

ALASKA STATE LEGISLATURE
HOUSE LABOR AND COMMERCE STANDING COMMITTEE

February 6, 2006

3:28 p.m.

MEMBERS PRESENT

Representative Tom Anderson, Chair
Representative Pete Kott
Representative Gabrielle LeDoux
Representative Bob Lynn
Representative Norman Rokeberg
Representative Harry Crawford
Representative David Guttenberg

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. 393

"An Act requiring that certain health care insurance plans provide coverage for the costs of colorectal cancer screening examinations and laboratory tests; and providing for an effective date."

- MOVED CSHB 393(L&C) OUT OF COMMITTEE

HOUSE BILL NO. 335

"An Act creating the Alaska energy research and development program in the Alaska Energy Authority and providing for a Committee on Alaska Energy Research and Development to assist in the development of that program; and providing for an effective date."

- MOVED CSHB 335(L&C) OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: HB 393

SHORT TITLE: INSURANCE FOR COLORECTAL CANCER SCREENING

SPONSOR(S): REPRESENTATIVE(S) ANDERSON

01/25/06	(H)	READ THE FIRST TIME - REFERRALS
01/25/06	(H)	L&C, HES
02/03/06	(H)	L&C AT 4:15 PM CAPITOL 17

02/03/06 (H) -- Meeting Canceled --
02/06/06 (H) L&C AT 3:15 PM CAPITOL 17

BILL: HB 335

SHORT TITLE: ENERGY RESEARCH & DEVELOPMENT

SPONSOR(S): REPRESENTATIVE(S) BERKOWITZ

01/09/06 (H) PREFILE RELEASED 12/30/05
01/09/06 (H) READ THE FIRST TIME - REFERRALS
01/09/06 (H) L&C, FIN
02/03/06 (H) L&C AT 4:15 PM CAPITOL 17
02/03/06 (H) -- Meeting Canceled --
02/06/06 (H) L&C AT 3:15 PM CAPITOL 17

WITNESS REGISTER

HEATH HILYARD, Staff
to Representative Anderson
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented HB 393 on behalf of
Representative Anderson, sponsor.

EMILY NENON
Alaska Government Relations Director
American Cancer Society (ACS)
Anchorage, Alaska

POSITION STATEMENT: During discussion of HB 393, provided
comments.

BRIAN SWEENEY JR., M.D.
Anchorage, Alaska

POSITION STATEMENT: During hearing on HB 393, used his
experience as a Gastroenterologist to provide information on
colorectal cancer screening.

CLAUDIA CHRISTENSEN
Alaska Native Tribal Health Consortium (ANTHC)
Anchorage, Alaska

POSITION STATEMENT: During hearing on HB 393, provided
information on colorectal cancer screening in Alaska.

STEPHEN WARREN
Anchorage, Alaska

POSITION STATEMENT: During discussion of HB 393, provided
comments.

RICK URION

Juneau, Alaska

POSITION STATEMENT: During discussion of HB 393, provided comments.

REED STOOPS, Lobbyist

for American Health Insurance Association (AHIA)

Juneau, Alaska

POSITION STATEMENT: Provided information regarding AHIA and suggested an amendment to HB 393.

JEFFREY TROUTT, Deputy Director

Division of Insurance

Department of Commerce, Community, & Economic Development (DCCED)

Juneau, Alaska

POSITION STATEMENT: During hearing on HB 393, answered questions.

LISA WEISSLER, Staff

to Representative Ethan Berkowitz

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Presented HB 335 on behalf of Representative Berkowitz, sponsor.

BECKY GAY, Project Manager

Alaska Energy Authority (AEA)

Anchorage, Alaska

POSITION STATEMENT: Expressed concerns regarding HB 335.

PETER CRIMP, Project Manager

Alternative Energy and Energy Efficiency

Alaska Energy Authority (AEA)

Anchorage, Alaska

POSITION STATEMENT: Provided information on AEA's current projects in relation to HB 335.

MEERA KOHLER, President and Chief Executive Officer (CEO)

Alaska Village Electric Cooperative, Incorporated (AVEC)

Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 335.

ACTION NARRATIVE

CHAIR TOM ANDERSON called the House Labor and Commerce Standing Committee meeting to order at [3:28:52 PM](#). Representatives

Guttenberg, Crawford, Rokeberg, LeDoux, and Anderson were present at the call to order. Representatives Lynn and Kott arrived as the meeting was in progress.

