

WEEKLY REPORTS

Checklist
12/12/14

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 – Harry Chen

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 – Jeb Spaulding

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: December 12, 2014
Re: Weekly Report

PATRICIA MOULTON, SECRETARY:

HIGHLY CONFIDENTIAL EB5: We have sent another letter to AncBio requesting information needed to determine if all material disclosures have been made. We gave another deadline of January 9. We have received a subpoena for documents from the SEC for documents on AncBio Korea, AncBio Pharm and Jay Peak Biomedical Research Park. No subpoena yet for a deposition of Brent Raymond but that is expected. We are getting substantial push back from attorneys when requesting information to clarify investor complaints. And push back on a records request from an attorney in St. Johnsbury re: Q Burke. There is a less than cooperative nature to our communications lately which suggests they are “lawyering up” for the future.

Historic Preservation issues: VCFA: Tom Greene of Vt. College of Fine Arts and I have spoken. We are waiting for more information from VCFA to make a final determination as to impact. It is likely we are fine with what they have proposed, but we cannot get all the details on what they are planning. We are sending an email detailing all that is outstanding. Much of what we need has been requested by the District Environmental Commission as well. I have asked staff to expedite the review and they are doing that.

VTel: We are continuing to try to work with VTel on a solution for the Middlebury Congregational Church. There remains concern for the impacts particularly since there has been an AT&T facility in the same church, using the existing windows for 10 years. Our DHP staff is working with their consultant to try to find a compromise.

Windham County Economic Development Program: We have notified the winners of the 2pm press conference on Friday, December 12. They will be attending. We are dropping the “sorry you did not get an award” emails at between noon and 1 pm Friday. They include details as to why they were not funded. Fred Kenney and I will be accompanying the Governor at the press event. We have asked some “friends” to be there and Kate O’Connor is working on some friends. We expect a fair amount of blow back after tomorrow’s event. SBDC is ready to work with us on contract to provide technical assistance. I am getting good feedback on changes to the process with more to come after the presser Friday.

Dealer.com: Lisa Gosselin followed up on tip by Mike Lane that Dealer is looking to hire 70 programmers and may do so in Texas because the talent pool here is shallow. Mike Lane recently left Dealer (early retirement) but followed up with Dealer recruiter Trygve Cossette and had an in-depth conversation about Dealer’s needs and what the state can do to help. Dealer does plan to hire 25-40 new people here in Burlington but the top level, experienced programming talent (six-figure hires) is not available here and cannot be trained in a time frame that meets their immediate needs. In terms of longer-term pipeline of talent, Dealer has worked well with Champlain but has been frustrated by lack of cooperation UVM has shown. Lisa discussed with UVM’s John Evans and is arranging a meeting with Provost Dave Rosowsky for next week. Trygve is also working with his executive team to set up a meeting with the state to discuss recruitment and workforce training.

LUCY LERICHE, DEPUTY SECRETARY

- **CONFIDENTIAL - Vermont Strong Scholars:** Lucy convened a group to begin talking about the marketing of this program. Neither VTC nor VSAC feel comfortable investing dollars into a marketing effort until a funding source is identified and/or committed. They are concerned about driving students to action, and then not being able to deliver on the promise. Lucy suggested there may be interest from individual businesses to partner with the state on this program. Lucy and Dan will compile a list of employers and begin making visits to gauge interest. In the meantime, the CMO’s office will work on sketching out some preliminary messaging materials. Lucy will also work with ACCD internal legal staff on writing up the proposed statutory clarifications that will be needed to implement the program.

- **Federal Reserve Bank of Boston:** Lucy was contacted by Tamar Kotelchuck from the Boston Fed to explore the state's interest in the Working Cities Challenge: <http://www.bostonfed.org/WorkingCities/>. In a nutshell, this program provides a process and technical assistance and other resources to individual communities with an interest in tackling difficult problems such as poverty. The program requires state financial participation. Lucy let Tamar know that the timing around a financial contribution from Vermont would be extremely unlikely, but if other resources become available we could discuss this further.
- **UVM Office of Technology Commercialization:** Lucy and Lisa met with John Evans and Corine Farewell about ACCD's grant to this program. In addition to discussion of a number of interesting project successes and promising inventions, we talked about creating a better linkage between UVM and employers. John talked about the new Academic Provost, David Rosowsky, and how he may have more interest in developing programs and curriculum to help employers with their hiring needs than the prior Provost. Lisa, Lucy and/or Pat and John Evans will meet with David Rosowsky before the holidays to see if we can get this moving.

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

Commissioner MacKay and Deputy Commissioner Hollar

Commissioner MacKay

- **Tax Credits and Bankers:** Vermont's local banks purchase state tax credits which helps finance downtown and village center building rehabilitations happen. To discuss ways to raise awareness of the tax credits among all the banks and their loan officers, Noelle, Chris and Caitlin met with VBA President, Chris D'Elia. He graciously offered us time at the next Loan Committee meeting to provide them a program overview and answer questions.

Deputy Commissioner Hollar

- **CONFIDENTIAL - VHFA Board:** Chairman Tom Pelletier and DFR Deputy Commissioner Tom Candon are both retiring and will be stepping down from the board soon. This leaves a significant and immediate leadership void and Executive Director Sarah Carpenter is seeking suggestions for replacements. Jen will discuss with Susan Spaulding.
- **CONFIDENTIAL - Qualified Allocation Plan:** The Joint Committee on Tax Credits agreed to changes allowing senior housing projects to access ceiling (9%) credits and put off other major changes until after the housing needs assessment and Consolidated Planning processes are complete. It rejected most changes recommended by VHFA. The JCTC meetings are awkward as the VHFA Executive Director chairs and staffs, while also advocating for changes. I can imagine an attempt on the part of Cathedral Square and/or consultant Tim Ashe pushing for a different structure. There is not a clear alternative as the QAP and low income housing tax credits are complex and no other agency has the expertise to take it over. And chairing, without directly controlling staff, is as or more awkward. The QAP now goes to the VHFA board for its consideration in January, then on to the Governor for his signature.
- **CONFIDENTIAL - Farrington's Mobile Home Park:** As detailed in elsewhere in the report, residents voted to enter into negotiations with the owners and are leaning towards going coop. If they do, it will give them access to favorable financing from ROC-USA and its affiliates. The deadline for residents to submit a petition to the Department was extended to January 22nd. The park owner found that it had incorrect names for 5 homeowners and resent notices. According to our Housing Division Rules, this becomes the new notice date and extends the deadline. We have been working well with Robert Farrington but their realtor is unhappy with the extension. Four siblings own the park increasing the complications. On another note, the City has been very supportive of the park residents. But this was led by Brian Pine who is leaving CEDO at the end of the month for a new job at VEIC. There is tension between the development priorities of the Mayor's office and the City's low-income advocates and affordable housing entities.
- **CONFIDENTIAL - Single Audit:** We received a preliminary list of findings from KPMG and meet with them on Friday. While discouraging for the GMS staff, most are related to the timing of data entry and review of grantee single audits. The single audit (A-133) findings were not unexpected as we knew we were not able to keep up them since Irene and made the risk-based decision to focus staff time elsewhere. We are beginning to catch up. Other draft findings are related to errors HUD has made. KPMG criticized the department for not following up with HUD enough times to get them to fix it. We are pushing back on these.
- **National Housing Trust Fund:** New affordable housing dollars *could* be coming to Vermont. The Federal Housing Finance Agency (FHFA) announced this week that the Affordable Housing Trust Fund (AHTF) will be funded at \$700 million a year or more to provide affordable housing for extremely-low income families. Senators Leahy and Sanders have worked for years to secure funding for this program. The long-awaited funding will come from profits from Fannie Mae and Freddie Mac (government sponsored enterprises or GSEs) as authorized

by the Housing and Economic Recovery Act of 2008 (HERA). In hopes of and preparation for the funding, HUD has already developed a proposed rule for the program. Several years ago, the Vermont Legislature designated the Vermont Housing and Conservation Board as the state's administering agency. It is not yet clear what Vermont's allocation would be. If, as hoped, the small state minimum applies, it could be \$3 million. At least 90% of the funds must be used for the production, preservation, rehabilitation, or operation of rental housing. Up to 10% can be used for homeownership, activities for first time homebuyers, including production, rehabilitation, down payment assistance, closing cost assistance and assistance for interest rate buy-downs. At least 75% of the funds for rental housing must benefit extremely-low income households and all funds must benefit very-low income households. Excitement about this long-awaited news is tempered by the knowledge that the new Republican-controlled Congress could act to shut off the funding. Opposition to the President's executive actions on immigration may make FHFA's directive a target.

- **LIHTC Qualified Allocation Plan:** As part of the Joint Committee on Tax Credits, approved changes to the QAP giving senior housing projects access to 9% credits and setting a target for such projects at 25% of the total annual allocation of low income housing tax credits. Also approved language requiring projects to propose operating budgets within certain benchmarks. The committee approved an increase in development fees for preservation projects that are new to the state's nonprofit portfolio and declined to change to a per unit basis. Fees for so-called "arms-length" preservation projects have been lower than those allowed for new developments, but these projects are increasingly complex and environmental review standards now put nonprofits at greater pre-development risk. The revised QAP will be considered by the VHFA Board at its meeting in January and, if approved, will go on to the Governor for his signature. VHFA hopes to allocate credits in April.
- **CDBG and HOME Funding:** The U.S. House released its FY2015 omnibus spending bill this week. It is referred to as the "Cromnibus" because it includes a short term continuing resolution (CR) for the Department of Homeland Security and an omnibus for the rest of the federal government, including HUD, through September 30, 2015. It is expected that the omnibus will be voted on by the House and Senate this week and passed sometime early next. It includes \$3 billion for CDBG, a slight decrease from this year, but close to FY13 levels. And \$900 million for HOME.
- **Renter Rebate:** After an excellent work by Shaun Gilpin, Housing Council unanimously approved the Renter Rebate Study Committee's draft report and recommendations. Some members noted the need for other types of assistance for low-income renters, particularly rental subsidies. Nonetheless, all agreed the existing program is the most efficient, equitable way of offsetting the impact on renters of costs related to property taxes. The report recommends a series of improvements to the program which we hope will be taken into serious consideration by the Ways and Means and Finance Committees. After another round of edits, we will submit the report well in advance of the January 15 due date.

COMMUNITY PLANNING & REVITALIZATION ♦ Chris Cochran, Director

Partnership Report

- **VTrans - Strong Communities, Better Connections Grants Announced:** This joint VTrans-ACCD pilot program granted approximately \$200,000 to help 3 communities align their planning and revitalization efforts with state and local transportation investments.
- **Warren, Waitsfield, Duxbury, Moretown and Granville:** \$67,500 to develop a unified, multi-town plan for non-motorized transportation facilities.
- **Towns of Rutland and West Rutland:** \$72,000 to increase transportation options connecting the two centers of commerce and activity.
- **Vergennes:** \$40,500 to develop a master plan to improve the biking and walking connections between the downtown district and Basin Harbor.

Downtown and Village Report

- **Poultney:** Gary met with Poultney Town Manager Jonas Rosenthal and Poultney Downtown program coordinator Jaime Lee to tour downtown and discuss their upcoming downtown designation renewal in 2015. Gary met with Journal Press building owner Chuck Colvin who has successfully converted one of the oldest buildings in downtown to a small business center with affordable/flexible lease spaces for small businesses including retail, art and dance studios and office space.

GRANTS MANAGEMENT ♦ Ann Karlene Kroll, Director

Nonprofit Community Development Organization (NCDO)

- Staff is working to Certify and set up a new qualified NCDO with Vermont Community Loan Fund to carry out community development activities on behalf of the Town of Barre, City of Barre and Town of Williamstown to administer and operate the Revolving Loan Fund capitalized from the Program Income from the loan repayments from the SB Electronics project from the 2009 Grant to the Town of Barre. VCLF will collaborate with the Barre Area Development Corporation (BADC) to work with assisting businesses and providing low interest loans.

Closeout Agreements

- Cassie and Ann spoke with Pat Reinhardt, consultant for Dwight Sargent of Pompanoosuc Mills upon Dwight's request to discuss the status of the delinquent \$471K VCDP loan with the Town of Thetford 2007 Grant. Payments were to have commenced in 2010, and a few payments were made and no more due to the drop in the financial market that dramatically impacted the market for this relatively high-end furniture manufacturer. Orders were cancelled at a considerable rate, and for a while absolutely no new orders were coming in, and then gradually smaller orders trickled in as some areas started to recover. Dwight has done everything he can to keep at least 100 plus individuals employed at the manufacturing facility in the little Town of Thetford through the downturn and trying to recover. He still owes over \$468K to Merchants Bank who wants Pompanoosuc off their books. Ann will be working with the Selectboard to potentially forgive the loan as public benefit would be considered to have been met under CDBG since 2007. There has been a fairly consistent number of employees maintained at the company, Dwight has closed a few showrooms in various states to downsize, and recently has strategized with relocating his Burlington store from Church Street to the backside of Barnes and Noble, sold his facility in Thetford to Green Mountain Economic Development Corporation on a lease-back. Now he needs to be able to secure a line of credit for working capital and removing the VCDP debt could facilitate in that effort.

HISTORIC PRESERVATION ♦ Laura Trieschmann, State Historic Preservation Officer

- **Danforth Pewter meeting:** Friday, Commissioner MacKay and Laura Trieschmann traveled to Middlebury to meet with the designers of Danforth Pewter to discuss charms, ornaments, key rings, Milagros, magnets, etc. that are specific to our State Historic Sites and Vermont. Design ideas included the Statehouse, Justin Morrill Homestead in pink, Calvin Coolidge Homestead, President Coolidge's top hat and the gas light by which he was sworn in, Bennington Monument, and many other exciting themes. Danforth is putting together set up pricing for us to help in planning and prioritizing.

State Archaeologist

- Jess finalized the Vermont Map Tool project charter with Alex Ibey, so that work may begin on constructing the interactive map for DHP internal environmental review and for consultants through the ORC portal.
- Jess was interviewed by VPR's Vermont Edition on the Native American spirituality related to Rock Dunder. That short piece aired on December 10th.

Environmental Review

- **Taconic Hotel, Manchester:** A hotel project at the former site of the Worthy Inn in Manchester has potential archaeological issues with a newly proposed parking lot expansion on an adjacent property. The initial Taconic Hotel project was reviewed last year and cleared with a conditional no adverse effect determination. An amendment application to move the main parking lot location from across Rt. 7A to the property directly south of the hotel site was not submitted to the Division for review prior to filing. The parcel contained at least five structures associated with Falcomb Nicklewhite, a prominent Afro-Caribbean man who ran a tailor shop, shoe factory, and boarding house for minorities in service in the Manchester tourist industry at this location. The property is listed in the State and National Registers of Historic Places as part of the Manchester Village Historic District although the structures were taken down by the Village due to deterioration after Mr. Nicklewhite's death. Given this association with a disaffected community not well documented in the written historical record, the Division requested that the applicant complete an Archaeological Resource Assessment (ARA) to determine if additional archaeological work was warranted. The applicant, 3835 Main LLC, has agreed to complete the ARA but is concerned about project scheduling if more work is recommended since this could not occur until next spring. The matter will be resolved by the District #8 Environmental Commission once the ARA is finished.
- **Newport Renaissance Block:** Jamie and Laura traveled to Newport to meet with the town manager and development team of Jay Peak. Discussion was twofold: demolition of twelve buildings, all of which are now vacant, on Main Street and 2nd Street; and construction of a multi-use building with retail, hotel, and conference space. Jay Peak is hoping to raze the buildings to their foundations this coming February, leaving the site unbuilt until the Fall of 2015 or 2016 when construction of the new building commences. Design plans for the new building have been altered by the failure of the nearby marina hotel project. The Division requested that the

applicant complete an Archaeological Resource Assessment (ARA) to determine if additional archaeological work was warranted and an architectural assessment, recording the history of the buildings on the site. The Division once again explained the process for Act 250 and concerns about demolition without funding or plans for new construction. Jay Peak invited the Division to be part of the design team for the new buildings; which we accepted eagerly. The Division also noted that a Memorandum of Understanding would most likely be the next step following our review of the ARA and architectural assessment to ensure the community is engaged/educated and any historic materials or architectural features be salvaged and/or reused.

State-Owned Historic Sites

- **Justin Morrill Homestead:** Commissioner MacKay and Laura met with Representative Jim Masland and newly elected Representative Tim Briglin to discuss the Justin Morrill Historic Site. Primary to the discussion was the physical condition of the property, especially the Homestead, our plans for a conditions assessment and restoration program, and our partnership with the Friends of the Morrill Homestead.
- **Old Constitution House:** *The Valley News* reports that OCH seasonal employee Barbara Rhoad is receiving the 2014 "Tree Steward Unsung Hero Award" at a ceremony at the Statehouse next week. Governor Shumlin will present the award along with the Vermont Urban and Community Forest Advisory Council. Barbara has faithfully tended the beautiful perennial gardens, lawns, and trees at Old Constitution House for many years. She and her husband David go "above & beyond" caring for this state historic site. This award is well deserved!

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

- Arthur also sent a second reminder notice to eighteen mobile home parks that have not submitted their 2014 Registration and Lot Fee. Arthur prepared letters for Dale Azaria's signature describing the enforcement action(s) the Department can take if the parks do not register. These are mostly the same parks that have been late registering in the past.
- Shaun met with representatives of the Department of Labor, Department of Agriculture, Migrant Justice, and several farming cooperatives to work towards finalizing an informational document for farm owners and farm workers describing the housing codes and wage laws associated with various agricultural programs. This effort began when it became apparent that there was a lack of understanding about the health and safety codes applicable in situations where temporary agricultural workers are provided housing as a part of their employment. The availability of the final document is anticipated early next month.

