushing, Middlebury Meat Processing

Not Funded

Allison Hooper, Ayers Brook Goat Dairy
Lucas Farrell, Big Picture Farm

Ongoing discussions with ANR wastewater and UIC sections on disposal of slaughter house waste water from Middlebury Meat. BMP has provided technical assistance to Hooper wastewater and manure handling and Farrell on wastewater and have applied for financial assistance. Hooper is anticipated to continue on to construction and receive financial assistance.

We anticipate that other farms that would generate wastewater from dairy, slaughter or eggs, fruit or vegetables operations that have applied will contact the BMP program once directed by our Dairy and Meat sections.

Bedbug Insecticide Misuse

ARMS Section has been dealing with an enforcement investigation regarding the misuse of the federally cancelled pesticide, chlorpyrifos. Uses of this pesticide were canceled beginning in 2000 because of human exposure risks. All of the organophosphate insecticides have gone through reductions in uses if not all out cancelations. Currently there are no registered uses for these products in residential properties. It is becoming more and more common to see misuse of organophosphate insecticides for controlling bedbugs. The Agency's investigation has correlated the use of chlorpyrifos with one applicator in Vermont. We have discovered the cancelled products at the applicator's residence as well as confirming residues of the active ingredient in treatment equipment used by the applicator. We have been working with US EPA and the Vermont Department of Health to provide appropriate clean up procedures for the residence that was treated. Thankfully after the treatment the home owners did not move back into the property so exposures were limited. Results of swab samples taken by the Agency indicate very high levels of multiple insecticides, in some instances over 100 times the application rate. The Department of Children and Families is currently waiting for a quote from a company to deep clean the residence. Concerns exist about the ability to actually clean the residence to a level that would be acceptable for the family to return to the home.

Compost

Some Vermont composters continue to call upon the Agency to further protect their business from herbicide residues that may persist through the composting process. Some of the issues raised are still about chemical analysis. The VT Agency of Agriculture Lab can now analyze Aminopyralid in compost samples down to at least 2 ppb. The compound may be active in compost below that level, additionally our Lab cannot handle analysis of all of the compost samples as well as the analysis of compost inputs as desired by the compost community. The Agency has also worked with Dow and EPA to amend the Milestone label. Milestone is the herbicide registered in Vermont that contains Aminopyralid. Even if some of the composters doubt it, the new Milestone label it is a definite improvement over the previous language. It now says that hay from areas treated with Milestone in the preceding 18 months CAN NOT be distributed off the farm or ranch. While there may be confusion on the use of Milestone on pasture versus "hayland" the label clearly defines permanently grass pastures as "including grasses grown for hay". Dow has also prohibited Milestone use on pastures in New England. Vermont composters repeatedly identify "Internet Sales" as a way around the current regulatory framework and this would be an accurate statement. However, the Agency does not have the resources to monitor all of the possible internet sites offering Milestone for sale. While the product is restricted use in Vermont and we can make sure Vermont dealers adhere to this, the product is not Federally Restricted so we cannot prevent sales that occur in other states. The trace-back investigation was able to trace the herbicide residues to one horse farm in Vermont, Jolly stables, manure haulers in Vermont are refusing to take manure from Jolly Stables, this is sure to cause a storage/water quality issue in the near future.

Water Quality

On May 14, the ARM Division held two pre-hearing settlement conferences with medium farms in Addison County that had received administrative penalties for violations of the State's Medium Farm General Permit. Agreements were reached at the pre-hearings and memorialized in Assurances of Discontinuances (AOD). The AODs have been hand delivered, and we are waiting for the return of the signed documents.

The ARM Division received a public records request from Brooke Dingleline with VDM Law in Barre for all files associated with a farm in Coventry that is suspected by the EPA of having violated Federal Wetland Regulations. The request was fulfilled in whole.

Pesticide Program

The owner of a greenhouse in Orleans will receive an administrative penalty for violations of the Vermont Pesticide Regulations. The individual used a Federally Restricted Use pesticide in his greenhouse for the control of weeds. He is not a certified private applicator, so he cannot legally use a restricted use product. In addition, he applied the product at an excessive rate and to a crop not listed on the label.

A custom ag application company in Lyndonville will receive an administrative penalty for violations of the Vermont Pesticide Regulations. Employees were found making applications of pesticides (loading and mixing of pesticides in the spray truck tank) without wearing the required personal protective equipment (PPE). The company had received a letter of warning for this same violation less than one year ago.

Zoning / Farm Structure Variances

- A farm structure variance approval was issued to a sugarmaker in Brookfield for an addition to his sugarhouse.
- An Agency opinion was issued to a farmer in Milton proposing to build a barn to house sugaring equipment and horses.
- An Agency opinion as issued to a landowner in Milton proposing to construct a sugarhouse on his property.
- An Agency opinion was issued to a landowner in Colchester proposing to construct an addition to an existing barn to accommodate the storage of sugaring/crop harvesting equipment and to house alpacas.
- An Agency opinion was issued to a farmer in Milton proposing to construct a slaughterhouse on his farm. At least 51% of the animals processed in the facility will be raised on the farm.

Activities related to the Pesticide Program that ARM Division staff have been involved with at the national level (through participation in AAPCO & SFIREG) include: 1) Herbicide Residues in Compost; 2) The EPA Water Quality Benchmarks/Standards Database; and 3) The USDA Bee Health (Pollinator Protection) Action Plan.

1) Compost – EPA has recently issued a partial response to the requests and recommendations presented in a SFIREG issue paper. AAFM's work and experiences on compost is a direct contribution to the definition and understanding of the problem at a national scale situation. EPA has determined that classifying the herbicides detected in compost as "Federal Restricted Use" is unlikely because this action would require formal rule making and the "Restricted Use Product" (RUP) designation would also impact too many other non-affected use patterns. The RUP classification is a regulatory response that is available for individual states to take – as Vermont has done. In addition, EPA is not convinced that additional label-based restrictions will eliminate the resulting impacts, EPA does not have incident reports to indicate that wide-spread risk is occurring and EPA considers that establishing bio-assay procedures for compost is the responsibility of the university research system and the compost industry and not the EPA registration program.

2) Water Quality Benchmarks Database – The EPA Benchmarks Database contains reference points for detections of pesticide compounds in both groundwater and surface water that do not otherwise have regulatory values for health-based drinking water or aquatic/ecosystem water quality standards. The list of compounds is based on requests by state pesticide control agencies across the country because state level monitoring programs frequently sample water and test for compounds that do not yet have official standards set by regulation/rule-making. The current benchmark database is reaching a stage of maturity where the number of requested compounds on the list without guideline concentrations is getting short. Compounds (values) on the list are now being added as new products are registered and the existing compounds go through the EPA re-registration

review process. The Benchmarks Database is relevant to AAFM because these water quality values are used to evaluate golf course and right-of-way permits, drinking water testing and surface water sampling for LFO/MFO, mosquito control and pesticide use investigations. Compounds related to herbicides in compost have recently been added to the list of requested chemicals. The most recent revisions will be posted to the EPA website in July. The human health and aquatic life benchmark data is also of direct interest to the Dept. of Health, the DEC Drinking Water and Water Quality Divisions and the AAFM Pesticide Advisory Council (VPAC).

