

WEEKLY REPORTS

Checklist
4/3/15

Elizabeth Miller/Alyson Richards

- Agency of Commerce and Community Development – Patricia Moulton
- Department of Labor – Annie Noonan
- Department of Financial Regulation – Susan Donegan
- Agency of Education – Rebecca Holcombe
- VT Commission on Lottery – Greg Smith

TBD

- Agency of Transportation – Sue Minter
- Agency of Human Services – Hal Cohen

Sue Allen

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

Sarah London

- Department of Public Safety – Keith Flynn
- Agency of Administration – Justin Johnson

Susan Spaulding

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

To: Governor Peter Shumlin
From: Patricia Moulton, Secretary - Agency of Commerce and Community Development
Date: April 3, 2015
Re: Weekly Report

LEGISLATIVE ACTIVITY

- **Economic Development Bill: S.138** is currently in Senate Appropriations, and is expected to be voted out of Committee Thursday. The Committee voted to remove the Tourism and Marketing formula and put it on "the list." The bill will be on the Senate floor on Tuesday. Meanwhile, Senate Finance is taking testimony on the VEGI provisions which they stripped out of the bill and will (hopefully) be including in the tax bill. Noelle met with Senators Mullin and Bray along with NRB Director Jon Groveman regarding the 9(L) provisions directing NRB and ACCD to do more education and outreach and update guidance documents, and new procedures. Aaron Adler shared new language that both Jon and Noelle feel comfortable with. Now let's hope the Committees agree!
- **Floor Amendments:** Senator Balant will be offering a floor amendment to the bill that will acknowledge Block Chain technology. Block chain is a decentralized authentication procedure that stores information in a bunch of different server locations which makes it much more difficult to hack. Senator Balant spoke with Lucy, Susan Donegan, and will be speaking to Mary Peterson about economic development opportunities that may be available to Vermont in formalizing some sort of recognition of this technology. Susan is doing some homework on this to see if we can support. The House Commerce Committee and Senate Economic Committee both heard testimony about block chain technology from Oliver Goodenough.
- **CONFIDENTIAL:** Lucy had a hallway conversation with Steve Klein who said he thinks the VEGI changes are a bigger deal than we are presenting them to be. He thinks we are proposing to open the program too much. Lucy asked him if he was referring to the one that would expand Green VEGI, and he said: "all of them." Even the livable wage proposal, Lucy asked? And he said yes referencing the Kavet memo. He said even at livable wage these are income levels that require subsidy. Lucy explained that we are thinking the opposite particularly when paired with the training enhancement because we can reach workers with lower skill, and move them into a path of advancement and upward mobility, while at the same time help to grow or attract the business.
- **H. 310 the LLC Act Bill** passed from House to Senate. Lisa is testifying before Senate Economic Development on 4/2. The bill has been thoroughly vetted by members of various firms of the Vermont Bar Association and simplifies and updates the processes necessary to set up an LLC. It does not allow a business to reserve a LLC company name for more than 120 days. This can be considered a pro-economic development bill. One concern is it removes language that protects businesses from other companies using deceptively similar names.
- **H.123 Mobile Home Park Bill:** Late last week, the Senate Economic Development, Housing and General Affairs Committee amended H.123 to include abandonment language developed in consultation with representatives of park owners and residents. With this addition, private park owners removed their objection to the bill. The committee then approved it unanimously. With help from Shaun and Dale, Jen continued to work with stakeholders and Senate Leadership in support of the bill this week. The Senate Judiciary Committee walked through it but did not take formal possession and registered no concerns. H.123 was then approved on a voice vote by the full Senate. It now returns to the House which will consider the new abandonment language added by the Senate. An updated bill review is in the works. In its current form, it has the support of all interested parties.
- **H.256 Tenant Property Disposal/Fair Housing Bill:** The Senate Judiciary Committee made a few minor changes to the bill before approving it unanimously late last week. As of this writing, it was scheduled for second reading on the Senate Floor.
- **H.136 Energy Standards for Residential Buildings:** The House Natural Resources and Energy Committee took testimony on H.136 this week and is likely to schedule more. As introduced, it would require all residential buildings of four or more units where tenants pay for heat to meet current residential building energy standards by this July. Separately, Jen met with the PSD and the bill's sponsor, Rep. Curt McCormack, D-Burlington to explain while DHCD would support the goals, the bill presents significant practical challenges. Made clear to both that DHCD does not have the staff, capacity or expertise to enforce these standards, if adopted. PSD is

taking the lead and preparing a bill review to which we will contribute. McCormack's thinking on the bill is evolving.

- More detail on **H.123** and **H.136** can be found in Shaun's report below.

PATRICIA MOULTON, SECRETARY:

- **Vermed:** Sam Heleba has agreed to keep the company in Vermont and grow 24 new jobs in the relatively short term. Our proposal pushed him to make this decision! We believe there will be additional job creation in Vermont as Graphic Controls makes additional acquisitions. Fred Kenney is working with Vermd on VEGI and Windham County Econ. Dev. Program applications. No announcement until after the VEPC meeting later this month.
- **CONFIDENTIAL: ROV Technologies:** I spoke with Jill Zachary of ROV today. The purchase by Rolls Royce is a good strategic move. The negotiations included keeping the company in Brattleboro. Rolls is likely to invest in the building, M&E and the workforce. The company plans a press event in May and an opportunity to meet with Rolls Royce officials. There will be VERY little discussed publicly until then.
- **GS Precision:** I have a call in to Norm Schneeberger re: his request for a permit to build 54,000 s.f. in Chesterfield NH. The Reformer article says it is an expansion which is what I suspected. Apparently Norm has personally moved to NH. I also heard confidentially there is a new aerospace firm coming to Chesterfield that is partnering with GS. It is frustrating as hell that Norm didn't give us a chance to pitch Vermont!
- **Britton Lumber: Ely:** I have a call in to Robert Moses, owner, since a fire destroyed their mill this past Sunday. I have not talked to him but Joan Goldstein has. He is unsure if he will rebuild, he needs to do a cost benefit. He is wondering about permits to rebuild since he is partially in a flood plain. He immediate concerns are selling his raw logs while they are still "good" and how to retain 10 of his key employees. He is working with Labor. I have asked Mike Snyder to help with buyers of logs. We are likely to set up a permitting meeting within the next week.
- **VCFA:** The District Commission has not yet issued a permit. We received communication this week from the City of Montpelier indicating the plans they approved for local permits are very different than the plans submitted to 250. Elevators in different places, different buildings affected and more. Our historic preservation officer attempted to call Bill Kaplan at VCFA to discuss concerns given VCFA has started construction without a permit. Bill would not speak to her. There is also an issue with USDA historic impacts approval. I learned from Heidi Tringe VCFA may be looking for alternate financing that does not require USDA guarantee and therefore approval.

LUCY LERICHE, DEPUTY SECRETARY

- **Vermont Agriculture and Forest Products Development Board:** Lucy attended the April Board meeting of this group where they discussed the transition to merging with the WLEB. The Chair, Lynn Cole, expressed frustration and disappointment around how he perceived the House language around the Vice Chair position came about. Overall though, the members continue to be in agreement with the idea of dissolving and merging and a number of members expressed interest in serving on the WLEB.

DEPARTMENT OF TOURISM & MARKETING: Megan Smith, Commissioner

- This week VDTM put the finishing touches on the new vermontvacation.com and prepared for the launch at the Vermont Travel Industry Conference. The conference was once again a huge success.

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

- **General:** Mary, David and Sky met with Louis Porter, Susan Warner and John Buck to discuss Vermont Life producing the F&W regulations book. F&W has been great to talk with and is open to the idea of working with us. Their concern is that the deer regulations are undergoing significant change this year, so it might be a difficult year to take on the project. However, as long as we can fit the production of the book into our production schedule (it overlaps with two issues), we believe we can take on this project. We will get back to them next week with a go/no go and then see if they are interested in using us instead of an out-of-state vendor. Judy continues to plot our master calendar to see where we have time for additional projects.

CHIEF MARKETING OFFICE ♦ Heather Pelham, Marketing Manager

- **SOV Websites:** Content strategy and consulting sessions held this week with the Agency of Administration and the Department of Public Safety. DPS faces a similar challenge as AOT – how to unite a family of websites (that

has grown to over 10+) under one or more umbrellas that will facilitate a more positive and successful experience for the average user.

- **Creative/Marketing Services:** Worked this week on branding and design projects for DEC (new ‘green corps’ volunteer initiative, ECO Vermont); FPR (invasive pests pocket guide); and State Parks (healthy foods initiative) and well as media planning and budgeting for Historic Sites; and review of marketing proposals for DEC (recycling outreach) and the Department of Labor (misclassification outreach).

DEPARTMENT OF ECONOMIC DEVELOPMENT: Lisa Gosselin, Commissioner

- **Communications Plan:** Lisa met with **Ski Vermont's** Kyle Lewis, Sarah Wojcik, Kiersten Bourgeois, Heather Pelham, Steve Cook and Megan Smith on 3/28 on how the state could work with ski resorts to attract new employees, businesses and investment to the state. Discussed Friday/Monday job fairs at resorts, including content about the state in resort publications and other options for outreach. Kyle mentioned that Ski Vermont is proposing that Vermont follow Vail's lead in extending free skiing to kids. The Epic Schoolkids Colorado Pack provides four days of free skiing at four resorts (16 days total) for school kids in grades K-5. Lisa met with **Vermont Tech Alliance's** Jeff Couture, John Burton of NPI, Chris Yager of Dealer.com and Matt Dodds of Brandthropologie to discuss how state could work with the Tech Alliance businesses to promote Vermont as a growing tech hub and attract new talent. The primary motivation to do so, according to this group, is to attract talent. Matt Dodds is pushing for Tourism marketing efforts and funding to be diverted to this. Clarified that tourism marketing of skiing, events, and the quality of life here is what helps attract young people to the state and raise awareness of it and it should not be an either/or marketing effort. This group was not fully aware of the Great Jobs in VT efforts. Also proposed that the Tech Alliance could, collectively, tap its members to take over the VermontVacation.com sponsorship vacated by Cabot. This would provide them a platform to do outreach and messaging. Lisa also met with **BrandUSA's** Julie Armstrong (of Miles) to discuss how other states are combining their tourism and marketing efforts. Armstrong provided good data. Results of all of these discussions will be included in Strategic Communications Plan. Preliminary findings will be presented to the RDCs on April 3, to the Agency senior management team on April 6 and final draft will be delivered to the Agency next week.
- **THANK YOU:** Last, Friday is my last day and I just wanted to thank everyone at ACCD and the Administration for this opportunity to work with you in serving Vermont. The people I've had a chance to work with across the State are amazing on all levels. The teamwork, support, creativity, boldness of vision and dedication is truly exceptional. It has been fun and a great experience. Thank you and stay in touch. lisagosselin@gmail.com

BUSINESS SUPPORT - Economic Development ♦ Jared Duval, Director

- Represented ACCD at the 3rd of 4 value chain workshops as part of the Working Lands Enterprise Board's forest systems analysis (Yellowwood project). This workshop focused on Wood Energy and included 22 participants from across the supply chain, including: Pellerger, Hearthstone, Bourne's Energy, Northern Forest Center, Renewable Energy Vermont, VT Renewable Fuels, Burlington Electric, Vermont Good Wood, SunWood Biomass, and more. Identified demand driven opportunities for: a) creating and consistently supplying ultra-high quality wood chips, pellets, and firewood, and b) developing a more unified message to consumers about the benefits of wood energy. Will continue to engage and advance these opportunities with relevant partners.
- Toured the new Sweet Tree 1 facility (located at the former Ethan Allen plant in Island Pond) with NVDA. The scale of the operation is impressive: Sweet Tree 1 owns between 6-7,000 acres between Warren's and Avery's Gore; already has 1,300 miles of tubing in Warren's Gore; had placed 95,000 taps by Christmas 2014 and is planning to add up to another 170,000 taps going forward. At full operation, they will produce a 55 gallon drum of maple syrup every 5-8 minutes. Employment is currently at 25 and is expected to increase to approx. 50 by the end of the year. Rich Carbonetti of LandVest made a presentation about the project (available on request).
- In coordination with Agency of Agriculture met with Wholeshare.com, which is seeking to expand into VT from NY. Made appropriate referrals.

VERMONT ECONOMIC PROGRESS COUNCIL ♦ Fred Kenney, Director

VEGI

- Council approved an Initial Application from Revision Military for up to \$130,000 to re-shore lens manufacturing from Taiwan.
- Met with Greg Kelly regarding Fresh Greens, a potential start-up looking at Brattleboro.

Recruitment

- With Kiersten, attended COREX event sponsored by Federation of Chambers of Commerce of Quebec, in Montreal.

VT PROCUREMENT TECHNICAL ASSISTANCE CENTER ♦ Robin Miller, Director

Other PTAC News

- Robin Miller, Brenda Plastridge and Babette Lizotte were in Philadelphia, PA for the National Association of State Procurement Officials Annual Marketing Meeting. This event provides educational programs that allow state procurement officials to get feedback from suppliers on improving procurement processes and gives suppliers an inside look at how to do better business with the states. This event provides insight to the counselors on what the best approaches are for their small business clients that have an interest in selling products and services to State Government.
- In advance of the upcoming May Matchmaker in Manchester, VT the PTAC team will continue hosting a series of 'Preparing for the Matchmaker' workshops throughout the state.

VERMONT TRAINING PROGRAM ♦ Beth Demers, Director

- **ADI Displays (Acrylic Designs):** Beth Demers and Bob Flint met with Max von Roth, Operations Manager, of the Springfield based company. Due to recent growth in orders the company is seriously considering the purchase of a new CNC router, adding several positions, and undertaking some lean manufacturing training. Beth reviewed the VTP and the application process with Max. He will be back in touch after identifying the scope of training.
- **BioTek:** Beth Demers met with Amit Lodha, Director of Operations, and Mark Boutin, Facilities Manager, at the Winooski based lab equipment manufacturer. The company has seen about 30% of its workforce retire in the last year. This has created a number of employee training needs. During the discussion Beth reviewed the new VTP eligibility and process. Amit will be in touch once the scope of training is identified.

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

Commissioner MacKay and Deputy Commissioner Hollar

Commissioner MacKay

- **Ribbon Cutting of Hilton Garden Inn in Burlington:** Joined Laura at the ribbon cutting at this infill project in downtown Burlington along with a full host of representatives from our Congressional Delegation, banks that funded the project, developers, non-profits and project partners. The Governor was there to kick things off along with the Mayor who praised the Governor and his administration for understanding the role of downtowns and supporting efforts to encourage and assist development in these areas. The work of all that work in the Department is key to these effort – from historic tax credits, transportation enhancement grants, our designation and housing programs and CDBG funding. So next time you are in Burlington or any of our downtowns - take a look around and see the results of your hard work!
- **Vermont Economic Resiliency Initiative (VERI):** Most of this week has been spent editing reports. The draft reports are being put up on the VERI website for comment and in prep for the upcoming meetings. Brandon can be viewed [here](#) and the others will follow over the next week.

Deputy Commissioner Hollar

- **Farrington's Mobile Home Park:** Met with the Burlington Community and Economic Development Office, VHCB and the Cooperative Development Institute to discuss the status of the park and potential funding. Residents are forming a cooperative and, with the help of CDI and the Mobile Home Park Program, hope to reach an agreement to buy the park by the end of the negotiation period on May 22nd. While progress is being made, significant unknowns remain as an appraisal and infrastructure analysis have yet to be completed. Other challenges include the current low lot rents, delinquency rate and availability of VHCB funding. Shared information and brainstormed suggestions. This is a complex, financially challenging situation but all parties are resolved and in full support of the residents and future of the park.
- **Mobile Home Park Foreclosure Sale:** With Arthur, fielded questions from legislators and the press about the recently announced public auction of five mobile home parks in Central Vermont. Formerly owned by the Ran-Mar Corporation, the parks have been in foreclosure since 2002. One, the River Run Mobile Home Park in Berlin, was severely damaged by Tropical Storm Irene. Impacted residents have been assisted but the park sits in the floodplain and only a few homes remain. DHCD met with CVCLT and the town of Berlin after Irene in hopes that they would be willing to work together to help relocate the remaining homes and turn the property over to the town and restore the floodplain. We would have used CDBG Disaster Recovery funding to do so. But they had their hands full with other recovery work and were not able or interested at the time and the park was in legal limbo. Nonprofit organizations do not have the cash on hand to be able to bid for the parks at auction. Rather, we wait to see who buys the parks or whether the bank takes possession. If it does, DHCD will invite CVCLT or another nonprofit to explore the options for assisting River Run. In any event, the new owner of the park will still be covered by the sale, closure and rent increase protections of Chapter 153.

COMMUNITY PLANNING & REVITALIZATION ♦ Chris Cochran, Director

Partner Report

- **Small Business Continuity Planning:** Chris and staff from Small Business Development Center (SBDC) and the Department of Emergency Management and Homeland Security (DEMHS) joined a conference call to help FEMA and their contractors develop a training to help Vermont's small businesses develop check lists and plans to minimize business disruptions ranging from short-term power outages to major natural disasters. The conference is tentatively planned for this summer in Randolph. The team is developing a preliminary agenda to share with partners (VT Chambers, RDCs, RPC, etc.) and we will also promote this opportunity at the five VERI forums scheduled in April.
- **Vermont Climate Roundtable:** Wendy attended the Vermont Climate Adaptation Needs Roundtable, hosted by ANR, UVM and Federal Partners. The roundtable showcased federal resources – grants, modelling, mapping and data collection tools that can help Vermont advance its climate change objectives. The tools were organized around the broad themes: extreme weather and precipitation, the natural environment and public health.

GRANTS MANAGEMENT ♦ Ann Karlene Kroll, Director

Environmental Reviews (ERs)

- Kate participated in a webinar on the draft Guidelines for Implementing Executive Order (EO) 13690 (the new floodplain management EO). This EO was issued on January 30, 2015 and established the Federal Flood Risk Management Standard. A public comment period on the draft Guidelines is open until May 6th. We do not need to comply with this EO until HUD creates guidance on the implementation. This standard requires that for new construction and substantial rehabilitation projects in the 100-year or 500-year floodplain (for critical facility projects) a two or three-foot horizontal and vertical elevation, respectively, will be required. For critical facility projects in the 100-year floodplain, a three-foot elevation will be required. This new horizontal elevation requirement means that for projects that are within two or three feet of the floodplain delineation will also require elevation. The reasoning behind the new EO stems from more than \$260 billion dollars spent in flood-related damages since 1980. In addition, had floodproofing measures been higher and stronger in between the Katrina and Sandy events, federal investments would have been better protected.

Closeout Agreements and NCDO Agreements

- Ann met with the Town of Thetford Selectboard to provide information and answer questions on the Pompanoosuc Mills loan the Town has Dwight Sargent as a result of a CDBG grant to the Town from 2006. In attendance also was Dwight Sargent; Joan Goldstein, outgoing executive director of Green Mountain Economic Development Corporation (GMEDC); and the newly hired executive director, Robert Haynes. While the Selectboard Chair remains the same, as of Town Meeting, all the other members are new, and all of the Selectboard is new since the inception of the loan to Pompanoosuc. Dwight Sargent has asked the Town to consider forgiveness of the loan to better position the Company to establish a line of credit for working capital. The difficulty for the Town to entertain this is that Dwight is past due on property taxes on the building that GMEDC now owns. Taxes are Dwight's responsibility under the triple net lease agreement with GMEDC. This also adds to a bit of confusion for the Selectboard. Ann explained that the Agency's priority and GMEDC's is keeping the 100+ jobs at the Pompanoosuc plant in Thetford. The Selectboard clearly agrees the jobs are the most important element of consideration. We agreed that the Selectboard Chair will set-up a meeting in the next few weeks to go over the financial details for justification of the loan forgiveness with Dwight at Pompanoosuc Mills.

HISTORIC PRESERVATION ♦ Laura Trieschmann, State Historic Preservation Officer

Archaeology Heritage Center

- UVM delivered 224 boxes of artifacts and associated archives from eight important Vermont archaeological sites to the Heritage Center last Thursday. It took a number of volunteers several hours to get them out of the moving van and onto shelving in our curation rooms. While this was happening, the Heritage Center also hosted seven volunteers from the Vermont Archaeological Society to process artifacts and the center had several drop in visitors.