DEPARTMENT OF TOURISM & MARKETING: Megan Smith, Commissioner

- **Porter Air:** We are working very closely with [Porter Air](#) for this Sunday's inaugural flight of the season. There will not be a press conference because it is a Sunday, but we worked with both [SkiVermont](#) and [BTV](#) on press releases. This is the first cooperative effort by all four parties and we are already getting some good buzz on social media. We will be asking all the participating resorts to also spread the word. As it would be inappropriate for us to market to Vermonters to head to Toronto for a getaway this winter, we are funneling that message through BTV. They are working with Porter on radio ads and getting Vermont press set up for visits to Toronto.
- **Year of the Arts:** The momentum is really picking up on the "year of the arts" project for the 25th anniversary of the [Vermont Arts Council](#). Our agency is participating through Downtowns, Byways, Of Land and Local and Hills Alive, which includes our partners at Vermont State Parks, Manchester Chamber, Burlington City Arts and, of course, the Vermont Arts Council.
- **ADA 25th:** Megan pulled together a group to discuss promotion of the 25th anniversary of the American Disabilities Act. The group included Vermont State Parks, Vermont Adaptive and Vermont Council on Independent Learning. Our goal is to have a website (inclusivevermont.com) featuring a google map for all of our accessible outdoor activities, but also to showcase our other inclusive ventures such as Vermont Gay Tourism and Vermont African American Trail. We are going to invite writers up this winter to experience the winter activities, but give them images to use to write about our year-round offerings. We have many other ideas that we will share as they come to fruition.

Steve Cook, Deputy Commissioner

- **ZipCar:** VDTM filmed a collaborative promotional effort with ZipCar on Monday December 9. Commissioner Snyder played the lead. The film is now in post-production.
- **Island Pond Heritage Lands:** Cook joined a discussion with Joel Cope of Island pond and members of the Vermont Community Development program to discuss a project focused on bringing visitors to the area and development of a biking system. Joel is seeking community development funds to create a plan to implement this program.

- **Funding Model Report:** Cook is finalizing a legislative study report analyzing the implications of creating a funding model for the Vermont Department of Tourism & Marketing. This report looks at the implications of both good and poor tourism revenues.

CULTURAL HERITAGE TOURISM ♦ Catherine Brooks, Cultural Heritage Tourism Coordinator **Support for Businesses and Organizations**

- **Ambassador Training Program:** The soft launch of the training program has garnered positive responses and registrations. Writes Chris Howell, Chair of the Agritourism Task Force, “Well done! This is a fabulous use of the technology. I’m excited to be part of everything you’ve put together. Truly impressive!” Concrete user data will be in next week’s report. <http://accd.vermont.gov/ambassador>

MARKETING & DESIGN ♦ David Burnell, Marketing Coordinator

- **Winter Campaign 2014-15 | Additional Trade:** David developed two versions of Rail Card Inserts for MBTA’s Titan Rail Display. One is a partner display, with Cabot – the other is depicted below, consistent with the winter campaign. David has also been actively managing the vendor developed components of the campaign to ensure congruity with the graphics developed in house.



RESEARCH & STATISTICS ♦ Greg Gerdel, Research & Operations Chief **Research**

- **Email Moves to Mobile Devices:** New research indicates that two-thirds of email opens now occur on mobile devices, most often a smart phone, rather than a personal computer (PC). The email marketing platform [Movable Ink](http://movableink.com) third quarter “Consumer Device Preferences Report” is based on statistics captured from across the company’s client base. The report indicates that nearly half of all email opens are happening on smartphones. Another 17 percent is happening on tablets and the remaining 34 percent occurs on PCs. Of all email opens, Movable Ink says that just over 59 percent of opens are on iOS devices, notable considering Android’s substantial market-share dominance. <http://marketingland.com/report-66-percent-email-opens-mobile-devices-108420> Analytics show a similar, though smaller, distribution of mobile devices accessing the Vermont Travel Planner during the third quarter: 29,090 visits of 74,307 total visits, or 39.15 percent. Of the mobile devices used, nearly 74 percent were iOS devices (48.09 percent tablets; 25.40 percent iPhones).

Miscellaneous

- **Early Winter Direct Mail:** This year’s collaborative mailing to the families of new students at Vermont colleges and universities includes Vermont Life magazine, Ski Vermont, Vermont Student Assistance Corporation, and Vermont Historic Sites. The mailing to 4,541 households within Vermont’s drive market will go out early next week.

CHIEF MARKETING OFFICE ♦ Heather Pelham, Marketing Manager

- **SOV Web Template:** Presentations of the new SOV web template and features to individual agencies/departments continue. This week Heather met with the Agency of Education, who previously had left the state CMS system as they were unsatisfied with the previous template. They were very enthusiastic about the

changes in the new version and have requested to come back on the state system as early as possible. This migration is now a priority for AOE and they hope to be live with a new site by June 2015.

DEPARTMENT OF ECONOMIC DEVELOPMENT

Lisa Gosselin, Commissioner

- **Legislative:** Lisa is working with Fred Kenney and Beth Demers to see how we can create a VEGI/VTP package that would allow new VEGI awardees to receive their grant funds early if they apply them to training new hires. Also working with other agencies to determine what incentives might be offered to employers who hire those currently receiving UI or other benefits.
- **RDCs:** Met with RDCs at monthly meeting on 12/9 and arranged for Efficiency Vermont to present. Many businesses are complaining about the EV charge and claim they do not see the value. Jim Merriam, Dave Corliss, and Paul Lambert explained the charges and savings. As the economics of this are complicated, Lisa suggested that they work with Vermont Business Magazine to do a comprehensive and objective story that explains what they do and why and to also circulate an FAQ sheet to RDCs to better explain the benefits to business. Also suggested holding a meeting of major manufacturers to see if there might be knowledge, techniques or tools that could be pooled and shared. Rep. Botzow and Kiersten Bourgeois also presented regional economic development grants and encouraged applications. There is a recurring theme from many grantees (USDA, EDA, VEDA) that there has been a downturn in both the number and quality of grant and loan applications and a growing concern by RDCs over how time consuming and labor intensive the grant application process is. Discussed with RDCs, SBDCs and USDA the potential to look for funding to find a grant ombudsman who could work via SBDCs with businesses and others to identify and apply for grants.
- **40th Anniversary ACEDC:** Attended 40th annual meeting of Addison County Economic Development Corporation on 12/5. Robin Scheu and team did a terrific job of creating a 40-year time line and reading through past meeting notes (which highlighted many of the same challenges we face today). Business leaders Paul Ralston (VT Coffee Roasters), Mike Rainville (Maple Landmark) and others spoke on how ACEDC had helped their businesses grow.
- **SBDC/Digital Economy:** The coordinating council of SBDC met to discuss performance and heard an excellent presentation and infographic by Patrick Ripley on the VT Digital Economy Project. The project has worked closely with more than 575 small business employees to teach everything from digital marketing to basic programming. The project has resulted in more than 31 jobs and significantly helped many small businesses make the leap into digital marketing. The funding for the project has ended but there is clearly high demand. Lisa discussed possibility of federal grant application via CEDS to continue this project as there is documented success.
- **KIA Ad:** Tourism's Greg Gerdel forwarded a request from KIA for a location scout for an ad shoot that will feature Pierce Brosnan and air during the Superbowl. Lisa connected KIA with location scout James Velastro who has worked with Mercedes Benz, LL Bean and others to shoot here. Vermont is now one of 3 states in finals for shoot. Lisa and Greg will meet to discuss how we can better leverage our sites and locations and attract other shoots.

BUSINESS SUPPORT ♦ Ken Horseman, Senior Economic Development Specialist

- **802 – Bennington:** This digital marketing firm employs 11 full time and is growing rapidly with clients including REI, Sharper Image and Orvis. They are seriously considering a move to Troy, NY feeling they may have an easier time recruiting workforce. After a review of potential resources to assist with workforce, and incentives that may come into play they are reconsidering options in Bennington County. We will continue to assist.
- **Energizer – Bennington:** The big news is a pending split of divisions within the corporations carving off the lithium battery operations effective July 1. At present they see no adverse impacts. Employment is at 165 full time with 75 temporary workers. They produce 120M batteries, 40M hearing aid batteries, and 45M lithium coin batteries annually, and are the only watch battery manufacturing in the Energizer portfolio. They converted to CNG at a cost of \$400k, and have recouped those costs through energy savings in two years. Appropriate referrals will be made.

FINANCIAL SERVICES ♦ Dan Towle, Director

- **Vermont Scores High on Most Influential List:** Dan Towle, Director of Financial Services reports that Dave Provost, Deputy Commissioner of Captive Insurance was named the second most influential person in captive

insurance by Captive Review Magazine. Earlier this year, the State of Vermont was awarded the Top US Captive Domicile by Captive Review Magazine. A press release is forthcoming.

VERMONT GLOBAL TRADE PARTNERSHIP ♦ Becky Fu, International Trade & Foreign Investment Specialist

- Becky and Ken Horseman have recruited 6 Vermont companies for AeroMart Montreal, achieving the recruiting target ahead of time.
- Becky is collecting feedback from Vermont companies who attended MEDICA.

VT PROCUREMENT TECHNICAL ASSISTANCE CENTER ♦ Robin Miller, Director

- Silo Buster: The VT PTAC team is collaborating with VTrans to help small businesses with their responses to the annual solicitation for the 2015 construction season. PTAC will be hosting a series of workshops to assist contractors during month of December throughout the state. The first workshop is scheduled for December 11th in Burlington.

ITS/CONNECT VERMONT ♦ Robert White, ConnectVermont Director

ITS/ConnectVermont

- Attended ITS New England Bylaws Committee meeting.
- Attended Tri-State ATMS-511 IT meeting with DII and IT Networking to discuss VPN options to connect to ATMS-511 cloud hosted environment.
- Attended PSBN Commission Meeting.
- Attended meeting with VTA and Aviation to discuss fiber connections to Franklin and Newport Airports.
- Attended CYBORG meeting at Norwich Univ. and toured Norwich CIS lab.
- Shutdown and removed Randolph LPFM transmitter equipment from transmitter building.

MATS

- Continued reviewing SOW from Parsons to implement AVL into MATS.
- Attended MATS meeting to discuss how AVL data can be imported into MATS.

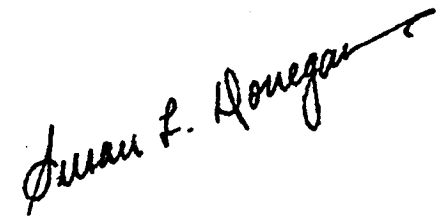
Future Goals

- Attend Tri-State ATMS-511 meeting to finalize road conditions reporting for ATMS.
- Attend MATS meeting to discuss AVL DWR development needs.
- Attend Workplace Violence training.
- Test TOC to WCAX video/audio link.
- Attend AASHTO STSMO Research Working Group on TSMO teleconference.

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[All Insurance] 800-964-1784
[Securities] 877-550-3907
[Banking] 888-568-4547
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CONFIDENTIAL and PRIVILEGED



To: The Honorable Peter Shumlin, Governor
From: Susan L. Donegan, Commissioner, Department of Financial Regulation
Date: December 12, 2014
Re: Weekly Report

Securities Division:

Last Friday, the Securities Division and the New Hampshire Bureau of Securities met in Hanover, N.H., to discuss opportunities for collaboration, information sharing and enhanced communication. The items discussed included capital formation opportunities between Vermont and New Hampshire companies, conducting joint examinations of financial professionals licensed in both states, and collaborating on cross border enforcement actions. Next June, DFR's Banking, Insurance and Securities Divisions will participate in a larger meeting with their New Hampshire counterparts in Norwich, VT. This is another example of building relationships with other jurisdictions.

Insurance Division:

Commissioner Susan Donegan attended committee meetings on behalf of the National Association of Insurance Commissioners (NAIC) held by the International Association of Insurance Supervisors (IAIS) this week. Meeting consultations included corporate governance and market conduct.





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**CONFIDENTIAL AND PRIVILEGED
MEMORANDUM**

TO: Governor Peter Shumlin
FROM: Rebecca Holcombe, Secretary, Agency of Education
SUBJECT: AOE Weekly Report
DATE: December 12, 2014

Press Contacts:

1. Matthew Cox, Journalism instructor at Middlebury High School, sent several questions regarding our trend of declining enrollment.
2. Lindsey Brown, journalism student at Johnson State College, sent several questions regarding prek implementation and benefits.
3. Hilary Niles, VTDigger, made a significant data request of Brad James regarding small school grants, enrollment, phantom students, etc.
4. Tiffany Pache, VTDigger, interviewed Jill regarding the biggest issues facing education, and how the education funding system works.
5. PreK Interviews: Charlotte Albright, VPR; Howard Weiss Tisman, Brattleboro Reformer; Josh O’Gorman, Vermont Press Bureau; Anne Galloway, VT Digger
6. David Hodges, Local 44, will interview Rebecca tomorrow on education funding.
7. Kristin Kelley, WCAX, asked for per pupil spending figures over time.
8. Joel Walters, Larry King Live, called seeing to interview Rebecca off the record.
9. Sabra Ewing inquired about the change in enrollment and what towns have seen the biggest declines.
10. Also the Agency spoke with Dave Gram, Associated Press, regarding the Rutland High School petition to successfully remove the After School App from iTunes. This story went national, including Huffington Post and Washington Times

Public Presentations/Meetings:

Monday:

- Met with Rick Davis and Frank Perotti. They want to know what data we can give them which will show how much money has been save on Special Education by PK. I had to disclose that we will likely be unable to fully disentangle effects of PK from some of the other Special Ed initiatives we are rolling out and that we don’t have the data to answer

some of the questions he wants to answer. His way of thinking about evidence is a little problematic.

Wednesday:

- Telephone call with David Cohen from Senator Sanders' office, Sarah Bolton from Senator Murray's office (WA), and Russell Armstrong from Senator Murphy's office (CT) and Ed Folk from RI, ME, CT and VT to discuss ESEA Reauthorization and Proficiency Based Systems

Thursday:

- Met with Treasurer Pearce about Federal Grants for Teachers' Health Care
- Met with Cyrus Patten and Tom Pelham of Campaign for Vermont They are promoting a gov reform model that is not too far off what Oliver Olsen is promoting. Big issue is how to introduce cost containment into the funding formula.
- Met with the **new interim Supt in Burlington**. BSD got lucky. I think he will be good for them and will help them think through their operations before they bring on a permanent replacement. Very lucky, given some of what they were looking at.
- Met with Barre City and Barre Town School Boards. They are discussion options for collaboration. I suspect they are of sufficient scale that there are not huge savings there. Any benefit would be through achieving increased opportunities through scale. However there is clearly strong reluctance in some quarters rooted in some of the socioeconomic differences of the towns.

Friday:

- Jim Lefevre of the Permanent Fund
- Joyce Judy of VSC
- David Sharpe re legislative agendas

Emerging Issues:

US DOE mandated Education Equity Plan

This year, the Agency will complete a new plan to promote educator equity across the state and submit this to USDE. The plan is required as part of Title I. US DOE pays our salaries, so we do what US DOE asks, however, the plan does not come with new money. It will thus influence how we allocate staff time. The plan must examine the following topics.

A. 2 equity comparison groups

1. High wealth vs. low wealth population schools
2. Low minority vs. high minority population schools

B. 3 minimum indicators

1. Exposure to inexperienced educators

2. Exposure to unqualified educators
3. Exposure to out-of-field educators

The good news is that this aligns (and can be aligned) with a core goal of the State Board of Education as well as the Agency: addressing gaps in opportunities for student to learn. Amy Fowler will be leading this big lift. Let us know if you would like to be involved at all in this initiative.

Vermont Standards Board for Professional Educators

We are hearing rumblings on the VSBPE regarding replacements for vacancies in the Spring, and the political maneuvering has already begun. AOE will work to identify who is and is not planning to return. Appointments are the responsibility of the Governor. Currently some members of VSBPE believe they are the “recommenders” of replacements and AOE should have no role. AOE believes we should help identify candidates as agents of the Governor with the Governor’s office selecting from a smaller group. We believe that we can help the Governor also be aware of issues of balance of representation that are germane to the work of the Board. This matters: for example, the most recent rule change effectively reduced our projected revenue stream by 20% without reducing our workload. This will force a reduction in services.

Does the Governor’s Office have a specific direction or desire with respect to this?

My sense is that historically, the AOE management of Educator Quality and the interests of the State and the Agency has been very weak. As that division becomes stronger and it is clear we work for the Gov and have some independent interests with respect to efficiency and effectiveness there is some apprehension on the part of the Board.

Teacher Retirement contributions for federally funded positions.

Although Federal grants may have contained “Retirement” contributions as approved expenditures within their strategies in the past, they were not retirement contributions to the Vermont State Teachers’ Retirement System (VSTRS). In the past, the State transferred general funds to the Vermont State Teachers Retirement System to cover that amount of the actuarially recommended contribution that was not paid for with member withholdings. Any “retirement” payments were most likely payments made for supplemental retirement plans that the district implemented as part of the labor contract negotiation process. Under the new law, VSTRS payments will be ON TOP OF those previously approved in prior grants. Districts may move those payments onto non-federal funds but NOT the VSTRS contributions. The net impact for budgeting purposes is effectively around 12.8% for each positions. This will reduce discretionary resources and as likely to increase the bottom line on the Ed Fund. This increase is bigger than what we expected and about twice what business managers expected. We are going to hear more about this one.

Work in the House related to ed spending and governance

Met with Dave Sharpe and will meet with Shap next week. Sharpe indicated that he is interested in identifying a set of triggers or indicators that would trigger a close review of operations and quality: E.g. very low student teacher ratios, very large increases in tax rates,

evidence of lack of quality and lack of depth and breadth of opportunities. He asked if the administration would submit a list of suggested indicators for consideration. His thinking was to identify these triggers, and when tripped, to mandate review by the State Board of Education. His thought was to give the SBE more teeth and authority to reconfigure or reassign districts that are truly not sustainable. He wants to set up and empower the Secretary or failing that the SBE to target and review and possibly force governance changed in communities that lack quality or are fiscally unsustainable. I told him we don't currently have the capacity in house to do this. If we do do something of this kind, I will recommend we contract with top shelf retired sups to do this work, rather than staffing in house. We can afford to hire on staff the people with the quality and experience needed to do this work. This group is also clearly looking to implement some reforms or initiatives around quality. We may want to go also suggest indicators and processes through which we could begin to tackle this issue of quality and school quality reviews, lest they go ahead and tell us which to use.