3) Pollinator Protection & Bee Health Topics – AAFM is actively involved in work with EPA on the USDA Bee Health Action Plan. The past year has seen a significant shift in focus from CCD (Colony Collapse Disorder) to the Bee Health Concept beyond just chemical risks to bees. The 4 major pillars of the USDA Bee Health Management Strategy includes Pathogens/Parasites, Genetics, Pesticides and Nutrition. AAFM and other state pesticide control agencies (through SFIREG) have contributed to a new Bee Inspection Guidance document to help state inspection staff and the bee keeper industry establish procedures for conducting bee kill investigations and responding to other complaints that involve bee keepers and crop producers.

Secretary's Comments

Meetings:

Meridian Institute, AGree Conference, Minneapolis, Minnesota: In response to special invite attended conference of national leaders assembled by the Meridian Institute's AGree Coalition to discuss how to shape the future of agriculture's research, education and extension efforts at the national level. This is one of five initiatives undertaken by AGree and funded for 8 years by 9 national foundations.

VHCB, Act 250 prime ag, phone conference: discussed with VHCB board and staff and VAAFAM leadership how to better staff and fund the Agency's participation in the increasing work load associated with Act 250 prime agricultural land issues. Proposal will be forthcoming in response to conversation.

NASDA 2014 National meeting, VAAFAM conference room: VAAFAM leadership and staff discussed plans for hosting national meeting in September of 2014, conference with NASDA staff to coordinate their support and insights.

Tom Vogelmann, Dean of College of Agriculture and Life Science (CALS), Richmond: reviewed agency's initiatives and participation in various dairy advancement efforts and reviewed CALS initiatives around Miller Farm.

Water Quality Enforcement, DEC and VAAFAM, Montpelier: attended meeting of both VAAFAM and DEC staff to coordinate enforcement efforts between agencies of water quality violations within the farm community.

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Deborah L. Markowitz
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Justin G. Johnson
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State of Vermont
Agency of Natural Resources

CONFIDENTIAL and PRIVILEGED

To: Governor Peter Shumlin
From: Deborah Markowitz, Secretary, Agency of Natural Resources
Date: June 14, 2013
Subject: ANR Weekly Report

Governor Level Issues:

Bolton Nordic Celebration: Great job at the Bolton celebration. This 1144-acre parcel is the largest parcel that the Agency has acquired in fee since 2001, and includes an extensive and popular network of backcountry ski trails and glades. Folks were honored to have you there – and the quotes captured by the TV and radio were perfect. A great project – and a good opportunity to celebrate.

EVERYTHING ELSE:

Legislative Contacts:

Chittenden County Solid Waste District Sewage Sludge: Senator Diane Snelling contacted us with concerns from constituents about the disposal of sewage sludge by the Chittenden Solid Waste District. There have been concerns from Lake Champlain International's James Ehlers and another member of the public that this sludge has toxic materials in it that pose risks to human health and the environment. We have responded to Senator Snelling explaining that the solid waste district's activities are authorized by state law and do not pose a risk. In light of a growing number of complaints about this issue, however, we are planning a public hearing on this issue later in the summer.

Connecticut River Dams: David Deen wants to meet with me, Liz and Louis to talk about the relicensing of the Connecticut River Dams. I assume he is doing it in his professional role – rather than in his legislative role, but it is hard to tell. We are setting up a meeting for later this month.

Press Issues/Releases:

VPR Interview: This Thursday at Sterling Forest in Stowe, John Dillon from Vermont Public Radio will interview Commissioner Michael Snyder and staff from Audubon Vermont about two projects: Foresters For The Birds, a partnership between FPR and Audubon VT; and Audubon VT's Forest Bird Initiative, which integrates science, education, public policy and forest management expertise to conserve forests within Vermont that are important to birds by identifying, monitoring and stewarding a network of forest areas that support a significant number of breeding forest birds.

Mt. Philo Open House: The Vermont Agency of Natural Resources is updating its plans for the long range management of popular Mt. Philo State Park. As is standard for the Agency planning process, the public gets an opportunity to participate. Officials from the ANR Rutland District Office stewardship team are hosting an open house for the public to view natural resource maps and discuss the results of the resource inventories that have been recently completed on Mt. Philo State Park in preparation for revision of the long range management plan. Recreational, cultural and historic land uses are also mapped for presentation and future analysis. Mt. Philo, Vermont's oldest State Park, is dominated by the 968-foot Mount Philo with spectacular views of the Lake Champlain Valley and the Adirondack Mountains of New York. The park is popular for camping, hiking, and weddings. The open house will be held from 6:30-8:30 p.m. on Monday, June 17, 2013 at the Charlotte Town Hall in Charlotte Vermont.

Significant Events/Meetings:

EPA Hurricane Summit: EPA Region One hosted a Hurricane Summit in Boston to talk about impacts and lessons learned from Sandy, Irene, and some other large impact storms. The summit had representatives from all New England states, EPA, FEMA, the Army Corps of Engineers, various water utility associations, and numerous utility operators. Topics included infrastructure planning, emergency mutual aid, emergency power generation, and low impact development.

Lamoille County Regional Planning Commission: David Mears provided a keynote presentation on community resilience to this group. He discussed the overlap between economic and environmental resilience as a means of mitigating the risk of flood damage.

Public Meetings: The Agency of Natural Resources held two public scoping meetings this week on the required updates to the management plans for the former Champion Lands including West Mountain WMA and the public access plan for the private timber lands (now owned by Plum Creek Timber). Staff from both FPR and DFW helped to facilitate the discussion. Tuesday night's meeting was held in Island Pond and was well attended (approximately 80 people). Many people were concerned over proposed road closures at West Mountain WMA. Although unrelated to the plan updates for West Mountain WMA or the private timber lands, a number of people also expressed concerns about the East Wind proposal which is adjacent to the conserved private timber lands. Another public scoping meeting is scheduled for Thursday evening at Lyndon State College.

Free Fishing Day: Saturday June 8, 2013 was state-wide free fishing day.

SUMMARY OF KEY DEPARTMENT ACTIVITY

Environmental Conservation

FiberMark Air Permit: The Air Quality division issued a final permit allowing compressed natural gas use at the facility. We also filed a comment memo with the Act 250 district commission addressing the fact that a fugitive natural gas leakage control system is no longer necessary for consideration since they have redesigned the unloading skid to utilize electric actuated valves instead of gas actuated valves.

North East Material Group Air Permit: Air Quality issued a final permit to NEMG for their crushing operations at the Rock of Ages site.

Moretown Landfill Odors: Air Quality reviewed the two reports prepared by MLI (Moretown Landfill Odor Assessment Report and Moretown Landfill Air Quality Assessment Report) and provided comments on these reports in an affidavit prepared as part of the state's defense of our decision to deny a certification for expansion of one of the landfill cells at this facility.

Whistle Pig Distillery: Air Quality received an application from Whistle Pig Distillery in Shoreham for the whiskey distilling and oak barrel storage facility. An ethanol emission from oak storage is the primary air pollution concern from the proposed facility. The application is administratively complete and the concerned neighbor has been notified of the application.

Records Management: The DEC's records back-file conversion scanning operation kicked off this week. Stormwater permits are first in the queue in part due to the program's file preparation.

Business Transformation Work: The BTI lead team held its first weekly Lean book club discussion on "Healing Healthcare" a story about applying Lean to an ailing medical center operation. Also, the first brown-bag session was held for staff to better understand the BTI project and Lean. About 25 staff attended; a good discussion ensued; and the group viewed the Connecticut video "Green and Lean" documenting Lean efforts at the CT Department of Energy and Environment

ANR v. Glen Gregoire and Cindy Gregoire: Compliance and Enforcement initiated a contempt action in Environmental Court after the Respondents failed to comply with several provisions of a Final Administrative Order. The Environmental Court held a contempt hearing and found Respondent Glen Gregoire in contempt of the Order. The Court continued the proceedings against Respondent Cindy Gregoire due to extenuating circumstances. A proposed Contempt Order has been filed for the Court's review.

