

WEEKLY REPORTS

Checklist
6/10/2011

Bill Lofy

Agency of Commerce and Community Development – Lawrence Miller

Agency of Agriculture – Chuck Ross

Agency of Transportation – Brian Searles

Department of Labor – Annie Noonan

Alex MacLean

Agency of Natural Resources – Deb Markowitz

Monday Department of Public Safety – Keith Flynn

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

Susan Bartlett

Agency of Human Services – Doug Racine

Beth Robinson

BISHCA – Steve Kimbell* (shared with Anya)

Jeb Spaulding

Agency of Administration – Jeb Spaulding

Special Reports

Additional Report: Education

Additional Report: GIRO

Additional Report: _____

CONFIDENTIAL and PRIVILEGED—No Sharing

To: Governor Peter Shumlin
From: Lawrence Miller, Secretary, Agency of Commerce and Community Development
Date: June 10, 2011
Re: ACCD Weekly Report

Status of Governor's Priorities:

Report from BEA that Vermont GDP grew 3.2% last year vs. 2.6% nationally. We are responding to press inquiries that this is not a surprise, Vermont was less affected by the recession than many other states thanks to responsible government and banks, but this is just the first step. Business volume, then profitability, reduced unemployment are all important, but we are focused on making improvements that will be reflected in the wages of working Vermonters. After 4 years of flat state GDP people are still suffering underemployment and stagnant wages but better days are coming.

Planning a 100 foot celebration when the lake level drops. Participating in "come shop downtown" advertising for flood affected districts. *Grant*

Brooks House: The congressional staff (all three) and Pat MP met with Jonathan Chase on Thursday and toured the Brooks House. The building is being gutted with a temporary roof to button it up, as required by the insurance company. Jonathan is committed to proceeding with redevelopment. Current plans are to examine the feasibility of retail on the ground floor, office and "incubator" space on the second and market rate or higher end housing on the 3rd and 4th floor. He wants to try to do this himself without partnering if possible. He is clear there is likely up to a \$3million dollar gap between resources and market feasibility. He is investigating several scenarios which may include lower income housing. The towns preference is to avoid that if possible. He has retained Tom Appel to help him crunch numbers. Tom will be meeting with ACCD staff to dive in to resources.

Southeastern Vermont Economic Development Strategy (SEVEDS): Pat MP remains close to this planning process to assure the \$50K the legislature provided for SEVEDS and post VY planning is spent achieving action items. Fairpoint's funding for Vital Economies (VE) ended June 30 however VE remains on the job until October with no additional dollars to complete the data gathering, goal and measures setting process which they were contracted to complete. BDCC is ready to kick in \$50K, the towns of Brattleboro and Rockingham will kick in funding and private capital will be raised to hire staff to help complete phase 1 and phase 2. The post VY committee Stephan Morse chairs is a "subcommittee" of the SEVEDS process and Stephan participates in those Core Group meetings. The data and input they have gathered is very illuminating in terms of workforce, wages, and demographics of the region. These are in forming their strategic plan. While this process is different, the outcome is expected to be similar to state agencies strategic planning process.

Legislation:

Moving into implementation mode on many fronts. Some contact from legislators looking for status updates, reminding them we weren't supposed to spend anything on new initiatives until July 1.

DEHCD Commissioner MacKay and Deputy Commissioner Hollar

- The Department is still absorbing the news that **Nancy Boone** will be leaving the Division of Historic Preservation for a new position as the preservation officer for the U.S. Housing and Urban Development in Washington, D.C. After nearly 30 years, it's difficult to imagine the Division without her. **With 30 years in service we will be sending over a draft letter for GPS signature. We are taking this opportunity to evaluate operations of the division.**
- The **VCDP Board** met to consider eleven applications for \$3.9 million. Difficult decisions on how allocate the \$1.5 million available were based on sound analyses of the proposed projects by the VCDP staff. It was the board's first meeting with new members Amelia Silver, Andrea Livermore and Bruce Maclean. Jen participated in the day-long meeting. **We would like to find time in GPS schedule to announce the awards before the end of the month. Jen Hollar will be in touch.**
- Noelle met numerous times with HP staff as well as ANR staff about plans for the **Daisy Turner** homestead. This property is on a site that ANR is preserving for threatened and endangered species. The home belonged to Daisy Turner's family and her history is well documented at the Folk Life Center. Her father was a former slave who settled in Vermont. ANR needs to go through the 106 process and we are working on a partnership to see how we can best ensure the preservation of this incredible historic resource on an important conservation project.
- The **River Run Mobile Home Park** was devastated by last week's flood. Jen, Arthur, Carl and Josh met with town officials from Berlin to explore how VCDP funds could be used to help residents. **Lawrence has directed that relocation be considered in all flood damage cases.**
- Discussions around plans for the **state's rest areas** continue in partnership with AOT, FHWA, BGS and Tourism and Marketing. The group is trying to develop a white paper on where we have been, where we are and where we want to be for rest areas.
- Under Noelle's guidance, a steering committee has been established to oversee an assessment of the **state's designation programs** with lead support from Chris Cochran and team support of Joss and Faith. Members include representatives from the planning community, downtowns coordinators, homebuilders, chamber of commerce, environmental and historic preservation.

Business Support

- **MyWebGrocer.com:** Ken Horseman and Curt Carter of GBIC met with the HR Manager at the request of company owners to review programs and services available to continue the company's growth. Fulltime employment is up to 110 and the company is actively pursuing new space for expansion. A variety of topics were discussed including establishing ongoing internship relationships with local colleges and universities. Appropriate referrals will be made. **They are moving to the Champlain Mill.**
- **Vermont Hardwoods:** The company reports that business is up 25% over last year and fulltime employment is back up to 14. The lean process work has borne fruit with quality and productivity up and costs lower. No immediate issues of concern, but they did express disappointment with the increases in the Unemployment Insurance costs. They also expressed gratitude for the support of the Vermont Training Program.
- **Mack Molding:** Cavendish Plant Bob Flint and Ken Horseman met with the new plant manager at the Cavendish facility. They continue to have steady work from Pitney Bowes and the medical tech sector. They are considering a significant expansion should some major pending contracts be signed, and we offered any assistance needed for that effort. Fulltime employment is at 86 in Cavendish.

- **Clear Lake Furniture:** Bob Flint and Ken Horseman met with the company and learned that fulltime employment is back up to 10 fulltime and 3 part-time. Assistance is needed to help the company develop business strategies to grow the business and prevent the ups and downs they are currently encountering. Appropriate referrals will be made.
- **WCW, Inc.** of Hoosick Falls, NY is interested in moving their mattress company back to Vermont (they moved to NY 15+ years ago b/c of a good building deal). They would bring their current workforce of 150 and add over the next several years. Principals live in Bennington. They are concerned about workers comp costs, timing and building costs. They are interested in the former Mack Molding facility in Pownal but are also considering the Bennington Iron Works site. Pat MP is meeting with them Monday. Govs schedule: Shana is lining up a Bennington day likely for 8/1. WCW Inc. would be on that agenda as well as Plasan. xx
- **Upcoming events:**
 - King Arthur Flour Grand Opening – June 15 – Kiersten will prep talking points
 - Swan Valley Cheese Grand Opening – July 26th – working to organize
 - Brownfield Announcement with WRC – July 22nd – working to organize
 - WEBiomass Ribbon Cutting – August? TBD – still trying to nail down time/place w/ company
 - Fonda – a kickoff event on the 21st of June to mark the beginning of actual clean-up of this site.
- **Flood Update:** The Town Manager of one of the most affected areas, St. Albans, has been placed on administrative leave...Kiersten will find out who the contact person will be moving forward.
- **Brownfields:** Kiersten received word this week that ACCD has been awarded \$600,000 to further capitalize the Brownfield RLF. This is surprising news – our application request was for \$900K and it was expected that we would get no more than \$400 - \$500K. Our Project Officer will be in Vermont next week and is planning on attending our ACCD/ANR brownfield meeting
- **Company News**
 - Bomber Ski – Kiersten is meeting with representatives from Bomber Ski and SkiVermont to learn more about their plans for a possible Vermont location.
 - Working with Pomerleau on a possible solution for Dealer.Com's parking situation on Pine Street in Burlington

Community Planning & Revitalization

- **Bennington Downtown/Economic Development:** Leanne brought Alex Ibey and Darren Winham (Barre Area Development Corporation) to Bennington to meet with the steering committee for the Bennington Area Economic Development Council (BAEDC). The steering committee is comprised of representatives of the Chamber, the Town, Better Bennington Corporation (the Designated Downtown Organization,) and area businesses. The steering committee is exploring options with a goal of creating an area Town Economic Development Corporation
- **Municipal Planning Grants:** CP&R is geared up for the roll out of this year's municipal planning grant program. Priority will be given to projects that further smart growth principles and town plan projects that address the new economic development element as passed by the legislature this year. MPG funding for fiscal year 2012 (FY12) was allocated at approximately the same \$400,000 level as last year. A cash match is required for grant requests between \$8,000-\$15,000. Matching funds are not required for grant requests of \$8,000 or less.

Financial Services

- **30th Anniversary of Captive Insurance Celebration:** Dan Towle, Director of Financial Services reports that this event is coming together quite well. Governor Shumlin will be in attendance from 5:00-6:00 and be the featured speaker at the event. The event being held on June 22nd from 4:30-6:30 at Union Station in Burlington expects to draw 150 people. The event is being co-hosted by the State of Vermont and the Vermont Captive Insurance Association. The reception is being sponsored by Paul Frank & Collins, Downs Rachlin & Martin and Primmer Piper Eggleston & Cramer. Governor Douglas will also be in attendance and will be speaking at the event, as well. This event will launch a 3 month campaign celebrating Vermont's 3 decades of excellence in Captive Insurance that will culminate with the Vermont Captive Insurance Association Annual Conference.
- **Vermont Captive Insurance Association Annual Conference:** This annual event, which is the largest captive insurance event in the world will be held in August from the 9-11. This event which typically draws over 1200 will be held at the Sheraton in Burlington. Governor Shumlin has been invited to address the opening session at 10:15 on August 10th. Governor Shumlin has also been invited to tour the exhibit hall and meet with key guests from 9:00-10:00 on August 10th. This tradition which goes back more than a dozen years has been an excellent way to showcase the Governor's support for this valuable industry. This support has been instrumental in Vermont's continued leadership position in the world for captive insurance.

*No
Schedule*

Historic Preservation

- **Vermont Air Guard Archeological Site Excavation Well Underway-** Excavation work at the Vermont Air Guard road relocation project is well underway. The University of Vermont Consulting Archaeology Program (UVM CAP) has un-covered extensive evidence of Native American activity at the 700-1000 year old site including fire hearths, storage pits, and more than 40 projectile points along with thousands of other artifacts. The site is open to the public and this Saturday will be the second weekend day when work will be on-going to allow visitation beyond normal working hours. Last Saturday over 50 visitors came to the site and were able to see the excavation up close and participate with the work or other activities. Phase III excavations on this scale are a relatively rare occurrence and provide a unique opportunity to see the archeological process in full swing.
- **Bennington Battle Monument:** The week leading up to Memorial showed a steady increase in visitors, summer seems to be starting. Our visitors were from Sweden, Scotland, Germany, England, Australia and Siberia! Sunday was our busiest day yet with over 200 visitors. Our big June event takes place on June 18, Founders Day, celebrating the 250th anniversary of the settlement of Bennington.

Housing

- **Mobile Home Park Sale Notices** – A majority of the mobile home owners of **Homestead Acres** in Swanton decided to use the additional 90 day period to look into buying the park. There is no nonprofit interested in buying the park but the residents are interested in exploring the idea of forming a cooperative. Residents of **LeBlanc's mobile home park** in Barton held a second meeting with CVOEO and decided they are not interested in either a nonprofit or cooperative option.

Vermont Training Program

- **NSA Industries:** Phil met with Darci Ruggles, Director of Continuous Improvement, to sign the Training Contract. VTP will serve 60 employees in Upgrade Classroom Training for Technical Math (two courses), Blueprint reading (four courses), SPC Statistical Process Controls, Workplace Communications, Problem Solving, CAD++ and Introduction to Design Experiments. VTP share of the training will be \$14,400.00, contract duration 1 March 2011 to 31 December 2011.

- **Westminster Cracker:** Phil met with John O'Neill, V.P. of Manufacturing, to sign the Training Contract. VTP will serve 11 New Hires with OJT funds in the areas of Mixer, Supervisor, Packager Operator and Shipping. Additionally, 16 employees in OJT Cross Training into their new \$4 million bakery line in areas of Mixer, Supervisor, Laminator and Sorter. VTP share of the training will be \$22,150.00, contract duration 1 January 2011 to 31 December 2011.

Tourism & Marketing and Vermont Life

- It was a big weekend for Events and the weather was perfect. The Strolling of the Heifers was a huge success as was the event in Manchester welcoming the newly renovated Pullman Car to Hildene. On Sunday the Covered Bridge Half Marathon in Woodstock celebrated it's 20th anniversary with 2600 runners from 31 states.
- Megan had another planning session with Vermont Mountain Biking Association. They are trying to pull together a new board, find sponsors and get ready to play in the big leagues as far as statewide organizations go. The conference they held in May was very successful and they have a good amount of momentum. The resorts are all coming on board and realizing that, done right, this can bring them solid summer business. Family - friendly trails are being completed all over the state from Rutland, Ripton, Burke, Richmond, Stowe and the Chittenden County. The Von Trapp family has become very focused on this initiative.
- The trip to Toronto to meet with Porter Air is shaping up. Representatives from 5 resorts, Tom Torti, Jason Gibbs, Ed Shahl from Stowe Area Association and Rep. Heidi Scheuermann are joining Megan on the trip June 30th to listen to their proposal.
- The Lake Champlain Islands Chamber is reporting some good activity. Our VPR cooperative summer ad campaign with the islands began running on June 6th for 3 months. They are trying to reach Canadians with the ads and we are testing it with a mention of a website that they can go to and register to win a vacation. It will be interesting to see if it is an effective way to reach that market since the price is very affordable.

Travel Trends



- **Amtrak Ridership Strong in May:** The Ethan Allen posted a 24.5 percent increase in ridership on the Vermont segment over last year, easily the largest jump in passengers since the service was established.
- **International Visitation to the U.S. Up for First Quarter:** The U.S. Department of Commerce announced that for the first three months of 2011, visitation (12.9 million) was up two percent compared to the same period in 2010. However, in March 2011, travel to the United States was flat compared to March 2010 with 4.8 million international visitors to the United States. Part of the decline was expected since the Easter holidays occurred at the end of April 2011. In 2010, the Easter holidays were at the end of March through the beginning of April.

Source -- Office of Travel & Tourism Industries (OTTI), U.S. Department of Commerce, June 8, 2011

Cultural Heritage Tourism

- Civil War Sesquicentennial: pages on www.vermontcivilwar150.com were updated. Edits include improvements to posting of opportunities for partners and public participation; posting new events; and posting new items on the homepage. Interest in the 5 year project is growing. AARP Magazine June issue included St. Albans as a site to visit in a 3-page article about Civil War travel. Plans for promoting Vermont travel at out-of-state summer reenactments are being considered.

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Chuck Ross, SECRETARY

STATE OF VERMONT
AGENCY OF AGRICULTURE

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TO: Gov. Peter Shumlin
FROM: Chuck Ross, Secretary of Agriculture
RE: Weekly Memo
DATE: June 10, 2011

Status of Governor's Priorities: Attended Strategic Planning session.

