

WEEKLY REPORTS

Checklist
6/21/2013

Elizabeth Miller/Aly Richards

- Agency of Commerce and Community Development – Lawrence Miller
- Department of Labor – Annie Noonan
- Department of Financial Regulation – Susan Donegan
- Agency of Education – Armando Vilaseca
- VT Commission on Lottery – Greg Smith (**Greg out of town-nothing to report**)

Louis Porter/Drusilla Roessle

- Agency of Transportation – Brian Searles
- Agency of Human Services – Doug Racine

Sue Allen/Leigh Appleby

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

Sarah London/Carolyn Wesley

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

Susan Spaulding

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

Other

- Irene Recovery Office

To: Governor Peter Shumlin
From: Lawrence Miller, Secretary - Agency of Commerce and Community Development
Date: June 21, 2013
Re: Weekly Report

The New England Office of the U.S. Environmental Protection Agency (EPA) has selected Kiersten Bourgeois to receive an Environmental Merit Award in recognition of exceptional work and commitment to the environment in 2012. EPA's Environmental Merit Award is an annual award that recognizes outstanding environmental advocates who have made significant contributions toward preserving and protecting our natural resources. She was nominated by EPA employees, Diane Kelley and Frank Gardner.

The Vermont Council on Rural Development held a community forum on the future of the Kingdom in Orleans on Saturday. Secretary Miller was among the panelists, and used the opportunity to present NVDA with their freshly awarded CDBG planning grant. Also in attendance from ACCD were: Lucy, Lars, Claudia, and intern William Goodenough. Breakout session topics included education, housing, tourism, and the working landscape.

Rural Edge, the affordable housing development organization serving the kingdom will take the lead in working with NVD, ACCD and others on creating a region-wide housing needs assessment.

Clean Energy Finance Summit: More than 125 experts in the energy finance arena joined Governor Shumlin, Senator Sanders and Congressman Welch at the University of Vermont for a day long working session on expanding the financing for clean energy investments. This event cosponsored by Senator Sanders, Governor Shumlin and the Energy Action Network resulted in several actions that will help Vermont reach its goal of providing 90% of its energy needs with renewable sources by 2050. Some of those steps include the development of a savings guarantee program to be offered by energy service providers and community support networks and the development of on-bill payments so that utility customers will be able pay in monthly installments the costs for their energy efficiency and renewable energy installations.

Transcanada Hydroelectric Re-Licensing, Connecticut River: Scott attended a Study Plan meeting with Transcanada to discuss plans for cultural resource investigations for the re-licensing of the Vernon, Bellows Falls, and Wilder projects. The meeting included Federal Energy Regulatory Commission and New Hampshire regulatory archaeologists, as well as Transcanada's archaeological consultants by phone. Based on the discussion, it is clear that there is a substantial gap between Transcanada and the regulatory bodies concerning the scope-of-work required to properly address cultural resources. More meetings will be scheduled in the coming weeks to resolve these issues.

Waterbury Office Complex Archaeology: Archaeological work for the new office building footprint was completed by using a backhoe to expose buried sediments followed by test pit excavation to sample the exposed areas. No evidence of Native American activity was found and FEMA was able to sign-off on the second set of building demolitions that were tied to the Section 106 clearance of the new office building construction. Additional archeological work will take place later in the summer for utility alignments and other planned infrastructure.

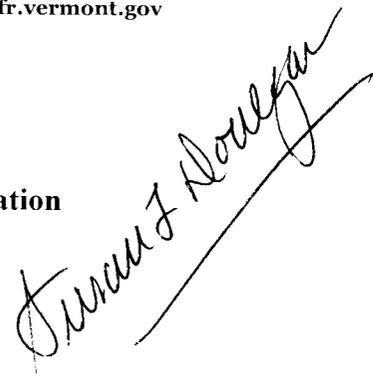
Grafton, Turner Hill WMA: The dedication ceremony for the new Turner Hill Wildlife Management Area in Grafton is on Sunday, June 23, from 11:00 AM - 2:00 PM. Commissioner MacKay will speak briefly about the project and the preservation of the Daisy Turner Family Farmstead, and Devin will lead a tour of the farmstead's cultural resources.

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CONFIDENTIAL and PRIVILEGED

To: Governor Peter Shumlin
From: Susan L. Donegan, Commissioner, Department of Financial Regulation
Date: June 21, 2013
Re: Weekly Report



Status of Governor's Priorities:

As part of DFR's effort to meet goals set forth in the Administration's Strategic Plan, renovations are under way to enhance security and workspaces. The security challenges at City Center are derived from the building's use as a public space with restaurants on the ground floor and access to the parking garage from all floors. DFR rents the entire second floor and part of the third floor. New security locks, which will require state ID badges be swiped for access, are being installed on all DFR doors. The entrance on the third floor (administrative and commissioner's offices) will be the main entry point for the public and visitors must be escorted by DFR personnel at all times while in the office. DFR wants to continue meeting its obligation to be accessible to the public but recent encounters with unruly members of the public have highlighted the need for greater protections for employees. In addition to security locks, renovations on the second floor have created a new space that will be used to meet with consumers. Since the Insurance Division receives the most consumer traffic, this new room is placed next to the insurance division entrance on the second floor and is configured to prevent the public from having direct access to the inner offices while continuing to provide a private meeting area. Finally, several existing offices have been converted into small conference rooms and "plug and play" desk areas. These renovations are in response to new space needs that accommodate the kind of work styles that information technology has prompted (i.e., teleworkers and examination staff who are in the office sporadically and smaller collaborative working groups with video conferencing needs).

Insurance Division:

Commissioner Donegan has announced that Crosby Sherman will join the DFR team as deputy commissioner of the Insurance Division beginning July 8. Sherman is leaving his job as chief of captive insurance for the New Jersey Division of Insurance to return home to Vermont. He grew up in St. Johnsbury, graduated from St. Johnsbury Academy and the University of Vermont. He was an insurance examiner at DFR in the 1980s. His father, Joe Sherman served in the Vermont State Legislature from 1996-2000.



Other notes:

From June 26 to July 6, Commissioner Donegan will be out of the country on vacation. Delegation of authority will be divided between Deputy Commissioner of Captives David Provost and Deputy Commissioner of Banking and Securities Tom Candon. The commissioner will be available by phone (personal cell phone is 508-685-8414). From June 26 to July 2 the time change will be 7 hours ahead of the east coast (Athens). From July 3 to 5, the time change is 6 hours ahead of the east coast (Amsterdam). July 6 is a travel day back to the U.S. and Vermont; e-mail will be limited.



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**CONFIDENTIAL AND PRIVILEGED: NO SHARING
MEMORANDUM**

TO: Governor Shumlin
FROM: Armando Vilaseca, Secretary
SUBJECT: Agency of Education (AOE)
DATE: June 21, 2013

Press Releases: We are working on several press releases covering the topics of summer learning, EQS and the expansion of free school lunch to include former reduced-lunch recipients. There has not been much publicity around Vermont being the first state to pass a budget for “free school lunch” and we think this is good news that really should be shared, so we are working to get the word out there.

Battenkill Valley Supervisory Union (BVSU): This evening, Vaughn Altemus and I will travel to Arlington to attend a special community meeting with Karen Gallese, Superintendent, the BVSU School Board, Arlington School Board and Sandgate School Board and lead a discussion on school district consolidation.

Vermont Adult Learning: On Thursday evening I traveled to Colchester where I was the guest speaker at a graduation for 50 adult students who received their secondary credential from the High School Completion Program, the Vermont Adult Diploma Program or the GED program and also included some students who received their certificate of completion from our English language program. It was great to celebrate this achievement with them and they were very appreciative of getting a chance to share their stories with me.

Teacher of the Year (TOY) Program: We are reviewing applications at present and then will be scheduling interviews and meeting with the SBE on August 20th. The naming will take place on October 15, following classroom visits.

Make VT Home: Public Information Officer, Angela Ross, is moving forward with marketing Vermont Education panels at rest stops and visitor centers throughout the state. She is working with Kathy Murphy, Chief Marketing Officer, to keep messaging consistent in the “Make VT Home” campaign.

Project SEARCH: A task force has been created to explore the launching of a Vermont Project SEARCH site in the Fall of 2014. Project SEARCH is a high school transition program for youth with developmental disabilities and it is a unique, business-led, one-year, school-to-work program.

Vermont is planning to launch the first site in the fall of 2014 and outreach has started to find a good site candidate. In addition to AOE, the VT taskforce includes representation from the Division of Disability and Aging Services, Division of Vocational Rehabilitation, a Specialized Service Agency (Lincoln Street), and Creative Workforce Solutions. More information can be found here: http://education.vermont.gov/new/html/pgm_sped/policy/transition.html

SBE: The SBE will be meeting on June 25th at Stowehof Inn. Action items include Battenkill Valley SU study report and recommendation and waiver request (board composition) for Chittenden South SU Board. The SBE will also be voting on the initiation of rulemaking for the Education Quality Standards. You can read the commission's recommendation by clicking here: <http://goo.gl/jimvI>.

Education - Join the Conversation: This month we recorded two roundtable discussions since we will be taking the month of July off. This week's focus was on the Governor's Institutes of Vermont (GIV) and several representatives from the GIV joined me: Karen Taylor-Mitchell, Executive Director; Elizabeth Frascoia, Arts Institute Director; Chapin Bryce, Engineering Institute Faculty and Graduate; and Eliza Putnam, Current Issues & Youth Activism Graduate. This was our 10th episode.



Executive Privilege

TO: Governor Peter Shumlin
FROM: Secretary Brian R. Searles
DATE: Friday, June 21, 2013
SUBJECT: VTrans - Confidential Report to the Governor

NOTES FOR GPS

Additional T-Fund Revenues

This year's T-Bill moved the audit responsibilities to DMV for Gasoline/Diesel tax reports. The new DMV Audit Tax Compliance Division has discovered that cleanup fund fees and infrastructure fees were being discounted on the 1% distributor's allowance and that is not required. The correction of this error will result in an additional \$400,000 to the T-Fund annually.

O'Brien Development, Shelburne Road

You may hear from Patrick O'Brien of South Burlington who is the developer of a piece of property that was previously part of the Rice Lumber lot on Shelburne Road in Shelburne. The property is on the recently reconstructed part of Shelburne Road which has an Access Plan, approved as part of the construction, and from which Mr. O'Brien wants to deviate by adding an additional access point. We are not issuing a 19 V.S.A., Sec. 1111 access permit. You could hear from Mr. O'Brien or Jim Carroll of Rice Lumber, neither of whom is happy with us. The denial is well-supported by the evidence and the situation will be much safer with all traffic using the existing access point at a traffic signal.

Greetings from Albania

Spent some time with Peter Clavelle in Albania last week and he wanted me to be sure to tell you that he and Betsy send their best wishes. Peter's governance project is an interesting element of what is happening in this emerging democracy.

FAA Determination Positive for Energy Plan near Hartness Airport

Our Aviation folks have helped the North Springfield Sustainable Energy Project by assisting with an application to the FAA for a *Determination of No Hazard to Air Navigation* for a wood chip cogeneration plant near the airport. Last week the FAA

issued a positive finding to the great pleasure of the developers who have communicated to me that this project will mean jobs for the region and more traffic for the airport.

NOTES FOR STAFF

2011 Storm Work Review

Here is further evidence that Irene and other storms before and since still required a great deal of work by our Agency. Finance and Administration staff are currently engaged in a close review of temporary work vs. permanent work accomplished after the first 180 days to ensure that the appropriate federal %, (100 vs. 80) is being applied.

In the case of Irene, the damages were large enough to have nearly doubled the annual transportation program and so FHWA has determined that all stages of a project within the event should be reviewed in detail to ensure that the ER funds are properly managed. This review will include the initial damage reports (DDIR), the initial federal authorization, the type of funds applied, all project modifications, reimbursal documents from FHWA, all supporting documentation and close-out information. All of this, of course, is in addition to the normal workload of that division of VTrans.

Affirmative Action Update

Under the leadership of Deputy Secretary Minter and Commissioner Duffy, VTrans and DHR are close to enacting the agreements necessary to address deficiencies in the plan that have developed over the past few years. This excellent work and collaboration will not only correct the problems and yield better results for our recruiting and retention of minorities but will strengthen the relationship between VTrans and DHR.

Strategic Planning

We will be holding a day-long Executive Staff Retreat next week (6/27/13) to focus on our Strategic Plan update and ongoing Agency needs and improvements. We intend to focus on themes of Performance Measurement, Innovation and Customer Service.

Operations Activity

While summertime attention is rightly on the execution of the Capital Program across the state, it is important as a reminder that the maintenance folks are very busy with work that can only be done at this time of year. Activities from now until the snow flies include patching and leveling of paved surfaces, cutting brush, ditching, culvert inspections, bridge washing, sign maintenance, salt shed construction, painting, sweeping bike routes, processing access permits, consulting with towns on various projects, removing problematic beaver dams and garage maintenance, among other things. They don't need snow to stay busy.

Privileged and Confidential
Memorandum

To: Peter E. Shumlin, Governor
From: Douglas A. Racine, Secretary of Human Services
Re: AHS Weekly Report
Date: June 21, 2013

Vermont Department of Health (VDH)

Bedbugs update:

The VDH continues to be actively involved in the investigation of the alleged application of a banned pesticide in a Rutland home by AAA Pest Control. The sampling within the house show levels of the banned compound that is of a magnitude above what the US Environmental Protection Agency (EPA) has previously observed during misuse. The Department is currently calculating what level of this compound would allow for re-occupancy. On June 20th, VDH staff met with attorneys from the Attorney General's Office (AGO), Ken Schatz, General Counsel for AHS, and personnel from the Agency of Agriculture, to share information, establish a common chronology, and discuss next steps. On the same day, the VDH had a conference call with the Agency of Agriculture and the AGO to discuss appropriate roles for external communications.