There is a growing strand in this conversation that this is not just an education issue, but an economic development issue, and that we need to address the jobs issue to address the schools issue. I am a little surprised no one has discussed the fact that the current law does not incentive responsible business development. This is a growing issue on my side of the state.

I am meeting with Shap next week. I know he has been pretty persistent in asking what the Gov is going to put on the table or suggest. We may want to through out a working list of ideas to start the conversation, with a disclaimer that these are concepts to frame the conversation but a lot of hard work needs to be done to figure out what would work. How much does the Gov want to lead on this and how much does he want to respond? I am speaking with Stephan Morse also on Monday, and will be asking him about what role the SBE might play, since they could be much more proactive than they currently are.

VSC/CCV and Dual Enrollment

Dual Enrollment is one of our signature initiatives to support college access. I do think it is time to quietly begin evaluating implementation to make sure we are getting what was intended. Some challenges:

1. we have had trouble getting the data needed to evaluate effectiveness—the colleges didn't or were unable to collect it.
2. several anecdotal reports raise concerns about who legislation currently benefits and whether the way it is funded disincentivizes districts from encouraging participation, and whether it is consistently achieving the goal of college going identity formation.

In particular, we are hearing some concerns about college courses offered at high schools and taught by high school teachers. The national research on dual enrollment suggests that DE is more effective when courses are taught by a college professor and are definitively college courses. This is an area we might want to research and evaluate a little more closely.

Head Start

With respect to eligibility of Head Start programs for state PK funding, we have consulted federal guidelines and other states, and our conclusion is that Head Start programs can access state funding by either (i) supplementing a head start program with state pre-k services through blending (by adding an additional 10 hours of state pre-k), or (ii) by integrating state pre-k into an existing service (without offering additional hours). This is braiding. Programs that braid would be eligible for state funds by demonstrating the actual cost of integrating state prek into their existing service through a proportional cost allocation against total program costs. NY has a fairly straightforward worksheet that we could borrow (in principle) as a starting point to develop a form for Head Start programs that might like to apply for state pre funding if they want to braid. In addition to the worksheet, Head Start programs would sign an assurance form that states the program is not receiving state funds for any services already paid for by other sources (such as federal head start funding). This assurance protects the head start program's federal funding stream and would seek to reinforce the point that the state will not be double paying for a service that is already funded by the federal government, or some other source. This will be an important assurance in some communities, and is something about which we are already hearing from the field. This conversation has been very challenging, but it looks like we are reaching a solution.

Op Eds

We are teeing up a set of op eds, mostly targeted at Washington DC and policy players in anticipation of ESEA reauthorization. Topics include: the challenges of test based accountability in states with very small class and school sizes, VT's commitment to equity, and questions about what tests really tell us about learning and what the implications are for the design of state models.

NEA

NEA is a little ticked at me for drilling the question of whether we have too many teachers. I will reach out and try to mend those fences. I am shifting messaging now in general to focusing on quality concerns, and the opportunity cost associated with maintaining very low ratios, instead of settling for slightly higher ratios and investing in instructional improvement and summer school for high poverty kids.

Personal

I am taking the week off between Christmas and New Years, and will actually be in Quebec. I will make sure Aly has contact info. This is my first real vacation since starting, and my oh my, do I need to get it in before this coming legislative session.

Thanks all.

Rebecca

OFFICE OF THE SECRETARY

Phone: (802) 828-2657

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Executive Privilege

TO: Governor Peter Shumlin

FROM: Secretary Brian R. Searles

DATE: Friday, December 12, 2014

SUBJECT: VTrans - Confidential Report to the Governor

NOTES FOR GOVERNOR

Winter Storm Event Dec 9th, 10th and 11th

We experienced (and are still experiencing) a winter storm that spanned the better part of three days this week. We expect continued flurries on and off into the weekend. The weather included a mixed bag of rain, freezing rain, sleet and plenty of wet heavy snow. Crews have been out around the clock since the start of the storm Tuesday, with full crews out during the day and reduced forces generally between the hours of 10 pm and 4 am overnight. Every tool in the toolbox has been used, from salt brine to sand to rock salt, as well as all the equipment at our disposal. This included lots of plowing, running the tow plows, and activating our graders, loaders and excavators.

This has been a very long sustained effort, and it will continue. The wet heavy snow caused multiple challenges. Not only does it pack down and cause slippery roads – especially during overnight hours with reduced coverage – but it also tends to cause trees to sag and topple over. We’ve had a number of trees down and, of course, the utility line damage and power outages that go with it. Many of the road closures were caused by downed trees and power lines, which our crews can’t touch until the lines are confirmed safe by the utility company. We do expect trees to continue to come down as additional precipitation piles on and stresses them to the breaking point.

Speaking of getting stressed to the breaking point, our equipment took a beating during this storm and we had multiple trucks down every day. We also had a grader down at one point. Our mechanics were busy, and did an amazing job of keeping our fleet at a level that all routes could be covered. Every one of our spare trucks was called into service to get us by. Crews and equipment overall are both tired, but we’re managing.

A successful storm response so far (up to 4 inches of snow fell last night around the state and it’s still snowing in places this morning). There have been lots of complements on social media and very few complaints. 6,200 tons of salt and 100,000 gallons of salt

brine were used so far, and the total storm cost so far is just over \$1 million. Those totals will grow until the storm and cleanup are over.

VTrans Supports Pan Am Purchase of D&H Rail Line

I have filed a letter this week with the Surface Transportation Board in D.C. supporting the purchase of 280 miles of rail line by Pan Am Southern Railway (the partnership between Norfolk Southern and Pan Am) from the Delaware and Hudson Railroad. The line runs from Hoosick Jct., NY into Pennsylvania and will allow the partnership to better serve New England and the Vermont Rail System (VRS). The decision to go on the record with the STB was based on our desire to see the region better served by rail and to promote the potential for the success of VRS.

NOTES FOR STAFF

Governor's Highway Safety Program

With the establishment of the Office of Highway Safety within VTrans, a model has been created that will strengthen highway safety initiatives throughout the state. On January 11, the Governor's Highway Safety Program will be transferred into this safety office and this organization structure will be in alignment with that of the VT Highway Safety Alliance. This includes bringing the infrastructure, data and behavioral areas of highway safety together to strengthen the resources and partnerships in a more cost effective and efficient manner.

Merge of DVTA and CRT

Staff are working closely with the boards and management of DVTA (Deerfield Valley Transit in Wilmington) and CRT (Connecticut River Transit in Rockingham) as they work on merging their organizations to create a larger service area to achieve some economies of scale and improved service. The vast majority of board members and stakeholders support this move as does VTrans. One board member has issued a press release expressing his disapproval at the method by which this is happening. The method at issue is that in order to save time and considerable expense, it was decided by the boards upon recommendation of their attorneys to use the DVTA 501(c)(3) structure rather than creating a new entity.

Act 145 Implementation

Act 145 allows Act 250 Commissions to establish fees when a transportation project is identified on the VTrans or a Municipal Capital Program. Following discussions with the Northwest RPC, Addison County RPC and NVDA, we are considering adding projects to the SFY 2016 VTrans Capital Program in locations that would support development. The projects were identified by the RPCs and include: roundabouts at VT 104-Saint Albans State Hwy in Saint Albans Town, and US 7-Exchange Street in Middlebury; and traffic signals at the US 5-I91 Exit 28 SB off ramp in the Town of Derby, and at Railroad Square-Main Street in Newport City. We are also working with the CCRPC in revising the fee for the Exit 16 project, which was assessed two years ago by the Act 250 district 4, to make it consistent with the requirements of Act 145. This may result in a lower fee for Exit 16 projects.

TSMO (Transportation System Management and Operations)

The mission of the Agency of Transportation is to provide for the safe and efficient movement of people and goods. In recent years, the Agency has concentrated on integrating process efficiencies (getting projects delivered in a more timely manner), and on system preservation. We are now moving toward a cultural shift where we will also proactively and systematically consider the operation and management of our transportation system through the eyes of the driving public – expanding “working to get you there” to “working to get you there *safely and on time.*”

To achieve this, VTrans has established a Transportation System Management and Operations (TSMO) section which will take the lead in implementing this Agency-wide cultural shift to improve the reliability of the existing transportation system by managing delays and disruptions. This new section will consist of three existing units (Traffic Operations, Traffic Research, and Intelligent Transportation Systems) under the direction of a TSMO Manager. Four new positions, to include the TSMO manager, will augment the existing staff.

Work within this section will include such things as signal retiming, sign and pavement marking management, traffic management planning for projects, traffic data collection and analysis, improved 511/traveler information systems, travel demand management, traffic incident management coordination, and enhancement of road weather information systems, variable message signs, automated vehicle location, and weigh-in-motion technology.

Middlebury Airport Runway Extension

At a recent Select Board meeting in East Middlebury, property owners shared concerns regarding the runway extension that is proposed for construction in 2017.

- **Noise:** There was concern that the increased runway length was going to increase the amount of noise at the airport. The Environmental Assessment that is currently underway will address these concerns.
- **Larger aircraft:** There was concern that a longer runway will bring much larger aircraft to the airfield. It was explained that the runway length does not change the aircraft design group, therefore the airport should see the same type of aircraft it is currently seeing.
- **Tree Clearing:** Clearing the approaches would decrease the noise buffer for abutting property owners.

Funding would not be until State FY17. The project (tree clearing) would begin January of 2017 and the runway extension would begin in April.

Update – FairPoint RR ROW Charges

Negotiations with FairPoint continue on the charges to cross state-owned railroad property with service lines. This week FairPoint conceded that the charges were not

excessive and, in fact, reasonable but they are now requesting a phase-in of the increases. We are considering such a plan. The total charge is \$91,000 annually for the entire state and the rate is much lower than for private railroads operating in Vermont.

Last Weekly Report

This is my last report as Sue will complete any that may be required for the rest of this year and, of course, into 2015. I have been honored to serve with the entire Shumlin team and I wish you Happy Holidays and great success in the New Year!

Privileged and Confidential
Memorandum

To: Peter E. Shumlin, Governor
From: Harry L. Chen, M.D., Acting Secretary of Human Services
Re: AHS Weekly Report
Date: December 11, 2014

Highlights:

AHS CO:

Proposed Warming Shelter Status Update in St. Johnsbury and Burlington pg. 2

Housing Concerns for - Qualified Allocation Plan and Section 8 Preferences for Supportive Housing
pg. 2

MCO Investment Review – SAO pg.2

VDH:

Strontium-90 in water at Entergy pg. 2

DMH:

Vermont Psychiatric Care Hospital (VPCH) Status pg. 3

DAIL:

Health Care Reform (SIM) Workgroup Letter to Governor Requests Holding Long Term Supports

Harmless pg. 3

Springfield Hospital Asks for Assistance in Placing Elderly Man in Long Term Care pg. 4

DOC:

High Risk Offender Law Enforcement Notification pg. 4

Population pg. 4

DVHA:

Design & implementation of Unified Community Collaboratives (UCC) pg. 5

Modifications to PCMH and CHT Payments pg. 5

Secretary's Message

This week, I have been working closely with the departments on identifying their budget processes and impacts for BAA and FY16. AHS is striving to preserve the funds necessary to focus on our core missions, strengthen child protection systems, preserve funds and programs to protect the most vulnerable, and identify savings through restructuring, reduced expenses and eliminating non-core programs.

We were joined this week by Hal Cohen for transition planning. Hal met with AHS central office staff for introductions and had the opportunity to walk around and meet the employees at the central office. The staff was very enthusiastic about Hal's visit. He will continue to meet with the departments over the next couple weeks for introductions and transition planning.

Agency of Human Services Central Office (AHS CO)

Proposed Warming Shelter Status Update in St. Johnsbury and Burlington

Staff from AHS and local community providers met with St. Johnsbury Select Board to answer questions about a proposed warming shelter. The Select Board did not offer any objections to the proposal and have “fast tracked” a public hearing forum 12/22/14. The planned host agency for the shelter is Northeast Kingdom Community Action; they will be hosting neighborhood meetings (12/11/14) with anticipated media coverage. CVOEO and Champlain College submitted the Conditional Zoning Permit – the Public Hearing is on Monday, January 5th. A positive neighborhood meeting identified some concerns regarding safety and security which will be addressed in the operational plan.

Housing Concerns for - Qualified Allocation Plan and Section 8 Preferences for Supportive Housing

The Joint Committee on Tax Credits met to recommend updates to Vermont’s Qualified Allocation Plan. Because the document governs distribution of tax credits to developers of low income housing, changes are naturally controversial. AHS recommended a compromise to resolve an issue for developers of age-restricted housing related to accessing 9% ceiling credits. The compromise opens the door to developers of senior housing, providing a target of 25% of total credits for this purpose. This should allay concerns from developers and be viewed as an equitable solution. A discussion with the Vermont State Housing Authority (VSHA) ensued for the January re-opening of the federal section 8 rental subsidy program waiting list. AHS recommend VSHA adapt a voucher preference for homeless participants enrolled in AHS supportive housing programs. This additional preference would formally link federal subsidies to state-supported services for higher-risk households who need both to be successful in housing.

MCO Investment Review – SAO

The State Auditor’s Office has expressed a possible interest in conducting an audit of the State’s MCO Investments. Several AHS staff members have met with SAO this week to describe existing oversight processes, which could assure SAO a separate State audit for this structure is not needed. The SAO has indicated they wish to make a decision this month on whether or not they will embark upon an audit.

Developing Section 8 Preference for Supportive Housing

AHS CO met with leadership of the Vermont State Housing Authority to discuss the January re-opening of the federal section 8 rental subsidy program waiting list. AHS recommended VSHA adopt a voucher preference for homeless participants enrolled in AHS supportive housing programs. This additional preference would formally link federal subsidies to state-supported services for higher-risk households who need both to be successful in housing.

Vermont Department of Health (VDH)

Strontium-90 in water at Entergy

The Health Department continues to evaluate samples from Vermont Yankee environmental sampling sites indicating the presence of Sr-90 in water. Entergy’s laboratory did not detect Sr-90 in either of the two groundwater samples. The Department’s contract lab is reviewing methodology and results for the possibility of errors. Additionally, one sample obtained from the Connecticut River was found to be barely above the detection limit for Sr-90 by the Health Department’s lab. Entergy’s lab is analyzing this sample as well and results are pending.

The detection of Sr-90 is inconsistent with hundreds of other samples obtained over the past four years of sampling and are, therefore, being thoroughly investigated to assure the quality of the measurements. Results from a second round of sampling from both Entergy's lab and the Health Department's should be available before the end of December. They require up to two weeks to process in the laboratory.

Alleged asbestos violation, Rutland

VDH is investigating alleged violations of the Vermont regulations for asbestos control at 10 Cleveland Avenue in Rutland. Asbestos containing materials were found in a debris field at this site. The demolition of the building without properly handling asbestos materials could have exposed workers and the public to unsafe asbestos levels. Although, currently considered static, if clean up and removal is not done properly workers and the public could be exposed. The City of Rutland ordered the demolition in 2012. The property is owned by John Ruggiero, Tenney Brook Court.

VTrans Welcomes Health into Transportation Planning

VDH is working with the Department of Transportation as they revise the 1990 Vermont State Design Standards, which offers technical support to transportation projects throughout the state. VDH's role is to ensure that health is an essential consideration when new transportation projects are undertaken, and new state standards include language that defines transportation as inclusive of walking and biking, as well as public transit and vehicles.

Department of Mental Health (DMH)

Vermont Psychiatric Care Hospital (VPCH) Status

As of today there are 22 patients at the Vermont Psychiatric Care Hospital (VPCH) resulting in an 88% occupancy rate. VPCH has interviewed a number of staff and are offering positions.

From December 5th to the morning of December 11th, there have been 19 people in need of in-patient psychiatric beds. 8 adult EEs (of which 4 were directly admitted and 1 waited less than 24 hrs.), 4 adult voluntary (of which 2 were directly admitted and 1 waited less than 24 hrs.), 3 court ordered in-patient evaluations (of which 2 were directly admitted from court), 2 minor EEs (both of which were admitted in less than 24 hrs.) and 2 minor voluntaries (1 waited less than 24 hrs and the other waited less than 48 hrs.). During this timeframe 16 of the 19 have been admitted with 2 adult EEs waiting today (both of which have been waiting less than 24 hrs.) and 1 court ordered evaluation still waiting for placement that has been waiting less than 72 hrs.

Vermont Public Radio (VPR) on the Current Mental Health System

Commissioner Dupre was interviewed by the Vermont Public Radio (VPR) on Monday with regard to the current Mental Health System. Representative Cynthia Browning called in and was very upset about DMH pursuing a permanent secure residential facility. Representative Browning is on the House Corrections and Institutions Committee. This is the Committee the Legislature is requiring Building & General Services (BGS) and DMH to report on a permanent replacement for the Middlesex temporary site. DMH will follow up with Representative Browning.

Department of Disabilities, Aging and Independent Living (DAIL)

Health Care Reform (SIM) workgroup letter to Governor requests holding long term supports harmless

As anticipated, some members of the Disability-Long Term Services and Supports (D-LTSS) work group signed on to a letter asking the Governor not to make any spending cuts that would impact Vermonters who receive long term services and supports. Other members of the group questioned the appropriateness of using the workgroup to support a particular position. All acknowledge that long term services and supports are vital to the health of a community.

Bowen Housing Needs Assessment Released with Little Fanfare

DAIL had some worries about the Bowen Housing Needs Assessment and is relieved. The Assessment is more balanced than expected and makes recommendations commensurate with DAIL's view of Vermonters' needs. The report misses some nuances about senior housing but overall, is accurate and should cause less consternation among senior housing advocates (like Cathedral Square) than expected. One conclusion of note: Based on Bowen National Research's survey, Vermont's senior care facilities are performing slightly better than national averages. It appears that demand for senior housing is high.

Springfield Hospital Asks for Assistance in Placing Elderly Man in Long Term Care

Incoming AHS Secretary Cohen inquired on behalf of Rep. Alice Emmons about an elderly man with mental health issues who has been held at the Springfield Hospital emergency room since September. It appears this man needs nursing home care but has been denied placement everywhere because he may be violent. Having exhausted local options, DAIL is assisting with placement in Connecticut where a daughter resides.