Jobs in Agriculture

Legislative Issues/Contacts:

- Quenneville spoke with Peter Welch representative concerning interstate shipment and the issues that Vermont Meat Inspection has with Title V and the allowable exemptions that USDA has that actually discourage processors working under inspection. For Example - retail stores can start with Federal inspected meat product, they can further process the meat product and ship the final product anywhere in the US. There is a discrepancy in the Federal Law - that same federal inspected meat product with further processing under a state inspection with a Hazard Analysis Critical Control Point (HACCP) and written Standard Sanitary Operating Procedures (SSOP) plans in place cannot be shipped across stateliness!!?? The discrepancy is the issue that was pointed out to Congressman Welch. This would need to be changed at the Federal Level.

Press Issues/Releases/Contacts:

Press Issues/Releases/Contacts:

- Quenneville had interview with Thatcher Moats of the Vermont Press Bureau concerning on-farm slaughter and the Agency's position
- Currently coordinating a BFP records request regarding Doug Nelson's operations that encompass three divisions of the agency.
- Verbal records request was made 6/9/11 from BFP regarding funding for Fairs & Field Days.
- Disaster declaration for flooding event was drafted for Secretary's approval.

Press Releases

- Flood Loss Reporting (Friday)
- Operation Maple Syrup wrap up
- Termite information
- Ski Vermont check presentation to Keep Local Farms

Upcoming Press Events:

State veterinarian will be taping a segment of Across the Fence on July 1 along with Betsy Greene of UVM Extension focusing on the issue of unwanted horses in VT and the options for remedying this problem.

Vermont Farm Show – the change in location information was sent to exhibitors. Due to space needs, the Farm Show is moving to Champlain Valley Exposition. We have appreciated the service we have received from the town of Barre in the years that the show has been located at BOR. A public notice will be sent next week.

Agency of Agriculture Media Inquiries						
Week of 6/3/11						
Date	Affiliation	Contact	Subject	Interview request	Coordinated by	Completed
6/3/11	WAMC (New York)	Pat Bradley	Meat Inspection	Randy Quenneville	Kelly	6/3/11
6/6/11	Addison Independent	John Flowers	Mosquitoes	Jon Turmel	Kelly	6/6/11
6/7/11	Valley News	Matt Dugan	EAB	Jon Turmel/Emilie Inoue/Kelly Loftus	Kelly	6/7-8/11
6/7/11	Christian Science Monitor	Judy Schwartz	Dairy stats		Kelly	6/7-8/11
6/7/11	VT Press Bureau	Thatcher Moats	On-Farm slaughter	Randy Quenneville	Kelly	6/7/11
6/7/11	BFP	Matt Fitzcoski	Household bugs	Jon Turmel	Kelly	6/8/11
6/9/11	BFP	Nancy Remson	Fairs & Field Days grants & accounting	Jim Cameron	Kelly	6/9/11
6/9/11	St. Albans Messenger	Michelle Monroe	Slaughter facilities	Chelsea Lewis	Kelly	6/9/11
6/9/11	Freelance Writer	Michael Sherman	Dairy Co-ops		Kelly/Dan Scruton	6/9/11
6/9/11	VPR	Jane Lindholm	Flooding/crops	Diane Bothfeld	Kelly	6/9/11 this was live 6/9

Significant Events/Meetings:

A quarterly meeting of the Livestock Care Standards Advisory Council was held on June 8th. Topics of discussion included S.107, which proposes to ban the docking/cutting of tails in bovine and equine animals in Vermont and to ban the importation of any horses or cattle that have docked or cut tails. The Council worked on the development of a recommendation for the Secretary of Agriculture and the Chairs of the legislative committees on agriculture pertaining to this bill, which will likely be taken up again during the next legislative session. This Council effort will extend into the next meeting scheduled for early September. Senator Giard attended the Council meeting as he is the sponsor of S.107.

The Agency of Agriculture with the Northeast Association of State Departments of Agriculture, hosted the summer meeting of the Association at Jay Peak. The meeting was attended by Secretaries and Commissioners of Agriculture from the Northeastern States to hear updates on state activities, updates from federal agencies related to agriculture and discussion of key issues for the upcoming Farm Bill. The meeting included many local foods, a tour of the Jay Peak expansion and their commitment to agriculture in the state, a tour of VT's diverse farms and a check presentation to the Keep Local Farms program by Ski Vermont.

Evolving Issues:

- The Food Sovereignty movement : The Agency is now in the process of starting discussions with the VT Department of Health and Agency Lawyers about how to proceed in this matter.
- State veterinarian communicated with representatives of Dean Foods, HP Hood and Dairy Marketing Services this week during multiple conference calls on the topic of dairy business continuity and milk movement permitting during a Foot and Mouth Disease outbreak. This communication represents the

next step in the outreach phase of the emergency planning efforts of the New England States Animal Agriculture Security Alliance. There is a need to involve large buyers such as Dean Foods and HP Hood in the effort since they are the companies that will have to market fluid milk in the face of an outbreak in order for dairy farmers in VT to survive the incident. These conversations will be ongoing next week at the Northeast United States Animal Health Association's annual meeting in Delaware.

Summary of Key Agency Department Activity:

Administration

Secretary Ross, Deputy Secretaries LaClair and Bothfeld all attended the Strategic Planning Meeting on June 8, 2011.

Ag Development

Ned Porter from Wholesome Wave foundation visited the Old North End Farmers Market to discuss the work with lower income Vermonters and their access to fresh produce at farmers markets. Wholesome Wave has been augmenting programs to provide greater access to fresh fruits and vegetables for lower income people throughout New England. Porter along with Chelsea Lewis from the Agency of Agriculture and Jean Hamilton from NOFA-VT met with Diane Imirie of Fletcher Allen Hospital to review the potential of implementing the Prescription for Health Coupons into Fletcher Allen and Farmers Markets in VT. Prescription for Health Coupons would be provided by doctors to patients that could most benefit from the consumption of fresh fruits and vegetables. The coupons increase the purchasing power of the individuals at Farmers Markets benefiting the individual as well as farmers. Funding for this program would be jointly provided by Wholesome Wave, USDA Specialty Crop Block Grants and possibly Fletcher Allen. This program would potentially be potentially in place for the 2012 farmers' market season.

Food Safety and Animal Health and Consumer Protection

State veterinarian presented information to attendees of the 4th Annual Healthcare Preparedness Conference on June 3rd. The subject of the talk was animal related emergency preparedness in Vermont. The presentation was attended by physicians, nurses and other healthcare providers who have an interest in this topic.

Assistant state veterinarian and two animal health specialists attended FDA training this week in Wisconsin related to performing tissue antibiotic residue inspections on Vermont farms. The Agency of Agriculture currently performs some of these investigations on behalf of FDA and the number of annual Vermont investigations is expected to increase from 10 to 50 in FFY 2012.

Meat Inspection Points of Interest

- Met with Individual concerning a custom slaughterhouse in No. Concord, Vermont, project to move forward and he plans on being up and running for August
- Several ongoing investigations concerning curing at retail, un-inspected Asian poultry products and other complaints

Ag Resource Management

Deputy Secretary Jolinda LaClair and Deputy Director Laura DiPietro traveled to Franklin County to join Leonard Jordan, NRCS (Natural Resources Conservation District) Regional Conservationist and Vicky Drew, VT State Conservationist, to tour Guy Choiniere and Wayne and Nancy Fiske's Farms in Highgate. Both Farms have received significant technical and financial assistance from USDA NRCS to implement best practices include manure, nutrient, habitat, pest and soil, and grazing management. Federal and state funds have been used for farmstead practices such as waste storage facilities, hoop barn structures, roof runoff, fencing, and pipeline. Both farms are part of the Farmers Watershed Alliance, working closely with the VT Housing and Conservation Board, Vermont Land Trust and the Agency of Ag as well as federal partners.

South Lake Conservation Reserve Enhancement Program (CREP) position has been refilled this week with Michelle Smith, a current temporary employee with the USDA Farm Service Agency. Michelle has been working on CREP for 3+ years and is well equipped to hit the ground running. This position is supported by Great Lakes Fishery Commission funding provided to Lake Champlain through efforts of Leahy. CREP is an agricultural buffer program that offers incentives to plant grass and/or forested buffers to protect water quality.

The Agency has begun engaging in discussions with the Vermont Center for Geographic Information (VCGI) to work towards advancing our Geographic Information System (GIS) capabilities and organizational structure of GIS data at the Agency. VCGI is a quasi Agency that provides technical assistance to state agencies free of charge and they are very willing and interested in working with us. Several years ago the Agency lost the sole GIS position that helped to provide tech support and organizational data structure within the Agency and since then the use of the program has expanded among employees and the technology has advanced such that we are now behind the times.

The Lake Champlain Basin Program (LCBP) Technical Advisory Committee (TAC) met this week to discuss several projects, one of which was the Best Management Practice (BMP) tracking database developed in New York. Vermont has a very similar dataset that we have kept record of at the Agency of Agriculture since 1996 when the state BMP program began. A highlight of the meeting is the discussion around phosphorus coefficients or metrics used to determine how many pounds of P a particular BMP can achieve. New York and VT have been using the same coefficients developed by a NRCS engineer many years (close to 20 yrs) ago and the results on both sides of the Lake are showing that we have more than exceeded the reductions required from Agriculture in the Lake Champlain TMDL. This of course is probably not the case as we can visibly still find many resource concerns on agricultural operations. Later that day, the EPA gave an overview of the Lake Champlain TMDL process and mentioned the need to quantify BMP P reductions (unfortunately EPA was not able to attend the earlier discussion). This of course is problematic if we believe the coefficients currently in use are not realistic. They may be realistic from what is no longer leaving the farm, but the assumption is that everything that leaves the farm is entering the lake which is not true. Somehow EPA, LCBP, the Agency of Agriculture, NRCS and others need to agree upon what coefficients we are all going to use and to research those which we believe need further investigation. Unfortunately none of this can happen within the timeline of the TMDL. The result is that these inaccurate assumptions could play a strong role in providing reasonable assurances, one of the reasons EPA denied approval of the 2002 TMDL in the first place.

Strategic Watershed Action Plan (SWAT) agreements are required to be signed by the end of this month between partner organizations and the Natural Resource Conservation Service (NRCS). The Agency of Agriculture has agreed to partner on 4 positions, 1 is a current engineering position we already have an agreement with NRCS on, a new limited service position which the Agency is in the process of filing the paperwork to request a new position, and then two cartographic technicians which will be hired through a subgrant with the Vermont Association of Conservation Districts (VACD). The NRCS is providing 75% of the costs of these positions for up to 3 years. All 4 positions will be located in the Lake Champlain watershed and will work on agricultural water quality projects.

Secretary's Commentary:

Secretary Ross undertook the following activities:

NEASDA Summer Meeting at Jay Peak. Lead the discussion on Farm Bill Priorities. Elected President of the NEASDA group for one year term until June 2012. Coordination of group efforts on Farm Bill will be main role of president in next year.

Attended meeting with Lake Champlain Basin Program on the Total Maximum Daily Load (TMDL) lessons learned from the Chesapeake Bay in Burlington. Key staff for the Agency of Ag will be working closely with EPA and DEC on the formulation of the TMDL plan for Vermont.

Attended the Governor's Retreat for Strategic Planning. Pleased with the meeting and that there will be assistance for individual Agencies to develop plans.

FSLI meeting at UVM

Addressed the Specialty Foods Association at their annual meeting in Chittenden, VT. Association is moving Vermont agriculture and food products into the marketplace and the Agency of Agriculture values the Specialty Foods Association as a partner.

Discussed legal needs of the Agency of Agriculture with Bill Griffin from the Attorney Generals office. Legal needs are greater than one FTE can complete. Many issues are complicated and require greater assistance. Will work with Attorney Generals Office to contract with lawyer outside of state government to assist with penalty hearings, review of rules to match with statutes and potentially working on declaratory rulings regarding zoning issues with towns on Ag related exemptions.

Long discussion with Jared Carter of Rural Vermont. Rural Vermont disagrees with the Agency's interpretation of statute on ownership and on-farm slaughter issues. Agency will remain firm in its interpretation due to requirements of Federal Meat Inspection regulations and the potential to lose State Meat Inspection program if not in equal standing to Federal Program. The maintenance of the State Meat inspection program is a great benefit to small scale slaughter and processing businesses to start and grow their businesses with assistance from the State that the Federal Program does not provide.

Executive Privilege

TO: Governor Peter Shumlin
FROM: Deputy Secretary Sue Minter
DATE: Friday, June 10, 2011
SUBJECT: VTrans - Confidential Report to the Governor

Flood Response & Recovery Update

Our Operations Division has been in full gear responding to & recovering from the (ongoing) flood events: rebuilding roads, fixing slides, washouts & ditches. **As of today ALL our state roads that had been closed from flooding are reopened (!)** Many town roads are still closed (although no one keeps a tally of these), and WE are actively assisting towns, when asked. We are today sending help out to Cabot where roads have, once again, been lost after last night's storms. We have heard that some smaller towns (Grand Isle, for example) may be challenged paying for immediate repairs, even knowing that FEMA assistance is likely down the road.

The Lake levels dropped 10 inches this week (to 101.18 ft. as of this am) which has been a huge help for Districts 5 and 8. With lower lake levels the wind/waves are no longer requiring debris clean up activity and our armored roads are holding steady. Work is also taking place along the railroad in various locations. Furthermore, staff in these Districts are finally able to get back to some of their routine maintenance activities, including hot mix patching in critical areas.

I-89 slope failure: Of special note is a section I-89 SB in Milton just north of the Lamoille River bridges between Exits 18 and 17 that has been reduced to 1 lane due to slope failure. The instability is mounting and we are building crossovers to the NB lane so that if the situation deteriorates to an unsafe situation we'll be able to detour traffic. This will result in reducing I-89 NB to one-lane as well, which is likely to cause some additional traffic delays. We are also working on the analysis and design of the slope repairs, which will need to be accomplished this summer. The goal is to have both barrels of the interstate back to two lanes by fall.

Missisquoi Valley Rail Trail - Section closed: District 8 staff closed a portion of the Missisquoi Valley Rail Trail just east of Enosburg Village, around mile marker 17.5, on Wednesday due to safety concerns for the users of the trail. There is currently no timetable for the duration of the rail trail closure, as that will depend on the results of the ongoing engineering analysis. However, we already have contractors lining up to do the work so we anticipate being able to start construction within the next week or two under an emergency contract.

DOC Assistance with Litter Picking: One unfortunate consequence of our maintenance crew being deployed with road rebuilding, repairing, reopening, and cleaning our badly damaged infrastructure, is that we are not able to tend to our regular maintenance duties, including picking litter (about which we have received complaints). We reached out to the Department of Corrections for help and are extremely pleased and grateful that Commissioner Pallito has offered to help. In spite of the contract work they have to honor, they offered to find time that their work crews can litter pick on state highways to help out our maintenance districts. We greatly appreciate this teamwork and support from DOC and expect to see work details out on the highways in District 8 as early as next week.

FEMA Declaration Details: expected soon (possibly today?)

Event dates:

FEMA Public Assistance program: 23 April to 6 June 2011 for non-federal aid

FHWA Emergency Relief program: 23 April to 30 May 2011 for federal aid THs

Public Infrastructure Storm Totals (Estimates):

FEMA = Town Infrastructure (75% fed match; 25% state/local match)

FHWA ER = State Infrastructure (100% Fed)

FEMA (#1 – Lake flooding)	\$ 5mill – this is relatively real figure
FEMA (#2 – Flash Flooding) (very soft)	<u>\$ 3mill</u> –these figures are very preliminary estimates

FHWA ER (#1 - Lake)	\$ 3 mill
FHWA ER (#2 – Flash flood)	<u>\$ 4-5 mill. – soft estimate</u>
TOTAL	<u>\$15- 16 million</u>

Construction Program

VTrans Program Development Division reports that our construction program is in full swing with 71 active or soon- to-be active projects underway. Hitting the ground right now are: 19 paving project, 17 bridge projects and 6 major roadway projects. We are working hard to inform the travelling public of likely inconveniences along their routes and to try, whenever possible, to give a positive report on these needed improvements. Of course, we cannot avoid the frustration of congestion that does occur, especially at rush hour, and ask Vermonters to be patient. We also have initiated our work zone safety campaign this week with new TV and radio ads.