On June 19th, the Agency of Agriculture withdrew AAA's applicator and company license. The Agency of Agriculture is currently reviewing a work plan submitted by a company that proposes to clean the house.

Department of Mental Health (DMH)

Press Coverage on Middlesex Secure Residential Open House:

On June 18th, the Open House for the Middlesex Secure Residential Facility drew coverage from several media outlets and was quite positive. The Burlington Free Press covered the Mental Health Oversight Committee activities and ongoing legislative concerns for the potential Brattleboro Retreat de-certification for Medicare and Medicaid services.

Mental Health Oversight Committee:

The Mental Health Oversight Committee met on June 20th. Areas of ongoing interest/concern that emerged:

Children – The committee (Rep. Pugh in particular) feels it has not focused sufficiently on the children's mental health system, high end children's needs, acute hospitalization needs, and emergency room waits. More interest in these areas will follow during the summer months.

Involuntary Emergency Procedures Rules:

Rules were drafted for LCAR following a long stakeholder input process. While Act 79 identified the need to provide the "same rights and protections" to involuntarily hospitalized patients as was available at the former Vermont State Hospital (VSH) (premised on a 1984 Doe vs. Miller agreement), hospitals want to operate in accordance with current Joint Commission on Accreditation of Healthcare Organization (JCAHO) and the Centers for Medicare and Medicaid

Services (CMS) requirements. The point of contention is who is “qualified” to observe and order an involuntary procedure. At the VSH, only a physician was qualified, and had to personally observe patients for orders per the 1984 agreement, but currently CMS and JCAHO now recognize specially trained RN’s and other levels of licensed independent practitioners (Certified Nurse Specialist and Physician Assistants) to observe and order procedures. A 24/7 physician presence also carries a cost implication for the hospitals. Disagreement remains between advocates and hospitals on these qualification discrepancies. More discussion will follow this summer.

Middlesex Secure Residential:

Opened on June 19th and currently has two individuals in residence.

Designated Hospitals:

Incoming Commissioner Paul Dupre and Interim Commissioner Reed met with leadership at the Brattleboro Retreat to better understand their long-term intent to continue to serve a Level I population. The Retreat’s CEO provided a broad overview of all services provided by the Retreat for adults and children, citing that 60% of their services are provided to Vermont residents. While the Retreat’s CEO voices an ongoing commitment to work with the State, other members of the leadership team, including the Medical Director, expressed concern for the inability to actively treat patients who await court-ordered medications. The Retreat identifies that several of the CMS concerns directly relate to the legal processes inhibiting active treatment and the use of emergency interventions that afford a safer care environment and mitigate potential injuries for patients and staff. Increased length of stay and inability to provide timely discharge options, both bi-products of inability to treat patients, are also concerns. Additionally, union personnel express strong concern for safety at the Retreat and are pressing the administration to curtail admissions of patients who are or may become violent. DMH’s Quality Management Director remains involved with the Retreat and its approved plan of correction by CMS on a regular basis.

Services contacts at Brattleboro Retreat and Rutland Regional Medical Center (RRMC) are being extended for a three month period given the transition of Commissioners and the current uncertainty of CMS certification at Brattleboro Retreat. Both services contracts require considerable revision given the “lessons learned” over the course of the initial contract life. Both facilities are agreeable to this interim resolution.

Community Issues:

There have been two teen suicides in recent weeks and one recent attempted suicide, all in the Hartford area.

There have been linkages established between at least two of the individuals. Concern for possible “contagion” is being addressed by local crisis programs and school-based mental health clinicians. Health Care and Rehabilitation Services (HCRS) is the Designated Agency involved and is in close communication with DMH’s Children’s Mental Health Director. Support resources are in place and will be increased as needed to provide an effective response.

Department of Disabilities, Aging and Independent Living (DAIL)

Vermont Veterans Home (VVH) Re-Certification Survey:

CMS’ Boston Regional Office (under the new leadership of Daniel Kristol) unexpectedly denied our state survey unit’s request for a follow-up visit to VVH pending Boston’s closer scrutiny of

all previous deficiency statements and plans of correction. We are concerned but believe this is a temporary setback. The state survey unit has been directed to actively advocate for the survey visit, sooner rather than later. Commissioner Wehry recommends against any other intervention until we have exhausted our remedies.

Because it is a hospital, permission does not need to be requested for Brattleboro Retreat. If not back in compliance, The Retreat's decertification date is August 15th; the Vets Home decertification date is August 26th.

APS Settlement:

Plaintiffs, their attorneys, DAIL and our attorneys met last week to bring this case to closure. An additional meeting has been scheduled for next week. It is unlikely that this will be resolved through settlement.

DAIL posts collective bargaining petition at request of Vermont Labor Relations Board (VLRB):

Tim Noonan with VLRB requested one (1) list of all independent direct support providers in alphabetical order, who did work within the last 180 days; i.e. the list should include only those employees who actually worked during the period as opposed to being paid during the period. The Board also requested the Petition for Election of Collective Bargaining Representatives be posted. The petition was posted to both the DAIL and ARIS websites on June 12th.

Department of Corrections (DOC)

Chittenden County Rapid Arraignment (CCRA):

The DOC currently has \$110,000 appropriated for the support of the CCRA program. State's Attorney TJ Donovan has requested an additional \$50,000 in 2014 to support and expand the program. Through conversations, we have agreed to support this program for one more year.

Separately, Lamoille and Windsor counties have expressed an interest in starting similar programs. Commissioner Pallito has communicated that these programs should combine into one budget request to be evaluated for the SFY 2015 budget cycle, including direct appropriations to the State's Attorneys from the Legislature.

Council of State Governments (CSG):

The CSG is publishing an article regarding their work with Vermont and the DOC on putting together a dashboard of indicators that the Corrections Oversight Committee can use to monitor the Department's progress. The CSG is citing this as a model for other states.

Mayor Louras:

Mayor Louras has contacted Commissioner Pallito to discuss the current Dismas House program in Rutland. The Mayor is concerned regarding some recent evictions from the program for drug use. The DOC is working with Dismas to make sure the program is monitored 24 hours per day.

Springfield Area Drug Sweep

On June 19th, Operation Precision Valley conducted an arrest sweep in Springfield targeting 36 defendants for the distribution and sale of illicit drugs, along with several other criminal offenses. Three of the 36 were on Community Supervision: 1 on Work Crew, 1 on Probation, 1 on Parole.

Population:

- The average incarcerated population for the previous week was 2071; 19% of this population is pre-sentenced inmates.

Department for Children and Families (DCF)

Weatherization Clients Deferred Due to Vermiculite:

The Weatherization (Wx) Program is currently not able to weatherize approximately 10-15% of client homes who apply due to the presence of vermiculite insulation. Predictably these homes need weatherization the most as they are old, drafty, and are using the most fuel. These clients have been put on a deferral list until a solution is found. There are currently 300 deferred clients from the past two years when this policy went into effect.

Vermiculite has the possibility of containing asbestos. The Vermont Asbestos Regulations don't allow the disturbance of a known asbestos containing material, such as vermiculite, unless done by a certified asbestos contractor and in a highly controlled and safe manner. The Wx Program has established four subcommittees looking at vermiculite testing, asbestos abatement, alternative techniques, and a trained insulation/asbestos hybrid contractor. These ideas are being developed and cost evaluated.

Sequestration effects on Head Start and Early Head Start Programs:

The seven Head Start (HS) and four Early Head Start (EHS) programs in Vermont recently experienced a 5.27% sequestration cut in their Federal Fiscal Year (FFY) 2013 funding to operate their programs. This 5.27% cut reduced their base grant funding from \$15,084,203 to \$14,289,266. If federal lawmakers continue with sequestration, HS and EHS programs will face an additional 7.3% cut in FFY14. The Vermont Head Start-State Collaboration Office (VHSSCO) estimates this cut would reduce their FFY14 funding from \$14,289,265 to \$13,246,149.

To learn how sequestration is affecting HS and EHS programs in Vermont, the VHSSCO Director surveyed HS and EHS program directors. With 100% survey response rates, HS and EHS program directors estimated that the 5.27% cut is reducing their enrollment by 139 spaces in FFY13 and that their enrollment would drop by an additional 71 spaces if there is a 7.3% sequestration cut in FFY14. The VHSSCO Director is writing an official report summarizing the findings from the HS and EHS sequestration surveys and intends to make the report publicly available within the next few weeks.

Department of Vermont Health Access (DVHA)

Outreach & Education:

Vermont Health Connect (VHC) is working with Congressman Welch's office to plan several events on the Affordable Care Act (ACA) and VHC over the next few months. The Small Business Administration may be included as well. The first event will be July 8th in Chittenden County, focused on Small Business.

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Chuck Ross, SECRETARY

STATE OF VERMONT
AGENCY OF AGRICULTURE

Confidential and Privileged

TO: Gov. Peter Shumlin
FROM: Chuck Ross, Secretary of Agriculture
RE: Weekly Memo
DATE: June 21, 2013

Secretary's Top Issues:

Bed Bugs/Pesticide Misuse: Most activity has been centered around a pesticide use investigation relating to illegal use of pesticides for bedbug control. A commercial applicator performed an application at a residence in Rutland. The application, we believe, contained 3 pesticides that were not listed on the invoice. One of the pesticides has been federally cancelled since 2001. The levels of these pesticides within the home are exceptionally high based on sampling performed by the agency over the past few weeks. Based on information collected during the initial investigation, the Agency summarily suspended the applicators company license and applicator certificate this week. A formal hearing has been scheduled for next week on this matter. Next steps in this situation include a professional cleaning of the property and follow up sampling. We believe that clean-up will be a difficult process that may require more than one cleaning effort.

Continuing investigative efforts will be focused on other properties this company has treated for bedbugs. Beginning next week Agency staff will be visiting treated properties to determine if pesticide misuse may have occurred and to obtain samples for analysis. This will be a cooperative effort with the Health Department. Health and Agriculture have been coordinating a response for public inquiries regarding the possible misuse of pesticides by this company. Coordination with the Dpt of Children and Families continues regarding the family in the residence known to be affected.

Fern Lake mosquito control: Recent news stories have implicated mosquito control efforts within the Brandon mosquito control district in a fish kill in Fern Lake in early June. VT Dpt of Fish and Wildlife personnel and Agency of Ag field staff investigated the allegations and concluded that the fish die-off appeared to be natural and that the mosquito control districts' applications were made appropriately. Since that time, DEC staff have suggested that the mosquito control efforts may be responsible and have publicly suggested the same. DEC staff also suggested that there might be violations of the state's NPDES general permit for pesticide use issued by DEC. This led to the recent news stories. The Agency of Agriculture is responsible for pesticide use investigations in Vermont as the designated state lead agency by EPA. While DEC has some authority for the NPDES general permit; this permit was primarily issued for the aerial application of larvacide and not the ground application of adulticides. The ground application of adulticides not occurring directly over water would not be subject to the NPDES permit. It is this division director's opinion that all pesticide use related issues must be vetted through the pesticide management section as we are responsible for pesticide use and management in Vermont. That there is some level of concern within other agencies is understood, however, the approach taken by DEC staff in this instance is counterproductive and damaging to the State's reputation in managing these issues. Without a coordinated effort in addressing pesticide use issues the public will be receiving mixed messages and poor information. Secretary Ross, Deputy Secretary LaClair and Division Director Jim Leland will be communicating with ANR leadership to improve coordination and response.

Laura DiPietro, Assistant Director of Ag Resource Management, met with the USDA Natural Resource Conservation Service to discuss upcoming workloads and demands on the horizon of the our organizations. Currently there is an increasing backlog of farms interested in utilizing conservation programs to implement the appropriate practices to protect water quality.

Animal Health submitted a new 5 year contract proposal to FDA for tissue residue investigations. The Agency is reimbursed for time and expenses associated with the investigations and guaranteed a minimum number of investigations per year.

Animal Health placed a quarantine on a farm due to a suspicious test result in a dairy heifer and is awaiting confirmatory testing from the National Veterinary Services Lab in Ames, IA. The farm information has been provided to ARMS.

Secretary Ross and Deputy Secretary Bothfeld met with two key dairy farmers (Reg Chaput and Mark Magnan) that are board members of the Green Mountain Federation of Dairy Farmer Co-ops. They voiced concerns with legislative session and the perception of dairy farms and farmers from the administration.

Secretary Ross and Deputy Secretary Bothfeld, along with Secretary Miller and Kiersten Bourgeois met with dairy farmers and dairy industry representative to continue the work on DairyVision program.

Deputy Secretary Bothfeld will kick off the Farm to Health Care Forum in Shelburne on Friday, June 21. This forum will provide interaction between health care institutions, stakeholder organizations and farmers. The goal is to increase local foods in health care institutions!

Agency of Ag and DEC Lab strategic planning began to frame the RFP needed to conduct a feasibility study for the future of the two-agency Lab. BGS will offer critical consult for the RFP process.

Deputy Secretary LaClair and Local Foods Coordinator Abbey Willard traveled to Portland Maine to attend the NE Food System Summit, an effort to create a NE-wide network as well as participate in the planning for a 50 year NE food system vision in which NE would feed itself.

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STATE OF VERMONT
AGENCY OF AGRICULTURE

Confidential and Privileged

TO: Gov. Peter Shumlin
FROM: Chuck Ross, Secretary of Agriculture
RE: Weekly Memo
DATE: June 21, 2013

Status of Governor's Priorities:
Jobs in Agriculture

Press

Across the Fence-The Agency of Ag and DEC did another Across the Fence recording this week. This episode will focus on the New Zealand delegation that was here, the differences and similarities in agricultural policies and water quality issues. This should air 6/21.