New Municipal Water System in Berlin: The Town of Berlin passed a bond vote this past February for a new municipal water system centered primarily around Berlin Four Corners. The

source evaluation and preliminary engineering work for the proposed water utility was funded by a planning loan from the Local Assistance State Revolving Fund. The preliminary engineering report raises the question of whether or not the proposed new water system meets the requirement that it be a cost effective solution to an imminent public health problem. We will make a final determination on June 7, 2013 to determine whether we can provide a loan to this project.

Vermont Wastewater and Potable Water Revolving Loan Fund: An RFP to provide financial services for this new loan program has been posted to the electronic bid board and has been sent directly to contacts at the following 5 banking institutions:

- Peoples United
- Community National
- Merchants
- Northfield Savings Bank
- VSECU

Morristown Corners Water Corporation: A DWSRF loan was awarded in the amount of \$147,670 for the purpose of funding installation of an oxidation/coagulation/filtration unit to reduce arsenic, iron and manganese levels.

Cavendish: A loan amendment was awarded in the amount of \$691,193, increasing the loan value from \$1,589,603 to \$2,280,796 to fund the design and construction of a water filtration plant to remove high levels of iron and manganese from the municipal water system. This is award provides retroactive funding as the work was completed several years ago.

Salvage Yard Transition: This was the first week of the Salvage Yard Program operating in the WMPD. Shawn Donovan is the new staff person who will be the new face of the program. We have reached out to the VT Automobile Recyclers Association to let them know of the change in staff, and plan on having Shawn out visiting yards as soon as possible to take full advantage of field season. In addition, we have developed a web page for the salvage yard program that is up but not yet viewable from our home page <http://www.anr.state.vt.us/dec/wastediv/salvage/home.html>

Mercury Program: Waste Management staff met with the Vermont State Dental Society (VSIDS) to discuss approaches to representatively sampling/analyzing mercury amalgam (both unused amalgam and that removed from under-sink separator traps) to determine if that material qualifies as hazardous waste. The VSIDS is planning to make this determination for its members (most Vermont dental practitioners) so that determinations will not have to be made on a facility-by-facility basis.

Tire Pile: The Estey Road, Bristol, tire pile cleanup is complete and the quantity removed was 65.98 tons. Using the generally accepted conversion factor of 100 tires/ton, that equates to 6,598 tires. Solid Waste Program staff had measured the pile previously and estimated that it contained 7000 tires.

Burgess Brothers Landfill: All final cover has been placed and compacted on the Burgess Brothers Landfill. Field testing has shown that the material surpasses our hydraulic conductivity standard. The next step is to place 6" of tailings as "topsoil" and hydroseed. Although the unvegetated cover has held up well with the recent heavy rains, we are adding some stone lined ditching and a discharge apron to the design.

Fern Lake Fish Kill: Watershed Management is working with DFW and AAFM in the investigation of a citizen complaint of a fish kill in Fern Lake in Leicester. The complainant alleged that it was related to recent adult mosquito spraying conducted by the BLSG Insect Control District.

Townshend Dam: The Corps of Engineers is planning a drawdown at Townshend Dam starting next week (weather permitting) to remove silt and debris deposited during TS Irene. The Program is working with the Corps to conduct the drawdown in a way that will minimize the mobilization of sediment in the impoundment and maintain conservation flows during the project. The Program expects the project will take about five days to complete.

Fish and Wildlife

Moose Hunting Application Deadline is July 5, Moose Permit Auction is Now Open: Vermont's moose hunting permit lottery application deadline is July 5, and the Vermont Fish & Wildlife Department is urging hunters who plan on entering to do so online. The application is quick and easy to fill out at www.vtfishandwildlife.com. Printed moose applications are available at license agents, but we really encourage you to use the online application.

Rattlesnake project: Staff captured their last hold-out snake this week and surgically removed its transmitter. Since the first week in May staff have successfully captured all 16 animals with transmitters, performed removal surgeries, and released these animals without incident. While the active telemetry phase of this research is essentially completed, the project will continue with additional monitoring/testing for snake fungal disease issues, and drafting of phase I final report.

National Wildlife Action Plan Summit: Staff participated in the National Wildlife Action Plan Summit, along with representatives from 45 other states, Federal Agencies and NGO partners, where staff discussed/developed strategies for incorporating landscape-scale conservation and climate change adaptation in states' Wildlife Action Plans. The event was organized by NWF, AFWA and the USFWS.

Invasive Plant Identified: Staff identified an invasive plant, Great yellow cress (*Rorippa aquatica*) a semi-aquatic herb in the mustard family, which has spread throughout the Missisquoi National Wildlife Refuge. The plant is native to Europe and is known from the shores of the St. Lawrence. It is spreading into VT from the North, which is a bit unusual. Staff also identified potential invasives for Marsh-Billings-Rockefeller National Historical Park Mars and FPR, both of which turned out to be natives so no treatment was needed.

Fishing: Weather continues to decrease the amount of fishing pressure around the state. Rain and cold weather are keeping people home. The rain has also kept rivers and streams high and difficult to fish. The people who *are* fishing are being fairly successful.

Electro-fishing Surveys around the State: Staff conducted electrofishing surveys for black bass and yellow perch on Waterbury Reservoir, Nelson Pond, Mirror Lake and Lake Morey to monitor population abundance, size structure and response to fishing regulations or habitat alterations.

Consultation on Handicapped-Accessible Fishing Platform: Staff met with and advised representatives of Green Mountain Power and the Town of St. Johnsbury on the design and implementation elements of a Passumpsic River handicapped-accessible fishing platform under consideration by GMP through its obligations for recreation under its FERC license.

Forest, Parks and Recreation

Parks Attendance: Due to the rainy and cold weather both Memorial Day and Vermont Days weekends, the two seasonal kickoff events for state park visitation, were considerably slower than last year. Both weekends were 50% behind and the total for the season so far is 29% behind. As the weather improves we expect attendance to pick up and reservations for the summer are strong.

Land Transactions: In addition to Bolton Nordic, other ongoing land transactions include acquisition of Stone donation (Rupert State Forest), sale of Lafreniere property (Camel's Hump State Park), Benson acquisition (Okemo State Forest), Fitzpatrick acquisition (Coolidge State Forest), Alburgh State Park land exchange, sale of portion of Coolidge State Forest to Markowski Excavation, transfer of portion of Grand Isle State Park to Town of Grand Isle, and transfer of Woodchuck Mountain property to Town of Newbury.

Electronic Communication Licenses: We are working closely with Vermont Communications (VCOMM), the VT Department of Public Safety, the U.S. Customs and Border Protection agency, and other federal agencies to finalize the consolidation of the users at the Killington Electronic Communications site onto the new State communications tower and the decommissioning and removal of the existing federal and state communication towers. We are hopeful that this project can be completed this construction season.

Interpreter Training: Park Interpreter training is occurring this week. This season, Interpreters are being trained to become "Let's Go Fishing!" clinic leaders.

How-To Workshops: The first of five how-to camping workshops in partnership with EMS is scheduled for June 22 at Emerald Lake State Park.