State-Owned Historic Sites

- **Chimney Point Seasonal Exhibit:** The Green Mountain Timekeepers Society are working with Elsa to guest curate a seasonal exhibit on the history of the Barnes clocks, made at Chimney Point from the 1820s to the 1840s, and the evolution of affordable shelf clocks. They also will be on site for a few afternoons in the summer to talk to people about their historic clocks and watches.
- **Chester Arthur Site:** The contract to move the Chester Arthur desk from Missouri to Plymouth was completed; the desk will be packed April 2/3 and delivered April 14/15.

HOUSING ♦ Arthur Hamlin, Housing Program Coordinator / Shaun Gilpin, Housing Policy Specialist

- The residents of the Evergreen MHP in Pownal have elected not to have the Department conduct an Act 252 meeting. Arthur reached out to them to confirm and sent a reminder letter to them explaining the park sale process and deadlines. It appears that the park’s manager, who is well liked by residents, may be interested in buying the park.
- H.272, the “Current Use and Technical Tax” bill, contains a provision regarding a 10% property tax adjustment assessed on rental units that are certified as affordable units by the Vermont Housing Finance Agency. The adjustment was originally given a 10 year renewal date and there is some uncertainty as to whether the adjustment was meant to be continually renewed as long as the units continued to be affordable, or to sunset in 10 years. Language in H.272 currently would extend the renewal period to 20 years and VHFA is drafting language that would allow renewals to happen periodically as long as the units remain certifiably affordable. Shaun was present when Senate Finance had a walk-through of the bill this week. They will be taking it up further in the coming weeks.
- H.123 pertains to mobile home park habitability standards, the enforcement authority of DHCD over the mobile home park statutes and the process for declaring a mobile home in a park to be abandoned. This bill has been followed closely by the Housing Division and represents much work on behalf of the stakeholders to develop a fair bill. It was taken up for 2nd Reading by the Senate on Wednesday and is expected to be passed out of the Senate by the end of the week. The bill will then have to go back to the House for review and acceptance of changes made regarding the abandonment language.

VERMONT COMMUNITY DEVELOPMENT PROGRAM ♦ Josh Hanford, Director

Regular CDBG: Applications

- **Town of Brattleboro:** The town’s application requesting \$300,000 to be used with upwards of \$300,000 in other resources is being reviewed for threshold issues. The project seeks funding to repair the Green Street retaining wall adjacent to one of Brattleboro’s municipal parking lots within the Designated Downtown district (behind the Brooks House). This “Urgent Need” application will be brought to the June CD Board meeting.

Existing grants

- **Town of Williston:** On Monday, March 30th, Governor Shumlin announced the VCDP \$580,000 grant to the Town of Williston at an award event at Committee On Temporary Shelter (COTS) located at 95 North Avenue in Burlington. COTS plans to build 14 affordable apartments and a day station where homeless people can eat lunch,



use computers and access other resources.

Other

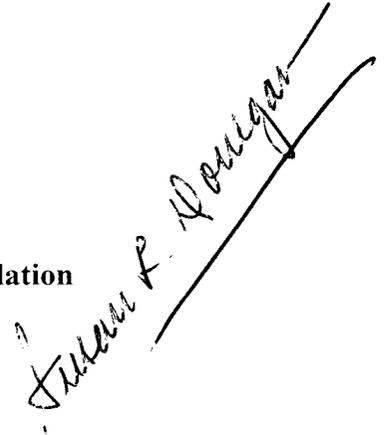
- **New VCDP Board Member:** We are pleased to introduce our new board member Ebony Nyoni. She lives in St Albans, is the Founder of New Generation Youth Resource Center and has been involved in many programs teaching youth the skills they need to be successful. She has owned a small business, worked in schools in Africa and will bring a fresh perspective focused on making the next generation of Vermonters, from all backgrounds, feel welcomed and have the tools to become successful.

State of Vermont
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For consumer assistance:
[All Insurance] 800-964-1784
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[Banking] 888-568-4547

CONFIDENTIAL and PRIVILEGED

To: The Honorable Peter Shumlin, Governor
From: Susan L. Donegan, Commissioner, Department of Financial Regulation
Date: April 3, 2015
Re: Weekly Report



Banking Division:

As part of its ongoing supervisory role, DFR pays particular attention to Vermont's smallest financial institutions' safety and soundness practices. Good corporate governance is a key element of this formula. When DFR develops concerns over how "the top of the house" is functioning at a financial institution, it immediately steps up oversight. On Monday, the deputy commissioner of banking and the chief financial examiner will meet with the board of directors of Covered Bridge Credit Union (six employees and \$13 million in assets) in Windsor to discuss a management issue brought to DFR's attention. The credit union's general manager is leaving her job on May 1 due to what she calls a reluctance by the board to adopt a code of conduct and a lack of openness. The purpose of the meeting is for DFR to determine whether the board understands its role in the operation of the credit union and discuss the hiring process for a new manager. DFR will continue with heightened supervisory oversight until the matter is resolved.





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**CONFIDENTIAL AND PRIVILEGED
MEMORANDUM**

TO: Governor Peter Shumlin
FROM: Rebecca Holcombe, Secretary, Agency of Education
SUBJECT: AOE Weekly Report
DATE: April 3, 2015

Media Contacts:

- Pete Hirschfeld, VPR, interviewed Jill Remick and Wendy Geller regarding the small district Baker report.
- Josh O’Gorman, Vermont Press Bureau, interviewed Wendy Geller regarding the small district Baker report.
- Sally Pollak, Burlington Free Press, was provided information on the number of high school graduates per year in Vermont.
- Amy Nixon, VTDigger, requested a map referred to by Representative Sabilia as “the map of pain” which she said was what the Agency was saying should be the new governance structure. We have not generated such a map. After some back and forth trying to clarify what she was seeking, we provided her with our map that shows existing governance configurations and district sizes.
- Amy Nixon, VTDigger, also asked for the number of schools with fewer than 100 students. There are 55 such schools.
- Paris Achen, Burlington Free Press, asked if we knew of any school/district consolidations that resulted in a small school closure.
- Angela Evancie at VPR requested the averaged announced tuition rates for the current year.
- Nina Keck, VPR, will interview Peter Drescher on technology in schools.
- Amy Nixon, VTDigger, sought clarity on the use of the term “integrated education districts” on the House floor. I directed her to the legislator who used the term.
- Alyson Klein, Education Week, requested and was provided with the SBAC resolution and statement by the State Board.
- Mitch Wertlieb, VPR, interviewed Rebecca on small schools and effect of adversity on learning.

Public Presentations/Speeches/Meetings:

Monday: I met with Bob Phillips, Superintendent in Grand Isle. They are in a pickle. We brainstormed some short term solutions, as well as a potential strategy for identifying leadership and moving some conversations around the future of the SU.

Wednesday: I spoke at The Family Place, which is my all time favorite program for supporting vulnerable children and their families. It was great to be able to test drive a new speech—this time on the effect of adversity on cognitive development, the growing challenges of poverty and addiction, and the implications for policy and support for young children in Vermont.

Thursday: I met with Jim Condos and team. We are working to transfer some licenses to SoS, but nothing is easy in Vermont with respect to education. They were a little incredulous, but welcome to my world. We will also loop in Beth Pearce as needed, as this potentially relates to teacher retirement issues.

Thursday: I had lots of meetings with John Campbell and Senate Ed committee members.

Emerging news:

Quote of the week

This is from an employee to one of our supervisors: “We’ve never been held accountable like this. If you do this, everyone will hate you. We will all try to transfer to another division.”

Opportunity to link Early Intervention and Governance reform

I don’t know why I didn’t think of this earlier and credit Jeff Francis for helping to bring it together.

We have an opportunity to bring together a couple of key priorities in a way that gives you/the Governor an opportunity for positive leadership on a couple of key goals simultaneously:

- getting out ahead of the damage being wrought by opiates on our children and families
- positively incentivizing systems to consolidate and be more efficient in a time of very tight resources
- supporting greater equity

This proposal would also bring together a few of the Governor’s programmatic priorities:

- greater coordination of efforts across Agencies

- a broader vision of schooling, which integrates support services with education, so children growing up in adversity can still thrive
- support for high poverty communities

What if we proposed that any governance bill include a commitment to helping any interested Supervisory DISTRICT implement a full service schools model by some date certain (2020) and commit to support it by bringing services to schools site, particularly in high poverty communities?

This would require a substantial commitment from VDH and AHS, but is consistent with our logic of investment in early care and better coordination of services and bringing services to families rather than delivering services in a fragmented way. The key would be to relocate services, not create new services, in order to keep costs level. We could prioritize elementary schools, and use this as an opportunity to commit to some of the goals of the Early Childhood (ages 0 through grade 3) initiatives.

Our logic is:

- that we only offer this to Supervisory Districts, because SUs are too fragmented to be efficient enough to make this worth it (not sure who the lead would be at the district)
- consolidating districts are more likely to be able to free up space and internal capacity to support a full service schools model.

Politics/Strategy:

This might give them the educational and equity purpose that would get them over the line. Here are some statistics that make the case that we have a growing problem and challenge to educate children, and need to restructure to be able to respond effectively:

- The growth rate in the number of children ages 0-11 in state custody this year is staggering. At the close of FY14 there were 564 children in state custody, as of March 6, 2015 there were 819. These children are our canaries in the coal mine—they are the tip of the iceberg.
- 3,000 more people in Vermont - for a total of 74,058 - were living below the poverty level in 2013, compared to the previous year.
- The number of homeless children in our system has risen 46% since 2010, and of those students, about a quarter were children with disabilities.
- And even more distressing is the number of Vermont children in protective custody – 1,145 - up 15% with a third of the year left to go. And the children in protective custody are younger than ever, with about 41% of them being between ages 0 and 5. This month, there are over 100 infants under age 1 in custodial care.
- Think about what it means to be a foster placement for an infant. Because more and more of our families have two working parents—a necessity in an age of stagnant wages—there are fewer and fewer families able to serve as foster placements for our youngest children, which makes it more likely they will not spend these critical

years in a stable environment.

- Many more children are in families subject to conditional custody orders, which means parents retain custody provided they meet certain conditions, often participation in a rehab program. However, there is a critical shortage of rehab spaces in the state, which means these parents are unable to meet their custody terms, so risk losing their children.
- A year and a half ago, the Governor made headlines nationally by calling out the problem of opiate addiction in our communities. I don't need to tell you this problem is real and acute, and it is tearing apart our young families. A researcher at UVM recently told the Agency that a third of babies born at Fletcher Allen last year were born to opiate addicted parents.
- These challenges show up in our schools as well. Of the children who had to be physically restrained in schools last year, almost 60% were in grades K-3. Currently, Vermont is the state with the highest proportion of its population classified as Emotionally Disabled. This is not a "first" we want to win.
- In every data source, from public safety reports to child wellness indicators to reports from superintendents, we see evidence that suggests that we are looking at a growing population of young people growing up in extremely challenging conditions, that are at high risk for a host of health, developmental, and behavioral problems.

Are we ready for this? Are our systems equipped?

For pushing these ideas, you/the Governor could take the lead, or we could work with Baruth or Zuckerman in the Senate. Baruth would be a more focused advocate, but a proposal like this might get Zuckerman off pushing larger SUs. This would give Cummings a social justice reason to push this in the face of a challenging district.

This might be enough to motivate the higher poverty SUs to move, which are the ones that need to do this most anyway.

We have a meeting on Monday with some folk from AHS, and Aly will be there. I put full service schools on the agenda. If you are interested, I can float this there. It is not worth suggesting unless AHS and your office are fully committed to implementing.

I read about a study recently conducted by the Director of the Developmental Cognitive Neuroimaging Lab at Children's Hospital in Los Angeles, in which she controlled for family genetics, and found that the surface area of the brain of a child whose family makes less than \$25,000 is about 6% smaller than the brain surface area of a child whose family makes \$150,000 per year, and the difference was most dramatic for children at the lowest socioeconomic level. Simultaneously, she found healthier children also performed better on tests of executive functioning, including tasks that involved reasoning, problem solving,

planning and execution, all of which are essential to successful learning in school. There was nothing wrong with the genes with which these children in poverty were born. The study suggests that differences in brain surface area and function were a function of environmental factors such as nutrition, access to health care, access to clean and safe areas to play, air quality and rich learning environments. Consistent with all the early intervention work you have supported, if we can provide kids with better support early on, we are more likely to equip them with the neural architecture they need to thrive in communities and the work place. If we don't, we are basically manufacturing dysfunction.

Kids have no choice about the circumstances into which they are born, but increasingly, the circumstances into which they are born drive their life chances. Some of our data suggests we have some real problems brewing for our youngest and most vulnerable Vermonters, driven by growing economic adversity and parental addiction. This would put us in a better position to attack that head on.

HR Saga Continues

I want to start again by acknowledging the tremendous help we are getting from John Berard and Heidi Dimick at HR. We are so grateful for their support, and to Maribeth Spellman for her efforts to make them available.

We understand that for us to get to a viable place, we need to move a few very toxic and/or very incompetent people out. This can't happen without some pushback and fallout.

I wanted to give you the heads up that we had a whistle blower suit filed against us by someone under intense supervision. The timeline is clearly on our side, so we expect this to come to nothing when the evidence is reviewed, but the person did decide to call in auditors after the fact to investigate. I am confident we will prevail, but it is a nuisance and time suck on already busy people.

Reminder

I am still hoping to take a vacation with my family the week of April 13. If I need to be available to the Legislature by phone, I can do that. I will of course keep in touch by email.

Concord

Cynthia Stewart has been trying to get me to attend a public forum in Concord. The problem is the school board will not be involved. My concern is that if I insert myself at her request it could be inflammatory to the school board. This is not the right time, given that they are still trying to pass a budget and make a decision on closing their school. If you, the Governor, want me to attend, I will. However, my inclination is to stay away unless the school board joins the invitation. I will visit the school, however, at the invitation of the superintendent.

General talking points for the Legislature this week:

- The K-12 public school population has declined from 103,000 in School Year 1997 to 78,300 in School Year 2015 – this is a drop of 24,700 students or 24%.
- The growth rate in the number of children ages 0-11 in state custody this year is staggering. At the close of FY14 there were 564 children in state custody, as of March 6, 2015 there were 819. These children are our canaries in the coal mine— they are the tip of the iceberg.
- The SU/school district structure is a dual delivery system where services are provided at both the district and SU level. The range and types of services vary among all SUs. This makes comparing fiscal data useless.
- All studies show effective schools require effective and consistent leadership. The turnover rate of supervisory union superintendents and school principals is unacceptably high and prevents effective and consistent leadership.
- The current school governance system is too fragmented; evolved in a different, simpler era; and cannot respond effectively to the above problems. It needs to be fundamentally changed.

CONFIDENTIAL and PRIVILEGED

To: Governor Peter Shumlin
From: Greg Smith, Executive Director, VT Lottery
Date: April 3, 2015
Re: Weekly Report

Status of Governor's Priorities: .

none

Legislative Issues/Contacts:

None this week.

Press Issues/Releases/Contacts:

Spoke with Seven Days about proposed bills for repealing lottery and combining lottery, liquor and other vices into one agency (Rep Stevens from Waterbury proposed both). They also had questions about a letter they received from Cole Ward complaining about lottery odds and how we provide wrong information.

Significant Events/Meetings:

none

Evolving Issues:

none

Summary of Key Agency Department Activity:

Normal progress on regular work.

Executive Director's Commentary:

House budget that cuts lottery marketing funds by \$300K (37%) will result in a reduction of lottery profits by \$2M annually in first year and ongoing. This assumes a sales reduction of only 10%. Senate seems to have a better view of us but House may include enough restrictive efforts in various bills that some may slip by.

Executive Privilege

TO: Governor Peter Shumlin
FROM: Deputy Secretary Chris Cole
DATE: Friday, April 3, 2015
SUBJECT: VTrans - Confidential Report to the Governor

NOTES FOR GOVERNOR

Brattleboro IM091-1(65) West River Bridge

The Town of Brattleboro as well as Emergency Management have been consulted and are on board for the closure of the bridge on Tuesday, April 21, 2015 for bridge inspection and pothole repair. The plan is for an 8:00 AM start and hopefully we can be done by 5:00 PM. While the bridge inspectors occupy one lane, the contractor will be performing repairs to the other and vice versa. Press releases will be distributed starting next week. The closing of Exit 3 last weekend performed as expected; the final approved test weekend is scheduled for Sunday, April 5. A decision will then be made about the long-term viability and costs of this approach.

I-89 Waterbury Bridge Replacement Project

No traffic delays are anticipated for the I-89 bridges project in Waterbury this week. Stowe officials and legislators have expressed some concerns about the potential impact of this project on tourist access to the Stowe area. VTrans is taking proactive steps to identify resources for the traveling public. A full-page ad has been placed with the Stowe Summer/Fall Guide and specific construction information is being provided at the Annual Vermont Travel Industry Conference occurring this week in Burlington, in addition to the information provided to tour bus companies as mentioned last week. A specific meeting with Stowe officials regarding the I-89 bridges project will occur in the next two weeks as a follow-up to the meeting held last fall.

Additional steps that are being taken to mitigate the potential traffic issues include a change in the roundabout project schedule that previously called for the repair of a bridge located adjacent to the roundabout in Waterbury on Route 2. Repair of the bridge at this time could have caused a bottleneck as southbound traffic will be pushed to Route 2 starting April 13, between the hours of 3 – 6 PM, M-F. The new temporary traffic signal at Route 2 and Route 100 south is now operational, which will aid motorists who are detoured onto Route 2.

Given the proximity of these 3 bridges to residential neighborhoods in Waterbury, targeted public outreach is occurring door-to-door and with a specific mailing to identified neighborhoods located adjacent to the construction site.

Bridge work remains on schedule with signal changes for the new southbound access ramp beginning April 6, and crossover lanes opening the week of April 13.

Grow America Act (2015)

This is President Obama's proposed transportation reauthorization program. Vermont receives an increase of \$47 million or 23% in federal transportation funds for highways and public transit under this bill, plus the ability to compete for discretionary program funds under a number of new programs. A more detailed programmatic review will be forthcoming. It should be noted that both the House and Senate Budget resolutions propose to fund transportation to the extent of the current law revenues in the Highway Trust Fund which would be a reduction of 25%.

NOTES FOR STAFF

Winter Maintenance - totals are as of COB 3/31/15

FY 15 Winter Maintenance Costs to date = \$29,020,558

FY 14 Winter Maintenance Costs to date = \$27,840,809

FY 15 Salt Usage to date = 127,285 Tons

FY 14 Salt Usage to date = 128,759 Tons

FY 15 Total Hours spent on Winter Maintenance to date = 254,218

FY 14 Total Hours spent on Winter Maintenance to date = 247,610

Legislature

The Senate should be almost done with the TBill on Friday; they may have some additional work on it next week. Major differences from the House are an additional \$500,000 reduction in personnel and labor savings for a total of \$1.5M and an additional \$1M in project delays. The Senate took these actions to restore the \$1.5M leveling cut in the House-passed bill. We supported these changes and we should be able to meet the reductions without delaying projects. The Senate is keeping the TIB floor that the House passed which does not impose an increase in revenue unless the price of gas drops below \$2.56 for a three-month average.

New Federal Resilience Standard

Gina Campoli and other VTrans staff participated in a webinar hosted by FEMA regarding a new federal Executive Order (EO 13690) that requires that all federally funded investments in floodplains be held to a new level of climate resilience.

Climate Cabinet Meeting

The Climate Cabinet met on March 31 (preceded by climate cabinet staff meetings late last week regarding the Comprehensive Energy Plan and state agency energy planning for state operations). The Cabinet was briefed on the DPS plan for updating the current CEP due at the end of this year. State agencies, including VTrans, will be asked to assist in public meetings, compile information and draft the plan with the bulk of the work occurring this summer and fall. The Cabinet discussed interim targets leading up to the current 2050 renewables goal and the feasibility of incorporating greenhouse gas reduction analyses and progress towards the state's GHG reduction goals as part of the plan update.