Significant Events/Meetings:

Bed Bugs/Pesticide Misuse: Most activity has been centered around a pesticide use investigation relating to illegal use of pesticides for bedbug control. A commercial applicator performed an application at a residence in Rutland. The application, we believe, contained 3 pesticides that were not listed on the invoice. One of the pesticides has been federally cancelled since 2001. The levels of these pesticides within the home are exceptionally high based on sampling performed by the agency over the past few weeks. Based on information collected during the initial investigation, the Agency summarily suspended the applicators company license and applicator certificate this week. A formal hearing has been scheduled for next week on this matter. Next steps in this situation include a professional cleaning of the property and follow up sampling. We believe that clean-up will be a difficult process that may require more than one cleaning effort.

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Laura DiPietro, Assistant Director of Ag Resource Management, met with the EPA to discuss reasonable assurances in the TMDL. They have mostly considered the State's first draft of reasonable assurances as a step in the right direction. They have a few items that they would like to see a more robust commitment to do more than currently planned and may be seeking an Executive Order for these. They are going to work with the comments we've provided and we will meet again once some of the modeling scenarios can be run so we can all begin to understand the policy implications of setting loading targets by sector.

Animal Health submitted a new 5 year contract proposal to FDA for tissue residue investigations. The Agency is reimbursed for time and expenses associated with the investigations and guaranteed a minimum number of investigations per year.

Secretary Ross and Deputy Secretary Bothfeld met with two key dairy farmers (Reg Chaput and Mark Magnan) that are board members of the Green Mountain Federation of Dairy Farmer Co-ops. They voiced concerns with legislative session and the perception of dairy farms and farmers from the administration. Farmers were concerned with migrant license, GE Food labeling and water quality. Farmers are requesting more interaction with Agency of Ag (Administration) during the 2014 legislative session. All agreed the sense of disconnection is in part due to the change in leadership that occurs on the GMFDFC's board in the middle of the legislative session and the difficulty of the issues relative to the dairy industry. Everyone agreed to new leadership will help and renewed the commitment to stay in touch.

Secretary Ross and Deputy Secretary Bothfeld, along with Secretary Miller and Kiersten Bourgeois met with dairy farmers and dairy industry representative to continue the work on DairyVision program. DairyVision is the brainstorm from Reg Chaput to provide advanced level consulting and access to capital for dairy farmers that are looking for more advance management methods to make their farms more profitable, maintain and grow the milk supply in VT. Initiative is industry lead with assistance from State Government agencies – Commerce and Ag.

Deputy Secretary Bothfeld will kick off the Farm to Health Care Forum in Shelburne on Friday, June 21. This forum will provide interaction between health care institutions, stakeholder organizations and farmers. The goal is to increase local foods in health care institutions!

Deputy Secretary Bothfeld will attend the grand opening of the St. Albans Cooperative Farm Store. This store provides ag related supplies in bulk and at the retail level for area farmers. Dairy farms as well as other types of agriculture will benefit from this store in the heart of Franklin County.

The Agency of Agriculture was honored to receive a blown glass vase with an agricultural motive from Wendy Besset, Vermont Glass Workshop. Wendy and her husband Harry wanted to provide the beautiful vase to the Agency due to the work of the Agency to grow agriculture in the state. Wendy Besset discussed the Working Lands Initiative, work to increase local food consumption, value added dairy and meat production and water quality work. Her work is based on the beauty she sees in the VT working landscape. The vase is on display in the cabinet in the foyer until a more specific display case can be obtained. Wendy wanted to thank you all for all the work that is done in this state for agriculture. For more information and a virtual tour please go to <http://vtglass.com/>.

Agency of Ag and DEC Lab strategic planning: Deputy Secretary LaClair and Ag Resources Management Division Director Jim Leland, along with Agency of Ag Section Chiefs and ANR Deputy Secretary Justin Johnson and DEC staff, began to frame the RFP needed to conduct a feasibility study for the future of the two-agency Lab. BGS will offer critical consult for the RFP process. Target date to release the RFP is August 1st with a December 15th due date per Capital Bill instruction. Both agencies hold firmly with the belief that this Lab is critical to both regulatory and non-regulatory functions and services for human, animal and environmental health, as well as the flow of commerce, for the state of Vermont.

Evolving Issues:

VAAFM and DEC met this week to discuss the Nelson Farms Inc. series of violations on their various farms and which steps to take with enforcement. DEC and VAAFM both have authorities and processes that can be utilized, however there are areas that do not overlap. For instance, VAAFM has a great deal of authority over issues such as non-point source discharges and potential point source discharges, while DEC does not. This case may be prime for the Attorney General as at that level both agencies authorities can be wrapped up into one violation notice. The dialogue needs to continue on this case as all the parties were not available to make a final decision.

Animal Health placed a quarantine on a farm due to a suspicious test result in a dairy heifer and is awaiting confirmatory testing from the National Veterinary Services Lab in Ames, IA. The farm information has been provided to ARMS.

Dr. Mehlenbacher participated in the NASDA technical working group conference call. This group is working on developing comments on the FDA proposed Preventive Control rule. One of the big issues with this rule is how food hubs may be affected along with other facilities that grow and process produce.

Water Quality Supervisor Nate Sands followed up with Newport farm (last Friday Nate stopped to take stream measurements for potential undersized culvert replacement via the HGMP program...while there brainstormed with the farmer a plan to prevent future discharges of fall applied manure from large swale in cornfield that was written up in MFO inspection – landowner agreed to not spray part of this section of field – to allow for some weed cover (their corn off too late for cover crop) and not apply fall manure on ~2.2 ac watershed that flows to swale) ...MFO coordinator and enforcement asked for a written statement agreeing to plan or similar... landowner refused to put anything in writing which is required as part of the enforcement process.

Summary of Key Agency Department Activity:

Administration

Agency of Agriculture in collaborations with Conservation partners VHCB and VLT submitted testimony to the Public Service Board regarding the VT Gas Pipeline through Addison County in regard to conserved farm property. At this point, testimony has been provided by an UVM Extension Agronomist that is contrary to the Agency's and partner's position. This will result in the agency questioning a sister organization regarding this difference of opinion.

Agricultural Development

Working Lands Enterprise Board (WLEB)

- On Tuesday, June 18, Gov. Peter Shumlin, VAAFM Secretary Chuck Ross, ACCD Secretary Lawrence Miller, FPR Commissioner Michael Snyder and the WLEB announced the final grant recipients from the Service Provider and Capital and Infrastructure areas of the Working Lands Enterprise Fund, awarding more than \$750,000 to 16 grantees representing sectors across agriculture, forestry and forest products.
- The Press Conference was well attended by congressional and legislative representatives, 15 of the 16 grant recipients, the WLEB, and guests for an audience of over 50 in attendance. The Press Conference was hosted by Beaver Brook Farm, a logging enterprise and example of a Working Lands business.

Beaver Brook Farm aims to create recreational opportunities within their working forest environment by offering 20 plus miles of groomed ski trails in addition to other outdoor activities.

- The awards include funding for statewide support services to provide technical assistance in the areas of business, market, workforce, infrastructure, and professional development for agricultural, forestry & forest products based businesses. Funds to support infrastructure projects will reach all corners of the state and impact multiple sectors. To see the full Press Release with the list of recipients click [here](#).

WLEB and VAFPDB Appointments

The following board seats are slated for new and/or reappointments:

Working Lands Enterprise Board

Governor Appointment: One representative of a membership-based forestland owner organization:
Kathleen Wanner – *Kathleen’s name will be submitted for re-nomination*.

Governor Appointment: One representative of Vermont’s dairy industry who is also a dairy farmer
Amanda Ellis-Thurber – Currently Vacant

Speaker of the House Appointment: One representative of the VT forest industry who is a forester:
Kurt E. Zschau resigned from his seat - Currently Vacant

Vermont Agricultural & Forest Products Development Board

Governor Appointment: A person with expertise in rural economic development issues:
Leonard S Bull, PhD, PAS - Currently Vacant

Governor Appointment: A person familiar with the agricultural or forest tourism industry:
Sam Cutting IV, Dakin Farm - Currently Vacant

Speaker of the House Appointment: A person with expertise in sales and marketing:
Mark Curran, Black River Produce *Mark’s name will be submitted for re-nomination*

Committee on Committees Appointment: A person with experience in providing youth with educational opportunities enhancing understanding of agriculture or forestry:
Lynn Coale, Director of Patricia Hannaford Career Center *Lynn’s name will be submitted for re-nomination*

Ken Hafner, Ag Recovery Specialist, met with Agency staff to instruct staff on internal incident command structure and each employee’s role in this structure. The Agency is working with a consultant to develop the plan and will complete a tabletop exercise of this plan on July 10. As part of this exercise, the agency will practice internal actions as well as interaction with State level EOC. Exercise will be monitored and evaluated.

Deputy Secretary LaClair and Local Foods Coordinator Abbey Willard attended the Regional Food Hub network meeting in Newport last Wednesday. The day began with a roundtable focused on the NEK Food Systems and economic development - speakers included Bill Stenger describing the EB-5 investment in the NEK; Eleanor Legere, owner, Eden Iced Cider and entrepreneur of the about to open NEK Tasting Center in downtown Newport; Trish Sears, Newport Renaissance Corp; and the Manager of the Natural Foods Store. Two national food hub consultants were on hand to stress the challenges and opportunities of regional food hubs, knowing the hub's niche and the importance of the food hub network. The Agency of Ag, VHCB and F2P are all working to provide resources to VT Food Hubs including technical assistance regarding scale, speed of growth and capacity.

Deputy Secretary LaClair and Local Foods Coordinator Abbey Willard traveled to Portland Maine to attend the NE Food System Summit, an effort to create a NE-wide network as well as participate in the planning for a 50 year NE food system vision in which NE would feed itself. UNH Extension coordinates; major funding is

provided through the Kendall Foundation. VT's delegation included F2P leader Ellen Kahler, NOFA Ex Dir Enid Wonnacott, Shelburne Farms Education Director Megan Camp. VT's F2P strategic plan is the model for the other NE states; we also recognize there are strides to make in terms of 'local' sales and marketing if the 6 states partner on certain goals.

Food Safety and Animal Health and Consumer Protection

Jim Cameron, Stephanie Parks, and Dr. Mehlenbacher attended an Agency ICS meeting to learn more about our roles for this structure in preparation for the tabletop exercise July 10th.

The Animal Health Specialists had a big weekend for technical assistance and outreach:

- Drs. Mehlenbacher and Haas provided a presentation on animal disease traceability and official identification of livestock for a group of large animal veterinarians at the VT Veterinary Medical Association conference in Burlington. Other areas of discussion included electronic Certificates of Veterinary Inspection (eCVI) and methods for clinics to use to keep data on tag distribution. The AH Section is encouraging veterinarians to move towards electronic methods for animal disease traceability to improve efficiency and accuracy. Through the summer, meetings will be held at various clinics to demonstrate options and poll interest. Some veterinarians are already utilizing this system. Currently, the section provides paper carbon CVIs at no charge and is considering moving to charging for this paperwork to recoup printing and mailing costs. eCVIs would decrease costs as they would be emailed and can be automatically uploaded into USA Herds.
- Dr. Mehlenbacher spoke to two 4H clubs at the Tunbridge Fairgrounds on Saturday regarding the poultry testing that the Agency does and poultry care and disease in general. This was a joint presentation with a local veterinarian who spoke about swine health. Also stuck around to help judge the pig agility course.
- Zach Bartlett and Stephanie Parks attended a Vermont Bird Fanciers Association bird swap in Berlin on Sunday to test birds for pullorum and provide the DOH-VAAFAM joint brochures on poultry care and disease.

Meat Inspection

Agricultural Resource Management

Laura DiPietro, Assistant Director of Ag Resource Management, met with the USDA Natural Resource Conservation Service to discuss upcoming workloads and demands on the horizon of the our organizations. Currently there is an increasing backlog of farms interested in utilizing conservation programs to implement the appropriate practices to protect water quality. Currently NRCS has \$6M and the Agency of Ag \$1M in demand beyond the capacities of either of our agencies to currently cost-share or to have the field staff to design and implement. As we have universally created the momentum to have farms ensure they are in compliance, we are going to be faced with a continued workload issue and we are identifying more ways we can help each other to make this as manageable as possible.

VAAFAM and DEC met later in the week to discuss standard operating procedures for violations identified on farms of either agency's authority. A draft has been developed and is being reviewed by DEC legal and program staff.

MFO and LFO Programs:

- Staff conducted 7 technical assistance visits to assist SFO, MFO and LFO farms with BMP solutions to address water quality.
- Staff conducted 1 inspection of a MFO with DEC CAFO program due to a complaint
- Staff conducted 1 inspection of a MFO due to a complaint about mortality composting

- Staff conducted 1 enforcement follow-up visit on a MFO to check up on compliance schedules.
- Coordinators are continuing to process 60-70 NMPs that were recently submitted by farms and planners as part of the NMP grant program and are also processing payments for the Capital Equipment Assistance Program and FAP grant programs.
- Met with UVM Extension in Middlebury to review NMPs developed
- Working on a grant agreement with UVM Extension for the FAP Program in the Champlain Valley. The goal is that UVM Extension would administer a significant portion of the FAP Program which would free up staff time to focus on regulatory program requirements.