Privileged and Confidential

MEMORANDUM

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

From: Christopher Recchia, Commissioner

Date: June 14, 2013

Subject: Weekly Report

Governor Level Issues:

Status of Priorities and Cases of Interest:

Vermont Gas – Rate Design Case: On 6/6, VGS filed responses to IBM’s third round of discovery and a settlement conference took place among VGS, IBM, the Department and Perrigo. PSB granted extension through 6/19 for non-petitioner testimony and stipulation. Technical hearing tentatively scheduled for 7/9. Even though the 20% increase is expected to cost IBM about \$700,000 more next year, this is down several million dollars since the last several years. We’ll continue to try to mediate this.

Vermont Gas - Addison Expansion: Department testimony to be filed on 6/14, supports the expansion project but seeks expanded energy efficiency measures and connection of farm methane projects to the pipeline. VGS has settled outstanding issues with VELCO and reached agreement with Monkton, ANR and VGS still discussing some ANR concerns. We will support ANR to the extent we can. GHG calculations are a wildcard and ANR seems unwilling to try to do this in a life-cycle fashion.

→ Louis check in

Regional Issues, Including Coordinated Procurement: NESCOE will plan on making a

presentation to the NEG/ECP in the fall. Maine is very interested in gas pipeline capacity through NY into CT. Better options may be transmission of Hydro-Quebec power from the north. CT legislation did pass, and we're assessing the impact of the disqualification of biomass RECs and how best to address this issue. We suspect Vermont moving to an RPS will be necessary in the long term.

Entergy Diesel Back-Up Generator: The PSB issued a CPG, and Entergy dismissed its federal court action. Word from PSB is that they were annoyed with our pushing the need to issue the CPG

rough

GMP v. Entergy RE: Cooling Towers – Entergy and GMP have advised they have settled litigation with Entergy over financial losses incurred due to the cooling tower failures in 2007 and 2008. Details of the settlement are not yet known to the PSD.

Winooski One Partnership Avoided Cost Rate – Docket 8010: Parties are awaiting a PSB order addressing the scope of the proceeding.

Legislative Activities: Chairs of the Natural Resources Committees met on Thursday 6/13 to discuss scope and schedule. We were not present but it does not sound like it was very productive. SNRE wants to expand scope, HNRE wants to narrow and is uncertain of value.

Bills:

- **H.520:** To be signed at CEFS June 17 @ UVM
- **H.395 VT Clean Energy Loan Fund:** To be signed at CEFS June 17 @ UVM
- **H.405:** To be signed at CEFS June 17 @ UVM

Significant Meetings/Events:

- **June 9-12:** NECPUC Symposium, Mystic, CT – Several regional issues relevant to Vermont were discussed, and in turn a more detailed discussion with Liz and Louis was held Thursday
- **June 12:** Spoke to Chris Brooks of Vermont Wood Pellet about his need/desire to start a new facility on eastern part of the state. Referred him to Adam Winstanley and they are to talk either yesterday or today. This would help on NSSEP efficiency and be a good fit for the heat from the power plant. GMP, NSSEP and I will be meeting next week to discuss possible PPA options.
- **June 13:** Meeting with Senator Hartwell in am to discuss several issues at his request. A reservoir issue at Harriman in Wilmington, S.30 and the Siting Commission work follow up.
- **June 14:** I'll be meeting with AARP to discuss S.25 and other issues in the afternoon today.
- **Next week significant events/meetings:**
 - **June 17:** Clean Energy Finance Summit, UVM

Cool

- **June 18:** Meet with Representatives Klein and Cheney
- **June 19: CEDF Board Meeting** – Alex McLean declined to serve on the Board as NEK project may wish to apply for funding and she wanted to avoid the potential conflict. We are considering other options. If you all have ideas, please let me know. We will not have this filled for this meeting.

Media: Chris was quoted in article by Andrew Stein/Digger regarding net metering caps. Darren spoke with Jon Margolis/Digger again on the SPEED program, he is writing a story on REC sales.

Evolving Issues:

Energy and Wind: We discussed near and mid-term energy work with Liz and Louis and I am interested to talk to you about energy policy in general in the upcoming month. We have a bit more work to do on options for addressing issues such as noise and setbacks and blasting, but are nearing a conclusion on how to move forward. At the very least, we'll be doing an RFP to contract with at least one credible noise expert to have on retainer.

Weatherization: I'll be meeting soon with all relevant parties to try to coordinate programs and resolve differences. In part to prepare for funding discussions next year, but mostly to ensure the greatest value is obtained from this year's efforts.

Everything Else:

PERD

Clean Energy Finance Summit

- The June 17th Summit has 132 confirmed participants.

Total Energy Study (TES)

- Talked with stakeholders and internally to finalize the list of state and external invitees for the focus group sessions in August and September.
- Sent invitations to 140+ stakeholders outside of state government. Have received ~50 positive replies within 24 hours.
- RAP submitted their final report on June 12; staff are reviewing. We plan to develop an RFI to publish along with the report on or about 6/20.

Net Metering

- 5/24 to 6/12 60 CPGS granted, average size 5.6 KW

Heating Fuel

- Crude Oil was trading at \$94.85 v. \$93.90 a week ago.

- The natural gas market as of Wednesday is \$3.774 v. \$4.012 a week ago.

Other Items

- **Residential PACE**- VEIC reports that they have a proposal for up to \$1m from a local bank for the PACE Credit Facility. This bank is seeking board approval and their response should be known by mid June. This bank prefers that they fund 50% or less of the Credit Facility. VEIC is working to secure additional funding from 2-3 other banks. The PACE processor will be Opportunities Credit Union. Burlington PACE has their own source of funds so they are starting to pilot the PACE process with a few projects ready to initiate.
- **CETI** – Staff attended a conference call with updates of ongoing projects. Joan Gamble’s time as executive director is up; Betsy Ide of GMP will take over. GMP and VELCO continue to refine the case to make to IBM re: weather research. It sounds like GMP wants to work with IBM on weather simulation and the “data repository” whether or not the research track is adopted, but IBM sees them as a package. Sandia LDRD research project on understanding control room behavior and decision-making in a data-rich environment (which includes partnering with VEC) is progressing and at least 50% likely to be funded.

Engineering

NRC Issues Order to VY on Containment Venting Requirements

On June 6, 2013 NRC sent an order to 31 owners of boiling water power reactors (BWR) with Mark I and Mark II containment designs to install or upgrade containment vent systems. The new order requires NRC licensees with Mark I and Mark II containments to upgrade or replace the reliable hardened vents required by the previous Order EA-12-050 with a containment venting system that would remain functional during severe accident conditions. The order will require Vermont Yankee to upgrade vents from one section of containment called the wetwell (Phase 1) to be completed in April 2016, and evaluate the need for an additional venting capability to another section of the containment called the drywell (Phase 2), and if needed, complete the work by October 2017.

Cost?

CAPI

CAPI Director: thank you and all in Administration for supporting this position and approving our request from the pool. We are working to complete a job description and as soon as we have a position number will begin recruitment to try to have the position filled as soon after July 1 as possible. This is a big help.

CONSUMER COMPLAINTS

6/5-6/11 CAPI received 168 contacts from consumers and opened 108 investigations.

Post-CPG wind complaints

CAPI took in 13 complaints of noise and health effects regarding Georgia Mountain Community Wind (1 complaint), Lowell Wind (3 complaints from two people) and Sheffield/First Wind (9

complaints from one person). Some of the complaints mentioned that the noise had been bad from several days to several weeks prior to sending in the complaint. Those people reporting health effects mention that their symptoms are getting worse.

Public Advocacy

Entergy CPG Renewal – Docket 7862 – Final depositions are underway, and rebuttal hearings will begin next week.