Development Review/Traffic Impact Study (TIS)

Alchemy Holdings, LLC (Land Use Permit 5L0662-8): On March 25, 2015, the District 5 Environmental Commission issued a permit authorizing the construction of the new Alchemist brewery and retail store proposed off Cottage Club Road in Stowe. The applicant or developer will be responsible for constructing a dedicated left-turn lane on the Mountain Road/VT 108 on its southbound approach to Cottage Club Road prior to starting operations. A 19 VSA Section 1111 Permit request has not been submitted yet. [Link to permit](#)

Rail

Amtrak contract has been agreed to in principle. The agreement will now go through the final legal review for signature. Letter of principle will be signed to extend train service past the contract expiration date.

WACR M&B line - Bridge contractors were contacted for pre-bid meeting on bridges 303, 304 and 306. Embargoed line is targeted to be back open by May 1, 2015.

Privileged and Confidential
Memorandum

To: Peter E. Shumlin, Governor
From: Hal Cohen, Secretary, Agency of Human Services
Re: AHS Weekly Report
Date: April 3, 2015

Highlights:

AHS Central Office:

Role of the AHS Field Directors pg. 2

Substance Abuse Treatment Coordination Group pg. 2

VDH:

Event Recognizing WIC Home Delivery Vendors pg. 4

DMH:

Vermont Psychiatric Care Hospital (VPCH) pg. 4

Patients Stuck in Level 1 Beds as well as Other Psychiatric Beds pg. 5

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Corrections Officers Assaulted over the Weekend: Inmate Will be Charged with 3 Counts of Aggravated Assault pg. 6

Population pg. 7

DCF:

Red Door Academy Child Care Facility pg. 7

Juvenile Recidivism Study Findings pg. 7

Vermont Association of Child Care Resource and Referral Agencies VACCRA Update pg. 8

DVHA:

Vermont Health Connect pg. 9

Secretary's Message

AHS convened a cross-agency workgroup to discuss contingency planning for Brattleboro Retreat. Under the terms of their Systems Improvement Agreement (SIA), the Retreat will continue to be monitored for up to 2 years by CMS. The contingency planning is to be sure AHS is prepared in case they lose their CMS certification or decide to stop serving one or more of the client populations. In the event we had to move people out, or assume the full general fund cost for care at the Retreat, we need to know what options are available for alternative services, potential costs and what we can do now to plan for it. (E.g., current estimates for the loss of CMS certification for just the 14 acute psychiatric beds is an annual increase of \$8 million general fund.) Because our system relies heavily on the Retreat, we are planning an incident command structure to assure that one department would not be competing with another department to find an alternative placement for their respective clients and to generally manage the complex situation in a coordinated manner.

We are undertaking this exercise with the full assumption that the Retreat will be successful in implementing its plan of correction and ultimately resolving the issues that led to the SIA. There are many additional benefits to this work, including giving us a thorough understanding of the capacity of our in-state service system, the extent of our reliance on out-of-state facilities for alternative placements, identifying any legal limitations for accessing alternative placements, and other areas of constraint and opportunity. Because the Retreat serves so many of our client populations, this exercise will help us be prepared in case any significant service provider in the state either loses CMS certification or ceases service operations. This week the group held a table top exercise to test the planning to date and to identify areas for further work and to familiarize AHS staff with the Incident Command Structure. A draft plan should be available to share with you in a few weeks.

I also want to let you know that we are watching S.107, which proposes to divide AHS and create a new separate Agency of Health Care Administration. There are few details in the bill, it did not make cross-over and is in Senate Gov Ops, but still, I am concerned because I know that Sen. Kitchel seems to want to make a substantial structural change to AHS. Dividing the Agency in this way would be very harmful and undermine all our efforts at integration. We are discussing strategies to be prepared in case there is an effort to attach this to another bill in the later days of the session. In the meantime, I plan to meet with Sen Kitchel, to discuss with her, what I think is working well at AHS and ask her for her input. I will also be reaching out to other key legislators in both the House and Senate.

This week, I had the opportunity to attend, and welcome participants to the second annual OEO – sponsored training forum for community organizations working to end poverty in Vermont. The objective of the forum was to raise awareness regarding research and evidenced – based practices that help people move out of poverty. The forum was well attended, with over 300 participants, it was well received and highlighted opportunities for networking and focus on ways to integrate services across Vermont.

On Wednesday this week, I attend the Proclamation Ceremony to highlight that April is Child Abuse Prevention month. I spoke to the importance of Child Abuse Prevention, and the impact that trauma places on a child in regards to their health, behavioral development, and educational achievements. Trauma places great costs on families and society as a whole, in both money and loss of human potential. I highlighted your commitment and mine, toward assisting and supporting effective prevention initiatives to strengthen our children, our families, our schools and our communities.

Agency of Human Services Central Office (AHS CO)

The Agency has submitted its comments on H.490 to Finance & Management for inclusion into the response memo to the Senate Appropriations Committee. We will continue to work collaboratively with your office to keep you updated on our progress as it moves forward.

Misconduct vs. Performance Training Offered to Supervisory Staff

The Sr. Human Resources Manager and Director of AHS Investigations Unit conducted supervisory training for Misconduct vs. Performance on March 26, 2015 for AHS Central supervisory staff. The focus of the training was raising awareness of the two tracks, when VSEA representation is required and available resources.

Role of the AHS Field Directors

The AHS Secretary's Office led a conversation with the AHS Field Directors related to their current roles and the need to strategically target and re-define their work and their ability to impact human services delivery systems in each AHS district. This was the beginning of the conversation which will continue over the next few months.

Disability Rights Vermont and Offender Re-entry

The AHS Secretary's Office continues to work closely with legal counsel from the Department of Corrections and the AHS General Counsel to address challenges from Disability Right Vermont related to incarcerated individuals and their right to re-entry planning and community services. It is crucial that we lay a solid foundation for this work in order to ensure fewer challenges in the future.

Substance Abuse Treatment Coordination Group

The AHS Secretary's office continues to play a leadership role in the Substance Abuse Treatment Coordination (SATC) working group. As a piece of addressing addiction in Vermont, the SATC is rolling out training for all related AHS staff on both the issue of substance abuse and some initial screening strategies to ensure that any individual associated with the Agency receives the appropriate level of screening and intervention. The power of this approach is in the integrated implementation across the Agency.

Rutland Care Management Pilot

In Rutland, Field Services is involved in the Care Management Pilot to address high utilizers of the health care system. A subgroup of the larger team is working on adoption of a model that has had great success in Camden, NJ related to shared care planning and outreach. The Camden, NJ "dialogue cards" are available to providers and include suggested language for patient engagement and referral.

Adult Services Planning in Addison

In Addison, the District Leadership Team, comprised of district managers from AHS departments and leadership from key community partners in the area, wants to begin work on a strategic plan for adult services. As the Community Health Team is also working on a strategic plan, we will reach out to them to identify opportunities for collaboration. Ultimately, any plan we build will use an RBA model as a framework for development.

Vermont Department of Health (VDH)

Pew Charitable Trust and MacArthur Foundation New Report on Substance Use Disorders and the Role of the States

The State Health Care Spending Project, an initiative of The Pew Charitable Trusts and the John D. and Catherine T. MacArthur Foundation, recently released a [50-state study on substance use disorders and the role of the states](#). The Department of Health participated by verifying our state's spending data (the portion that goes through our department), thereby supporting the report to present for the first time a look at states' general funds spent on substance use disorders. The report is part of a series of 50-state studies examining seven key areas of state health care spending.

Board of Medical Practice Approves Stipulated Order Resulting in Cessation of Practice of Physician Assistant

On April 1, the Board of Medical Practice approved an agreement ordering the immediate cessation of practice of Kellie Marlowe, a certified physician assistant in Charlotte. Under the terms of the order, Marlowe agreed that she would cease practice at the time that she signed the agreement on March 26. She also agreed to surrender her DEA registration. The cessation is temporary, but under the terms of the Order it will continue in force until further order of the Board.

Third Graders Welcome Health Commissioner Harry Chen for Public Health Week

On Friday, April 3, the Sustainability Academy will host Health Commissioner, Harry Chen for a conversation about public health and steps children can take to create healthier communities. The event celebrates Public Health Week (April 6-12) and will provide an opportunity for students to submit tips for staying healthy, which are being turned into a digital campaign to promote healthy habits.

Vermont Tobacco Control Program Hosts National Conversation on Tobacco and Opiates

On March 25, over 165 participants from across the U.S. and Canada took part in a webinar on “Kicking the Habit: Tobacco and Opiate Addiction.” The seminar, hosted by the Health Department’s Tobacco Control Program, is part of the program’s efforts to reduce tobacco use among individuals with mental illness and substance abuse conditions.

Health Advocates Meet to Discuss Expanding School Breakfast Programs

On March 30, Department of Health staff attended an event to explore the benefits of expanding school breakfast programs across the state. The “Fueling Greatness Leadership Roundtable,” held at Mt. Abraham Union High School and sponsored by Hunger Free Vermont and the New England Dairy and Food Council, applauded initiatives like Breakfast after the Bell, which reduces stigma for low income students. Representatives from the USDA Food and Nutrition Services, the Vermont School Boards Association, the Agency of Education Child Nutrition Programs also attended.

Event Recognizing WIC home delivery vendors

On March 30th, VDH recognized the WIC home delivery vendors. The Vermont WIC program started in 1974 and Vermont was the first state to initiate WIC statewide, due to local dairies that were already delivering milk products statewide and were able to easily add on WIC products. Two of the original dairies remain to this day, 41 years later (Thomas Dairy in Rutland and Wilcox Dairy in Manchester); the rest have over 24 years of service. Vendors will see their contracts terminated over the next year as the WIC program moves to a retail store system. This will end a long standing Vermont tradition of having milk products delivered directly to the doorstep. These vendors have made a difference in the lives of many Vermonters, and have long and dedicated public service careers and it was an honor to be able to recognize them as the vital partners they have been.

Local recognition events honoring each individual dairy/vendor will be held as each district office rolls out to retail throughout the upcoming year. It will indeed be a historical year for the Vermont WIC program.

Department of Mental Health (DMH)

Vermont Psychiatric Care Hospital (VPCH)

The hospital’s census remained at 25 for most of the week, before dropping to 24 yesterday, with high acuity. One patient is being transferred to another unit and the census will stay at 24 at least overnight to make sure that transition does not need to be reversed. Licensing and Protection, representing the State of Vermont Licensing Board, not CMS, came to do a survey on Monday and Tuesday of this

week, reviewing extensively the same patient's chart which has had multiple involuntary procedures during her time at the hospital. In their verbal exit interview, they commented on 3 incidents, and said they would have findings on them, the most prominent of which was that an Emergency Involuntary Procedure was initiated and not clinically necessary per their preliminary findings. The hospital, regardless of formal findings, has taken immediate action to address this preliminary finding and has provided clear behavioral intervention guidelines for the management of passive resistant patient behaviors to all hospital staff.

The hospital continues to focus attention on multiple outcomes measures, especially how to reduce violence and emergency involuntary procedures in the hospital and how to improve discharge planning outcomes for patients, both in terms of reducing LOS and decreasing the number of readmission within 30 days of discharge.

Soteria House

Soteria House received their Therapeutic Community Residence (TCR) license and is now officially open.

Associated Press – David Gram

Deputy Commissioner Reed responded to David Gram regarding Auditor Hoffers report on AHS MCO Investments. Emails of comments were sent to the Administration. The article was in the Free Press on Wednesday, April 1st.

Patients Stuck in Level 1 Beds as well as Other Psychiatric Beds.

1. The length of time a psychiatric patient remains in a hospital bed after being assessed as needing long term nursing care is a problem. DMH is working with DAIL to address this issue.
2. Criminal cases: The length of time to have a court hearing on a case when the patient has been found competent, can take months. Even patients who are ready for discharge, who are from the court system, can take a long period of time before the court gives its consent. Some of this will have to be addressed by changes in Title 13. DMH is working with Judge Grearson on this. The other is how to set court dates in a timelier manner.

Department of Disabilities, Aging and Independent Living (DAIL):

Vermont leadership in employment of persons with Developmental Disabilities in demand

Long time DAIL/Developmental Disabilities Services Division employee Jennie L Masterson, a Supported Employment Services Coordinator, has been asked to assist Rhode Island in closing sheltered workshops. Rhode Island is under a Department of Justice ruling related to sheltered workshops and other practices that need significant correction. Jennie has provided technical assistance to a number of states to promote positive supported employment practices. The R.I. Center on Disabilities will cover the cost of her one-day travel.

Budget bill looks for savings from new initiatives for older patients with psychiatric needs

Commissioners from DAIL and DMH met last week with a representative from the Northeast Kingdom's designated mental health agency to hear a proposal for dedicating beds in a residential care facility to caring for patients currently in hospitals who have barriers to discharge. At this stage, the concept is ill-defined and little data on actual needs is available. We are collecting additional information. SFY16 or 17 savings to Medicaid are dubious. DAIL and DMH are working on multiple fronts to address this issue.

ABLE Act hearings begin Friday, April 3

DAIL Commissioner Wehry and Treasury Secretary Pearce are working closely together in hopes of seeing enabling legislation passed this year but delaying specifics of implementation until the IRS develops regulations. The US Treasury and IRS have sent letters advising states they are not required to wait, which is causing many advocates to push for implementation now. Secretary Pearce believes this would be ill-advised and we concur.

Short AP article on State Auditor's decision to delay audit of Medicaid Investments (MCOs)

David Gram reported on Doug Hoffer's decision owing to inadequate data. An internal Agency of Human Services review initiated by then Secretary Racine had also identified the lack of performance measures across departments. DAIL, which has a relatively small number of investments (totaling \$6M) in particular was cited for not having identified outcomes. This is an inaccurate finding (50% have them; 50% don't) which we were unable to correct before the document was released. DAIL is working to correct the deficient practices which are largely in developmental services.

Investigations continue at Rutland Mental Health Services' CAP Program

The Attorney General's office and DAIL's Adult Protective Service unit are continuing their investigation into the death of Derek Hoffman, first reported in November. Derek was a 32 year old man with developmental disabilities who was found dead in his bed following a fall the previous evening. No new information.

Department of Corrections (DOC)

Mark Johnson Show Monday, March 30

Commissioner Pallito appeared on the Mark Johnson show on WDEV on Monday morning. The topic of conversation mainly focused around budget cuts and specifically the CHSVT.

White Paper Group Meeting – April 1

We have been invited to a discussion hosted by the White Paper Group. This is the group which spoke out about conditions at the Chittenden facility several years ago. The discussion centered on the substantial progress that we have made towards addressing their concerns. The meeting was very positive on the new leadership that is in place at the facility.

Corrections Officers Assaulted Over the Weekend Inmate Will be Charged with 3 Counts of Aggravated Assault

This weekend while attempting to secure an inmate in his cell 3 staff members were seriously assaulted at Northwest State Correctional Facility. The injuries included multiple blows to the throat, a broken nose and a possible torn rotator cuff. Two of the three are back at work and doing as well as can be expected. Vermont State police have been very responsive and the inmate will be charged with three counts of aggravated assault.

Senate Appropriations Committee Hearing on Tuesday, March 31

The DOC testified on the SFY 2016 Budget on Tuesday, March 31. Much of the conversation centered on cuts to the CHSVT and the Windsor Facility. Commissioner Pallito stated that before moving to the closing of the Windsor Facility, there may be additional opportunities with on the CHSVT Budget not taken by the House. We urged the Senate to take testimony from other members in the DOC beyond the CHSVT.

Population

The department's incarcerated population averaged 1,938 for the previous week. The male population averaged 1,783. The female population averaged 155.

Department for Children and Families (DCF)

Red Door Academy Child Care Facility

Red Door Academy holds two Child Care Licenses. The infant/toddler program is licensed for 31 children with 19 currently enrolled, and the preschool program is licensed for 30 children with 9 enrolled. In the infant/toddler program, there were seven licensing visits in February due to complaints and compliance follow-up. Of particular concern, was a lack of supervision which led to some child injuries.

In early February the Licensing Field Specialist did a routine compliance inspection in the preschool program and 4 violations were cited, mostly administrative, with no red flags during that visit. On March 24, 2015, DCF received a Special Investigations Unit (SIU) intake and two subsequent calls on the preschool program reporting that Michelle Zick, (MZ) Lead Teacher/Director of the preschool program had treated a child roughly on March 23rd. A CDD Licensing Supervisor investigated on-site, and was able to verify this incident and other incidents of inappropriate treatment of children by MZ through staff interviews and video footage. MZ was fired that same evening.

Video footage did not reveal inappropriate treatment of children by any staff other than MZ. At the time, we determined that children remaining in the program were not in immediate danger and so decided not to suspend their license which would leave families with a child care crisis. A site visit report was released to enrolled families to inform them of the situation and the violations we had cited based on what we had observed and uncovered.

After further investigation, we decided to move ahead with a revocation of both licenses based on a pattern of non-compliance with regulations and a failure on the part of the licensee to protect children from harm. The revocation letters for both programs have been delivered this week. The process of revocation allows the programs to remain open during a 30 day appeal period giving parents an opportunity to find alternative care. The St. Albans Referral staff will support parents in finding alternative care.

The Licensee will have 30 days from the delivery of the revocation letter to file an appeal. We first respond to an appeal with a Commissioner's Review. If the decision to revoke is upheld in the Commissioner's Review, the Licensee can then take it to the Human Services Board.

Juvenile Recidivism Study Findings

The Crime Research Group (formerly Vermont Criminal Justice Research) has just completed a recidivism study of youth who have committed delinquent and criminal offenses. The purpose of this study was to compare recidivism rates among juveniles previously adjudicated delinquent in the Vermont Superior Court Family Division (Family Division) with recidivism rates among those previously convicted in the Criminal Division to determine what factors appear to predict a new criminal conviction. The study found:

- The three-year recidivism rate for juveniles adjudicated in the Family Division was 25%, compared to a 47% three-year recidivism rate for juveniles convicted in the Criminal Division.

- The Youth Assessment and Screening Instrument (YASI) score appears to accurately predict risk of recidivism.

The data available showed that age and YASI risk level were the strongest predictors of recidivism. Most notable is age - the older the juvenile was when they were first adjudicated or convicted, the more likely they were to recidivate.

Juveniles adjudicated delinquent in the Family Division recidivate at a much lower rate than those convicted in the Criminal Division. The three-year juvenile delinquency re-adjudication rate was 16%. These low recidivism rates are encouraging and should be further investigated to determine if programmatic offerings are contributing to the low rates.

The study cautions that the findings are correlations and not clearly causal. Additional information on the youths' history of involvement with authorities, and what interventions occurred would help determine if specific interventions or the court of origin can predict recidivism.

Vermont Association of Child Care Resource and Referral Agencies VACCRA Update

Under Child Care and Development Fund (CCDF) federal rules, the Child Development Division is required to provide "public consumer education information that will promote informed child care choices" including information about "the full range of providers available" to parents and the general public. CC Referral services meet that requirement. The goal of the referral service is to provide information that enables parents to make informed choices about what's best for their particular situation. Child care referral services have become a vital component in maintaining detailed information about the supply of child care in local areas which is important when considering the best options for public policy related to child care.

The Governor's proposed budget included a reduction of \$200,000 in DCF child care referral costs by centralizing child care referral services into the VT 211 system. The 12 Community Child Care Support agencies who would see reduced funding in SFY16, represented by VACCRRRA, reached out to DCF with a proposal to maintain local referral services, transforming these into a more cohesive and connected network, and net \$150,000 in reduced costs. It was a reasonable and creative proposal. DCF proposed shifting funds from another function in the same contract to cover the remaining \$50,000 in committed savings but the agencies did not believe they could sustain services with the full \$200,000 reduction. VACCRRRA reached out to the House Appropriations Committee "to resolve the budgetary problem." H.490 adds \$50,000 back into the DCF/CDD budget to cover the difference between the Governor's proposed budget and the VACCRRRA proposal. DCF supports this opportunity to work with VACCRRRA to maintain and potentially transform local child care referrals services in the coming year.