Circ Highway

We are working within VTrans, and with ANR, to evaluate/ consider the potential options for the future of the Circ. We hope to coordinate a “suspension” of the state (401) and federal (ACOE 404) permitting process until a stakeholder process can develop. We will work with your office to be prepared for a 7/14 meeting of various stakeholders to move toward a consensus on a suite of Circ-alternatives to pursue, in lieu of the originally-envisioned project.

NASTO Meeting

Several VTrans staff joined me at the Northeast Association of State Transportation Officials annual meeting this week. While a challenging time to break away from the work ahead, we

found it very helpful to meet/ network with and hear from transportation leaders around the region. Our regional partners share our grave concern around the forthcoming budgeting process in Congress which could reduce our budget by as much as 30%. At the meeting's end, regional transportation leaders were joined by environmental leaders for the Transportation Climate Initiative, which is undertaking several policy initiatives, including a pending DOE grant to plan for an Electric Vehicle network of charging stations.

**Vermont Department of Labor**

Workers' Compensation and Safety Division phone: 802-828-2288
5 Green Mountain Drive fax: 802-828-2195 or
Montpelier, VT 05601-0488 802-828-0408
<http://www.labor.vermont.gov> tdd: 802-828-4203

info electronically is occurring with WC, UI and BISHCA, and Steve Monahan is drafting a new EDI rule for self-insured employers. VOSHA Director is working on the Vermont State Plan Grant, due June 20th

Workforce Development Division:

Work has begun in earnest to overhaul the VDOL veterans' program staff work, which has been falling well-short of expected goals, including a 2 hour meeting this morning with requirements put on the WDD Director to review all job descriptions, revamp lines of supervision and direction, establish clear goals and measurements, restrict OT to approved program work only, address performance problems of two staff, involve the feds in the modification of the grant and the new year plan, and restructure cost allocations to hire another half-time veterans program rep. I believe these measures will set the program on a very different, positive track, and that the Boston and DC staff will support this overhaul and direction. I am advising Bradley Page, who is working in WDC "on exchange" with the Feds, that this arrangement will terminate at the end of this calendar year; letter to be sent next week. He may complain to the congressional delegation (as a heads up), but Vermont is getting no benefit from this arrangement, and our services to Vermont veterans cannot afford this arrangement. Finalizing the grants review process and procedure, heretofore non-existent at VDOL.

Business Closings, Layoffs, Hiring, Other Notes:

Braintree: Royal Butcher Store

Bennington: Cider Mill Restaurant

Barre: VDOL Office continuing work with officials to help dislocated workers from the floods.

Burlington: UVM laying-off staff, but we don't know details or numbers. Dollar Store hiring 25 workers, ultimately keeping 14 permanently. Goodrich Corp is holding a job fair June 11th for manufacturing techs and engineers.

Rutland: Summer Youth Fair on June 17th at Opera House

VDOL hosted National Guard and ESGR meeting to discuss VDOL help and Vermont Job Links.

Other Notes:

VDOL met with Veterans Affairs and Tax Dept on the Vets Tax Credit program and worked on program, details and outstanding issues.

There was some press coverage about CRMI in Newport, who are in arrears on their Vermont taxes and UI taxes. We are in court with them this coming week.

We have a Public Records request from a grievant on the WIA program (Brian Fleisher).

VDOL legal staff is presenting to the VBA on July 14 by webinar.

VDOL has prepared a "Prevailing Wage" definition and chart, which will be utilized in the Veterans Tax Credit program, as well as a measure for other programs requiring a PW standard.

Meetings this week: VDOL regional managers; appearance at professional firefighters of Vermont conference; presentation to business leaders in WRJ and Burlington about VDOL safety programs and workforce development assistance; Labor on misclassification; LCRRC in Burlington.

Upcoming meetings: Lt. Gov. Scott on independent contractors' issue, at his request; Susan Spaulding on WDC appointments; Workforce Development Council Executive Committee; VDOL and Treasurer's office on credit cards; DII on KPMG audit and I-Top; Business Portal meeting with Darwin Thompson; Apprenticeship Council review.



Vermont Department of Labor

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tdd: 802-828-4203

Confidential and Privileged

To: Honorable Governor Peter Shumlin
From: Annie Noonan, VDOL Commissioner
Re: Weekly Report, week ending June 10, 2011

Handwritten initials and a star symbol.

VDOL Budget: We are planning for the eventual transition of Workforce Development staff to - hopefully - the vacancies we have in our Unemployment Division, since have to eliminate in the range of "up to" eleven WDD staff members as a result of loss of federal WIA money. I have approved two Voluntary Reduced Workweek requests, and will report on possible dollar savings. We have been asked to provide our "State of Vermont" perspective to the draft WIA Reauthorization bill, due on Tuesday. We have identified a possible way to draw down another \$25K from federal VOSHA, and WC Division monies are improving which may put us on a better track to reduce the \$500K deficit that had been unaddressed for several years. I am still hoping that the Administration will look at the issue of establishing grant writing positions to assist in research and writing for several departments.

Handwritten arrow pointing to the Unemployment Division section.

Unemployment Division: UI Trust Fund borrowing information remains unchanged at \$77,731,860.63. Our call center handled 188 more claims this week than last. Staffing continues to be a challenge at the claims center, as well as turn-over, for which there are several factors, including high-production=stressful work environment; status of positions as temporary or limited service; morale issues driver by years of heavy-handed management. UI Director Tracy Phillips has done remarkable work in turning around some of the serious morale problems. We are currently in dispute with Dubois and King regarding their STC Plan (short term compensation under UI), which should be noted since they complained (to the Governor) about their business problems. We have been quite liberal in our interpretation of the statutory requirements on STC to assist them over the several years they have been on STC, however, we are committed to some measure of accountability and business plan modification on the part of employers using this program, and they appear resistant to those ideas. We held a meeting this week with Labor on the issue of misclassification, including the following persons: Jeff Potvin, Building Trades, Mike Supernant, BAC, Prarie Wells, BAC, Jeff Wimette, IBEW, Bryan Bouchard, Carpenters, Mike Morelli, Ironworkers, Ron Rabideau, Teamsters, Matt Durocher, Carpenters, Michael Sirotkin, Building Trades attorney. VDOL staff included UI and WC Directors, Commissioner, Deputy Commissioner, 4 WC misclassification auditors and one attorney, and a lead person on the UI Misclassification work. It was a productive meeting, with an agreement that we would meet quarterly for them to ask questions and give us feedback on how they think we are performing with misclassification work. I again advised them that the House bill dealing with "independent contractors" is not going away and that Labor needs to consider what modifications (if any) would be acceptable. Update: we just filled the 4th misclassification investigator position.

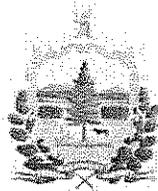
Handwritten initials and a star symbol.

Worker's Comp & Safety Division: Workers Comp staff continues to make progress in their "Business Process Initiative", launching their claims file tracking system. WC staff members have been working to get the insurers to move toward Electronic filing of claims/data; and similar efforts to exchange

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Deborah L. Markowitz
Agency Secretary

Christopher Recchia
Deputy Secretary

**State of Vermont
Agency of Natural Resources**

CONFIDENTIAL and PRIVILEGED

To: Governor Peter Shumlin
From: Deborah Markowitz, Secretary, Agency of Natural Resources
Date: June 10, 2011
Subject: ANR Weekly Report

Status of Governor's Priorities:

Thank you for the Strategic Planning workshop. You did a great job sharing your vision with us and getting us started in an important conversation about how to move Vermont forward. We thought it might be helpful to you if we would, starting with this report, list your priorities and provide specific examples of how we are meeting them each week. For this week, we provide a sentence or two on each about the major program areas we engage in to support your priorities.

1) Brighter Economic Future/Growing Jobs/Quality of Life:

- Vermonters choose to live, work, start a business and raise a family because of our pristine natural environment and easy access to outdoor recreational activities. Everything we do at ANR is critical to this value.
- The outdoor recreational opportunities (including those we provide directly through Forest and Parks and Fish and Wildlife, as well as indirectly through tourism and all of the other related businesses) help fuel Vermont's economy.
- Our environmental assistance and small business assistance programs support job and business growth in Vermont. We work regularly with businesses and industries to help them do what they want in a manner consistent with protecting Vermont's natural environment.

2) Climate Change/Renewable Energy:

- Through the climate cabinet, we are leading the effort to take a comprehensive approach to initiatives that reduce Vermonters' GHG emissions and plan for adapting to changes we are already experiencing as the result of global climate change.
- We continue to work closely with DPS, VTrans, BGS and other agencies on the energy plan and through the Climate Cabinet.

- We are specifically assisting DPS on writing the biomass portion of the Comprehensive Energy Plan, and will be working on the whole CEP throughout the Summer.

3) Infrastructure:

- No new Telecommunications application this week.
- As the recent flooding has pointed out, we have sewage treatment plant challenges to address, and ongoing and looming stormwater infrastructure challenges.
- We are working creatively with other agencies (ACCD, Tax, Vtrans) to try to develop a sustainable financial model to address the wastewater and stormwater challenges.
- We continue to work with GMP on the Lowell Wind project

4) Reducing Recidivism:

- This one will be a little tough for us, but we are sure some of our parks programs and work with the YCCC are helping here. More in later reports as we figure this out.

5) Effective Government:

- Employee morale has skyrocketed in this agency as a result of the team you and I put together here. That has been a big change that has already helped with productivity and generally attitude; Jeb's (and your) constant reiteration of the value we place in our public servants is also much appreciated.
- We are working with DHR to make ANR a model agency when it comes to personnel management.
- We tested the new feature of GoToMeeting which now integrates video into the voice + webinar pieces we've been using across the Agency. It all works well. We bought webcams and more headsets and are encouraging departments to use this cost savings option to travel.
- We are working with our IT staff (and will be hiring an additional staff member) to continue work on our business processes so that we can use information technology to more efficiently and effectively meet our internal needs and to better serve our customers.

6) Healthy Vermonters:

- We met this week with the Department of Health (DOH) and see numerous ways in which our respective work compliments each other's effort to ensure a healthy Vermont. Notably, air waste and water protection programs provide the basis for a healthy citizenry. Our public drinking water supply program is key to this effort. I am going to personally get involved in our No Child Left Inside program (see below)

7) Childrens' Future:

- A key priority of mine is increasing the outdoor activity of children. Coordinating efforts with DOH on this is an excellent fit and we're excited to hear yesterday that DOH tracks childrens' "screen time" as one measure of activity that may be appropriate for your "dashboard" of indicators. We'll be working with DOH to identify healthy outdoor activities that kids can engage in and to make that more of a focus of our environmental and recreational work.

Legislative Issues/Contacts:

- Representative Duncan Kilmartin emailed the State Geologist concerning available rock type, mineral, heavy metal composition and groundwater quality information associated with the Lowell Mountain wind project. He is also requesting information on the geologic and water quality relationship between

Lowell Mtn and the Belvedere Mtn. We are communicating with Judith Dillon, (ANR attorney on the Lowell Docket) on how to best meet the Representative's additional requests.

- A few legislators contacted me about getting jobs for family members/friends. I try to be helpful and refer them to the DHR website

Press Issues/Releases/Contacts:

- **Flooding – Landslide:** The State Geologist was interviewed by the Times Argus and Channel 5 as he assessed landslide damage in Barre.
- **Flooding – Status of Wastewater Treatment Facilities:** Contacted by the Times Argus for an update on the status of wastewater treatment facilities impacted by last week's flooding. We also provided an update to the DOH Commissioner prior to his being interviewed by VPR.
- **Feeding the Bears:** A press release was issued to inform the public that feeding animals can be dangerous. Staff designed an on-line form enabling the public to report bear incidents via the Department's website and also updated the "Living with Bears" informational section on the website; both were active June 6. The form will be helpful in managing Vermont's bear population, and the information section should help the public better understand bears.
- **Catch and Release Fishing:** A press release was issued regarding June fishing opportunities, and announced that June 4-11 is National Fishing & Boating Week. Events during the week include Free Fishing Day on June 11, a fishing festival for youngsters at the Grand Isle fish culture station also on June 11, a "Let's Go Fishing" clinic at Lake St. Catherine State Park in Poultney, and free day use at more than 50 State parks during Vermont Days, June 11-12.
- **Loons, Bears and Wildlife:** Staff gave interviews on Channel 3 regarding the lone loon living on a settling pond at Tafts Corners in Williston and the bear incident in Cabot (both reported in last week's weekly report). Candy Page, Burlington Free Press, submitted a FOIA request regarding documents/correspondence relating to "interaction of the department and the Fish & Wildlife Board with Doug Nelson . . . for the period 2000 through May 2011." Staff are handling the request.

Significant Events/Meetings:

- **Green Mountain Coffee Roasters:** We met on Friday, May 27th with Green Mountain Coffee Roasters to discuss permitting issues with a potential new roasting facility, (location not for public release). Coffee roasting can generate significant amounts of air pollution, primarily organics driven off in the roasting processes that are also a notable source of odors. Particulate matter can also be an issue depending on the design of the coffee handling and processing operations. We will work with GMCR to address these issues so their new facility can be successful.
- **EPA Regulations on Animal Feed Manufacturing Operations:** EPA adopted regulations in January of 2010 that apply to animal feed manufacturing operations. The compliance date for existing facilities is January 2012. The Division recently contacted the four potentially affected facilities in Vermont to determine if they are subject and whether they are on schedule to comply. The four facilities are Kent

Nutrition Group, Inc. in Brandon and Richford (formerly Blue Seal Feeds facilities), Cargill, Inc. in Swanton, and Poulin Grain in Newport. At least three of these facilities will be subject to the new rule and we are still working with the fourth to determine applicability. We are attempting to process the operating permit renewal applications for these facilities to bring them up to date with the new requirements.

SUMMARY OF KEY DEPARTMENT ACTIVITY

Environmental Conservation

- **Petition for VT GHG Rules:** In early May we received a citizen petition from Kids vs Global Warming and two concerned Vermonters requesting that Vermont promulgate rules to regulate greenhouse gas emissions. Similar requests have gone out to states around the country. We are denying the request but plan to meet with the petitioners to discuss.
- **Flood Related Spills:** over the past weekend a large number of fuel oil spill calls related to the flood peaked on Friday and over the holiday weekend - the remediation and documentation work continued through this work week as well. Over 20 spill calls came in with several Division members assisting by conducting research or site visits. The majority were Aboveground Storage Tanks (ASTs) that were either tipped over by moving water, or were floated and lost their contents when basements filled with water. Staff provided technical assistance in the field to first response officials and environmental contractors who were called to provide cleanup services. At least seven of the property owners report they do not have insurance that will cover the costs of petroleum remediation, so the Petroleum Cleanup Fund (PCF) will be used. Others have partial coverage and the PCF will have to be used if the expense exceeds the coverage.
- **Ely Mine Management Review Meeting with EPA, Boston.** DEC staff met in Boston with EPA regarding the proposed plan for remediation of the Ely Copper Mine Superfund site. Cleanup is being driven by the findings of the human health risk assessment (future residential exposure) and ecological risk assessment (severe impact to benthic and fish communities in Ely Brook and Schoolhouse and severe impact to amphibians in ponds 4/5). Public meetings are being planned for the summer, culminating in a response to comments and final decision in September 2011.

Fish and Wildlife

- **Cabral Development/Stowe Land Trust:** Staff spent the better part of two days with staff from the Stowe Land Trust evaluating the latest proposal for conservation of the Cady Hill deer yard in downtown Stowe. The latest proposal, in the 25-year history of this project, has substantial conservation potential. Should the deal materialize, the number of housing units will be decreased by approximately 80% with corresponding undeveloped land held in conservation easement by the Town.
- **Staying Connected:** The layperson's guide to "What is Habitat Connectivity" is being reviewed before distribution to the four-state group for final approval. The Northern Greens Linkage area just learned that the Forest Legacy application for that area was approved. This is huge for Staying Connected's ability to meet its land protection deliverables under the USFWS State Wildlife Grant.