Department of Corrections (DOC)

High Risk Offender Law Enforcement Notification

Richard Murray is scheduled for release on December 18th, 2014. Murray will be on Conditional Release status. He will be supervised out of the St Albans P&P office and will be supervised by CSS Lisa Wilson. The Murray case was reviewed according to the department case review process on December 8th, 2014. The release was approved at that time. Murray will be residing in Swanton and will be living in an upstairs apartment. The residence has been approved by St Albans P&P and the rent has been paid for the month of December. Murray will begin receiving his social security upon release. Murray will engage in sex offender treatment in the community. CSS Wilson will be distributing the law enforcement notification to local law enforcement and will also meet with Swanton PD to discuss Murray's release/notification.

Population

The department's incarcerated population averaged 2,049 for the previous week. The male population averaged 1,885 with 358 being presentenced. The female population averaged 164 with 37 being presentenced.

Overall, our sentenced population continues to drop. This is allowing us to return males from Kentucky to Vermont. Currently, our out of state population is 462. DOC's plan is to reduce this number to 432 with the next movement trip and then down to 420 or so. This is all dependent on overall population numbers.

The out of state unit is headed to Indiana and Michigan to check out a potential new facility for our out of state population. This facility is run by the GEO Group, a company slightly smaller than CCA. If

this looks like a good match for the State, we will recommend this move which would take place in June/July of 2015. The GEO Groups' initial bid was significantly less than CCA's bid.

Department for Children and Families (DCF)

Addison County Vigil and Sleep Out to End Homelessness

DCF and the Office of Economic Opportunity's Chief Administrator, joined a consortium of service providers and members of the community in Addison County on Saturday December 6, for a vigil and fundraiser to end homelessness. Forty people built an encampment of twenty tents by the Middlebury Falls on Saturday night in a drizzle of freezing rain to raise awareness and funds to end homelessness. Hundreds of people gave thousands of dollars to support homeless services at the John Graham Shelter. Staff from partnering agencies included Pathways Vermont, CVOEO, the Addison County Parent Child Center, the Counseling Service of Addison County and the HowardCenter. Attendees enjoyed a meal hosted at St. Stephens Church with food donated by American Flatbread and prepared by residents from the John Graham Shelter. Television coverage included WCAX and WPTZ.

Department of Vermont Health Access (DVHA)

Design & implementation of Unified Community Collaboratives (UCC)

DVHA Blueprint staff is working closely with provider networks (CHAC, OneCare, HealthFirst) on principles and design for unified community leadership structures. The goal is to have a framework ready for implementation in early 2015. UCC's will include a balanced decision making leadership structure that helps to guide quality and service initiatives in their community (including priorities and focus for CHT operations).

Modifications to PCMH and CHT Payments

DVHA Blueprint staff is working closely with provider networks on strategies for modifications at current payment levels. The goal is to determine ways to structure current payments that stimulate targeted outcomes and supports work of UCCs (implementation in early-mid 2015) while developing ideas from provider networks for a more complete and innovative primary care payment model in 2015 with the goal of implementation in 2016. The target outcome is for provider networks to bring the model forward thru BP committees, SIM committees, and GMCB. Proposals include options for enhanced payment levels and ones that redistribute existing investment levels.

Medicaid Waiver Consolidation

AHS has raised concerns to Vermont's regional CMS administrator about the proposed consolidation of the Choices for Care and Global Commitment Waiver. The State is concerned about CMS's resistance to maintaining current budget neutrality limits, ability to access MCO investments for CFC spending, and lack of administrative simplification allowed by the proposed consolidation.

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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: December 12, 2014

Secretary's Top Issues

Manure digesters Green Mountain Power collaborating with dairy farms

Green Mountain Power is moving forward with developing a farm manure methane digester in Franklin County that will take the manure of multiple farms. The location at the St. Albans Prison site did not work out for GMP – too many existing permit requirements and they have moved on to a farm location in the bay. The digester will take the manure of 5 to 7 farms, will include algae growth and separation of digested manure to solids and liquids. This will have benefits to the lake with solids being exported and algae growth decreasing the amount of nutrients (Phosphorus) in the effluent. GMP is looking at these group manure digesters to produce base load power, assist farmer with water quality issues and to provide heat to buildings if appropriate. GMP may install more of these group digesters and discussed possible locations with a high density of farms and potential uses for heat. This will be substantial investment and the agency will work with GMP for best location with farm densities and uses for excess heat.

Animal Welfare Inquiry

Animal Health Office received a number of inquiries from concerned citizens regarding a facebook post of a picture of a horse chained to a piece of farm machinery offering the horse to a new home. The information was provided to the Central Vermont Humane Society as they are the primary investigator and enforcement authority for animal welfare concerns.

Farm to School developments

Agriculture, Education and Health are three key components of farm to school, and continuing and building a stronger partnership between the three department and agencies will create a more sustainable community of farm to school. The state's farm to school grant program, administered by VAAFM, has a significant impact on the long-term sustainability of farm to school programs in schools

FSMA meeting in Washington, D.C.

Local Food Administrator Abbey Willard has been selected by NASDA to sit on a national FSMA Implementation Group tasks with developing an Operational Plan for states and NASDA to support FDA in implementing FSMA. Staff from four states (Vermont, Michigan, Oregon, and North Carolina), accompanied by their Secretary/Commissioner, are tasked with developing procedures, process document, and guidelines between NASDA and FDA for a successful FSMA education, pre-assessment, regulation, compliance, and technical assistance program

Craigslist ad for dead calves for dog food

Compliance responded to an ad on Craig's list for the purchase of dead calves from farmers for dog food and coyote bait, it was explained this practice is required to be licensed with the Agency. The business responded via e-mail and stated the practice would stop and the ad would be removed from Craig's list.

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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: December 12, 2014

Status of Governor's Priorities:

Press

Henry Marckres, Chief, Consumer Protection was interviewed today by RFD TV from Nashville on the new maple grades.

Significant Events/Meetings:

- State Veterinarian, Kristin Haas, participated in an Endangered Species Committee meeting on December 10th as Secretary Ross' designee. One topic that came up was the notification process prior to adulticide spraying to prevent EEE when a public health declaration has been made by the Commissioner of Health. ANR management would like to be notified in advance of such spraying in the future. Additional follow up conversation is needed, and Haas will be coordinating communication between the Department of Health, ANR and subject matter experts in VAAFM prior to the 2015 arboviral season.
- State Veterinarians and key animal health section field staff met this week with USDA-APHIS Veterinary Services colleagues to discuss program management and priorities for Vermont's animal agriculture sector. Compliance activities carried out by VAAFM and VT-based USDA animal health officials in support of the federal Animal Disease Traceability rule were also discussed in hopes of making those activities more uniform and productive.
- State Veterinarian, Kristin Haas, met this week with legal counsel and Fish and Wildlife attorney Catherine Gjessing in order to develop a legislative strategy for ensuring that the regulation of fur bearing species in VT (e.g. fox and mink) is solely under the authority of the F&W Dept. Currently, F&W and VAAFM share responsibility for the raising of these species in VT.
- Winter storm knocked out power to a federal slaughter establishment; waiting for power to return in order to start operations again
- Sherpa foods will be starting operations under State Inspection for fully cooked and raw Beef Momo's (Nepalese Dumplings) on Dec. 22, in Burlington
- State Inspected poultry plants are mostly done till spring enabling VT to provide extra relief Cross-utilization inspectors to help USDA meet their required inspections. USDA needs seem to be excessively high but they are having difficulties filling several inspector positions in VT. All Cross utilization services are reimbursed at 100% for time and travel reducing the burden on the State's General fund
- Animal Health is collaborating with UVM Extension and Northeast Organic Farming Association to schedule the inaugural meeting of a swine task force, funded by USDA cooperative agreement money. Task force members were finalized last week and the group hopes to meet prior to the Grazing Conference mid-January.
- Animal Health is collaborating with GlobalVetLINK on a project to provide veterinarians in other states Vermont import rules for livestock in an easy to search manner. This would reduce the phone calls into the office asking for import requirements. GlobalVetLINK is a company that provides an online option for veterinarians to quickly and accurately complete official Certificates of Veterinary Inspection.

- Animal Health met with a cervid producer regarding the identification of fallow deer on the premises and a compliance plan moving forward.

Evolving Issues:

- Food Safety and Consumer Protection Division management worked with Green Mountain College this week to ensure that their winter farmers market is in compliance with applicable regulations after receiving a complaint from a citizen who saw the market advertised on Front Porch Forum. GMC has a scale that needs to be checked for accuracy and a raw milk distributor and several meat vendors who need to be registered and licensed with VAAFM before sale of product can occur at the market.
- A temporary Program Services Clerk has been hired to support the mission of the FSCP Division. Barbara Rippon begins employment with the Agency on December 16th.
- State Veterinarian, Kristin Haas, worked with DEMHS and the Chair of the Vermont Disaster Animal Response Team to further clarify potential locations to shelter household pets exposed to Ebola virus. Possible options include Vermont National Guard facilities and the Vermont Police Academy. DEHMS will follow up further with these entities to confirm availability/willingness prior to incorporating this language into the State Emergency Operations Plan. If the need arises, state veterinarians and animal health field staff would be responsible for pet care during the 21 day quarantine period since they are familiar with the use of Personal Protective Equipment and animal care.
- Animal Health Office received a number of inquiries from concerned citizens regarding a facebook post of a picture of a horse chained to a piece of farm machinery offering the horse to a new home. The information was provided to the Central Vermont Humane Society as they are the primary investigator and enforcement authority for animal welfare concerns.
- Animal Health completed a flock inventory for a currently quarantined premises positive for Mycoplasma, a reportable disease.

Summary of Key agency Department Activity

Administration:

- Deputy Secretary Bothfeld worked with Commissioner Annie Noonan, representatives from Department of Labor, Health and Community Development as well as agricultural groups on the materials and outreach plans for farm labor housing and wage and hour regulations for farmers. This group has worked for months on the documents and outreach plans for farmers and is now down to the wire to prepare for a January roll out of the materials. All ag related groups are working well together and will add their organizations name to the document as partners showing unity and providing farmers and farm labor names that they know and trust were part of putting together this document. Outreach will begin in January with the Vegetable and Berry Growers, NOFA Workshops, training for field staff of VEDA, VHCB and VLT on this important information to provide to farmers. This has been a great team effort on a difficult subject.
- Deputy Secretary Bothfeld took part in the Sustainable Ag Council meeting. The Sustainable ag council is working on a series of white papers that will constitute their report to the legislature in January. The topics of the papers are – Farm Labor, Food Safety Modernization Act, Interns on Farms, Value Added Rural Enterprises, Farm Viability, Leasing Land, Farmers and the New Health Insurance Programs, Soil Health, Agriculture and Climate Change, and Lake Champlain Fisheries Farm to Plate.
- Deputy Secretary Bothfeld will meet with representatives from VTC and UVM as well as the Chairs of the House and Senate Ag Committees to discuss the 2+2 program on Friday, December 12. Enrollment has been declining and the budget was reduced during the summer rescission. During the 2014 session both House and Senate Ag committees requested a meeting with VTC and UVM to determine the issues with enrollment. VTC and UVM are to present programs to encourage enrollment to the legislators present to determine if the proposals should be moved forward to their colleagues in the legislature. Funding level would need to be evaluated if program proposals are but forth.

Agricultural Development:

- Senior Agricultural Development Coordinator Alex DePillis co-led a working group with the PSD, to develop stakeholder comments on the avoided cost caps for standard offer prices (the “SPEED” program). The work included many iterations to thoroughly revise cash-flow models and to develop a four-page consensus recommendation/summary for the Public Service Board’s review. In a related matter, Alex DePillis also conferred with stakeholders from whom the Board requested comment regarding the eligibility of *non-farm* digesters in the SPEED program (potentially a new technology category), to provide context on the current practices and eligibility of farm digesters (an existing category) in SPEED.
- Senior Agricultural Development Coordinator Alex DePillis is planning, with other state agencies, led by ACCD, a two-day energy/cleantech event, to be held at UVM on March 23-24, and following up on the event hosted by Bishops University in Sherbrooke, Quebec in October 2013. Day 1 is entitled “Power from the North,” and Day 2 is “A B2B networking and educational event for Vermont and Quebec businesses and organizations to pursue business opportunities and learn best practices to lower energy and utility costs.” The Agency of Agriculture will connect relevant organizations in the agricultural sector to this opportunity.

VAAFM Ag Dev Local Foods Team Hosts Vermont Farm To School Steering Committee to Complete Systems Mapping Process on December 4th

- VAAFM Farm to School Coordinator hosted discussion on integrating farm to school into Farm to Plate, as a way to create efficiency in farm to school efforts, and build stronger relationships in the Farm to Plate network
- As the farm to school strategic plan gets closer to implementation, VAAFM and the state’s farm to school steering committee discussed how the farm to school network will self-organize around implementation
- Discussion of Farm to School Awareness Day generated a lot of energy, as steering committee members contemplate how to plan the event, using the newly formed strategic plan as a guide

VAAFM Secretary and Ag Dev Local Foods Team host Department of Health Acting Commissioner and Secretary of Education to Discuss Future Collaboration in Farm to School on December 5th

- Agriculture, Education and Health are three key components of farm to school, and continuing and building a stronger partnership between the three department and agencies will create a more sustainable community of farm to school
- The state’s farm to school grant program, administered by VAAFM, has a significant impact on the long-term sustainability of farm to school programs in schools
- Secretary of Education is supportive of creating programming that build an agricultural workforce
- Acting Secretary of Health looks forward to continuing to support the work of farm to school, because of its impact on student and community health

VAAFM Farm to School Facilitates Farm to School Grant Review Committee, Deciding on 2015 Grantees on December 10th

- 10 schools of 24 that applied received funding to plan a farm to school program, or build on a successful program already in place
- More than 2,000 Vermont students will be directly impacted by this funding
- 7 counties will benefit from this grant funding, in 7 districts and supervisory unions
- 6 of the 10 schools have more than 45% of their students qualifying for free or reduced lunches, through the national school lunch program

VAAFM hires new Produce Safety Program Development Coordinator

- Using federal Specialty Crop Block Grant program funds, the Ag Development Division has hired a Produce Safety Program Development Coordinator
- Kristina Sweet accepted the position and will begin employment on 12/28

- This position will be responsible for working with the produce industry, with state and federal partners as the Food Safety Modernization Act (FSMA) liaison, and will provide recommendations on developing a state-level produce safety regulatory program

VAAFM Secretary and Local Foods Team staff meet with FDA and NASDA leadership in Washington D.C. about FSMA

- Abbey Willard has been selected by NASDA to sit on a national FSMA Implementation Group tasks with developing an Operational Plan for states and NASDA to support FDA in implementing FSMA
- Staff from four states (Vermont, Michigan, Oregon, and North Carolina), accompanied by their Secretary/Commissioner, are tasked with developing procedures, process document, and guidelines between NASDA and FDA for a successful FSMA education, pre-assessment, regulation, compliance, and technical assistance program
- The group met for three days (12/2-12/4) in D.C. for inaugural gathering with NASDA and FDA
- Group will meet again in mid-January, likely in Florida

Food Safety and Animal Health and Consumer Protection:

Meat Inspection:

- Consumer complaint related to green mountain college and their farmer's market-consumer was concerned that because grocers have so many regulations – will GMC be held to the same standard, and are there concerns about human health with the raw milk and fish etc. Division Director was in contact with Farmer's market manager regarding licensing and other issues with commodities being offered. Our compliance officer will visit the farm that is not appropriately licensed to sell product, and do the initial inspection that allows them to be licensed. So they should be ok for next week's market.
- Compliance responded to an ad on Craig's list for the purchase of dead calves from farmers for dog food and coyote bait, it was explained this practice is required to be licensed with the Agency. The business responded via e-mail and stated the practice would stop and the ad would be removed from Craig's list.

Animal Health:

- Animal Health field staff
 - Completed tissue residue investigations in Essex and Caledonia counties. Residue violations were for neomycin and tetracycline in a bob veal calf.
 - Attended the weekly auction at ACCS checked for ADT compliance and completed the AMS market report.
 - Met with an instate livestock dealer regarding a federal notice of non-compliance.
 - Answered questions regarding swine garbage feeding of swine.
 - Met with a dealer in Newport and provided official identification

Dairy:

The December numbers are in, with Vermont boasting 903 dairy farms. 873 cow (one less than November), 27 goat (one more than November), 3 sheep (one less than November) – total is down 33 from last year, down 154 from 5 years ago, down 392 from 10 years ago, 746 from 15 years ago, 1137 from 20 years ago.

Agricultural Resource Management:

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

- Staff conducted inspections on two LFOs in Franklin County. Both inspections were related to field practices and one inspection was related to a complaint about manure spreading and the other was a vegetative buffer check.
- Staff conducted a visit to a LFO in Washington County to discuss the farm's permit amendment and their current waste storage status. Snow covered ground has complicated manure management prior to the December 15 manure spreading ban.
- Staff conducted a follow-up visit to evaluate recently installed BMPs on a MFO in Franklin County.
- Staff are drafting inspection reports, memos and letters for complaint investigations, enforcement actions and ongoing inspections. We are also preparing for upcoming hearings.

- Staff are preparing documents and information for enforcement discussions with the AG's office for a LFO in Orleans County.
- Staff have been processing grants and payments from farms for winter cover cropping and manure injection through the Farm Agronomic Practices (FAP) Program.
- Staff prepared annual report information for the ARM Division's additions to VAAFM's Annual Report.
- 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 are continuing to work on the water quality section of the new water quality database. We have entered the user acceptance phase of testing with an amended go live date of April 2015.

Conservation Reserve Enhancement Program (CREP):

- Staff provided VACD staff with CREP planning guidance.
- Staff worked through project-specific eligibility issues on multiple projects with FSA.
- Staff worked on paperwork needed for upcoming CREP contract signings.
- Staff assisted NRCS staff with Toolkit training so that they can eventually complete CREP projects without relying on NRCS staff or myself to accomplish the work.
- Staff attended a meeting on Knotweed and the challenges it poses to riparian buffer restoration projects hosted by USFWS featuring speakers from the Nature Conservancy and Redstart Consulting.

