

WEEKLY REPORTS

Checklist
8/14/14

Elizabeth Miller/Alyson Richards

- ☒ Agency of Commerce and Community Development – Patricia Moulton
- ☐ Health Care Reform – Lawrence Miller
- ☐ 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 – Brian Searles
- ☒ Agency of Human Services – Doug Racine

Sue Allen

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

Sarah London/Carolyn Wesley

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

Susan Spaulding

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

To: Governor Peter Shumlin
From: Patricia Moulton, Secretary - Agency of Commerce and Community Development
Date: August 14, 2014
Re: Weekly Report

PATRICIA MOUTON, SECRETARY:

VCGI: We are making progress on the integration of VCGI in to ACCD. It is clear, this integration will present upward budget pressures for FY16. We are working to nail down the amounts, but it could be in the \$200,000-\$300,000 range of *additional* general funds needed to operate the program in State government. This would be above the \$378,000+ in property transfer tax funds they currently receive. We would continue to pursue grants and other additional funding for VCGI activities, but there will be a lag and no guarantee of outside funding such that general funds would have to be allocated to assure the program could continue to operate. As we investigate this integration, we are evaluating a few options:

- 1) Option 1: (follows the legislation in the budget bill) Fully integrate all 6 VCGI positions in to ACCD. The legislation created 4 new positions and directs us to seek two more from the pool. This full integration provides the most utility for state government, enables VCGI to maintain its full mission including all statutory requirements, all current data layering “libraries” and to continue to provide work for all state agencies and others. The six positions also provides the least interruption to ACCD staff and minimizes the additional duties for managing VCGI staff, projects, contracts, budgets and more. Issues still need to be resolved on how to “transfer” VCGI staff in to state government (personnel, retirement, pay grades, etc.) This option has the highest costs and the most upward budget pressure in FY16.
- 2) Option 2: Integrate a downsized version of VCGI. Cut the staff down to 3-4 maximum to enable the organization to function within their current property transfer tax amount of \$378,000. This would provide core VCGI statutorily mandated services but not much else. This would require lay off of six current staff. It would be the most work for ACCD staff as they will have to take on management, contract management, budget and fiscal responsibilities and IT support. This is the least cost approach in terms of dollars. But the most “headache” in terms of existing staff adding to their work load.
- 3) Option 3: Do option 1 but enable DII to allocate out VCGI expenses to state agencies. This was the option first considered for VCGI’s integration in to state government. As I understand it, this was dismissed by the Legislature due to concerns for DII’s management. Under this scenario, VCGI would come to ACCD, not DII to allay the Legislatures concerns. ACCD and DII would do an MOU or other document that enables DII to bill costs of VCGI to other agencies and then do an interdepartmental transfer of funding to ACCD to enable us to operate the program. We do not have bill back or allocation authority. We envision this option including authority for DII to include the cost of a half an FTE in the allocation formula. That part time person would do all the billing for VCGI and other DII billing needs. We understand there is a billing bottleneck at DII and this could be a solution. This remains the most expensive option. It still creates upward pressure on the FY16 budget, but enables that pressure to be spread across state government where some agencies could perhaps use federal funds to cover their allocation. This would have to be investigated.
- 4) Option 4: Undertake Option 2 but keep VCGI as a stand-alone, private non-profit as they currently are. This would require changes to the legislation that mandates they come in to State government. But, is the least cost to the state, least impact to ACCD, and enables VCGI to continue to pursue additional funding sources as they have been. This does not create new state positions. Has no budgetary impacts but there would be political concerns to “undo” the legislation from last year. However, given budget realities, and the rather short debate on this VCGI issue (compared to the VTA integration debate), that could be an easier political discussion.

We are continuing to fine tune the budget impacts. But we *know* there will be upward pressure for FY16. If we wish to avoid that, we need to decide soon. As Lucy said in last week’s report, if we chose options 2 or 4, we should notify VCGI board and staff ASAP so they can start planning. Given this is both a budget and political discussion, I wanted to get this on your radar now.

IBM: I have a meeting scheduled Monday with Janette Bombardier to discuss short term training needs. Dan Smith, Joyce Judy, Beth Demers, Kiersten Bourgeois are joining me.

VDTM: Jen Butson, Director of Communications has resigned effective one month from now. This is a key position for us to assure communications with travel press, travel entities as well as press for the entire Agency. This is an exempt position. We will start with our network to find qualified candidates.

KEN JONES, ECONOMIC RESEARCH ANALYST

- Ken Jones is completing work on a project with the Agency of Agriculture. This report describes the economic impact of the dairy industry and touches on the overall impact of agriculture activity on the Vermont economy. While other forms of agriculture are showing significant gains in the last few years, dairy holds a unique position based on the dollar sales of milk and the size of the dairy food processing sector in Vermont.

DEPARTMENT OF ECONOMIC DEVELOPMENT

Lisa Gosselin, Commissioner

- **USDA's Ted Brady** met with the RDCs, Lisa Gosselin and Jared Duval on 8/8 to discuss new RBIC grant program that will be replacing the RBEG and RBOG grants. Brady has been disappointed in the lack of strong grant applications from Vermont and is encouraging applications, particularly in the food systems and bioenergy sectors and any that directly address poverty.
- **Economic Development Summit** agenda is being finalized and save the dates will go out this week for the October 28 event at UVM. This will be a prime opportunity to speak with 200 of the state's business leaders and the right forum to explain CEDS to the private sector. Sponsorships requests have gone out and the RDCs are participating as sponsors. Still awaiting confirmation of availability of Governor Shumlin for kick-off and Lawrence Miller to speak on health care reform.
- **VPR has been focusing on Young Professionals** all week as part of its "Choosing Vermont" series. Lisa Gosselin spoke with Vermont Edition on Telecommuters on 8/13 and later with All Things Considered on what the state is doing to help young professionals.
- **EB-5** has been the focus of multiple meetings this past week. Lisa drafted a letter to correct and respond to media reports and an Op-Ed about the success of the program in creating jobs in rural parts of the state. Met with Becky, Brent, Lucy, Pat and John Kessler to discuss how to make the program successful and sustainable long term and what legal requirements, fees and personnel would be needed to do so. Working now with Brent to draft a proposal.
- **Lisa is on vacation next week: 8/18-22**

BUSINESS SUPPORT ♦ Ken Horseman, Senior Economic Development Specialist

- **Vermed - Bellows Falls:** The company is rebounding from the loss of two major customers that caused drastic personnel reductions. Full time employment is at 55, down from 100. Their two principal customers took their business to their prime competitor. New customers are being added from smaller companies that previously they were contractually barred from servicing. They are also adding new products in addition to their EKG strip technology. A full review of programs and services was well received and appropriate referrals will be made.
- **Weidmann - St. Johnsbury:** Business is reported to be very strong and the company has added 35 new jobs in the past several months in their manufacturing division. New markets and technologies are adding to the bottom line. The CNG facility is reducing energy costs. The company is interested in continuing to expand their training activities. Appropriate referrals will be made.

BUSINESS SUPPORT- Economic Development ♦ Jared Duval, Director

- Represented ACCD at the **Forest Policy Taskforce** meeting on Aug. 7. FPR Commissioner Michael Snyder and Director of Forests Steve Sinclair provided updates re: forest policy changes, specifically the updates to the thirty year old Accepted Management Practices (AMP's), for which new language has been drafted (with input from foresters and loggers). The next step is the formal rule-making process. Other topics of discussion included TMDL's/Lake Champlain (specifically a concern that forest lands are being assigned too much responsibility for the problem); the PSB's denial of a CPG for the North Springfield Sustainable Energy Project and what lessons to draw from that re: the future of biomass as a source of

electricity in VT; “whole tree harvesting” being singled out from other types of harvesting; and deer and moose browse challenges.

INTERNATIONAL (EB-5/Vermont Global Trade Partnership) ♦ Brent Raymond, Director

VGTP

- Becky Fu has been working with China contacts interested in importing powdered milk from St. Albans Coop and distributing Keurig products.
- Brent Raymond is working with Melody Burkins of UVM, a Bishops University representative and several Quebec economic development reps regarding a winter, 2015 2nd annual B2B economic development partnership conference.

VT EB-5 Regional Center

- Brent has been proactively communicating to contacts in the United States, China, Taiwan and other countries providing damage control in response to VTDigger’s poorly investigated and slanderous story about Jay Peak.
- Jay Peak continues to be on a weekly reporting schedule as a result of poor investor communications and other issues identified and discussed with their ownership back in June.
- Seldon is still on a weekly reporting schedule as they have been for the last year. They have received their first I-829 approval which is a very positive sign.
- John Kessler and Brent are working on more stringent approval review including analysis and legal review by outside and independent third parties, quarterly reporting, self-certification, new project review processes, and recommendation of a fee schedule that allows the Regional Center to truly be able to meet EB-5 best practices and USCIS requirements for a Regional Center to market itself and be able to promote economic development.
- John Kessler, Becky Fu and Brent Raymond are dealing with 5 different public records request – yes they all have day jobs too.
- Lisa Gosselin is working with Brent to create a new staffing structure and EB-5 budget to support fee increase recommendations to Secretary Moulton.
- Currently there are two proposed projects moving forward through the process to obtain approval to issue an EB-5 private placement under the VT Regional Center. The two projects combined are valued at over \$250M.
- Brent is reviewing updated offering and legal documents for Quechee Lake project.

OFFICE OF THE CREATIVE ECONOMY ♦ Lars Torres, Director

- **Youth Video Competition:** With Lisa’s leadership, working to launch a young producer’s video competition at ITVFest. Contest will ask youth in high school and college to make shorts that feature a Vermont business in some way. Awards made in April 2015.
- **3D Printing Competition:** Working to launch a 3D printing competition with Google, Historic Preservation and the Agency of Education that will invite teams of students to document historic buildings through design and model-making. Awards made in April 2015.
- **Transmedia Competition:** Working with the White River Indie Film Festival to develop an international call for transmedia works as part of a new competition to be launched with Google. The goal is to re-imagine the broadcast interactive story.
- **Celebrate Vermont Festival 8/15-17:** We have five “creative economy” companies represented at the OCE tent in Stowe this weekend: Budnitz Bicycles (come test drive one!), IrisVR (learn how Oculus technology is revolutionizing architecture), Glorkian Warrior (come play Vermont’s coolest iOS game), the Vermont Music Library (experience the largest collection of online music from Vermont), and Craig Winslow (learn how one Vermont artist is hacking Leap Motion).

VERMONT TRAINING PROGRAM ♦ Beth Demers, Director

- **Northstar Travel Media/Inntopia:** Beth Demers had a phone conversation with Nicole Cleenput, HR Manager, for Northstar Travel Media. Northstar is a majority stakeholder in the Stowe based Inntopia. The company is moving to a new location and looking to add jobs. Nicole inquired about the Vermont Training Program and is working to have the appropriate Vermont based employees engaged with the

VTP. Beth has briefed LEDC RDC John Mandeville and will work to have him attend any face-to-face meetings.

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

Commissioner MacKay and Deputy Commissioner Hollar

Commissioner MacKay

- **Breaking Down Agency Silos**
 - **Rural Enterprise:** As a follow up to our Act 59 report from last year, Noelle and Faith met with Diane Bothfield and Stephanie Smith from the Agency of Ag, Food and Markets. They are taking the lead on following up and fleshing out recommendations from the report around the changing nature of agriculture in the state, and how best to address the needs of farmers while respecting other state goals and local concerns. Our Ag partners have compiled the results of a survey which will be presented at a stakeholder meeting on September 3rd. We will be helping facilitate this and other upcoming meetings and develop policy, education and programmatic recommendations.
 - **NRB: Master Plan Permit Rule Making:** Along with Dale A., participated in a pre-rulemaking meeting with other state agencies. As part of S.220 last year, the NRB was asked to review their master permitting process with respect to industrial parks and other applications and develop rules. As a first step, NRB brought state agencies together to discuss their plan and hear from other Agencies. Dale is also looking at how this process may also be able to address issues that DHCD has encountered with master permits as they relate to campuses.
- **Downtown Tax Credit Press Conference:** Acted as emcee for the press conference where the Governor announced \$2.4 million in Downtown and Village Center tax credits which will leverage almost \$80 M in other investment for 37 projects in 26 downtowns and villages. The Governor was joined at the podium by Mayor Hollar of Montpelier and Mayor Lauzon of Barre. The Governor thought John Hollar needed cooling off so, as part of the ALS challenge, dumped ice water over his head. Added some color to the morning's event. Special thanks to Caitlin for her incredible job on the details of the event! Thank you to Chris for his help in organizing. A record 37 projects in 26 towns were recognized. View the full list on our [website](#).
- **VERI Woodstock and Brattleboro Kick-Off Meeting:** Facilitated the first of five stakeholder kick off meetings in Woodstock. Now that the five pilot areas have been chosen (Barre Town/Barre City; Brandon; Brattleboro; Enosburg Town/Enosburg Village; Woodstock), we have started meeting with the project team for each community – community point person(s), contract team, ANR regional folks, RPC and ACCD. Productive first meeting in Woodstock and we were joined by Rep. Clarkson shortly followed by one with Brattleboro. The other three meetings are scheduled in the coming 2 weeks.

Deputy Commissioner Hollar

- **Ladd Hall:** The redevelopment of this historic building in the heart of Waterbury is well underway. With Ann Kroll, represented ACCD at a ground-breaking ceremony and offered remarks along with Senator Patrick Leahy and Bill Shepeluk from the Town. Formerly part of the State Office Complex, the building is being transformed into 27-units of highly energy-efficient mixed income housing by CVCLT and Housing Vermont. The new affordable homes will help replace those lost to Tropical Storm Irene and is partially funded by \$1 million in CDBG-DR and historic tax credits. Completion of construction is scheduled for March with lease up to follow soon thereafter.

COMMUNITY PLANNING & REVITALIZATION ♦ Chris Cochran, Director

- **New 29 unit building in Burlington benefits from NDA designation.** The Redstone Group is moving forward with building a 29-unit building at 247 Pearl St. The site was home to a historic home/dental office that was lost to fire. Apartments would range from two bedrooms to studios and 15% of units will qualify as affordable to households making 60% of area median income. Thanks to the Neighborhood Development Area designation the project will benefit from various fee savings, including 50% off of their Act 250 fee.
- **Announcing Strong Communities, Better Connections Grant Program:** VTrans and ACCD are pleased to announce a new \$200,000 funding partnership to help municipalities' better plan and coordinate their land use decisions and transportation investments. The program is open to municipalities outside of Chittenden County (Chittenden County municipalities should [contact CCRPC](#) for information on their

program). Applications are due October 3, 2014. Full program details [here](#). For more information, contact Jackie Cassino or Richard Amore.

- **Vermont Downtown Action Team:** Richard, Michele Braun (Town of Northfield) and the consultant team led Northfield's V-DAT implementation workshop. The team met with Northfield's new Town Manager, Jeffrey Schulz, and the V-DAT advisory committee to determine the appropriate strategies for plan implementation. Northfield is plowing ahead with great enthusiasm and is utilizing the V-DAT plan to guide the future development and revitalization of downtown. On another note, final V-DAT reports were delivered to Wilmington, Brattleboro, Brandon and Barre last week.

GRANTS MANAGEMENT ♦ Ann Karlene Kroll, Director **CDBG-DR1 and CDBG-DR2**

- Ann and Ray met with Lisa Scagliotti, volunteer and Don Welch, architect for the Hunger Mountain Children's Center to provide technical assistance for the preparation of beginning construction, now that the Purchase and Sales Agreement has finally been signed by BGS, and a closing is scheduled for September 5. It seems prudent to go with a Construction Manager, as opposed to a General Contractor. The CM will be procured through a pre-qualification process and scoring similar to the Waterbury Municipal offices. The CM can assist in developing the cost estimates that most likely will have changed significantly due to the re-design mandated by BGS for the traffic flow, and to meet historic preservation requirements for the two buildings in developing the connector, and the removal of garage and back ell of 121 Main Street. This will be a more efficient process and can begin immediately. Don will be completing the documentation for the Act 250 permit and the DRB for the Town of Waterbury. The goal is to be completed by late spring, early summer to be fully ready for the 2015 Fall school year to ensure funding allocation for the pre-school program.