- **Kingdom Community Wind:** Mary Powell and I met with our staffs to discuss the Certificate of Public Good that was issued this week by the PSB, and GMP's extremely aggressive goal of resolving all issues with ANR to submit to the PSB by June 15. It will not be possible for our staff to meet this goal completely (although we will come very close) since there are many different agreements and documents that require attention and only a few staff members to do the work (and unlike GMP employees they cannot be required to work over the holiday weekend), so we are working with GMP to prioritize.
- **Natural Resources Mapping Project:** Staff met to refine the objectives and plan the work of the Natural Resources Mapping Project over the next 18 months. This assessment of conservation priority areas statewide will be organized and managed by Department staff and will include staff from FPR, DEC, and partner organizations.
- **Batten Kill Restoration Opportunities:** Staff and the executive director of the Batten Kill Watershed Alliance met with Dave Perkins (The Orvis Co.) and Nancy McKinnon at their estate on the Batten Kill in Manchester to discuss trout habitat enhancement opportunities there. Perkins/McKinnon have frontage on 2.4 miles of the river. Reforestation of the largely degraded riparian zone and in-stream cover habitat were discussed.

Forest, Parks and Recreation

- **Lowell –Kingdom Community Wind:** Staff is continuing to spend significant time on the mitigation easements for this project. Easements for mitigation parcels 1-3 were revised and comments and questions provided to GMP. Meetings are scheduled for Friday and possibly Monday to discuss with GMP and the landowner. As noted above, GMP's goal is to reach agreement on easement terms in order to submit to the PSB on June 15. As surveys, title information, ownership information and other items have not yet been provided by GMP, this seems unlikely.
- **Recreation Trails Program (RTP) Update :** Here's the Vermont Trails & Greenways Council's newly developed website, unveiled on National Trails Day: <http://www.vermonttrailsandgreenways.org/> We're coordinating efforts to determine the latest trail project priorities needing funding. We expect to receive an updated list of trail priority projects from our district staff on June 24th. Project focus is on major trail reconstruction & trail access area reconstruction work needed.
- **Central Vermont flash flood damage** has been largely repaired with the exception of the road to Owls Head in Groton State Forest, as well as significant damage to the Wells River railroad bed, which is a major recreational corridor through the forest.
- **Vermont Days** are this Weekend, June 11th and June 12th, we are getting a fair amount of press coverage for the event. With the exception of parks affected by the flooding, the parks throughout Vermont are in good condition for the special weekend.
- **Green Infrastructure and Stormwater:** Through our Urban and Community Forestry and Watershed Forestry Programs, and in cooperation with DEC, BGS and AOT, FPR helped to overhaul an existing infiltration gallery for stormwater runoff in the state parking lot at 133 State Street in Montpelier. The revamped project will be completed this Saturday with the help of SOUL (Stewardship of the Urban

Landscape - an FPR environmental leadership program) Tree Stewards and Master Gardeners. This project is an example of state government partners working together for improved water quality.

In partnership with DEC Water Quality, we will be putting the finishing touches on a state strategic plan for a Green Infrastructure Program at a meeting on Monday 6/13. The plan is being developed with the assistance of a the Green Infrastructure Roundtable, a broad array of partners interested in helping achieve the program's mission *to restore the pre-development hydrology of the State's watersheds through the use of green infrastructure practices*. This plan establishes a clear set of goals for the Vermont Green Infrastructure Program, and identifies the tasks and barriers that need to be addressed in order to move forward.

- **Bodenmiller Property:** The Whitingham Selectboard approved the transfer of the 147 acre Bodenmiller property from VELCO to the Fish and Wildlife Department for addition to Atherton Meadows Wildlife Management Area. VELCO purchased this land as mitigation for their power line expansion project which impacted some deer wintering areas in southern Vermont.
- **Ottauquechee Cooperative Invasive Species Management Area:** Cooperative Invasive Species Management Areas (CISMAs) and Cooperative Weed Management Areas (CWMAs) enable people and organizations within a defined area to address managing weeds or invasive species to coordinate control efforts. A core group has formed a steering committee to create the Ottauquechee CISMA in south-central Vermont. FPR is represented on the steering committee, along with The Nature Conservancy of Vermont (TNC), U. S. Army Corps of Engineers(USACoE), Silvio Conte National Wildlife Refuge (USF&WS), Ottauquechee NRC, VT Institute of Natural Science; Marsh-Billings-Rockefeller National Historical Park(MBR) and a natural weed control business (Got Weeds). The group won a \$45,000 "Pulling Weeds" grant from the National Fish and Wildlife Foundation for education, assessments, control treatments, and building capacity starting this summer that includes funds for a part-time coordinator. This summer the OCISMA is sponsoring a number of control and education efforts and building awareness about environmental damage caused by invasive exotics and teaching identification, and how to prevent weed spread. OCISMA also will identify and document invasive species along the main stem of the Ottauquechee by "piggybacking" a specialist onto a stream assessment being conducted by the Two Rivers-Ottauquechee Regional Commission. To date this is Vermont's only CISMA.
- **Strolling of the Heifers in Brattleboro included Forestry!:** Forests, Parks and Recreation took part in the Strolling of the Heifer's first ever "Forestry Exhibit". The Forestry Division sponsored a booth on focusing on Emerald Ash Borer and Asian Longhorned Beetle. Many other forestry related groups were involved including Wim Van Loon's East Mountain Forestry. The parade and associated activities brought a crowd of over 50,000 people to downtown Brattleboro. Thanks to Mr. Van Loon, this was the first year that forestry was involved with this popular event.
- **Flood Damage to State Forest Highways:** We continue to receive information on flood damage to state forest highways, water crossings and trails. Preliminary estimates for road and trail repair statewide are close to \$250,000. The hardest hit districts are District 3 (Essex) which oversees lands on most of Camels Hump State Park and portions of Mt. Mansfield State Forest, and District 5 (Barre). There was significant damage at Victory State Forest and in Groton State Forest. Several popular

recreation trails remain closed on Camels Hump because of trailhead damage or washing of roads that lead to them.

- **Telecommunications - Okemo Mt.:** In order to minimize RF radiation associated with the new telecom facility at Okemo Mt., VELCO is now proposing to use combiners to minimize the number of antennas at this site. They are hopeful that this plan will provide all interested parties space on the tower while retaining additional space and capacity for future co-location at this site by the Dept. of Public Safety. Staff are continuing to meeting regularly with VELCO, Okemo, and VTA to finalize project details. One of the next steps should be to hold a public meeting on this proposal in Mt. Holly/Ludlow as part of the 248(a) regulatory process that VELCO will be going through.
- **Other Telecommunication Projects:** We have developed new draft license agreements with Verizon Wireless at Okemo and Fairpoint Communications at Jay Peak for the installation of buried fiber optic line within the ski area leaseholds and expect to execute these licenses in the near future. While neither project is a wireless communication facility per se, Verizon Wireless' line will serve an existing cell tower on private land at Okemo Mt. and the Fairpoint line will serve the telecom users at the tram building at the summit of Jay Peak.
- **Ski Areas:** The Department is currently reviewing a proposed Act 250 application from Bromley Ski for development of a new gladed ski trail on the mountain, and a proposed Act 250 application from Jay Peak for several ski trail-related improvements and expect to sign off on these applications within the next few days.
- **Land Acquisition:** The Green Mt. Club recently exercised their option to acquire the Smith parcel in Bolton. This parcel is a key component of a proposed reroute of the Long Trail which among other things, involves crossing the Winooski River and a railroad crossing. GMC hopes to purchase this parcel in the near future with the intent to convey the parcel to FPR, subject to a conservation easement and other conditions. We will be closing with the Town of Groton on an exchange of rights-of-way at the intersection of the Boulder Beach Rd. and Rt. 232 once the Town has secured the necessary permits from AOT for the Boulder Beach construction project later this summer. Negotiations are continuing on the Heath parcel (addition to Green River Res. State Park and ROW) and a proposed wildlife mitigation related to the Lowell Wind project regarding an adjacent parcel that includes a portion of this same ROW. We are working with the Trust for Public Land and the Town of West Fairlee to finalize the Brushwood Community Forest project. We expect to close on this Forest Legacy project in late summer or early fall.



State of Vermont...

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

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

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Memo from Commissioner Steve Kimbell

CONFIDENTIAL AND PRIVILEGED – NO SHARING Report to the Governor for Week Ending June 10, 2011

Governor's Priorities

There will be an event on June 22, 2011 in Burlington commemorating the 30th anniversary of the signing of a law establishing Vermont's captive insurance industry. The event is expected to attract significant attendance; both the Governor and the Commissioner are scheduled to attend.

The Commissioner and General Counsel met with Steve Kappel and the Vermont Area Chambers of Commerce regarding Act 48 implementation and related issues.

The Commissioner is working with other implementation teams on various matters, including payment reform.

Evolving Issues

The Department has begun to receive calls from Catamount Health enrollees who last week received letters from their insurance companies announcing coverage rate adjustments. The changes grow out of legislative action taken earlier this year. Callers' concerns relate to mid-contract year rate increases and annual deductible adjustments.

Liberty Mutual, which is self-insured as to its own employees for health coverage, has instructed its plan administrator BC/BS of Massachusetts, to no longer provide claims data to Vermont as required by Vermont law. General Counsel has spoken with BC/BS of Massachusetts and lawyers for Liberty Mutual and the matter is developing.

Outreach

The Commissioner has met with the Vermont Bankers Association and the Vermont Dental Society.

Legislative

General Information

Health Care Administration met with Blueprint staff to discuss the need to improve forecasting capabilities that support both the Blueprint and health care reform efforts. It was agreed that more timely data would be a key contributor to more reliable projections of market behavior.

The Department will be entering into a contract with Steve Kappel to inventory and rationalize Vermont's health care data resources.

MEMORANDUM TO GOV. PETER SHUMLIN

To: Gov. Peter Shumlin
From: GIRO Staff
Date: June 10, 2011
RE: Weekly Constituent Update

Current Issues:

- **Governor Perry's Day of Prayer:** People from civil rights groups have been e-mailing in order to make sure you will not be attending this day of prayer request that has gone out nationally. On the other side, we have gotten almost 100 faxes from people asking Governor Douglas to attend...
- **Flooding:** Continued questions on how to report flood damage and where to obtain resources. Positive response to the announcement of assistance for businesses affected.
- Since the legislative session, constituents are mainly contacting the office in regards to AHS issues.
- **DMV Fees** – Talked with constituent regarding the overlap between new public records legislation and the fees charged by the DMV for motor vehicle records. There is a category of record in Title 23 Sec. 114 called "records not otherwise specified" with a fee of \$6.00 per page. Standard b/w copies via Sec. of State's office are \$0.05 per page. Not sure what the legal distinction is between the two sets of docs, but some clarification would be helpful. The constituent seemed to think such high fees run counter to our commitment to open government.
- GIRO is looking into a **different constituent tracking system**. We are waiting for a quote from iConstituent to see what the cost would be and held a meeting with Michael Clausen. We have also looked at the DCF Tracking system and will look at the Department of Public Service system hopefully today. Our progress with VIC has slowed and we are accepting that it's a bit of an antiquated system that they're developing.
- Received a handful of letters on the negative impacts of **wind energy**.

Intern/Fellow Progress Report:

-Catherine:

- Compiled report of state statistics , statutes and other information regarding genetically modified organisms

- Updated constituent correspondence form on the raw milk issue
- Corresponded with a farmer whose land had been damaged in the recent floods

-Elise:

Thanks to the entire executive staff for this opportunity to work with you. This week I have become acquainted with the office, especially GIRO, and brought myself up to date on energy issues for the Comprehensive Energy Plan (CEP). Areas of focus include:

- The most recent CEP from 1998, and the 2008 draft update;
- Reports from the last energy push in 2007;
- Recommendations and power points from 2011 stakeholder meetings in the areas of transportation, land use, energy supply/renewables, and efficiency;
- Meeting with Ari, Liz Miller, and Ed Delhagen to discuss my role in the CEP process and first steps:
 - I will make recommendations for how the CEP should be rolled out and communicated to Vermonters in the fall, from a policy perspective;
 - I will begin by cataloging constituent comments to identify key issues for the public.

I also took part in the Governor's Housing Summit on Tuesday, working with Aly as a representative from the executive office.

APPOINTMENT:

APPOINTED: Laura Harris, Williston – student at Champlain Valley Union High School – to the Board of Education

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

**CONFIDENTIAL AND PRIVILEGED: NO SHARING
MEMORANDUM**

TO: Governor Peter Shumlin
CC: State Board of Education
FROM: Armando Vilaseca, Commissioner
DATE: June 10, 2011

Governor's Retreat: Thank you for Wednesday's retreat. It was a productive day and there were many rich discussions. I thought it was a valuable experience and I especially appreciated learning more about how connected all of the different agencies/departments are related to education. I look forward to our continued work together. I will be sharing some of the initiatives discussed at the retreat with the State Board of Education when we meet later this month.

CCSSO's Rural Chiefs Conference: Thursday and Friday of this week I will be in Montana, attending the CCSSO's Rural Chiefs Conference. We will be identifying concrete needs, as well as having an open discussion with the U.S. Department of Education and the U.S. Department of Agriculture on collaborating on assessment for financial advantage and planning our next steps.

Foundations for Early Learning (FEL): The Foundations for Early Learning's (FEL) Pyramid Model is a tiered framework that promotes improvement in early literacy and social and emotional supports for children 0-5. This work is the result of a five year federal grant and a partnership with the Agency of Human Services and others to reach early childhood caretakers and educators across the State of Vermont. **This week**, the FEL state leadership team met to review progress toward its goals for building capacity, expertise and effectiveness of Vermont's early childhood workforce and ultimately systems and program-wide sustainability. Impressively, FEL has trained over 120 trainers, consultants and coaches through a Train-the-Trainer model who in-turn have reached over 2,000 early childhood providers. They also recommitted to continue FEL and developed next steps toward sustainability.

The state leadership team agreed that FEL is an excellent framework to consider for the new RTT Early Learning grant opportunity based on interagency teaming (DOE and AHS) and the broad platform that supports multiple state early childhood initiatives.

Request for Proposals: The VT Department of Education is pleased to announce a Request for Proposals for Vermont Secondary Schools for the 21st Century: Innovative Practices. ***This will not be announced until next week.*** The grant will cover work-focused development of sustainable models in two priority policy areas. The first policy area is in moving toward proficiency-based graduation decisions, the second is in developing flexible pathways for all students, via offerings different means for students to meet school/state graduation requirements, oftentimes through applied or work-based learning opportunities. Grant funding is available as of August 1, 2011 for the 2011-2012 school year.

Recipients of the grant will be inducted into the New England Secondary School Consortium's "League of Innovative Schools." The League of Innovative Schools was founded on the belief that professional integrity, authentic collaboration, and self-accountability can motivate, sustain, and enhance school improvement. There are numerous benefits and expectations of schools that are in the League. For more information go to: <http://www.newenglandssc.org/league>

Weekly Field Memo: In case you did not see it, here is the link and list of subjects covered in this week's Weekly Field Memo.

http://education.vermont.gov/new/html/dept/field_memo.html#first

Privileged and Confidential
Memorandum

To: Peter E. Shumlin, Governor
From: Douglas A. Racine, Secretary of Human Services
Re: AHS Weekly Report
Date: June 10, 2011

Vermont Department of Health (VDH)

Status of Governor's Priorities

Strategic Prevention Enhancement Grant Proposal. The Department of Health submitted a one year Strategic Prevention Enhancement grant proposal to the Substance Abuse and Mental Health Services Administration (SAMHSA) on June 2nd. The purpose of the grant is to support and extend strategic planning in the area of substance abuse prevention and augment the CDC infrastructure grant currently being implemented. The main products of this grant will be a five year strategic plan for prevention services.