HB 393-INSURANCE FOR COLORECTAL CANCER SCREENING

CHAIR ANDERSON announced that the first order of business would be HOUSE BILL NO. 393, "An Act requiring that certain health care insurance plans provide coverage for the costs of colorectal cancer screening examinations and laboratory tests; and providing for an effective date."

HEATH HILYARD, Staff to Representative Anderson, Alaska State Legislature, Sponsor, explained that this bill will establish a minimum standard requirement that colorectal cancer screening be provided in healthcare policies in Alaska, particularly to those individuals who are over 50 years of age. He added that this is important because colorectal cancer, if caught in the early stages, has a 90 percent survival rate; however, if caught late, the survival rate is around 10 percent.

[3:31:28 PM](#)

EMILY NENON, Alaska Government Relations Director, American Cancer Society (ACS), stated that she has been researching this legislation for 4 years. She explained that colorectal cancer is the second leading cause of cancer deaths in the United States, adding that Alaska has an above average rate for colon cancer in the general population. She went on to say that the Alaska Native population has the highest rate of colon cancer of any population group in the country. Ms. Nenon also explained that [via a colonoscopy, the doctor] can remove polyps before they become cancerous, adding that this is the only screening tool available that can prevent cancer. She stated that a colonoscopy is over 90 percent effective at detecting colon cancer.

MS. NENON informed the committee that currently 18 states and the District of Columbia have passed laws that require state regulated plans to cover colon cancer screening according to the ACS guidelines. In regards to plans that are not state regulated, she explained that in the past couple of years, ACS has increased the number of Federal plans that cover colon cancer screening. She also informed the committee that current state law requires coverage for breast, cervical, and prostate cancer, pointing out that colon cancer is the only cancer with recommended screening that is not listed. She commented that

[ACS] would like to give people the opportunity to have all cancer screening covered by insurance, and adding colon cancer screening would complete the list.

[3:36:02 PM](#)

CHAIR ANDERSON inquired about the different types of colon cancer screening.

[3:36:24 PM](#)

MS. NENON replied that it is important for doctors and patients to make a decision about which screening is most appropriate for the patient. She stated that colonoscopy is the "gold standard" because of its ability to find and remove pre-cancerous tissue, adding that it is not appropriate for everyone. She explained that in addition to the colonoscopy, the guidelines in [HB 393] include fecal occult blood test (FOBT), double-contrast barium enema, and flexible sigmoidoscopy. She went on to say that the colonoscopy only needs to be repeated once every 10 years for a person at average risk - for example one colonoscopy at age 50, another at age 60. Ms. Nenon added that after age 65, Medicare covers this procedure.

MS. NENON, in response to a question, confirmed that the cost for each procedure is different. She explained that the ACS did a study on this issue, looking at the cost of covering a combination of FOBT and flexible sigmoidoscopy, which are commonly covered by insurance, versus a colonoscopy. The study showed that if a person receives a positive result from an FOBT, they are referred on to receive a flexible sigmoidoscopy or a colonoscopy. At this point, these are considered "diagnostic" tests. Ms. Nenon went on to say that the FOBT has a very high false-positive rate, and a person who receives a false positive and goes on to receive a colonoscopy then has to pay for both tests. Therefore, it would be more cost effective to start out with the colonoscopy.

CHAIR ANDERSON asked for clarification regarding who would be covered by HB 393.

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MS. NENON responded that the retired state employee [insurance] plan does not cover colon cancer screening, adding that each state-regulated insurance plan varies as to what is covered. Self-insured plans are not regulated by the state, and ACS is

working with these employers so that they will be able to make the changes on their own.

CHAIR ANDERSON offered his belief that if this legislation passes the population that will be affected will be small.

REPRESENTATIVE LYNN asked how often a "high-risk" person would be required to get a colonoscopy.

MR. HILYARD referred to page 2, lines 24-26, which read in part:

For individuals considered at high risk for colorectal cancer, screening shall be provided at a frequency determined necessary by a health care provider.

REPRESENTATIVE LYNN surmised then, that whatever frequency the healthcare provider decided would then be covered.

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REPRESENTATIVE LEDOUX, referring to page 1, lines 10-11, asked why fraternal benefit societies are exempt.