HISTORIC PRESERVATION ♦ Laura Trieschmann, State Historic Preservation Officer

- The Division is excited to welcome Vermont's newest State Archaeologist, Francis "Jess" Robinson. Jess joins us from UVM's Consulting Archaeology Program, having devoted his career to Vermont and New England archaeology.
- Trudy and Laura notified the state recognized tribes (and those seeking recognition presently) of an opening on the Vermont Commission for Native American Affairs. The deadline for the submittal of applications is September 1.

Environmental Review

- **Underwater Preserves Meeting:** Scott met with Erick Tichonuk and Chris Sabick, Director and Archaeology Director respectively of the Lake Champlain Maritime Museum, to discuss the Underwater Preserves system and some charter diving that has been taking place on the wreck of the tugboat U.S. LaVallee in Shelburne Bay. This ship, which was active on Lake Champlain from 1880-1930, is archaeologically sensitive but is not currently part of the Preserves system. The fact that organized charter diving is taking place here is cause for concern, particularly with regard to inadvertent damage to the wreck as well as the more limited potential for looting and removal of easily accessible artifacts. Short term action plans are to contact the charter boat captain and attempt to discourage continued diving on the wreck, which is currently advertised on YouTube. Longer term plans include re-convening the Ad Hoc Underwater Preserves Advisory Committee to address this issue and the likelihood of similar incursions on other sensitive wrecks now that technology makes them easy to locate.

State-Owned Historic Sites

- **Bennington Battle Monument:** Visitors to the Monument were again over 1,000. It was a very romantic week on the observation floor; there was a marriage proposal on Saturday on bended knee with a large diamond, later that day a couple renewed marriage vows on their 40th wedding anniversary. Battle Day events start on Friday when the re-enactors arrive, the 10th annual 5k road race takes place on Saturday morning, there are quite a few registrations mailed in, the Friends of the Monument are expecting one of the largest turnouts this year.
- **Naturalization Ceremony:** The Coolidge Site's first-ever Naturalization Ceremony was held on August 11. In a stirring program arranged by the Coolidge Foundation, 19 people from 16 countries became U.S. citizens. The large reception room at the Center was filled to capacity with approximately 120 people in attendance. Among the dignitaries were representatives from each of our congressional delegation and

Plymouth town representative Alison Clarkson. After the ceremony, Bill gave Susan Sussman from Senator Leahy's office a tour of the exhibits as this was her first visit to Plymouth. Reporter Susan Smallheer also attended, and her article appeared on the front page of the Rutland Herald the next day.

VERMONT COMMUNITY DEVELOPMENT PROGRAM ♦ Josh Hanford, Director

CDBG-Disaster Work

- **Town of Readsboro:** The town's application for \$348,592 in CDBG-DR funding has been submitted to complete a stream bank stabilization that will protect a residential neighborhood which consists of a majority of LMI households, and the volunteer fire department from future flooding.
- **Windham Regional Commission:** A meeting has been scheduled with representatives from the WRC to discuss potential projects that came out of the EDA Southern Vermont Tropical Storm Recovery project as well as projects related to brownfields cleanup in Brattleboro. One of which is the Melrose Replacement Housing cleanup located at 464 Canal Street in Brattleboro and to review other potential projects.

Existing VCDP Grants

- **Town of Wilmington:** The \$271,000 grant has been executed and the town and WWHT are working through their special conditions. The project will rehabilitate the 7 units of affordable housing within the historic Laterre House in downtown Wilmington. The project will consist of energy efficiency upgrades and code improvements and is slated to be completed by the end of the year.
- **Town of Lyndon:** The recently approved \$450,000 enhancement to the existing \$500,000 grant is in the process of being executed. The new enhancement will allow Rural Edge to operate the 3 county Northeast Kingdom Revolving Loan Fund, which provides housing rehabilitation loans and financial counseling to low-income households throughout the NEK.

DEPARTMENT OF TOURISM & MARKETING

Steve Cook, Deputy Commissioner

- **Waterbury Downtown Road Construction Meeting:** Deputy Commissioner Cook and Communications Director Butson met with the Waterbury Downtown Association and Revitalize Waterbury to discuss marketing and promotion during the major road construction project which will affect much of downtown Waterbury. Members from Waterbury complimented the Agency of Transportation's efforts to provide communication to the community and businesses around this project. They felt that VTrans was providing excellent service going into these major downtown projects.
- **Agency of Agriculture FSMIP grant:** Deputy Commissioner Cook will meet with members of the Agency of Ag for a review of year end FSMIP grant activity. VDTM has played an active role in the development of marketing material for this program.

COMMUNICATIONS ♦ Jen Butson, Director of Communications

- **VDTM Media Projects:** Consumer news is out! Monthly events calendar release is out! See these in the [press room](#). Foliage communications content and calendar is evolving.
- **Events:** Look for me at [Celebrate Vermont Festival](#) in Stowe on Sunday! I'll be womaning the booth all day!
- **Social Media:** Kudos to partner Cabot and hired firm PMG for the post that yielded this week's most reach:

Post Details



Vermont Tourism

August 7 at 11:15am · Edited ·

Vermont is known for its popular music scene and selection of local foods. Naturally, Cabot Creamery Cooperative has found a way to combine the two with Grace Potter's Pepper and Cheddar Rigatoni – one of the VT artist's favorites!

<http://www.cabotcheese.coop/recipes/grace-potters-pepper-cheddar-rigatoni-with-arugula-cherry-tomatoes#>



2,675 people reached

Boost Post

Like · Comment · Share · 28 1 14

2,675 People Reached

92 Likes, Comments & Shares

75
Likes

28
On Post

3
Comments

1
On Post

14
Shares

14
On Post

252 Post Clicks

60
Photo Views

23
Link Clicks

NEGATIVE FEEDBACK

5 Hide Post

0 Hide All

0 Report as Spam

0 Unlike

MARKETING & DESIGN ♦ David Burnell, Marketing Coordinator

- **2014 Fall Campaign | Autumn in Vermont Landing Page:** The fall campaign is close to being ready for launch. David has completed both 15 and 30-second spots for broadcast and pre-roll. Digital display banners have been developed and an email marketing campaign is set up to invite visitors to harvest the deals this fall. Orbitz has also been provided with animated banners – 300x250 – 300x600.



RESEARCH & STATISTICS ♦ Greg Gerdel, Research & Operations Chief

Research

- **July Indicators Even to Strong:** Pleasant weather during most of July is reflected in several indicators. Georgia Southbound Visitor Center showed a substantial increase in visitation for the month and inquiries coming through Discover New England have been steadily increasing this year, though not quite offsetting the ongoing decline in requests for vacation planning packets. Calls to 800-Vermont and the 511 road conditions line were consistent with last year. Tax revenue generated through the sales of meals, rooms and alcohol continued the growth pattern that has been strong for the past two years, a 4.36 percent increase, well above target for the month.

Welcome Centers (July)					
Visitor Centers	Guilford	Fair Haven	Georgia SB		
Electronic Counts	78,313	18,905	13,499		
Change from Last Year	1.66%	1.79%	31.88%		
Call Center (July)	Total Calls	Avg. Duration	Hang Ups	Answ. Delay	
800-Vermont	465	4:51	0	:16	
Last Year	473	4:58	0	:18	
511vt	1018	01:38.0	0	:13	
Last Year	1,128	01:35.0	2	:17	
Fulfillment (July)	Total	Female %	Camping	Inns/B&B	Bike
Consumer Packets	3464	59%	732	1193	376
Last Year	4051	59%	752	1510	568
(Sub Set)	Total	International	Domestic		
DNE Inquiries	752	191	561		
Last Year	487	104	343		
Tax Revenue (July)	Month	% Change	FYTD	% Change	% Target
MRA	\$12.56 million	4.36%	\$12.56 million	4.36%	103.56%
Assembled by Greg Gerdel, Vermont Dept. of Tourism & Marketing					

CHIEF MARKETING OFFICE ♦Nancy Brooks, Chief Marketing Officer/Heather Pelham, Marketing Specialist

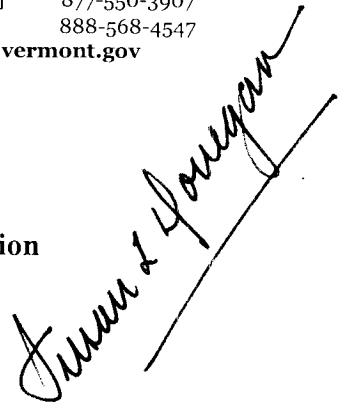
- Made in VT:** This week, the team met with regulatory staff at DLC and DOH to discuss food and beverage sectors that are regulated and licensed by the state. These conversations are continuations of very productive meetings held last week with AAFM, which revealed opportunities to double-check and dovetail eligibility criteria for Made in VT with these regulated industries. This will ensure that labeling is clear and consistent for consumers (as well as compliant with various laws) and that the Made in VT program references licensing requirements already mandated by other agencies. (While our limited resources prevent us from doing quality control or enforcement, we can at least back up to requirements already in place and enforced by other entities in state government.) We plan to work these licensing verification questions into the application.
 We also met with VIC this week in a detailed half-day workshop to flesh out technical requirements for the Made in VT website. Due to limited time and resources, we plan to launch with a fairly simple website, but we also want to make sure that our IT solution offers opportunities for further feature expansion and automation, should the program need more IT support as it grows.
- Great Jobs in VT:** The team continues to finalize new creative materials, in anticipation of having a new group of ads to present next week to Administration leadership and our partners in Economic Development and Tourism & Marketing. Thanks to Vermont Life staff for making their photo catalogue available!
- Rebranding the “Summit”:** Heather and Nancy met this week with Christine Hetzel at DHR, to have a follow-up conversation about rebranding the Summit state employee and management training center. DHR leadership recently met with Secretary of Administration Jeb Spaulding about the initiative, and the CMO team is ready to support that effort with design services and consultation along the way on possible focus groups, etc.
- New State Craft Center Announcements:** Nancy presented the State Craft Center designation this week to the Fletcher Farm School in Ludlow. Local press showed an interest in covering this event, and the Caledonian Record covered last week’s presentation to the NEK Artisans Guild in St. Johnsbury.

State of Vermont
Department of Financial Regulation
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[All Insurance] 800-964-1784
[Securities] 877-550-3907
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CONFIDENTIAL and PRIVILEGED

To: The Honorable Peter Shumlin, Governor
From: Susan L. Donegan, Commissioner, Department of Financial Regulation
Date: August 14, 2014
Re: Weekly Report



Captive Insurance Division:

Commissioner Susan Donegan offered opening remarks Wednesday at the Vermont Captive Insurance Association (VCIA) Annual Conference at the Sheraton Hotel and Conference Center in South Burlington. The three day event boasted an attendance of more than 1,100 industry professionals and 100 exhibitors.

Insurance Division:

On Monday, Commissioner Donegan announced the appointment of Kaj Samsom as the new deputy commissioner of the Insurance Division. Samsom joined the department in 2006 as an insurance examiner and has served as director of licensing and examinations since 2011. In that role, he managed a team of CPAs and was responsible for all licensing and examinations of insurance companies, as well as financial analysis-related decisions for the Division. He has been a key adviser to DFR leadership on complex evaluations requiring Departmental approval. He is a licensed CPA and certified financial examiner (CFE) and holds a master's degree in public administration from the University of Vermont.

Insurance and Securities Division:

This week a stipulation and consent order was signed by the Department and a Leicester couple who violated state insurance and investment advisor laws. In September 2013, David and Lisa Goodman were issued a cease and desist order but continued to offer investment guidance to elderly clients. This week Mr. Goodman's license to sell insurance was revoked and Mrs. Goodman agreed to surrender her license to sell insurance in Vermont. The Department's enforcement focus continues to target prohibited insurance practices and unsuitable investment/financial products aimed at older Vermonters. The best solution is to remove unscrupulous sales people from the Vermont market by revoking their licenses to conduct business.





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CONFIDENTIAL AND PRIVILEGED MEMORANDUM

TO: Governor Peter Shumlin
FROM: Rebecca Holcombe, Secretary, Agency of Education
SUBJECT: AOE Weekly Report
DATE: August 14, 2014

Press Contacts:

- Rebecca spoke with Mitch Wertlieb of VPR regarding her **AYP letter**.
- Jill spoke with Charlotte Albright of VPR regarding **teacher shortages and principal turnover**. Charlotte also connected with Amy Fowler, our new hire.
- Jill emailed with Carla Occaso of *The Bridge* on Education **Governance**.
- Jill sent the media an advisory on the SBE Meeting.
- Kristin Kelly of WCAX asked about **rural school population changes**. Jill is working on collecting that data; we are creating a map that shows enrollment changes by district.
- Jill answered questions from Sean Cavanagh of *Education Week* about **Common Core and SBAC** contracting.
- Nat Frothingham of *The Bridge* connected with Stephan Morse, State Board of Education, on **Governance**.
- David Goodman of WDEV requested Rebecca for an interview August 20 on her **recent AYP letter**.
- Lauren Bender of the *Valley News* requested Rebecca for an interview August 14 on her **recent AYP Letter**.
- Lisa Rathke of the *AP* spoke with Jill and Pat Fitzsimmons about **Common Core** in Vermont.

Public Presentations/Speeches:

- Summer Institute for Personalized Learning Plans at Castleton State College on August 13. The audience included principals, teachers, and VSAC representatives.
- AYP continuous improvement rollout at the Capitol Plaza on August 14. The audience was teams of teachers, principals and superintendents.
- Vermont Math Leadership Council in Barre on August 14. The audience consisted of curriculum leaders and teachers.

Meetings:

Representative David Sharpe

Alas, we did not give him the solution to the twin problems of quality and economic sustainability. We also signaled that we won't be driving a big push in the legislature again along the lines of H.883. From him, we learned that a) he and a few others are looking to support us in what we DO decide to do with respect to governance; and b) at this point, he doesn't have specific legislation that he will be pushing.

Mary Peterson, Commissioner of Taxes

I met this week with Mary Peterson, who has been a great partner on education finance issues. We agreed as a first step to collaborate on some aggressive public education about how the tax formula actually works, and how it has a few key drivers: one-time costs, number of pupils, state mandates and local budget decisions. In particular, Boards need to understand that this is a per-pupil formula, and when numbers go down, if they don't reduce their budgets, they will get whacked on their tax rate. We have talked about putting together some infographics for this, and I could potentially introduce these at the school board meetings.

Congressional Delegation Staffers (Joint Meeting, led by David Cohen and Kathryn Toomajian)

Economic inequality is a priority for our congressional delegation. They were interested in the Governor's stance with respect to our AYP letter and federal accountability in general. They also asked what response we have received (answer: all positive so far). We agreed we have an opportunity to develop a new model and gather some data in advance of reauthorization. David Cohen feels reauthorization of ESEA is probably 5 years out. We also spoke about dual enrollment and PreK, both of which are the focus of new proposals in Congress. We stressed the need to have any legislation include a hold harmless provision, so that states like Vermont, that went out and did the right thing on PreK and dual enrollment, are not penalized if the Federal Government rolls out similar initiatives. Typically, federal funds are subject to supplement not supplant provisions, which means we would have to exhaust the state contribution before tapping into federal funds. The hold harmless would remove this provision.

Emerging issues

License-geddon

Amy Fowler has been here a week and is working to address the persistent and pervasive problems in our licensing division. We have had another resignation and trowelled up a few more issues. The good news is that Amy is rolling up her sleeves. Two emerging issues:

1. It looks like a fair amount of our work around standards, etc. was basically lifted in its entirety without adequate attribution, and then published as our own. We are going back now to ensure appropriate attribution.

2. The licensing team has 89 license applications that will not be processed prior to the start of this school year. We are doing triage to figure out which ones we can expedite. For the remainder, we will find the least disruptive strategy for getting us through this problem. Unfortunately, statute does not allow for the possibility that we might not be able to execute this responsibility in time, so there is no legal way for me to issue a temporary waiver. This will not happen again. I can't repeat enough how thankful I am to have a new leader in place to wrestle that division into shape.

The new leader, Amy Fowler, is doing a reorganization of the EQ division. **I would like permission for manager-requested reclassifications for this division.** The purpose of these reclassifications is to realign positions to have cross-functional capabilities and to bring duties in line in some cases with the essentially clerical role of many of these positions, rather than the higher classification they currently have. In addition, some of these reclassifications involve positions that are currently vacant, so the request cannot come from employees.

I apologize for this mess. Again, it is a tremendous relief to have Amy in there, and I look forward to having licensing be a good first point of contact for the Agency.