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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: December 12, 2014

Subject: ANR Weekly Report

Governor Level Issues:

EPA Proposes Lower Ozone Standard: EPA has proposed lowering the National Ambient Air Quality Standard for ground level ozone (smog) and will issue a final standard by Oct 1, 2015. Why I mention this to you is that under the lower proposed new standard parts of Southern Vermont may come out of attainment. If Vermont became out of attainment for ozone, we would need to increase regulations on state pollution sources and transportation projects would have to undergo additional review among other actions. Increasing our efforts to reduce pollution from motor vehicles is the best means of reducing the state's risk of falling into non-attainment status with a more stringent ozone standard. We will be submitting comments on the rule.

Waterbury Dam: We issued the final water quality permit for Waterbury Dam. The final product struck a balance between the use of the waters for recreation and the need to meet the clean water act standards and the primary purpose of the dam for flood control. Because the hydro facility was originally put in operation before the clean water act was in place, it was unavoidable that the operation protocol under the new permit will reduce the amount of power generated. GMP understand the constraints of the law and has worked collaboratively with us on the permit and has indicated that it will not appeal.

EVERYTHING ELSE:

Press Issues/Releases:

2015 Hunting, Fishing, and Trapping Licenses Available Online Dec. 15: VT hunting, fishing and trapping licenses for the New Year will be available on the FWD's website on Dec 15. Online license purchasers of 2015 licenses will automatically be entered to win an angler's kayak and other prizes. The winner of the kayak will be drawn on May 14, while the winner of a rifle in the 2014 contest will be drawn at the Yankee Sportsmen's Classic in January.

Clean Bird Feeders Help Keep Birds Healthy: The FWD says it's alright to put out those bird feeders now that VT's black bears are sleeping in their dens for the winter. But, the department offers some advice about bird feeder cleanliness before you run out and buy that first twenty dollar bag of seed. FWD says cleaning bird feeders on a regular basis is an important and often overlooked component of feeding birds so they don't become sick.

Significant Events/Meetings:

Newport City Infrastructure: The Northeast Kingdom Economic Development Initiative is highlighting the need for investments in water infrastructure as necessary to support projected growth. DEC staff are meeting with Newport City's leadership to discuss needed investments including fixing the distribution system piping (decades past its useful life) and addressing arsenic in the waste from the water treatment system.

ECO Vermont AmeriCorp Grant Proposal Submitted: DEC applied for funding through the AmeriCorp Program for our ECO Vermont Program. We proposed 15 full-time and 10 half-time AmeriCorps members to be placed at local host sites throughout the state, focused on implementing strategies to protect and improve water quality in the Lake Champlain watershed. Grant funds would be approximately \$265K, with a required state match of \$105K and municipal match of \$113K. We anticipate hearing if our proposal will be forwarded for national competitive funding by Dec 17.

SUMMARY OF KEY DEPARTMENT ACTIVITY

Office of Planning and Legal Affairs (OPLA)

TDI New England Clean Power Link: TDI filed their CPG petition Monday with the Public Service Board. A press release issued to coincide with the filing summarized the purported project benefits to Vermonters, including four new 'benefit funds' intended to address rate payer and environmental issues:

*A \$136 million reduction in transmission costs paid by **Vermont electric ratepayers**, funded through payments to Vermont Electric Power Company (VELCO) at an initial rate of \$2.5 million a year, escalating at 1.5% for the 40-year life of the project*

*An \$82 million **Lake Champlain Phosphorous Cleanup Fund**, paid at a rate of \$2 million annually after two initial \$1 million payments*

*A \$40 million fund to support **habitat restoration and recreational improvements in Lake Champlain**, paid at a rate of \$1 million a year for the 40-year life of the project*

*A contribution of \$40 million to Vermont's **Clean Energy Development Fund**, paid at a rate of \$1 million annually for the 40-year life of the project*

VELCO PV 20 – Lake Champlain Crossing: VELCO has engaged ANR to discuss their proposed PV-20 transmission line replacement project. A network of outdated, oil-filled electric transmission lines currently run along the bottom of the lake between New York State and Grand Isle, VT. VELCO plans to remove the existing half-dozen existing lines and replace them with a pair of more modern, solid transmission lines. Similar to the TDI project, VELCO intends to bury the new cables using Jetplow technology for some portion of the crossing. The project may raise similar issues around construction phase water quality impacts as TDI. The removal of several oil-filled, historic cables will also raise unique challenges. A team of ANR staff plans to meet with VELCO in the coming weeks to discuss the project.

Mount Snow Ski Area: The resort proposes to construct a 120 million gallon snowmaking reservoir (West Lake) and associated infrastructure for snowmaking withdrawals. The project will be located adjacent to Cold Brook, a tributary of the North Branch of the Deerfield River. An Act 250 application was filed in 2010 and hearings were held on the application, however the project was put on hold while Mount Snow sought funding to finance the snowmaking. Also, efforts were made to revise the project details after Tropical Irene caused damage on the project site. Since that time, Mount Snow has raised funding through the EB-5 program, and set aside \$50 million for the project.

MOU's on two GMP energy projects: OPLA has executed MOU's with Green Mountain Power on two projects pending before the PSB: a substation decommission and rebuild in Waterbury/Duxbury and a transmission line extension and upgrade in White River Junction. The MOU's include conditions to protect river corridors, floodways, streams, greenhouse gas impacts from SF6 and river buffer restoration along the Winooski.

Environmental Conservation

Cow Power Projects: Prior approvals for “cow power” digesters require that projects emitting more than five tons per year for traditional air pollutants register their emissions with DEC, consistent with other sources emitting those same pollutants. A recent review of the dozen facilities indicates that many are exceeding the pollution threshold, but not registered. Staff plan to send a cover letter and registration materials, and will do a follow up with a phone call, so that our expectations are clear. The high sulfur content of manure and the nature of internal combustion make these sources notable emitters of SO₂ and formaldehyde.

Safe Drinking Water Act 40th Anniversary: Dec 16 will mark the 40th anniversary of the Safe Drinking Water Act. We were asked by EPA to provide examples of success stories of Drinking Water State Revolving Fund projects that demonstrate how our investment enabled construction

of much needed infrastructure improvements. EPA will use these examples in celebratory events and will depict some on their website. Our State Chief Marketing Officer designed DEC's submission:



VT DWSRF Case
Studies.pdf

Beyond Waste Advisory Group: The final meeting of the Beyond Waste Advisory Group was held. Representatives from the EPA Region 1, municipal solid waste districts, environmental non-profits, and the private sector were present. The group developed criteria by which to consider wasted materials not captured under the Universal Recycling law, and recommended DEC focus on three priority materials for landfill diversion: tires, textiles, and construction and demolition debris. A report on the group's activities will be submitted to the legislature in January. As a next step, staff will convene workgroups on each of the top three materials types identified, determining the approach for increased recycling/reuse on a case by case basis.

Waterbury Hydroelectric Project: A public hearing was held on the Waterbury Hydroelectric Project to take comments on the draft water quality certification. The deadline for comments has now passed. Few comments were received and issue the permit has now been issued.

Moon Brook (Rutland City): The City recently learned that a 1970s municipal pool was leaking up to 48,000 gallons per day into the brook, and that City personnel confirmed that they let the "water run 24/7" to keep the pool full. Our calculations indicate that this level of discharge, containing standard pool-level concentrations of chlorine, would result in exceedances of criteria in the brook. Staff continue to assess this situation and are working towards determining if this finding will impact the former assessment of stormwater as pollutant in the brook.

Fish & Wildlife

Exciting new kiosk at Willoughby Falls: Staff finalized text, photos, and draft layout for the steelhead interpretive kiosk for Willoughby Falls WMA. Staff were able to obtain a generous donation of a high quality photo from professional wildlife photographer Doug Gimler. More than ten years after staff made their initial proposal, the interpretive panels for this kiosk will finally be sent to the graphic design firm this week!

Roxbury Update: On Fri, Dec 5, (DEMHS) transmitted the Roxbury Fish Hatchery second appeal to FEMA National Headquarters through FEMA Region 1 Headquarters. This is the State's second and final appeal for codes and standards funding for the Roxbury Fish Hatchery rebuild.

New possibilities for VTC collaborations: On Fri, Dec 5, staff along with staff from ANR and the Agency of Agriculture met with Vermont Technical College (VTC) staff to discuss visioning for possible internship opportunities and collaborative partnerships for the proposed ANR/Ag lab to be sited at VTC in Randolph. A future meeting at VTC has been set to continue vision discussions for the collaborative lab. Possible FWD collaborative opportunities that are being explored include a partnership with the VTC veterinary tech program for internship and volunteer opportunities.

Forest, Parks and Recreation

ATV Trail: Forest Legacy easement monitoring recently revealed an illegal ATV trail on a NEK Forest Legacy easement (Red Dam parcel). This trail was not developed or authorized by the landowner and is a violation of the Forest Legacy easement. The Department is working with the landowner and their forester to close off this trail. The Lands Administration Division Archivists have completed scanning all Fish and Wildlife land records and maps, and are working on scanning the remaining land records from FPR and DEC. This project is on track to be completed by mid-winter.

Making Plans: Meetings are occurring this week with the Vermont Department of Health to continue our effort to promote healthy food choices at State Park concessions for 2015, and with the Commissioner of Tourism and Marketing, Vermont Center for Independent Living and Vermont Adaptive Ski and Sports to formulate plans for developing and showcasing new, innovative efforts to provide recreational access for people with physical disabilities for next season, which is the 25th anniversary of the Americans with Disabilities Act. A partnership with Vermont Parks Forever is also being anticipated.

Firewood Exchange Report: Jay Lackey, Forestry Specialist and Firewood Exchange Coordinator, reported that in support of Department Policy #24 – Importation of Firewood, the 2014 camping season was the sixth year that our State Parks exchanged firewood with campers who brought wood in from out of state. This year the total number of bags of firewood collected statewide was 51 (1.5 cords). This is the lowest amount of firewood collected since the program began and is a sign that campers appear to be getting the “Don’t Move Firewood” message.

Mapping for Healthy Forests: Chittenden County Forester Keith Thompson wrapped up a semester-long project with senior level UVM students in the capstone NR 206 class. Eight students helped to test a mapping protocol in which Smartphones were used to map invasive plant populations along roads to determine where opportunities for prevention, control and outreach can be prioritized within communities. In the testing phase alone, 24 invasive plant species were identified, with 800 observations on over 40 miles of road in Bolton, Jericho, Richmond and Huntington. This mapping effort is designed to be volunteer-driven and scalable across the state. The Chittenden County project website can be found at:

<http://www.inaturalist.org/projects/mapping-for-healthy-forests-chittenden-county-vermont>



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MEMORANDUM

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

From: Christopher Recchia, Commissioner

Date: December 12, 2014

Subject: Weekly Report

Governor Level Issues:

Status of Priorities and Cases of Interest:

VGS: On Thursday, we heard from Melanie Peyser and will formulate a response. It is not looking like they will meet soon on the issues in dispute. Meanwhile, VGS seems to be cooperating with requests of landowners. Construction is buttoned down for winter, and we are looking to appropriately address potential violations of welding protocols, with a letter of warning that VGS will be able to accommodate.

VY: On Monday we held a conference call with NRC on ENVY's petition to remove funds from the NDT. Went well, in the sense we let NRC know state issues. ENVY has formally committed to taking funds for SFM from line of credit for initial work and from NDT for management. We applauded the former and objected to the latter in the press.

TES: The Total Energy Study (TES) was released this week, and the message that we can achieve our objectives while maintaining strong economy was relayed in press. Digger did a more detailed article without our input, but we got the headline changed to be more

favorable.

Winter Storm: This winter storm is likely to require declaration of disaster and people will be out through probable mid-week next week in some portions of the state. GMP, VEC and WEC were hit hard, and this storm is likely to rival responses due to Irene in terms of utility outages and responses.

Meetings this Week:

Dec 8 – Chris meets with Dick Gephardt and Liz Miller; Chris and Darren attend extended cabinet meeting; Chris participates on NRC hearing via conference call

Dec 9 – PSD holds legislative meeting with PSB; PSD meets with IBM and GMP; Darren meeting with EVT and Ted Brady to discuss RUS funding; Darren and Asa meeting with David Mullett, VPPSA

Dec 10 – PSD meets with Gaye Symington re EAN; Darren and Asa meet with Mike Snyder and Billy Coster ANR to discuss biomass energy; Darren meeting with Chad Farrell, Encore Redevelopment

Dec 11 – Chris, Ed meet with VELCO; PSD meets with Enosburg/Franklin Foods; PSD and VGS meeting to discuss potential MOU

Dec 12 – Chris VEDA board conference call

Meetings next Week:

Dec 15 – PSD/VLCT legislative discussion

Dec 16 – Chris/Darren/Ed at transmission meeting; Darren/VPIRG; Darren and Asa meeting with Tony Klein and Rebecca Ellis

Dec 18 – NDCAP meeting

Media: Entergy/Decommissioning \$\$: Susan Keese VPR, Susan Smallheer RH, John Herrick VTD; TDI: Stewart Ledbetter WPTZ (also FP), Kevin O'Connor RH, David Gram AP; Electric Vehicles: David Hodges Fox 44; Darren spoke with John Dillon, VPR about REC sales and SPEED program.

Everything Else:

PERD

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

- The RBES and CBES rule has been adopted as of 11/24/14.

Renewable Energy Items

- Discussed solar siting guidance with David Raphael, who has offered to assist pro bono on the aesthetics guidance piece. He sent a draft outline of his proposed text and will

send a more detailed version based on our discussion by 12/9. Also met with PA and ENG to address 248(b)(3) evidentiary requirements and 248(b)(5) safety criteria in order to craft clear guidance wording.

- Prepared and delivered presentation on energy project planning, siting, and permitting for VECAN conference on 12/6.
- Discussed potential landfill PV project in N. Hero with member of Selectboard. They have a meeting set up with VEC in a few weeks to discuss options.
- Met with ANR to determine ways to work more proactively on hydropower project relicensings. ANR will provide a list of projects up for renewal where major clean water act issues may arise. Researching municipal projects that may be on ANR's list of projects with water quality violations and will forward that information to VPPSA.
- Attended monthly interagency energy meeting (now involving PSD, ANR, AAFM, BGS, and ACCD). A representative from Tax attended to update the group on the current use & PV technical bulletin the department is drafting. It's shaping up that the land under a net metering project purely for the benefit of the farm, and owned by the farmer, would not have to come out of current use, while a commercial project would. The group discussed the "muddy middle," which is still under discussion.
- Attended Stone Environmental webinar on the work they performed for the Massachusetts Clean Energy Center to help communities develop clean energy roadmaps. They looked at community energy goals and site suitability analyses for various efficiency, transportation, and renewables projects by overlaying resource availability and constraint/concern GIS layers. The tools are built and could potentially be adapted for use in VT.

Total Energy Study

- The TES Final Report was posted on the PSD website on Friday, 12/5, and publicity announced via press release on 12/10.
- The Deputy Commissioner stepped up in the PERD Director's place to present on the TES at VECAN on 12/6.

Net Metering

- The Regional Policy Director has worked with GMP to help them identify that their internal net metering tracking was missing 14 MW of projects (which were being accounted for correctly in their systems, but not reported when the utility was asked for their total installed NM). This should bring them closer into line with PSD estimates for installed NM in GMP territory.

<u>Net Metering Activity 12/1/14 – 12/5/14</u>			
	Registrations*	Applications	CPGs Granted
Count	28	2	21
kWAC	175.010	132.00	129.720
Ave Size kW	6.250	66.00	6.177

Cumulative Capacity of Registrations and Applications Submitted			
Year To Date		Total Since 1999	
2013 kW	2014 kW	1999 – 2014 kW	% of 15% CAP
12534.82	19827.39	58565.07	~ 39.04%

Heating Fuel

- Crude Oil prices down; now at \$65.56 v. \$66.71 a week ago
- The natural gas market has traded lower now at \$3.779 v. \$3.995 a week ago.

Other

- Carbon intensity tracking: NESCAUM has plans for a briefing call with regional commissioners next week in advance of the NECO meeting taking place week of Dec. 15th. Letter from MA division of API was sent to MA governor claiming little change in overall GHG intensity from Canadian tar sands and no economic or environmental benefit to restricting supply options of MA fuel providers.
- Staff is attending the Behavior, Energy, and Climate Conference in Washington DC this week.
- Progress is continuing on the transfer of \$200,000 from EVT to Neighborworks of Western VT (NW) from what was originally PACE IRB funds (from PSD ARRA funds) for NW's loan program, which utilizes VT Treasury funds. Staff is hoping the transfer will be completed by the end of the year.
- Staff have prepared a draft of the Legislative Report on SPEED and RPS, due this month.
- The first (and so far only scheduled) Energy Listening Tour focus group discussion on topics relevant to the PSD's Act 199 report (re: economic development and electricity costs) is scheduled for December 19, 9-11am in Newport, hosted by NVDA.

Engineering

Vermont Yankee Operation

VY continues to operate on a planned power coast down for the remainder of its last power generation cycle. The plant has generated power continuously throughout the reporting period, operating at 80.3% power at the start of the period and 78.8% power at the end of the period. Excluding the gradual power drop associated with the coast-down, there were no additional planned or unplanned power reductions during the reporting period. VY has conducted planned maintenance and surveillance activities during this period. VY has operated continuously for 614 days.

Update on Strontium-90 Indications Investigation

As reported last week, both VY and VDH are investigating indications of anomalous Strontium-90 readings reported by the State's newly-contracted offsite lab (ALS Lab) in two of 21 ground water well samples collected at the VY site in August 2014 and at a "control" Connecticut River sampling location upstream of the VY site. The additional testing of the two VY samples and

two additional locations by VY's independent laboratory (Teledyne) is continuing (i.e. no new results to report). However, VY has decided to conduct an Apparent Cause Evaluation to identify any differences in the Teledyne and ALS Lab investigation methods that could account for the apparent differences in results. The State Nuclear Engineer will continue to monitor these investigations by VY and VDH.