MS. NENON replied that this legislation was drafted to match other cancer screening statutes, and so she does not know why this population is exempt or how many plans fall under this category. She noted that someone from the Division of Insurance may be able to offer this information.

REPRESENTATIVE LEDOUX, referring to page 2, subsection f, asked if it is common for the insurance provider to notify the enrollee of coverage.

MS. NENON replied that this type of language is being added around the country, and is intended to inform people of what their plan covers and what they are eligible for.

[3:47:09 PM](#)

REPRESENTATIVE ROKEBERG stated that he recently received information from the Division of Insurance that there are 118 thousand individuals covered under small or large group plans who would be affected by this legislation. He noted that 83 percent of the people in Alaska would not be covered by this bill.

[3:50:51 PM](#)

REPRESENTATIVE CRAWFORD noted that most union trust plans are already covering [colon cancer screening].

CHAIR ANDERSON offered his belief that the 83 percent figure may be misleading, adding that although this bill does not mandate it, many independent insurance groups are already covering these costs.

REPRESENTATIVE ROKEBERG responded that this law impacts a limited number of people, and has no impact on groups that may cover [colon cancer screening].

[3:51:52 PM](#)

REPRESENTATIVE LEDOUX asked if this legislation could be expanded to include [independent insurance groups].

REPRESENTATIVE ROKEBERG replied that [independent insurance groups] are excluded by federal law.

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BRIAN SWEENEY JR., M.D., informed the committee that he is a gastroenterologist, and is board certified in internal medicine and gastroenterology. He stated that 93 percent of patients that are diagnosed with stage one cancer survive five years, while only 8 percent of those patients who are diagnosed with stage four cancer survive five years. He, too, explained that colonoscopy is the only type of cancer screening that is able to detect cancer before it starts, adding that FOBT has a 20-40 percent rate of saving lives and flexible sigmoidoscopy has a 60 percent rate. In regard to colonoscopy, he stated that there is not an exact number, but computer models have shown an 80 percent reduction in mortality.

DR. SWEENEY informed the committee that 40 percent of [individuals at risk] receive colon cancer screening, which he noted is up from 20 percent in the last five to ten years. He opined that the real danger is that some individuals may be at higher risk and so the insurance company may not want to cover a "screening procedure," which may result in a decision not to have the procedure done. He explained that colonoscopy done once every ten years is more cost effective than any other screening test that has been studied, including mammography and pap smears.

CHAIR ANDERSON asked if Dr. Sweeney would agree that because colon cancer screening has the ability to catch cancer before it begins, the legislation is valuable.

DR. SWEENEY replied that he would agree, adding that on average, colon cancer is diagnosed at age 67, at which point Medicare pays for the medical treatment. He expressed concern that taxpayers pay for this service. He opined that the cancer most likely began as a polyp when the individual was in his/her 50s and could have been taken care of [with screening]. With regard to the issue of saving money, he opined that for an individual who has a cancerous polyp and does not have it removed, cost is not the issue.

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DR. SWEENEY, in response to questions from Representative Rokeberg, explained the procedure for a double-contrast barium enema. He stated that the ACS guidelines are used in this bill. He went on to say that the ACS lists this as a potential screening test, while the American College of Gastroenterology has eliminated it from their colorectal cancer screening guidelines. He expressed his agreement with removing the double-contrast barium enema from the screening guidelines, adding that there have not been any studies showing the test's ability to screen and save lives. In addition, if something is found with this test, a colonoscopy is still needed.

REPRESENTATIVE ROKEBERG asked if allowing family practitioners to perform the "less intrusive" colon screening procedures is appropriate.

DR. SWEENEY responded that FOBT has a 3-10 percent positive rate, must be done every year, and has a high false positive rate. He explained that studies have shown that the most accurate results come from the colonoscopy, not from FOBT or flexible sigmoidoscopy. He stated that if the guidelines are followed exactly, the patients who receive a positive result FOBT and flexible sigmoidoscopy will still need to have a colonoscopy. He opined that getting a person to do any kind of testing is better than nothing.

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REPRESENTATIVE ROKEBERG asked if he would recommend including the basic tests that can be done by a general practitioner.

DR. SWEENEY responded that he would include it. He explained that although he feels colonoscopy is "the best" screening test, no randomized studies have been done to show how effective colonoscopy is.