Department of Vermont Health Access (DVHA)

Blueprint

Clinical Data Warehouse: On Friday, 3/27, Lawrence Miller approved the Blueprint's proposal to migrate the clinical data warehouse from DocSite to Vermont Information Technology Leaders (VITL), ensuring continuity of data aggregation and reporting abilities.

The Blueprint Annual Conference will be held on April 17. More information is available [here](#).

Vermont Health Connect

VHC Project Update

VHC is working towards the delivery of functionality to support Changes of Circumstance (COC), Changes of Information (COI) and Reconciliation between VHC, Benaissance and the Carriers as part

of Release 1. VHC is also planning for work to be completed related to Release 2 which includes Medicaid and QHP Renewals, Notices functionality, Additional Financial Reconciliation and Billing enhancements, and CMS Integration. Additional project updates can be found below:

Project Schedule

Renewal functionality must be completed by 10/1/15 to be functional for 2016 open enrollment. This project constraint currently represents a low probability risk. If the Amendment 7 contract is executed within the next couple of months, that delivery timeline is considered feasible.

Release 1 implementation timeline is dependent on carrier development and testing execution. BCBS has provided feedback and are concerned with the tight schedule and have expressed the need for VHC to deliver detailed design specs for the 2300 loop before they can fully sign off on the schedule. MVP has provided feedback stating that they could comply with the VHC schedule even through their development schedule does not line up with the proposed plan which puts the testing schedule and milestones are risk. VHC is working on a response to Delta Dental schedule for delivery by EOD 3/30.

The release 1 implementation timeline is dependent on VHC's operational readiness to accept the implementation of the auto-CoC code. Optum delivered analysis Friday (3/27) providing the SoV options and a recommendation concerning backlog and reconciliation activity needed prior to R1. The SoV team is reviewing the analysis and is determining the next steps and operational adjustment that will need to be made. If our current manual processes are not supported once we deploy a system upgrade, we need to determine how we would be able to process related backlogs or delay the release. The activities that need to be inspected are the following: 2015 Renewals, 2014 CoC (Magic Zip Code) process, 2015 CoCs, Date flips, In-progress Lion's Den work that may not be fully processed by the carriers. The SoV Business Analyst team is also reviewing all current non-COC processes in 3.3.2.10 to determine if they need to be readjusted or remain the same once R1 is deployed. A similar effort is underway for reporting as well.

Project Highlights:

Release 1:

- Final Change of Circumstance (CoC) requirements document has been complete and sign-off is expected by 3/30.
- 3rd draft of Integrated Master Schedule submitted from Optum on 3/26
- Final Requirements document submitted from Optum to SoV for final review on the remaining Release 1 scope packages. All requirements are targeted to be signed off by 3/31
- Final Solution Summary Documents have been submitted from Optum to SoV for final review on the following items:
 - ACCESS Integration
 - Reconciliation

Major Issues and Risks

- Release 1 implementation timeline is dependent on carrier development and testing execution. While State leadership and the 3 carriers have agreed to a high-level implementation schedule, timing of detailed activities remains to be finalized due to dependencies on each carrier's IT vendors. This dependency, along with SOV project manager feedback on the Optum project schedule has delayed the project's ability to provide a baselined schedule (targeting baseline by 4/3) and carrier confirmation by 4/10.

- Release 1 implementation timeline is also dependent on the completion of all backlog 2015 renewal applications and reconciliation between VHC, their premium processor (Benaissance), the three carriers (BCBS, MVP & Delta Dental), and Medicaid. VHC Operations is currently sizing the effort and will need to reprioritize their work to accomplish this dependency. VHC cannot implement the automated CoC solution until the work is complete.
- Lack of a contract with Optum for the completion of work required for Release 2 puts the timeline for Renewals functionality at risk. The scope of work for Release 2 has been defined by the SOV. CMS has stated they need 60 days to review and approve any contracts submitted by the State of Vermont. To meet the CMS timeline and ensure the State has a contract for Renewals work to begin, the draft contract needs to be submitted to CMS by April 1, 2015 to meet a contract execution date of July 1, 2015.
- Timing of the upcoming data center migration as part of the transition from CGI to Optum for Hosting poses a risk to the VHC Development timelines for CoC and Renewals. Consideration should be given to timing of data center migration of VHC application hardware and how it may impact other implementation delivery dates (i.e., delivery of CoC). The VHC project team and the Hosting team need to remain closely aligned on schedule and upcoming activities to avoid any negative impacts. The Project Manager assigned to the Hosting contract by the HSE PMO is being included in VHC project planning activities to ensure this alignment occurs.

These open items if not resolved put the overall VHC project schedule at a significant risk.

VHC Operations Update

General Renewals Progress

VHC is 72% of the way complete with renewals. There are fewer than 200 no change renewals for the State to complete, and approximately 2200 full change renewals for Optum to complete. Current models suggest that this work will be finished by the end of April.

Lion's Den Expansion

The Lion's Den began working at full capacity with 28 staff located at IBM on Tuesday 3/31. They cleared 209 cases and hopeful that the pace will continue to pick up as staff is more fully trained. At this pace, the Lion's Den can clear approximately 4,000 cases by the end of April. This will ensure the completion of renewals through the Den by May 15th. RISK: Optum has stated that VHC cannot have half-completed renewals at the time of deployment of auto-CoC. This means that at some point in the coming weeks, the State will need to freeze work on CoCs. Leadership decision is needed regarding when this freeze is appropriate and messaging will need to be crafted for customers, resolver groups, and appropriate stakeholders.

BCBS Review & Recon

Review and recon on the 2900, 2014, BCBS cases is completed. The final processing on these cases will be complete in the next week. BCBS plans to run a receivables report during the final week of March to assess the impact of 2300 retroactive terminations on their 2014 receivables. We are hopeful that this will resolve most of the outstanding balances from 2014.

Maximus

Training on Premium Processing for Maximus completed on 3/30 and they began answering premium processing questions on 3/31. Maximus also began completing Access to Care cases on 3/31. Out of 66

calls received, only 6-10 were escalated to Health Access Eligibility Unit (HAEU) for resolution. As a result, the number of calls escalated to HAEU on 3/31 dropped significantly, along with wait times. This freed staff up to do other work. If trends continue, the State will be able to devote significantly more staff to backlog reduction, making operational goals increasingly attainable.

The following was the 3/31 call center statistics:

Facility	Live Agent Offered Calls	Live Agent % Abandoned	Avg Time to Answer (Sec)	Avg Handle Time (Sec)
Maximus	1466	1.0%	17	653

MVP Dunning and Terms

MVP payment and enrollment staff will be onsite on Monday April 6th for a colocation pilot. The goal is to resolve outstanding Interim Change Process (ICP) spreadsheet processing issues. The State has catalogued potential issues for discussion with MVP. These include:

Premium Processing & Reconciliation

The State has made progress on reconciliation goals and deliverables. There is an additional team meeting on 4/1 to develop an action plan that will involve (1) getting started on data analysis regarding discrepancies, (2) decisions around whether reconciliation should focus on 2014 and 2015 plan years, and (3) progress on business processes related to 834 error resolution, as the error rate is likely to spike after the delivery of auto-CoC.

Medicaid Eligible Classification: There are myriad cases where defects have been discovered in the VHC solution whereby individuals are being improperly classified as Medicaid eligible. In addition, CMS randomly selects 10 New Adult enrollees from each state to ensure those people truly qualify for the program (for which we receive enhanced federal participation). Their most recent Vermont selection resulted in potentially 3 of the 10 mis-categorized. This could result in loss of federal funding.

Long Term Care Individual

A Medicaid beneficiary, James Cunningham, has been at the Springfield Hospital Emergency Room for approximately one month, an application has been submitted for Long Term Care (LTC) Medicaid but Mr. Cunningham currently doesn't qualify due to a recent \$250,000 settlement which he spent in a period of four months. Because of the five year financial "look back" requirement for transfers required by federal and Vermont rule, Mr. Cunningham needs to provide documentation to the LTC program staff about the expenditure of those funds to prevent his application from being denied.

Hospital staff are complaining for a case resolution and will be communicating with the Governor's Office and Senators Sanders/Leahy's offices. Currently a variety of staff from DVHA, DCF and DAIL are trying to find a resolution to place him into an appropriate facility.

Provider Fraud, Keene Medical Supply

In June, 2014, DVHA advised Keene Medical Supply that our program integrity unit found a credible allegation of fraud. Under federal law, DVHA is required to suspend payments to the provider upon this finding. However, because of the size of the provider and the number of Medicaid members they serve, it was decided to withhold 25% of the dollar value of each claim filing. This has occurred since September, 2014, and the case is now an active investigation with the Attorney General's Medicaid

Fraud Unit (MFRAU). On March 25th, DVHA received a letter from the provider requesting a discontinuation of the withhold, but cannot since it's under investigation with MFRAU.

Global Commitment Waiver

We must negotiate with the federal government for our next waiver renewal which is effective 1/1/2017. The State needs (a) a plan for establishing what we think is an appropriate negotiation strategy and (b) to begin engaging CMS in negotiation talks.

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Chuck Ross, SECRETARY

STATE OF VERMONT
AGENCY OF AGRICULTURE

Confidential and Privileged

TO: Gov. Peter Shumlin
FROM: Chuck Ross, Secretary of Agriculture
RE: Weekly Memo
DATE: April 3, 2015

Secretary's Top Issues

Presentation on Alpaca Slaughter

State Veterinarian Kristin Haas has been invited to speak about Vermont's experiences with alpaca slaughter and its impact on the state Meat Inspection Program at the 2015 United States Animal Health Association meeting in Providence RI.

Hearing Request for Swine Producer

The Animal Health section received a request for an administrative hearing this week from a swine producer who received a Notice of Violation from the section for alleged violations of the sections Rules Governing the Importation of Domestic Animals, Including Livestock and Poultry.

VAFPDB/WLEB Merger

The Vermont Agricultural and Forest Products Development Board (VAFPDB) met on Wednesday, April 1st, 2015. Jolinda LaClair, Deputy Secretary of the Agency of Agriculture, Food and Markets; Mike Snyder, Commissioner of the Department of Forests, Parks and Recreation; and Lucy Leriche, Deputy Secretary of the Agency of Commerce and Community provided updates on the current legislative session, as it relates to the agricultural and forestry industries in Vermont. Lynn Coale, VAFPDB Chair, and VAFPDB Members offered updates from their industries. The Board, enacted under legislation in 2010, is in the process of a merger with the Working Lands Enterprise Board, which would combine Boards and create five additional seats. More information of the potential Board Merger can be found in the bill that recently passed the House:

<http://legislature.vermont.gov/assets/Documents/2016/Docs/BILLS/H-0484/H-0484%20As%20Passed%20by%20the%20House%20Official.pdf>

Seven Days Regarding Agency of Agriculture Water Quality Enforcement

Following her review of the Agency's water quality enforcement files for the last five years, Katie Flagg, Staff Reporter with Seven Days, published her article titled "Sacred Cows" in the April 1-8, Vol 20, Number 30 edition of Seven Days. The article is also on-line at <http://www.sevendaysvt.com/vermont/sacred-cows-does-vermont-cut-farmers-too-much-slack-on-water-quality-violations/Content?oid=2546954>

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TO: Gov. Peter Shumlin
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Status of Governor's Priorities:

Legislative Activities and Issues

The Agency received an inquiry from two Senators regarding what constitutes a Vermont-origin livestock animal that is sold for human consumption in commerce – does the livestock animal have to be born/raised in VT, or only slaughtered in VT, or something different all together? There is significant confusion surrounding this issue, and it may not be clearly defined in the VT Origin rules promulgated by the Attorney General's office.

Senate Institutions Testimony 4/2/15: Capital Bill

Deputy Secretary LaClair and ARMs Director Jim Leland testified on the Agency of Ag's requests in the Capital: Collaborative Lab; Best Management Practices; Eastern States infrastructure upgrades; Fair Grants (added back in by House Institutions and supported by Senate Institutions). The committee was very supportive of Lab, Eastern States, and Fair Grants – they would like additional information about BMPs and the cost share required by farmers. The Ag Resource Management Division will return at a later date to provide this information. Regarding the Capital Bill, Senator Mazza would like more information about BMP cost share and the Agency would offer 10 examples of a best practices – ranging from large to small – and how much was invested by state/feds/farmer. Senator Mazza expressed concern that farmer's may not have enough investment in a practice, (2 other senators disagreed). The committee generally would benefit from a better understanding of the flow of funds. The Agency will provide a spread sheet showing NRCS money, state money, etc. and examples of how funds can be spent. Senator Rogers and McAllister understand the leveraging and the role the state plays vs. NRCS. Laura DiPietro will testify before the Committee in the coming weeks to provide this information. Chairwoman Flory noted that the committee, which will receive the capital bill next week (final vote in house April 2), will be looking at ways to support water quality in the capital bill. The Agency's effort to educate this committee about the WQ program, it's goals, etc. will be helpful.

In addition to discussion about water quality, Senate Institutions is interested in continuing support for the State's Fairs and Field Days in the Capital Budget. The Agency commented that it had recommended funding in the Capital Bill.

April 2, 2015

Sen. Sirotkin from Senate Agriculture committee member requested that the Agency provide a review of S. 49 addressing the committees edits of the bill. He indicated that the committee intends to vote the bill out of committee Friday, April 3.

Press

Consumer Protection Chief Henry Marckres spoke with the St. Albans Messenger on the maple season.

Significant Events/Meetings:

- State Veterinarian, Kristin Haas, participated in a preparatory meeting for the USDA Veterinary Services Training and Exercise Plan workshop that will occur in Riverdale Maryland. Haas will participate in this meeting on behalf of the New England region.

- Animal Health coordinated response with the Massachusetts's State Veterinarian and USDA Veterinary Services to investigate a livestock dealer who illegally obtained official identification means and utilized them to identify Vermont purchased calves that were sold into interstate commerce.
- Assistant State Veterinarian completed two follow up tests for tuberculosis, both negative.
- Assistant State Veterinarian met with Local Foods Administrator and Produce Safety Coordinator to provide feedback on the standards for the VT Veggie and Berry Growers Association Produce Safety Accreditation Program. Group also planned for upcoming internal meeting, discussed a legislative committee informational hearing, and reviewed upcoming meeting participation. The Agency received an invitation from the Department of Health for Secretary Ross to speak at the upcoming Northeast Food and Drug Officials Association in Burlington.
- Dr. McNamara attended the USDA, FSIS Frontline Supervisor/Enforcement, Investigation and Analysis Officers meeting in Wilkes-Barre PA
- Program chief participated in a conference call with officials from the VT Venture Center as they begin working on programs to inform interested producers on how to establish on-farm facilities to meet inspection requirements
- Consulted with VT Health department on restroom requirements for licensed commercial kitchens
- Meat program reps also met with a group from the interval project in Burlington interested in establishing classes for training in personal butcher skills
- Prepared Cross-utilization budget and reimbursement proposal to send to USDA for Federal Fiscal Year 2016

Evolving Issues:

- State Veterinarian Kristin Haas has been invited to speak about Vermont's experiences with alpaca slaughter and its impact on the state Meat Inspection Program at the 2015 United States Animal Health Association meeting in Providence RI.
- State Veterinarian, Kristin Haas, has been approved to attend Foreign Animal Disease Diagnostician training at Plum Island research center in June 2015. This training will allow for certification to perform foreign animal disease investigations in VT.
- State Veterinarian, Kristin Haas, continued to communicate this week with the Department of Fish and Wildlife regarding the potential transition of a noncompliant cervid facility from Fish and Wildlife Department oversight to that of VAAF. It is not amenable to VAAF to acquire responsibility for this facility until it is in full compliance with the F&W Department regulations and terms outlined in their hunting permit.
- The Animal Health section received a request for an administrative hearing this week from a swine producer who received a Notice of Violation from the section for alleged violations of the sections Rules Governing the Importation of Domestic Animals, Including Livestock and Poultry.
- Animal Health received notification from the NY Department of Agriculture and Markets of a NY licensed livestock dealer facilitating the illegal importation of livestock into Vermont. Field staff are following up with the Vermont premises implicated in the imports. One location is an Angus farm and was importing cull dairy cows without certificates of veterinary inspection and official identification.
- State veterinarians participated in a just cause hearing for a cervid producer requesting an extension of his time to request a hearing on an NOV issued in October and a subsequent NOV issued in November.

Summary of Key agency Department Activity

Administration:

Vermont Ag and Environmental Lab: Leaders from the Agency of Ag, Natural Resources and BGS, along with VTC President Dan Smith, led a neighborhood forum at VTC regarding the proposed Ag and Environmental Lab. Over 40 Randolph community residents turned out to express general support for the project and also concerns about the proposed location on VTC campus. BGS has been reviewing 2 other sites, however cost, wetlands and other factors will be considered for final location. Good opportunity to communicate as the SoV begins the permitting process. Partnership with VTC and Community, as well as opportunity to create jobs, all highlighted.

Agricultural Development:

The Vermont Agricultural and Forest Products Development Board (VAFPDB) met on Wednesday, April 1st, 2015. Jolinda LaClair, Deputy Secretary of the Agency of Agriculture, Food and Markets; Mike Snyder, Commissioner of the Department of Forests, Parks and Recreation; and Lucy Leriche, Deputy Secretary of the Agency of Commerce and Community provided updates on the current legislative session, as it relates to the agricultural and forestry industries in Vermont. Lynn Coale, VAFPDB Chair, and VAFPDB Members offered updates from their industries. The Board, enacted under legislation in 2010, is in the process of a merger with the Working Lands Enterprise Board, which would combine

Boards and create five additional seats. More information of the potential Board Merger can be found in the bill that recently passed the House: <http://legislature.vermont.gov/assets/Documents/2016/Docs/BILLS/H-0484/H-0484%20As%20Passed%20by%20the%20House%20Official.pdf>

Food Safety and Animal Health and Consumer Protection:

Animal Health:

State Veterinarians participated in a webinar this week pertaining to a new electronic Certificate of Veterinary Inspection document which would have to be approved by VAAFM before it can be used by veterinarians in Vermont. We have denied the request for approval as the electronic certificate is not compatible with the Agency's animal health database and would result in more work for the administrative assistant to maintain those records.

Animal Health Field Staff

- Attended weekly auction at ACCS to monitor for Animal Disease Traceability compliance and complete the weekly market report. Also replaced official slaughter green tags with ADT compliant non-official green tags. Green tags indicate slaughter only animals.
- Met with the owners of a turkey farm in southern Vermont in conjunction with the Vermont USDA Veterinary Services Veterinary Medical Officer. The group reviewed the concerns the farm has over the recent avian influenza outbreaks through the mid-western and western US. The farms biosecurity practices were reviewed and improvements were suggested. At follow up meeting with employees will be schedule for late spring.
- Participated in and USDA hosted Scrapie focused sheep and goat webinar. Many states have been impacted by a recent positive Scrapie flock and having to trace back flocks that received animals from this farm.
- Provided livestock dealer supplies to ACCS.
- Assisted VT DMV and State Police with a roadside detail in both Ira and Fair Haven.
- Received a bond from a new livestock dealer. Will complete new dealer inspection and issue license.
- Inspected a livestock dealer in the Williamsburg area. The inspection was also a follow up from an issue with this dealer's movement paperwork that was discovered at a DMV detail the previous week. The dealer has since resolved the non-compliance issue.

Agricultural Resource Management:

Water Quality Program

Public Records Review

Following her review of the Agency's water quality enforcement files for the last five years, Katie Flagg, Staff Reporter with Seven Days, published her article titled "Sacred Cows" in the April 1-8, Vol 20, Number 30 edition of Seven Days. The article is also on-line at <http://www.sevendaysvt.com/vermont/sacred-cows-does-vermont-cut-farmers-too-much-slack-on-water-quality-violations/Content?oid=2546954>

Nora Doyle-Burr, a staff writer with the Valley News, West Lebanon, NH, requested to review the LFO permit files of a large farm in Bradford. She previously requested a copy of the inspection report of the Agency's investigation into a pesticide application to pumpkin fields belonging to the same LFO. She is reviewing these files on Friday, April 3.