VY Conducts Drill Testing Post-Shutdown Emergency Response Organization (ERO)

On Wednesday December 3, VY staff conducted the last of several site emergency drills to test the functioning of the ERO proposed for implementation subsequent to VY's final shutdown. The main purpose of this drill was to allow members of VY's post-shutdown operational organization (i.e. SAFSTOR) to become qualified in ERO roles proposed in a Licensing Amendment Request contained in Entergy Letter BVY 14-018 that is currently under review by the NRC. The State Nuclear Engineer participated in this drill from his usual duty station at the VY Emergency Operations Facility. Overall, the ERO functioned efficiently. However, there were several instances where the incoming information overwhelmed some of the ERO participants. This was discussed in the drill's debrief and was also reported in previous drills. VY is investigating options to address this issue.

New Hampshire Governor's VY Decommissioning Task Force Meeting

On Monday, December 8, the State Nuclear Engineer attended the quarterly meeting of the New Hampshire Governor's Task Force on Vermont Yankee Decommissioning, in Concord, NH. The Task Force serves a similar function as the monthly Vermont Interagency meetings on VY Decommissioning. The economic impact of VY closing was a major topic of Monday's meeting, since an economic impact study on VY's closing was recently released by the University of Massachusetts. The State Nuclear Engineer presented a summary of NDCAP and Site Assessment Study review activities to date, which was well-received. The Task Force also requested that Tony pass on their thanks to Commissioner Recchia for taking the lead in negotiating with Entergy for emergency preparedness funding during VY's decommissioning.

2014 Vermont Gas Systems Addison Transmission Pipeline Construction

No new ANGP mainline pipe was installed during this report period. The contractor for mainline installation during the 2014 construction season (Over and Under Piping Contractors, Inc.), has completely demobilized all employees and most equipment (with the remainder of equipment to be removed in the very near future). 30,748 feet of the ANGP project mainline is installed. Horizontal directional drilling operations were performed at Redmond Road in Essex and to cross RT 89, in Williston, by Engineers Construction Inc. during this report period. Building enclosure, electrical installation, welding, and corrosion control installation were performed by Frank Lill & Son, Inc. at three new meter/pressure regulator station sites in Williston, Middlebury, and New Haven.

Natural Gas Leak Event

A gas leak event, which initiated building evacuation, occurred on Friday Dec. 5th in South Burlington. The cause is believed to be interior-pipe damage resultant of fork-lift operation at the W.B. Mason warehouse. This piping is owned by the customer, and is downstream of gas

facilities regulated by the Public Service Board and the Department. The Department became aware of the event via a WCAX television story. While this event is outside the specific notification requirements of PSBR 6.160 (including death, injury and property loss), the Department reminded VGS management representatives of the company's longstanding agreement to consider the closure of a road, evacuation of building(s), media involvement, or concern in the community as criteria for promptly notifying the Department of gas leaks.

Regional Electromagnetic Event Workshop

Engineering participated in this workshop, which was hosted by the Massachusetts Department of Public Utilities, sponsored by NARUC and NECPUC, and funded by the U.S. DOE. New England PUC commissioners and/or staff attended. The primary focus was to explore mutual assistance across the Northeast and adjacent Canada after experiencing a hypothetical electromagnetic event (either natural or intentional). In an event of this type, all electronics of any sort might be destroyed. The workshop was also a way for commissions to get a feel for the issues when the topic of electromagnetic disturbances is raised in a public hearing or forum. The issue had been raised in Maine, where the legislature directed the PUC to report on effects to the power grid, mitigation measures, and cost of system restoration. As the workshop pointed out, mitigation is limited at the present but under study by NERC and IEEE and others. For solar-caused electromagnetic events, FERC and ISO-NE along with VELCO have some procedures in place. Other states have not yet considered this issue.

Water/Wastewater Study

Engineering is finalizing a study, requested by House Commerce and Economic Development, to: (1) quantify the number of water and wastewater systems in Vermont; and (2) collect sufficient data on each water and wastewater system to estimate the annual cost of membership in the underground facility damage prevention system (Dig Safe System, Inc.).

Regional Policy

Gas-Electric Forum

- A gas-electric forum – a meeting of electricity, natural gas, and state stakeholders – was held on December 8. The meeting was largely a repeat of various reports and updates on the subject that were provided in other meetings.
- ISO-NE provided a perspective on what problems the region is facing and potential solutions. The problems are: (1) a heavy reliance on existing gas plants, combined with the fact that the vast majority of dispatchable plants in the generator interconnection queue are gas-fired; (2) significant retirements of dispatchable non-gas-fired generating units; and (3) the equivalent forced outage rate of the region's generating fleet is getting worse (plants are not performing when called upon).
- In terms of enhancements to improve system reliability, ISO-NE cited short term measures such as improvements to the reserves market (increased audits of reserve units, increased Reserve Constraint Penalty Factor, and allowing demand response to participate in the reserves market) and the energy market (allowing increased flexibility in making hourly energy offers and allowing negative offers, thereby better reflecting

resources' actual operating capabilities and increasing the incentive to follow dispatch instructions). The majority of these changes were put into place in the last two weeks. ISO-NE also believed that better aligning the timing of the natural gas and energy markets, as required by FERC, provided greater operational flexibility for gas-fired generating units, particularly during the morning ramp period.

- In terms of increased reliability for the medium term, ISO-NE continues to believe that some version of a winter reliability program should be put into effect for the next four years until the Pay for Performance program is fully in effect. ISO-NE apparently believes that the Pay for Performance program will address reliability needs on a going forward basis.
- Levitan Associates provided an update of the study on gas-electric coordination issues that it is conducting for the Eastern Interconnect Planning Committee. The primary takeaway for New England is that, absent major new pipelines in New England, gas congestion will be frequent and long in duration and will result in significantly higher energy prices in New England compared to the rest of the country.
- American Public Power Association presented an alternative capacity construct that would replace the three-year forward market concept. Instead, utilities will be assigned a resource capacity requirement that must be met either through bilateral contracts or through a residual auction that would occur one year before the capacity period.

New England Power Generators Association Forward Capacity Market Litigation

- On December 3, 2014, New England Power Generators Association filed a complaint with FERC requesting that FERC order ISO-NE to modify Peak Energy Rent provisions for Capacity Commitment Periods 5 through 8 (years 2014 through 2017) and eliminate PER entirely for Capacity Period 9 (2018) and beyond.
- Peak Energy Rent ensures that generators do not make windfall markets in the energy markets. Given that capacity markets are supposed to make up for the "missing money" that generators are not able to make from the energy and ancillary services market, the PER reduces capacity payments to resources once a certain "strike price" is reached in the energy markets.
- NEPOOL, including most generators, had previously supported increasing the Reserve Constraint Penalty Factor, which is an important component of the calculation of the strike price to determine whether PER applies. The generators are now saying that the increased Reserve Constraint Penalty Factor will result in less capacity payments for the years 2014 through 2017. Additionally, the generators contend that the introduction of the Pay for Performance program negates the need for PER starting in 2018.
- NEPGA asked for expedited consideration of the complaint to allow FERC to rule prior to the Forward Capacity Auction in February of 2015.
- NESCOE is drafting a protest of the NEPGA filing.

Exelon and Calpine Forward Capacity Market Litigation

- Exelon and Calpine, two national generation companies, filed a complaint at FERC asking FERC to direct ISO-NE to remove the Forward Capacity Market provisions that allow new entrants to lock in the clearing price from its first Forward Capacity Auction.
- Under the Forward Capacity Market rules any new resource that clears in the Forward Capacity Auction may elect to lock in the clearing price for up to seven years. The purpose of this provision is to provide revenue certainty and allow for greater opportunity to obtain financing for project construction. In subsequent years during the lock in period, the resource is essentially treated as a zero bid resource for purposes of the Forward Capacity Auction. Exelon and Calpine contend that this constitutes unjust and unreasonable price suppression.
- Exelon and Calpine have requested expedited consideration of the complaint to allow FERC to rule prior to the Forward Capacity Auction in February of 2015.
- NESCOE is drafting a protest of the NEPGA filing.

Winter Reliability Program

- ISO-NE gave a presentation at the NEPOOL Markets Committee regarding the need for future reliability programs, and the structure of such programs.
- Most stakeholders believe that a non-market based structure is sufficient given the interim nature of the program.
- Some generators are continuing to insist on a market-based program and also want additional analysis from ISO-NE regarding the need for a program at all. There was also some question about the ability of pay-for-performance, during the multi-year phase-in period, to provide sufficient incentives that will address reliability. ISO-NE stated that, at least in the early years, the pay-for-performance program is unlikely to incent new gas pipelines but will incent additional dual fuel capabilities.
- In terms of alternatives, ISO-NE pointed out that implementation of any market-based solution would likely take time to implement, and there is potential for litigation of any proposed multi-year market-based solution.
- A group of generators (NextEra, Exelon, GDF Suez, and Entergy) is developing a proposal that would reward generators for operating successfully during winter months. The group gave a preliminary overview during the most recent NEPOOL Markets Committee and is essentially saying that they should be paid an incentive for providing energy during winter constraints.

FERC Fuel Assurance Order

- On November 20, 2014, FERC issued an order noting concerns with the ability of capacity, energy, and ancillary services markets to ensure that generators have fuel available to operate when called upon. The Order noted that there were significant problems during this past winter due to natural gas shortages. The New England region was specifically called out by FERC as having made significant changes to its capacity, energy, and ancillary services markets in the past few months.

- The Order required all regional entities to file comments on how they intend to address the fuel assurance issue within 90 days of the Order. Responses to those comments are then due 30 days after.
- On December 9, NESCOE and state staff had a call to discuss whether the New England Governors should submit a joint letter to ISO-NE, and copy FERC, in the near future in an attempt to influence the content of the ISO-NE comments. The idea for the letter originated from New Hampshire. The letter would point out that ISO-NE has addressed fuel assurance, but it has not squarely addressed whether more cost-effective long-term solutions could be implemented. This line of argument picks up on the fact that FERC expressly asked regional entities to explain how cost-effectiveness and reliability should be balanced.
- NESCOE will draft a letter and circulate for review in the near future.

December 4, 2014 Operating Procedure 4 Event

- On December 4, 2014, ISO-NE declared an Operating Procedure 4 event, which occurs when there are insufficient resources to meet reserve requirements. The event was caused by outages on two 735 kV lines in the Montreal area which caused HydroQuebec's to stop exporting into New England. Consequently, New England lost 2,000 MW of resources through Highgate, Phase 2, and wheeling through New Brunswick. New England was able to rely on its fast start units to meet energy needs but was unable to meet full reserve requirements for approximately 4 hours.
- During the OP 4 event, because Quebec was in an emergency situation, New England exported up to 450 MW of emergency energy to Quebec, and Quebec also wheeled up to 500 MW of energy from eastern Quebec through New Brunswick and across the Phase 2 line to central Quebec.

Forward Capacity Market Zonal Sloped Demand Curves

- ISO-NE has adopted the NESCOE proposal for sloped demand curves for the Connecticut and NEMA/Boston capacity zones. These curves are less steep than originally proposed by ISO-NE and address market power concerns expressed by the states. The curves proposed by NESCOE balance the need to provide sufficient prices to incent location of capacity resources in these zones with the need to minimize the potential for significant capacity price spikes due to insufficient competition within the zone.

Capacity Supply Deferral

- On October 7, 2014, Footprint Power, a 600 MW gas-fired plant in northeastern Massachusetts, petitioned FERC for a one-year deferral of its Capacity Supply Obligation. On December 5, 2014, FERC approved Footprint's request, and Footprint's Capacity Supply Obligation now starts June 1, 2017. The effect is to increase the potential that Footprint will be built, thereby improving reliability in the NEMA/Boston zone and reducing the likelihood of increased capacity costs.

Public Advocacy

Rule 4.100 Annual Rate Setting Investigation – Docket No. 8010 – On December 8, the Department filed a proposed workshop agenda to discuss broader Rule 4.100 issues.

GMP Innovative Services Plan Amendment – Docket No. 8358 – GMP filed a further modification to its Innovative Services Process amendment to its Alternative Regulation Plan at the request of CLF. All parties have expressed support for the revised amendment and have urged the Board to address the filing on the pleadings. The next step is for the Board to either address the substance of the proposal or issue a prehearing conference memorandum with any questions they might have.

VGS Systems Expansion and Reliability Fund – No Docket – On December 3, the Department and VGS met to discuss the use of SERF funds in the next rate year. VGS favors a method that uses SERF funds to reduce the annual revenue requirement. The Department tends to favor a method that uses the SERF funds to reduce VGS's rate base. VGS's method would tend to provide a greater smoothing effect on annual rate changes whereas the Department's method would tend to provide greater overall value to ratepayers over the long term. One open issue that could significantly impact the analysis is whether the SERF funds are taxable under the Department's approach. VGS believes they are based on their internal and external review of the issue, but has not yet persuaded the Department. Department legal staff is analyzing VGS's position on the taxability of SERF funds used to reduce rate base. Ultimately, VGS may need to obtain a private letter ruling from the IRS on taxability of SERF funds, something that the Department has alerted VGS to. Department financial staff is working with VGS to agree on modeling assumptions that will provide a meaningful representation of the overall rate impacts of the different approaches.

Addison Expansion—Docket 7970 –The Department continues to work with the company and affected landowners regarding easement/condemnation issues.

The Department, together with ANR, has worked to provide technical support in response to Rising Tide regarding the environmental and economic attributes of Phase I.

Addison Expansion Phase 2—Docket 8180- The Department continues to meet with Vermont Gas in hopes of negotiating an MOU which focuses on renewable natural gas and other enhancements to the Project.

Sudbury Solar LLC 2.0 MW solar facility Sudbury, Vermont – Docket 8225 – This project's CPG application is pending before the Board. PSB and PSD have received complaints that the line extension to serve the project has already been constructed by GMP, giving the impression that construction of the project has begun prior to issuance of a CPG. The PSB has previously ruled that although an extension of the distribution system to serve a project reviewed under § 248 is not itself jurisdictional, it should be reviewed as part of the CPG process due to its relationship to a jurisdictional project. The issue now raised is whether § 248's prohibition of construction prior to approval is applicable to the line extension. PSD is gathering information from GMP; we expect that both PSD and GMP will file responses to the complaint.

Chelsea Solar – 2.0 MW Standard Offer Solar Project in Bennington - Docket 8302 –

DPS conducted initial formal discovery on aesthetic issues for the project and was satisfied that there were no significant impacts to the substantive criteria of Section 248. ANR has already reached an agreement with Petitioner and signed an MOU. Conditions required by ANR as memorialized in the MOU pertain to rare plants and greenhouse gas reporting requirements. However, the PA division has been reviewing PSB precedent on whether project-related line extensions and upgrades to distribution or transmission lines should be reviewed in § 248 proceedings. In 2006 the Board ruled that though not jurisdictional, they should nonetheless be reviewed. Almost a mile of new three phase line is to be constructed by GMP. A second round of discovery is due on 12/18 and the PSD will inquire about the impacts to § 248(b)(5) criteria related to this extension. PSD will be seeking discovery on the impacts on aesthetics, system stability and reliability, and orderly development of the region. PSD has contacted ANR about conducting additional discovery about environmental impacts regarding the line extension. Deadline for a stipulation is January 9th.

VY License Amendment Request – NRC 50-271-LA – The NRC Staff filed an answer to questions asked by the Atomic Safety and Licensing Board at the December 1 oral argument. The Staff answer again cited to a FEMA letter that was raised for the first time at the oral argument and inaccurately describes the State’s position relative to the pending license amendment request. The Department is drafting a response and will file with the NRC as soon as possible.

Vermont Yankee – No Docket – The Department has received comments from its experts Warren Brewer of ABZ, Inc. and Tony Roisman regarding review of Entergy’s draft Post-Shutdown and Decommissioning Activities Report. The Department is working in consultation with the AGO to consolidate the Department comments with the goal of forwarding them to Entergy by Friday, December 12.

Sheffield Wind – Docket 7156 – The Department’s noise expert, Jim Barnes, has completed his analysis of the Brouha residence attenuation test conducted in July, which shows likely violations of the Project’s CPG noise limit under certain circumstances. The Department will discuss the results of Barnes’ analysis with him on December 11.

Cold River Solar – Docket 8188 – The Department filed comments in response to the PFD the hearing officer issued in late November, 2014. The Department recommended that the Board not invite the petitioner to seek waiver of PSB Rule 3.500 – requiring project compliance with the National Electrical Safety Code – since the petitioner testified that it could certify that its perimeter fence meets the NESC. It also recommended that the Board require the PFD’s proposed CPG condition – requiring petitioner to refile a decommissioning cost estimate accounting for salvage costs netted out of the initial estimate – be keyed directly to the estimate in the evidentiary record.

SED Rate Case – Docket 8074 – The Department received a proposed timetable for SED implementation of the recommendations contained in the SED business process review. The

Department is reviewing the timetable and will continue to work with SED in order to meet the December 17 filing deadline with the Board.

GMP Duxbury Substation –Docket 8308 – PSD signed a Memorandum of Understanding with GMP supporting this project so long as certain aesthetic mitigation conditions were part of the Certificate of Public Good. The mitigation conditions will include efforts to maximize preservation of existing trees and shrubs, additional plantings to provide screening and a post construction site visit to determine if additional landscape mitigation is warranted. Parties are reviewing a draft Proposal for Decision to be submitted to the PSB by 12/12.

Proctor GLC Solar LLC - CPG NMP-5273- PSD filed comments supporting this 500 kW net metering project.

The Lodge at Otter Creek Senior Living, LLC – 150 kW net metering project CPG NM-5017 –On December 8, 2014 the Public Service Board denied this application for a CPG, concluding that it and the nearby existing 500kW project would constitute a “single facility” under the statutory definition and therefor exceed the 500 kW cap. The Board found that ownership by separate entities was not sufficient to overcome the fact that the two projects possessed the three characteristics of a single facility as that term is defined in the statute. This precedent is very relevant to other pending and proposed solar projects.

Vermont Gas-Plouffe condemnation-Docket 7819-We are now in the compensation phase in this docket of first impression which involves existing pipeline for which no recorded easement exists. The Board found necessity in the first phase of the docket. The parties agreed to a schedule, which began with VGS offering its position on the proper scope of this phase. This week, non-Petitioners (Plouffes and the Department) will respond to VGS’s scoping memo.