Challenge to the Transmission Owners Base Return on Equity – FERC Docket EL11-66 – The Complainant’s initial brief was filed as expected, and it supports the consistent argument that the transmission owners’ current base ROE is unjust and unreasonable and therefore should be substantially reduced, with an exhaustive analysis of the appropriate methodology that should be used to calculate the recommended just and reasonable base ROE of 8.9%. The New England transmission owners filed their opening brief arguing that the existing base ROE is within the zone of reasonableness and therefore concludes that the complaint should be dismissed. In the alternative, the transmission owners believe the base ROE should be set at 10.6% for the refund period and 10.3% for the prospective period. The transmission owners link the higher base ROE with the public policy of incenting new transmission. The Eastern Massachusetts Consumer Owned Entities filed their initial brief that responds by stating that the “base ROE does not contain any incentive adders, which is why the Commission ordered that an additional 150 basis points (50 basis point incentive for participation in an RTO and 100 basis point incentive for specified new transmission investment) be added to the NETOs’ base ROE of 11.14 percent.” Also FERC staff submitted an initial brief that objects to the NETO’s methodology as being inconsistent with FERC precedent and states that the midpoint of the range of reasonableness is the appropriate rate, not the upper part of the range as the NETO’s suggest. FERC staff conclude that the base ROE should be 9.01%. Reply briefs due on June 28th.

IBM 248(j) – Docket 8045 – The Department’s comments on IBM’s proposed solar project are due on June 14th, and the Department plans to recommend that the Board approve the project, requiring that IBM file its change control process within one month of receiving a CPG. The Department will support the company’s request for a Rule 5.500 waiver.

Demand Resource Plan Proceeding- EEU 2013-01 – On June 10, 2013 the Public Service Board issued an Order Opening the Second Demand Resource Plan Proceeding with an opening workshop on 6/18/13. Proposed schedules for the proceeding and agendas for the workshop are due on June 14, 2013. The Department is collaborating with EVT and BED to file a joint agenda and proposed schedule.

Programmatic Changes to Standard Offer Program – Docket 7873 – On June 7, 2013 the Department filed comments on a Motion to Intervene and a Motion for Reconsideration filed by Ecos Energy. Ecos, on May 22, 2013 had requested the Board to reconsider its May 16, 2013 decision to eliminate an Ecos 2MW solar project from the standard offer program because it was on property contiguous to another Ecos 2MW solar project that had been accepted into

the program. The Department's comments suggested the Board should alter the decision to conform it to the dissent filed on May 22, 2013 by Board Member Burke, who proposed that both adjacent Ecos projects be eliminated. Ecos filed a sur-reply and the Department will file a response suggesting that the Board has discretion to disregard the sur-reply, as it was more process than the Board proposed, but indicating the Department will not provide additional substantive responses unless the Board invites them.

GMP Base Rate Filing – No Docket – On May 30, staff visited GMP's facilities to discuss GMP's reported savings from GMP's Smart Power/Smart Grid program and review associated documentation. GMP provided further documentation in response to staff questions on June 7. Separately, Bill Schultz has provided informal discovery to GMP regarding GMP's capital expenditures. The next deliverables from GMP are responses to the Schultz CapEx questions (expected June 17) and a memo from GMP addressing whether accounting orders are needed where a utility makes yearly base rate filings under an alternative regulation plan (expected June 14).

Lowell Wind Project – Docket 7628 – As reported last week, on June 6 PSD filed comments on the sound monitoring compliance reports. PSD's comments focused on the legal issue of whether an "exceedance" of the noise standard (GMP's term) is actually a violation of the CPG, and concluded that they should be so regarded. The Lowell Mountains Group hired a sound expert to review GMP's report, and it filed very critical technical comments. PSD has since received an email from Annette Smith, highly critical of the PSD's comments and its failure to submit a technical analysis of the sound reports. PSD is currently hampered by the lack of a sound expert; we did not have a sound expert in the Lowell docket, and the expert we have used recently (to do monitoring of the Sheffield project) is not performing up to expectations. PSD will issue an RFP for an expert to work on post-CPG noise monitoring. This speaks to the need for a separate non-contested docket to address noise issues, otherwise this will get worse in this project and in all others.

FairPoint BLES Tariff and Customer Service Agreement – No Docket – The Department and FairPoint continue to fine-tune the language in the revised customer service agreement and associated BLES tariff MOU. The Department hopes to execute the MOU by the end of this week.

BED AMI Plan – Docket 7824 – The Department sought and received a commitment from BED to have in-home display and/or home area network devices compatible with BED smart meters identified, BED staff trained to install and setup customer IHD/HAN devices, and have steps/procedures in place to enable customers to purchase and install the devices by June 31, 2013. The Department filed comments with the Board supporting BED's commitments.

WEC AMI Plan – Docket 7810 – The Board issued an order extending the due date for development and submission of an IHD/HAN plan to September 1, 2013. WEC had sought an extension of the deadline to April, 2014. The Department argued for a July 1, 2013 deadline

citing a six month extension already granted by the Board in October, 2012. WEC had represented to the Department, but not the Board, that it would meet the July 1 deadline.

Telecommunications

High Cost Phase II report – Consultants for the PSD have prepared a draft report that shows the costs of providing telephone service in various parts of the state. The report includes information that was claimed as confidential by the ILECs, but which the PSD does not believe to be confidential. The PSD has requested that the ILECs allow release of this draft report to the ILECs for review. Some ILECs have resisted release of the report even to the other ILECs.

Comcast testimony about VoIP – Comcast submitted testimony the Board in which it argues that its voice service is an information service under federal law, and that therefore states are preempted from regulating it. Comcast stated that its service is now available on applications installed on mobile devices and is therefore a preempted nomadic VoIP service like Vonage, no longer just fixed service as the Board previously determined it had jurisdiction over. It also stated that it now allows consumers to purchase the customer premises devices required for its voice service; it argues that since the customer controls this device, it is offering a single protocol conversion from IP to the PSTN and that it is therefore an information service.

RF Study: At the regional meeting this week I discussed with John Burke who in turn is willing to discuss with FCC Commissioner Jessica Rosenworcel the option of FCC paying for the NAS study of RF so that individual states would not have to. That said, we do have support from some other states to contribute if necessary.

Finance and Economics

Electric

Hardwick Electric-Staff and PA had a conference call to review a preliminary report on the embezzlement case. Approximately half of the embezzled funds have been recovered to date and there is the possibility that additional recovery will occur. We have suggested that Hardwick consider refunding any subsequent recovery amounts to rate payers.

GMP---GMP has provided the department with its preliminary filing for an anticipated increase in rates of 3.8% or \$21 million that will become effective 10/1/2013. This increase will come on top of an expected increase in natural gas rates. Vermont Gas plans to provide its preliminary filing for a rate increase on or about June 17.

GMP---has filed for a power cost adjustment covering the quarter ending in March 2013. The proposed adjustment is a rate increase totaling \$1,810,176 or \$.00167 per kWh that will become effective July 1. Staff has completed its review of the filing and has recommended the rate increase be approved. The recommendation was due by June 16.

GMP – has made a compliance filing under Docket No.7627 covering Central Vermont Public

Service Corporation (CVPS) legacy Alternative Regulation Plan (ARP) earnings sharing account mechanism (ESAM). During the nine months ended September 30, 2012, the legacy CVPS regulatory return on equity was 6.50 percent, which is less than the 2012 allowed return on equity of 6.88 percent (9.17% annual allowed ROE adjusted to cover a nine month period [9/12ths]). Since this is within the range of earnings allowed under the ARP, GMP has proposed no ESAM adjustment. Staff is reviewing filing and will complete its recommendation by June 14.