Enforcement

The Agency held a pre-hearing settlement conference with a small farm in Bakersfield that received a Notice of Violation for violating an Assurance of Discontinuance. Agreement was reached, and an Assurance has been drafted for the farmer's signature.

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

- Staff conducted an inspection on a LFO in Addison County related to potential manure spreading during the winter spreading ban. There was evidence of land application of manure prior to the end of the winter manure spreading ban.
- Staff received a complaint and conducted an inspection of a manure pile related to a MFO in Grand Isle County. The complainant stated that they thought the manure pile was less than the required 100 feet from the stream bank. There were no concerns documented from our inspection.
- Staff assisted a MFO in Grand Isle County to develop a reduced rate manure spreading plan due to full manure pit.
- Staff are drafting reports and memos related to inspections and enforcement cases and following up as needed.
- Staff attended the North Lake Champlain Basin Partner meeting to discuss water quality outreach strategies within the northern Lake Champlain Basin.
- Staff are processing and reviewing LFO annual reports for compliance.

- Staff are continuing to review LFO nutrient management plans (NMPs) and will be meeting with NRCS in the near future to discuss the quality of NMPs we have received as part of LFO annual reporting. NRCS certifies the technical service providers (TSPs) that are able to provide NMP services to farms in VT and has the ability to work with TSPs to improve their planning services.
- Staff are continuing to process LFO permit applications and permit amendments. There are several farms that have submitted permit applications for building, expansion and general operation.
- Staff sent out applications and processed grants for several grants for the Farm Agronomic Practices (FAP) Program.
- Staff are processing USAHerds livestock data, preparing farm surveys and making maps in preparation for the Franklin County Initiative.
- Staff are working on preparing farm data as part of the water quality (WQ) section's efforts in the development of the new WQ database. MFO and LFO data is getting edited and enhanced so that the USAHerds database can be updated and so that other farm based spatial data can be integrated into USAHerds and the WQ database.

Conservation Reserve Enhancement Program (CREP):

- Staff attended the North Lake Champlain Basin Partner meeting to discuss water quality outreach strategies within the northern Lake Champlain Basin.
- Staff met with VACD ARS to assist in planning small farm BMPs.
- Staff met with DEC staff, Franklin Watershed Committee/MRBA, and FNLC, and a consultant hired to analyze Lake Carmi and Missisquoi tributary water quality data and make recommendations for future sampling and landowner outreach.
- Staff met with a SFO in Franklin County to further discuss interest in improving manure storage and document issues with existing storage and management.
- Staff checked on the maintenance of temporary solutions to exclude livestock from a stream at a SFO in Franklin County.
- Staff checked on snow conditions at a SFO in Franklin County to inform when we can meet with an excavator at farm to assess laneway/stream crossing and derive estimate for BMP contract.
- Staff assisted AAFM volunteers gathering samples from a milkhouse waste treatment system in an ongoing project to assess efficacy of "alternative pre-treatment to a leach field. We helped compile an email of questions to the designer about the system and potential maintenance/adjustments of the system.
- Staff assisted VLT staff with options for the planning of buffers on multiple projects. We provided information to improve applications to ERP for funding of RCE's (River Corridor Easements) on three farms.

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Deborah L. Markowitz
Agency Secretary

Justin G. Johnson
Deputy Secretary

State of Vermont
Agency of Natural Resources

CONFIDENTIAL and PRIVILEGED

To: Governor Peter Shumlin
From: Deborah Markowitz, Secretary, Agency of Natural Resources
Date: April 3, 2015
Subject: ANR Weekly Report

Governor Level Issues:

FPR Recreation Coordinator Featured: On the front page of the Times-Argus Vermont Sunday Magazine this past weekend was an article showcasing FPR Recreation Coordinator Jessica Savage, titled “Are We Having Fun Yet? The Path to a Career in Vermont Recreation Management”. <http://www.rutlandherald.com/section/FEATURES02>. Note that this position was first funded by a grant from Crea Linthilac who was interested in jump starting our work to develop mountain biking trails on state lands. We have since funded the position from other sources.

EVERYTHING ELSE:

Legislative Issues/Testimony:

Clean Water Bill (H.35): David Dean deserves tremendous credit for managing this bill through all of the various house committees. We were pleased to see that with reporters from multiple committees and a few attempts at amendments, this bill passed with overwhelming support on the House floor. It sets us up well for the Senate. We met with Chris Bray to chart out his plan for getting it through the senate process. We will also be troubleshooting with individual members on the Senate side in the coming week.

ANR – AG Lab: Deputy Secretary Martin participated in a joint presentation in Randolph this week, along with AAFM Secretary Ross, VTC President Smith and BGS’ lab project team, regarding the proposed lab. The audience included local legislators and concerned neighbors.

Although many expressed concern about the exact site location and the amount of development in Randolph Center, the group expressed nearly unanimous support for the project more generally.

S.138: The NRB and ACCD worked to broker an agreement between The Senate Natural Resources and Economic Development Committees on the Land Use provisions of S.138. We believe an agreement is in place that will avoid a floor fight on the bill.

Budget: The NRB testified in Senate Appropriations on its budget. The Committee expressed concerns generally about any proposal to consolidate the NRB with ANR. Chair Groveman assured the Committee a full consolidation was not being proposed, but the NRB is directed in the budget to find \$200,000 in reductions for FY 16, and that work is underway. Chair Groveman indicated that the total \$200,000 would not be able to come from back office consolidation with ANR, and the NRB is analyzing other ways to achieve this reduction and what the impact on the program would be. The Committee did not push for any specifics regarding the reductions.

Press Issues/Releases:

VTFWD Press Releases: VTFWD Urges Vermonters to Remember Nongame Wildlife Fund Tax Check-off; Public Invited to Comment on Proposed State Shooting Range Rules; Draft Kingdom Heritage Lands Recreation Management Updates for Public Review; It's Time to Remove Bird Feeders and; New FW Board chair announced.

Sweet Tree: The cover story in last week's issue of Seven Days is about Sweet Tree, a new, large maple sugaring operation in the Northeast Kingdom. Commissioner Snyder is quoted in the article, which can be viewed online: <http://www.sevendaysvt.com/vermont/sweet-deal-a-giant-sugaring-operation-banks-on-maple/Content?oid=2543290>

Significant Events/Meetings:

ZEV MOU State Meeting with Manufacturers: We had a productive meeting with the auto manufacturers who are subject to the California regulations and need to begin to sell their vehicles in the NE. We continue to put pressure on them to market their vehicles here and to better train the sales force to sell the vehicles. They, in turn are putting pressure on us to install public charging infrastructure – and perhaps even more importantly – incentivizing businesses to install workplace charging infrastructure as well as finding incentives that go beyond the “money on the hood” like priority parking or use of HOV lanes (not applicable here).

Rutland City Water System Leak: Rutland City experienced a large leak in its water system. We were in constant contact with City officials as they worked to find and respond to the leak which threatened drinking water quality and supply for the whole city. The leak was ultimately located and fixed.

Climate Cabinet Meeting: We had a very well-attended climate cabinet meeting where we discussed the new energy plan and expressed our support for both identifying some interim targets as well as tying the plan more closely to our GHG goals. Staff from our agencies will be working closely with PSD as the plan is being developed.

Entergy Vermont Yankee Decommissioning: Commissioner Mears attended a meeting in Brattleboro with Secretary Moulton, Commissioner Recchia, and Dr. Bill Irwin as the state representatives on the Nuclear Decommissioning Citizens Advisory Panel. The Administration Team updated the panel on the current state of our regulatory oversight of Entergy's decommissioning work. Outstanding issues that DEC is working to resolve in coordination with our fellow state agencies/departments include establishing the regulatory process by which Entergy will undertake the non-radiological components of the cleanup, and how we will charge them for the costs of this regulatory oversight. We have written to Entergy to lay out our expectations that they submit a site closure plan for DEC's approval and are awaiting their response. We have also scheduled a site inspection in coordination with EPA and the Health Department. We plan to submit a proposal along with the Department of Public Service to Entergy to recover the costs of our regulatory oversight to date and projecting future costs.

Another Successful DEC Lean Week: All hands were on deck for three "Lean" events including improvements to the following: (1) stream alteration ("title 19") approval process for VTrans projects, (2) coordination of the Ecosystem Restoration Program grants process with tactical basin planning, and (3) drinking water and clean water construction procurement process. This was a successful event and we are particularly pleased that our first joint event with VTrans went smoothly. The Ecosystem Restoration Program grants project resulted in major progress towards ensuring that we make strategic investments in clean water projects and was a particularly timely event in light of pending clean water legislation (H.35).

SUMMARY OF KEY DEPARTMENT ACTIVITY

Office of Planning and Legal Affairs (OPLA)

Costco Environmental Court Appeals: A status conference is scheduled for April 6 with Judge Durkin in Environmental Court to address a post-trial matter regarding the Costco project (the gas fueling facility and parking expansion). Costco seeks additional regulatory approval for a component of the stormwater treatment system that involves a stormwater pipe outlet. The pipe is needed in order to convey treated stormwater from a detention pond at the site to a discharge point at Sunnyside Brook. The location of the pipe was previously approved under the Stormwater Permit, the Act 250 permit, and the local zoning permit, however the pipe did not receive necessary wetland approval because a re-classification of the wetland occurred during the appeal of the case. Costco was informed of the need to obtain a wetlands permit, but Costco chose not to apply for a permit at that time. Subsequent to the trial, Costco has come to the agency with several different proposals for the pipe location. Costco has now come forward with a 3rd alternative which would avoid wetland impacts and meet the stormwater rules.

Costco has submitted additional information to the Court on some of these alternatives. The submittal of this information raises legal and procedural issues, such as the question of whether the Court may receive any additional evidence and whether there might need to be a remand to the district commission to review any changes in the project plans. The parties will likely discuss these questions at the status conference.

GMP/Grow Solar 5MW Solar Project: OPLA staff met on March 31 with representatives from GMP and Grow Solar to discuss a half dozen potential sites for 5MW solar facilities that Grow Solar is developing under contract with GMP. Prior to the meeting OPLA performed an initial desktop review of the sites, identified potential natural resource constraints, and solicited feedback and comments from various DEC and DFW technical programs so that we could provide substantive feedback at the meeting. Most of the sites – primarily former gravel pits - look promising and GMP will likely proceed with a 45-day notice for the first site in Richmond later this month. OPLA left the meeting with a number of follow up items and will work with program staff to provide that information to GMP in a timely manner.

PSB Act 99 Workshop: OPLA continues to represent ANR at the PSB's series of workshops related to Act 99, which authorized the Board to make recommendations on how to redesign the state's net metering program before 2017. At the April 2 general process workgroup meeting, OPLA presented an overview of ANR's recommendations for how to improve the Section 248 CPG process to encourage the deployment of well sited renewables, to avoid impacts to important natural resources and to maximize the GHG reduction benefits of future renewable development.

New Applications Week of March 30: OPLA received 8 new Act 250 application and 3 new Section 248 applications.

Environmental Conservation (DEC)

Piloting of Program Issued Environmental Citations: We are working to establish a pilot project in which the drinking water program will take over issuance of environmental citations for routine violations from the Compliance and Enforcement Division.

Annual Workshop for Marina Operators: The Lake Champlain Basin Program and the Vermont Boat and Marine Association held their annual workshop for marina operators this week. Environmental Assistance staff presented at the workshop in an effort to promote the Clean Marina Program, as well as discuss various compliance concerns for marinas including stormwater, shoreland protection, drinking water, air pollution and petroleum storage tanks.

Lake Fairlee Dam: The Dam Safety Program continues to process the application and draft an order regarding the proposed dam replacement. However, challenges continue as the applicant continues to make changes to the project. A bunkhouse on the existing dam is now planned to be placed on the abutment of the replacement dam, instead of onshore off of the dam. We are

working with the applicant's consultant to ensure the project remains approvable. The Watershed Management Division's Lakes and Ponds Program is working in parallel with the applicant to ensure that it will comply with our shoreland protection requirements.

Enterprise Content Management System (ECMS): DEC has two Requests for Proposals (RFPs) out to bid soliciting a vendor to provide ECMS services. Vendor questions were due by March 20. We had over 250 question submitted by approximately 18 vendors. As a result of the number of questions we received, we have pushed various due dates out about a week to give ourselves a little more time to address the questions and the vendors more time to finalize their proposals once answers to their questions have been posted. Proposals are now due on April 15 and vendor selection is scheduled for May 29.

Hazardous Waste Drums at a Motorcycle Repair Shop in Rutland County: Our Hazardous Waste Program found thirty-two containers of improperly stored and managed hazardous waste during a routine inspection. Containers were stored outside without cover from rain or snow; some were frozen, in poor condition (bulging, rusting) and open. The facility owner does not know exactly what wastes are stored in the containers. We have directed the owner to hire a qualified, permitted waste hauler to collect samples for analysis of the containers prior to removal to a permitted hazardous waste facility.

Fish & Wildlife (FWD)

Bat Presentation and Cave Survey: Staff presented bat survey and research results on White-nose Syndrome information to the Salisbury Conservation Commission and many residents from surrounding towns. This area is a hotbed for remaining T&E bat species and local landowners and homeowners have been helpful in our survey efforts. Staff also conducted a bat survey at Plymouth Cave. This site is gated and owned by TNC. Unfortunately, the only northern long-eared bat found was dead and two of the four tri-colored bats appeared to be heavily infected with WNS fungus, but little brown bat numbers appear to be somewhat stable at this site.

Baitshop Violations: Responding to a tip from an angler that a new baitshop was operating in Vernon that was "self-serve," DFW Staff coordinated internally to ensure an inspection was conducted and appropriate follow-up actions were taken. Staff discovered that anglers were allowed to take their own baitfish from tanks in a shed, fill out their own receipts in empty baitfish receipt books that were left nearby, creating risk regarding approved baitfish movement. During the inspection it was also discovered that water was being withdrawn from and discharged to a natural stream, not a spring as was indicated in the owner's application. Additionally, the baitshop was approved as a "statewide" dealer, but he was found to be in possession of both certified "statewide" baitfish as well as wild harvested baitfish. Certified and wild baitfish were kept in different tanks, but they were connected as a flow-through system. This, along with self-serve anglers possibly dipping one net into all tanks meant this shop is at high risk for contamination. Staff have been working to draft a letter revoking the owner's commercial baitfish dealer's permit.

Fishing: Fishing pressure is steady to high around the state. Big perch limits still being caught and minor violations continue including over-limits, methods, license violations and fishing under revocation. The last of the ice shanties were escorted off the ice with some coaxing. Minor violations were issued in the process, and one individual decided to burn his shack instead of removing it.

Ice Thinning: Two ATVs and 5 individuals went through the ice on Benson Landing. Warden Butler assisted in their recovery.

Heroin Arrest Assistance: Sgt. Buttle assisted Bennington PD in chasing down and capturing two males who fled on foot after a motor vehicle stop. There was a large quantity of heroin in the car. A post-incident review made staff laugh at how two "city boys" acted just like trapped wild animals once they found themselves in the woods. Nowhere to run, but everywhere to go.

Forest, Parks and Recreation (FPR)

State Land Transactions: We are working to develop a donation agreement and to secure legal and survey services associated with the donation of the Muckross property to the Department. We will be working with BGS soon to re-advertise the Lafreniere sale parcel in Bolton (portion of Camel's Hump State Park) and are planning an open house for later this spring. Work continues on other priority ANR land transactions including Forest Legacy fee acquisitions of Molly's Falls Pond and Dowsville Forest; Five Peaks, Backus and Bullard Forest Legacy easement acquisition projects; acquisition of the proposed new Jim Jeffords State Forest parcels; sale of portion of Coolidge State Forest in Plymouth to Markowski Excavation; and other projects.

License/Lease Database: The Lands Administration Division has been working closely with ANR IT staff over the past year to develop a new license/lease database for managing the many ANR leases and licenses for ANR lands. The new database has just been completed and Lands Division staff will be conducting training for district and other ANR staff on its use over the next couple of months.

Stewardship Operations: The Atherton Meadows WMA timber harvest finished cutting last week, and close-out will be done in June.

Natural Resources Board (NRB)

The Alchemist: The Board will discuss alleged violations with the owners of the Alchemist, and will follow-up with a settlement demand letter.

The Board intends to issue **settlement demand letters** to the following entities:

- Twin State Sand and Gravel Co., Inc. and Greater Upper Valley Solid Waste Management District (for failure to properly deed restrict property in accordance with permit); and
- Van Osdol, Larry Brown, Kelly Coleman (for failure to obtain a Land Use Permit or Stormwater Permit prior to construction and operation of a gravel pit)

Smuggler's Notch: The NRB and ANR have reach a settlement agreement with Smugglers' Notch Management Company, Ltd. regarding an appeal of their Land Use Permit for snowmaking withdrawals from the Lamoille River. The settlement clarifies the resorts obligations under the permit.



Privileged and Confidential

MEMORANDUM

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

From: Christopher Recchia, Commissioner

Date: April 3 2015

Subject: Weekly Report

Governor Level Issues:

Status of Priorities and Cases of Interest:

VY: I am working on a proposed bulleted list of settlement issues with AGO, DEMHS, ANR, DOH and Governor's office. I should have something over the weekend to share and discuss internally. Entergy is looking for something from us by middle of next week. Spoke to Twomey today and he relayed he is very confident NRC will be ruling in their favor on withdrawals from the NDT – which is unfortunately consistent with my reading of where things are headed. Still, he is willing to settle the outstanding issues I discussed with him last Thursday, but we have to be realistic about how far we can get.

VGS: Vermont Gas is planning to file 2 Eminent Domain petitions on Monday and the balance (up to 16, but more likely 8) by the end of April. The two for Monday are people with whom they've had no contact and have expressed no interest in engaging with them. We are completing the Model Easement and I intend to post that early next week (as soon as we have final back from Eric Camp) along with the factsheet we created on Eminent Domain, which has been ready for about a week, but to which we've received no comments

from the landowners. We will continue to work with landowners on issues they still have with the model easement, but cannot hold up making it available any longer. We will be meeting with VGS next week to discuss C/B analyses we've done and how that compares to VGS's analysis. See below for main factors that affect the analysis.

ANR WW Permit issues and 248a: Today we are filing a response per the Board's direction on ANR's request that the PSB impose conditions that require a 248a petitioner to obtain waterwater and water supply (WW) permits when they subdivide a piece of property to host a cell tower. We are deferring to ANR's regulatory interpretation, but pointing out the PSB has no authority to impose such a condition in the "limited size and scope" review of 248a. We also note ANR has independent regulatory authority to address these issues if they choose. On the substance - this issue has been kicking around for over a year and I believe could be much more easily resolved by ANR evaluating whether in fact a subdivision for a cell tower has any meaningful impact on the ability of the remaining site to accommodate WW systems, or by the carrier agreeing to accommodate an easement on the subdivided property to accommodate a WW installation if ever need be (both very unlikely). It is crazy that ANR would seek to require a property owner to design a WW system for the balance of the property when a cell tower is being accommodated on a site – but that's just me I guess.

Regional Initiative: Each state is working on a paragraph or two about what it is willing to do as part of the Regional Initiative. I'll be forwarding a draft of what I propose for Vermont that includes the elements I described in earlier weekly (see March 20 and March 13 reports) and discussed with Liz prior to my last meeting with them on the 23rd.

VTA Transition: We are working hard and constructively with the VTA Board to transition the VTA projects to us ASAP. Chris Campbell's last day is Monday. There is also a Board meeting on Monday at which time Jim Porter will be vested with Executive Director powers by the VTA Board. This will help with transition. We are awaiting final approval to hire the Connectivity Coordinator position and will recruit immediately when received. Time is of the essence on this as we need to pick up work from VTA immediately to have things not fall through the cracks.