Press Issues/Contacts

Measles. Fox 44 interviewed Susan Schoenfeld, deputy state epidemiologist, on June 8th for a story on the first measles case in Vermont since 2001. The Health Department issued a press release that advised health care providers statewide of a laboratory-confirmed case of measles, identified in an unvaccinated individual from Southeastern Vermont. WCAX reporter Kristen Carlson interviewed Health Commissioner Chen on June 9th at 6:00 p.m. live in their studio to discuss how important it is to continually raise awareness about the importance of getting your child immunized against vaccine-preventable diseases.

Arsenic In Drinking Water. State Toxicologist Bill Bress spoke with Terri Hallenbach, Burlington Free Press, for a story about arsenic in well water, how common is it, and how many test kits have been requested so that people can test their well water. In 2009, 572 arsenic water samples were submitted, and 18 were at or above the 'Maximum Contaminant Level' (3.15%). In 2010, 549 arsenics submitted, 15 at or above the MCL (2.73%).

Flood Health Hazards. Health Commissioner Chen interviewed with Vermont Public Radio for a Vermont Edition story that aired on June 7th about how Vermonters can avoid health hazards related to floods. VPR also posted information on their website of where people impacted by flooding could go for mental health counseling assistance. On June 3rd the Health Department issued a press release on behalf of Washington County Mental Health, who provides the service.

Evolving Issues

Anticipated Amendments To Regulated Drug List. Pursuant to 18 V.S.A. § 4202, the Board of Health is responsible for determining what substances will be placed on the State Regulated

Drug List. The Board met in May and considered whether to add three new substances: (1) synthetic cannabinoids, including Hu210, known by the street names Spice and K2; (2) Salvia Divinorum; and (3) MPDV, which is a dangerous substance marketed as “bath salts”. Before the Board of Health updates the rule, it must consult with the Boards of Medical Practice and Pharmacy. The Board of Medical Practice approved a resolution at its June 1st meeting to support the addition of the substances to the rule. Following a response from the Board of Pharmacy, the Board of Health will reconvene and it is anticipated it will pursue rulemaking to add these substances to the regulated drugs list.

Department of Mental Health (DMH)

Governor’s Priorities

Commissioner Oliver met with the Brattleboro Retreat to discuss options for reimbursement if the Retreat develops VSH replacement capacity. The question is how to get around the Institute for Mental Disease (IMD) Medicaid exclusion. It appears there are several options that require further exploration – develop a hospital within a hospital, utilize the current Global Commitment flexibility or apply for an IMD Demonstration Grant (pursuant to the Affordable Care Act). DMH and DVHA will consider these options internally first. The Retreat also inquired as to what capital funds may be available to them. Christine advised that there may be some planning dollars available but construction funds are not likely. She does not believe this will stop the Retreat from moving forward with this project.

Congressional Contact

Kathryn Toomajian, Senior Health Policy Advisor to Senator Leahy contacted DMH’s Children’s Unit to schedule time to discuss the Vermont Child Trauma Collaborative. Senator Leahy has been instrumental in helping fund the National Child Traumatic Stress Network since its inception and he is very interested in how our project in Vermont is moving along. They are hoping to meet next week.

Media Contact

Nancy Remsen of the Burlington Free Press scheduled time next week with Commissioner Oliver to discuss plans for the replacement of the Vermont State Hospital and the status of recertification efforts.

Department of Disabilities, Aging and Independent Living (DAIL)

Status of Governor’s Priorities

Transparency and Accountability. Christine Hunt from Peacham called to say "Thank you". She deeply appreciates the State and BISHCA for watching out for people and the regulations to protect them. She stated the issue with Sovereign School has not been pleasant, but has worked out and she appreciates the State's help.

Press Issues

The corrective action plan to address problems at Adult Protective Services continued to attract attention. Commissioner Wehry participated in a televised interview with Jennifer Reding of WCAX. She used the opportunity to stress importance of recognizing abuse, neglect and exploitation. Her message otherwise was essentially the same as last week: the crisis had been building for some time; the incoming administration was well-briefed on the issues prior to taking office and had already initiated a plan to identify retired investigators to jumpstart a process for working through a backlog of uninvestigated cases. She identified it as her top priority upon assuming her position in early January and was grateful that the resources (staffing) she needed were made available to her; the process for arriving at the plan had been a collaborative plan. She offered that what she thought was most significant were the monitoring mechanisms put in place to prevent a similar situation from occurring in the future.

Evolving issues

Tracy Gilman continues advocating for her son, William Bennett. She reversed her decision to sign the agreement acknowledging her son's problematic sexual behavior because of limits placed on duration of visits. The treatment team is negotiating with her. The Human Service Board has advised her it does not have jurisdiction and will not allow her appeal to go forward.

Erin Young of AFSCME has been trying to get a list of independent home providers from DAIL. (She started in the Governor's office). It was explained they do not work for DAIL (they work directly for the consumer or surrogate) and DAIL does not have such a list. In the spirit of responsiveness, DAIL staff ran interference for her with ARIS, the fiscal intermediary for these providers, and they agreed to do for her what they do for DAIL when we wish to contact the providers: they will send out a self-addressed stamped envelope for her so these independent providers can contact her if they wish. She responded that other states just send her a list. Commissioner Wehry advised her that ARIS was under no obligation to do so but that she could certainly contact them directly if she wished.

Department of Corrections (DOC)

Significant Events/Meetings

Meeting of Vermont's State's Attorneys. Commissioner Pallito and Deputy Commissioner Menard presented to the annual meeting of the State's Attorneys on June 9th. The topics included sentencing options and focus on the under utilization of Home Confinement, Home Detention.

Corrections Oversight Committee. On June 13th, the COC will have its first meeting of the year. Most of the agenda is to educate new members and set a course for the Committee. Commissioner Pallito and Deputy Commissioner Menard will spend about one hour giving an overview of DOC.

Fall Conference on Reentry. US Attorney, District of Vermont, Tristram Coffin contacted Commissioner Pallito this week to discuss the possibility of hosting a conference on reentry, sometime this fall. The US Attorney's Office hosts a conference every fall in the State House. Potential presenters at this conference are members of the US Department of Justice and the US Attorney's Office, including possibly the US Attorney General. This topic was selected due to Vermont's leadership nationally on reentry.

Conference On Recidivism. Commissioner Pallito has been invited to attend a one day conference in July in Washington DC to discuss the planning of a national forum in the fall on state efforts to reduce recidivism. This conference is being hosted by the Council of State Governments – Justice Center with support provided by the Bureau of Justice Assistance and the Pew Charitable Trusts. Vermont has been selected due to our focus on recidivism as a priority.

Other

Work Crew at Northwest State Correctional Facility. On June 8th some women offenders started a work crew just outside the perimeter of the Northwest State Correctional Facility. Starting next week we will start a pilot program for the women to go out on work crew assisting the Agency of Transportation with road and highway clean up projects. This is the model that will follow to Chittenden after the switch.



Population. The Department saw an increase of 23 inmates over the weekend, but by Tuesday the population was up only four from the preceding Friday. The detention population has

decreased since last week's high of 355 to 334 on June 8th. The Department is currently supervising 11 individuals on Home Confinement status and no individuals are currently being supervised on Home Detention.

Offender Daniel Adams. As reported in last week's report – the DOC is working on the release of sex offender Daniel Adams. The Probation and Parole Officer was on his way to work when he noticed that someone had spray painted WATCH OUT KIDS SEX OFFENDER LIVES HEAR (was spelled hear) on the garage door at the proposed residence of Daniel Adams.

Department for Children and Families (DCF)

Significant Events/Meetings

Helping Overcome Poverty's Effects (HOPE) Grant. Complaints regarding HOPE of Addison County are beginning to come into DCF. HOPE was awarded a grant last year to provide ARRA funded homelessness services to their community. The RFP process was controversial, with some Addison community members claiming the funds were granted to HOPE due to their close connection with the Douglas Administration. Everywhere else in the state, community partners came together and collaborated on proposals to spend the ARRA funds on housing related projects, except in Addison County. A decision was made to grant funds to two organizations because the community could not decide. The organizations granted funds were the John Graham Emergency Shelter and HOPE. AHS decided to grant the RFP to HOPE but since that time, there has been a growing chorus of concerns by other community partners who claim HOPE is difficult to work with and slow on making cash payments for the work they have agreed to do.

DCF is working with programs throughout the state to renew the homelessness services through another RFP process to spend the \$1.7 million in the FY 2012 budget that was appropriated to replace the ARRA funds which have expired. We have agreed to renew the various housing projects through the state that were funded last year that are aimed at helping to reduce homelessness, for an interim three to six month period, while we work with community partners to flesh out the details of a renewed effort to combat homelessness. Our hope is to incorporate some of the best ideas that were generated from the Housing Summit, including state funded subsidy vouchers.

Addison County community organizations including the John Graham Emergency Shelter and the Champlain Valley Office of Economic Opportunity and Representative Michael Fisher (while not taking sides) have indicated that they question the wisdom of continuing funds for HOPE given what they characterize as poor performance. We are reviewing the situation to be fair, but even if we do find that HOPE has not performed well, we may need to work with them for a short period while we complete a new RFP process.

IV-E Foster Care Program Audit. Federal Children's Bureau is on site this week, conducting an audit of the IV-E foster care program in the Family Services Division (FSD). The period under review is 4/1/10 to 9/30/10. They are examining accuracy of the eligibility determination - which among other things, requires FSD to determine if the family would have been eligible for the

ANFC program in 1996. Also, they are examining the accuracy of claims. This includes looking at whether the child was living in a properly licensed setting.

This is an 80 case audit, called a primary audit and FSD is allowed four error cases. We will be required to pay back any claims improperly made. If we exceed the four case error threshold, we will be required to enter into a period of program improvement, followed by a secondary audit of 150 cases approximately two years in the future.

If upon the second audit we exceed the acceptable error rate, the liability to the state is the error rate times the entire IV-E earnings which, for the December and March quarter, were \$8,784,540. During this period there were also earnings of IV-E ARRA in the amount of \$532,832. The potential loss of earnings would be \$9,317,372 times the error rate. If, for example, the error rate was 5%, the loss in earnings would be \$465,869.

The exit conference will be held on June 9th in the afternoon. At that time, we may or may not know if we passed the audit. If we are not told, this will likely be because there is missing documentation which we will be given the opportunity to supply.

Department of Vermont Health Access (DVHA)

Media Calls - Health Information Exchange. Thatcher Moates from the Vermont Press Bureau spoke with Hunt Blair, Director of the Division of Health Care Reform, on Wednesday to gather some background on a story he has been assigned on the Health Information Exchange (HIE) consent policy.

Hunt provided him with Health Information Technology/Health Information Exchange 101 and by the end of the conversation, Thatcher agreed that there was no breaking news related to HIE consent policy, but he may do a story anyway on HIE in general. Hunt directed him to the state HIT plan for additional info.

This is probably not entirely a random coincidence, as we do have a Privacy & Security Work Group that is considering changes to the consent policy. No firm decisions have been made, but Paul Harrington from VMS has made it clear that he does not support making changes to the policy.

Managing Mental Health Medication. Nancy Hogue, Pharmacy Director, received a call from a reporter from the Oregonian on Wednesday to find out how Vermont manages its mental health medication for Medicaid beneficiaries and to determine if the process saves Vermont money. Currently Oregon does not manage their mental health medications and they are looking at a model like Vermont's.

Evolving Issues

Springfield Hospital Lawsuit. The State is being sued by Springfield Hospital related to the implementation of a new methodology for calculating Disproportionate Share Hospital (DSH) payments that was implemented by DVHA for federal fiscal year 2010 (October 2009 –

September, 2010). In April, 2010 the Court granted most of the state's motions to dismiss, leaving only one count which alleges a violation of Vermont's Administrative Procedures Act and our Medicaid Rules (i.e., that we did not follow the correct procedures for creating the Medicaid State Plan Amendment to implement this new methodology), and has limited the available relief in the event Springfield prevails to a declaration that the new method is improper and an injunction requiring future payments, but not past payments, be made under the old method. In addition, with the dismissal of the other claims filed by Springfield Hospital, there is no basis for an award of attorney's fees if the state should lose the case (which is unlikely). This week, the Court scheduled an oral argument on the State's motion for summary judgment on June 27th at 1:00 p.m. at the U.S. District Court in Rutland. Springfield Hospital has also filed a motion for summary judgment. At the hearing, lawyers for both parties will present arguments on the summary judgment motions. After the hearing, the Court will take the matter under advisement and ultimately we will receive a written decision.

Kids RehabGYM. Over the past two years DVHA has had a number of different issues with the Kids RehabGYM, a physical and occupational therapy provider in Chittenden County. The issues include incorrect billing, failure to follow prior authorization requirements, providing services when not medically necessary, lack of coordination with other therapy providers, and inappropriate billing of beneficiaries when Medicaid is the secondary payer. DVHA staff has worked intensively with the Kids RehabGYM staff over the past two years to try to correct these practices; however, these issues continue to arise.

This week DVHA received an e-mail message from Sharon Gutwin, Owner of Kids RehabGYM, indicating that all existing staff have left Kids RehabGYM and blaming this loss on the stress and discouragement from working with Medicaid, and low reimbursement rates. She asked for an emergency meeting with DVHA, indicating that she would dis-enroll as a Medicaid provider on July 1st if her concerns are not resolved. We are not sure what percentage Medicaid represents of their total reimbursement but we do know that they also receive commercial insurance payments; we also are not confident that this provider will come into compliance with DVHA clinical and billing requirements. As such, we do not believe that the total staff departure from Kids RehabGYM is the fault of Medicaid and are not going to agree to the request for an emergency meeting with Ms. Gutwin. There are other providers in Chittenden County that can provide similar services (but they do not have a gym environment). Based on previous behavior, Ms. Gutwin may go to the press.

Memorandum

Vermont Department of Public Service

Privileged and Confidential

To: Hon. Peter Shumlin, Governor & Beth Robinson, Governor's Counsel
From: Elizabeth H. Miller, Commissioner
Subject: Weekly Report
Date: June 10, 2011

- 19 people
Barre
Aud.
- VT Council
→ 160 approved by
many

A really short and not thorough job this week – but I wanted the weekly division report to come over even if my summary is very poor – better next week, I pledge. Liz

Summary:

CEDF: We need to appoint a board by June 24th. I have 3 picks; Rep. Klein and Lyons each have two picks. Seven total. Here is the proposed roster, with the caveat that we are still checking on willingness to serve; I have appointing name in parenthesis, but we have spoken individually and basically agreed on the names collectively:

- Gaye Symington (klein)
- Patty Richards (klein)
- Rich Weston (lyons)
- Andy Raubvogel (if not, Paul Hines) (lyons)
- Jo Bradley (or, if not, Dave Lane) – VEDA (me)
- Sam Swanson (me)
- Ellen Kahler (me)

We have other names should any of the above not work out. Please let me know as soon as possible if you have insight or concerns regarding the three appointees that are “mine.” We expect the new Board to engage in strategic planning for the first year of appointment, under the provisions of the recently-enacted Energy Bill.

Press Issues/Releases/Contacts

Relatively quiet press week. A few inquiries re: Entergy and Burlington Telecom but nothing unusual.