Reclassifications

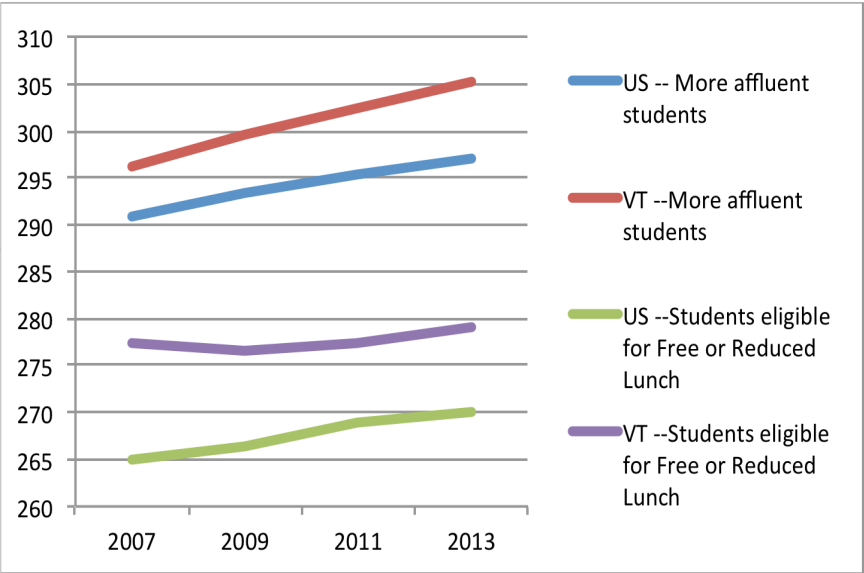
One challenge of the current ban on manager-requested reclassifications is that this precludes reclassification of positions that are empty, even when the reclassification will enable us to advertise at a lower pay grade. This is a problem for us with respect to two of the positions we are trying to reclassify for PreK, a growing number of positions in EQ, as well as for Angela Ross' old position. We have other reclassifications at the same pay grade that we can't make because the positions were currently vacant and were going to be repurposed. **I would like permission to move forward with manager requested reclassifications of vacant positions.**

Feedback on the AYP letter

We have gotten a lot of positive feedback on the AYP letter. I have had numerous letters of praise from the field, as well as on social media. Educators have been coming up and hugging me and saying thanks. I have had several academics reach out from other states to send support, and also have had a few people contact me about positions. Even the NEA national president elect sent a letter of gratitude, though that of course is a double-edged sword. The only negative feedback so far is a request that we outline the alternative, which is what the Governor is about to ask us to do in his letter. We continue to try and communicate a sense of urgency, particularly around improving outcomes for our children growing up in poverty, but say we need to find better measures and new ways of teaching in order to do so. We don't want to double down on test-based accountability, because all we have gotten for

that is a wider achievement gap. For the record, I thought you might be interested in this figure, which contrast the performance of Vermont eighth graders with eighth graders nationally on the National Assessment of Educational Progress:

Figure 2. NAEP Scores in eighth grade mathematics for the US and for Vermont, for students who are and are not eligible for free and reduced lunch



Whew. Glad to have a day off. Have a good weekend, all.

Rebecca

CONFIDENTIAL and PRIVILEGED

To: Governor Peter Shumlin
From: Greg Smith, Executive Director, VT Lottery
Date: August 14, 2014
Re: Weekly Report

Status of Governor's Priorities: .

Legislative Issues/Contacts:

none

Press Issues/Releases/Contacts:

none

Significant Events/Meetings:

none

Evolving Issues:

none

Summary of Key Agency Department Activity:

Continued success with promoting instant tickets and increasing their sales – up 5.5% this year and almost 9% this fiscal year. Draw games continue to lag mainly due to jackpots getting hit at lower values – no good runs since Dec 2013.

Our field sales supv resigned this week, having accepted another position closer to his home in Williston. He was on a remediation plan and this outcome was expected. Our Marketing Dir. and I will be covering the duties until the position is filled.

Executive Director's Commentary:

I met with Sue Zeller regarding performance accountability and using the process for problem gambling reporting. We will collaborate on this and prepare a report to submit to the appropriations comms. and our home committees.

We had a good Agent Advisory Meeting in Burlington two weeks ago, with some of our chain accounts and other high volume independent agents. They supported the improved marketing efforts we were providing and gave good feedback on in-store operations.

Our newest commissioner, Ed Flanagan, has decided to become our Tri-State commissioner, succeeding the retirement of Tom Scala. This will formally occur in Oct.

OFFICE OF THE SECRETARY

Phone: (802) 828-2657

Fax: (802) 828-3522

Executive Privilege

TO: Governor Peter Shumlin

FROM: Secretary Brian R. Searles

DATE: Thursday, August 14, 2014

SUBJECT: VTrans - Confidential Report to the Governor

NOTES FOR GOVERNOR

Yesterday's Storm

Thankfully, there is not much to report. Wind resulted in trees and power lines down on Route 102 in Maidstone and District 7 took care of that overnight. In Chester and Andover, Route 11 was damaged again in about the same places as a couple of weeks ago. Damage was not as extensive and repairs were made without any road closure.

Project Delivery

At the start of the year we anticipated an on-time rate of advertising for projects of 83% but our folks are currently beating that with a rate of just over 90%. An emerging problem is with utility work scheduling for Fairpoint poles and lines in advance of projects. We have one project that will have to be moved into next year because of Fairpoint and another that is at risk. Rich Tetreault is going to reach out to Fairpoint and to Chris Recchia to assess how to approach this problem as the utility becomes less financially viable.

New Conservation Plates

Decisions are being made by DMV, Fish and Wildlife, and Corrections concerning final design, plate numbering, and pricing for the three new Conservation Plates: the Loon, Deer, and Brook Trout. If all goes well we anticipate beginning the issuance of these plates on October 6.

Morrisville Alternative Truck Route

This long-awaited project is expected to open in mid-October and we should be thinking about an event to commemorate its opening to traffic. I believe Deputy Minter may have this on your staff's radar screen already but it is one you don't want to miss.

NOTES FOR STAFF

Bridge Successes Continue

There are three more examples of the new and accelerated bridge program to report this week. First, the installation of a new and larger box culvert on Rt. 100 in Wilmington was accomplished over this past weekend within the parameters of the planned closure of the road from 6:00 PM on Friday August 8 until 6:00 AM Monday August 11. In Enosburg, Bridge 48 on the Boston Post Road was completed five days before the planned closure was to end and in Warren the replacement of the truss bridge on Rt. 100 is on schedule and it is quite possible that the new bridge will open tomorrow. We are pitching story ideas to print media to cover these successful innovations.

Protocol for Dealing with Wallace Nolan

I don't believe I have to introduce Mr. Nolan to any of you as he has dealt with many in state government but recently he has increased phone activity with us and has become even more erratic and scary to some of our employees. Therefore, we have provided the National Life Security Department and the front desk with a photo of Mr. Nolan and instituted the following:

- Front desk security is not to allow him access to the building.
- If he insists on talking to someone from VTrans, all requests are to go through my office.
- Our facilities staff and legal staff will be notified and if there is a meeting in the lobby, representatives from each section will be present. If they are not available, there are alternates.
- Due to his legal actions against us in the past and recent threats for further legal action, we have notified all staff not to converse with him but to advise him on the phone that they must refer him to our legal staff.

EEOC/AAP Update

Progress continues since FHWA observed an apparent lack of progress on the minority hiring front during the previous administration. The following has been reported by our Civil Rights (CR) Office:

CR is now valued by all parts of the Agency and sought out for guidance, training and recruitment assistance.

VTrans leadership has clearly messaged the importance of EEO values and practices.

A shift to the Culture of Respect is being observed and reported from the field, including extensive use of the Ouch! Training tools that promote more respectful communication.

VTrans has either completed or is on-track to complete all of the FHWA Corrective Action Plan (CAP) requirements.

Here are the numbers:

- Training – It’s About Respect (Ouch!), 17 sessions 244 participants
- Mandatory EEO Training for Management/Supervisors, 10 sessions with 200 participants
- New Employee Orientation with Ouch! Training, 9 sessions with 156 participants
- New Women and Minority Hires – 17
- Attrition of Women/Minorities – 3
- Temp to Permanent Women/Minorities – 4
- Promoted or reclassified - 53 % of women/minorities in permanent positions

Most importantly, our CR staff now feel welcome in the Districts and are engaged in meeting the challenges faced in those workplaces.

VTrans Strategic Plan Retreat

Our executive staff and program managers spent the day on Wednesday tweaking the strategic plan and prioritizing a set of objectives for the coming year. There was emphasis on measuring and publishing even more results of our work and adopting a stronger customer service strategy. There was also a discussion of our goals for the 2015 session of the legislature. Our team feels strong and, with the strategic plan, moving in a unified direction to support our goals with measurable outcomes.

Motor Vehicle Crash Facts: 2014 Fatal/Fatality data received to-date

--Fatal Crashes **August 5 – August 11, 2014:** No fatalities reported during this period.

--**2014** Fatalities: **26 Total** – **20** vehicle operators (6 motorcycles; 1 snowmobile), **3** passenger and **3** pedestrians.

As of August 11 in each calendar year:		
<u>Year</u>	<u>Fatalities (people)</u>	<u>Fatal Crashes</u>
2014	26	25
2013	39	36
2012	51	45
2011	28	25

Privileged and Confidential
Memorandum

To: Peter E. Shumlin, Governor
From: Harry L Chen, Secretary of Human Services
Re: AHS Weekly Report
Date: August 13, 2014

Vermont Department of Health (VDH)

Pentachlorophenol contamination associated with utility poles

Health Department staff attended a public meeting in Monkton on August 7. Discussion centered around private wells that may be impacted by the utility pole rerouting. The Health Department has made available a special test kit which uniquely checks for pentachlorophenol for \$75.

Narcan Saves Lives

The Health Department received notification from the program director at Howard Center that Safe Recovery has had its 50th opioid overdose reversal using naloxone.

Blue-Green Algae

There has been an increased interest in Blue-Green Algae and how it relates to the safety of public drinking water from Lake Champlain in the aftermath of the Toledo Ohio incident last week.

The Health Department, with cooperation from our partners at DEC and the Lake Champlain Committee, have been routinely monitoring water conditions in proximity of many of the public drinking water supplies on Lake Champlain for several years. All monitoring reports are made available to the public at the department's [BGA Website](#). As a preparedness measure the Health Department has test kits positioned at District Offices, as well as individual drinking water plants for analysis of microcystin and anatoxin to ensure timely response in the event of a bloom near a plant water intake.

This week members of the Lake Champlain Coalition of Vermont Water Suppliers met with staff from the Health Department and DEC drinking water regulators to discuss current events in Ohio and review protocols developed for response in Vermont.

Department of Mental Health (DMH)

Vermont Psychiatric Care Hospital (VPCH):

VPCH Will open 2 more beds this week for a total of 14-beds.

Taylor Doubts – Vermont Public Radio (VPR):

Taylor Doubts called from VPR regarding Brattleboro Retreat and CMS issues. He wanted to know if the State still has confidence in the Retreat's ability to serve our clients. Commissioner Dupre gave Taylor a positive response regarding the Retreat's work and the complexity of psychiatric conditions of patients who are at risk of harm to themselves or others and who cannot be effectively treated by existing community services.

Suicide:

On August 11th, a 13-year old female committed suicide. She had been on a wait list for services at Rutland Mental Health since February. She had subsequently been in treatment with a private therapist in the community while waiting for services. DMH will complete a review.

Department of Disabilities, Aging and Independent Living (DAIL)

JFC restores some DAIL funding in rescission plan

The decision by the committee to reduce the proposed Developmental Services decrease by 50% may signal the continued strength of this lobby and foreshadow the challenges ahead in the SFY16 budget process. I think a similar decision to restore a portion of the Choices for Care carry forward for reinvestments signals the importance of this item to key members of the legislature.

WCAX on scene for arrest of developmental services home provider

Nathan Dunbar was arrested today for growing marijuana on his property. Mr. Dunbar provides services for Oliver Dupree, a man under public guardianship served by DAIL through Upper Valley Services and the Francis Foundation. Mr. Dupree was there at the time of the arrest and was handcuffed for a brief period until the police sorted out things out. Safe lodging has been secured for Mr. Dupree.

Oversight activities involving Developmental Services (DS) reveal potentially serious problems

An exit conference with the State Auditor's Office to discuss their audit is being scheduled for August 28th. After this meeting, to confirm critical facts, the Auditor's office will issue a final report. The three agencies audited were Howard Center, Washington County and HCRS.

Budget reduction uncovers significant underutilization of DS resources allocated through ARIS

DDSD Director Camille George met with representatives from designated agencies this week to begin investigating last week's discovery that funds allocated in SFY14 for self-directed employers were not used and may not have been returned to the state. The agency representatives believe most of the variance is accounted for by inadequate documentation: that is, failure to notify ARIS of suspension of funds or because the beneficiary could not find workers and they had re-distributed the funds in accordance with the state plan. We are investigating further and will be asking for those funds to be returned if the findings are verified.

Department of Corrections (DOC)

Change in Leadership for Northeast Association of Correctional Administrators (NACA):

Following the resignation of the former president of NACA, longtime vice-president Commissioner Pallito was named to the presidency. He will consider candidates for the vice-president position at the next meeting.

Memorial Service for fallen soldier:

On August 6th, Deputy Commissioner Menard attended a dedication for Correctional Officer/Master Sergeant Shawn Stocker at Marble Valley Correctional Facility. Mr. Stocker was a long time Correctional Officer who died while on active duty associated with post Irene efforts. The dedication was also attended by Mayor Louras and several members of the military, including Lieutenant Colonel Keith Hodsden. A letter from Governor Shumlin was read at the ceremony and family and staff was appreciative of the sentiments expressed by the Governor.

Prison Rape Elimination Act (PREA) Audits:

Melinda Allen, nationally certified PREA Auditor, wrapped up two weeks of audits on August 8th. Three facilities were audited over this time period (Chittenden Regional Correctional Facility, Southeast State Correctional Facility and Southern State Correctional Facility). The Auditor had high praise for the staff at these facilities. She commented that areas under facility control were doing well in regards to compliance with the standards. Several minor issues were noted. Standards that require action from stakeholders outside of the department presented more issues. Examples include MOU's with stakeholders and employment screening and background checks. A full report with corrective action is expected in September.

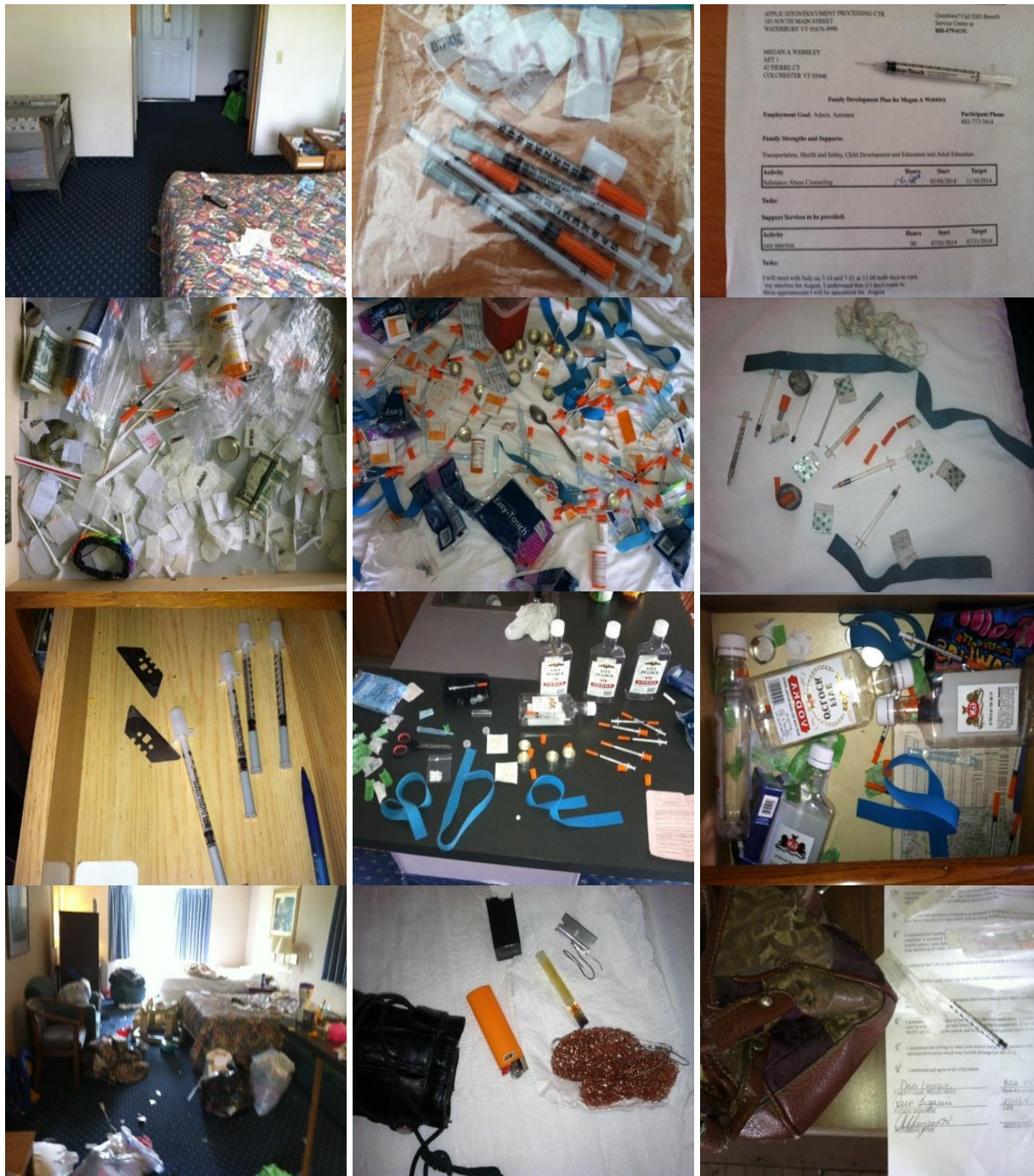
Population:

The department's incarcerated population averaged 2,077 for the previous week. The department's incarcerated male population averaged 1,923 with 347 being presentenced. The female population averaged 154 with 34 being presentenced inmates.