Washington Electric Co-Operative – WEC has submitted a section 108 petition filing to borrow \$1.8 million to pre pay a portion of its unfunded pension obligations that will save rate payers \$1.3 over the long term. Staff has completed a review of the filing and has recommended that the petition be approved.

Gas

VGS – PSB Docket 8436 Implements Low Income Assistance Program in compliance with Board order issued 1/15/12 in Docket 7888. PSD recommendation is due June 14th. The Chief of the Consumer Affairs and Policy Information section had no comments or concerns. Staff reviewed the filing and found it to be in compliance with the PSB order and has recommended the petition be approved.

Regional Policy

ISO-NE Winter Reliability Proposal

- ISO is bringing its proposed solution to the 2013/2014 winter reliability issue to a vote in the NEPOOL Markets Committee on June 13. The proposed solution involves out-of-market payments to generators with oil-fired and dual fuel capabilities to ensure that there is a sufficient amount of fuel available during peak cold times, when the gas supply is typically constrained. We are ok with this option but note our objection to relying on oil. We are being represented by NESCOE, whose comments are summarized below.
- NESCOE has determined that it will support ISO's proposed winter reliability solution noting it is an unfortunate situation for which we see no other alternative for the upcoming year.



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Jeb Spaulding, Secretary

**PRIVILEGED AND CONFIDENTIAL
MEMORANDUM TO THE GOVERNOR**

TO: Governor Peter Shumlin

FROM: Secretary Jeb Spaulding

DATE: June 14, 2013

SUBJECT: Confidential Report to the Governor

BUILDINGS AND GENERAL RESOURCES

Legislative Issues/Contacts:

- Met with Sen. Hartwell regarding the opening of the Bennington rest area and BGS's supportive role in the EV study sponsored by DEC in an effort to assemble accurate data.
- Will talk tomorrow to the chairs of HCIC and SIC, our monthly check in call.

Press/Media Notes:

- Interviewed by Terri Hallenbeck, BFP, regarding the VSEA and the Barre City Place project including safety and environmental concerns.

Significant Events/Meetings:

- Met with Dominic Cloud and David White relative to the financing of the 20 Houghton Street relocation project in St. Albans. The understanding gained from the presentation will be valuable.

Evolving Issues:

- Act 250 permit for the City/State heat plant to be issued next week, with mobilization to follow.

FINANCE AND MANAGEMENT

Issues Update – ERP Project:

Expense Go-Live: We continue to work with employee and approver set up issues.

FY 2013 Year-End Close: FY 2013 year end close has been going well so far. One area of possible concern is closing the new Expense Module. This module functions similarly to the Accounts Payable module and expense reports left “open” encumber funds in the same way as open but unpaid vouchers. Closing this module is new for departments and new for FinOps. Hopefully, the module will be closed without major issues.

Also of concern for year-end close is the final payroll with a pay date of June 27th. With year-end closing on Sunday June 30th, departments will have little time to review the accounting entries from the final payroll and make necessary corrections.

FY 2014 Budget: With just over two weeks left before the beginning of FY 2014, the Vantage Budget System is in final review before the budget is uploaded into the commitment control module of the VISION system. Commitment Control prevents departments from over spending their budget by Dept ID and fund.

HEALTH CARE REFORM

Status of Governor’s Priorities

ERISA:

1. US DOL strategy: We have sent materials to US DOL, which they are reviewing in preparation for a follow up call.
2. Employer communication: We need to revisit the employer strategy to determine how to proceed – there is not consensus about who to approach and how to do so. Robin will schedule this discussion.
3. Congressional action: We have final language with the Congressional delegation staff. No movement yet.

Exchange: The team has completed the October 1st scope and reviewed with CMS. CMS has been encouraging all states to be realistic regarding the Oct 1 scope and has set minimum requirements. Vermont’s scope must be broader than the minimum CMS requirements in order to meet consumer expectations, but the team convinced CMS that we have sufficient contingencies in place that we could manage a broader set of functions. The CMS meeting went well.

Significant Events/Meetings:

June 10:

Single Payer Operations Meeting: Getting the broader team up to speed and setting vision.

June 11:

SIM Steering Committee: This was the first meeting of the larger SIM Steering committee, which consists of internal and external stakeholders (including BCBS, MVP, VMS, VAHHS, etc).

Health Care Innovation Grant: Integrated Children's Services in AHS would like to apply for the next round of SIM grants in order to expand the model to 3 more counties. The SIM core team discussed this and indicated that we were supportive as long as the project uses the same governance model to ensure coordination with the big SIM grant and payment/delivery system reform. The staffing required for this work does not substantially overlap with the existing SIM grant, so there is staff capacity.

June 12:

Call with Legislative Leaders: Mark Larson, Michael Costa & Robin Lunge talked with the Speaker, Reps Ancel, Heath, & Fisher, and Senators Kitchel, Ashe, and Ayer about 3 issues: Vermont Health Co-op Update, Vermont Health Connect update, and a general conversation about how we might move forward together on health reform financing. There was interest from budget and health leadership to do so, less vocal enthusiasm from Ashe & Ancel, although they did not object. The members will have an internal meeting to discuss amongst themselves. We agreed to prepare a draft timeline for how to proceed with the work as a discussion document. All agreed talking every 3 to 4 weeks over the summer would be helpful to ensure they were up to speed on VHC and other issues as they develop.

HBE/ESD Weekly Team Meeting: Robin has started weekly team meetings between ESD staff, including Richard Giddings, Dave Yacovone, and Vermont Health Connect staff to promote better communication and to discuss issues. ESD is our weakest staffing link for October 1st go-live and we are working to shore them up to ensure success.

Business Advisory Council on Health Care Financing: Liz & Jeb were both there. We went over information relating to Green Mountain Care. Anya Wallack and Al Gobeille came to talk about the GMCB's work. The group seems to be interested in a wide array of topics and my sense is that we may need to focus them at some point.

Evolving Issues:

Exchange readiness

HUMAN RESOURCES

Press/Media Notes:

Terri Hallenbeck has served a public records request on DPS requesting documents pertaining to overtime incurred by the Governor's security detail. DHR is working on compiling potentially responsive documents and forwarding to DPS for review. Many of the documents could be confidential because we generally do not disclose information about the Governor's security detail.

FYI ongoing

Significant Events/Meetings:

Secretary Spaulding, Deputy Secretary Clasen and Commissioner Duffy attended a meeting with Vince Illuzzi and Steve Howard from the VSEA to discuss informally key issues of concern. The VSEA highlighted three areas of major concern: (1) privatization of the Vet's Home; (2) privatization of jobs through Creative Workforce Solutions; and (3) DHR's request that VSEA cease certain organizing activities prohibited by the contracts. The meeting was cordial and could be a good first step to improving communication, particularly given the news that Mark Mitchell will be replaced as the VSEA's Executive Director.

DHR representatives met with representatives of AOT to discuss issues raised by federal funders regarding the civil rights efforts of AOT and perceived issues related to gender and race. DHR will work with AOT to provide it with information and guidance to assist it in meeting its compliance obligations.

Secretary Spaulding, Deputy Secretary Clasen, Commissioners Obuchowski and Duffy and Joe Aja met to discuss VSEA requests pertaining to the moves at National Life and how to respond to the upcoming move of the Agency of Education to Barre.

DHR representatives participated in a meeting with the Governor's Committee on Employment of People with Disabilities. DHR explained certain policies and procedures related to reasonable accommodations and the hiring of persons with disabilities.