CHAIR ANDERSON commented that it is important to know that all of the tests are critical.

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DR. SWEENEY replied that there have been computer models that suggest that if a person were to do both the FOBT and flexible sigmoidoscopy, more lives may be saved than by doing the colonoscopy.

[4:05:25 PM](#)

REPRESENTATIVE ROKEBERG noted that the legislation provides coverage for those over 50 years of age, or less than 50 years of age with a high risk of colon cancer. He asked what would be required for someone to be considered "high risk."

DR. SWEENEY replied that having two first-degree relatives (mother/father) who die of colorectal cancer makes a person "high risk". He expressed his feeling that there is no excuse for not screening "high risk" patients, adding that in this case, a colonoscopy would be the most appropriate, since a person with a family history would be likely to get colon cancer higher up in the colon. He stated that a person who has one or two first-degree relatives with colon cancer should begin screening at age 40. He went on to say that the American College of Gastroenterology did a study that showed that African Americans should begin screening for colon cancer at the age of 45.

[4:08:40 PM](#)

REPRESENTATIVE ROKEBERG noted that the "patients' bill of rights" is intended to help patients, adding that they can appeal a dispute about coverage.

DR. SWEENEY stated that although it sometimes takes extra effort from the patient, he has yet to see any situations where the insurance company refuses to pay for the procedure.

REPRESENTATIVE LEDOUX, referring to page 3, line 9, inquired as to the meaning of, "other predisposing factors."

DR. SWEENEY explained that this would include persons with a genetic defect which makes them more likely to develop polyps and colon cancer. He added that he feels that these patients are "surveillance" patients, rather than "screening" patients. He went on to say that high-risk patients, such as those with Crohn's Disease, are more likely to receive colonoscopies regularly.

CHAIR ANDERSON highlighted that "ethnicity" would fall under [other predisposing factors].

[4:11:22 PM](#)

CLAUDIA CHRISTENSEN, Alaska Native Tribal Health Consortium (ANTHC), informed the committee that she has been involved in colorectal cancer screening for the past six years. She stated that in addition to having a high rate of colorectal cancer, Alaska Natives also have low screening rates in comparison to other ethnic groups, due to the majority of them being located in Alaska's remote and rural areas. Ms. Christensen informed the committee that the ANTHC and the Southcentral Foundation began a screening program in Anchorage, and explained that they offer colonoscopy and flexible sigmoidoscopy. She noted that they now have a 50 percent screening rate, which is "well over the national average." She went on to say that rural areas still have low screening rates, adding that the ANTHC is working on recognizing patients with a family history in order that they begin screening. Ms. Christensen stated that the ANTHC does not have gastroenterologists, but does have general surgeons who make field visits to rural areas in an effort to increase screening rates.

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REPRESENTATIVE ROKEBERG asked what type of health insurance is available for Alaska Natives.

MS. CHRISTENSEN replied that the Indian Health Service (IHS) covers colorectal screening for Alaska Natives living in areas where the screening is offered, adding that not all Alaska Natives use the IHS.

REPRESENTATIVE ROKEBERG opined that some Alaska Natives have a health insurance company as their primary carrier but use the IHS as a backup. With regard to the issue of "stop loss"

insurance, he said that some individuals may be covered under a high deductible.

DR. SWEENEY, in response to questions from Representative Rokeberg, stated that billable charges for a colonoscopy are around \$2,500, including operating room costs. He added that Medicare reimbursement is around \$700. He explained that facility fees range from \$1,500-\$2,000, while the doctor's fee is about [\$750-\$1,000], noting that if a polyp is found, the cost rises.

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STEPHEN WARREN informed the committee that his brother was recently diagnosed with symptomatic colorectal cancer and has a 10 percent chance of survival. He stated that his brother's insurance did not cover the screening and, urged the committee to pass HB 393.

MR. WARREN, in response to questions from Representative Rokeberg, said that he is not aware of what insurance company was used, adding that his brother works for the state.

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RICK URION informed the committee that although he usually speaks on behalf of the Division of Occupational Licensing, he would be speaking today as a "cancer patient." He said "It makes a whole lot of sense to me, given my personal experience, that you would spend a few bucks up front, to save ... the big costs ... later on if you have full-blown cancer." He informed the committee that he had received a colonoscopy during which polyps were removed. Less than one year later, a second colonoscopy was performed, this time finding full-blown cancer. He said "I'm before you today as, I hope to say, a 'cancer survivor' because of early detection, and I think it's a wonderful thing that you would include this in insurance policies, and I think it's a good deal."