Department for Children and Families (DCF)

Sobering Reality:

The pictures below were taken in July and recently in August by the housekeeping staff at Harbor Place, the shelter/motel we helped establish in Burlington last year to help with our GA Temp Housing challenges. These photos represent drug use by 10 different families. Police and Family Services are involved with these situations as we learn of them. To say that drug abuse is a big issue for many of those served in DCF is an understatement. Many motels will not take people through our GA Temp Housing Program and it is easy to understand why.



Advanced Premium Tax Credit (APTC) Over Calculated in Vermont Health Connect (VHC): VHC staff recently discovered that 155 households have been receiving an APTC amount that is too high due to an error that occurred on the Vermont Health Connect portal when the clients applied. Beginning today, those Vermonters whose premiums will increase will be contacted by phone in addition receiving a notice. We expect many clients will call about this issue. Everyone impacted will be eligible for a Special Enrollment Period (SEP). Clients will be liable for the financial assistance they've already received when it is reconciled at tax time. Clients may also choose to file a fair hearing.

AHS/DCF Public Input on Improving Service Delivery:

The Governor's Council on Pathways from Poverty, in collaboration with the AHS Secretary and the DCF Commissioner, is seeking public comments on ways the Agency can improve the delivery of services to families with children served by DCF. The hope is that these comments will help deliver AHS recommendations to the Governor.

The public can provide comment by attending a public hearing on August 28th at 6:00 PM and September 5th at 2:00 PM, at any of the 13 Vermont Interactive Television (VIT) sites located around the state, via mail or an online survey.

The public is being asked to consider the following questions:

1. How can DCF better serve Vermont families with children?
2. How can AHS and DCF avoid duplication of administrative functions and fragmentation of services for individuals and families?
3. Do AHS and DCF have the resources needed to be most effective? Are existing resources allocated properly? How could resources be better employed?
4. What is the most efficient use of state resources in serving families? For example, should divisions and/or functions be separate or integrated? How can communication within DCF be improved to better serve families?
5. How can DCF build stronger relationships between the families it serves and staff working with those families? For example, should enforcement capability be separated from day-to-day case management (that is, should sanction or removal powers be exercised by different people within the department)? Would that help or hinder the department?
6. Are there particular laws, rules, or policies that should be changed to improve outcomes for families? If so, what are they?
7. What is the agency or department doing well; are there existing areas of success the agency can and should build on?

Strengthening Families Grant Opportunity:

In April 2014, the Child Development Division (CDD) offered licensed center based programs that provide services to the Child Care Financial Assistance Program (CCFAP) subsidized children, and have achieved four or five stars in Vermont's Step Ahead Recognition System (STARS), an opportunity to apply for targeted funds available in the third round of the Strengthening Families Center competitive grants program, initiated by the DCF in 2010.

Forty two potentially qualified programs applied during this round requesting almost \$3 million dollars in support. Twenty four current grantees and nine new programs will receive proportionate shares of approximately \$1.1 million dollars in available funds which combines Global Commitment Funds with state funds and some Race to the Top -Early Learning Challenge (RTT-ELC) funds used to expand to new programs.

Data collected from participating programs since 2010 indicates that though this grant, some important outcomes have been advanced for children with high needs and their families. Programs are able to provide additional support to families increasing enrollment stability, child attendance and continuity of relationships critical to cognitive, social and emotional development. Families in these programs report a perceived increase in protective factors that strengthen their capacity to support their children's development. Programs report that training in the Strengthening Families Framework has increased staff awareness of families' needs and staff skills in engaging families in positive supportive relationships.

Over the next few years, the CDD will use RTT-ELC funding to partner with Vermont Birth to Three in a public-private partnership to expand this program into Family Child Care Homes in targeted areas of Vermont. A full evaluation of all Strengthening Families program grants will be conducted to assess the impact of this investment on positive outcomes for children and families.

Department of Vermont Health Access (DVHA)

Settlement Discussion with Plaintiffs in Provider Tax Litigation:

On August 6th, Lawrence Miller, Kara Suter and Howard Pallotta participated in settlement discussions with Fletcher Allen Health Care (FAHC) and Vermont Association of Hospitals and Health Systems (VAHHS) regarding a potential settlement of the hospital tax litigation. The parties wanted a prospective change in tax policy, application, or law and agreed to come to the table with a proposal for our next meeting on August 22nd.

Green Mountain Care ID Card:

Between August 1st and August 7th, the DVHA received three separate reports of Medicaid beneficiaries receiving the wrong Green Mountain Care card and/or eligibility notice in the mail. Upon preliminary investigation with the ID Card processing vendor (HP Services), it was determined that the inadvertent disclosures were due to human error stemming from a brief period of time when HP Services staff stuffed envelopes by hand while HP's automated system was down. The Medicaid edibility card processing activity is not a direct operational function of Vermont Health Connect and has been part of HP Services contracted scope of work since January 1, 2004. DVHA has determined the information contained on the ID cards is not Protected Health Information and is of low risk for re-disclosure under the HIPAA privacy law. DVHA is anticipating a full report and corrective action plan from HP Services.

Children's Health Insurance Program (CHIP) funding:

The title XXI Children's Health Insurance Program (CHIP) is authorized through 2019; however, federal funds are only appropriated through FFY 2015. Vermont received enhanced federal match for services to children from 133% to 224% of the federal poverty level. This came to approximately \$8M claimed in federal funds in FFY 2013. States will not receive enhanced federal match if a federal appropriation is not made.

Effective January of 2014, CMS approved Vermont's State Plan Amendment to move CHIP under the Medicaid State Plan. Under expanded Medicaid, Vermont continues to receive enhanced match for CHIP under title XXI. If federal funding is not authorized beyond 2015,

Vermont would have the option to operate CHIP under Global Commitment Waiver at the regular federal match rate.

Moving forward, we continue to monitor federal discussions through CMS correspondence and CHIP state calls and are drafting a letter to congress describing the impacts to Vermont should an appropriation not be made for the CHIP program after 2015. We are also aware there is pending legislation by Senator Jay Rockefeller of West Virginia; the CHIP Extension Act of 2014. The bill would sustain federal funding and make some enhancements to the CHIP program.

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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: August 14, 2014

Subject: ANR Weekly Report

Governor Level Issues:

Lake Champlain Blue-Green Algae Blooms and Toledo: Spurred by the drinking water alert in Toledo, Ohio – which likely resulted from a blue-green algae (cyanobacteria) bloom in Lake Erie – every major media outlet in Vermont covered the significant blue-green algae blooms in St. Alban's and Missisquoi Bays. We are working with the Health Department and public water systems that draw drinking water from Lake Champlain to ensure that the protocol we have in place is working to ensure that toxins associated with blue-green algae blooms are not present in drinking water supplies. While we are confident that our monitoring systems and voluntary efforts by the water system operators are working, we do face the risk of public water supply contamination from blue-green algae toxins any time there is a bloom. We were planning to update our protocol anyway and the situation in Toledo has reinforced the need to pay close attention to this risk. The more significant public policy challenge highlighted by the Toledo, Ohio situation is the need to take stronger action to reduce the amount of polluted runoff reaching the lake and the nutrients like phosphorus that feed the blue-green algae blooms. The attention on this issue in Vermont and nationally as a result of the problems faced by Toledo provides a good opportunity to focus public attention on this challenge.

Berlin Pond: We announced our decision today, denying the Citizens to Protect Berlin Pond Petition to prevent public use of Berlin Pond for fishing, boating and swimming. We approved the City's petition to deny all motorized uses on the pond. Montpelier Rep., Warren Kitzmiller, was a vocal participant in the Citizens group. You should expect to hear from him. I have attached the Q and A sheet we developed to go out with the press release at the end of this document. Please let me know if you need more information.

Lake Champlain TMDL: EPA has provided an informal timeline for finalizing the TMDL. At this point, it appears that they will provide a draft of the TMDL in early November which will be the subject of public hearings later that month. Their target for issuance of a final TMDL is in early 2015. We are pressing them to give us a more concrete timeline.

Vermont Yankee Site Visit: DEC and the Health Department met with Vermont Yankee officials and consultants to discuss decommissioning, decontamination and site restoration. Entergy provided presentations and a site tour that were helpful in adding context for the plan moving forward. The company is, however, wary of public access to documents in the deliberative stages of the project, even as these pertain to assessments of historical, non-radiological contaminants so we anticipate further discussion about this issue. We plan to have regular meetings of this technical group going forward. Entergy is planning to submit drafts of portions of the site assessment report in about a month.

EVERYTHING ELSE:

Press Issues/Releases:

“SamplePalooza”: DEC worked with our counterparts in New Hampshire and Massachusetts, the CT River Watershed Council, and many volunteers to coordinate a one-day water quality testing effort of the entire Connecticut River north of the Connecticut and Massachusetts border. Fifty-five locations covering more than 1,000 river miles across the three states were sampled. The event was very successful, generating all expected samples, and good media coverage from Vermont to Connecticut. Our own LaRosa DEC laboratory is handling analysis of the samples.

First-Time Hunter Seminars: Fish & Wildlife is holding a series of seminars covering the basics to get you started in hunting. Visit Fish & Wildlife’s website and the Hunter Education Course sign-up page and scroll to the Fish & Wildlife Seminars section to learn more about the seminars and to register. All seminars are free and open to the public. No equipment is necessary.

Park Ranger Featured on WCAX: Chuck Woessner, ranger at Knight Island and Woods Island State Parks, was featured in an “Odd Jobs” segment this week on Channel 3. While giving the Channel 3 reporter a tour, Chuck talked about what it’s like to live on Knight Island for the summer and manage the two remote campgrounds, accessible only by boat. The complete story and video can be found at: <http://www.wcax.com/story/26261647/odd-jobs-remote-camping-park-ranger>

Significant Events/Meetings:

Monkton Public Meeting - VELCO and Vermont Gas: Senator Chris Bray moderated a meeting in Monkton that DEC staff attended along with representatives of the Department of Health and the Public Service Department. VELCO also sat at the presenters’ table.

Approximately twenty-five people attended, including Representatives Sharpe and Fisher. The agenda focused on drinking water contamination due to Pentachlorophenol use for utility pole treatment.

Agriculture and Water Quality Grant Proposal: Our pre-proposal application to the US Department of Agriculture for the Regional Conservation Partnership Program (RCPP) was selected to submit a full proposal. The application requested \$20 million over five years to increase implementation of water pollution control practices on farms in the Lake Champlain watershed. Our proposal includes coordination with New York State, and approximately \$32 million of matching funds from multiple partners. The full proposal is due Oct 2. We met with the Governor's staff to brief them on details and discuss workload and coordination.

GAO Conference Call on SRF Programs: Facilities Engineering Division participated in a conference call with the U.S. Government Accountability Office (GAO) to answer questions about the long term sustainability of the Clean Water and Drinking Water State Revolving Funds (SRFs). This review by GAO is in response to a request by the Interior and Related Agencies Subcommittee, Appropriations Committee, U.S. House of Representatives. GAO has been tasked with interviewing a sampling of states - we are the 19th of 21 states to be interviewed. The questions covered the following categories: The State's SRF organizational structure; SRF financial sustainability, goals, and objectives; SRF leveraging strategy; SRF investment strategy; and Federal and State requirements affecting SRF financial sustainability. GAO will release a report in the spring of 2015 summarizing its findings.

SUMMARY OF KEY DEPARTMENT ACTIVITY

Office of Planning and Legal Affairs

Derby Walmart: OPLA staff held a phone conference this week with representatives from Walmart to work on resolving stream buffer issues associated with the Derby site. This is a complex site made more challenging because the consultants initial soil analysis proved to be wrong.

TDI NE Clean Power Link: OPLA held a check-in call with TDI representatives this week to discuss the status of TDI's Lake Champlain study work, including a rare mussel survey and water quality, thermal and magnetic field modelling, which are necessary components of their eventual CPG application. TDI is making progress on all fronts, but shared concern regarding ANR's suggestion that phosphorus separated from lake-bottom sediment and discharged into the Lake during construction could constitute additional phosphorus loading. TDI contends that since the phosphorus is already present in the sediment, albeit not suspended in the water column, it does not represent a new load. OPLA has passed this concern onto DEC technical staff who will follow up with TDI next week.

TDI also informed OPLA that while they still intend to file a Sec. 248 petition with the PSB in Oct or Nov, they are reconsidering when they will file their collateral DEC and Army Corp permits. TDI initially planned to file these permit applications with or before their CPG application, but now realize they may not have a sufficient level of design detail at that time and may file collateral permits later in the process.

Cold River Road Solar (Rutland): On behalf of the Agency, OPLA entered into an MOU with Rutland Renewable Energy for a 2.3 MW solar project in the Town of Rutland (Docket 8188). The MOU contains conditions to ensure protection of various natural resources, including streams, wetlands, water quality, and wildlife habitat. It also contains reporting requirements to assist the Agency with compiling and analyzing GHG impacts.

Green Mountain Power 34.5kV/Gorge #16 Upgrade (Winooski and Colchester): On behalf of the Agency, OPLA entered into an MOU with GMP in Docket 8264 for the rebuild of the 16Y3 transmission line through the Winooski Wetland west of I-89 in Colchester. The MOU contains conditions protective of wetland resources (adherence to construction BMPs, construction timing outside breeding bird season, and containment sleeves for penta-poles) as well as measures to address floodway fringe and FEH issues. The MOU was achieved ahead of the due date established in the docket schedule.

Green Mountain Power WRJ Substation (White River Junction): OPLA represented the Agency at the prehearing conference on August 13th for Docket 8322 – GMP’s White River Junction substation reconstruction / new transmission line project. The hearing officer determined that the application was incomplete because GMP failed to provide information concerning the project’s impact on several of the environmental criteria. The hearing officer also indicated the GMP witness offering testimony of the natural resources issues did not appear to be qualified to do so and that the report (prepared by a resource expert) was needed. GMP was not happy with the delay in the proceedings, but agreed to work toward a mutually agreeable schedule to be filed by the end of next week. Note that Jon Groveman will be putting in a call to GMP attorney to make sure he is aware that both we and the board need environmental experts (rather than their project manager) to provide testimony on the environmental impact issues.

New Applications

Week of Aug 11, OPLA received 2 new Sec. 248 application and 5 new Act 250 applications.

Environmental Conservation

Jay Peak Stormwater Appeal: A large informal discovery request was received relating to Jay that will take some time to fulfill. Discussions continue regarding options for settlement of the appeal filed by VNRC and Vermont Law School relating to the construction and operational stormwater permits.