New England Clean Power Link Project – No Docket – The petitioner filed its petition with the PSB. In furtherance of our 30 V.S.A § 218c(7) obligations, the PSD made a presentation regarding its role as the public advocate to a well-attended Cavendish Selectboard meeting. The PSD is scheduled to appear before the Wallingford Selectboard on December 15th.

Woodstock Aqueduct Company – Tariff 8535 – The PSD continues to engage in informal discovery on the petitioner in an effort to resolve issues. The PSD recommendation is due by December 16th.

Mountain Water – Tariff 8537 – The petitioner will be withdrawing this petition. Prior to making its next tariff changes filing, the petitioner plans to meet with the PSD in hopes of submitting a tariff that encompasses all necessary changes.

SunE Rutland Solar DE – Docket 7957 – The petitioner filed an expedited motion to transfer its CPG to SunE Solar XVI Lessor, LLC. The PSB requested comments by December 12th and the PSD informed the PSB that it does not oppose the transfer.

Springfield Solar Alliance I Project – Docket 8034 – The petitioner filed an expedited motion to transfer to SunE XVI Lessor, LLC and amend its CPG to reflect the tax equity financing structure to be utilized by the project. The PSB requested comments by December 12th and the PSD informed the PSB that it does not oppose the transfer or the requested amendment.

Telecommunications

Potential Broadband Analysis Error - It was recently discovered that since about 2010, VCGI has marked approximately 10,000 locations served by FairPoint that are not listed on current submissions from FairPoint. Of these, approximately 4000 are not served or to be served by other providers. It is possible that these locations were marked served in previous FairPoint submissions, and VCGI is attempting to identify when these locations were marked served so that the data can be provided to Fairpoint for verification.

Dig-Once Report - Act 190 requires that those constructing public highways in Vermont install conduit to accommodate future telecommunications needs. It also directs the Secretary of Administration to prepare a report offering recommendations for implementation. PSD staff prepared a draft report for review by the Department of Transportation and VLCT. The draft report recommends changing the statute to remove the requirement to install conduit with all new road construction. Instead the VT DoT should focus on notification about proposed new projects, so that telecommunications companies that want to install conduit have an opportunity to do so.

Broadband Deployment Report - 3 VSA 2222 requires that the Secretary of Administration submit to the legislature a broadband deployment report. Stone Environmental is preparing the information necessary for this report. The statute also requires a broadband action plan, and this plan will be included in the report as well.

VTA Transition Memo – Division staff assisted staff from the Agency of Commerce and Community Development with a memo outlining the creation of the Division for Connectivity. Specifically, Division staff drafted job descriptions and duties for the employees of the newly created division. The Division for Connectivity will include a director, a broadband development coordinator, a financial manager, and possibly a person experienced with mapping and information.

Wireless Telecommunications Facilities (248a) Report –

A summary of activity in the past week about wireless telecommunications facilities:

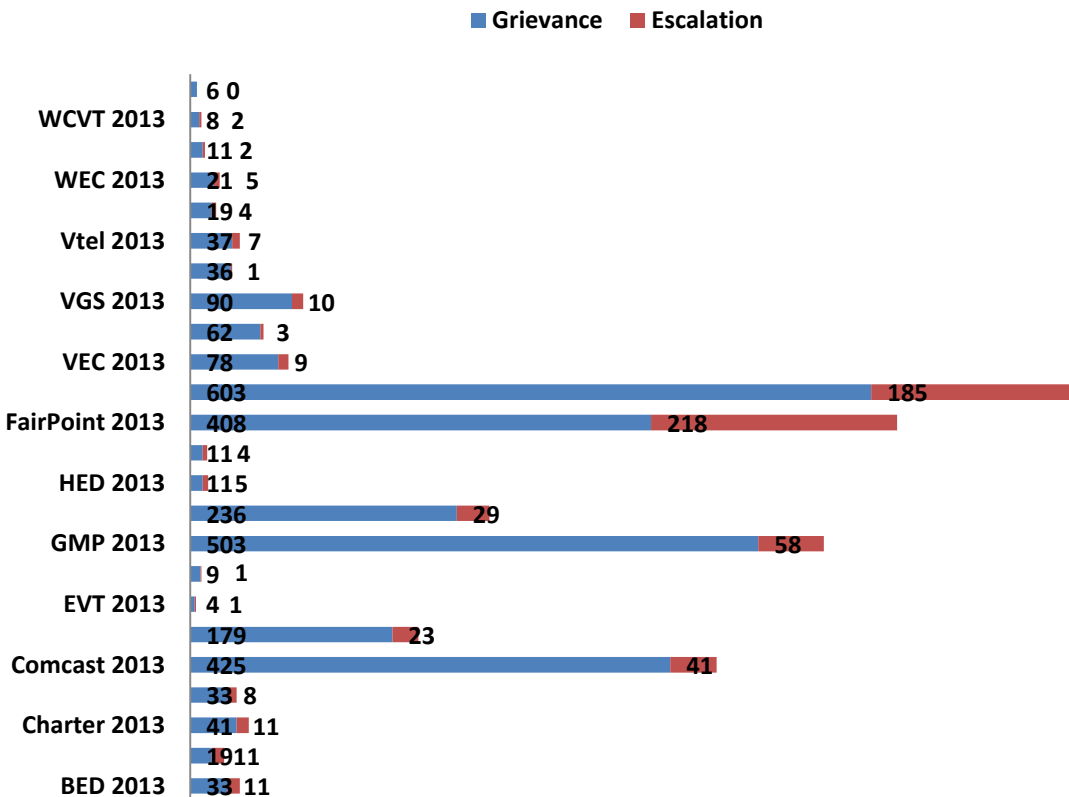
Date	Applicant/Location/Type of Filing	Brief Synopsis and if applicable DPS recommendation to the Public Service Board
12/4/2014	Vt RSA No. 2-B2(US Cellular)/Manchester/ <i>de minimis</i> project	Addition of three antennas to US Cellular’s facility on an existing 180-foot tall guyed lattice tower and two equipment cabinets at the base of the tower; DPS recommended approval.

Community Telecom Concerns – A resident of Halifax contacted the Department, because he is concerned about the VTel tower in Marlboro on Old Hogback Road. The Board issued the CPG on January 31, 2014. According to this resident the tower has been built and was supposed to be online at the end of November. VTel has told him that it cannot put the tower online. VTel said approximately three weeks ago that it cannot procure cable to the tower because of the FairPoint strike. The resident is frustrated, because he moved to Vermont three years ago and picked his house location because it was supposed to have Internet by 2013. He does not even have dial up, because the phone service is so poor. He is eager to find out when he (and others in Halifax, Whitingham, and Reedsboro) will have Internet. He is even considering organizing himself and a bunch of neighbors together to create their own cable Internet company.

Vermont Telecommunications Authority – On December 5, 2014 the VTA filed applications for five cellular resiliency projects, and this week it plans to file five more applications. The applications are filed under 30 V.S.A. § 248(n), which provides for the placement of wireless communications facilities on an electric transmission or generation facility.

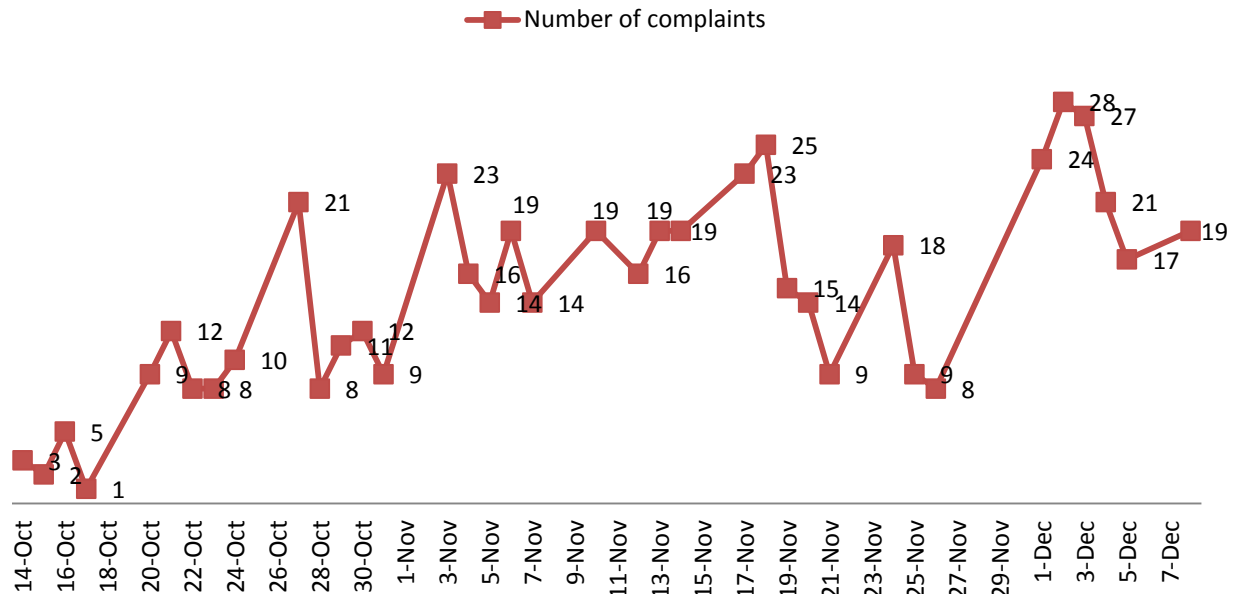
CAPI

Number of Complaints Investigated, by Company YTD 2013 and 2014



FairPoint Complaints

Beginning 5 days before 10/17 strike to present



CONSUMER COMPLAINTS

Complaint topics included, but were not limited to:

- FairPoint:
 - (41) Repair delays
 - (7) Service order delays
 - (3) Wait time in customer service phone queue
 - (2) 911 outage
 - (29) Broadband related
 - (18) Other
- (2) Efficiency Vermont usage comparison data being made available to consumers
- (1) Damage claim denied by VEC (see description in division activity section)
- (2) Broadband availability
- (2) Payment of delinquent balances in order to establish service
- (2) Wireless phone-related
- (1) VGS line extension
- (1) Question about Residential Building Energy Standards

Examples of complaints:

FairPoint: The Vermont Federal Credit Union branch at the Veteran's Administration lost phone service on November 28, after several weeks of loud buzzing/static on the line. The company first reported the loud buzzing/static on November 7. FairPoint came out to repair shortly before Thanksgiving but instead made the buzzing/static worse, until service went down

completely on November 28. FairPoint was supposed to be out on December 5 but made a robocall to the credit union that day saying they would not be out after all. CAPI got a call from the credit union that day saying there was no information about when FairPoint would be out to fix the phone line. The consumer said that **customers of theirs who do not bank online were overdrawing their accounts** because they could not call in to find out what their account balances were. The credit union has a rollover line, but that only works if the main line works, which did not. CAPI contacted FairPoint on December 5 to ask them to expedite the repair, which FairPoint completed on December 8. The consumer said that the lines not only work but also the static and buzzing are gone completely. The credit union has credited overdraft fees incurred during this time back to customer accounts.

POST CPG WIND COMPLAINTS

No new complaints, however, Green Mountain Power responded to a CAPI request to consider actions the company could take to mitigate noise disruptions to a neighbor of the Kingdom Community Wind project. The company offered to apply their heaviest Noise Reduction Operation mode to two of its turbines during overnight hours. This would match the NRO usage on the turbine closest to the neighbor's home. The PSD is reviewing this offer.

EC Fiber: CAPI reviewed EC Fiber's phone service terms and the company's disconnection notice. EC Fiber provides VOIP service, which is not subject to regulation, however, the company has a CPG to provide service and has expressed willingness to work with CAPI on customer policies.

Lifeline: CAPI continues to receive complaints by wireless and wireline companies about working with the Department for Children and Families. DCF's response time is causing distress. CAPI continues to be in touch with DCF to support progress on outstanding issues reported by phone companies.

Meter reads on bills by Green Mountain Power: CAPI received confirmation from GMP that the company will include meter readings on customer bills starting this month. Since the readings were removed, CAPI received many complaints from consumers who valued this data on their bills. CAPI brought these concerns to GMP and asked them to consider once again including this on their bills.



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Jeb Spaulding, Secretary

**PRIVILEGED AND CONFIDENTIAL
MEMORANDUM TO THE GOVERNOR**

TO: Governor Peter Shumlin

FROM: Secretary Jeb Spaulding

DATE: December 12, 2014

SUBJECT: Confidential Report to the Governor

BUILDINGS AND GENERAL RESOURCES

Property Management:

109 State Street, Gas-line Protest:

- Waiting on response from 5th floor for priorities
- Camera/Elevator/access changes estimated and working with Governor's staff on next steps. Looks like \$125K+- to tighten things up. Evaluating the items to determine impact or value add.

Pending property dispositions that need attending:

- 195 Colchester Avenue
- 43 Randall – looking to advertise after the 1st of the year. Floor work to be complete by maintenance staff in December
- Wasson & Stanely
- 62 Pierpoint (Rutland)
- Needleman Condo (Newport)
- Rockingham DPS (appraisal received)
- West Brattleboro DPS (appraisal received)

Legislative Advisory Committee on the State House: Need to convene on the proposed tribute to Lola. David Schutz is scheduled to tour State House with David Kelley and Mary Leahy to discuss options.

Randolph – Ag/ANR Lab New Building: Contract for Wood Chip Feasibility Study was awarded to SAS Architects with LN Consulting; report is due January 15, 2015. Site visit scheduled for Monday, December 15th. Cannon Design is wrapping up Concept Phase cost estimate with work to do relative to value engineering and alternate options for cost containment. Part of the problem is the cost per square foot is relatively high since the plan is substantially more efficient than a standard lab facility. The net to gross square footage is normally 40-50% where ours is around 20%, thus proportionally we are building more expensive space as direct lab space. The good news is we are building less support space, which allows the cost per square foot to look much better.

Significant Events/Meetings:

Capital Bill Submissions: Meeting with all agencies/departments that submitted a capital budget request to review submission.

AG/ANR Lab: Met with the leadership team, including Justin Johnson, Jolinda LaClair, Jim Leland, Trey Martin, Bob Rea, Mike Kuhn, Wanda Minoli, and Sandra Vitzthum to refine cost estimates and approval strategy.

VTa Transition/Transfer of Assets: Met with Secretary Spaulding, Justin Johnson, Richard Boes, Kiersten Bourgeois, Bill Laferriere, and Wanda Minoli to discuss the management of fiber assets in the future. Additional discussion on leased assets (towers and cellular devices).

FINANCE AND MANAGEMENT

Issue Updates:

The budget team continues to meet with AHS to develop their budgets for FY 2015 BAA and FY 2016. This includes a thorough review of the Exchange budget.

Upon reviewing spending reduction plans submitted by agencies and departments, the budget office is assessing submissions and will finalize a plan shortly.

The budget office is working to finalize the FY 2015 BAA, FY 2015 spending reduction plan and FY 2016 budget.

HEALTH CARE REFORM

Green Mountain Care Planning and Financing:

Model Outputs: We have worked through several modeling runs and hope to have final numbers with a final financing plan for the 94AV Thursday. We have also started refining both the coverage and financing at the 80AV level. This will take at least another week to be final, so if we land here as a recommendation, we may have to push announcing the AV level until late in the week at the earliest. Each model run is about 30 hours of time (between the actuary, the Gruber team, and our team), so it is not a trivial amount of work.

Green Mountain Care Board Meeting, Benefits, December 4, 11: Devon and Robin began the benefits discussion with the Green Mountain Care Board on 12/4 with a background briefing on the legal

requirements for GMC benefits. This week, we return to the Board to talk about existing coverage and international comparisons. These meetings have been going well.

GMC Report & Slides: Here is our schedule for completing the report and supporting slide deck – this is extremely tight and, of course, involves the same staff members who are also working on modeling and the GMCB slide presentations, so the schedule assumes staff and Anya work every weekend and over the holidays:

12/13 – All review/drafted report sections and appendices to Anya
12/19 - Complete draft due from Anya
12/20 - HCR Team edits on complete draft to Anya
12/22 - Anya sends report to UMass for formatting
12/24 – UMass sends back for Final Fact Check by HCR Team
12/27 – Final fact check and copy edit of document by HCR Team
12/28 - Final Report Complete

Slides on Benefits: These are as complete as they can be subject to knowing the Governor's recommendation and without final plan designs from our actuary (which is subject to Gruber modeling being finished for an AV level first). There will be an additional 10-15 hours of work once we have the recommendation to build the case and adapt the slides to fit it. This needs to be done next week if we are releasing & going to GMCB.

Slides on financing: 12/19 draft
Full presentation: draft by 12/22
Final presentation done by 12/26

GMC Business meetings - The team (Pat Moulton, Michael, Floyd, and Lawrence for some) has completed 4 meetings with businesses to talk about financing and coverage options and determine the impacts on these businesses. The 4 businesses are:

My Web Grocer, November 21
Danforth Pewter, November 21
Burlington Labs, December 3
Smugglers' Notch, December 5

Gruber Public Records Requests: Tracking document is available if anyone is interested.

Legislative Contacts:

Senator Sirotkin, December 9: Robin met with Senator Sirotkin about Medicare and Green Mountain Care, which is a particular interest of his.

Rep. Sarah Copeland-Hanzas: Robin met briefly with Representative Copeland-Hanzas to talk about PBM issues – we are meeting next week on this and other topics.

Senator Claire Ayer Robin met with Senator Ayer last week and will again this week to talk about our possible bill(s) on health care reform in order to get a bill file open and get legislative counsel involved early.

SIM Update:

SIM Team: The team has spent significant time responding to requests from CMMI for additional information related to our year two Operational Plan. This included a reformatting of the year two budget request. The DLTSS Work Group discussed a letter that would be sent to the Governor related to the FY16 budget. Due to time constraints a letter was sent, but not under the auspices of the SIM project. Georgia provided a copy of this letter to Jim Reardon and also discussed the issues raised with him and with Justin Johnson and Sarah Clark over the weekend. Georgia has been working with project staff and co-chairs, as well as Anya, to develop detailed project plans for 2015. A couple of the biggest pieces of this relate to the integration of the all-payer waiver into SIM activities and the potential restructuring of Blueprint payments. Over the next week, the SIM team will continue working on obtaining the State Plan Amendment for the Medicaid Shared Savings Program, amending the Medicaid contract with each of the ACOs for 2015 activities, and planning for 2015 project activities.