Legislative:

- H.40 – Darren did a walked through the bill in Senate Finance committee.
- H.117 – Passed House - Jim began testimony in Sen Finance today.
- Chris met with Senator Ashe and AARP on Alt Reg issues
- Siting – We are in continued conversations with Tony and Rebecca on amenable language

Meetings this Week:

Mar 31 – Chris Tim Ashe/Philene Taormina meeting; Mary Powell meeting; Climate Cabinet

Apr 2 – Chris/Jim Porter at AT&T press event in Richmond

Meetings next Week:

Apr 6 – Chris VTA board meeting

Apr 7 – Chris/Jim Porter retransmission meeting at 5th floor

Apr 8 – Chris at VCRD NEK community visit; Darren on Comcast newsmakers

Media:

Everything Else:

PERD

Legislative Updates

- Met with Rep. McCormack regarding H. 136. Stated concerns about PSD not having adequate staff resources to enforce the requirement that landlords who require their tenants to pay for their heat to upgrade their buildings to energy codes. He discussed the possibility of others educating landlords/enforcing. Also discussed changes regarding phrasing to be clear it was “existing” building code requirements and possibly specifying certain measures such as air sealing and insulation (items that would get the biggest bang for the costs) instead of requiring they bring everything up to code which may not be cost effective (such as window replacements).
- Attended Rep. McCormack’s introduction of H. 136 in HNRE. He said not to focus on the actual language, but the concept as he was thinking of a variety of changes after speaking with PSD staff. Many of the Committee members seemed supportive of the issues this legislation is trying to address. Representative Ellis suggested that may it be better if this started at the municipal level, with areas like Burlington like would be better equipped to enforce. Rep. Klein asked for a list of potential individuals to call in to testify.

Residential and Commercial Building Energy Standards (RBES & CBES)

- Code Update - Staff is drafting a letter to municipalities to inform them about the recent code updates and availability of code materials. (They will be directed to the adopted code language posted on the PSD website until the final codebooks are published as these include all of the requirements.) Electronic copies of the Residential Handbook will be available soon.

Energy Efficiency Utility Activities

- Staff met with VEIC to begin debriefing the last DRP. The EEC rate-cap amendment to

H. 40 was discussed in relation to what it may mean for changes to the DRP process. In addition, VEIC brainstormed some ideas for educating members of the legislature on the topic of energy efficiency and the DRP process. Also discussed was the perception that VEIC's mission may be creeping away from reducing the demand for electricity. This is especially apparent related to emerging technologies that reduce consumption of fossil fuels but increase electric consumption (heat pumps and electric vehicles).

Behavior Program Evaluation

- OPower completed the first survey for the Home Energy reports (of both participant and control group) and indicated they received some interesting responses for the question regarding "what energy-saving improvements have you taken", with some measurable differences between the participant and control group. Survey results will be presented to EVT, PSD Staff, and our evaluation contractor Cadmus on April 9th. EVT staff is still indicating their plan is to make some changes to the reports and re-launch by May.
- EVT will be sending a sample savings report for our review this week.
- Staff reviewed Cadmus's evaluation and verification plan for the Continuous Energy Improvement initiative this week. A rough cost estimate to complete the evaluation was included and is estimated to be approximately \$106,000 (which includes four optional site visits).

Public Service Board Dockets

- D 7676 – Staff prepared a draft schedule for the VGS Transition Period Plan which is due 10 days after the Board makes its decision on the PFD. Also, the Hearing Officer issued a memo in this Docket asking if any parties desired a hearing to present any new information on the issue of amortizing VGS's EEU costs vs a pay-as-you-go system (parties' responses are due on April 6).
- Docket 8395 (CEED) – 2015 CEED Evaluation and Verification Plan under development. Target date to file plan, 4/3/15.

Vermont System Planning Committee

- GMP presented the results of its reliability plan for the Rutland area, and VEIC presented on its analysis of energy efficiency potential in the area (activity was contracted by VEIC, not part of EVT activities). Based on the results of further analysis, there is no longer the immediate need for an upgrade in the Rutland area. If there were, there would have been enough energy efficiency available to avoid the project. GMP will file its reliability plan on April 1.

Thermal Energy Finance Pilot (Heat Saver Loan)

- Reviewed requirements from the Office of the Treasurer to set up the Opportunities Credit Union loan loss reserve and interest rate buy-down funds. Staff will follow guidance provided by the Office of the Treasurer to create the required reserves next week.

- Continued to work with OCU to develop a plan for evolving their grant agreement to include marketing efforts on behalf of the entire HSL program. Developed a revised draft budget and work plan that will be modified again as we review the current and proposed scope of work for the next fiscal quarter.
- Grantees report that they have made several HSL loans already and more are in the pipeline. Will report on actual numbers shortly as the fiscal quarter is almost over and quarterly reports due soon.

Clean Energy Development Fund

- Approved an invoice for SSREIP incentive payments of 10 PV projects for a total of 74.6kW of new capacity for \$28,165. The projects included a 10.8kW municipally owned system installed on the Guildford Fire Department's building (see photo)



- Conducted an Advanced Wood Heating stakeholder meeting. Had over 20 attendees representing government, pellet system installers, pellet fuel producers and retailers, and non-profit organizations. Received useful information from the participants on how the CEDF should proceed with its AWH programs.
- Continued to work on the Windham County Advanced Wood Heating Program Cooperative Grant Agreement.
- Reviewed and approved an extension (and expansion to include pellets) to VEIC's subcontract with REV for administration and of, and changes to, the Partnership program within the SSREIP.

Renewable Energy Items

- Met internally to discuss aesthetics requirements for large net metering projects post-2016 as described in Act 99.
- Participated in RPC energy planning project check-in call, which focused on updates to the LEAP modeling and mapping components. Working to ensure that this and the updated VT energy atlas mapping efforts (through EAN) are working in harmony.
- Finished reply comments for hydropower screening criteria, and began to modify criteria to incorporate as many useful suggestions as possible.
- Met with VNRC to discuss structural modifications and edits to their community solar guide. It will be necessary to have additional meetings to continue work on this substantial publication.
- Value of Solar in Maine
 - Attended presentation of Clean Power Research's study of Value of Solar in Maine, highlight results of which are:

- Total First year avoided costs are .18/kWh, including environmental externalities and DRIPE as assumed in AESC 2013 (.009/kWh).
- Significant capacity benefits from moving peak later into lower demand hours, assuming over 1,600 kWhs of delivered energy per kW (9,600 <500kW systems).
 - Peak Load Reduction: 23.9%. Interestingly, ISO-NE’s method for assessing SCC would have resulted in only a 6.1% reduction.
 - Electric Load Carrying Capacity: 54%.
- Significant benefits from avoided fuel price uncertainty quantified by discounting fuel costs implied by NYMEX futures
- Other Tidbits:
 - Used EPA’s AVERT tool to calculate marginal displaced pollutants on hourly generation basis
- Researchers found that there was a dearth of industry-wide data on Distribution Capacity Costs that might be avoided by DG. Biggest value is thought to be in deferring construction of generation substations, which only happens when loads are growing.

Comprehensive Energy Plan

- Participated in State Operations Working Group meeting, which served as preparation for the Climate Cabinet meeting. BGS is trying to get all the state agencies invested in getting a handle on their energy use (particularly those that own their facilities), which requires commitment from the top to encourage line staff to engage.
- Spent some time wrangling with the FACETS results dataset in order to develop some proposals for interim percent renewable targets for each sector in advance of the upcoming Climate Cabinet meeting. PSD has been asked to float a straw proposal that CC members can deliberate over. That proposal currently looks something like this:

	2015	2025	2035	2050
Buildings	30%	45%	70%	95%
Industrial	25%	33%	45%	85%
Transportation	6%	10%	25%	85%
Overall	20%	30%	50%	90%

Net Metering

<u>Net Metering Activity 3/21/15 –3/27/15</u>				
	Registrations	Applications	45 Day Notice	CPGs Granted
Count	23	0	1	18
kWAC	144.01	0	500	81.80

Ave Size kW	6.2613	0	144	5.453
Cumulative Capacity of ALL Formal Notices Submitted**				
Year Total to Date		Total Since 1999		
2014 kW	2015 kW	1999 – 2015 kW	% of 15% Cap	
3,211.08	12,153.22	88,408.53	~ 58.9	

****NOTE: This table includes all systems over 150 kW that go through the full 248 process. It also includes systems for which 45 day notices have been filed, in addition to those for which formal 248 applications have been filed.**

Integrated Resource Plans

- Met with GMP and VEIC to finalize stipulations to GMP’s IRP, largely surrounding enhanced coordination between stakeholders and increased outreach.

NEPOOL Load Forecasting Committee

- Corresponded with ISO-NE forecasters re: peculiar feature of their model in which neither weather nor price variables show up as statistically significant drivers of load (as they do for every other state besides VT). This has historically been the case, meaning the overwhelming determinant of load (as far as ISO-NE modeling goes) is Gross State Product. Unclear what this portends but it seems like a clue to something.

Vermont Gas Systems

- Continued re-analysis of economic benefits of Phase I in light of updated project costs and other factual changes related to economic criterion. The results continue to hinge on three main assumptions: estimated project costs, the cost of fuels displaced (i.e. fuel oil) and whether or not you assume CNG is displaced at large industrial facilities instead of fuel oil.

Engineering

Vermont Yankee Spent Fuel Management & Decommissioning

Systems maintenance and testing to support Spent Fuel Pool integrity continued during the reporting period (most notably, monthly testing of the “A” train Emergency Diesel Generator was successfully completed on Monday). No notifications were received during this time regarding any issue that would adversely impact Spent Fuel Pool integrity. Demolition of now non-essential structures at the VY site continues. For site security reasons, the now unused power transmission lines from the turbine building to the Main Transformer and from the Main Transformer to a power stanchion outside of the plant protected area have been disconnected.

Entergy Issues Public Warning Regarding Trespassing at the VY Site

In response to two recent trespassing incidents on the VY site, Entergy has made several

announcements reminding the public that unauthorized access to the VY site is prohibited and that trespassing “will result in a response” from onsite security. The reminders have been published in local newspapers such as the Brattleboro Reformer and reported on local radio stations over the past week. Additionally, Entergy officials provided general details on some of the VY site security measures currently in place while repeating the trespassing warning during Thursday’s Nuclear Decommissioning Citizens Advisory Panel meeting. Several new warning signs have been posted at VY’s (now unmanned) Main Entrance which state that “Unauthorized entry to this property will be treated as a threat to the safety of this facility, its workers and the general public” and that “use of deadly force is authorized” to address potential threats. Previously existing signs attached to the fence surrounding the VY property simply state “No Trespassing.”

VY Emergency Planning Zone Exemption Will Have a Public Comment Period

The NRC Region 1 State Liaison’s Office has verbally notified the State Nuclear Engineer that the Environmental Impact Evaluation for the VY Emergency Planning Zone (EPZ) Exemption Request will include a 30 day public comment period. The NRC’s decision to have a public comment period for this Evaluation stems from a recent District 2 Federal Court ruling (in the so-called “Brodsky case” filed against Entergy’s Indian Point Energy Center) requiring a public comment period for requested License Exemptions that “have generated significant public interest.” NRC Headquarters is expected to issue, sometime in early April, guidance regarding the types of questions that can be raised during Environmental Impact Evaluation comment periods. The comment period for the VY EPZ Exemption Request will not open until a draft of its Environmental Impact Evaluation is published in the Federal Register (which may not happen until mid-May). Unlike public comment periods for License Amendment Requests, there will likely NOT be an accompanying 60 day Petition to Intervene / Request for Hearing filing period for the EPZ Exemption Request Environmental Impact Evaluation. The State Nuclear Engineer will provide further details regarding this public comment period as they become available.

VY Notifies NRC of Changes to Regulatory Commitments

On Tuesday, the State Nuclear Engineer was notified that VY’s Reactor Licensing Department had issued letter BVY 15-022, “Notification of Changes to Regulatory Commitments Vermont Yankee Nuclear Power Station,” which notified the NRC of roughly 30 previously identified reactor licensing commitments that VY no longer intends to address. The primary reason for not addressing these commitments is that almost all of them involve plant systems that are only significant when there is reactor fuel present in the reactor vessel. However, 3 of the commitments involve plant systems that still could impact spent fuel pool cooling capabilities. As a result, the State Nuclear Engineer will be investigating these specific commitments in further detail.

2015 Vermont Gas Systems Addison Transmission Pipeline Project Construction

VGS has not yet announced the selection of contractor(s) to continue mainline construction of the Addison Natural Gas Pipeline project, Phase I. The materials for the project remain in storage yards in Swanton and Williston. The company recently informed the Department Gas Engineer that pipeline construction activities may begin in June or July. Construction activity at

the site of the pipeline crossing under I-89, in Williston, continued this report period. Engineers Construction Inc. removed approximately 130 feet of pipe which exhibited unacceptable damage to its corrosion protective coating, caused during installation. VGS has not completed revisions to its inspection protocols and criteria for pipe condition following installation by horizontal directional drilling (HDD). The installation plans for Phase I of the ANGP include 15 segments to be installed by HDD. Three HDD sites have been drilled; pipe installation at one of these (under the Winooski River and Rt. 117) has been completed.

Vermont Gas Systems plastic fusion failure

VGS continued leakage patrols and public-awareness activities in Enosburg related to a distribution gas leak discovered on 1/15/15 which the company attributed to an improperly installed plastic pipeline component. Following the discovery, the company began excavation at other sites with similar installations in Enosburg for examination and analysis. Seven excavations and examinations have occurred; four of those examinations revealed improperly installed components; three of those have been replaced, including the original leak source. Extreme weather and frost caused the company to suspend the excavations until the frost recedes. A date for excavation and examination resumption has not been determined.

Gas pipeline inspection activity

Propane pipeline systems operated by AmeriGas Propane and Suburban, were inspected in Vergennes, Bristol and Hinesburg, VT. No immediate safety hazards were observed. The Department Gas Engineer will follow-up with representatives of the applicable gas-provider regional office(s) to determine compliance with federal and state required activities, related to the specific systems.

Municipal Electric Association of Vermont (MEAV)

Engineering attended the MEAV meeting on March 26. Some of the topics of discussion included: VLITE installations of car charging stations, who should pay for line extensions to serve new solar farms (utility or developer); the possibility of charging wheeling for solar power consumed in locations other than where it is generated, better communication between utilities and local zoning regarding building permits that require the utility move a line, a request to PSD or PSB to post on a web site any changes to net metering rules, and several of the utilities have been approached by vendors to install a device that attaches to the meter and allows a generator to be plugged in (no one has allowed it yet).

National Governors Association Summit on State Cyber Security

The Director of Engineering attended the NGA Summit on State Cyber Security in San Jose, CA. Also in attendance from VT were two representatives from DII (Commissioner Boes and Nick Waringa), two representatives from DPS (Director Joe Flynn and Captain Rick Hopkins), and Colonel Hank Harding from the VT National Guard. There were approximately 370 attendees from most of the 50 states and territories, as well as private industry. The objectives of the summit were for states to learn best practices from each other and to make progress developing a cyber response plan. The VT team will meet again in the near future to finalize its report to the Governor and to continue work on the VT cyber response plan.

Regional Policy

New Proposed Market Rules for Intermittent Hydro

- Most intermittent hydro resources today participate in the markets by self-scheduling; these resources have a capacity supply obligation and receive energy and capacity revenues but are not required to participate in the day-ahead market. Other intermittent hydro resources are settlement only resources that do not have a capacity supply obligation and receive only energy revenues, and also some behind the meter resources that do not receive any market revenues but simply reduce load for the interconnecting utility. ISO-NE is proposing a change to how self-scheduled intermittent hydro resources participate in the energy market.
- The proposed rules would require that all intermittent hydro resources, except settlement only resources, install a Remote Terminal Unit for telemetry purposes no later than April 30, 2017. Currently, ISO-NE's control center calls resource owners when they must be curtailed. Under the new system, ISO-NE would communicate via telemetry the do not exceed limit for that resource – i.e., the maximum amount of generation that the resource can produce given transmission constraints on the system. Additionally intermittent hydro resources would be required to offer into the day-ahead market, although the amount that the resource bids in would not be tied to its capacity supply obligation.
- The owners of the intermittent hydro resources present at the March 30 meeting where ISO-NE explained its proposal were very unhappy with the proposal, particularly the requirement that intermittent resources be required to bid into the day-ahead market. Owners of wind resources, which had asked ISO-NE to develop these rules, are adamant that intermittent hydro resources should be subject to the same rules as wind resources.

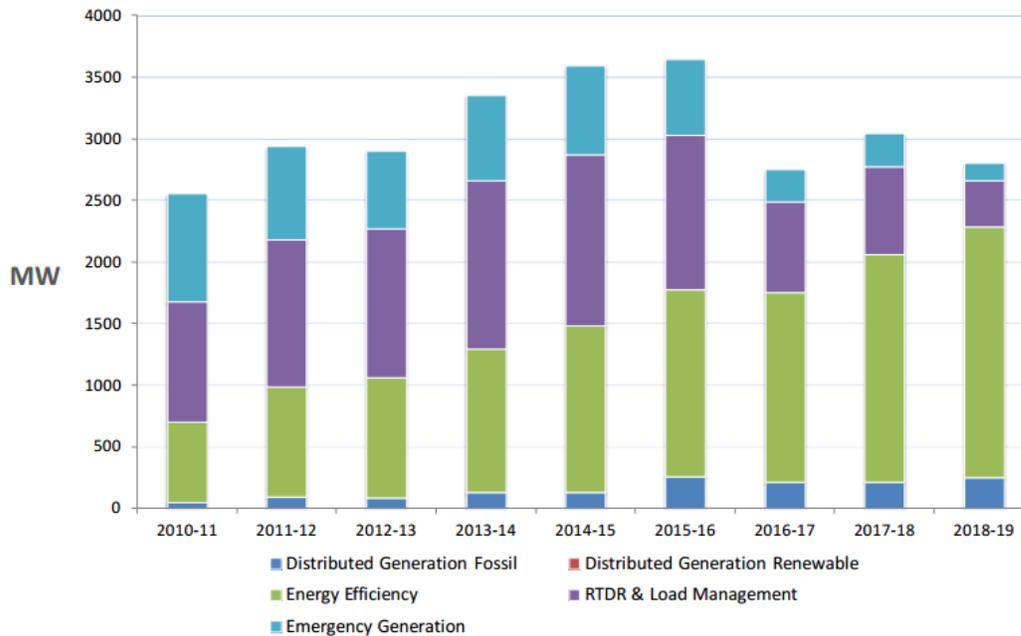
Demand Resources in the Forward Capacity Market

- On April 1, ISO-NE gave a presentation to the Demand Resources Working Group that presented the amount of new and existing demand resources that cleared/received capacity supply obligations in Forward Capacity Auction 9. Energy efficiency continues to be the single largest capacity resource in Vermont and efficiency represents roughly 6 % of the cleared energy efficiency in New England (compared to Vermont's 4% load share).

Load zone	Fossil-fuel DG	Renewable DG	Energy Efficiency	Demand Response	Real-time emergency generation	Total MW
Vermont	0	0	119.195	31.9	4.918	156.013
New England	37.488	0.865	2031.564	371.797	136.633	2804.411

- Overall, the amount of demand response resources in the Forward Capacity Market has declined in the past few years. While energy efficiency is increasing, active demand response is declining (this has been occurring for the last few years due to stringent ISO-NE auditing rules, with the most recent decrease likely due to uncertainty related to litigation regarding FERC’s jurisdiction over demand response).

Trend of Demand Resource Summer Cleared Capacity by Measure Type



Solar PV Qualification Tool for the Forward Capacity Market

- ISO-NE has a simplified spreadsheet for calculating the appropriate capacity supply obligation for solar resources, based upon number of panels, orientation, azimuth, fixed mounted vs. single-axis tracker, etc. ISO-NE recently updated this tool to account for daylight savings time, which resulted in a 13% increase in the qualified capacity for individual projects.

Finance and Economics

Electric

Stowe Electric Department (SED): This week the Board issued an order opening an investigation into the Tariff 8553-Rate Design Filing. This rate redesign is the first in Vermont to use load data generated by AMI (Smart Meters). The Department had recommended that an investigation be opened that will facilitate more public review and input on the new design. Stowe’s last rate design was 30 years ago. To date no concerns or issues have been identified but the investigation may stimulate a discussion on the use of the new AMI information and

how it was used in setting rates. Additionally, there may be some discussion of a phase-in that may be needed for the 10±% rate increase the rate design will have on its commercial customers.