Secretary Spaulding, Deputy Secretary Henry, Commissioner Duffy and representatives from the Department of Mental Health met to discuss the management structure at the new state hospital and whether Fletcher Allen could play a significant management role, particularly given past history and existing labor contracts.

Secretary Spaulding, Commissioner Duffy and Robin Lunge met to discuss the role of state employees in single payer and steps required to ensure state employees are part of the single payer system in 2017. The parties also discussed the state's new bid for a third party health administrator.

Evolving Issues:

DHR has advertised for the vacancy on the Green Mountain Care Board and has placed information about the vacancy and application process on its website. Applications have already been received. It is anticipated that a list of candidates will be sent to the Governor in early August.

DHR is continuing to roll out VTHR. System and business related issues persist, but DHR is taking a proactive approach to communicating with its state partners to ease the transition. Significant issues related to recruitment have been uncovered, and DHR is working closely with the vendor to create solutions to the problems.

DHR is working with DAIL in connection with the unionization efforts to unionize independent direct care workers. Rules pertaining to the election have been promulgated and DAIL has provided a list of

eligible parties to the Board. DAIL and its payment partner have also posted information on their websites about the proposed election.

DHR is working with Secretary Spaulding to develop a compensation strategy for pay increases in FY14. At present, the parties are discussing whether to tie the increase to the rate of inflation.

DHR is working to develop a supervisory training development program for state supervisors and managers to focus on core competencies. DHR will present a proposal to Secretary Spaulding within the next few weeks.

DHR is working on creating a reporting form for strategic plans. DHR anticipates agencies will be reporting to Secretary Spaulding on the progress made on the plans both in writing and in meetings.

INFORMATION AND INNOVATION

Status of Governor's Priorities:

PeopleSoft/VISION/ERP: Another payroll has run to success with the state receiving direct deposits today. The payroll process resulted in approximately 150 employees whose paychecks appeared irregular. Upon further inspection the number that were actually incorrect was much smaller and remedied before the final commit of the file to direct deposit.

Healthcare: The CMS final detailed design review for HBE was last week in Maryland and reports indicate it was well received although many questions remain. CMS remains concerned about our progress, but are continuing to let us proceed at full speed.

Significant Events/Meetings:

Richard Boes met with Commissioner Reardon and Deputy Treasurer Wisloski to plan next steps in preparation for outlining technology funding options to the legislature by January 2014. We have decided to first develop a common definition and understanding of technology spending. Statute provides a definition, but we feel that definition may be too broad for our purposes. We are talking with Gartner and other states to develop our definition. We will suggest a change to the definition provided in statute if appropriate. Next steps include identifying existing technology expenditures, including those expenses not categorized as technology that should be based on our definition. We will then enhance our accounting and reporting structures to enable better tracking of technology expenditures. The resulting understanding of our current technology spend will support a recommendation on how best to fund technology moving forward. After further vetting with the Administration, the recommendation(s) will be provided to the legislature by January 15, 2014.

LIBRARIES

Significant Meetings/Events/Project Updates:

Meeting re: Digital Literacy and the Northeast Kingdom (NEK) – 6/4: Meeting in Newport with NEK librarians, Newport Mayor Paul Monette, Patricia Sears of the Newport Renaissance and some others representing non-profits, adult learning, the media, etc. We discussed digital literacy training needs and how libraries can prepare for and respond to the changing demographics. We reported survey data on

these libraries re their capacity to support training, computer assistance, etc. and talked about anticipated demands on libraries. Very good meeting and excellent press coverage in several local papers following the meeting – including front page features.

Vermont FiberConnect: This is the latest report from Kevin Nadzam, the DII Network Administrator who is working with the 43 public libraries in this project:

3 – Libraries are online with fiber broadband! (Putney, Sharon, Dorset) and are reporting lightning internet speeds!

3 – Libraries turned-up by Sovernet (Poultney, N. Bennington*, Bennington)

28 - Libraries pending Sovernet turn-up

7 - Libraries pursuing internal wiring

3 - Libraries pending Sovernet fiber designs (Vernon, Cabot, and Manchester)

* still working on internal wiring but turned-up by Sovernet

This means that the VTLIB WAN (managed by DII) is now operational and we will begin receiving billing from Sovernet.

Catamount Library Network: Good news! Brooks Memorial Library (Brattleboro) went “live” this month as the first library operating with Koha open source software as part of the Catamount Library Network. This is the culmination of 2+ years of work and financial assistance from our Department as a pilot project to see how best to build an integrated library system that could operate as a statewide shared system. The project has had many bumps along the way and presents challenges when we consider a statewide system, but this launch was a success and we are looking forward to bringing 5 more libraries on board in 2013.

Other:

Board of Libraries: Anne Lezak (Burlington) has been appointed to the Board, to replace Linda Williamson whose term of service had ended.

Grant Proposal: Gladys Brooks Foundation: We submitted a grant proposal for funds to create portable “makerspace” modules that would be made available to public libraries for hands-on programming in areas of science and art, including electronics/robotics, textiles, etc. We are waiting to hear whether we will be eligible for the next step in the grant proposal process.

Google Videoconferencing Grant: Equipment has arrived at the Department of Libraries and 13 public libraries around the state, purchased with Google grant funds – and we will soon begin training for use of this equipment (laptops, large screens, microphones, cameras, etc.) Libraries will be able to offer community “videoconferencing” using the equipment and Google Hangout – for individuals, community groups, business, and library programming. Our equipment will be housed at the Midstate Library Service Center in Berlin and we will begin to explore how to use this equipment for pushing out our continuing education programs to these library locations across the state. We are also working on PR.

Book Collection “Weeding” at State Library: This week we have withdrawn/recycled several thousand

TAXES

Legislative Update:

Sept 1 Late Deadline for Homestead Declarations: The Commissioner drafted a response for the municipal net, which has been lit up over the Sept 1 technical deadline for declarations. Piecing together the relevant statutes, a reasonable reading of the law (convoluted to interpret) is that towns will not have to change the classification of a property after Sept 1, but it will have to send out a new bill with the proper residential rate and an adjustment for all declarations that we receive by October 15 that also have an adjustment claim. If there is no adjustment claim, the Department will reimburse a taxpayer if they are in a town where the non-residential rate is higher so they overpay (that is, the towns will not need to send out a new bill). The Commissioner sent the draft to Steve Jeffrey and Karen Richards (Clerk and Treasurer's Assoc) for comment before posting – awaiting a response. Do not imagine towns will be happy.

Outreach on Declarations and Property Tax Adjustment Claims: Every year the Department does personal mailings to reach taxpayers who have not filed a declaration or property tax adjustment claim by April 15. Listers in 136 towns regularly send us “non-filer” lists – properties they believe to be residences that do not have a corresponding declaration. We receive notifications on over 10,000 such properties, which we cross-reference against our records, generating over 5,000 letters to apparent residents. This year we will be sending a reminder letter to some additional homeowners who had declarations on file with us in previous years but have not yet filed. Each summer we also send a reminder letter to every household that has filed an adjustment claim in the previous year, but has not filed a timely claim the following year.

Homeowner and Renter Rebate: The appropriations for these items has been depleted. One course of action that apparently has been followed in the past is to delay payment until the next fiscal year – not ideal, and the Commissioner is working with Jim Reardon on other possible solutions.

Solar: The Commissioner is working with stakeholders to finalize information. This week the Director of PVR took yet another contrary position with respect to the towns' ability to exempt solar arrays from municipal tax, he was prevailed upon to change his stance (particularly when he saw a statutory provision pretty darn explicit on the point).