CREP:

- Spoke with and emailed info to Trisha Coates of Representative Peter Welch's office to see what effort – if anything - can be brought to bear in DC to restore our CREP SRR's
- Meeting with FSA staff, district, NRCS and PFW staff in Lamoille County to do potential CREP site visit together - train all of above, plan the project, etc.
- Worked further on finalizing the state CREP grant agreement with agency attorney.
- Spoke with farmer and followed up on complaints of increased algae/runoff from corn field on Georgia shore road in St. Albans...took pix of nasty algae in ditch (likely high nitrate loss from field from rain/test strip samples of effluent concur, left message with farmer to see if ok to take water samples.
- Made adjustments to above farm's silage leachate splitter, cut holes in geotextile in treatment area to allow for flow through stone "burrito" rather than just over it .. biofilm developed on fabric impeding flow.
- Continue work with UVM Extension on BMP challenge field checks of reduced tillage field to gather required data (population counts, weed pressure, fertilizer issues, etc) to enter into field data sheet for BMP challenge program national staff.
- Follow up on field visits with Orleans co. NRCS to plan/determine eligibility for CREP projects. – putting together buffer options with estimates for landowner that was interested.

Secretary's Comments

Events:

Press Conference on WLEF Awards, Beaver Brook Farm, Marshfield: VAAFMM coordinated press conference attended by Governor, grant recipients, interested parties and press. Event led to good press coverage for Governor and program.

Meetings:

VHCB Board, Randolph: attended this regular meeting which covered normal range of farm and housing projects. Sec Ross also explained request for more money from VHCB to support the Agency's work on prime ag soils in Act 250 as provided for in statute. The related work load continues to outstrip the Agency's ability to do the work. The resource request was approved by the VHCB.

Sen. Sanders/ACCD Energy Finance conference, Burlington: attended this important meeting. Made a number of connections that may help accelerate and expand on farm renewable energy project in VT.

Dairy Visioning group, ACCD offices: Met with industry led group to help them continue to figure out how to construct a technical assistance and funding program to help grow progressive dairies in Vermont to help support maintaining and growing the milk supply in Vermont necessary to support the manufacturing sector.

Midwest Association of State Departments of Agriculture, Medora, ND: at invitation of the President of MASDA attending meeting to discuss range of issue facing agriculture nationally and regionally.

Congressional Delegation and National Association of State Departments of Agriculture, Washington, DC: on return from ND will fly thru DC to meet with Congressional Delegation on agriculture related issue and meet with NASDA to discuss potential to create virtual Trade Show for agriculture export community.

National FDA, conference call: FDA called to solicit Sec Ross advice on holding 3 to 4 meetings in the northeast region on the draft Food Safety Modernization Act. Their interest is in response to the coordinated request of the northeastern congressional delegation's letter requesting FDA come to the northeast. Sec Ross suggested the possibility of co-hosting a meeting with New Hampshire and the FDA in either Brattleboro or the Keene NH area. More discussions to be had.

Emerging Issues:

Farm Bill – US House failed to pass the Farm Bill which leaves many questions about national ag policies and funding with very significant implications to Vermont, especially on dairy pricing and conservation to name a few.

Bedbugs – VAAFAM is working with DOH and AHS to coordinate response to and investigation of this issue.

Compost – VAAFAM is working with the compost community on persistent herbicide issues to address this diminished but still ongoing issue.

Mosquito control – VAAFAM is working with ANR to determine the cause of a fish kill a Rutland County mosquito district that might be connected to some spraying by the district.

EPA and TMDL proposal: EPA has signaled that while the changes in the VT water quality programs are good they may not be sufficient to meet the needs of the TMDL. Their request for a Governor's Executive Order outlining a commitment to further efforts and staffing is a matter worth further discussion on how VT may want respond.

Newport Tasting Center – Sec Ross help connect Eleanor Leger's to her final investor in her new business in downtown Newport which will advance Vermont local foods.

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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: June 21, 2013

Subject: ANR Weekly Report

Governor Level Issues:

Bennington Fire Department/Mudder's Day Fire Investigation: We are investigating the burning of a trailer at a mud-racing event without a permit. (We understand that they drove a car through the fire in a show of bravado.) Separate from our investigation, the fire department suspended 16 of its fire fighters who were present at the event (some of whom have been reinstated.) There has been a significant amount of media interest in the investigation because of the suspension and a video posted on You Tube. It is expected that the investigation will be completed next week. Note that our investigator has received some threats related to this incident ("we should burn his house down") that are also being followed up on.

VT Gas Addison Project Review. ANR staff are working with the Public Service Department staff on pre-filed testimony on the greenhouse gas benefits for this proposed gas line extension project. Our staff are prepared to say that if the measurement is the end of the pipe use, then yes, there are likely benefits, but that we have not done an analysis of the life cycle costs. As you may know CLF filed testimony stating that the project would have a negative GHG approach and I assume we will be asked to respond to that. Staff are beginning to look into the CLF testimony but have not yet decided whether they agree with it or not from a scientific perspective. Once they have looked at it I will be briefed more fully and will figure out how we will proceed.

Moretown Landfill: Technical staff are having ongoing discussions with the landfill owners' consultants to discuss the possibility of settlement of their appeal of the department's denial of their request to recertify their operations. We will keep you in the loop if it seems that the negotiations are moving to a positive resolution.

Climate Vulnerability Assessment/Adaptation Strategy Report: ANR contracted with TetraTech to complete a Climate Vulnerability Assessment/Adaptation Strategy for ANR. It includes nothing surprising but it is a useful, comprehensive assessment that I expect we will be able to use as part of our resilience efforts. We are considering how to roll out the report to bring greater attention to the issues it raises. We have posted it on our website.

EVERYTHING ELSE:

Legislative Issues/Testimony:

Shorelands Legislative Commission Meeting: Commissioner Mears met, along with Susan Warren and Trey Martin, with Senators Hartwell and Snelling, and Representatives Deen and McCullough to plan for the five or six meetings to discuss shorelands legislation starting in August and running into the fall. The conversation was constructive and we reached agreement on the scope and format of the discussion, identified tentative locations and dates, and exchanged ideas on the content of the department's planned presentation. The meeting was covered in a Burlington Free Press blog article.

Legislative Working Group on Allocation Engineering Costs – Capital vs. General Funds:

The first meeting was held between representatives from BGS, Finance and Management, State Auditor's Office, Joint Fiscal Office, Legislative Counsel, and ANR to develop a set of criteria for allocating engineering costs between the Capital bill and the General Fund. The group is headed up by James Reardon, who is responsible for presenting a proposal to the Joint Fiscal Committee and the Chairs of the House and Senate Institutions Committees by September 30, 2013 with the intent of implementing the guidelines on cost allocation next spring as part of an adjustment to the FY15 capital budget.

The **Sportsmen's Act of 2013** was signed on Friday June 14, 2013. More information below in press issues.

Press Issues/Releases:

We saw a lot of the Governor at press events this week:

Gov. Shumlin Signs Sportsmen's Act of 2013: Joined by sportsmen and women at the Barre Fish and Game Club, Gov. Peter Shumlin signed the Sportsmen's Act of 2013, legislation spearheaded by the Fish & Wildlife Department in coordination with members of the Legislature and many hunting, fishing, trapping, and other traditional interest groups.

Working Lands Enterprise Board Press Event: This Tuesday at Beaver Brook Farm in Marshfield, Michael Snyder joined Governor Shumlin, Chuck Ross, Agency of Commerce and Lawrence Miller, and the Working Lands Enterprise Board to announce the first round of grant recipients from the "Service Provider" and "Capital and Infrastructure" investment areas of the

Working Lands Enterprise Fund. The Board announced over \$350,000 in awards to 8 grantees representing sectors across agriculture, forestry, and forest products, all of whom provide statewide impact. Service Provider Grant Recipients are located in Addison, Chittenden, Rutland, Washington, and Windham Counties.

Brownfield Event: We had good turnout at our Brownfield event this week – with Governor Shumlin, Brian Searles, Lawrence and me all present to kick off our new BERA program, watch the Governor sign the brownfields bill and to help the EPA hand out some checks. WCAX didn't cover it – but other outlets were there.

Fish Kill: There has been some press about a fish kill which may or may not have been related to mosquito control efforts. Unfortunately, after our fisheries biologist said that he did not think the fish kill related to the spraying, one of our DEC scientists sent out an email saying that he thought the spraying could have been the cause. The email got to the press who have consequently written a series of stories about this internal disagreement. We are using this as an opportunity to talk about our internal protocol – as well as how we interact with our sister agency (the spraying is overseen by Agriculture).

State Parks on Channel 3 News: WCAX's Sharon Meyer begins a series of state parks pieces for the evening news this week at Mt. Philo. She will be focusing on our efforts to provide tips for new campers (videos, checklists, menu ideas, etc.)

Milfoil Treatment in Lake St. Catherine: Fox 44 ran a piece on the chemical treatment of Lake St. Catherine to reduce the levels of milfoil, an invasive weed, and spoke to our staff responsible for permitting the treatment.

Fish & Wildlife Works to Recover Timber Rattlesnakes: Fish & Wildlife has been working with researchers at The Nature Conservancy and the Orianna Society to conserve a piece of Vermont's unique natural heritage, the timber rattlesnake. They have captured rattlesnakes from the wild and implanted radio transmitters under their skin as part of a two-year study of timber rattlesnake habitat and movements in western Rutland County. The researchers have also been working to determine the extent and severity of a condition referred to as 'snake fungal disease' that has recently begun afflicting Vermont's timber rattlesnakes. Snake fungal disease causes blisters or brown, crusty lesions on the face and neck of infected individuals.

Fish & Wildlife Course for Educators: Vermont's popular fish and wildlife summer course for teachers and other educators will be held July 14-19, 2013. Now in its 28th year, "Fish and Wildlife Management for Educators," is a one-week, three-credit graduate course taught by Vermont Fish & Wildlife and other Agency of Natural Resources staff through the University of Vermont.

Significant Events/Meetings:

Clean Energy Finance Summit: The Governor and Senator Sanders kicked off this summit at UVM that was well organized to come up with specific action items that would help us reach our

goal of 90% renewables by 2050. I participated in a workgroup that focused on policies that could encourage development of community generation. Kudos to PSD and ACCD who helped to organize the day.

State Park Celebrations This Weekend: Events celebrating the acquisition of the Zach Woods addition to Green River Reservoir State Park and completion of renovations to the former family camp of Perry Merrill at Ricker Pond State Park are being held this weekend.

Lake Champlain Cleanup Plan: Watershed Management and AAFM staff and managers met with EPA to continue discussions about the scientific modeling efforts underway. The model results will be available in late July or August and will give rise to more specific conversations about options for reducing phosphorus pollution into the lake. We are also working to develop an outreach plan to discuss these options in the fall with key partners and the public.

IBM visit: A group of us from ANR will be meeting with administrators at IBM to talk about how they have implemented the LEAN program in their operations.

VHCB Board meeting: We had a day long meeting to review and approve a number of low income housing proposals as well as a proposed conservation project that is of significant interest to ANR. VHCB approved an investment of \$600,000 to help conserve over 3000 acres contiguous to our Bird Mountain WMA (which is within 5 miles of Rutland).

UVM Energy Future Scenario Modeling: DEC staff attended this orientation meeting that introduced the energy future scenario modeling project that is underway at UVM. Jon Erickson and Asim Zia are working with a post doc, Christopher Clement, to adapt a national energy scenario model developed by Sandia National Laboratories to Vermont. Andi Colnes of the Energy Action Network convened this meeting of stakeholders (ANR, ACCD, PSD, VEIC, VNRC, The Wilderness Society) to provide an opportunity for some interaction with the modeling group at the early stages of the project. Asa Hopkins of PSD discussed how this modeling effort is complementary to the studies PSD is commissioning on development of policy/technology pathways that could lead to achieving the state's GHG emission reduction and renewable energy goals.

SUMMARY OF KEY DEPARTMENT ACTIVITY

Environmental Conservation

Troy/Jay Sewer Project: Facilities Engineering Division met with the engineering consultants for the sewer extension project that will serve the Jay Peak Resort. The review session was highly productive as the consultants were open to modifying the design with a trash rack and a siphon dosing chamber, which are critical additions to avoiding future operational problems. The consultants are looking into a somewhat similar project in a neighboring state to evaluate the system design and performance history.

VT Tech Digester: The Public Service Board released its decision on the application for a Certificate of Public Good from Vermont Technical College (VTC) for a methane digester project. Although ANR provided a review of the greenhouse gas benefits analysis presented by VTC for information only, in the final order the board states that it will perform a review of the greenhouse gas emissions associated with transportation of feedstock to the facility prior to permitting its operation.

E-Waste Program: Waste Management selected one bid of the five received in response to an RFP to implement the upcoming 3rd program year of the State E-Cycles Program. The bid selected is from the present contractor for the program, Northeast Resources Recovery Association. Their proposal includes continued use of Good Point Recycling of Middlebury as the primary recycler. We are now undergoing contract negotiations with NRRA.

Sunset Mobile Home Park: Drinking Water & Groundwater Protection staff met with Jen Hollar and several other ACCD staff to discuss the current status of the Sunset Mobile Home Park (MHP) and our next step options. This MHP has a Water/Wastewater Permit from the Rutland Regional Office that requires the installation of ultraviolet disinfection treatment on Park's water supply by June 14, 2013 in order to resolve coliform violations. The Park also has an order from the Rutland Health Officer to provide the residents with bottled water for drinking until the coliform violations are resolved. The Park owner has been foreclosed on by the bank for failure to make mortgage payments (in arrears by about \$100,000) and also owes the Town about \$32,000 in back taxes. The group decided there should be a discussion in the next week with the bank's attorney to discuss several different approaches the bank could consider which might enable the Park to stay open. It is possible that, if we cannot find a responsible party to operate the water system, that we will have to close the park.