HBH Prestain: We are working with toxicologists at the Department of Health to resolve an odor nuisance complaint regarding HBH Prestain, a trim and siding coating facility in

Arlington. We identified a problem with the ventilation system in the building which may have been causing the odor issue, and are working in a cooperative fashion with HBH Prestain to resolve the issue. Further monitoring will be required to ensure that the repairs prevent odors in the future.

Open Burning in Hinesburg: We were contacted by the Town of Hinesburg's Health Officer to assist in enforcing against illegal open burning. The Town Health Officer stated that there are frequent issues in town from residents burning refuse and other illegal materials, and that the Town lacks the necessary authority to prevent it from continuing. We worked with the Health Officer to assist the Town in getting authority to issue citations for illegal burning. We also offered resources to aid in investigations into illegal burning in Hinesburg. A recent influx of calls from municipalities requesting assistance in handling open burning violations has caused us to look into illegal burning to evaluate whether we need to increase our regulatory and outreach efforts in this area.

Aeolus Mountain Spa, Manchester: The indirect discharge permit for the Aeolus Mountain Spa was issued following a review of the comments received during the public notice periods, at the public hearing and following the hearing. The project has experienced considerable local opposition in Manchester.

IBM Permit: Waste Management Division completed review of IBM's application to renew its hazardous waste storage/treatment facility permit (the permit addresses both on-site storage/treatment of hazardous waste and RCRA corrective action activities conducted at the Essex Junction site). A draft permit has been prepared, the public comment period for the draft permit is from Aug 8 through Sept 22, and a public hearing is scheduled for Sept 16.

Draft Salvage Yard Rules: Waste Management staff have a draft rule out to the Vermont Auto Recyclers Association and others for informal review. We plan to receive comments into September, review and revise, and begin the formal rulemaking process in mid-late fall. The draft has been through two rounds of internal DEC comments.

Wetlands and Forestry: Watershed Management staff met with FPR staff to discuss topics for a cross-training field workshop this fall. At the meeting the need for a procedure for Class I wetland silvicultural plan approval by Commissioner Snyder was discussed. Under the Wetlands Rule, certain silvicultural activities in wetlands are allowed if conducted in accordance with an approved plan.

Fish & Wildlife

Molly's Falls Hydro Project Update: Staff reviewed and provided comments on a draft ANR letter to the consultants hired by Green Mountain Power (GMP) to conduct studies related to the Molly's Falls hydro project. This facility is owned by GMP and is unlicensed since it pre-dates the Federal Power Act. The operation of this project has long caused frequent and extreme flow fluctuations downstream. GMP would like to make alterations to the spillway at the reservoir and

will need a Certificate of Public Good (CPG) from the Public Service Board and has agreed to conduct supporting studies. However, ANR and GMP have yet to agree on the scope of such studies and slow turnaround from the consultant may mean that the planned schedule will not be met.

Record Number of Alewife: Staff continued to sample alewife and smelt in Lake Champlain. This week's work focused on sampling in the southern main area of Lake Champlain. This included the southern main lake trawling station "Barber Point" which this year had the highest smelt CPUE recorded in over 20 years of sampling.

Successful Trapping of Little Brown Bats: Staff trapped a little brown bat maternity colony at the Sand Bar WMA. Staff added some nets and were able to capture nearly half of the 96 bats in the 6 bat houses. Staff also collected biological samples for genomic/proteomic/microbiome research being conducted by Marianne Moore et al. through a WNS research grant. Staff recaptured 6 banded bats including one that was banded in Manchester in the summer of 2004.

Black Bears: Bear damage complaints remain commonplace but at a much lower level than a few weeks ago. Two more bears were killed on the highways this week. Fortunately, no bears were killed doing damage although complaints of bears getting in several different commercial sweet corn grower's fields may change that going forward.

The Bear in Killington: The Killington bear that was found dead in someone's backyard was determined to have been shot, the bullet has been recovered and a suspect located. The investigation and interviews continue.

Forest, Parks and Recreation

Forester Licensing: Commissioner Snyder attended a public hearing at the Secretary of State's Office of Professional Regulation in Montpelier regarding the recent forester sunrise review, a preliminary assessment of whether foresters should be licensed in Vermont. He is acting as an information resource. Note that the proposal was initiated by a number of legislators. We have not yet taken a position on this issue.

Fact Sheet on Berlin Pond and the Department of Environmental Conservation's Decisions on the City of Montpelier Petition and Citizens to Protect Berlin Pond Petition

Is there a threat to drinking water quality from bacterial or pathogen contamination caused by people canoeing or swimming in Berlin pond?

No. The Montpelier Water Treatment Facility is able to appropriately filter and clean the water from Berlin Pond even with the addition of recreational use. Note that under state and federal law, a surface water source such as Berlin Pond cannot be used for drinking water purposes unless there is filtration and disinfection of the water. Due to the abundance of wildlife in the area, bacterial and viral contamination already exists in Berlin Pond. Recreational uses such as boating, fishing and swimming on the Pond would cause a negligible increase in these contaminants at most.

Are there other surface drinking water sources that allow surface use in Vermont?

Yes, two examples are Lake Champlain, which provides the water that the Champlain Water District (CWD) treats and then supplies to the City of Burlington and other connected municipalities, and Inman Pond which provides Fair Haven with its water.

Is there a threat to drinking water quality from petroleum contamination from ice augers, vehicles or snowmobiles on ice during winter?

Possibly. The Montpelier Water Treatment Facility already uses a carbon activated powder treatment unit with state of the art filters that is capable of removing volatile organic compounds that may be present in the water. However, the unit was not designed with the express intent of removing petroleum products from the raw water. Because of the potential for petroleum contamination, the Department determined that the use and presence of internal combustion motors on Berlin Pond be prohibited.

Is there a threat to the drinking water source from terrorism if pond is more publicly accessible?

No. The Department of Environmental Conservation does not find there is evidence that the recreational use of the pond increases the possibility that the pond will be the target of a terrorist attack.

What kind of surface uses are available in the area?

It is State policy to provide for multiple uses of its navigable waters in a manner that provides for the best interests of the citizens of the State. The Use of Public Waters Rules requires that public waters are managed to provide "an appropriate mix of water-based recreational opportunities on a regional and statewide basis." Berlin Pond is one two large lakes, with a relatively undeveloped

shore, within a 20 mile radius of Montpelier that provides non-motorized use only (the other lake is Kettle Pond in Groton State Forest). A small section of Berlin Pond is visible from Interstate 89, but the majority of the pond provides an attractive, scenic refuge for quiet relaxation, wildlife habitat, and non-motorized recreation that is relatively rare in the area. Berlin Pond's undeveloped shoreline and adjacent wetlands also provide good opportunities for fish and wildlife habitat and wildlife observation, and aesthetic value.

Does the recreational use of Berlin Pond pose a risk from invasive species introduction?

Certainly recreational use can result in the inadvertent introduction of new or invasive species. A prohibition on public use, however, does not guarantee freedom from invasive species. Berlin Pond is itself an example on this, having had a population of Eurasian watermilfoil since 1986, at a time when Pond recreation was prohibited. The Department of Environmental Conservation supports public access to public waters and does not support limiting public access as an invasive species spread prevention strategy. Other less restrictive methods can help to limit or prevent the spread of new invasive species into Berlin Pond. These include access area greeters, signage, and education efforts. The Department will make itself available to work with any user groups to ensure an adequate prevention program is in place at Berlin Pond.

Will the recreational use of Berlin Pond harm the fish and wildlife that live there?

No. The Department of Environmental Conservation recognizes that Berlin Pond and its surrounding wetlands are important natural resources. However, the Department does not find that a complete ban on recreational use is necessary to achieve environmental conservation and preservation. The Use of Public Waters Rules require the Department to manage "use conflicts [using] the least restrictive approach practicable." The Commissioner of the Department of Fish & Wildlife is able to place appropriate fishing limits on the species of fish in Berlin Pond. Additionally, the Agency of Natural Resources (Agency) has declared a "Test Water Designation" of Berlin Pond. This designation allows the Agency to limit takings of fish and gives the Agency time to learn about the existing population in Berlin Pond and determine the best way to manage and sustain the fish populations.

Concern about the loons has been raised. State laws currently protect loons from harassment. Local groups across Vermont participate in loon monitoring, posting of signs and other outreach to make users aware of the need to protect this species and avoid disturbing them. In addition, successful loon nesting pairs are commonly found on lakes throughout Vermont where motorboats, canoes and kayaks are allowed.

Litter and other enforcement issues.

The Department recognizes that enforcement of statutes and rules is the preferred way to prevent littering without unnecessarily prohibiting a normal use of the pond.



Privileged and Confidential

MEMORANDUM

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

From: Darren Springer, Deputy Commissioner

Date: August 14, 2014

Subject: Weekly Report

Governor Level Issues:

Status of Priorities and Cases of Interest:

VGS Phase 2 (Docket 8180): Department sought draft MOU proposal from VGS ahead of meeting scheduled for 8/14. VGS proposal lacks key elements that have been discussed for months, including meaningful biogas program and solar hot water program. MOU proposal also does not adequately address clean energy funding ideas or CPG termination date idea. Department plans to tell VGS to go back to drawing board, and if MOU cannot be agreed to, we will push for these policies as part of our advocacy with Board on this project.

VGS and AARP: As indicated in media notes below, AARP stirred up significant media attention on Department role in not sharing publicly information about VGS cost increases. AARP has also filed a letter with the Board requesting an investigation into VGS's current base rate filing and the parallel request to withdraw money from the System Expansion Fund.

IBM sub-metering: Darren spoke with Dan Tukey of IBM about their ideas for sub-metering

to current and potential future tenants. We are working with them on ways to bill current tenants for their electric use without IBM invoking PSB jurisdiction and having to apply to be treated as utility. As part of conversation about future tenants, which could include heavy-users such as manufacturers, IBM is in talks with GMP to sell some of its infrastructure so GMP can direct bill future tenants for electricity. Our understanding is this would foreclose the possibility of IBM ever expanding its operations on the campus, absent some future infrastructure build-out.

Burlington Telecom: The Board had asked the Department and the City to brief whether the bridge lender, Trey Pecor, will acquire a “controlling interest” in the BT operation as a result of the transaction, requiring him to petition the Board for approval per § 107. The City did not seek § 107 approval in its petition. However the Department’s legal view is that this approval is necessary, however we do not believe any further hearings or process is necessary and that the Board can make its determination based on record as it exists. Following conversations with DRM (representing Burlington) yesterday, their attorneys agreed and our understanding is Burlington City Attorney agrees with this position as well. Department and City filings may differ on the point, but either way it should not slow down the PSB process.

Meetings this Week:

Aug 11 – Darren meeting with Sandia National Labs to discuss solar RTC; Darren joins dinner with GMP, DOE, to discuss battery storage project in Rutland

Aug 12 – Darren attends Stafford Hill Solar Summer event in Rutland

Aug 13 – Darren meets with delegation staff for DOE workshop planning;

Aug 14 – Texas Low Level Radioactive Waste Compact Commission meets in Manchester, VT; Darren attends 5th floor Clean Energy meeting; Darren and Asa meet with VEC to discuss RPS study; PSD meeting with Tom Murray of VGS

Media: Chris speaks with WCAX, VPR, Free Press, AP, Addison Independent on VGS ANGP cost overrun and advance knowledge by PSD; Chris spoke with John Herrick of VTDigger on VGS plans for eminent domain and mediation; several stories on release of public comments draft of the 2014 Vermont Telecommunications Plan and Rutland solar project; Darren speaks with John Herrick of VTDigger on Rutland solar project.

Everything Else:

PERD

NOTE: This weekly report covers division activities from 8/4/14 - 8/8/14, with updates as necessary/possible.

Residential and Commercial Building Energy Standards (RBES & CBES)

- Code Update:
 - Draft language for the Residential and Commercial building energy codes was completed and submitted to ICAR.
 - ICAR hearing held on Monday, August 10th at 2:00. A couple very minor changes were suggested for our rule document text. Changes have been incorporated. ICAR gave the PSD a “gold star” for our public engagement process and said they wished all state Departments/Agencies followed our example.
 - Rule documents are being prepared to file with the Secretary of State, hopefully this week. This will include announcement of the public hearing date and location, which is currently being finalized.
- Commercial Code:
 - Received 1 planning letter from the Division of Fire Safety for follow up.

Energy Efficiency Utility Activities

- Demand Resource Plan (DRP) –
 - Staff met internally and met separately with EVT and BED to continue QPI negotiations. Filing QPI proposals for VEIC and BED is scheduled for August 18.
 - The following performance indicators and minimum performance requirements were discussed and agreed to with EVT as a package. The top four represent a 20% target above the model and an additional 5% for super-stretch. Values below are “targets”.
 - EEC
 - Electricity Savings – 321,800 MWh (28% weight)
 - Total Resource Benefits - \$336M (30% weight)
 - Summer MW – 41 (17% weight)
 - Winter MW – 53 (14% weight)
 - Business Comprehensiveness – Average depth of savings per Business Existing Facilities customer of 11% (5% weight)
 - Market Transformation Res – 42% of 1-4 unit building permits above code (3% weight)
 - Market Transformation – 500 Active EE Partners (3% weight)
 - TEPF
 - Annual Incremental Net Savings – 246,000 MMBTUs
 - Residential Comprehensiveness –
 - Average Air Sealing – 34%
 - > 50% Insulation Added in Projects – 44%
 - Premises with both Shell Measures and Heating System Upgrades – 16%

Industrial Energy Efficiency

- Staff spoke with the executive committee of the state's Regional Development Corporations regarding the energy efficiency portion of the S.220 study requirements. They agreed to help organize a series of three meetings in October and November as part of an "energy listening tour." At each meeting, we would provide a structured opportunity for discussion and comment regarding how to design programs that result in the acquisition of "all reasonably available cost-effective energy efficiency" whether inside or outside of EEU. RDC chairs also indicated that firms would likely wish to address rate design as well.
- Staff spoke (separately) with Patricia Giavara of VMEC and Pierre van der Merwe of EVT regarding collecting information regarding manufacturing energy use and efficiency opportunities. Such information would inform the EE conversation as well as other policy development and design.

Vermont System Planning Committee

- Attended Forecasting Subcommittee meeting where Itron presented its draft statewide load forecast. The forecast, including assumptions for net metering, showed
 - An annual average decline of -0.4% for the first 10 years, with 0.2% average growth over the following 10.
 - Summer peak (50/50) is expected to annually decline -0.2% over the first 10 years, grow by 0.4% annually over the following 10.
 - Winter peak is expected to decline by -0.3% annually over the first 10; then decline by -0.1% annually over the following 10

Thermal Energy Finance Pilot Program

- Met with Vermont State Employees Credit Union on 8/6/14 to review draft grant agreement. VSECU has also agreed to discuss coordinating with Opportunities Credit Union on loan terms and interest rates to provide consistency for potential participants. PSD will be scheduling a meeting with both Credit Unions together to discuss.
- Met with EVT on 8/7/14 to discuss roles regarding marketing of the program, review of projects for eligibility, selection of fuel dealer (s) for on-bill pilot, and roll-out of program. Spent most of the time discussing the implementation options. EVT suggests rolling out program through both the HPwES contractors as well as fuel dealers due to potential confusing messaging to customers and that contractors will be upset if they are left out of the program unless they go through fuel dealers. Discussed the option to launch first with fuel dealers for heating system only replacements and then expanding to other HPwES contractors in January. PSD needs to have internal discussions to decide on an approach. EVT confirmed that they can do most/to all of the marketing but need to find out exactly what this would entail. They will get back to us with more information.

Engineering

VY Hosts Intra-Agency Workshop on Decommissioning

On Wednesday, August 6, representatives from the State Agency for Natural Resources, the

Agency for Human Services, the Department of Health, and the State Nuclear Engineer met with Entergy officials and engineers who are currently planning VY's decommissioning to discuss the status of Post-Shutdown Decommissioning Activities Report (required by the Nuclear Regulatory Commission) and the VY Site Assessment required as part of VY's Shutdown Settlement Agreement with the State. The meeting provided a general overview of what information would be provided in both reports along with a very tentative timeline for the formal delivery of these reports to the NRC and the State. Formal delivery of the PSDAR and the Site Assessment is currently expected in early November. However, Entergy expects that some preliminary sections of the reports will be available for comment in October or even late September. It is anticipated that similar meetings between Entergy and the several State agencies / departments will now occur monthly.