Significant Meetings/Events:

Springfield meeting re: Comprehensive Energy Plan; Enel Energy meeting re: wind project; Fairpoint meeting regarding general issues

Summary of Key Department Activity, By Division:

Public Advocacy and Consumer Affairs:

Vermont Gas Systems System Expansion Fund — Docket 7712. The Board, after issuing a second Order authorizing the continued existence of the Fund on an interim basis, scheduled a technical hearing for June 14 on the MOU submitted by the parties. This week, the Board issued a brief memorandum advising the parties that the main focus of the hearing will be to explore what the Board deems to be a significant departure from traditional rate-making principles embodied in the MOU. Department staff is preparing for the hearing and coordinating with VGS.

Burke Mountain Resort Group Net Metering System — CPG1187 — This group was granted a group net metering CPG in March 2011. Despite the issue having been raised by the applicant and Lyndonville Electric Company prior to issuance, the Board's Order accompanying the CPG did not adequately address the issue of what rate(s) were applicable. LED filed a Motion for Clarification and requested a workshop, which was held on May 11 and attended by the Department. At the workshop's conclusion, the Board requested proposals from LED and Burke, and they submitted a joint proposal on May 26, which the Department reviewed. This week, the Department filed a letter with the Board stating that we had no comments on the proposal, but we did note that the proposal seemed to be consistent with the Board's recent interpretation of its net metering rules in a somewhat related situation presented with respect to a group of CVPS net metering customers.

Swanton Village Electric General Terms and Conditions Tariff—No. 8220 — Swanton filed with the Board and the Department a general terms and conditions tariff which contained a provision requiring customers to execute and return repayment agreements. The Consumer Affairs Division feels very strongly that this is an unnecessary burden to place on consumers and that it gives the utility no more protection than it already has under Board rules. Unable to persuade Swanton to delete the provision, the Department and Swanton each briefed its position to the Board. While awaiting the Board's ruling, a second municipal utility—Johnson Electric—filed a like provision and the Board requested an informal conference with the Department and counsel for the utilities. As a result of this discussion and in order to obtain immediate Board approval of the undisputed provisions of its tariff, Johnson agreed to delete the disputed provision temporarily. A Board workshop, scheduled for June 8, had to be rescheduled for June 14; the Board has advised that they want further clarification on this issue as they are unwilling to decide it based upon the parties' written submissions.

Joint Petition of VELCO and Lyndonville Electric Dept.—Construction of substation in Lyndon, Vermont. Docket 7562 — The Board granted a CPG for this project in June 2010. The substation was commissioned in December 2010. The CPG was conditioned upon the performance of an as-built visual assessment with regard to any necessary aesthetic mitigation. The site visit to perform this assessment was scheduled for Friday, May 27, but cancelled due to

the flood. It took place on June 9 and was attended by a Department representative, together with our aesthetics consultant. Our consultant deemed the mitigation to be appropriate and as anticipated, and we will jointly, with VELCO and LED, report these findings to the Board.

Petition of Green Mountain Power for Authorization to Purchase Electricity from NextEra Energy Seabrook—No Docket – The petition was filed this week and the Department is beginning its review.

Washington Electric Coop Rate Case – Docket 7691 – The parties made good progress at their last meeting, including discussion of specific issues and the possibility of a bottom-line settlement. On 6/7 WEC sent an offer that is significantly better than its previous one. DPS and its consultant are reviewing the offer and will respond ASAP.

VELCO Shunt Reactor Project – Docket 7730 – VELCO proposes to install new shunt reactors at two substations (Coolidge and New Haven), and move an existing reactor from New Haven to Vernon. These reactors control voltage on the system, and will be placed entirely within existing substations. There are no engineering issues; the only potential issue appears to be noise. DPS is retaining a noise expert to review VELCO's studies and make a recommendation. Site visits and public hearings for each site were held June 7, 8, and 9. DPS will serve a second set of discovery on July 8, with a stipulation expected by early August.

Catamount/Bolton Water Rate Case – Docket 7722 – This water company (Bolton Water) sought a 269% rate increase to pay for development of a new source, as required by EPA. Financing is from the State Drinking Water Revolving Fund, administered by VEDA. After investigation and settlement discussions, the parties have agreed in principle to reduce the request to 220%, to be implemented in two phases. A stipulation is expected to be filed on Friday June 9.

CVPS Smart Power – Docket 7612 – On 6/10 DPS will file comments on the Proposal for Decision, a draft of which was filed by CVPS on 6/3/11.

VOIP – Generic Docket 7316 – Verizon Access and The Von Coalition filed a motion to amend their intervention motion to limit their intervention to the filing of briefs on procedural and substantive issues before the Board on Phase II of the docket. Presumably they waive the right to file testimony or participate in hearings. The DPS does not oppose the limited intervention proposed by Verizon Access. It is anticipated that the Independents will oppose intervention by the Von Coalition. In a letter dated 6/7, the Independents indicated their intent to respond to the amended motion by 6/22 rather than by the original deadline of 6/10.

248a Petition for CPG by AT&T for a tower at Weston, Vermont – Docket 7729 – In an order dated 6/6 the Board issued a CPG for this project. Adjoining landowners had moved to intervene through counsel and in the Order the Board granted the intervention, but declined to investigate the issue on which intervention had been granted (aesthetics) because the intervenors had neither filed testimony, nor requested a hearing. Given that the Board's procedure does not address a procedure to be followed pending a decision on a motion to intervene, this ruling appears somewhat draconian. The Board has granted intervention under similar circumstances before in

248a proceedings, but not when a party has been represented by counsel. The Board could clarify this issue simply by amending its procedural order. It remains to be seen whether the intervenors will ask for reconsideration or appeal of this ruling.

Section 248a DPS Internal Review – No Docket – DPS will meet next week with retained aesthetics experts (Buscher and Vissering) to determine whether a streamlined paper review of 248a petitions for the aesthetics criteria could be conducted for each project at a modest cost.

Appeal of Vermont Yankee License Renewal – No Docket – Department and the New England Coalition (“NEC”) are preparing motions for summary dismissal, to be filed by 6/20. In addition, Department will file various documents required by order and court rules by 6/20. Entergy Nuclear Operations, Inc. and Entergy Nuclear Vermont Yankee, LLC have filed petitions to intervene, and parties have stipulated to consolidate this petition with that of NEC.

Kingdom Community Wind – Docket 7628 – Petitioners filed voluminous post-CPG documents on 6/6. Staff is reviewing information to insure compliance with CPG. It seems probably that one or more intervenors will challenge some of these filings as constituting “substantive changes” requiring additional hearings.

Planning and Energy Resources:

Comprehensive Energy Plan:

- Recent data release and update by EIA is currently being worked into Chapter II of the CEP (Energy Supply & Demand)
- Reviewed requirements for the 20 Year Electric Plan and coordinated their inclusion in the reworked draft outline for the Comprehensive Energy Plan.
- Staff met with Gaye Symington of High Meadows Fund to discuss her ideas and progress toward a “Seamless Path” approach to residential energy efficiency retrofit programs. This was a follow up meeting to last month’s conference on the subject
- Staff worked with Optimal Energy and Synapse Energy Economics to refine work scope related to modeling for both the Energy Plan and the Economic Impact of Energy Efficiency Activities.
- Continued to coordinate development of biomass and ag energy stakeholder working groups to generate input for the CEP; set meetings for both on June 14th (biofuels in the morning, biomass wood in the afternoon); assisted with agenda development
- Drafted outline for biomass & biofuels related sub-sections of the CEP
- Met with Commissioner and staff from Governor’s Office regarding Kennedy School Intern
- Reviewed ANR Carbon reports related to CEP and Climate Cabinet
- Collected and filed public comments
- The new CEP website is being polished up for release.
- Drafted adjustments to the Transportation and Land Use section of the introductory slide show that Comm. Miller is using for public forums like the VECAN meetings. Conferred with Vtrans and ACCD on changes.

- Beginning conversation with ACCD Comm. Mackay on what CEP topics and documents her staff would need to review.
- Collected comments from DPS staff pertaining to VTran's draft Outline and Strategies and forwarded them to Vtrans

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

- DPS has received notification on LCAR's objection to the ICC copyright language in our Residential energy code. The Department must now file a response to this objection and has the option to either withdraw this language and resubmit the rule to LCAR or go forward with the rule as is. We plan to go forward with this rule as is and keep the copyright language as required by ICC. LCAR will then decide whether to withdraw or modify its objection (which we don't anticipate happening) and then Department can move forward with adoption (even if LCAR decides not to withdraw their objection) of the final rule.
- Due to a legislative amendment in H.56 the codes will not become effective until three months after final adoption and "shall apply to construction commenced on and after the date they become effective." Final adoption will occur when we file a final rule to the Secretary of State's office and LCAR. We anticipate this to occur within the next couple of weeks,
- Navigant has signed and returned the contract amendment. Discussing the options for overcoming difficulties annotating 2005 CBES due to a lack of availability of a Word version and added complexity and volume over RBES.

From Navigant "First, there is no existing Word document with the 2005 CBES to use as a starting point. While this was also the case with RBES, the RBES document was able to be "re-created" in a Word format, as it is half the length in terms of pages as CBES (the commercial chapter of CBES is 40 pages while RBES is 17 pages). Re-creating the Word version of the 2005 CBES is a significantly time-intensive task that is not recommended. Second, throughout the process we have compared the 2011 CBES relative to the 2005 CBES using spreadsheets, and these spreadsheets can be readily expanded to include all changes between the two documents. This is the recommended option."

ARRA Funding/Programs:

- Created and presented financial reports of ARRA to the CED Board.
- Grant Monitoring Plan
 - Completed "Draft" Invoice Approval Process Document, Standard Interim Invoice Approval Checklist, Standard Final Invoice Approval Checklist and Davis-Bacon Review Process and distributed to ARRA Team for review and comment.
 - Continued review/editing of existing "Draft" Risk Assessment Processes and Logs
 - ARRA Team met to discuss drafted documents.

Energy Efficiency and Conservation Grant Program (EECBG):

- Staff developed the Vermont Energy Code Compliance RFP for internal review and anticipates posting the RFP next week.

- Final Invoices totaling \$131,571 were approved for retrofit projects completed at the Town of Randolph (\$27,258), Town of Corinth (\$50,000), Mount Mansfield School District (\$50,000), and the Town of Fayston (\$4,313.33).
- A \$25,996.50 invoice was approved for retrofit work at the Town of Waitsfield. The Town's grant term ends August 31st and their project is 80% complete.
- Staff administering half of the EECBG-Muni program contacted grantees requesting final invoices and close-out documentation for projects whose grant terms end June 30th, or who have reported their projects are 100% complete. Of this portion, all 22 projects with June 30th end dates will be completed on time. The advance work by staff has resulted in \$1.1 million in invoices being received, reviewed, processed and/or paid over the past 6 weeks, with another \$147,000 expected by June 10th.
- The retrofit project at Shrewsbury Mountain School is 90% complete, but air-quality problems connected with the installation of insulation prevents further work from being performed until students and faculty leave the building at the end of the school year. A grant extension for this project until July or August 2011 is a probability, but more will be know after the school board meets on June 14th.
- Troy Elementary School completed and were paid \$50,000 for their project to replace 255 metal halide and mercury vapor lamps and fixtures with HPT8 and LED fixtures. All classrooms, the front walkway, gymnasium, and hallways all received upgrades. Principal Chris Young reported, "Most exciting is that the lighting upgrades have created more opportunities for discussions about how our school can continue to make progress in becoming more energy efficient." The school will save \$3,300 per year in electricity costs.
- Town of Peacham was paid their full award of \$22,422 for the completion of their project to replace lighting and weatherize their Town Hall (circa 1832) and the Town Garage. The Town Hall furnace was replaced and is burning waste oil collected from local individuals. In the Town Hall additional energy and structural improvements are being addressed now, as a result of the envelop tightening. Selectboard Member Tim McKay reported, "The whole project has been highly visible and we feel sure that some citizens have gone home and improved their own homes' energy efficiency as a result."
- We paid about \$2,405 for a Regional Planning Commission grantee.
- We paid \$12,941 to the City of St Albans for their study to determine the feasibility of constructing a combined heat and power plant at a current FONDA site.

State Energy Program (SEP):

- Approved two ARRA loans:
 - Energy efficient greenhouse project at Long Wind Farm (tomatoes) -\$308K
 - Support for SBE electronics for moving their capacitor manufacturing to their new building - \$750K loan, \$499K of which is ARRA funds.
- Approved/processed invoices for the RE incentive program of ~\$196,500
- Paid invoice to Unified School District #37 – Miller's Run School for parking lot lights project (\$17,010.00)
- Paid invoice to East Haven School District for parking lot lights project (\$5,338.60)
- Approved invoice for \$4,635.75 for Notch PSI project in Richford, VT for incorporation of energy efficiency and recovery measures. Project is approx. 80% complete.

- We paid \$200,433 to the state Buildings and Grounds Department toward installation expenses for the geothermal system at the new Bennington state offices.
- We paid about \$2,718 for the VT Sustainable Jobs Fund Energy Atlas work

Clean Energy Development Fund:

- Held the monthly CED Board meeting.
- Approved a loan (\$81,000) to Kingsbury Hydro for repairs and small improvements to the existing Kingsbury hydroelectric facility in N. Montpelier.
- We paid \$3,000 to the Town of Woodstock for their grant to look into the possibility of installing solar PV at one of two sites to offset municipal electricity costs. The grant closed and the town appreciates having the information at hand for the time when it is able to implement the project.

Energy Efficiency Utility Activities

Demand Resources Plan (DRP) Proceeding:

- Staff met with VEIC concerning revision of their Non-Resource Acquisition budgets following decision of the PSB to keep the responsibility for Forward Capacity Market evaluation activities within the role of the Department.
- The Department filed with the Board a supplement to its May 27 recommendation regarding geotargeting that recommended a specified threshold of statewide efficiency programs (90% of recommended budgets) versus geographically targeted efficiency programs (reserving 10% of recommended budgets for geotargeting). If incremental funding necessary for GT areas is higher based on VSPC recommended areas, the PSB will determine where additional funds will come from.
- All stakeholders jointly requested an extension for reply comments to EEC funded budget recommendations from June 10 to June 17. The PSB approved the extension.

Evaluation:

- Business Sector Market Assessment
 - Staff met with consultants from Navigant to refine the method for evaluating energy efficiency “missed opportunities and remaining potential” in Vermont’s business sector resulting in a re-design of on-site survey forms and energy code compliance methodology. Navigant and it’s sub contractors begin on-site energy efficiency baseline data collection in the Burlington area next week.
- Residential Sector Market Assessment
 - Staff monitored phone surveys for the existing home owner energy efficiency market and met with consultants from NMR to refine the instrument.
- Northeast Energy Efficiency Partnerships
 - Staff reviewed the final scope of work for two projects – moving forward with a regional efficiency reporting database, and a study of the costs of emerging technologies. Staff approved funding from the Department Efficiency Charge funded evaluation budget for these two tasks (totaling less than \$5,000 out of approx \$310,000, the remainder of which is funded by other jurisdictions and the federal DOE).

Act 250 Review:

Didn't receive agenda until 11:56 am, will review and report next week.

Vermont System Planning Committee (VSPC):

- Completed prep work for the Quarterly VSPC meeting in Montpelier.

Fuel Survey:

- Crude oil remains around the \$100 level at 102.14 this am.
- Completed monthly fuel survey and preparing *June Fuel Price Report* for release next week

	Vermont Average Retail Petroleum Prices (per gallon)				
	Jun'11	May'11	%change	June '10	%change
No. 2 Fuel Oil	\$3.72	\$3.84	-3.23%	\$2.71	37.37%
Kerosene	\$4.16	\$4.17	-0.10%	\$3.05	36.29%
Propane	\$3.11	\$3.17	-2.05%	\$2.72	14.17%
Reg. Unleaded Gasoline	\$3.85	\$3.97	-3.02%	\$2.79	37.90%
Diesel	\$4.14	\$4.27	-3.00%	\$3.13	32.43%

- Received one complaint from an individual this week that the chart with black background is using too much back ink to print and causing an increase in his ink expenditure.