ANR Atlas: A discussion is occurring between DW&GWP and IT staff regarding providing specific locations of public water supply sources as an overlay in the ANR Atlas. Water supplies do not want this to be such easily accessible information due to fears of potential terrorism activities involving water supply contamination.

Potential Glover sewer extension around Lake Parker: Staff from DW&GWP, FED and Watershed Division met to discuss the potential/possibility of this proposed sewer line being constructed which would have potential positive and negative effects on the Lake. Camp wastewater systems that may be on the verge of failing or are failed could be eliminated as the camps could connect to the sewer line. However there are concerns that sewer line would result in the development of lots that are currently not developable which in turn could potentially increase the stormwater runoff going to the lake.

Meeting with the Champlain Water District: A meeting was held between DW&GWP staff and staff of the Champlain Water District (CWD) to discuss the relationship between CWD and its member municipalities (i.e. "consecutive systems") regarding who owns which parts of the water supply infrastructure and how the responsibility for that infrastructure will be addressed in the context of the public water supply operating permits that we issue. It has been decided that CWD will not have to be a co-permittee on the permits for their consecutive systems but instead the CWD and the consecutive system permits will all specify which entity is responsible for

which pieces of infrastructure. This will probably be a model for the operations permits of other consecutive system in the future.

Berlin, New Municipal Water System: A determination was made that the new water system to serve the Berlin Four Corners area is not eligible for a DWSRF loan as it did not meet either of the applicable eligibility criteria. The Town was notified of our decision.

Dufresne Dam Removal: A contractor has been selected for the removal of Dufresne Dam on the Batten Kill, SumCo Eco-Contracting of Salem, Mass. The company has received excellent recommendations from dam removal colleagues in other states. BGS is preparing the contract documents for signature. We expect to begin the deconstruction of the dam and river restoration in early August. The project should take about six weeks.

US Geological Survey Stream Gages: Watershed Management finalized the SFY 2014 funding agreement with USGS for operation of 31 stream, reservoir and lake gages in the state. The total state share is slightly less than last year. We have received verbal commitments from our state partners (VTrans and DPS) and are processing the agreement for our three-way funding partnership. Neither of these agreements addresses the problem of funding the ten endangered gages in the Lake Champlain basin, which lose their funding at the end of September. USGS projects that it will cost the state an additional \$64,495 to operate those gages for nine months (Oct. 1, 2013 – Jun. 30, 2014).

Fish and Wildlife

Illegal Taking of Endangered Prairie Redroot: Staff investigated a reported taking of the state's only population of the Endangered Prairie Redroot (*Ceonothus ovatus*) adjacent to the Burlington Bike Path. Staff was accompanied to the site by two wardens, an employee of Burlington Parks & Rec, and three staff members of Burlington Electric. BED recently relocated its utility poles in the vicinity of the redroot, but it is not as yet determined whether this caused the taking. The wardens will continue to investigate this case. After a thorough inspection, staff could find no trace of the redroot; it is unknown whether it might re-sprout.

Turtle Nest Monitoring: While monitoring turtle nests, staff found that the high Lake Champlain water-level has flooded electric fencing in Swanton, which necessitated temporarily pulling the fence. An island nesting area is under water causing turtles to switch to nearby mainland nesting sites. Predators are taking advantage of the additional nests and staff have set traps. Wildlife Services is doing the same this coming week.

Arthur Davis WMA Site Visit: Staff visited Arthur Davis WMA with the Springfield Stewardship Team to look at possible relocation of traffic from a section of Class 4 town road onto a WMA forest road. The town road has effectively become part of a stream, and vehicle use of the town road (which is still ongoing) is resulting in negative impacts to water quality and to aquatic and riparian habitats. The team agreed on the need to prevent these impacts and plans to meet again to discuss options and recommendations.

River Training Workshops: Staff prepared for upcoming River Training workshops hosted by ANR for VTrans staff. These workshops are intended to increase the understanding of river processes and aquatic habitat for a wide range of VTrans staff involved in the design or implementation of projects involving rivers and streams.

2014 Vermont Watershed Grant Program: Staff met to plan changes in the 2014 Vermont Watershed Grant Program (WGP) to improve the program and better align it with the Ecosystem Restoration Grant Program. The WGP began in 1998 and is funded from half the proceeds from the sale of Vermont Conservation License Plates. The Departments of Environmental Conservation and Fish and Wildlife co-administer the program. The program has been underway since 1998 and has thus far provided \$1,278,000 to fund 321 projects.

National Conference: The Fish and Wildlife Department will be hosting the 2015 National Conference for the States Organization for Boating Access (SOBA). Staff met with SOBA's Executive Board last week to explore options for host locations. This annual conference brings together member states, federal partners, and vendors to discuss current issues related to boating, boat access, and other boating related federal grant programs. The Basin Harbor Club was chosen as the host venue for the conference.

Deer: Newborn fawns continue to cause complaints across the state. One deer was shot in Cornwall causing damage to apple trees.

Bears: Nuisance bear complaints continue statewide. One bear in Middlebury was killed by a landowner protecting his bee hives. Another was killed in Enosburg by a landowner after it had killed one of his pigs and returned to kill another.

Forest, Parks and Recreation

Mt. Philo Public Meeting: The planning process for long range management of Mt. Philo State Park got underway this week with a very well attended public open house discussion. As a result of expected comments, there will be follow up analysis and discussion of a number of "hot button" recreation issues including dogs, car racing and snowmobiling.

Lake Wise: State Parks begins participation in DEC's "Lake Wise" program this week. Inspections at several parks are intended to evaluate appropriate lakefront development to both identify improvements needed and to use state parks as examples of good management practices and development.

“Strolling” with Sam: For the third year in a row, Windham/Windsor County Forester Sam Schneski worked with multiple non-profit groups to facilitate the “Woodlands Tent”, the Vermont Mobile Sugarhouse, and the Windham County Maple Association’s maple float for Brattleboro’s annual “Strolling of the Heifers”. Attendance was at an all-time high with excellent weather and ample things to watch and do.

USFS Tours for Birds: Staff from the Northeastern office of the US Forest Service for State & Private Forestry visited New England on June 18. They made a stop at Molly Stark State Park in Wilmington and a town forest in Marlboro to discuss projects in Vermont. The highlight was a demonstration of the award-winning Foresters for the Birds protocol, developed by Vermont Audubon in partnership with FPR with a USFS grant. The group also discussed the multi-state partnership projects in which Vermont is working with Massachusetts and New York.

County Foresters Meet: The Vermont County Foresters meet in Bethel on June 19 to discuss the state and federal programs with which they work. The meeting will touch on a variety of topics ranging from the funding for the federal Forest Stewardship program to Vermont's Working Landscape program.

“Let's Go Fishing” Training: For the first time State Park Interpreters were trained as Let's Go Fishing (LGF) Instructors at Park Interpreter training last week. LGF is a program of the Fish and Wildlife department, and volunteers led the five-hour workshop for twelve interpreters and five park rangers last Monday. Following the training these participants will be leading fishing programs in parks across the state using educational kits compiled by the Fish and Wildlife Department. Fishing programs are some of our most popular programs in the parks.

Business Office

FY13 Close: The Business Offices are all scrambling to close the books for FY13 with less than 8 working days to go to complete all the analysis and transactional activities along with the required closing documents. The extra work dealing with the new time reporting and expense systems have put us all behind schedule. That being said, we don't anticipate any issues with closeout.

HR: Our HR team continues to provide supervisor trainings that are well attended. The goal is to help our supervisors do a better job by reminding them of what is required of them as supervisors, and to give them a venue to discuss the challenges and successes. Like many agencies, very few of our supervisors have any real management training. Rather, they are scientists and engineers. We have discovered that their skill levels and attention to their supervisory duties vary greatly. This reboot is our first step in holding our supervisors to a higher standard. Last month we also held a series of sexual harassment prevention trainings that were well attended (and required) of all of our supervisors. Some nonsupervisory staff asked (and were welcomed) to attend.



Privileged and Confidential

MEMORANDUM

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

From: Christopher Recchia, Commissioner

Date: June 21, 2013

Subject: Weekly Report

Governor Level Issues:

Status of Priorities and Cases of Interest:

Meeting on July 1: Thanks for agreeing to meet a week from Monday. I'm looking to speak to you about "big-picture" energy vision stuff and what we hope to accomplish over the next several years. Appreciate the time.

NSSEP/GMP: I met with Mary Powell and Adam Winstanley on Wednesday to discuss the biomass project and the possibility of a GMP PPA. The main issues are coming together, in terms of local support (Selectboard voted 4:1 to support the project), harvest sustainability (ANR and NSSEP have reached agreement – though not yet in a written MOU form), and NSSEP is adding users of the heat to their industrial loop to enhance efficiency. On this latter point, I connected Chris Brooks of Vermont Wood Pellet (VWP) to Adam to discuss a new VWP plant at the site – enabling it to use heat from the plant for drying. VWP is interested in building a new facility on the eastern portion of the state, and this seemed like an ideal option for them. The conclusion of the meeting is that GMP will look to enter a PPA for between 5 and 10 MW the intent of which is to have a meaningful stake with negligible impact on rates, but gain some Vermont energy benefit. We may try to "match" the amount purchased to Springfield demand

as a nice way to promote “local energy” supply and use. The expectation is this would include a GMP ownership interest in the facility over time through credit for above market rate payments.

Vermont Gas – Rate Design Case:—Docket 8009 – The Department is generally supportive of the proposed changes as a fair distribution of costs, and will file testimony and then discuss the possibility of a stipulation. IBM and Perrigo, the two interruptible customers who are intervenors in the case, also filed testimony on June 19 and PSD is reviewing. A technical hearing is scheduled for July 9. Although the increase to IBM this year is substantial (estimated at \$700,000), this is down from about \$2M several years ago, and IBM recognizes it has been getting an extraordinarily low rate the last several years. Still, it is a painful increase, on top of expected electric rate increases.

Vermont Gas - Addison Expansion:—Docket 7970 – 18 parties, including the Department, ANR, CLF and the Vermont Fuel Dealers, filed direct testimony on June 14. The Town of Monkton, VELCO and the Agricultural Interests Group (AAFM, Vermont Land Trust and the Vermont Housing and Conservation Board) also filed testimony, together with the MOUs each had negotiated with VGS. ANR continues to be concerned about certain impacts of the Project, which was reflected in its testimony. Discovery requests on the June 14 testimony are due on June 21. We do not expect to file discovery on the intervening parties, and will wait to file rebuttal testimony on issues remaining to be addressed or clarified after this round. The Department and its aesthetics consultant met on the site of the proposed New Haven gate station with a concerned member of the select board. Department staff and I attended Cornwall select board forum on the expansion (Phase II) on June 19, sponsored by the selectboard (Bruce Hiland). Our presence was appreciated. Though all speakers spoke in opposition, my sense is it was almost exclusively about the “deal” Cornwall would be getting in light of the benefits to IP.

GMP Heat Pump Pilot: We made good progress this week on a proposal by GMP to lease heat pumps to consumers. GMP refined its proposal to address some of the sketchier aspects of their program, and I encouraged my staff to be more innovative about how we address the utility business model moving forward in the face of decreasing demand for electricity, yet need to move toward our renewable goals. Looks like we will be able to make this work.

Broadband: The analysis of the December 31, 2013 broadband availability information identified 454 unserved addresses. The VTA believes that approximately 130 of these addresses are already served. Stone Environmental has asked the VTA to provide confirmation from the service providers and is waiting for response from the VTA. Once this information is provided, Stone can complete the analysis and provide the updated information for posting on the broadbandvt.org and vtpsd.powershift.com websites.

Coordinated Procurement: We are working with NESCOE on the large hydro coordinated procurement. There was some desire of other states to postpone this until Spring of 2014, and we pushed back on that reminding states that the Governor wanted this before the end of the

year. We'll continue to push the process so there is meaningful progress before the September NEG/ECP meeting. A final decision regarding schedule can wait until after that.

Connecticut's New REC law: Signed by Malloy last week, we have looked into it and the impact on Vermont is mixed, and very much dependent on interpretation by CT DEEP. We are in contact with them and will work with them to suggest rules and interpretations that protect Vermont's interests as much as possible. Preliminarily, it seems like McNeil will still be able to sell RECs to CT as McNeil is not a new renewable under our SPEED program. Also, all wind RECs should still be saleable to MA, if not to CT, although we think CT sales may still be possible for at least a portion of the RECs.

Clean Energy Finance Summit: Very good turn out and feedback for the most part from the CEFS on Monday. Nice bill-signing too! Staff of ACCD, PSD and EAN are meeting today to discuss action items and next steps. I will relay thanks and a list of potential joint opportunities to David Danielson of DOE per his request after this meeting and build that relationship. There appear to be funding opportunities in DOE's priority list that VT would be very competitive on.

Significant Meetings/Events:

- This Week:

June 17: Clean Energy Finance Summit, UVM

June 18: Met with Representatives Klein and Cheney – Good discussion of energy issues. Of course, not happy about a uncontested docket before the board. I'll integrate their concerns in moving forward as to content and schedule, and am intending to meet with Tony as a follow-up.

June 19: CEDF Board Meeting. No actions taken, but we discussed how to salvage the small scale renewable program in light of funding challenges. We are trying to find a way to get us smoothly through FY14. There are now likely 2 board vacancies, one from the resignation of Will Wiquist, and one from the expected resignation of Patty Richards as she transitions to WEC. Suggestions welcome. I'll be sorting out with Tony and Bob who's appointments are who's, terms of service (neither clear at present), and providing recommendations to them for appointment in their respective slots as they become open as well.