VEC 90 Day Notice – Rule 5.202: VEC has advised the Board of its intention to execute a PPA with Coronal Municipal Energy Services (CMES) for 2.5 MW of solar capacity, energy and renewable attributes for a term of 28 years. VEC had applied for a CPG to develop the projects, but will assign those CPG's to CMES who will construct, own, and maintain the project after commissioning. VEC will offer shares of the solar output to a community net metering program and VEC's renewable power supply portfolio. Pro forma estimate indicate the 'all-in' solar PPA cost will approximate \$.12/kWh. We have questioned the lack of details in the net metering arrangement and the financing source of the up-front \$3 million payment to the project developer and are waiting for further information to be provided. We plan to file an acknowledgment of the filing including any potential issues within the next 30 days.

Natural Gas

VGS – Summer Compressed Natural Gas (CNG) Rate

Vermont Gas has informally proposed a tiered CNG tariff geared towards maintaining its CNG load (and revenues) during off-peak periods. The 'incentive' tariff would offer large volume CNG customers, a price at its commodity cost 'plus' a modest markup. We are continuing our review of the proposal for cost recovery and overall consistency and fairness with VGS's interruptible customers.

VGS – Tariff 8558 – Purchase Gas Adjustment (PGA) Filing: VGS filed its second quarter Purchase Gas Adjustment (PGA) for a 1.4 percent decrease to the natural gas charge which results in an overall .7 percent decrease in firm rates to be effective with bills rendered on and after May 6, 2015. The tariff adjusts for an over collection of gas revenues of \$852,568. The rate decrease was largely the net result of higher TCPL tolls which were offset by lower wholesale gas costs. We are continuing our review of the filing and plan to forward a recommendation to Legal by no later than April 13, 2015.

VGS—System Expansion Reliability Fund (SERF) - Department staff is working with VGS on the efficient use of rate payer provided expansion funding. The parties are working jointly to build a 'model' that will delineate the least cost rate payer impact of various options. PA is assessing the probability of a successful outcome regarding a possible IRS private letter ruling. We are evaluating the initial results of the SERF modeling project.

Water Companies:

Crystal Springs Water and Berlin Water – 2014 Annual Returns - Mr. Deane Hedges of Crystal Springs and of Berlin Water visited the office to obtain blank Annual Return forms for both water companies. He said he would be filing the returns for each company before the April 15th deadline.

Woodstock Aqueduct Company—Rate Case and Rate Design Case Combined. This week the

Board issued an order in Docket 8462 opening an investigation into and suspending the rate changes in Tariff 8556. The Department has recommended that an investigation be opened into the 20±% rate increase request to permit the public and its customers an opportunity to participate in the proceeding. While we worked closely with the company in the preparation of the filing to resolve issues, several business customers have complained about the amount of the increase and the difficulty they will have in absorbing the increase into their business operations. This case combines both a rate case and a rate design case and may require further modification to phase-in the rate design impacts before it is approved by the Board.

Telecom and Cable

VTA Transition to PSD: Staff continues its review of VTA's financial condition/status; existing obligations/contracts; and, other related documents in preparation for transitioning VTA operations to the department.

Stowe Cable: Docket No. 8428 - Joint Petition of Stowe Cable Holdings, LLC, Stowe Cable Systems, LLC, Stowe Cablevision, Inc., and Jeffersonville Cable Television Corporation for approval of the transfer of assets, issuance of Certificate of Public Good, and related transactions concerning cable television systems service for Stowe and Jeffersonville, Vermont. Staff has completed a review of the filing and the additional information that was requested; and, has submitted a final draft of finance and econ testimony.

Duncan Cable: Filed a petition this week requesting (a) an extension of its existing expired CPG, (b) renewal of extension CPG, and (c) a new CPG to provide service to Marlboro, Stratton and Wardsboro. Staff will begin a review of the financial aspects of the filing.

Energy Efficiency Utilities

VEIC-Docket 8455; the Board has opened a proceeding to conduct an overall performance assessment of EVT and to consider issuing a new Order of Appointment for a term of 11 years. The new order of appointment would facilitate VEIC in borrowing up to \$100million to finance energy efficiency initiatives.

Public Advocacy

Barton Solar – Docket 8372 – Neighbors of the project complained that a truck delivering solar panels had arrived late at night and turned around in their yard, damaging a fence and lawn. PSB issued a show-cause order, and Barton Solar requested a hearing. The complainants filed a notice of appearance but the Board told them they had to move to intervene, which they did not do, and consequently did not appear at the hearing. In a final order, the PSB found no evidentiary basis to conclude that the petitioner violated the terms and conditions of its CPG and therefore dismissed this investigation docket with prejudice.

Stowe Rate Design – Docket No. 8463 – On March 25, the Board opened an investigation into the rate design filed by Stowe. A prehearing conference will be held on April 14. PSD has no burning issues but it has been 30 years since Stowe's last rate design, and its proposal will result

in higher rates for the small commercial class; consequently, a public hearing is appropriate.

Rule 4.100 Annual Proceeding – No Docket – On March 25, the Department recommended that the Board waive the annual Rule 4.100 ratesetting proceeding, scheduled to begin on April 1. No entity has opposed the request. VIPPA and Allco (producers) and BED (utility) supported it.

TDI New England Clean Power Link Project – Docket 8400 – The petitioner filed discovery responses to PSD, ANR, the Combes-Farrs, NWRPC, and CLF. The PSD is reviewing these responses. In furtherance of our 30 V.S.A § 218c(7) obligations, the PSD has arranged a joint meeting with the Benson Selectboard and the Fairhaven Selectboard on April 6th.

VEC-VELCO Substation in Newport, VT Docket 8385 – The Department and VELCO were unable to reach agreement on supporting this substation upgrade project by the scheduled deadline of 3/30/15 and so now must file a litigation schedule. Of concern to the Department is whether this \$12 million dollar project as proposed meets the need criteria of Section 248(b)(2). VELCO insisted on filing a proposed schedule on 3/30/15 that contained dates that the Department told counsel for VELCO was unworkable. The Department filed a follow up letter on 4/1 indicating we needed to consult with staff who are unavailable until later this week and would file a proposed schedule on 4/6. The Department is conducting informal discovery on VELCO about the project and meeting internally later this week to establish a schedule and to arrive at a common understanding of the engineering, legal and factual issues under consideration.

Overall Performance Assessment of Efficiency Vermont - Docket 8455 – The Board held a prehearing conference on 4/1/15 to set a schedule for the Overall Performance Assessment (OPA) of Efficiency Vermont. The OPA is a requirement of the Order of Appointment and is to be conducted every six years. The Department and VEIC support initiating the OPA approximately three months earlier than contemplated in the Order of Appointment document in order to facilitate VEIC's potential eligibility for approximately \$100 million in federal government loan funds, that would be made available to Vermont ratepayers for energy efficiency and renewable energy investments.

Addison Expansion—Docket 7970—A procedural order and schedule was issued on March 25. Technical hearings are scheduled for June 22-23. VGS filed supplemental testimony on Friday, March 27 and staff is reviewing. The internal department team met this week to discuss our preliminary economic benefit analysis; our discovery on VGS is due April 8 and our testimony is due May 6. In response to a request from the Board, the Department and VGS submitted comments in response to Nate Palmer's pending motion to incorporate the entire record from Docket 8328- the VGS penalty docket-into this docket on remand. Both the Department and VGS opposed the Motion. VGS plans to file notice of non-substantial changes to the project design on April 3.

Work continues with the landowner group and VGS concerning right of way issues. A conference call was held on April 1 among the Governor's Office, ANR, DPS, the retained pipeline lawyer and the landowner group. It was not very productive. We are in the process of revising the Model Forms to include the several acceptable provisions from the landowners'

draft and to reflect several revisions agreed to in the conference call. We then plan to post the forms. The Department had hoped to post final Model Forms on our website on March 13, which was the agreed upon day to conclude when the pipeline lawyer was initially retained. Two condemnation petitions are scheduled to be filed on Friday, April 3. These particular landowners have refused to enter into any communications with Vermont Gas despite numerous attempts. The Department has advised that we do not believe it is beneficial to file any petitions while the remand is pending.

VY ERDS Proceeding – NRC 50-271-LA –The State (PSD) is drafting an additional contention supplementing its original petition based on deficiencies contained in the Entergy safety analysis, and will seek postponement of the Commission’s consideration of the ASLB appeal pending ASLB action on the new contention.

VY EPZ Proceeding – NRC 50-271-LA-2 – The ASLB has scheduled oral argument for April 8 on admissibility of the State’s contention. The ASLB’s order is curious, given that the State has a motion for reconsideration of a related exemption request pending before the NRC Commissioners. Any discussion of State’s contentions at the ASLB would be moot in the event that the NRC grants the State a hearing right on the exemption request.

FairPoint Service Quality Investigation – Docket 8390 – The Department is finalizing responses to FairPoint’s discovery requests. Responses are due to FairPoint by April 6. It also filed a response to FairPoint’s motion for confidential treatment of certain parts of the Department’s testimony. The Department seeks to have the Board lift the majority of the redactions made pursuant to the protective agreement executed in the proceeding. The Department also continues to follow up with the FairPoint in an attempt to secure information sought but not provided to the Department during discovery, and to schedule dates and times for site visits to a FairPoint central office and at least one garage.

GMP/AARP Low income assistance program-Docket 7535- On March 31, 2015, GMP submitted a report on the performance of the Electric Assistance Program through the end of the second program year. The Fund continues to substantially over-collect. With the support of DPS and AARP, GMP proposes that during the next 30 days, DPS and AARP collaborate with GMP on proposals to present to the Board. GMP does not support reducing the monthly EAP fee at this time.

Apple Hill Solar 2.0 MW Standard Offer Solar Project in Bennington - Docket 8454 – The Public Service Board held a prehearing conference on 3/31/15 to set a schedule on the petition to obtain a Certificate of Public Good for this project. ANR, the Department and the Petitioner agreed on a schedule that calls for a public hearing and site visit in early May, and intervention followed by discovery. An MOU deadline date of 6/29/15 was set.

VEC Substation Expansion and Rebuild in East Berkshire – Docket 8450 – The PSD participated in a prehearing conference. While the schedule is somewhat in flux, the first set of discovery is due to the petitioner by April 17th.

NGRID Transmission Line Construction/Removal Waterford and Barnet– Docket 8444 –The PSD submitted its first round of discovery on the petitioner. Responses are due April 13th. Additionally, the PSB issued the notice for a public hearing to take place in Waterford on April 9th.

Vermont Gas-Plouffe condemnation-Docket 7819- Vermont Gas has proposed that the Landowners file testimony to rebut the presumption that, under the statute, no additional compensation is due. They have requested this submission by April 13 and recommended that no further schedule be prepared until this presumption is satisfactorily rebutted. Comments from other parties were due by March 27. The Department filed in support of the approach advocated by VGS and the Plouffes did not submit any scheduling proposal.

Woodstock Aqueduct Company – Docket 8462 – In an order, the PSB suspended Woodstock’s tariff filing and opened an investigation. A prehearing conference date will be determined at a later date.

Champlain Valley Solar – Docket 8248 – The PSB granted petitioner’s request for a three month extension to the standard offer commissioning deadline.

Crystal Springs Water Co. – no docket – PSD is continuing its investigation into the long-standing managerial issues related to this water system. Responses to information requests confirmed PSD’s belief that it is and has been operating in violation of a PSB order. PSD met with an engineer retained by the company, advised him that the Department may file a petition seeking revocation of the company’s CPG, and further advised that the company should seriously consider hiring legal counsel.

Telecommunications

Connectivity Initiative RFP – Division staff have reviewed the responses to the Department’s Connectivity Initiative RFP. One response proposes to bring fiber-to-the-home service to 100 underserved locations throughout Pittsfield, Randolph, and Royalton. Another bidder offered to bring cable broadband service to at least 32 underserved locations in Norwich and Rochester. While the Department had anticipated issuing awards today, staff needs to resolve issues with two bidders before issuing all of the award letters.

Comcast Line Extension Inquiry – Comcast has proposed to charge a customer who requested a line extension not only the cost of the extension from the end of the existing plant, but also network improvements within the current Comcast network. PSD staff asked Comcast to describe aspects of the proposal in writing. Comcast declined and requested to meet in person to discuss the issue. PSD staff informed the consumer that it might be time for the consumer to bring the issue to the PSB.

Telephone Association of New England – PSD staff attended a conference hosted by TANE in Portland ME. The conference included live demonstrations of fiber restoration, including

testing to identify fiber breaks and splicing to restore fiber breaks. The presenters highlighted the importance of regularly testing fiber facilities to create a baseline to demonstrate operational performance as a guide for future restoration activities.

Comcast CPG Renewal – Division staff worked with CAPI staff to develop a timeline for completing the Comcast community needs assessment. This assessment will involve more time and a larger commitment of resources than past CNAs. Comcast is franchised for nearly 200 towns and operates within every county of the state. Staff recommends that the department schedule CNA focus groups/public meetings in tandem with the Board’s public hearings. Under the 8.00 series rules, the Board is required to hold at least one public hearing in county where the service is offered. The Department hopes that offering the CNA meetings in tandem with the public hearings will increase participation and reduce the number of staff-hours devoted to public outreach.

3.5 GHZ Citizens Broadband Radio Service – At its next scheduled meeting, the FCC is expected to vote on (and approve) an order allocating the 3.5 GHZ spectrum (3550-3650 MHz) originally reserved for military use. This spectrum band has been dubbed the Citizens Broadband Radio Service. The FCC will auction licenses for this spectrum and allow unlicensed use of some frequencies. It is anticipated that this spectrum will be attractive to WISPs, as it will allow them to offer greater amounts of bandwidth than the WiMAX licenses currently held by WISPs. The state may, through a private public partnership, be able to use of this spectrum as a way to leverage investment in broadband networks in remote and rural underserved areas.

Stowe Cable CPG Petition — DPS submitted its prefiled direct testimony on Friday, March 26. DPS supports the petition and recommended that the Board issue a CPG with some conditions. DPS is negotiating an MOU and proposed CPG with the petitioners.

Duncan Cable CPG Renewal — Duncan Cable filed a petition for renewal of its CPG to offer cable television services in Dover and expand its service territory to include Marlboro, Stratton, and Warsboro on March 26. The Board has scheduled a public hearing for the petition on April 29 in Dover. DPS staff are reviewing the petition and preparing to complete a public needs assessment. The Department is also required to notify the Board by Friday, April 3, as to whether the Department believes that the Board should require Duncan Cable to renew its grandfathered CPG, which was issued in 1970, for service in Wilmington.

Wireless Telecommunications Facilities (248a) Petitions — DPS received the following new petitions:

- VTel limited size and scope application for construction of a 90 foot tower in Thetford;
- Verizon application for *de minimis* modifications to a 380 foot tower on Mount Ascutney in Windsor;
- AT&T application for limited size and scope modifications to telecommunications equipment installed on a silo in Highgate;
- VTel application for *de minimis* modifications to a 100 foot tower on the summit of Killington Mountain;
- AT&T 45 day notice for 124 foot limited size and scope tower in Weston.

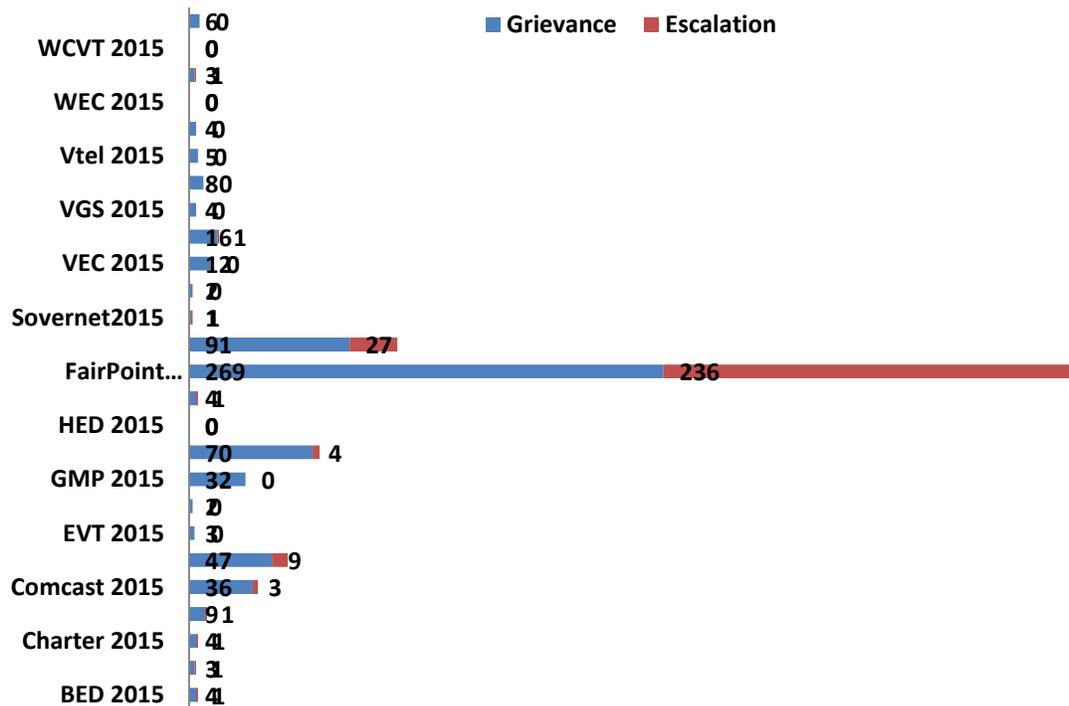
The Board has also requested that the Department submit responses to comments filed by ANR regarding several pending 248a applications. ANR has requested that the Board include CPG conditions that require applicants to obtain Waste Water and Potable Water Supply permits prior to commencing construction on their projects.

The Town of Calais agreed to a request from Vtel to delay a public hearing on Vtel's proposed tower in Calais. Vtel would like to complete a report from its aesthetics consultant prior to discussing the project with town officials. The public meeting has been tentatively rescheduled for April 15.

The Town of Cabot Selectboard and Planning commission have scheduled a public meeting with Vtel to discuss a proposed 90 foot tower in Cabot for Wednesday, April 8. The Town has requested that DPS attend the hearing. Vtel filed a 45 day notice for the project on February 12.

CAPI

**Number of Complaints Investigated, by Company
YTD 2014 and 2015**



OTHER

Verizon Wireless: CAPI spoke to a consumer whose identity was used to open a fraudulent account at a Verizon Store in South Burlington in December 2014. The consumer reported it to the police. The South Burlington Police issued a subpoena to Verizon Wireless to share

information and video with the police unit working on the case. Verizon partially complied but has not fully provided the necessary items and information to the police. CAPI reached out to Verizon Wireless for information on the missing data.

FairPoint: A consultant who works with business clients in contracting with FairPoint for phone service contacted CAPI regarding a new contract she hadn't seen before that FairPoint is requiring her client to sign in order to set up Centrex service. The contract appears to include some provisions that may violate VT PSB rules. CAPI is investigating the issue.

FairPoint Service Quality Investigation, docket 8390: Staff compiled responses to FairPoint discovery on the Department's testimony. We were asked to provide service quality reports from each telecom company, from 2007 to the present. Compilation of these revealed some that were missing. The Board also reported missing the same reports. When asked, to provide the missing reports, Franklin, Shoreham, and Topsham each responded that they could not provide them for some of the quarters. The division has brought this to the attention of others in the Department for review of possible next steps.



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Justin Johnson, Secretary

**PRIVILEGED AND CONFIDENTIAL
MEMORANDUM TO THE GOVERNOR**

TO: Governor Peter Shumlin

FROM: Secretary Justin Johnson

DATE: April 3, 2015

SUBJECT: Confidential Report to the Governor

BUILDINGS AND GENERAL RESOURCES

Of Special Interest to 5th Floor from BGS Directors:

Randolph AG/ANR Lab: Received schedule for schematic design. Concerned with length of time and deliverables included. Will discuss with consultant and get an update on the budget outlined in earlier estimates in time for inclusion of any impact in Capital Bill. Should not be a problem. There was a public information meeting on Tuesday, 3/31 at the Langevin House in Randolph.