CNG facilities proposed, Swanton VT, PSB D8303

The Vermont Public Service Department Gas Engineer, in conjunction with the Division of Fire Safety, is reviewing a proposal for a Compressed Natural Gas Facility to be sited in Swanton VT. The company, Energtek, has provided property lay-outs for a site adjacent to the Vermont Gas System transmission pipeline, and conceptual descriptions to supply natural gas from the pipeline to remote customers. Energtek has not submitted design drawings or specifications for the Swanton facilities nor for the equipment which will reside at customer sites.

2014 Vermont Gas Systems Addison Transmission Pipeline Construction

The Department utilized a contract Gas Pipeline Inspector to provide site inspections of the Vermont Gas System Inc., Addison Natural Gas Pipeline (ANGP) Project, during this report period. Inspections included a partial review of designs and specifications (related to current installation activity) available to the personnel which VGS has retained to construct the pipeline facilities. On-site observations of these activities included boring/drilling for road crossings, pipe welding, pipe coating and pipe condition assessments in Williston, VT. Approximately 2200 feet of pipeline have been installed.

State Preparedness Report/Core Capability: Public and Private Resources

Engineering participated in a meeting held this week by DEMHS to continue the ongoing process to review the 2013 Threat and Hazard Identification and Risk Assessment (THIRA)/Capability Estimation (CE)/State Preparedness Report (SPR) for this core capability and update it for 2014. This review is part of a process required by FEMA in its evaluation of the operations of the State Emergency Operations Center (SEOC).

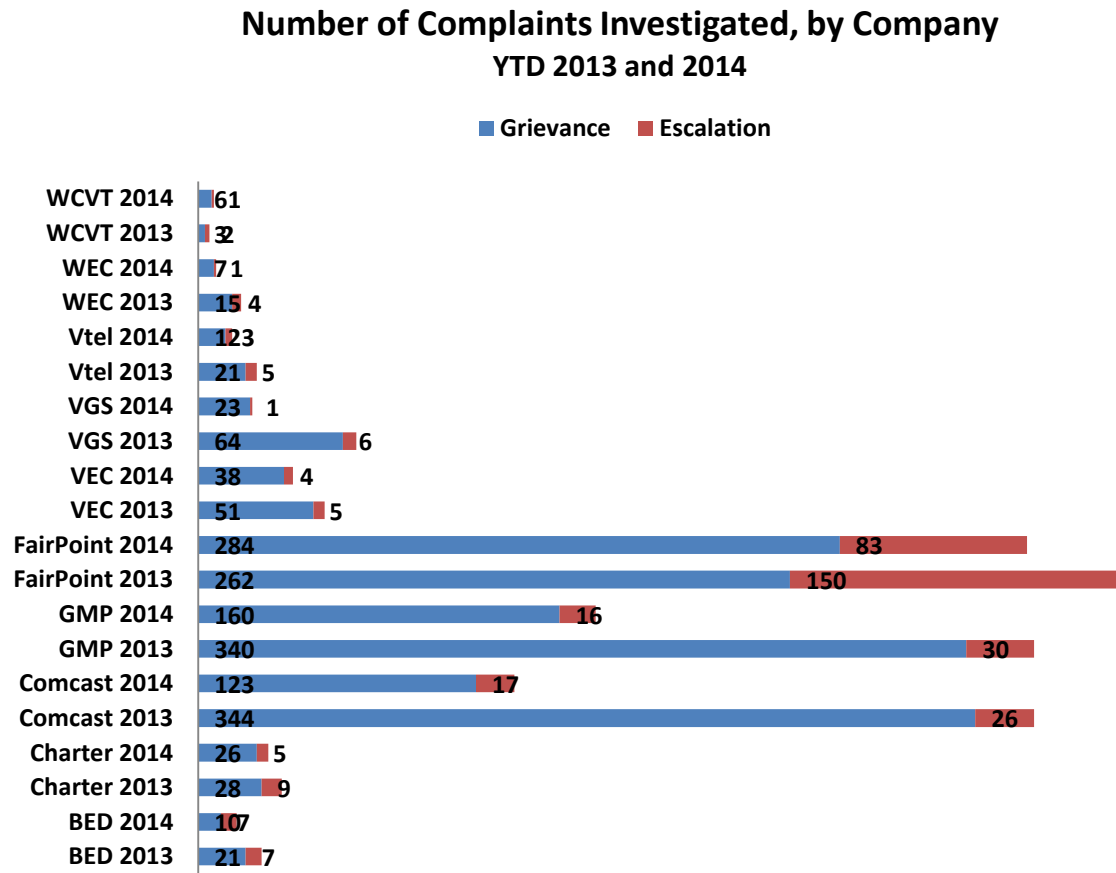
Weekly Summary of Underground Damage Prevention Activities

* Underground Facility Damage Reports (UFDR) received:	2
* Notice of Probable Violations (NOPV) issued:	6
* NOPV Agreed to by Violator and paid to PSB:	0
* NOPV Challenged by Violator and requesting a hearing:	0
* PSB Orders issued:	0

CAPI

Please note that this report covers activity from Sunday to Saturday, August 3 -9, 2014.

CALL DATA



CONSUMER COMPLAINTS

Complaint topics included, but were not limited to:

- (12) FairPoint service restoration
- (1) Lifeline credit removed by FairPoint
- (10) Payment arrangements
- (1) Length of time for natural gas service initiation
- (2) Comcast quality of service

OTHER DIVISION ACTIVITY

FairPoint:

- CAPI continues to receive complaints regarding one and two week delays in service restoration.

- Regarding the issue of FairPoint billing increased rates for basic service without following proper notice procedures, FairPoint has agreed to pay interest on the over-collected charges. They are crediting individual consumers the actual amount of the increased charges billed, but interest on those amounts would amount to less than \$0.01 per customer, so FairPoint is instead paying the total amount of the interest (\$268.98) as a donation to Vermont 211 (United Way).

Charter CPG renewal:

- CAPI attended public hearings for the Charter CPG renewal in Barre and Concord, and reviewed the transcript from the hearing held through Vermont Interactive Television. Community members attended the hearings and expressed support of the local AMOs and spoke about the value that they bring to the communities.
- Testimony in the case will be submitted by the Department on 8/14/14.
- MOU discussions with Charter and Vermont Access Network continue.
- CAPI responded to a request by WCAX for Charter complaint data

Public Advocacy

Rule 4.100 Winooski One Proceeding – Docket No. 8010 – On August 7, the Department filed proposed avoided cost rates pursuant to Rule 4.104(E). The filing provides levelized and non-levelized avoided cost rates over a number of time periods. The Department urged the Board to allow for a reasonable period for other parties to comment on the Department’s proposal or to propose rates of their own. After that period, the Department suggested that the Board hold a hearing to discuss the proposal and any comments. The Department recommended that these procedures would be adequate and would work well to get avoided cost rates in place in short order. The Department stated that a full evidentiary hearing would not be necessary or appropriate. The purpose of these procedural recommendations is to provide a roadmap for a quick and efficient process that does not become mired in litigation and that limits the number of avoided cost rate requests that need to be addressed prior to Board approval of avoided cost rates.

GMP – Load Response Tariff – Tariff No. 8519 – GMP has filed a tariff rider that establishes a load response pilot program for C&I customers in GMP’s territory. The purpose of the program is to allow large customers to share in savings from voluntary load reductions during peak hours. The Department is currently reviewing the tariff and anticipates filing a positive recommendation on August 14.

GMP – 3rd Quarter 2014 Power Adjustor – Tariff No. 8521 – GMP’s 3Q power adjustor results in an approx. \$3.6 million credit back to ratepayers. GMP is proposing to flow \$2.2 million back to ratepayers in this quarter (thereby offsetting the quarterly storm surcharge in its entirety). GMP proposes to retain the remaining approx. \$1.3 million for a year to offset next year’s storm surcharges. Although a recommendation from the Department is not due until Sept. 15, the Department and GMP have already met once to discuss issues that have arisen in previous

power adjustor filings. One significant issue is the proper accounting treatment of regulatory expenses associated with GMP power supply resources (primarily Kingdom Wind). The meeting was productive and both parties aim to reach a mutually agreeable resolution well in advance of the Department's recommendation deadline.

Swanton – Proposed 7.42 Percent Rate Increase – Tariff No. 8518 – Swanton has proposed a 7.42% rate increase to be effective September 1. The Department finance staff has been working closely with Swanton to review the filing and has currently reached informal agreement to reduce the proposed rate increase to approx. 6%. While some issues remain outstanding, the present expectation is to recommend approval of this reduced rate increase in the Department's recommendation, which is due on August 14.

Investigation into Use of Poles Treated with Pentachlorophenol – Docket 8310 – In preparation for the August 14th prehearing conference, the PSD, ANR, DEC and the Dept. of AG joined a conference call during which ANR recommended that an environmental consulting firm should be hired to study soil contamination around poles in Vermont. The PSD has also conferred with counsel for the utilities, who claims there are a number of credible studies that can be relied on to work toward best management practices. PSD is urging our sister agencies to avoid leaping to the conclusion that the delay and expense of a Vermont-specific study is necessary, and to make that decision after reviewing existing information.

Addison Expansion—Docket 7970 – On August 18, Vermont Gas is scheduled to file responses to the comments of Monkton and certain landowners on the Soil Management Plan VGS has presented to the Board. ANR has advised Vermont Gas that it will not consent to a lifting of the construction stay in the VELCO ROW until the validation testing is complete and the Board has approved the SMP. The Commissioner and staff attended a town meeting in Monkton on August 7 at the request of Senator Bray to discuss construction and the penta poles issue. ANR, VELCO and the Health Department also attended. It was well attended and the level of mistrust remains quite high. Vermont Gas filed its responsive brief with the Supreme Court in the Palmer appeal. The Department did not file a brief. The issue of capital cost increases-both the amount and the timing of notification- continues to receive much negative publicity.

Condemnations-counsel for VGS has advised that, as of now, negotiations have failed and they are ready to proceed with condemnation on 7 parcels located in Williston, St. George and Hinesburg. Petitions are to be delivered to the Board on August 13. The company has announced publicly that it will fund a separate mediation process for any interested landowner with whom negotiations have failed and the eminent domain process has begun.

Addison Expansion Phase 2—Docket 8180- The Department is finalizing discovery requests on VGS's rebuttal testimony; these will be filed on August 14. The Department will meet with VGS on August 14 to discuss MOU provisions and rate recovery/system expansion fund issues, among other items. AARP has filed a letter with the Board requesting an investigation into VGS's current base rate filing and the parallel request to withdraw money from the System Expansion Fund.

Champlain Valley Solar – Docket 8248 – The technical hearing has been scheduled for August 26th.

Charter Hill Solar Project – Docket 8212 – The Petitioner has prepared a consensus Proposal for Decision, in lieu of a MOU. The Petitioner is including language in the PFD confirming that the fence erected at the site “will comply with all applicable NESC or NEC standards.” The parties are discussing potential dates for a technical hearing.

Charter Cable CPG Renewal – Docket 7820 - The Department will be filing its prefiled testimony on August 14th. The Department will commence settlement discussions with Charter and VAN after testimony is completed.

GMP 16Y3 Distribution Line Upgrade – Docket 8264 – The Department is reviewing Petitioner’s proposed MOU. The Department has not identified any significant issues of concern. A technical hearing will be held on September 15th.

PSB Draft Standards and Procedures Regarding Special Contracts and Notice-Only Special Contracts – no docket – The Board has requested comments from the Department by August 15th. Public Advocacy is working with the Telecom and Finance divisions to determine whether the procedure proposed by the Board meets the Department’s needs.

Appointment of a Natural Gas Energy Efficiency Utility - Docket 7676 – Parties conferred one more time to discuss language for a draft Order of Appointment (OoA) document. 8/18 is the filing deadline for OoA proposals. PSD may elect to file its comments after the fact on the 9/2 comment deadline date.

Use of electric energy efficiency charge funds to reduce the use of fossil fuels – Docket 8311 – The Board opened this new proceeding to determine whether electric EEC funds should be used to support technologies that reduce fossil fuels, but increase electric consumption such as air source heat pumps. A prehearing conference is now set for 9/4/14 and PSD staff will confer in advance of that time to preview issues likely to arise in the docket.

Demand Resource Plan Proceeding EEU 2013-01 – PSD, BED and VEIC will be able to submit a joint consensus filing on 8/18/14. PSD staff are working on a draft.

Investigation into definition of Stakeholder- EEU 2014-04– The Board opened an investigation on the proper mechanism to address complaints from Trade Allies under the Process and Administration document. Initial response to a series of Board questions was filed by VEIC on 8/8/14, with PSD concurrence. VEIC, BED and the PSD are collaborating on filing protocols for handling such complaints and have proposed an alternative schedule to give parties time to do so.

PSD Rule Filings – The Department of Public Service filed Rule Amendments for the Residential and Commercial Building Energy Standards were filed with the Interagency Committee on

Administrative Rules on 8/6/14 presented on 8/11/14. The Rules were then filed with the Secretary of State on 8/13/14 with a Public Hearing scheduled on 9/19/14 with the goal of presenting the rules to the Legislative Committee on Administrative Rules on 10/16/14.

Vermont Water Utilities Petition for Proposed Rate Increase – Tariff 8517 – The PSD held a conference call with the petitioner in order to better understand the petitioner’s filing and to offer assistance with correcting inaccuracies in the methodology. Given a looming PSD recommendation due date and to allow additional time to work toward resolution, the petitioner filed a letter with the PSB requesting the proposed rate increase be delayed from September 1st until October 1st. The PSD recommendation will now be due on or about September 15th.

GMP White River Junction Substation Project – Docket 8322 – The PSD participated in the prehearing conference. The majority of the discussion focused on the incompleteness of the filing since the environmental report is not due to be filed until September 22nd. GMP asserted that ANR was contacted back in April to discuss this matter and that ANR did not respond until very recently.

Willoughby Water – No Docket – The customers held a meeting during which they contacted the PSD with numerous questions. The customers would like the requested temporary rate to go into effect. Therefore, the PSD has recommended the PSB approve the temporary rate.

Barton Solar – Docket 8148 – The Menards filed a letter with the PSB stating that the petitioner has violated a condition of its CPG because it has done more work than adding gravel to the driveway by digging, adding road fabric and widening it. The PSD plans to contact the petitioner to understand its position.

Hardwick Electric & Hill Farmstead Dispute – No Docket – Hardwick and Hill Farmstead Brewery have had an ongoing dispute about upgrades to the system that are needed to accommodate Hill Farmstead Brewery operations. The Department met with Hardwick on July 24 and Hardwick thereafter supplied additional information to the Department. Hill has separately supplied information to the Department on its projected loads. A meeting has been set for August 21 between Hardwick, Hill and the Department to attempt to resolve this matter.

Finance and Economics

Electric

Stowe Electric Department – Staff has begun a review of SED’s 108 petition to borrow \$420,000 to purchase member units of Transco. Our recommendation is due August 14.

Swanton –Tariff Filing 8518: requesting a rate increase of 7.42% or \$490,499, to take effect September 1, 2014. This increase is primarily attributable to increased depreciation and changes in power supply costs driven by the effects of expiring power contracts and fluctuations in the price of wholesale energy. Staff reviewed the filing and identified

adjustments totaling \$90,125 that will reduce the rate increase to 6.06% or \$400,374. Swanton has agreed to the adjustments. PSD recommendation is due August 14, 2014.

Gas

VGS 2014/2015 Base Rate Filing – The Company filed its ‘preliminary’ cost of service on June 30, 2014 (was due on June 27) for the 2014/2015 rate year. Its final cost of service is scheduled to be filed on August 28. The preliminary filing is requesting a 2.34% or \$2,007,874 rate increase. The Department continues its review of the filing; has had teleconference discussions with VGS staff on the filing; and, has issued two rounds of discovery. Open issues include the use of money from the expansion fund and potentially known and measurable issues associated with it proposed rate base additions. AARP has filed a request with the PSB to open an investigation or prohibit the use of the expansion fund until the expansion project is completed. Our recommendation on the August 28 filing is due on September 26, 2104.

Vermont Gas Systems – Began a review of the Vermont Gas Special Contract (SC) to provide interruptible gas service to Agri-Mark. Under the SC VGS will sell CNG to Agri-Mark which will be transported and delivered by NG Advantage. The SC is scheduled to terminate upon completion of VGS’s phase I expansion to Middlebury. Potential issue is the need for a ‘special contract rate’ as opposed to a tariffed rate.