VITL: State leadership will be in a meeting with VITL next week to discuss a clinical data warehouse. This meeting is at VITL's request. Georgia will provide the state team with background ahead of that meeting.

HUMAN RESOURCES

Status of Governor's Priorities:

Affordable Care Act: Benefits and VTHR staff attended webinars by national consulting firms and received beneficial information. Benefits team will apprise next week regarding the need for legal review of IRS rules and interpretations; it appears AoA VTHR will be responsible for the formal IRS reporting and DHR will be responsible for generating data for the IRS forms, monitoring the workforce data, assuring the quality of the data, managing departments' use of temporary employees, and evaluating the state's employer penalty risks.

Legislative Issues/Contacts:

Work continues on Act 152-S225 High Stress Employee Report. Harold Schwartz is gathering information and data from key contacts: EAP, Worker's Compensation Office, and the Treasurer.

Press Contacts:

Was interviewed by Nancy Remsen of WCAX on the position pilot. The interview went well. Nancy also interviewed Sue Minter at AOT and Deb Markowitz at ANR. DHR portrayed a consistent message that the pilot was not about growing budgets but about providing organizations the flexibility they need to get the job done in an effective and cost efficient way.

Significant Events/Meetings:

Kari and Maribeth met with ACCD leadership as part of our Meet and Greet Tour. Positive meeting. Focus was primarily on performance management and new employee orientation. DHR is working with AOT and AHS to determine a statewide system for performance and training management, and will

work with the Field Services Division and Workforce Development Division to revamp the current new employee orientation process.

Kari and Maribeth met with Sue Minter and Faith Brown (AOT) to discuss HR successes and challenges. They were concerned with the reduced level of staff in the HR office; DHR shared that staffing will increase due to a HR Admin IV position under recruitment and customer ratio will decrease because the AoE will transition to the AG/ANR unit in February. AOT was appreciative of the changes.

Finalized and delivered communication to VSEA regarding the revisions to Bulletin 2.3 regarding the use of state vehicles and their treatment as taxable fringe benefit.

Finalized and delivered communication to VSEA regarding the 2015 Wellness Incentives.

Emerging Issues:

Workforce Development staff have worked with ACCD marketing staff on a new name and logo; if approved by the Administration we will move forward with design work for the website, signage, and publications.

BAC meeting scheduled for Dec 17. Topics will include Wellness incentives for 2015 and vaccinations at pharmacies.

INFORMATION AND INNOVATION

Evolving Issues:

Information Technology and Business Strategic Advisors:

- This group, chaired by Michael Clasen and consisting of Agency Deputies, Richard, and a supporting cast of financial and technical folks, met on December 11th. We discussed business and technical priorities in the context of the 5-year technology strategic plan and exchanged ideas on technology support to the business in general. The meeting resulted in increased understanding on both sides of the technology/business equation. One of the next steps involved evaluating the current definition in statute of an IT activity and recommending new language if appropriate.

Web:

- Socrata has finally announced plans to fully implement the federation service built into its Open Data system. The plan is for a system wide change that will take several months to implement rather than a smaller solution that would only address Vermont's needs. During this time the contract calls for a 10% reduction in monthly costs until the functionality is in place.
- One of the developers at VIC is moving on to another position. This will likely create some temporary constraints in certain projects and processes. This will be further detailed as the impacts are identified.
- Harry will be meeting with the Vermont Correctional Industries, the organization that runs the shops at the state's correctional facilities, to initiate their Website redesign project.
- VIC will be creating a new service for the Department of Libraries that allows them to collect donations online.

LIBRARIES

No report.

TAXES

Legislative Update:

Miscellaneous Tax Bill: We will review the technical provisions with the Secretary and Commissioner Reardon today. We will discuss the placeholders for possible provisions, including transmission lines and TIFs. In the meantime, our policy and fiscal teams have been in overdrive vetting various revenue ideas from other Departments. In the meantime, together with Deputy Secretary Bothfeld, we had a heated but surprisingly constructive meeting with the Lt. Gov., Senators MacDonald and Starr, and Sara Teachout on the ag equipment exemption and we came up with a list of ideas to research (revision of exemption form, revision of sales and use return, small vendor compensation or grants). We had a separate meeting with Sarah on various legislative issues, including estimating the estate tax, waters edge and other corporate tweaks, cloud. Off to a good start with JFO.

Education Finance: The Commissioner had a long conversation with Jeff Wilson (Chair of Speaker's ad hoc group on ed finance), Rep. Greshin and Dave Sharpe. Jeff spoke to the divergent voices on the group, and difficulty of coming to a report. Rep. Greshin has come to the conclusion that the state must set the per pupil spending amount; he seems to have in mind a generous adequacy amount that would discourage districts from spending more. Rep. Sharpe is inclined to think the Ed Committee likely in the end will adopt some version of the "renovation" plan – which he describes as the previous House packages on steroids. He also is interested in revisiting the definitions of Household Income for income sensitivity. He looks forward to meeting with the Governor.

Clean Water Charges: The Commissioner again met with the Commissioner of DEC, and teams of staff to discuss impervious surface charge on certain categories of properties in the Lake Champlain basin. We are working through the operational issues related to raising several million dollars in FY16 in this method. The heart of the problem is the pool of taxpayers is relatively small (11,000), it is not a trivial group, and, of course, we currently don't collect the property tax so have no mechanism to bill them for such a charge. We would need to set up an entirely new tax return for voluntary filing, with all the administration that goes with that (processing system, appeal, audit and delinquent collection).

Amazon: It appears that we are one state away from our click-through nexus legislation taking effect (AG's call). We confirmed that online vendors continue to cut their ties to affiliates in states with such laws – no new sales tax revenue, just loss of business for affiliates.

Operations:

VTax: We went live with phase one – we are now processing corporate and business taxes with the VTax system. The launch was absolutely flawless. Users were very positive – quickly adapting to the new system, and very pleased with how intuitive the software is to navigate. The system operates at a fraction of the speed of Oracle ETM – users are reporting that as they work with taxpayers, information that would take many clicks and a couple of minutes to retrieve is at their fingertips literally in seconds. The taxpayer online portal is in a crawl – we have not posted the URL, but we have released it to certain

tax preparers. We will slowly increase the audience until posting it in January for the tax season. We have also sent tax preparers a dummy package of the correspondence that will start going out today giving taxpayers a grace period to clear up outstanding corporate and business balances related to returns from the past three years that finally were processed in VTax.

IRS: The IRS Commissioner and Tax Advocate have warned that this upcoming federal tax season will be miserable due to limited resources, the failure of Congress to act on the tax extenders in a timely manner and the ACA provisions. The Commissioner has warned that the tax season will start no earlier than the last week of January (1 week late), and possibly later with a tiered approach – taxpayers claiming certain deductions and credits may be pushed even later. This will impact the flow of our season, we will be evaluating once the IRS timeline is settled.

The IRS will only commit to answering ½ of its telephone calls, with a 20 minute hold time. States are resigned that the ACA questions will fall to us – and Tax has worked with Devon Green and the local IRS office on strategies to handle those calls.

CONFIDENTIAL MEMORANDUM TO GOV. PETER SHUMLIN

From: Susan Spaulding
Date: December 12, 2014
RE: Boards and Commissions Update

NOTES:

In the next few months there will be openings on some of the more important boards.
Terms ending by 3/31/2015 are highlighted in yellow.

Kenney	Frederick	Jericho	Economic Progress Council Exec. Dir.	4/1/2009	3/31/2015
Briglin	Timothy	Thetford Center	Economic Progress Council, Vermont	7/18/2013	3/31/2017
Davis	John	So. Burlington	Economic Progress Council, Vermont	10/7/2014	3/31/2015
Gentile	Betsy	Brattleboro	Economic Progress Council, Vermont	4/1/2005	3/31/2017
Keane	Michael	North Bennington	Economic Progress Council, Vermont	4/18/2012	3/31/2017
Lintermann	Mary	Stowe	Economic Progress Council, Vermont	4/1/2004	3/31/2017
Marvin	Emma	Hyde Park	Economic Progress Council, Vermont	2/12/2014	3/31/2015
Morse	Stephan	Newfane	Economic Progress Council, Vermont	4/1/2008	3/31/2015
Quatrini	Bryon	St. Johnsbury	Economic Progress Council, Vermont	7/14/2011	3/31/2015
Smith	Rachel	Saint Albans	Economic Progress Council, Vermont	4/1/2008	3/31/2017

Huling	Krista	Jeffersonville	Education, State Board of	2/13/2013	2/28/2015
Johnson-Aten	Bonnie	Montpelier	Education, State Board of	3/15/2012	2/28/2018
MacIver	Morgan	Plainfield	Education, State Board of	7/1/2013	6/30/2015
MacLean	Margaret	Peacham	Education, State Board of	2/5/2013	2/28/2015
Mathis	William	Brandon	Education, State Board of	2/24/2011	2/28/2015
McAllister	Dylan	Greensboro	Education, State Board of	7/1/2014	6/30/2016
Morse	Stephan	Newfane	Education, State Board of	9/3/2009	2/28/2017
Oller	Sean-Marie	Bennington	Education, State Board of	3/1/2011	2/28/2017
Perrin	Mark	Middlebury	Education, State Board of	4/12/2013	2/28/2019
Weinberger	Stacy	Burlington	Education, State Board of	3/1/2013	2/28/2019

Bankowski	Elizabeth	Brattleboro	Green Mountain Care Board Nominating Committee	5/25/2011	1/31/2015
Richter	Deborah	Montpelier	Green Mountain Care Board Nominating Committee	5/25/2011	1/31/2015
Torti	Thomas	Essex Jction	Green Mountain Care Board Nominating Committee	5/25/2011	1/31/2015

Pellett	Kathleen	Chester	Judicial Nominating Board	2/1/2011	1/31/2015
Watson	Joseph	Leicester	Judicial Nominating Board	2/9/2011	1/31/2015

Clifford	Eric	Starksboro	Lake Champlain's Advisory Committee	1/4/1999	2/28/2017
Ehlers	James	Colchester	Lake Champlain's Advisory Committee	3/28/2007	2/28/2015
Fischer	Robert	Barre	Lake Champlain's Advisory Committee	2/12/2014	2/28/2015
Fisher	Lori	Williston	Lake Champlain's Advisory Committee	4/28/1997	2/28/2017
Hansen	Paul	South Alburg	Lake Champlain's Advisory Committee	7/1/2005	2/28/2017
MacDonald	Alex	Lincoln	Lake Champlain's Advisory Committee	9/4/2013	2/28/2015
Moore	Julie	Middlesex	Lake Champlain's Advisory Committee	3/24/2011	2/28/2017
Naud	Mark	South Hero	Lake Champlain's Advisory Committee	3/24/2011	2/28/2015
Smith	Denise	St. Albans	Lake Champlain's Advisory Committee	6/7/2013	2/28/2015
Young	Sheri	Orwell	Lake Champlain's Advisory Committee	2/4/2010	2/28/2017

Cassarino	John	Rutland	Liquor Control Board	2/1/2007	1/31/2017
Gallagher	Thomas	St. Albans	Liquor Control Board	7/3/2012	1/31/2015
Mazza	Melissa	Essex Jctn	Liquor Control Board	6/14/2012	1/31/2017
O'Brien	Stephanie	So Burlington	Liquor Control Board	9/7/2007	1/31/2015
Sbardella	Julian	Fair Haven	Liquor Control Board	7/3/2012	1/31/2018

Burke	John	Castleton	Public Service Board	12/8/2000	2/28/2015
Cheney	Margaret	Norwich	Public Service Board	10/1/2013	2/28/2019
Volz	James	Plainfield	Public Service Board	3/1/2005	2/28/2017

Canney	John	No Clarendon	Racing Commission, Vermont	3/15/1993	1/31/2017
O'Rourke	R. Joseph	Rutland	Racing Commission, Vermont	12/13/2010	1/31/2015
Sylvester	Harlan	Burlington	Racing Commission, Vermont	5/3/2013	1/31/2019

Bradford	Peter	Peru	Texas Low-Level Radioactive Waste	1/31/2011	1/31/2015	Member
Sanders	Jane	Burlington	Texas Low-Level Radioactive Waste	11/30/2011	1/31/2015	Alternate Mem
Saudek	Richard	E Montpelier	Texas Low-Level Radioactive Waste	2/1/2011	1/31/2015	Member

Cioffi	Frank	St Albans	UVM Board of Trustees	8/31/2001	2/28/2017
Dwyer	Carolyn	Montpelier	UVM Board of Trustees	3/1/2013	2/28/2019
Young	Mark	Orwell	UVM Board of Trustees	3/1/2009	2/28/2015

Appointments made December 5, 2014

Justice of the Peace, Barre City:

APPOINTED: Bernard Barnett, Barre

Justice of the Peace, Williston

APPOINTED: Bret Powell, Williston

Board of Pharmacy:

APPOINTED: Corey Duteau, So. Burlington (Professional)

State Board of Optometry:

APPOINTED: Francis Pinard, Newport Center (Professional)

SerVermont:

APPOINTED: Michelle Park, Wilmington (Business)

Rehabilitation Council for the Blind & Visually Impaired:

APPOINTED: Patricia Shane, Barre (Agency of Education)

Technical Advisory Committee on Wastewater Systems and Potable Water Supplies:

APPOINTED: Mark Bannon, Braintree (professional engineer)

APPOINTED: John Beauchamp, Lincoln (Licensed Designer)

APPOINTED: George "Gunner" McCain, Waterbury (Licensed Designer)

Advisory Council on Special Education: .

APPOINTED: Karen Price, Essex (Parent)

Vermont Humanities Council:

APPOINTED: Rolf Diamant, Woodstock

Vermont State Employees Retirement Board:

APPOINTED: Jay Wisner, Montpelier (Designee)

Vermont Board of Medical Practice:

REAPPOINTED: William Hoser, Chester (Physician's Assistant)

State Workforce Investment Board:

APPOINTED: Robert Bridges, Plainfield

REAPPOINTED: Hal Cohen, Middlesex

APPOINTED: Marvin "Kent" Eldridge, Plattsburgh

APPOINTED: Pat Elmer, Fletcher

APPOINTED: Don George, Richmond

APPOINTED: Gerald Ghazi, Williston

APPOINTED: Laurie Gunn, Shelburne

APPOINTED: Eileen Illuzzi, Derby

State Workforce Investment Board Continued:

APPOINTED: Ellen Kahler, Starksboro
APPOINTED: Jennifer Kimmich, Stowe
APPOINTED: Dennis LaBounty, Lyndonville
APPOINTED: Lawrence Lampman, Highgate
APPOINTED: Christina Lavigne, St. Albans
APPOINTED: Michael Lane, Burlington
REAPPOINTED: Mary Lintermann, Stowe
APPOINTED: Thomas Longstreth, Bolton
APPOINTED: Mary “Pixie” Loomis
APPOINTED: Christopher Louras, Rutland City
APPOINTED: Gregory Maguire, Montpelier
REAPPOINTED: Stephen Marsh, Newport Center
APPOINTED: Lauren Morales, Middlebury
APPOINTED: Ben Nichols, Hoosick Falls
APPOINTED: Jostein Solheim, Shelburne
REAPPOINTED: Grant Spates, Derby
APPOINTED: Dean Stearns, Sharon
APPOINTED: Jerry Tarrant, Colchester
APPOINTED: Martin Thieret, Swanton
REAPPOINTED: Thomas Torti, Essex
REAPPOINTED: Jeffrey Wimette, Fairfax
APPOINTED: Allison Wollen, Manchester Center
APPOINTED: Sean Woodroffe, Berlin
REAPPOINTED: Jeffery Wright, Wolcott

Individuals with unexpired terms on the Workforce Development Council. These individuals need to be appointed to the new Board.

APPOINTED: Paul Biebel, Brownsville
APPOINTED: Frank Cioffi, St. Albans
APPOINTED: Dante DiBattista, Rutland Town
REAPPOINTED: Chris Loso, So. Burlington & Maryland
APPOINTED: Jim Pratt, Waterbury
APPOINTED: Lynn Vera, So. Burlington

Individuals who need to be appointed by virtue of their positions.

APPOINTED: Annie Noonan, Commissioner of Labor
APPOINTED: Scott Giles, President of VSAC
APPOINTED: John Fischer, Deputy Secretary of Education (Designated by Rebecca)
APPOINTED: Lisa Gosselin, Commissioner of Economic Development
APPOINTED: Tom Sullivan, President of UVM
APPOINTED: Andy Pallito, Commissioner of Corrections
APPOINTED: Diane Dalmasse, Division Director of Vocational Rehab
APPOINTED: Rose Lucenti, Vermont Department of Labor
APPOINTED: Patricia Moulton, Secretary of Commerce & Community Development

CONFIDENTIAL and PRIVILEGED

To: Governor Peter Shumlin
From: Michael J. Hogan, Commissioner of Liquor Control
Date: December 12, 2014
Re: Weekly Report

Status of Governor's Priorities:

- Fine tuning budget narrative for FY16 due today.
- Spoke with Beau Kilmer from Rand Corp on the regulatory section of the report due next month. Very balanced approach with cost drivers as keys for consideration of legalization. Looking forward to reading the entire report.
- December sales are looking good so far!

Legislative Issues/Contacts/Updates:

- Miscellaneous clean up language for Title 7.

Press Issues/Releases/Contacts:

Significant Events/Meetings: Next Board Meeting 01/14/2015 - Enforcement Hearings.

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.
- Preliminary review of department processes for potential licensing and enforcement system. Considering using VIC as they are very familiar with our business processes to help with a statement of work.
- Alcohol symposium for December 3 went very well with good feedback from all who attended.
- Working with VIC on break open ticket reporting process. Sending out letters today to distributors and manufacturers to start entering some test data and get some feedback.

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.