June 20: Met with Ludy Biddle, NeighborWorks as a start to straightening out the infighting between them and EVT (meeting next week with them – see below), to be followed by a larger weatherization meeting among all the players middle of next month.

- Next Week:

June 27: DOE-Sandia-PSD energy storage meeting

June 28: Meet with Jim Merriam, Efficiency Vermont

Media: Summit/Bill Signings stories on June 17. Darren quoted in Jon Margolis/Digger story on SPEED program, Ed McNamara memo cited in same story (from his time at PSB). Sheffield

Noise Report release – coverage ok, but extreme consternation from Annette Smith – unwarranted I would add. We did not engage on that tirade.

Evolving Issues:

Net Metering Work Group: Following positive input from Rep. Klein and Rep. Cheney, and stakeholders at the energy summit, PSD will be forming a net metering work group to convene over summer and work toward a consensus for changes next legislative session. Issues include how to ensure all customers pay for transmission and efficiency charges, incentive levels for net metered electricity, raising caps on capacity and system peak, and other structural issues.

CEDF: As mentioned above, given budget constraints, the CEDF Board is considering how to best structure the small-scale incentive program while maintaining some support for other priorities such as farm digester projects and community scale wind and biomass projects. The Board will vote on the next budget in July.

Everything Else:

PERD

Clean Energy Finance Summit

- The full planning team is scheduled to debrief the summit on Friday, June 21 at 1:30 pm at ACCD.

Net Meter Activity

- 6/12-6/17 23 CPGs granted, total of 240 KW, average size 10.4 KW

Heating Fuel

- Crude Oil - was trading at \$98.56 v. \$94.85 a week ago.
- The natural gas market this am is \$3.976 v. \$3.774.

Transportation

- DEV Full Stakeholder meeting, key topics/points:
 - GMP will add two level 3 EVCEs – Rutland City and Chittenden County
 - Tesla will add two level 3 EVCEs – Burlington area and White River area (only available to Tesla owners)

Engineering

Vermont Yankee Operation

Excavation has begun at the site for the building that will house the Station Blackout Diesel (the diesel has already been delivered to the site).

CAPI

CONSUMER COMPLAINTS

During the period June 12 – June 18, CAPI received 136 contacts and opened 89 investigations.

Post-CPG wind complaints

CAPI received six complaints regarding Georgia Mountain Community Wind (one complaint), Lowell Wind (four complaints) and Sheffield Wind (one complaint). Complaints were about noise, health effects, and the effects on animals.

GMP credit card payment

CAPI and DPS staff met with Green Mountain Power to discuss GMP's desire to socialize costs of processing customer payments by credit or debit card. Currently, GMP customers electing to pay by this method incur a \$4.95 fee, charged by a third party vendor (Western Union). In the past, DPS has not supported this fee being socialized among ratepayers, but GMP has negotiated a lower transaction fee with WU and believes GMP can demonstrate the cost effectiveness of socializing the lower cost.

Public Advocacy

Entergy CPG Renewal – Docket 7862 – Rebuttal hearings are underway and expected to continue until June 28. Saturday hearings are possible, but not actually scheduled at this time. The PSB is allowing Entergy to file sur-surrebuttal in response to PSD economics testimony, and may do so with respect to decommissioning costs. Review of this testimony is expected within the current two-week rebuttal hearings, but may be difficult to accommodate. The Board appears to be intent on giving Entergy ample room to make its case. The Board and staff asked pointed questions of Entergy witness Michael Twomey, strongly suggesting that they do not believe they can rely on Entergy to keep its word. The Department's outside counsel, Wilmer Hale, has indicated that they expect to exceed the current contract amount by the end of the hearings, which will require another contract amendment.

Barnet Water System, Inc. Rate Increase – Docket 8052 – The Department propounded information requests on the petitioner in an effort to narrow issues. The Board granted ANR's request to withdraw as a party to the proceeding. In a letter to the Board, the Department had supported ANR's request and offered to sponsor testimony from ANR witnesses, as necessary. Additionally, the petitioner has represented to the Department that a sale of the water system may be imminent and requested an extension of the Friday deadline for their prefiled testimony. The Department has agreed to a short extension.

Swanton Rate Increase – Docket No. 8024 – The Department filed initial discovery questions on Swanton Electric Department on June 6. Responses were provided on June 14. The Department served another round of discovery on June 17, broadening the issues to include customer service issues.

Chester Solar Farm Section 248 Proceeding – Docket No. 7989 – A Proposal for Decision (PFD) was issued on June 11, with comments due on or before June 21. The PFD largely tracks the

MOU entered into among the parties though with some minor variations. The PFD does not require a 7-foot chain link perimeter fence around the proposed solar array. This is consistent with the Department's position in the case and the MOU. Staff is reviewing the PFD.

GMP Base Rates Filing – No Docket – On June 17, GMP provided responses to almost all of the initial questions posed by Bill Schultz on GMP's capital expenditures (one response remains outstanding and is expected shortly). GMP also provided a memo in support of its proposal to amortize certain preliminary survey costs. The memo sets forth GMP's position that it is entitled to recovery these costs and that an accounting order is not needed in light of GMP's alternative regulation plan. Staff is reviewing the memo. Finally, staff arranged a follow-up meeting on GMP's Smartpower savings/costs for July 10. Legal staff has inquired of CAPI regarding any outstanding customer service issues; to date none have been identified.

GMP Second Quarter Power Adjustor – Tariff No. 8435 – GMP's power adjustor filing results in an upward rate adjustment of \$1,810,176 (or \$0.00167 per kWh), to be effective on bills rendered on or after July 1. On June 14, the Department sent a letter to the Board recommending that Board approve the filing.

GMP Earnings Sharing Adjustment Mechanism – Tariff No. 8435-A – No Earnings Sharing Adjustment amount will be collected from or returned to customers for 2012 because the actual regulatory return on equity for the relevant nine-month period is within the 75 basis point "deadband" of allowable returns. On June 14, the Department sent a letter to the Board recommending that Board approve the filing.

VGS Low Income Assistance Program Fee – Tariff No. 8436 – VGS's tariff filing implements a Low Income Assistance Program (LIAP) in compliance with the Board's January 15, 2013 Order in Docket No. 7888. Specifically, the filing establishes the program fee approved by the Board. VGS also filed an executed agreement between VGS and the Department for Children and Families, which addresses administration of the LIAP. On June 14, the Department sent a letter to the Board recommending that Board approve the filing.

Demand Resource Plan Proceeding- EEU 2013-01 – On June 18, 2013 the Public Service Board conducted an opening workshop during which the Department, EEU's and stakeholders discussed lessons learned from the initial Demand Resource Plan proceeding and proposed changes and a timeline for this next one. The Department is collaborating with EVT and BED to file an initial schedule on June 28 and to file proposed changes to the Process and Administration governing document by July 3.

FairPoint – CANNE Wire Center Reclassification - Docket 7958 – The Department filed responses to discovery from CANNE on 6/19/13. The next deadline is Rebuttal Testimony, to be filed by all parties on 7/10/13.

Telecommunications

VTel Data Networks CPG Application – VTel submitted a CPG application for an entity – VTel Data Networks (“VDN”) – that will function as a CLEC operating over the VTel fiber and wireless networks. VDN’s proposed service offerings include internet bandwidth, transport, VoIP, data and cloud storage solutions on a retail basis, and backhaul and transport on a wholesale basis. It appears that VDN may plan to offer VoIP over the VTel fiber and wireless networks, in addition to – or rather than – having those underlying carriers provide voice services. The application describes VTel Wireless as a “provider of wireless broadband services,” rather than a voice provider. PSD comments on the application are due June 25, 2013.

Cell Tower Database from 248a Applications – The VCGI website currently hosts a GIS mapping database of cell tower locations and information, which comes from the Natural Resources Board’s Act 250 applications. There is some interest, currently for the purpose of mapping Vermont’s cell coverage, in updating the cell tower database with information from 248a applications. The PSD has all the information – cell tower street address, coordinates, tower height, antenna height, attaching entity, etc. – that the Act 250 database includes, in the form of electronic or paper copies of the applications for approved 248a petitions. The VCGI and VTA would like the PSD to update the cell tower database with the 248a information on an ongoing basis. The PSD still needs to decide whether it is willing to take on that effort, if it can be billed to VCGI under the Broadband Mapping Initiative grant, and where to house the data.

6/30/2013 Broadband Service Request – Telecom staff is preparing to issue an information request to providers for where and at what speeds they provide broadband service in Vermont. The VCGI is waiting to hear from Pericle about exactly what information should be requested from Fixed Wireless Internet Service Providers (“WISPs”), since broadband service data from the WISPs in the last information request was not collected in time for submission to the NTIA.

VTel meeting – PSD telecom staff joined PSD CAPI staff in meeting at the VTel facilities to see a demonstration of the services VTel intends to offer. VTel is deploying fiber optic cables within its service territory in southern Vermont. When the majority of locations in a town have had fiber cables installed, VTel sends a representative to each home to migrate service from the old copper cables to the new fiber cables. These copper cables will carry voice, broadband Internet access, and initially 250 television channels (eventually VTel plans up to 500 channels). VTel already serves approximately 1500 customers on the new fiber network. Once all of the approximately 20,000 locations are on the fiber network, it will remove and retire the legacy copper network and associated legacy networking equipment. The new fiber platform relies upon two devices that must be installed at a customer’s home. One device is installed outdoors and replaces the traditional “NID”. The second device is a power supply that is installed indoors. This device must be connected to customer-provided electrical source, and includes a 12-volt battery that provides up to 8 hours of operation. VTel provides the initial battery, but customers are responsible for the batteries and replacing them after their expected 5-year lifespan.

Wire center mapping – The PSD has agreed to provide the FCC with GIS maps relating the geographic boundaries of the wire centers in Vermont. PSD staff has circulated the draft maps

to the ILECs and requested feedback. The metadata developed by PSD staff appears to be correct, with only minor change requests. In one instance, one company has suggested that the PSD boundary is incorrect, and has proposed a minor change to the map. PSD staff has contacted the owner of the other affected wire center and explained the proposed change and is waiting for a response.

Finance and Economics

Electric

Ryegate - Investigation into the Establishment of a Standard-Offer price for Baseload Renewable Power under SPEED Program. Staff is reviewing Ryegate Associates response to the first set of information requests concerning the proposal whether to install a selective catalytic reduction system (“SCR”) at the Ryegate generation facility. June 25 is the deadline for non-petitioner position statements on the SRC proposal, July 9 is the deadline for PSD response, July 23 is the deadline for Ryegate response and July 26 is the date for a status conference.

VEC – Plans to file with the PSB a revised retail tariff to replace expiring (snowmaking) special contracts in effect for Jay Peak and Smugglers Notch. Portland Pipeline would be included in the proposed rate schedule. Staff met with VEC to discuss allocation of full costs and risks of cross-subsidization, among others. Currently, VEC plans a single tariff with three (3) levels.

Gas

VGS---Alt Reg---the company now plans to file its preliminary cost of service for our review by the end of the month and will file its final cost of service no later than August 28. Staff completed an RFP on April 23 to solicit expert witness services. The RFP was issued on May 22 with responses due by June 17th. Our review of responses will begin shortly.

VGS Purchase Gas Adjustor - PSB Tariff #8444: VGS filed its quarterly Purchase Gas Adjustment (PGA) on 24 May 2013 applicable to bills on and after 7 August 2013, reflecting a 1.3% decrease in firm rates based on a reduction of 2.55% in the gas charge. In the last quarter VGS had an over-recovery of gas costs of \$2,100,040 that will now be refunded to customers over the next twelve months. VGS warns that the PGA filing includes tariffs for the Low Income Assistance Program (LIAP) that the PSB has not yet approved.

Regional Policy

Distributed generation and load forecasts

- On June 19 ISO-NE gave a presentation at the Planning Advisory Committee providing an update on solar DG.
- The presentation addressed several topics:
 - The extent to which ISO-NE currently accounts for DG facilities – DG facilities that have cleared in the Forward Capacity Market or facilities that have registered as a Settlement Only Generator. DG facilities in both categories are

included in ISO-NE's 10-year load forecast. Currently there are no solar facilities in Vermont that have cleared in the FCM or registered as a Settlement Only Generator.

- ISO-NE expressed concern with the IEEE DG interconnection standard and stated that it intends to reach out to state regulators to discuss harmonizing state interconnection standards. According to ISO-NE, the standard does not take into account the possibility of significant penetration of DG.
- ISO-NE used historical data to determine the coincidence of solar with peak load. The preliminary conclusion for summer peak is that the peak is that solar output declines before the end of peak hours; with respect to winter peak, it is expected that solar DG will cease output well before peak hours, and may create a steeper ramp requirement.
- ISO-NE is starting a DG working group this fall and intends to reach out to stakeholders to develop additional information regarding the amount of solar DG, methodologies for incorporating DG into the load forecast, and conduct a more in-depth analysis regarding solar DG's coincidence with peak.

Memo



TO: Governor Peter Shumlin
FROM: Keith W. Flynn, Commissioner
DATE: June 21, 2013
SUBJECT: Governor's Report

Emergency Management

We were informed this week that VTrans unilaterally amended the FEMA Public Assistance MOU between DPS and VTrans, which was undergoing final review for renewal by June 30th. The amended language shifts grant recipient responsibilities to DPS (currently held by VTrans by agreement) by July 1, 2014. While achievement of this is a possibility, this maneuver is contrary to the understanding between DPS, VTrans and the AOA when the MOU was developed last year. Through agreement by all parties (DPS, VTrans and AOA) this would not occur until DPS had acquired the proper staff and resources to manage the grant recipient responsibilities for PA..