Water

Vermont Water Utilities –Tariff Filing 8517: for a 46% rate increase. On August 6, VWU submitted a revised cost of service to include additional costs to meet requirements from a recent Sanitary Survey, and a few other changes, which has raised the proposed rate increased to 63%. There are potential flaws in the case pertaining to depreciation and the rate base/return calculation, and more information is needed to continue. Staff has developed a tentative recommendation to open an investigation, and is awaiting more information. Staff had a telephone conference with VWU to discuss its filings. VWU sent a letter to the PSB requesting the proposed rate change be moved from September 1 to October 1, 2014 to allow more time for any other revisions.

Vermont Water Utilities: S.108 filing seeking authorization to borrow \$55,000 from the State drinking water fund. During a review of the filing, VWU indicated that it plans to make a short term bridge loan of \$35,000 for which VWU believed it did not need Board approval. Staff questioned this and VWU now agrees that approval is needed for the bridge loan and has submitted a separate S. 108 filing for that loan. Staff also requested and received additional documentation pertaining to the projects that are to be financed. Staff is writing up recommendation that the loan should be authorized without further hearings or investigation.

Vermont Water Utilities: S.108 filing for Short Term Financing of \$35K, filed August 11, 2014. This loan is a bridge loan, as the State drinking water fund loan proceeds are only dispersed after the work has been completed. Staff is reviewing and writing up Recommendation.

Woodstock Aqueduct – Rate Increase Filing: Staff is reviewing the financials and working on

adjusting its spreadsheet format to assist in preparing the utility for a rate increase petition.

Telecommunications

2014 Telecom Plan – The PSD has released the 2014 telecom plan public comments draft. Public Hearings are scheduled in Barre, Burlington, Brattleboro and Rutland during the week of August 25. An additional public hearing will be scheduled in St. Johnsbury or Newport for the following week. We have made a request for a joint legislative hearing yet no date has been established. It is our intention to have the final plan adopted as close to September 1 as possible which is the statutory deadline.

VTel Battery Issue with its Fiber Network – VTel has completed its build-out of fiber to the home in its telephone service territory. In the event of a power outage, customers are provided with a battery that offers approximately 8 hours of life, however, if the power lasts beyond 8 hours the customer loses service. This has been an issue with cable providers who offer voice service, but in the instance of VTel, as an ILEC with a duty to provide service, the issue is more complicated. The Board has requested guidance as to how to deal with a customer complaint regarding the limited amount of service available during power outages and the Department has recommended that the Board open an investigation. While we have yet to develop a position, the solution may be as simple as requiring VTel to offer extra batteries for sale to its customers. There is a possibility, though remote, that VTel will assert that its voice service, provided over fiber, is beyond the jurisdiction of the state. Should this happen the investigation would become substantially more complicated.

Act 190 comments to the Board – The PSD submitted comments in response to a Board request on issues relating to the operation of the High Cost Fund enacted by Act 190. The PSD offered recommendations on how to identify areas that should be eligible for support, and how it could ensure that projects are not competitive overbuilds of existing wired telecommunications services.

Charter CPG Renewal – PSD telecom staff prepared testimony on issues relating to the Charter CPG, including two key recommendations. First, PSD staff recommends the removal of a condition in the current CPG authorizing Charter to file its cable route map confidentially. Second PSD staff recommends that the Board include a condition to address remote origination for PEG access. PSD staff is still negotiating language on this issue with the parties and will file supplemental testimony on the issue when it is available.

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
8/11/2014	AT&T/Dover/ request for determination of non-	Before construction has started AT&T sought to replace approved antennas and equipment with

	substantial change	similar antennas and equipment. DPS recommended a determination of non-substantial change.
8/11/2014	VTel/Halifax-02 on Old County Road/response to Town and public comments	In response to concerns about collapse of proposed 90' monopole, DPS reiterated engineering design standards and again recommended approval. VTel has agreed to design the pole to fold into itself, not topple, in the unlikely event of collapse.
8/12/2014	VTel/Hartford (Quechee)/response to abutters' and neighbors' comments	In response to abutters' and neighbors' concerns about 90' monopole effects on aesthetics, property values, health effects, co-location, and existing coverage, DPS explained the Town's and Region's support for the project and VTel's mitigation measures and determined the comments did not raise a significant issue under the § 248a(c) criteria.

Regional Policy

New England Governors' Infrastructure Initiative

- States met on August 7 to discuss next steps now that the Massachusetts clean energy bill failed. Massachusetts stated that it does not support moving forward on the gas pipeline or electric transmission tariff filing at FERC until after it has completed a study that examines the possibility of addressing the gas pipeline constraints through increased energy efficiency and demand response. Massachusetts expects that study will not be complete for several months.
- Connecticut would like to issue an RFP for hydro and/or Class I renewables fairly quickly. Under this approach, there would be no state support for the costs of transmission; the entities purchasing hydro or Class I renewables would be paying the full costs. With respect to hydro resources, Connecticut is going to explore the possibility of firming delivery over the Phase II DC line from HydroQuebec to Massachusetts.
- Maine staff anticipates that Governor LePage will not respond favorably to the initiative



State of Vermont
Department of Public Safety
103 South Main Street
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www.dps.state.vt.us

To: The Honorable Peter Shumlin
From: Keith Flynn, Commissioner of Public Safety
Date: August 14, 2014
Subject: Weekly Report

Vermont State Police

A Troop

FF

24 total arrests, 10 DUI

Arrested a female as a fugitive from justice after she provided a false name during a motor vehicle stop.

VCR on Keith Baird at NWRCF who is charged in the O'Hagan Homicide, he had made contact with a prohibited individual.

Untimely, 44 year old male, Richford, possible OD.

Assist on investigatory stop with Uniform Division Middlesex, embezzlement solved, subject signed up as a CI with NIU.

Child abuse case, Middlesex

Assist Uniform Division, Middlesex with possible stolen vehicle case

Untimely, Swanton, 61 year old male with chest pain, natural

NUSI- 27 year old female alleging sex assault by ex-husband 8 years ago

10-50 no injury taken by Det. Trooper Patno

WCSIU- Moretown, L&L involving three juvenile boys

WCSIU- Assist Waterbury PD with Domestic/Fraud/Sex Assault case

WCSIU- Molestation case involving 13/3 year old boys

Untimely, Waitsfield, 64 year old female found lying on floor of her home, suspected heart attack, natural.

Untimely, South Hero, 86 year old female collapsed on her bed, history of heart disease, natural.

Multiple SOR compliance photos done

Fire Safety

Issues / Updates:

The Division received \$8.7 Million in new plan review construction valuation collecting \$45,000.00 in permit fee revenue.

The report on the structural collapse of the salt shed in Williston is near completion it appears the contractor failed to install proper bracing while construction the truss system. We are waiting to review some photographs and video which was taken during construction.

We are starting the initial work on the fire safety calendar project which is always an excellent public education campaign.

Representative Don Turned called me (Director Deroscher) the other day and asked why we were cutting two fire marshal positions up in his area. I explained we were not cutting positions and explained the freeze on hiring which he was well aware of. He stated he would end the rumor by contacting whomever it was that contacted him.

Vermont State Police

B Troop

12 total arrests, 2 DUI

Female picked up on a fugitive from justice out of California.

Continued follow up with Newport Stabbing death investigation. Christian Cornelius is still wanted for an unrelated incident and communicating with Sgt. Annis but refusing to turn himself in. He is also unhappy that his cell phone hasn't been returned to him since it was seized. AG's office and Orleans County SA have the case for review (SA requested AG to review also)

C Troop

Due to recent collision, citizens' complaints, and observed behavior, Troopers will conduct traffic enforcement on Rt. 22A. Troopers conducted 11 directed patrols and issued 6 tickets.

Tpr. investigated a bullying/assault case which occurred in Eden, VT at a Boy Scout camp.

Tpr. investigated a sexual assault; suspect was having sex with a mentally disabled female.

Nine accidents were investigated last week by Shaftsbury Troopers.

Untimely death investigation Poultney: Natural due to cardiac event assisted by autoerotic methods used by decedent, 79 yr old male who lived alone and had previously suffered a heart attack

Untimely death investigation Wallingford: Suicide- self-inflicted gunshot to the head- 66 yr old female suffering and being treated for deep depression

D Troop

Stopped a vehicle on I91 in Westminster and arrested one on an outstanding warrant; crack cocaine was located.

138 car stops, zero fatalities, zero injury accidents

Two juvenile citations served on 12 year old and 16 year old juveniles involved in the Athens Burglary. Probable cause was found on the 12 year old for being involved in 1 burglary, the 16 year is charged with 4 burglaries and a warrant sought for the 20 year old offender involved in 4 burglaries, he is said to be in Tennessee at this time.

Agency Assist 10 Vernon Street in Brattleboro. Brattleboro PD was dealing with a male subject on the train tracks that was suicidal. Subject taken into custody without any issues.

Arrested male subject for excessive speed and negligent operation in the construction zone during AOT time.

Missing juveniles from Granville camp, both found after tracking efforts-Boston and NYC

Barre City Fire #1 - Fire originally reported to State Police on Sunday as suspicious. Fire department officials later changed their opinion, as to the cause of the fire, and deemed it to be accidental. State Police informed their presence no longer required. Later follow up revealed their original suspicions to be warranted, and they again called

the State Police for assistance. State Police arson investigators arrived on scene and were able to definitely conclude the fire was caused by incendiary measures. Criminal matter presently being handled by the Barre City Police Department.

Barre City Fire #2 - Chief Bombardier requested a fire investigation at an unoccupied building with no power. The investigation process was slow because an excavator had to be brought into take down portions of the roof and building that were in risk of collapse. The basement also had to be pumped out and thousands of gallons of water removed. It was determined the fire was intentionally set in a stairway. Barre city PD is the lead on the case.

Sgt. Lamothe met with the two sons of the victim from the fatal fire investigation in St. Albans in order to answer some of the questions they had to how the fire started.

Department Emergency Management/Homeland Security

Issues/Updates:

PDA site visits in Windham and Windsor County were completed. Eligible damages in Windham County appear not meet the county threshold. Damages in Windsor County exceed the county threshold, but overall statewide damages may be falling short of meeting the \$1 million threshold. The PA team is reviewing details with FEMA and requesting a return site visit to view additionally discovered damage in Chester before accepting final PDA numbers. However, the final numbers may fall just short of supporting a declaration request.

American Red Cross Executive Director Larry Crist met with the Planning Chief and Director late last week to discuss major changes coming to the organization. ARC National is consolidating some of the regions and this includes VT and NH. Both states will now be combined under the leadership of NH. This is an important development as the mission of ARC in NH is very different then in VT. The primary difference is sheltering is not done by the ARC in NH as it is in VT. DEMHS will be asking for a meeting with NH-ARC.

Legislative Contacts:

Provided additional info to staff from Senator Leahy's office regarding status of Roxbury Fish Hatchery Project Worksheet.

Provided an update to Congressman Welch's office regarding status of Codes and Standards and HMGP applications. The congressional delegation intends to write a coordinated letter to FEMA regarding the status of these matters (as well as Bennington and Roxbury Fish Hatchery) to coincide with the 3rd anniversary of Tropical Storm Irene.



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Jeb Spaulding, Secretary

**PRIVILEGED AND CONFIDENTIAL
MEMORANDUM TO THE GOVERNOR**

TO: Governor Peter Shumlin

FROM: Secretary Jeb Spaulding

DATE: August 14, 2014

SUBJECT: Confidential Report to the Governor

BUILDINGS AND GENERAL RESOURCES

Of Interest to 5th Floor from BGS Directors:

Just Arrived at Surplus Property in Waterbury via Korea: Thanks to the Federal Surplus Property Program and assistance from the National Association of State Agencies for Surplus Property (NASASP) The State of Vermont was able to acquire this KMS Renegade Fire Pumper, decommissioned by DOD from a US military base in Gimcheon, Korea. Vermont made a case for having it come to our state and prevailed. A number of Vermont communities have already expressed interest in acquiring this vehicle. The vehicle is perfect for use in Vermont's rural communities. This is a four wheel drive fire truck with low hours of operation and a book value of \$200,000. Federal Surplus Property acquisitions such as this one and many others over the past few years have helped a number of Vermont communities avoid the need to invest hundreds of thousands of dollars in taxpayer dollars. We are delighted to have received this valuable asset and are aggressively seeking more of the same and other heavy equipment and federal inventory that can be put to use in Vermont cities and towns for many years ahead.

Berlin – VT Psychiatric Care Hospital New Construction: Facility is operational with the second unit beginning to be occupied with patients. A few issues remain to be remedied including, but not limited to, window operation, curtain wall window cleaning, kitchenette door operation, and unit entry door security/safety concerns. We are addressing and pricing remedies/solutions.

Montpelier:

- **109 State St - 5th Floor Windows:** Exterior work is in progress. They have received permission to work during the day. EF Wall is putting together a price for repair and painting the upper and lower cornice and woodwork around the sign.
- **110 State St - Front Entry Porch:** Construction will begin on 9/8/14 to have Walker Construction shore up the gable porch roof, remove the 4 fluted columns (to be stripped off site), and rebuild/restore the column bases.

Randolph - Vermont Veterans Memorial Cemetery Master Plan: The College is now reconsidering swapping 2.55 acres of agricultural land for the existing 3.5 acres of VVMC land near the Fire Station for the new Welcome Center. The grant pre-application has been submitted. The Certification of State Matching Architectural and Engineering Funds to Qualify for Group 1 on the Priority List of the Dept. of Veterans' Affairs is due by 8/15/14. Collectively, the two certifications will indicate that we are prepared to fund the 10% (minimum) of A/E fees for CD for this \$4.5M project.

New Health Lab: Construction is proceeding fairly well. PCC was looking to begin punch list review next week. The Certificate of Occupancy inspection is scheduled for August 25, 2014. And the CDC Select Agent inspection is scheduled for October 16, 2014. Functional Checks for commissioning will begin August 18th and continue for the next 4 weeks with the completion of the failure scenario operational checks. Training for maintenance staff begins Monday, August 18th.

Act 135 – Smoking: Smoking committee meetings have been occurring in Montpelier regarding the implementation of Act 135. The 133 State Street Smoking Committee has asked the question of building “outdoor smoking structures”. Act 135 does not expressly bar construction of non-enclosed structures on State property for use as a designated smoking area. In addition, the Statewide Policy does not talk about structures in the context of constructing structures as designated smoking. Based on testimony and BGS expectations building outdoor smoking structures to support designated smoking areas it is not the intent to build outdoor smoking structures. All structures within the Capitol Complex would need to be reviewed and approved by the Capitol Complex Commission; no money budgeted for this type expenditure and past practice all types of this request have been denied.

Significant Events/Meetings:

AOT OPS Space Needs: BGS is evaluating current space inventory to assist in accommodating their immediate needs; which include relocation needs for District 6 and traffic research located at the Knapp Airport in Berlin. Discussed long term needs for TOC/EOC and potential relocation and consolidated space. AOT & EOC are reviewing budgets to determine if they have available funds to conduct a feasibility study for long term needs. (Attendees included: Joe Flynn, Scott Rogers and Alex Portalupi, Wanda Minoli, Bill Laferriere, Bob Rea and Joe Aja).

AG/ANR Lab: All reports were sent to both the Senate Institutions Committee and the House Corrections and Institutions Committee on Monday. The reports were also posted on the Legislative home page as required by Act 178, Section 33.

Exit 7 Info Center: Commissioner met with Wayne Lamberton to discuss terms of an agreement for designation of the planned Maplewood facility at Exit 7 in Berlin as a state-sanctioned “Vermont Travel Information Center.” Negotiations are ongoing for terms of the agreement. Finalization of the agreement is anticipated in the fall.

St. Albans New SOB: We received the final rate calculation for the lease. The lease rate calculates to \$19.12/sf, one penny less than the amount stated in the executed lease. Based on 46,029 sf, annual rent will be \$880,074.48 in year 1.

FINANCE AND MANAGEMENT

A cash flow projection for all projects funded with this year's capital bill has been requested from the departments with the funding. Responses are due back in Finance and Management by August 31st. This information will help determine how much debt we should issue later this fall during our annual bond sale.