Cloud: The Department has a final version of the fact sheet, and its web page is up and running. We discussed this with our practitioner advisory board; the consensus being that the guidelines which we copied from MA are still confusing. Some of the toughest questions for our policy analyst related to how to source a cloud sale – this is an area where MA's rules have explicitly been rejected by Streamlined. Although Streamlined own rules (in our regs) are acknowledged to be less than ideal, as a group it has not been able to agree on better alternatives.

Sharing Tax Data with JFO: We are required to come up with an MOU to share state tax return data with JFO. We had the first meeting with JFO, and at least we agreed that state tax return data is fairly limited – taxpayers start our return by transposing numbers from the federal return, and how those numbers were derived (for example, all the deductions) is not part of the state return. So Steve Klein acknowledged they will not be able to do much with this new information. The rest of the meeting was spent discussing a draft MOU suggested by our Taxpayer Advocate, which basically cloned IRS rules on disclosure. JFO is quite apparently sensitized to the political scrutiny the MOU will receive, and in fact,

Can this be a good idea?

has not ruled out the possibility of a lawsuit. JFO plans to have the money chairs review drafts of the MOU. The biggest issue that the Commissioner sees is making sure any data is sufficiently blurred to rule out any possible identification of a taxpayer. The Commissioner recommends that a statistical consultant be retained to certify a best practice protocol. The second biggest issue is insuring that JFO protects the data sufficiently to prevent a security breach.

Tax Modeling: The Commissioner has researched micro simulation models used by the federal government and other states to model significant tax changes. Presently, the Tax Dept runs simulations of income tax proposals over a data set drawn from two year old filings (the last complete year) that are adjusted for current law. A revenue result of the proposed change is forecast for the next year – to go out further in the future, the result is grown. In contrast, micro simulation models are constructed with tax and other data (such as Census and DOL, which captures non-filers) to build household units. These models are more robust and dynamic, particularly in capturing the interplay of multiple changes, and in predicting the results over time. They also can be built to IRS standards in blurring data, allowing both the Legislature and Administration to use the model (although it seems in the roughly half dozen states with a model, it is used by one or the other). It would seem such a model would be advisable for tax reform, and certainly necessary for health care finance. Steve Klein suggested that the Secretary lead any such initiative, and suggested a meeting of Administrative and Legislative leaders.

Next week the Commissioner is meeting with a retiree from the staff of the Joint Committee on Taxation who is said to be the national expert on such micro simulation – and happens to live now in Burlington.

Operations:

Advisory Board Meetings: Commissioner and staff had a very constructive, productive meeting with our practitioner advisory board, covering everything from statistics and lessons learned from the tax season just closed to animated discussions on legislation, including all the House and Senate proposals on revenue. Next week is our meeting with the general advisory board (various industry sectors – as a courtesy, we did invite Shap and John to speak for themselves on their proposals to this group). Although these all day meetings are resource consuming to prep and staff, they are proving to be invaluable in creating positive relationships with important stakeholders, discussing important issues, and test driving new ideas.

CONFIDENTIAL and PRIVILEGED

To: Governor Peter Shumlin
From: Michael J. Hogan, Commissioner of Liquor Control
Date: June 14, 2013
Re: Weekly Report

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

Legislative Issues/Contacts:

- Setting up meetings to discuss steps to writing regulation for break open tickets as outlined in the Executive Fee Bill. Overall review with recommendations to Legislature if they request this information.

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

Significant Events/Meetings: None

Evolving Issues:

Continue working on our new marketing program and reviewing agency locations and siting criteria. Board will convene a one day meeting in July to brainstorm issues and get some direction for expansion and growth.

Working with DII on our POS Project and the planning for the future steps with the selected vendor.

Summary of Key Department Activity:

- June sales continue to be good!
- Resetting of warehouse for better space utilization. The department really needs a larger warehouse if it wants to continue its growth of sales and revenue to the state. We have talked about it informally over the years, but it needs to be part of our overall strategic plan.

Commissioner's Commentary: Have a great weekend!

Irene Recovery Situation Report
06/14/2013

IRENE RECOVERY OFFICE

Individual Assistance

- American Red Cross volunteers are providing case work support for individual households impacted by May 22-26 severe storms; the Vermont Disaster Relief Fund (VDRF) has agreed to review cases from the recent event for disaster-caused unmet needs, if supported by case management. So far, VDRF has allocated funds to one family in Underhill.
- Disaster Case Management Program (DCMP) submitted Demobilization Plan to FEMA Region 1 on 5/31/2013, and received formal approval of the Plan on 06/03/2013; DCMP Leadership Staff has begun an evaluation of all workers' cases in order to reduce staff to the approved ratio of 1:25 cases per worker, as laid out in the Plan.
- DCMP May figures:
 - 205 open cases remain
 - 33 cases were closed in May
 - 6 new cases were opened in May
 - 702 total cases have been opened since beginning of DCMP
- Updated DCMP priority survey results of all open cases confirm that, of May open cases:
 - 29 are Priority 1 (categorized as most complex; estimated that 50% of these cases will remain open after 2nd anniversary)
 - 65 are Priority 2 (categorized as high needs cases; estimated that 50% of these cases will remain open after 2nd anniversary)
 - 81 are Priority 3 (categorized as intermediate needs that will be met with existing resources by 2nd anniversary)
 - 10 are Priority 4 (categorized as not yet assessed or no current priority assigned)
 - 18 cases on existing caseload are participating in HMGP buyout program
- The IRO is currently working closely with Kathy Murphy of ACCD and Sue Allen to develop a Scope of Work for the fourth and final Irene Recovery Status Report, expected for publication on/around the second anniversary. Additional details regarding content and plans for distribution will be announced in the near future.

PA

- On 06/13/2013 President Barack Obama declared a major disaster in Chittenden, Essex, and Lamoille counties for public infrastructure damage suffered because of severe storms from May 22-26 of this year. Initial PDA damage total was \$1.55million.
- FEMA obligations for Irene increased to \$144,673,977 (an increase of \$463K since last week).
- Of 3,303 Project Worksheets, FEMA's weekly tracker shows 115 (approx. 3%) are still in review, revision, or appeal.
- Secretary of Administration approved a third position for DEMHS Public Assistance. HR is moving forward with posting the Public Assistance Officer (PAO) and two Public Assistance Coordinator (PAC) positions.

- Two dozen Letters of Intent have been submitted for Round 5 HMGP grant applications. HM staff currently working with various prospective applicants, including Town of Underhill with respect to the Fletcher Property on Route 15.
- The Governor's Office has committed to publicize HMGP 5th round (applications due July 12) this week.
- ACCD has announced that CDBG funds will be available for 25% match for rounds 4 and 5 of HMGP grants.

HMGP

- Current status of buyout properties:

HMGP Purchased (75% HMGP, 25% CDBG)	8
HMGP Approved	84
HMGP Pending	7
Appealing/RFI HMGP Determination	11
HMGP Ineligible	0
Round 4	4
CDBG-DR Only	14
Grand Total	128

Link to Map: <http://www.trorc.org/buyouts.html>

VTrans

Finance and Administration Division

- Transportation System Recovery Expenditures through June 10, 2013: **\$2,262,128**

	Totals	Federal	State	Local
FHWA-ER	\$107,711,956	\$101,059,954	\$4,389,873	\$2,262,128
FEMA - 4022	\$111,574,354	\$107,324,640	\$4,249,713	\$0
FEMA- RREW	\$2,829,538	\$0	\$2,829,538	\$0
	\$222,115,849	\$208,384,595	\$11,469,125	\$2,262,128

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