Colchester Health Lab: Received pricing for two of the three additional items proposed for the facility to allow occupancy. Waiting on the third and final price for the additional items. Construction should take 8 weeks, then a month for commissioning and reporting to CDC. This means the schedule for VDH move in would occur in July/August timeframe. We are authorizing an issuance of the Certificate of Substantial Completion (effective March 13, 2015) now that the failure scenarios have passed.

Montpelier – Green Mountain Drive: DOL additional parking lot – bid documents are in process

Westminster Public Safety Facility: New Construction – We are working with DFS and the design team in an effort to resolve the issues with the DFS construction permit. Contract with Naylor and Breen on hold pending permit resolution.

Windsor SESCF: Salvation Farms has resumed processing potatoes. BGS has been assisting them with the offloading of supplies and product.

RMMTC:

- Possible exposure to feds for construction funds – heard verbally
- Received the FTA audit findings and need to respond. Need to work with Rutland, their operator and get this wrapped up.
- Review of operating financials in progress. Received the expense side from LAZ but no revenue data from the City. Requested invoice received but not reviewed yet. Trying to figure out why we are spending >\$60K on O&M.

FINANCE AND MANAGEMENT

Issue Updates:

Budget and Management is currently reviewing and working on a response to the House Passed version of the big bill. The plan is to have a letter to the Senate by the end of next week for their consideration as they review the Big Bill.

HEALTH CARE REFORM

Status of Governor's Priorities:

All Payer Model: Administration and GMCB staff are moving to accelerate the project given renewed federal enthusiasm. Our federal partners set a draft term sheet due by late May/early June as the key first deliverable. The GMCB approved a contract for the vendor for the project. Next, staff will review an initial draft term sheet with federal staff on Tuesday.

VHCIP/SIM: Georgia went to Washington, D.C. for the launch of the “Health Care Payment Learning and Action Network” on March 25th. This is a new federal initiative established to provide a forum for public-private partnerships to help the U.S. health care payment system meet or exceed recently established Medicare goals for value-based payments and alternative payment models. The Network will serve as a forum where payers, providers, employers, purchasers, states, consumer groups, individual consumers, and others can discuss, track, and share best practices on how to transition towards alternative payment models that emphasize value. The Network will be supported by an independent contractor that will act as a convener and facilitator.

The SIM team is still working on receiving federal approval for our 2014 carryforward and 2015 contracts. SIM leadership is also continuing its mid-project risk assessment and will have recommendations by the summer to ensure we meet project milestones.

Legislature:

- H.481 Voted out of Ways & Means Thursday afternoon 6-3-2. HHC has reduced their budget proposal to \$20M. It largely still funds our priorities, except that the cost shift dollars have been significantly reduced (including that they did not include funding for outpatient hospital services). The hospitals are quite concerned that the HHC proposal cuts out hospital services, although hospitals who own primary care practices will receive additional funding due to the reimbursement increases to primary care and professional services. House Appropriations will begin testimony on the bill next Tuesday.

- H.487 is in Appropriations. This is the “consensus” bill that included VHC direct enrollment language & our proposal to extend current medical malpractice language.
- S.139 is being passed over on the Senate Floor.
- Senate Finance is working on a health care bill that will include direct enrollment language for VHC, language directing the pursuit of an all payer language, authority to GMCB to review VITL’s budget (our language), study of public employee health care and the Cadillac Tax, provisions directing GMCB to work on price transparency. Robin is working off a bulleted list based on what testimony has been provided & the draft bill that was reviewed a couple weeks ago.
- Large group market- we need to determine if we will ask the legislature to suspend the large group moving into VHC in 2017 this year. If we allow large groups to choose VHC qualified health plans, this requires that the large group be community rated. This is a big shift and will have price implications for some employers (it would be positive for those with older or sicker workers & negative for those with young or healthy workers). Further actuarial analysis is needed in order to determine the best path forward. Jen Carbee at Leg Council has been raising the issue, because if we will offer large group VHC plans in 2017, the rate review would need to start early next year for 2017 offerings. The preferred approach would be to suspend the offering of these plans until 2018 or 2019, do an analysis this summer and make a recommendation on the impacts next year for legislative action.

Status of Bills:

H.481 – Voted out Wednesday 6-3-2

H.487 – In House Appropriations (S.92 Medical Malpractice language is folded in here)

H. 225 (Home Health PPS) – In HHS

H.361 (Educ.) – HAC; amendment from Rep. Christie for report by 11/1/2015 giving study to Director of Health Care Reform. Robin is scheduled to testify next Wednesday 4/8.

S.139 – Ordered to lie 3/27, absence of essential Senator

Other Significant Meetings:

(3/19) Green Mountain Care Board meeting on Vermont Health Connect plan designs – the VHC plan designs were finally approved by the GMCB and now go back to the insurers to finish designing and turn in to DFR for form review.

(4/1) Michael at IBEW meeting

HUMAN RESOURCES

Legislative Update:

Disability Retirement: Treasurer Pearce presented our consensus language to Senate Government Operations on Tuesday. It was well received. They will mark up the bill in the near future.

Grievance Arbitration: We are working with VSEA and Leg Council to address two concerns raised by Tim Noonan. No word yet when the House General will take the bill back up.

Ban the Box: An Executive Order may be signed as early as next week.

Labor Savings Proposals: The Administration responded to the VSEA's proposals on Tuesday and received a very positive acknowledgement of receipt.

Cadillac Tax: Conversations of how to deal with this on the State level have begun. Several options are on the table, but much work is left to be done to vet each idea. Senate Government Operations will be exploring this topic on Thursday.

Paid Sick Leave: There is growing momentum in the House to take up the bill. We are currently developing suggested bill edits. The 5th Floor and the Speaker is aware that we will have suggestions.

Received call from Rep. Sweaney and Rep. Hebert re: an employee investigation being conducted at DOC. Appears Rep. Hebert's daughter is a complainant alleging sexual harassment by a correction's officer. CO is on admin leave while investigation pending. Rep. Hebert's daughter is a nurse/contractor. Was able to address some of their concerns and agreed to provide them more details on the investigative process. Informed DOC.

INFORMATION AND INNOVATION

Status of Governor's Priorities:

Healthcare: CGI Amendment for \$125K in transition support approved. Optum transition support and separate, hosting contracts, is being developed/negotiated with a goal of having a finalized contract next week. The original goal was this Friday, but has been delayed a week because of the complexities needed in the contract.

Legislative Issues/Contacts:

Richard met with Senators Kitchel, Flory, Ashe, and Westman on S.129. There was considerable discussion on oversight and I provided written suggestions for language changes to S.129 based on a document from Jason Aronowitz. Not sure where they will go from here, but if they make any of the suggested changes, it would be an improvement.

Significant Events/Meetings:

Richard traveled to San Jose, CA for the NGA summit on Cybersecurity along with a team of people from Vermont. Those that attended plan to get together to document some potential next steps to improve our cybersecurity posture for the State.

Evolving Issues:

Web:

- The Attorney General’s Office has expressed interest in using the Open Data Portal to share some of their data sets and to gather data for a project that has been in development for some time. A meeting will be scheduled by the AGO in the near future.
- There was a brief outage today from about 3:00 until just after 4:00 of the following services: DMV Express, Court Dockets, Bizfile and VT Pay. A bad switch was to blame between the services and backend databases. These are the only service that use this particular configuration and so were the only sites affected.

Projects:

- SOS Elections project: Campaign Finance System has been successfully deployed to production. Voter Registration, Absentee Ballot, Online Voter Registration & My Voter (web) Page are all in user acceptance testing.
- VDOL Unemployment Insurance project: Jaye Johnson developed proposed RFP Amendment language to address the need for Vender to also have direct contract with VT (aka Participating Addendum), and the draft Participating Addendum. Maryland reviewed it and responded to VT to say “no” there will be no addendum. Jaye discussed with 1-2 other sources that’ve supported her/VT’s position. It does not appear that VT will get its way on this and will need to rely on the MOU between the States. VDOL may be reaching out to the Federal contacts to see what options they might have to secede from the Consortium if they could use their funding portion to join another consortium...just fact finding, nothing more at this point on that.
- Voice Over Internet Protocol (VoIP):
 - Participated in 2 Gartner calls covering the Avaya and Cisco solutions, the four vendors and hosted versus on premise. The remaining call on the Mitel solution is scheduled for today, 3/31.
 - BAFOs were received on Friday and we reviewed and developed additional questions on Sunday.
 - I expect we will experience a 1 week delay with the schedule due to additional back and forth needed to clarify costs and to meet with leadership to discuss the direction VoIP should take - hosted vs. on premise or a hybrid approach. The project will remain in "Yellow" health status until we have a direction and an independent reviewer under contract.

Red/Yellow Report: (All remaining active projects are Green)

Title	Project Health Status	Reason for Red/Yellow Health
AOA Worker's Comp & Liability System	Yellow	Business decided to stay with current provider & is working on an updated contract.
AOE - Assessment Model Implementation	Yellow	J. Pittsley: As the contract has been signed I am moving this from red back to yellow. The implementation timeline is quite condensed and I have not seen evidence from the vendor of what the condensed timeline looks like. I feel this is a risk to the success of the project and one that has not been adequately planned for.
DCF Fuel Payment Re-Structuring	Yellow	Project temporarily on hold per Sean Brown, DCF Deputy Commissioner.
AGR VAAFM USA Food Safety (Dairy & Water Quality)	Yellow	Moving this project to yellow as the timeline continues to slip. In addition the scope of the project in terms of data migration changed as a result of the way that VT use's CAIs USA Herds product. Timeline slip stems both from internal resource constraints as well as the change to the scope. David Gadway (the contracted State PM) has done a good job of making sure the project sponsors are informed and trying to get the necessary time commitments from those staff people.

ANR Loans & Grants Tracking System	Yellow	Winslow's bi-weekly update indicated that they had been told that SharePoint cannot be used as the back end for Northbridge system so they are evaluating 4 alternatives. See Notes for more information.
AOT Public Crash Data Query Tool	Yellow	Time: Vendor seems to be pulled onto other priorities. PM needs to reign him in. Scope: Increase requested, but manageable.
DCF FSD Results Oriented Management (ROM) Reporting Tool	Yellow	Contract was expected to start 2/1/15, the contract has not started routing yet. Dana is waiting on cost information for additional insurance requirement. (last update from Dana: 1/21/15)
DII VoIP Implementation	Yellow	A one month delay with publishing the RFP, combined with a three day delay for the bid opening has pushed the anticipated contract date to August 31, 2015. An unknown implementation timeframe could put Waterbury's implementation in jeopardy. The risk is low right now, but it's high enough that the impact could require an alternative solution to be deployed for Waterbury at a substantial cost to the State. Jon Welch is monitoring the Waterbury move timeline and will keep our project team informed if things change on that end.
AHS Health Information Exchange (HIE)	Yellow	PM still unable to publish available budget or compare to estimate to complete work. Covisent/DocSite clinical registry contract expires 6/2015. Bus working w/Covisent to agree on doing an extension. If not in agreement, less than 3 months remain to replace.
AHS Health Services Enterprise Platform (HSEP)	Yellow	HSE PMO / Project Team unable as of yet to validate budget available/remaining and compare to cost to complete.
AHS HSE Platform Hosting	Yellow	The Project currently has a contractual and funding risks & issues that impact the possibility of utilizing Federal partner funding for the work.
DVHA - ACCESS Transformation and Decommissioning	Yellow	Schedule risk...need timely CMS funding approval and Dev Staff Contracts/SOW's in place to stay in lockstep with IE DDI Vendor
DVHA MMIS - Care Management	Yellow	Current contract ends 6/2015 and business trying to work with incumbent vendor. Trying to de-scope to address high cost of extension. If unable to agree, have to let end and process work manually until new system in place, impacting schedule of implementation. Also PM's still don't have Budget info to validate amount remaining compared to cost to complete.
DVHA MMIS - Core Operations	Yellow	While PM reports project Green, OPM holding on Yellow as PM's still don't have Budget info to validate amount remaining compared to cost to complete.
GMCB Multipayer Database Services VHCURES 2.0	Yellow	Need to address staffing needs before proceeding w/VHCURES 2.0, in the meantime VHCURES 1.0 contract ends in Jun 2015. GMCB negotiating extension with current Vendor OnPoint.
ANR Point of Sale Licensing, Permitting, Conservation Identification Project	Red	Refusal to assign a Project Manager, not following EPMO project management processes or meeting minimum project management deliverables.
AHS Integrated Eligibility (IE)	Red	Dependencies on platform capabilities and integrations needed with other project systems, obtaining necessary resources (both people and funding), key stakeholder agreement on areas of scope, and PM's unable to obtain budget info to validate remaining amt to cost to complete.
AHS Vermont Health Connect (VHC)	Red	Well over orig schedule with only approx 30% of orig defined scope delivered and remaining scope or completion timeframe unclear, continuous sense of urgency and demand on limited resources, contracts with Optum not finalized, PM's cannot validate budget remaining and compare to cost to complete.

LIBRARIES

Nothing to report.

TAXES

Legislative Update:

Miscellaneous Tax Bill:

“Non-Revenue/Current Use Bill” and “Revenue Bill/Current Use Bill”

Finance took up both these bills concurrently, with the Chair expressing his preference to avoid current use (Sen. Westman expressed to the Commissioner his opposition to the House bill).

The Commissioner walked through some of the details, as well as the provisions that the House passed over (including municipal parking garages and delay in click through nexus – the Committee seemed somewhat interested in the former and not at all in the latter). The Commissioner pointed out that if they did take up Current Use (which I emphasized was not our proposal), they could use the opportunity to address posting. The Commissioner made the same presentation against the House deduction proposal made in Ways & Means. Finance still appears to be looking at just the mortgage deduction, and/or some expansion to services. The Chair is being quite vocal about doing something strategic that addresses future problems.

In the meantime, the Speaker is expressing interest in looking at tax reform – we are meeting with him tomorrow morning.

In meeting with the Chamber, Hunger Free VT expressed concern about taxing anything (junk food) that can be purchased with the food assistance debit card – since the tax must be paid separately. I have asked staff to get in front of this in case these taxes are put on the table - to get in touch with Marissa to understand the details, to reach out to other states to see what kind of solutions those taxing these items have hit upon, and be ready to educate grocers.

Water Quality

As the House bill, relying on the property transfer tax, passed Senate Ag continues to explore a per parcel fee, and does not take seriously the concerns that the Tax Dept has raised about imposing collection of this fee on the towns three months hence. To do this precipitously without working out all of the details, and providing for education of town officials and taxpayers, simply interferes with the main mission of property tax billing – which is to fund over \$1B in education spending plus municipal budgets. The Commissioner met with Sen. Bray, who appears to understand these practical concerns, and that the property transfer tax could be a bridge if an alternative is desirable.

Health Care Bill

The combo of beverage excise tax (1/2 cent per gallon, includes diet, but not maple sweetened), .25 on tobacco products, and including dietary supplements in the sales tax appears to have pleased no one on Ways & Means – although it passed. Perhaps the Abilene Paradox?

Estate Tax

Passed the Senate with only one question on the floor – whether practitioners supported.

Cloud

S. 97 still sitting in W&M. Tax asked to testify next week in House Commerce.

Education Finance

After all the work on the House side, from the sidelines it sure looks like Senate Education is floundering – seeming to back off from the bill with the Administration, but not happy with the House approach either.

Operations:

Tax Season

Our fraud filters continue in place, and we have received surprisingly few complaints about delays in refunds, or the issuance of a check rather than a direct deposit to a new bank account or debit card. We continue to work through the deposit issue with TD Banknorth, with the assistance of the Treasurer's office.

Our revenues continue to gyrate – corporate up (we are pretty sure this is some short money, should not be baked into future corporate), withholding continuing weak, captive down but other insurance up, etc. The next couple weeks obviously will be key for personal income.

VTax Project

We will have a meeting with the Steering Committee next week (Darwin Thompson, Brad Ferland, Michael Clasen) and review the first rollout and the design decisions for the second rollout that may have some small impact on timing/amount of revenue.

Compliance

Just as another negative story about field audits appears in the Free Press, we are putting in place the final pieces of our overhaul of the Compliance Section. Val Rickert is taking over, essentially as Director. She has a plan to re-tool processes in both the collections and audit units, capitalizing on the new data and management functions available through VTax. She has been charged with implementing new standard operating procedures that include the use of a notice of intent to assess before a case is formally opened, the use of mediation techniques, and time guidelines that are designed to get most cases from audit to appeal in 18 months. Another feature of the plan is to integrate our policy analysts into the work of the auditors, so issues at the margins are thoroughly vetted through the organization before assessments. The Commissioner and Deputy were literally having a final launch meeting with Val as the story appeared online – and most of the complaints lodged are addressed directly in the plan.

CONFIDENTIAL MEMORANDUM TO GOV. PETER SHUMLIN

From: Susan Spaulding
Date: April 3, 2015
RE: Boards and Commissions Update

FYI: Boards/Appointees eligible for a special license plate: There are 645 plates assigned to individual boards.

Aging/Disab.Adv Board Chair	Natural Resources Board
Board of Funeral Services	New MV Arbitration Board
Board of Optometry	Pari-Mutual Racing Commission
Board of Dental Examiners,	Parole Board
Chair, Gov. Vet. Adv. Council	Public Service Board
Chair, Gov Council Physical Fitness	State Employees Retirement
Comm. Dev. Block Grant Board	State Police Adv. Committee
Conn. River Valley Flood Control	Supervisor, Buel's Gore
Dist. Environmental Commission	Supervisor, Glastenbury
Education Board	Supervisor, Town of Somerset
Employment Sec. Board	Transportation Board
Environmental Board Member	Travel Info Council
Fish & Wildlife Board	UVM Trustee
Forest & Parks Board	VEDA Board
Health, Board of	Vice Chair, Gov. Vet Adv. Council
Housing & Cons. Board	VOSHA
Human Services Board	SerVermont
Labor Relations Board	Vt Housing & Conserv. Board
Library Board	Vt. Housing Finance Agency
Liquor Control Board	Vt. State Colleges Board
Lottery Commissioner	Waste Facilities Panel
MV Racing Commission	Water Resource Board

Developmental Disabilities Council: GREAT JOB! Susan Wehry will follow up on:

- When a small business renews their license the Secretary of State's Office could include a sentence on who to contact to employ an individual with a disability.
- Contact Rachel MacMartin who is still dealing with "the cliff" as a part-time worker.
- Possible payroll tax deduction that goes with the employed disabled individual.

CONFIDENTIAL and PRIVILEGED

To: Governor Peter Shumlin
From: Michael J. Hogan, Commissioner of Liquor Control
Date: April 3, 2015
Re: Weekly Report

Status of Governor's Priorities:

- Staying in touch with my counterparts in Washing and Oregon on the implementation of legalized marijuana.
- Attending Senate Gov. Ops on Fridays listening to the Marijuana discussion.
- March sales were good- up+4% year to date over last year.

Legislative Issues/Contacts/Updates:

- S.138:- Economic Development Bill has a provision that allows for fortified wines to be sold by second class license holders who hold a permit. There are limitations on the numbers of permits and a study to evaluate the implementation and the growth of the products.

Press Issues/Releases/Contacts: None

Significant Events/Meetings: Next Board Meeting 05/06/2015 - Enforcement Hearings.

- Great article on today's Burlington Free Press on one of our distillers in Franklin County- David Howe. He makes a very good Vodka- Literary Dog and another product called Rail Dog- somewhat like a Cognac. It's a barrel aged spirit. He is a great example of the craft spirits growth in Vermont.

Evolving Issues:

- ERP/POS Project underway. Excellent Progress! Recent meeting with vendors and staff working through the particular functions of the front end and back end systems. Testing is going very well.
- Preliminary review of department processes for potential licensing and enforcement system. .
- Break open ticket reporting process is working. Live data is being entered. Should have some numbers by the end of the first quarter.
- Speaking to potential vendors about warehouse study and pricing analysis as recommended by the Auditor's report.

Summary of Key Department Activity:

- Reviewing internal controls with staff and department committee.
- Looking closely at more cross training for some of our divisions.
- **Commissioner's Commentary:** Have a great weekend.