Commissioner Reardon and Secretary Spaulding delivered the FY 2015 rescission plan to the Joint Fiscal Committee on Monday, August 11th. After a public hearing on August 12th, the JFC rejected the original plan and requested a few changes to the Governor's original plan. The Administration concurred and the final plan was approved by the JFC on August 13, 2014.

As of the morning of August 14, 2014, the food fight fund has received \$169,046.64 in donations from 1,145 individuals/organizations. Chipotle has indicated that they will be sending a donation.

HEALTH CARE REFORM

Issue Updates:

Green Mountain Care Planning: The HCR Team is making progress with the new contracting team on data collection necessary for modeling. The two major decisions we will need to finalize by the end of September are benefit design for GMC primary and how we are handling secondary coverage – especially for those on Medicare. We are making good progress on these two fronts. Our second meeting with the Governor this week will provide us with the feedback needed to proceed.

We are also working on prescription drug coverage. The tricky issue here is how to align drug lists in the most cost-effective way. The Medicaid rebates for brand name drugs reduce costs tremendously for that population, but drive the list toward newer brand name drugs. This makes the brands cheaper than generics, but only for the Medicaid population. So, generally, a list which promotes generics tends to include safer drugs at low cost. This is further complicated by the Part D rules.

Robin & Devon had a preliminary meeting with Al Gobeille to talk about timing and approach for bringing the benefits to the GMCB. We wanted to make sure that our approach of bringing multiple plans to the GMCB made sense to him and that he agreed we should meet in small groups with GMCB members to ensure that we've briefed them and gotten their questions and ideas for how to approach the meetings in advance.

Tom Boyd is working with Gartner to come up with a method for how we might contract with one or more private insurers (hopefully for no cost) prior to January in order to have a group of potential private partners for GMC identified when we go into the legislature in January. Tom is also working on identifying the specific functions to contract out.

Michael Costa at VBSR (8/13). VBSR formed a health care financing subcommittee to examine the eventual Green Mountain Care financing plan. The group held its first meeting Wednesday, and Michael

made a presentation that tried to familiarize the committee with all the decision points within the finance plan. Approximately 25 people attended, including Reps. Kesha Ram, Kate Webb, and Joanna Cole. The crowd was lively and engaged on Green Mountain Care, but they still spent considerable time during the Q&A complaining about Vermont Health Connect. Most people coupled their complaints with praise for Lawrence's candor about the ongoing problems at Vermont Health Connect.

Michael and the Tax Department staff have made progress on tax reform during the past week.

- Staff has identified two final income tax models to consider giving Jon Gruber to incorporate into his overall Green Mountain Care modeling. One model pushes Vermont's top tax rate down from 8.95% to a flat 6.5%. The other pushes Vermont's top tax rate down from 8.95% to a flat 6.75%. Mary Peterson and Michael will discuss these two models with the Business Advisory Council to gain their input.
- Michael and tax staff are inching closer to a sales tax reform/corporate tax reform proposal to be presented to the Governor in September. Staff has identified three concepts and is working to turn them into workable models.
- One last note. Michael asked the Tax Department to create the table below to illustrate why the State may want to consider changing its corporate income tax structure. While there were more than 8,000 C Corporation tax filers in 2012, the top 5 taxpayers paid 33% of all corporate income taxes. The top 20 taxpayers paid nearly half of all corporate income taxes. The narrowness of the corporate tax base and the volatility of corporate tax revenue provide significant motivation to identify possible corporate income tax reform scenarios.

	Posted 2012
Top 5	33%
Top 10	38%
Top 20	48%

SIM Update: The SIM Core Team met this week and approved a new project budget that describes the spending plan through October 2017. The Core Team also discussed their timeline for the next round of sub-grant awards. The plan is to announce awardees by the end of October. Harry Chen is now a member of the Core Team although he was not able to attend the meeting this week. The SIM Team hosted both the Population Health Work Group and the Care Models and Care Management Work Group this week and both groups continued their planning work. Each of these groups will have products due for approval in mid-Autumn.

Other Significant Meetings:

- School reps on health care reform (8/11): Met with Nicole Mace, VSBA and Laura Soares, VSBIT to discuss their observations about the impacts of health care reform on school districts and to learn our perspective on how public school employees fit into the transition to a single payer system in Vermont. This is a continuation of previous conversations to exchange information.
- Leadership Team meeting (8/12) – Anya, Robin, Al and Mark met for a couple of hours to do a deeper dive on coordinating zones. A clear area of tension is around operations. Both Al and Anya are very concerned about the details of the operational planning, so it was good to identify this as an issue. Al's preference is to contract out most everything, so it was good to talk about potential

federal issues with certain functions (e.g. CMS will only interact with a state and will not interact with a private entity) and also to talk about the fact that the state remains responsible for the public monies, so there has to be accountability for contractors with whom we are spending \$2 billion in tax payer money.

- Single Payer strategy for public employees (8/13) – Robin & Michael met with HR, Jeb, Lawrence and Michael Clasen to talk about the potential issues with the state employee plan and state/teacher retirees and brief them on the current status of the work we have been doing on cost impacts related to employees. Jeb suggested that we do additional homework, but that our best approach would be to leave the details to bargaining.

HUMAN RESOURCES

Press Contacts:

- Morgan True, VT Digger – Director Schwartz answered various questions about the employee medical plan. Questions arose after a Pew report was published regarding State Employee Health Plan Spending. The Pew report is being reviewed in detail by DHR staff.
- Bridget Shanahan, WPTZ – Director Schwartz answered various questions about employees being charged copays (incorrectly) from Express Scripts. DHR has been actively working with Express Scripts this week to rectify the problem.
- FY14 annual employee salary data was provided to various requestors as well as DII open data personnel.

Evolving Issues:

- DHR is receiving many questions regarding the temporary employee maximum hours guidance. Guidance and a shell memo have been developed and reviewed. Director Paulger will be distributing to appointing authorities later this week.
- VSEA submitted class action RFRs for the Public Safety Forensic Chemists – the RFRs cover approximately 15 employees. DHR should be able to implement once the reviews are done, since these are relatively small job classes. The budget impact will not be 1% of the department's wage and salary portion of the budget.
- Workforce Expansion project continues. A review of supervisory training curriculum from several other states is underway. The lease process with Vermont College of Fine Arts is progressing. Rebranding efforts with the Chief Marketing Officer have begun. Position descriptions have been finalized and posting should take place later this week. An initial kick off meeting with key stakeholders is scheduled for next week.

INFORMATION AND INNOVATION

Status of Governor's Priorities:

Healthcare:

- The Optum transition efforts continue to progress. This work is again in a fire fighting mode as scope of transition is broad and critical. Optum is being positioned to be Tier 2 application maintenance and operations in place of CGI as well as take over development

efforts around the Health Service Enterprise Platform and Vermont Health Connect. The Vermont Enterprise Architecture Framework (VEAF) that was wrapped around all HSE/HSEP projects is proving critical in bring Optum up to speed and align with SOV needs.

- Knowledge transfer sessions with Optum will start to commence in the next several weeks. There are approximately 75 sessions covering everything from business flow to technical design. This will consume the majority of both SOV EA staff as well as EA Staff augmentation vendors but will be critical in the effective transition from CGI.
- CGI Tier 1 services that cover infrastructure management will continue to be engaged to manage the physical/virtual servers and data centers that the Health Service Platform is deployed on. Initial meeting with Mark Larson/Lawrence Miller has been scheduled to start negotiations for an amendment to the current CGI contract to more specifically address only these Tier 1 services.
- Indicators are that the current strategy to get Change of Circumstance (CoC) in place using the latest code release from CGI is unlikely to succeed and that we may need to go with a fallback plan to integrate limited CoC functionality into the production code release instead. This will likely result in less CoC functionality being automated (a lot would remain manual) by open enrollment.

ITOP/SOV private Cloud: The SOV private cloud migration (iTop) has progressed with the near completion of Judiciary and ANR. The majority of systems have been migrated out of the 133 state data center at this point with only several systems remaining.

Significant Events/Meetings:

- Richard met with Secretary Markowitz, Deputy Secretary Johnson, and Deputy Secretary Michael Clasen this week to discuss support for Enterprise Content Management (ECM) in ANR and across state government. DII was authorized two new positions by the Legislature for FY15 to help move the state forward in this area. Recruitment is underway for an enterprise architect and a project manager. Richard explained that we would not be providing application specific support with these two positions, but that they could help through coordination, planning and designing of content management requirements. We will use ANR and AHS progress in ECM as a springboard for statewide efforts.

Evolving Issues:

- New Optum users are slamming the service desk with calls. They are very unorganized and don't have a lot of info when they call – like not providing a call-back number. We are working with AHS to get it straightened out.
- We are working with Agency Deputy Secretaries to create an Information Technology Advisory Board (ITAB). The ITAB formalizes a relationship between Agency executives and those technology leaders responsible for an enterprise support strategy. The environment we hope to create is one of common vision and understanding of the big things that would benefit everyone, i.e. those initiatives we should be defining and working on together. ITAB success would drive better citizen experiences and engagement and streamlined government operations.

LIBRARIES

No report.

TAXES

Legislative Update:

Top 100 List: The Department continues to work on publication of the Top 100 delinquent individual and corporate taxpayers (booked for \$800,000). The first step has been to pull and scrub lists of delinquent payers – a task considerably complicated and slowed by the fact that unreliable data is pulled from our clunkiest legacy system (Oracle ETM). Our compliance staff is currently completing a manual review of delinquent lists (for example, to determine if the billing relates to a closed business or a case in appeal). The next steps are a press release to remind the public that we are compiling the lists (target date Sept 1), then a soft letter to a wide group “you owe the tax department and may find yourself on this list” (target date Sept 1-Oct 1), a hard registered letter to roughly 150 taxpayers “you likely will be on this list” (target date Oct 1- Nov 1), publish list (target Dec 1 – Jan 1).

Ed Finance: The Department will have an observer at the municipality conference on education finance being held today. The Commissioner spoke with Bob Rusten, currently Burlington’s administrative officer, on the VLCT Board, and speaking at today’s conference. He explained that the meeting was organized by Kevin Dorn, together with other mayors, and basically the idea is to explain the ed finance system and brainstorm possible problems/solutions. Bob says VLCT is on the same page – trying to figure out whether it will take a stand on ed finance, and what it would be. In the meantime, the Commissioner met with the Secretary of AOE on this topic, and will be meeting together with Aly next week to map out coordination of next steps.

Advisory Boards: Since our advisory boards have been so successful, we are looking to increase membership particularly on the general board (as opposed to the practitioner board). John Killacky, Executive Director, Flynn Center for the Performing Arts and Stuart Comstock-Gay, President & CEO, The Vermont Community Foundation are already set to join (no doubt worried about elimination of the charitable deduction, but we’ll take them) and we would welcome other referrals (we currently need a retailer, other sectors welcome).

Cloud: We have only received a couple comments on our draft regulation in advance of our meeting with businesses and ACCD next week. Rep. Cross reports that Cairn Cross maintains that cloud continues to be a very hot topic of contention in the entrepreneurial world, and that Rep. Ancel remains an ardent supporter.

Estate Tax: Andrew Maclean contacted the Commissioner, and we are coordinating a meeting on next steps to advance estate tax reform – he wants to include Ernie Pomerleau and Mark Langan. We discussed in general terms that a bunch of tax reform may be on the table, which will provide the opportunity for flexibility in estate tax reform.

Municipal Garages: We are coordinating a meeting to advance legislation to exempt municipal garages with Deac and Steve Jeffrey, and Noelle.

AIG Litigation – Unitary Combined Reporting for Corporate Income Tax: The Superior Court reversed the Department’s denial of a large refund request by AIG, and we need to decide whether to appeal by month’s end. The Department issued a determination denying AIG’s request for a refund (over \$850,000) on corporate income tax. AIG initially filed a unitary return for Stowe ski area (tax is on the VT affiliate’s proportional share of the unitary US income), but then claimed a refund on the basis of an amended return showing that the Stowe was not part of the unitary group (tax is solely on the VT entity’s income results). The Hearing Officer, with the Commissioner’s concurrence, found evidence that the ski area was part of the unitary group – AIG does have a real estate management portfolio, there was some management interaction, there were loan terms that did not appear arm’s length, and some marketing connections. Judge Toor did not dispute the Department’s statement of the legal standard, but found insufficient evidence that Stowe was part of the unitary group as opposed to a passive investment by AIG. The Commissioner and Sarah London are meeting with the AG’s office next week – they think an appeal is warranted on the facts. The downside is that facially the case is weak (local ski area unrelated to core financial services of the multinational conglomerate). It is not an ideal first test case for the constitutional limits of our relatively new unitary scheme. The Department is at risk of appearing to overreach, both in the taxpayer friendly local press, and in national tax circles where corporate taxation is a hot button, sexy issue. The true quandary is that quite a bit of money is at stake, both in this case and the precedent – favorable or unfavorable – that it sets. We will present a recommendation to the Secretary next week.

CONFIDENTIAL MEMORANDUM TO GOV. PETER SHUMLIN

From: Susan Spaulding
Date: August 14, 2014
RE: Boards and Commissions Update

NOTES:

VEDA: Liz Bankowski suggests Tammy Richards be appointed. Tammy is married to Mark Richard's son Drew. Her husband is among those who put together the Brook House development. Her family is on vacation. Liz will contact her and when they return.

Appointments Made 8/12/2014

Harry Chen, MD – Acting Secretary, Agency of Human Services

Tracy Dolan – Acting Commissioner, Department of Health

Appointments Made 8/6/2014

Standing Committee for Adult Mental Health:

APPOINTED: Christina Malaika Puffer, Brattleboro

APPOINTED: Uli Schygulla, North Ferrisburgh

Standards Board for Professional Educators:

APPOINTED: Donald Tinney, South Hero (Teacher)

REAPPOINTED: Steven John, Marlboro (Administrator)

REAPPOINTED: Luisa Millington, Shaftsbury (Teacher)

REAPPOINTED: Claudine Bedell, Alburgh (Private Higher Ed)

Governor's Criminal Justice and Substance Abuse Cabinet:

APPOINTED: TJ Donovan, Jr., South Burlington (CO-CHAIR)

APPOINTED: Tom Huebner, Rutland (CO-CHAIR)

APPOINTED: Patrick Flood, Woodbury (Community and Fam Services Organization)

APPOINTED: Amelia Silver, Pownal (Community and Family Services Organization)

Vermont Center for Geographic Information:

REAPPOINTED: Peter Telep, Jr., Waitsfield – (State Geologist)

Governor's Council on Employment of People with Disabilities:

REAPPOINTED: Stacey Carmody, Rutland

REAPPOINTED: Shirley Katz, Williston

REAPPOINTED: Christopher Loso, So. Burlington & Maryland

REAPPOINTED: Jeremy Metcalf, Milton

Pesticide Advisory Council:

APPOINTED: Casey Darrow, Putney (Commercial Ag)

Interagency Coordinating Council for Families, Infants & Toddlers:

APPOINTED: Amanda Cookson, Craftsbury

APPOINTED: Danielle Howes, Fayston

Vermont Economic Development Authority:

REAPPOINTED: John Snow, Charlotte

Apprenticeship Council:

REAPPOINTED: Jeffery Wright, Wolcott (Employer Rep)

Community High School of Vermont:

APPOINTED: Daniel Alcorn, Rutland City

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To: Governor Peter Shumlin
From: Michael J. Hogan, Commissioner of Liquor Control
Date: August 14, 2014
Re: Weekly Report

Status of Governor's Priorities:

Working on ideas for the FY16 budget and what are the expected needs of the Department as we continue to grow our business.

Legislative Issues/Contacts/Updates:

- Looking at potential issues for the upcoming session. I don't see many on the alcohol side with maybe some small fixes.

Press Issues/Releases/Contacts: Nothing now.

Significant Events/Meetings: Next Board Meeting 09/03/2014 - Enforcement Hearings.
Staffing for Champlain Valley Fair and Booth set up.

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.
- Performance Audit underway. Report hopefully in August-September.
- Planning an alcohol symposium for early December for policy makers, licensees, and industry partners.
- Working with VIC on break open ticket reporting process. Prototype has been developed. Working with Tax and should roll out this reporting process in January 2015.

Summary of Key Department Activity:

- Working on a Pilot Program to help the Department increase its business and eliminate some of the impediments to future business growth.
- Trying to foster some partnerships with big out of state distillers so that they can find ways to work with our instate distillers in a market that is bursting at the seams.

Commissioner's Commentary:

Have a great weekend.