Vermont System Planning Committee (VSPC):

- Staff attended the quarterly meeting of the VSPC
 - Staff presented the Energy Efficiency and Forecasting subcommittee's recommendation that the VSPC take on the responsibility of vetting target areas for geographic targeting of energy efficiency services. The full VSPC accepted this role. The subcommittee will convene regularly over the summer to make progress toward selecting target areas.

Other items of interest included discussion of proposed changes to the D 7081 MOU creating the VSPC, discussion of the "socializing" of non-transmission alternatives (VELCO is proposing to ISO-NE that costs of alternatives should be treated as Pool Transmission Facilities just as the wires solution to remove perverse incentives to build wires), and discussion of the ISO-NE Vermont "Needs Assessment".

Avoided Energy Supply Costs Study Group:

- Began review of final draft AESC report.

Utility Facts:

- Initiated files to review, modify, update the next edition of Utility Facts

Load Forecast:

- Continued work to revise the DPS energy forecast, update the methodology to include Demand Side Management and its impact on future energy demand.

Biennial:

- Draft is being meticulously reviewed by the Deputy Commissioner.

Public Service Board Dockets/Filings:

- Docket No. 7660: Reviewed PFD and suggested adding clarification regarding OMYA's obligation regarding Energy Efficiency Charge during transition to C&I program.
- Docket No. 7535: AARP Low Income Assistance – Following the release of the PSB's Proposal for Decision researched prior testimony and drafted comments.
- Docket No. 7628: Kingdom Community Wind Project, Reviewed description of project changes.
- Tariff Filing No.8225: CVPS Alternative Regulation Plan — First Quarter 2011 Power Cost Adjustment Mechanism ("PCAM") Report. The review of purchase power costs is in progress. This PCAM results in an over collection of \$1,013,725 which will be refunded to customers on a bills rendered basis starting July 1,2011, and ending September 30. 2011. This will appear as a credit of \$(0.00 185) per kWh on the customers bills.
- Tariff Filing No. 8231: VGS Purchase Gas Adjustor per Alt. Reg. Plan Compliance Tariffs. Began review of VGS's compliance tariffs reflecting an overall increase of 9.8% effective with bills rendered on and after July 22, 2011.

Other Items:

- Report concerning payment for undergrounding utility cable in designated districts - Submitted preliminary draft for quick review. Completed work on final draft incorporating revised outline.
- Staff investigated applying for federal funding for the Rooftop Solar Challenge (Market transformation). DOE will be awarding \$12.5M to up to 25 awardees. Projects can include Permitting and Interconnection Processes; Net Metering and Interconnection Standards; Financing Options; and Planning and Zoning. Currently considering submitting a proposal for assistance on interconnection processes and standards of large PV systems, and or Financing options.
- Staff attended the PSB workshop on their RPS study & participated in DPS discussions on positions and assisted in drafting DPS comments to the PSB.
- Staff met with VEIC to discuss the EEU's role as it relates to the deployment of AMI. A lack of clarity remains around the best role for VEIC as it relates to consumer education, training and service related hand-offs between VEIC and DU's. Discussion revolved around primary and secondary customer service roles and associated future energy savings attribution occurring both "in-front-of and behind-the-meter".
- Review for PSD/PSB case management system vendor selection.
- Began work on legislative request to review economics of electric utility consolidation.
- Began review of Vermont Gas Systems alternative regulation plan renewal.
Began review of GMP base rate filing.

Finance and Management:

We attended 3---½ day Case Management Demos this week one was excellent (HCL) but we can't afford them at \$1.5 million; one was OK and affordable (Bridgeway) but still trailing Sustain and one was terrible and not affordable (ITEK).

We previously reported that the WEC rate case may develop into a substantive issue-this week—a break through----a settlement is in the works...in the \$370k range. So this will not become an "issue". (See Docket Activity-Rate Cases and Tariff Filings below under Washington Electric Coop)

The Catamont/Boulton rate case is near settlement.

The VPPSA Re-Financing review is near completion and most likely will be recommended for approval as proposed.

Regulatory and Administrative Policy Related Activity

No regulatory policy related activity this week.

Legal Proceedings

Docket Activity-State

Rate Cases and Tariff Filings:

Docket 7535, AARP Low Income P for D—no new activity this week

The Board issued a proposal for decision last week in the AARP Low Income case that basically approves AARP's proposal to establish a low income assistance program in the CVPS and GMP service areas.

Vermont Gas filed their quarterly purchase gas adjustment last week. Rates will increase over 9% due to the 40% increase in Canadian transmission rates. Our review of this filing has just begun.

Washington Electric Coop (WEC) rate case- After our meeting last week where we were moving closer to a \$300-\$400k adjustment that would reduce the rate increase from about 22% to about 16%---they have come back with a settlement offer that is close. At this level the adjustments are reasonable and we expect to finalize an agreement this week.

Catamont/Bolton rate case--269% rate increase

Catamont has revised their cost of service that breaks down the rate increase into two parts...for the first year the rate increase would be about 170% followed the next year with about a 40% rate increase. We have met with the Bolton representative and are in the final stages of working out a stipulation that will be finalized this week or early next week.

Okemo Water—this water company has filed for a CPG and the department has prepared and filed testimony (Susan Martin). We are waiting for a PSB decision. The issue in the case is who should pay for a larger reservoir, the developer or the customers. No new activity to report this week.

GMP Base Rate Filing-- GMP had previously indicated they were expecting to request a rate increase of 5 ½ %, but will now file for a 4%. We met with GMP this week where they presented their filing. No substantive issues were obvious.

Financings:

Vermont Public Power Supply Authority (VPPSA) \$28 million Refinancing

Fin and Econ has nearly completed a review of VPPSA's petition and testimony requesting approval to refinance \$28 million of long term debt that was used to finance the purchases of Vermont Transco Membership Units for the benefit of their members and a non-member cooperative. After receiving additional information from VPPSA this week regarding the \$10 million component of the refinancing for a non-member cooperative it is likely we can recommend approval of the financing as proposed.

VPPSA Highgate Converter Project Financing—no new activity to report this week

VPPSA has filed a petition requesting authority to Issue Long-Term Debt for the purpose of financing its 9.36% ownership share of costs related to the Highgate Converter Project. The Department review has begun and a draft recommendation will be completed next week. The department recommendation is due to the PSB by June 15.

Mergers, Acquisitions, Change of Control

Docket 7660, CVPS/Omya Sale---no new activity to report this week

The Board issued a proposal for decision last week in the CVPS/Omya acquisition case that approves CV's acquisition of Omya. Fin and Econ has scheduled the P for D for review and will provide comments to legal next week.

Shoreham/Otelco sale—no new activity to report this week

Fin and Econ has participated in a teleconference call with Shoreham and Otelco officials to ask questions regarding the sale. Otelco plans to purchase all of the stock of Shoreham in a straight cash deal for \$4.5 million. In reviewing Otelco's financials they are highly leveraged, have little net income, and are in a financial position that is not totally dissimilar from that of FairPoint. Our review of their petition for a change of control has just begun. Their responses to our questions were encouraging. They wanted to draw a bright red line about the differences between themselves and FairPoint. Their points were valid—they are not the minnow who swallowed the fish, but just the opposite; they have a management team in place that knows how to operate a Telco; they have information systems in place that work; they don't have to borrow money to make the acquisition, they plan to pay cash and they have been paying down debt with excess cash. We have received their B&B report and their 5 year financial plan that will help us

conclude our review. There are no glaring issues or impediments at this point—though they do need to address with testimony the 15 points the PSB normally requires as part of a sale or acquisition. Their B&B report and their 5-Year financial plan is pending our review and analysis. Additionally, we need to complete a review of the “risks” that may be associated with acquisition.

CVPS Sale to Fortis-nothing new to report this week

CVPS has announced they will be acquired by Fortis of Canada for \$700 million or about \$35 per share. Our analysis has begun with a preliminary review of Fortis financials while we wait for their official filing for approval of a change of control.

Emerging and Developing Docket/Settlement Activity:

Gross Receipts Tax:

No further information to report this week.

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

Street Lighting Tariffs:

The department is currently in the process of reviewing LED street lighting tariff proposals from three companies-Hardwick, CVPS and GMP.

We have recommended approval of the GMP tariff, but this week received a copy of questions raised by the Board regarding the “energy only” portion of the tariff. They are questioning the amount of the proposed increase for “energy only”.

We plan to file supporting comments on the CVPS tariff next week. have verbally indicated to CVPS that we will have no suggested changes and will most likely recommend that it be approved.

We plan to meet with VPPSA next week to finalize the review of their tariff proposal. This continues to get pushed out with no change from last week.

Alternative Regulation Plans:

Vermont Gas Systems Alternative Regulation Plan-expires September 30, 2011—

This week we received a draft of their proposal for renewal of their Alt Reg Plan and they have requested a date to meet with us. We plan to review the draft and schedule a meeting with them next week.

Smart Grid Activity:

Attended the Smart Grid Round Table this week where CVPS and GMP opt-out plans were discussed. Mr. Porter plans to schedule a meeting next week to review and compare the differing rates each company plans to establish.

CVPS Smart Grid Plan- No new activity to report this week.

GMP Smart Grid Plan- No new activity to report this week.

Washington Electric Cooperative (WEC) Smart Grid Construction Plan--No new activity to report this week.

Stowe Electric Department (SED) Smart Grid RFP--No new activity to report this week.
Stowe has issued an RFP for a turnkey AMI implementation.

Other:

Preparations are continuing for the Year End Close of the fiscal 2011 budget year. All of the action items are on schedule and progressing as planned.

We are continuing to work with HR on filling eight open positions.

3 positions in Finance---

Utility Analysts (2) the updated candidate list has been narrowed to the top four candidates for the two positions. One interview has been scheduled for this week with 3 planned for next week..

Financial Analysts- the candidate list has been received and is being reviewed to identify finalists.

2 positions in Public Advocacy—the candidate list is being reviewed and a candidate has been identified for the part-time position.

1 position-Director of Public Advocacy-recruitment is on-going.

1 position-Director of Planning and Energy Efficiency-recruitment is on-going.

1 position-Public Service Engineer/Smart Grid are pending a final decision to proceed and the completion of a job description and reclassification request.

The division continues to work on work assignment and job reporting relationships and re-organization options that will improve efficiency and harmony.

Processed payroll, accounts receivable, accounts payable and substantial Grant activity

A Grant Financial Management Report--has been prepared by the Business Administration Group and is now ready to be issued... We will be scheduling meetings to present the report to interested recipients.

Engineering:

Vermont Yankee Operation: The Vermont Yankee nuclear station continues to operate at 100% power. The station has been online for 209 days. Power is scheduled to be lowered to 83% for Rod Pattern Adjustment on June 10, 2011.

CT Adds Tax that Impacts VT: Beginning July 1, 2011, "a new tax is imposed on persons providing electric generation services and uploading electricity generated at an electric generation facility in Connecticut to the regional bulk power grid. The tax is the product of one-quarter of one cent, multiplied by the net kilowatt hours of electricity generated at the taxpayer's Connecticut electric generation facility and uploaded to the regional bulk power grid."

ISO New England conducted an analysis of the effect of Connecticut's new generation tax on regional wholesale electricity prices. The New England all-in cost of wholesale electric energy, which includes capacity and ancillary service payments as well as energy costs, was \$8.5 billion in 2010. The total cost of this increase, approximated as the product of the annual net energy load (130,771 GWh) for the region and the increase in the average annual New England wholesale electricity price (\$0.44/MWh) for 2010, is approximately \$58 million or about 0.68%.

VY Problem Identification and Resolution: During April 2011, the NRC conducted a scheduled onsite inspection of Vermont Yankee to assess how well VY resolves problems and complies with regulations. NRC's report released June 2, 2011 concludes that Vermont Yankee was generally effective in identifying, evaluating, and resolving problems. In addition, based on the items that NRC reviewed, the inspectors determined that Vermont Yankee's self-assessments and audits were thorough. Also, the inspectors did not identify any indications that site personnel were unwilling to raise safety concerns, nor did they identify any conditions that could have had a negative impact on the site's safety conscious work environment. There was one finding of low security significance and was classified as a non-cited violation (green). The details of this violation were provided to the Department in a separate non-public NRC inspection report.

Dry Casks at Vermont Yankee: Vermont Yankee plans to move spent nuclear fuel stored from the pool to dry casks from June 16, 2011 to July 7, 2011. The plan is to load three casks with 68 assemblies in each. The dates may change due to ongoing work on the installation of seismic restraints for the casks while they are being loaded in the reactor building.

Gas Pipeline Safety: Stratton Mountain Resort has an extensive underground propane distribution system. The resort has purchased these pipeline facilities from the current operator and will be responsible for its safe operation. Engineering has informed the resort of its gas safety obligations and is assisting with the transition.

Telecommunications:

FairPoint Petition for Approval of a Successor Incentive Regulation Plan – Docket No. 7724 –
The Board held a workshop on 6/7/2011. The Department anticipates retaining expert witnesses to perform a detailed market analysis and possibly a service quality analysis. The Department is scheduled to file its testimony on 7/29/2011.

Petition for Approval for FairPoint Penalty Payments for Broadband Expansion – Dockets. No. 7725 and 7726 – DPS testimony is to be filed 06/17/2011.

Telecom Plan – Staff is editing the Telecom Plan to incorporate comments provided by ConnectVT, and to format the text to fit in the InDesign desktop publishing program.

Forward-looking broadband map – DPS staff prepared a map that depicts future broadband plans for VTEL, FairPoint, and the VTA. This map is now hosted on a private website, but DII is working to identify a state-owned hosting solution.

Hardwick 248a– The Lamoille County Sheriffs submitted a joint application with VELCO for a new 120' tower in Hardwick. The Lamoille County Planning Commission opposes the project because it believes that the petition does not comply with several parts of the town plan (although the town supports the project). The DPS comments state that the DPS does not take a position on those issues, and believes that the project complies with the applicable provisions and that a CPG should be issued without hearings.

Vermont Broadband Consortium – The regular meeting of the Broadband Mapping Team was held on 6/7/2011. Regarding data collection, it was decided that a contact will be made this month reminding all providers that we will be requesting data for the project and what the project entails. The first data collection contact will be completed after the Independence Day holiday and will start the intensive data collection activities with a close date of 08/15/2011. Evaluation will be undertaken in the last days of July for non-responding providers so that stronger actions can be considered to entice them to participate.

Telecom 101, 102 & 103 Workshops – Telecom staff are preparing an agenda for a telecom 101 brownbag for DPS staff.

FairPoint RFPs – The responses to the Request for Proposals (RFPs) that were issued in support of tracking FairPoint compliance with the Alternative Regulation plan have been accounted for in a spreadsheet. Electronic copies have been placed on the Shared Drive. Non-electronic submissions will be scanned and placed there shortly.

FCC Tracking – The FCC has made several staff changes recently including a new Chief Information Officer, new Chief Economist and new Chief of the Wireless Telecommunications Bureau.



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Jeb Spaulding, Secretary

**PRIVILEGED AND CONFIDENTIAL
MEMORANDUM TO THE GOVERNOR**

TO: Governor Peter Shumlin
FROM: Secretary Jeb Spaulding
DATE: June 10, 2011
SUBJECT: Confidential Report to the Governor

NOTES FROM SECRETARY:

General Fund revenues finished the month +\$7.9 million or 14.3% ahead of consensus expectations. That performance made it a string of three consecutive months where receipts finished ahead of the consensus cash flow receipts target for the state's largest fund aggregate. With one month to go, barring completely unforeseen circumstances, the G-Fund seems poised for a +1.5% to +2.4% positive ahead of target fiscal year 2011 performance or +\$16.8 million to \$26.8 million ahead of target.