Legislative contacts:

- a. Responded to an inquiry from Congressman Welch's office regarding a FEMA Public Assistance (PA) project in Royalton.
- b. Responded to an inquiry from Rep. David Deen regarding a FEMA Public Assistance (PA) project in Westminster.

State Police

A Troop

FF

- Troopers arrested 8 subjects this past week with 15 charges.
- DDACTS Ongoing Mission (Burglaries & Thefts): Continue to aggressively pursue leads on any property crime when they occur.
- Trooper conducted a "sting" in which he along with BCI from New Haven and Officers from Vergennes PD set up a sting on a subject who was attempting to sell a stolen outboard engine from Charlotte. Subject was arrested for the theft and the property was returned to the owner.

- The St. Albans Barracks had a total of five arrests/nine charges for the week, including two arrests for DUI.
- On 6/10 an individual came to the Barracks to make a report of animal abuse. He advised that he observed a worker on his farm beating a cow over the head with a steel pipe. Subject Draper was charged with Animal Abuse & Disorderly Conduct.
- Trp. arrested a female for Aggravated Domestic Assault, Simple Assault on a Police Officer, and Unlawful Mischief; the officer assaulted was head-butted by the accused and the damaged property was EQ247.
- There were nine assaults reported this past week, six resulting in immediate arrest and three investigations are ongoing. There was somewhat of a spike in property crimes this past week with 10 burglaries/attempted burglaries being reported in addition to 4 larcenies. These property crimes were evenly split between the West patrol area (the Mad River Valley) and the East patrol area, both of which continue to be primary DDACTS focus areas. There was also a spike in crashes with 5 injury crashes and 10 non-injury crashes.

BCI

- Assisted Detective Polidori with a child abuse case to a 10 month old
- New case assigned Saturday. 1 yr old from Williamstown with multiple serious injuries
- Assisted Sgt. Thomas with CI buy of narcotics and wired conversation in relation to armed robbery
- Drug case from corrections
- Went to Saint J- interview on a Sexual Exploitation case
- Assist FBI- interview in Alburgh- gold case
- Assault at CC- CO choking out an inmate
- Pornography case. Reviewed Victims facebook account obtained images off from cell phone using Cellebrite.
- Multiple interviews conducted on embezzlement case
- Search warrant for drugs, small amount of narcotics seized

B Troop

FF

- Search warrant/Drug investigation: In May 2013, the Vermont Drug Task Force initiated an investigation into the sale of heroin in the St. Johnsbury area. The VTDTF made several controlled purchases of heroin and as a result of the investigation executed a search warrant on a vehicle seized on June 6, 2013. The search warrant resulted in the seizure of over 500 bags of heroin. On June 14, 2013 the below individuals were arrested and charged. The Vermont Attorney General's Office is prosecuting this case. 1. Kevin Palmer (53) Lyndon, VT Trafficking Heroin Bail \$200,000 2. Deborah Clark (53) St. Johnsbury, VT Sale of Heroin (2 counts) Conspiracy to Traffic Heroin Bail \$100,000 3. Brittany Clark (24) St. Johnsbury, VT Sale of Heroin Bail \$1,000 4. Dillan Garand (27) Barnet, VT Trafficking Heroin Bail \$100,000.
- This week Derby Troopers had a total of 6 arrests, of which 2 were DUI's.

- There was a fatal accident in the town of Westmore in which the son of Hardwick Police Officer Mike Glodgett was killed, there was evidence of alcohol at the scene and speed was also believed to be a factor.
- There was an increase in Burglaries reported in Orleans County. There were 10 reported burglaries, 5 of which were camps that were discovered burglarized in Holland along the same road sometime in the past two weeks. Attention will be focused on Southern Orleans County this week.

BCI

- Follow up on Financial Exploitation of vulnerable adult case.
- Fletcher sentencing hearing
- Assisted NVDTF with picking up Dillon Garand wanted on Heroin charges
- Interview on Rock Homicide case.
- Meth lab Alburgh
- O'Hagan Homicide follow up
- Picked up 7 new drug cases at Newport Jail

C Troop

FF

- DDACTS Mission Period (June 1 to June 21, 2013) Ongoing Mission (Burglaries & Thefts): Reduce the number of burglaries and thefts in northwestern Rutland County / southwestern Addison County, and solve those cases currently under active investigation. This will be done by continuing to track and analyze burglary and theft data for this area. Pursue and document all investigative leads to help create a list of potential suspects. Much of this week was work related to traffic stops and follow-up investigations; thus the 6 DUI ARRESTS, the double Robbery ARRESTS from Chittenden's Wooden Barrel Store.
- Some of our Rural Policing stats for the two weeks ending PPE 6/15/13 is: 20 school visits; 85 follow-up contacts; 120 local business visits; approached by citizens 124 times.
- DDACTS: June 17th – June 30th: Troopers will be assigned to conduct aggressive motor vehicle enforcement within the southern portion of Bennington County. Three injury accidents and three burglaries were reported within the last two weeks. The motor vehicle enforcement will focus on the Shaftsbury / Pownal / Readsboro / Stamford / Searsburg areas.

BCI

- Homicide investigation in Danby.
- Background investigation of NY applicant
- Assist with drug search warrant in Middlebury
- Phone information extraction from search warrant/Write reports on same/Prepare evidence for the lab
- Armed robbery assist to uniform

- Heroin search warrant in Middlebury. Two subjects arrested for heroin trafficking; approximately 127 bags of heroin seized.
- Continued investigation into fatal Bristol heroin overdose (D. Grant); meeting with victim's family
- Assist to Uniform (Williston) in stolen property case. Property recovered, arrest made.
- Arrest made for Violation of Conditions of Release on Luring/Child Porn case
- Continued investigation into fraud involving vulnerable adult.
- Completed case and made arrest in Aggravated assault on corrections officer/habitual offender
- Suspicious in Pownal-possible impersonation of UCS worker
- Assisted State's Attorney office by locating and interviewing witnesses from a 2011 sex offense case.

D Troop

FF

- Motor vehicle enforcement resulted in 7 arrests. 259 car stops, high visibility during commute hours and also on "off" hours.
- This week the DDACTS Initiative continued to be patrolling the Route 4 Corridor from Hartford to Bridgewater. This is in response to the recent fatal Motor Vehicle Crashes in the area, and is supported by Hartford and Woodstock Police Departments. This will continue to be our focus until at least July; when an overtime detail to patrol Rt. 4 thirty two hours a week begins.

BCI

- Sex offender registry check
- Armed robbery follow up – interviews on leads
- Follow up and search warrants written/signed for Ludlow sex case
- Welfare fraud case received and completed
- Armed robbery follow up with 572
- Call out for alleged physical abuse case in Whiting
- Thursday and Friday Motion hearing for cell phone ping on Barratt homicide in Burlington
- Arrested 3 sex offenders out of compliance
- Cited Juvenile for Sexual Assault



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Jeb Spaulding, Secretary

**PRIVILEGED AND CONFIDENTIAL
MEMORANDUM TO THE GOVERNOR**

TO: Governor Peter Shumlin

FROM: Secretary Jeb Spaulding

DATE: June 21, 2013

SUBJECT: Confidential Report to the Governor

BUILDINGS AND GENERAL RESOURCES

Legislative Issues/Contacts:

- Talked with Rep. Hooper at the Middlesex facility opening about energy issues and the recent energy efficiency and financing workshop sponsored by the Governor and Sen. Sanders. Sending her the working papers and agenda from the conference.
- Likewise talked with Sens. Kitchel and Ayer at the soft opening. Sen. Ayer was particularly interested in the U.S. DOL lease for the Vergennes campus to house the Job Corp program.
- Held monthly call with Sen. Flory and Rep. Emmons, chairs of SIC and HCIC respectively. They initiated questions concerning the Vermont Veterans Home and what is the General Assembly's role in the acceptance of Sandy FEMA funds. Both urged open communication with their members.

Significant Events/Meetings:

- Received call from Dawn LaBaron, Fletcher Allen, requesting information on the plans for the sale of 195 Colchester Avenue. Told her public bid process would be used.
- Met with VSEA's Cathy Partlow to learn the details of VSEA's search for a new state HQ to accommodate up to 25 employees. They are in 5,000 sq ft and want to go to 7,000 sq ft with up to 35 parking spaces. Presently SOV has no space available, but will keep in touch with the association.
- Meeting with Montpelier officials and the Mayor regarding the heat plant project construction schedule and possible action options and outcomes.
- We missed both the Governor and Jeb at this year's BGS day festivities!

FINANCE AND MANAGEMENT

Issues Update:

ERP Project:

VSEA Meeting: Brad Ferland, Director of FinOPs; John Berard, DHR Labor Relations; and Nicole Wilson, DHR HRIS Director met with Vermont State Employee Association (VSEA) stewards yesterday about concerns the stewards were hearing from members regarding the new system.

FY 2013 Year-End Close: FY 2013 year end close has been going well so far. We have just begun processing the Time & Labor (T&L) files today for the final payroll of FY 2013. Our thanks go to the Human Resources T&L staff. With some assist from payroll staff, they were able to review timesheet submissions and transfer the time files to Payroll one day earlier than has been the case for the first two payrolls in the new system. This will allow Business offices an extra day to review the final payroll and correct any errors. With year-end closing on Sunday June 30th, departments are pressed for time to review the accounting entries from the final payroll and make necessary corrections.

FY 2015 Budget Pilot: The budget office is working with the Joint Fiscal Office to develop an approach for performance-based programmatic budgeting to begin implementation in the FY 2015 Governor's Recommended budget. The two offices previously agreed to a conceptual plan for a "pilot program" for the FY 2015 budget, with further rollout dependent on lessons learned from the pilot program. The two offices are meeting again next week to map out the implementation steps of the pilot, including which departments will participate in the pilot and the technical aspects of the program.

HEALTH CARE REFORM

Status of Governor's Priorities:

ERISA: Same as last week.

Exchange: We received a draft of the DII independent review of the health insurance exchange technology and the integrated eligibility system planning. Richard Boes reviewed and had some disagreements with the evaluator's assessments, which he articulated to them. We are reviewing a new draft this week. The challenge with this review will be articulating the purpose and how it is useful in planning and ensuring we are on the right track. If it is publicized, it will be easily taken out of context and used to promote a message that we are failing.

Single Payer Operational Planning: Commissioner Larson was out this week, but we touched base briefly on next steps, including ensuring that his staff is informed of the preferred direction and that we adjust planning as needed. Also, need to work on staff communication to external parties and sensitizing them to the way others are viewing their approach. Good meeting with Blue Cross. Robin has a follow up with CEO George from Blue Cross and Commissioner Larson in mid-July to look at partnership possibilities After we have that meeting, she will offer the same opportunity to the other carriers.

Robin has a draft work plan that she would like to review soon with Jeb & Liz.

Financing: Michael Costa is working on a discussion document related to tax reform and single payer and a financing work plan. We'd like to put this on the July GPS meeting agenda.

Significant Events/Meetings:

June 14:

HBE and IE Independent Review: Commissioner Boes, Deputy Commissioner Tucker and Robin Lunge (among others on the team) met with the independent review team to look at the risks and issues they identified. We discussed the risks, areas of disagreement, and also areas where corrective action has already been taken to mitigate the risk.

Update with Governor: The meeting was very helpful in setting a clearer operational direction.

June 18:

HIT Consent Meeting: VITL is interested in revising the consent policy for health information technology to allow patients to give consent for all providers. This idea was controversial in the work group, so we discussed the possible political issues and who they need to talk with to get input prior to asking us to promote this change with the GMCB (who approves the HIT plan). The consent policy is part of the HIT plan. VITL's interest is that the current policy (which provides a provider by provider patient consent process) creates operational challenges and they are worried that it will be hard to get a good volume of records in the system. They also believe that there are patient safety issues with providers not being able to access all of a patient's records. John Evans is going to explore the issues with the mental health community, the substance abuse community, and other providers to test the waters. We will monitor.

Andrew Brewer: Robin met with Andrew to talk through some Exchange questions he has. We generally discussed the advisory group. He is anxious to get in the nitty gritty of types of taxes, etc.

June 19:

Military Health Care: Susan Bartlett organized a meeting with people from the VA and Tri-care to talk about how to ensure coordination between Medicaid, the Exchange, our universal system, and the military health coverage systems.

Tax Advisory Board: Robin presented to the Tax Advisory Board on Vermont Health Connect and discussed the nuts and bolts of employer decisions this next year on health care.

June 20:

VT Healthcare Fraud enforcement task force: Robin met with Ed Baker from the AGs Office to hear recommendations on how we can do a better job of fraud prevention, especially in the home health area, and how to work more closely on improvements moving toward 2017. Ed is creating a multi-agency work group to look at the current issues, which Robin will assign David Reynolds to participate in.

HUMAN RESOURCES

Press/Media Notes:

Paul Heintz contacted Commissioner Duffy regarding leadership issues at VSEA. Commissioner Duffy explained the bargaining process and indicated VSEA's issues are likely to have little impact on the bargaining schedule or results.

Significant Events/Meetings:

Commissioner Duffy, representatives from the Vermont Veterans' Home and Mike Pulling met with representatives from the Maine Veterans' Home. Mr. Pulling is conducting a study to assess governance models at VVH in accordance with a legislative mandate. Maine operates as an instrumentality of the state, but does have state employees providing services at the facilities. The model is an interesting one, and will be addressed in the report to be prepared by Mr. Pulling.

DHR representatives met with representatives of AOT to discuss coding of EEO categories to ensure that AOT has accurate and sufficient information to satisfy its federal funders. The parties also discussed reporting strategies to assist AOT in meeting its federal obligations.

Evolving Issues:

DHR has worked with Secretary Spaulding to develop a compensation strategy for pay increases in FY14 for exempt employees. Generally, exempt employees will receive a 2.1% increase. A memo from Secretary Spaulding will be sent to appointing authorities advising them of the increase.

DHR is convening a meeting of a small inter-agency team to identify curriculum priorities and design recommendations for a series of "short" trainings for supervisors and managers on high priority topics. These trainings will likely be conducted in person and by webinar and will be videotaped, in order to reach as many managers and supervisors as possible. Ultimately, this training curriculum could be used by DHR field staff to conduct more individualized trainings for Agencies and Departments.

DHR is working with AOT to enter into Memoranda of Understanding to ensure additional staffing to conduct investigations into misconduct at AOT and to conduct a more comprehensive analysis of workforce issues relating to discrimination. These efforts will assist AOT in meeting compliance obligations of its federal partners and ensure continued federal funding.

INFORMATION AND INNOVATION

Status of Governor's Priorities:

Healthcare: HBE and IE remain at risk (RED), but the risks and issues continue to be manageable and we are expecting to make our deadlines in October and January. However, in order to make those deadline we've had to trim down the scope to little more than what is required by our federal partners and push off some portions of the scope to later in the project. Now that these issues (through the

FDDR process) are fairly well understood, we've put the scope under change management to help control scope issues moving forward.

Significant Events/Meetings:

- Effective last Monday, 26 technology staff positions, previously part of the AHS Central Office transferred to DII (per Executive Order). An interim billing agreement (MOU) for FY14 was required, i.e. the transferred staff may work on non-AHS projects during FY14, but DII is obligated to deliver the same or better service to AHS that they experienced before the transfer. For time worked on AHS specific desktop and server projects by transferred IT staff, DII will invoice the AHS central office on a quarterly basis. For FY15, the personal services costs for these positions will be included in the statewide DII internal service fund charges.

LIBRARIES

Significant Meetings/Events/Project Updates:

Meeting re: Convening on NEK Projects: Marty Reid attended the meeting in Orleans (6/15) convened by Paul Costello of VCRD and others which brought together representatives from business, communities, education, arts, libraries, etc. to hear from Bill Stenger, Lawrence Miller and other panelists about economic development plans and opportunities in the NEK. Marty participated in the Education focus group discussion. We continue to work with libraries to help position them to meet demands for increased services (particularly in the area of children and families and digital literacy) and new folks moving in to the area who are used to a higher quality of library service. We know that Vermont lags behind other states in library service.

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

- 3 – Libraries online (Putney, Sharon, Dorset)
- 3 – Libraries turned-up by Sovernet (Poultney, N. Bennington, Bennington) – will be operational soon.
- 30 - Libraries pending Sovernet turn-up
- 6 - Libraries pursuing internal wiring
- 2 - Libraries pending Sovernet fiber designs (Cabot & Manchester)

Marty met with a team from her department to discuss their strategy to move forward on getting all public libraries automated by the end of 2015 and to replace the aged Vermont Automated Library System (VALS) which powers the statewide library resource sharing system.

This will be a major effort which may require some significant increase in state funding. One of the first steps will be in July to set up a meeting with our DII Project manager to begin planning.

They estimate that some 30 (viable) public libraries lack automation and suspect that puts us last in the nation in seeing that all libraries are automated. This effort has a number of moving pieces – and some difficult political differences within the library community, so we are being very careful and considered in our strategy planning. We also know that the replacement of VALS and the development of a statewide delivery system for resource sharing are the top priorities for us among libraries statewide.

TAXES

Legislative Update:

Sept 1 Late Deadline for Homestead Declarations: After a meeting with Steve Jeffrey (VLCT), Karen Richard (Clerks & Treasurers), Bill Talbott and Brad James it was decided that the Department will go forward with a process for towns to send out a new bill with the proper residential rate and an adjustment for all declarations that we receive by October 15. This is the cleanest solution, although there was noise that towns would prefer just to adjust non-residential bills and not change their grandlists after Sept 1 – which would be absurd from taxpayers’ point of view. The Commissioner is exercising special transition authority in its broadest sense. The Commissioner has sent several emails to Janet and Tim on this matter, have not heard back. The Department will be circulating information to towns next week. Ironically, Patti Komline fired off an email about this to the Commissioner, and then suggested to Terri Hallenbeck that the Department was ignoring the legislature by not enforcing the Sept 1 deadline.

Renter Rebate: The appropriation for this item has been depleted, and we are holding off rebates until July 1 (note: these payments are distinct from property tax adjustments). Ironically, there is an urban legend that the Department has delayed income tax refunds – in actuality, we are only slightly above our “worklist” numbers from last year due to the IRS delays. The worklist represents returns that need human intervention to process (scanning errors, math errors, other data verification) and we actually are working to get through as many as possible before year end. Sam Hemingway called about refund delays – but the inquiry was centered on income tax.

Solar: The advocates have suggested a few changes to the materials that will be finalized next week. Essentially, the solar tax was proposed by DPS to create a uniform tax scheme and head off listers who might otherwise assign very high values to these installations. Unfortunately, the advocates suggest that both in concept and implementation they are being over-taxed. They may be minimizing that the solar tax itself is modest compared to the statewide property tax, and that towns have a large appetite for taxing value of any kind for municipal purposes.

Tax Advisory Board: We had a productive meeting with our “business group”. IBM has concerns about implementation of the cloud tax, wanting to be sure that we do not have “scope creep” from tangible personal property to information services and data processing – a grey line for sure. We have a tax lawyer from NH on the Board, and she is very concerned about nexus questions – sharing that one of her clients has been dragged into a Wisconsin sales tax assessment on the basis that the sale of cloud software created physical nexus. I was frank that the nexus and sourcing rules around cloud software are nebulous at best. Everyone was pleased that we are going to be doing regulations – however it is not clear that the regs will be able to draw some of these lines when the issues are totally unsettled nationally. Shap spent about an hour chatting with the group, explaining last year’s proposals and where he thinks the legislature might land next year. His stated view is that the income tax proposals from the end of the session moved the state closer to AGI, and it was imperative that we start to take those steps. He also told the group that long term we need to move to taxing services. As for property tax, he gave local flavor from his own districts on the controversy over consolidating and closing schools.

Sharing Tax Data with JFO: The Commissioner is researching who might be engaged to blur the data that we provide to JFO to be sure that it does not reveal the identity of any taxpayers. Discussing this with the economist on our Advisory Board, he stated that when the IRS and Dept of Labor release stats

for research purposes, the biggest issue is where the data is “top coded”. That is, the agency picks X – after X, there are so few events, that X+1 is reported as X. Researchers of course want X as high as possible (eliminating few units from the data set), while the agencies lean towards setting X low to shield identities (making the data less useful for any modeling). For state tax returns, the issue will center on capital gains (deductions are federal return information, but we have a state specific cap gain form). At what dollar amount is a capital gain so unique as to suggest the identity of a taxpayer. Given the small size of the state, it is not unlikely that after a fairly low threshold, one could start to link a gain with the sale of a particular asset. Given the scrutiny on this issue, it would be advisable for a third party with data expertise to be making this call, rather than the Department. There likely are two vendors who could do this on a consulting basis (the vendors who provide states with microsimulation models). The Commissioner explained the issue to Peter Griffin, who definitely got it (he is drafting the MOU for JFO). The Commissioner also plans to seek input from members of our Advisory Boards and others on the details of any proposed MOU.

Operations:

RFP for Integrated Tax System: The Department received three proposals, ranging in cost from \$20-28M over 4-6 years to implement software that would provide one platform to process all our tax types, provide web self-service for taxpayers and practitioners, as well as incorporate accounting, reporting and audit functions. At first glance, there were no surprises, although it was unclear that one of the proposals was truly “benefits based” (that is, financed by the vendor through the enhanced revenues anticipated from the implementation rather than appropriation).

Personnel: One step forward, two back. We are close to finally filling all our positions for the Policy division. Our new Economist started Monday, Michael’s replacement starts July 15, and we are set to make an offer to a lawyer for the last policy analyst spot, and to an MPA for a fiscal policy spot. The latter would work with the economist on forecasting, fiscal notes, tax reform proposals and health care finance. She is currently working at a tax think tank in NYC and her references are impeccable – including a former prof who is at the Urban Institute and would hire her in a heartbeat if he could get her to move to DC.

In the meantime, Commissioner Boes informs us that he is making an offer to yet another of our employees – which is about ½ dozen IT staff who have left in the past year. Since our ITS solution is likely to be vendor supported, this is expected – and moves us closer to the day that we transfer our IT division to DII.

Irene Recovery Situation Report 06/21/2013

IRENE RECOVERY OFFICE

Individual Assistance

- The American Red Cross continues to conduct disaster case management for DR-4120 survivors in Chittenden, Essex, and Lamoille Counties; a limited number of inquiries for assistance from businesses are also being referred to traditional service programs by the Irene Recovery Office, as needed.

PA

- DR-4120 Applicant Briefing is scheduled for 06/27/2013 from 1:00pm to 4:00pm at Founders Memorial School in Essex.
- FEMA has switched from holding weekly UCG meetings on Wednesday mornings at the JFO to quick “stand-up meetings” on Mon., Wed., and Fri. mornings at 8:30.
- DEMHS has been informed that specific support staff will no longer be available for return to service in Vermont, which queries whether to continue SAIC contract support for HMGP.
- DEMHS submitted a request to FEMA for Hazard Mitigation Technical Assistance, supporting the deployment of two additional 404 Hazard Mitigation experts to assist in the development of 404 applications.
- Public information was disseminated regarding HMGP 5th round funding availability; to date, letters of intent request more funds than available in the 5th round. Currently, outreach efforts to RPCs, towns are ongoing, and have included site visits/meetings possible home buyout in the towns of Highgate and Underhill.

ACCD

- ACCD, in partnership with ANR and VAPDA received a \$667,00 grant (\$500,000 federal EDA and over \$167,000 of in kind match) to develop the Vermont Economic Resiliency Initiative (VERI), an 18 month statewide project aimed at identifying areas of risk and their intersection with areas of economic activity and associated infrastructure and developing implementation plans in five areas that will minimize the risk and provide a guide for other communities interested in reducing or minimizing impacts to their local economy.
- The ISC Resilient Vermont Project has developed a schedule for developing the final recommendations and roadmap, including:
 - The convening of 6 focus groups in three locations around the state targeting municipal stakeholders by July’s end;
 - Development of a separate outreach plan for the business community;
 - The final stakeholder meeting will be held by mid-September with a target release of the draft document on August 26th. Concerns about this deadline, or event timeline may be passed on to Commissioner MacKay.
- The EPA Technical Assistance Project has invited Gavin Smith and ISC to present their recommendations, followed by group discussion and prioritization session from July 24-25 or July 28-30. Suggestions for ensuring this trip is productive are welcome and may be passed on to Commissioner MacKay.

- ACCD issued request for Letter of Interest for CDBG-DR II projects by July 3, 2013.
 - Eligible projects will be considered for inclusion in Action Plan for the use of the \$17.9 million allocation which must be submitted to HUD by the end of August.
 - Public hearing to be held in White River Junction on June 27.
 - Outreach to stakeholders and developers for request of information on unmet needs and Letters of Interest for projects that could be funded from the second, \$17.9 million, CDBG-DR allocation is ongoing.
- Two planning grants were awarded to the Central Vermont Regional Planning Commission totaling \$162,250, per recommendations from ANR staff for LIDAR mapping and flood inundation studies for the Mad River and Thatcher Brook.
- DHCD staff attended a Waitsfield Selectboard Meeting regarding the use of the recently funded \$750,000 CDBG-DR grant to help relocated the Town Office; the Selectboard voted to proceed with the grant as funded- for the “Farm Stand Site” and approved a Bond Vote to secure the additional funding to complete the project.
- The Town of Moretown submitted a \$865,286 CDBG-DR grant application for relocation of the town office; the Town of Wilmington submitted a \$57,860 CDBG-DR planning grant application to assist in the feasibility of relocating the area Health Center; both applications will be considered at a VCDP board meeting on July 11.
- Coordination with TRORC regarding home buyouts is ongoing and has resulted in the establishment of a consistent protocol to ensure that a universal approach is used for the property valuation method on all of the FEMA denied CDBG-only buy-outs; pre-flood assessed value is the chosen method from now on.

HMGP

- Current status of buyout properties:

HMGP Purchased (75% HMGP, 25% CDBG)	11
HMGP Approved	81
HMGP Pending	7
Appealing/RFI HMGP Determination	11
Round 4	4
Round 5	7
CDBG-DR Only	13
Grand Total	134

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

VTrans

Finance and Administration Division

- Transportation System Recovery Expenditures through June 10, 2013: **\$2,271,940**

	Totals	Federal	State	Local
FHWA-ER	\$108,087,517	\$101,357,967	\$4,457,609	\$2,271,940
FEMA - 4022	\$112,794,968	\$108,495,255	\$4,299,713	\$0
FEMA- RREW	\$2,818,810	\$0	\$2,818,810	\$0
	\$223,701,296	\$209,853,222	\$11,576,133	\$2,271,940

Operations Division

All District Irene Related FHWA ER Sites	This Week
Total sites	689
Total sites complete	441
Total sites under construction	25
Total sites awarded not completed	83
Total sites ready for bid	69
Total sites scoping/design complete	79
Total sites no activity	21
Total sites given to PDD	65
Total sites on hold ROW/ENV	29