The news during the month of May for the T-Fund and E-Fund was mixed, with the T-Fund experiencing an essentially "on-target" performance (at +\$0.1 million or +0.5% versus its May consensus cash flow target) and the E-Fund lagging a bit (at -\$0.3 million or -2.5% versus its monthly consensus cash flow target). These funds are likely to finish the year on target.

It is too soon to know whether the FY 12 revenue forecast will be raised at the July E-Board meeting, but that is a possibility, as is an upward adjustment to FY 13.

Reaction to Emergency Flood Assistance Loan Program remains favorable.

We have been experiencing technical problems for the last 12-14 hours with e-mail services for many departments. This is not an acceptable situation and will receive focused attention. Can't wait until our new CIO, Richard Boes, is on board. He starts a week from Monday, June 20.

CONNECT VT

Status of Governor's Priorities:

FairPoint has rolled out Vantage Point network service (15 Mbps) to 30 exchanges. We are updating information weekly on broadbandvt.org site, in concert with their marketing efforts.

Sovernet has pole make ready work taking place and will be ready to begin installing fiber by the end of the month, we are working with them to identify a press worthy event for kick off or connection to their first community anchor institution.

VTEL has received environmental assessment sign off on their NTIA fiber project, and can now move forward on construction.

Jim Porter and Karen Marshall will visit with VTEL next week to review the WOW project.

www.broadbandvt.org update:

Unserved registered to date	1050
% actually unserved	40%
Site visits and % new visitors, to date	5515/ 74%
Average time spent with site	5:06 min/ 4/3

CAPI Program/ Consumer Response: Issues with regard to mapping tool, letter content and staffing in the department have been ironed out and the program is off and running. Liz Miller was helpful in facilitating solutions.

Press/Media Notes:

Interview with Peter Hirschfeld regarding site visitors and how we are utilizing information to inform our investment strategy.

Interview with VT DIGGER regarding issue of programmatic agreement for Vtel project (Section 106, Environmental Assessment compliance) which has been slowed at RUS. Worked with Molly Lambert and David Villano (USDA) to expedite this step.

WDEV will record PSA for site next week, ready to launch to radio outlets after recording.

Significant Events/Meetings:

VT Technology Council: Now a member, this group has several responsibilities and among them is to create the science and technology plan for the state, designed to inform the Governor's priorities for economic and workforce development, research, infrastructure, and education. Additionally, the science and technology plan is a requirement for the state to receive EPSCoR funding. EPSCoR is a federal program that directs funds from NSF, NIH, NASA, DOD and other agencies to states for the purpose creating the continuum between education, research and job development. This entity is a key piece of the puzzle in adoption and utilization of our cyber infrastructure. Both Lawrence Miller and Karen Marshall have been invited to join the technology council.

BGS: Regarding evaluation of bid process for VTA projects; Karen Marshall and Chris Campbell are working with Jeff Lively and Deb Damore to create a best practice model for bid review and project

management. It is critically important that the VTA demonstrate a transparent bid process for all infrastructure projects and has project management capacity to manage them, for example: tower builds.

DEPARTMENT OF BUILDINGS AND GENERAL RESOURCES

Status of Governor's Priorities:

- Spent at least two whole days negotiating the Montpelier/State heating district MOU which has a completion deadline of 6/9/11. The MOU is signed.
- Governor's priorities intact.
- The bottled water policy is producing a number of BRINs (Building Related Issue Notice) questioning the potability of available water source. We will reach out to Health, Human Resources and Agency of Natural Resources regarding definitions.

Legislative Issues/Contacts:

- Contacted chairs and vice chairs of HIC and SI (Reps. Emmons, Myers, Sens. Hartwell, Mazza) regarding treatment of the thermal conversion unit in the heating district MOU.
- Willem Jewett contacted CBGS regarding bicycle parking study and availability 6/17.

Press/Media Notes:

- Lisa Ratke, AP, called regarding the move of the Secretary of State to 128 State Street.

Significant Events/Meetings:

- Wednesday attended the strategic planning session. It is about time that 32 VSA 307 (c) was implemented as envisioned.
- Met with Wayne Lamberton and Randy LaGue regarding their plans at I89 Exit 7 to develop a 24/7 convenience store with a PPP info center on the premises. Told them interested but no funding available, about legislatively mandated vision and funding study, answer to Sammis and legislative use existing buildings preference.

Evolving Issues:

- BGS is arranging a tour of the Redstone Building if anyone would like to participate.

DEPARTMENT OF FINANCE AND MANAGEMENT

Issues Update:

Deputy Zeller sent out the quarterly update notification for the July 1, 2011 Quarterly Challenges for Change Report. The Government Accountability Committee requested that the July report be prepared in the same manner as the April report; updated items will be designated as "new" and referenced in a "new" section. This format allows those who have read the previous reports to look only at the "new" items, while keeping the total report intact for new readers. Updates are due to Zeller by close of business, Monday June 27, 2011 to allow time for consolidation of the complete and final report by July 1, 2011.

With introductory speeches from the Governor and Secretary Spaulding, the PeopleSoft HCM Upgrade was officially kicked off on Tuesday with a 4 hour meeting attended by all project team members. The focus of the meeting was to discuss the timeline of the project, the project management structure, the different phases of the project, communication plans, organizational readiness requirements, system testing and training as well as other key elements of the project. Project team members were also given

a brief overview of the new functionality included in the upgraded version of what we own as well as the functionality included in the new modules that we have purchased. There will be many challenges in changing the way we collect and report time and expense information and pay state employees through our Payroll division, but the staff is excited and looking forward to the rewards of this project.

State Budget Director Matt Riven led a meeting of the State's key financial staff to discuss the State's budgeting process and the implications of replacing the current Budget Development System ("BDS") software application. The meeting was facilitated by the Coeur Business Group, an advisor hired by Finance & Management to assist with documenting the budget business process and the selection of potential software applications to replace BDS. Over 35 attendees participated in the meeting representing all three branches of government and major agencies and departments. The discussion was frank and constructive, and will be very helpful in developing the requirements for the new budget system. A second meeting, to discuss the review and appropriation stages of the budget process, is scheduled for June 16, 2011.

DEPARTMENT OF HUMAN RESOURCES

Status of Governor's Priorities:

Green Mountain Care Nominating Committee: The Green Mountain Care Nominating Committee will meet on June 14, 2011. Commissioner Duffy is working with Liz Bankowski and Representative Ayers to ensure that the Committee addresses all relevant procedural issues at that meeting. DHR hopes to have a job description, advertisement and candidate questionnaire approved at that meeting for posting on DHR's website and placement of an advertisement in appropriate newspapers and on-line recruiting sites.

Strategic Planning/Retreat: Rose Gowdey from DHR and Christine Hetzel from DII hosted and facilitated the Governor's Retreat on June 8th. DHR has received positive feedback on the event. DHR will lead ongoing efforts to complete the statewide strategic plan, including the facilitation of workshops with Agencies and Departments. At Secretary Spaulding's direction, DHR plans to have a draft strategic plan to the Governor in December 2011.

Evolving Issues:

Bottled Water Policy: DHR has received numerous complaints about the implementation of the state's new policy prohibiting the state from paying for bottled water if the municipal water is potable. VSEA has advised DHR that it is also receiving numerous complaints about the policy and the water quality at many worksites. DHR is working with VSEA to craft a joint communication that will remind employees of the procedure to request testing of the water if they believe the water is not potable.

DEPARTMENT OF INFORMATION AND INNOVATION

Evolving Issues:

The Web Portal Board Meeting scheduled for June 16th is being rescheduled to late June or early July to allow for the arrival of the new CIO on June 20th.

The need for a method to share files online but avoid search engines returning the files when personal names are searched is continuing with at least two agencies receiving negative comments about the issue. It is hoped that hosting these files in SharePoint will alleviate the

problem. Resolution is pending the implementation of a tool to allow SharePoint to search PDF files.

Issue Updates:

The Vermont Comprehensive Energy Plan Web site has been completed and will be launching in the next several days.

The development site for the Criminal Justice Training Council has been created and build out of the site is under way.

The State Police and Public Safety Main Page site are in under construction.

Agency/Department Requests:

Vermont Information Consortium Project Status:

Project	Org.	% Complete
Content Management System upgrade	SOV	Ongoing
Constituent Management Service	GOV	90%
Event Registration: CJTC	VCJTC	75%
Lottery	Lottery	10%
Ladies First Cancer Screening Service	VDH	90%
Lead Compliance certifications	VDH	75%
M.D. Board/ CAVU professional licensing	VDH	75%
Agricultural Licensing	AAFAM	50%
VIC Website - Partner Portal	VIC	25%
Proposed Rules - dB upgrade	SOS	10%
PSB Case Management - Interface	PSB	0%
eProcurement	BGS	0%
Health Information Exchange	DVHA	0%
Connecting Commuters upgrades	AOT	50%
VocRehab redesign	DVR	0%
Economic, Housing & Community	ACCD	0%
Comprehensive Energy Plan site	CEP	50%

DEPARTMENT OF LIBRARIES

Press/Media Notes:

E-Vermont Community Broadband Project: Press release (and photos) sent to e-Vermont Project PR coordinator for distribution regarding new computer equipment delivery to public libraries. So far the press release has appeared on broadbandvt.org: <http://www.broadbandvt.org/node/86>

Significant Events/Meetings:

Vermont Consortium of Academic Libraries (VCAL) Annual Meeting: Annual meeting of academic (college/university) library directors:

- Marty Reid spoke about the new Interlibrary Loan (ILL) Task Force of librarians from public and academic libraries charged to research and make recommendations for how we can improve resource sharing delivery in Vermont. The report is due in October. One

issue raised is would it be possible to bypass introduction of a statewide courier service and begin direct delivery service to citizen homes instead (a la Amazon)? It's likely to be expensive – but sure would be popular!

- Talked with Mike Roy, Director of the Middlebury College Library about his concerns on the future of broadband in libraries. Libraries of all types will need to have high capacity bandwidth in order to provide 21st century information resources for students and citizens. He talked about their small business incubator program and how libraries play a part in providing information needed for innovation and business start-up. Reid suggested setting up a meeting with folks from Middlebury, UVM (CIO David Todd?), and perhaps Karen Marshall to talk about a statewide educational network and other ideas for broadband implementation.
- One librarian spoke to Marty Reid about the need for high-end info databases on engineering and science for small businesses working in these fields. Large academic libraries offer these kinds of resources, but small businesses need local access. We can provide this via local public libraries for remote use (home/office) as part of the current Vermont Online Library. Lawrence Miller mentioned a similar need to me and wondered how this could be done. Libraries know the vendors and the products and are best equipped to negotiate the contracts (most cost efficient for libraries). Libraries think this is an important role for their department. Citizens, students, small business, and government employees all need access to online licensed content in the areas of science; technology; health; education, etc. and we need to increase our role in delivering this kind of online subscription content.
- For current *Vermont Online Library* Content available at public, school and academic libraries – and at our website for state government:
http://find.galegroup.com/menu/commonmenu.do?userGroupName=vol_m761c

Other:

Vermont Board of Libraries: For the first time since Marty Reid was appointed in 2008 Libraries has a full board. Reid is planning a fall board retreat with a library consultant who has worked with state library agencies – and with board development activities. The Board has many challenges in the coming year. Most notably we must create a new 5-year plan for our federal LSTA (Library Services and Technology Act) funding.

Marty is currently working with the Institute of Museum and Library Services (their federal funding agency) as part of a task force working on new priorities and benchmarks. This will give Libraries 5 – year plan a new focus and will be an important part of the strategic planning process once these new guidelines are issued.

Reflections on the Governor's Priorities and Strategic Planning: Wednesday's retreat was exciting and refreshing and was timed perfectly for our department as we look at new national benchmarks for library service, transition from a system of regional libraries to a single library service center, and re-think State Library services/resources for state government and citizens. It is a time of great transformation for libraries; for Vermonters to have access to 21st library services we must change the way the department works. Libraries is looking at big ideas in their department, making new connections and partnerships, tackling big issues like broadband, a statewide library card, and e-books. This process will help them establish the framework they need. Many thanks to those who planned the day and the process.

DEPARTMENT OF TAXES

Status of Governor's Priorities:

Retreat: The Governor's inclination not to embark on revenue reform should be vetted, and the Tax Dept would be happy to prepare background documents. There will be pressure from Ds on income tax reform, ranging from the Chair of Ways & Means, who has stated that moving to AGI is a personal priority, to those who want reform as a vehicle for increasing taxes. There will be pressure from Rs on property tax reform, as evidenced by their spin on Senator Campbell's unfortunate situation. A comprehensive strategy will need to be developed to counter these pressures in 2012, and one question will be whether all revenue would be on the table in 2013, in the context of funding health care reform.

In any event, the retreat provided a good opportunity for the Commissioner to connect with other agencies and departments. Most importantly, the Commissioner discussed with Commissioner Kimball the need to examine a Tax Dept role in collection of the health care premium assessments, and discussed with ACCD principals the Tax Dept's outreach program.

Potential IRS Issue: The Commissioner was informed Thursday that hard copy pages containing confidential IRS information are missing (400 pages, relating to the same number of taxpayers). This is the first time that the Dept has experienced such a loss. IRS files showing amended federal return data had been routinely printed by our IT division and transmitted to a secure location in our Compliance division; compliance staff then checked out the files for taxpayer follow-up. The manual tracking was insufficient such that the Dept can determine when but not how in the process the files were lost; the process has been entirely revamped to eliminate the paper altogether. The IRS has been notified, will investigate, and may suggest remediation and possibly non-financial penalties (such as loss of use of the data). The Compliance Division is confident that the breach was benign, particularly because the IRS data is not unique, but is subject to the elaborate safeguards that immediately alerted the Dept to the loss. The most logical explanation is that the missing files were inadvertently shredded. Ironically, the Commissioner has found that the potential for security lapses may be most prevalent on our outdated paper processes (another example is certain taxpayer checks which are still circulated in the Dept), highlighting our need for technology modernization.

Return Processing: The "leg build" which incorporates legislative changes into our processing systems was quickly completed for this year. A high volume of renter rebate checks this month indicates that we will exceed the appropriated amount for this purpose; Susan Mesner will be working with Jim Reardon.

Taxpayer Outreach and Education: As one piece of this effort, the Taxpayer Services Division is beginning the compilation of monthly statistics on its taxpayer contacts. May's report shows that a disproportionate volume of calls related to renter rebates (13,000 such claims are processed in total). The Dept sends a follow up form when the amount claimed in rent does not square with the amount claimed in income, which in turn generates a number of telephone calls, and legislator inquiries. Our standard reply includes that basic audit principles require us to investigate a claim that is facially invalid. As part of our outreach initiative however the Dept will consider ways that we can better explain to the claimants up front the parameters which will trigger delay in order to drive down these numbers. As another example of our outreach effort, the Dept partnered this week with the Ag to include information on some of its sales tax mailings about the need to register scanners.

Technology Modernization: As part of the Dept's intensive long range planning on technology, it continues to work on integrating business needs and IT resources. The Commissioner is finding that this

requires a dramatic cultural shift, involving everything from establishing better internal communication processes to reworking job descriptions to adding more detail to budgeting documents. With respect to the data warehouse, the first monthly Executive Steering Committee was held. Since the Vice President of RSI plans to attend each such meeting, there will be opportunities for Administration and/or Legislative updates at the same time. At this point, the vendor is mapping out the Dept's business operations, which should provide tools for improvement even beyond the project.

Tax Department Retreat: The Dept. has engaged Stephanie Lahar to conduct an offsite retreat later this month, ½ day with directors and then ½ day including supervisors. The Agenda includes discussions on succession planning (given that a large proportion of the Dept is eligible for retirement in the short term), and our two major initiatives – outreach/education and technology modernization. Given how rapidly these initiatives needed to unfold, it was important to schedule the retreat as soon as possible after the legislature adjourned. It is anticipated that the work at the retreat will be folded into the larger Administration strategic planning.