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REED STOOPS, Lobbyist for the American Health Insurance Association (AHIA), explained that there have been 12 or more mandated coverages adopted by the legislature. Individually, the cost implications are "marginal", but when combined, the cost is more significant. He stated that this policy trade off provides better coverage, but raises the cost for [small groups

and individuals]. Mr. Stoops noted that the AHIA recommends mandated offerings as an alternative to [mandated] coverage, thus giving the individual the option to buy coverage but not requiring it. Referring to a handout in committee packets, he recommended that the committee adopt language from Tennessee law, which references current American Cancer Society guidelines and United States Preventive Services Task Force guidelines, explaining that this would keep the law up to date with the most recent research.

CHAIR ANDERSON moved that the committee adopt Amendment 1, as follows:

Page 2, lines 5-14;

Delete all material

Insert:

"coverage for colorectal cancer examinations and laboratory tests specified in current American Cancer Society guidelines or United States Preventive Services Task Force guidelines for colorectal cancer screening of asymptomatic individuals."

[Following was a brief discussion regarding other language in the handout.]

REPRESENTATIVE LYNN objected for discussion purposes and asked if this language would cover the guidelines that are currently written out in the bill.

CHAIR ANDERSON offered his understanding that it would and would also allow for any future changes.

REPRESENTATIVE ROKEBERG asked Chair Anderson if he would be amenable to amending Amendment 1 by adding the words "as an optional benefit."

CHAIR ANDERSON said he would not be amenable to such an amendment to Amendment 1.

CHAIR ANDERSON asked if there was any further objection to Amendment 1. There being none, Amendment 1 was adopted.

[4:28:31 PM](#)

MR. STOOPS, in response to questions from Representative Rokeberg, stated that Aetna, Inc., is a member of the AHIA and traditionally covers colorectal screening, including the State

of Alaska plan. He stated that Aetna, Inc., and Blue Cross Blue Shield have a combined market share of 80-85 percent. He noted that the agencies who represent the small-group and individual market in Alaska will be affected the most by the legislation.

REPRESENTATIVE LEDOUX asked if there was any information regarding the change in individual policy cost if HB 393 were to pass.

MR. STOOPS replied that he would attempt to get cost information before the next committee hearing.

[4:31:15 PM](#)

JEFFREY TROUTT, Deputy Director, Division of Insurance, Department of Commerce, Community, & Economic Development (DCCED), in response to questions from Representative Rokeberg, informed the committee that the department does not support or actively oppose mandates. He explained that HB 393 would cost money, but was unable to give an exact amount.

REPRESENTATIVE ROKEBERG asked if there is an average deductible for "stop loss" [insurance] carriers, and requested information on how Blue Cross Blue Shield will be affected.

MR. TROUTT replied that he is not aware of whether there is an average or deductible.

CHAIR ANDERSON requested that this information be supplied before the bill is heard in the next committee of referral.

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REPRESENTATIVE LYNN moved to report HB 393, as amended, out of committee with individual recommendations and the accompanying fiscal notes.

REPRESENTATIVE ROKEBERG objected, and urged committee members to consider the ramifications, pointing out that a majority of the people in Alaska are covered by independent insurance plans or "stop loss" plans and therefore would not be affected by this legislation. He commented that 20 percent of Alaskans and 50 percent of the children in Alaska are on Medicaid, and asked members to consider the direction of healthcare in Alaska, and urged them to "be very careful."

REPRESENTATIVE ROKEBERG then withdrew his objection.

CHAIR ANDERSON commented that he would be interested in seeing the statistics regarding the aforementioned states that have similar laws, and whether insurance carriers will say they won't provide services in Alaska because of mandatory colorectal screening.

CHAIR ANDERSON asked whether there was any further objection. There being none, CSHB 393(L&C) was reported from the committee.

HB 335-ENERGY RESEARCH & DEVELOPMENT

4:37:33 PM

CHAIR ANDERSON announced that the final order of business would be HOUSE BILL NO. 335 "An Act creating the Alaska energy research and development program in the Alaska Energy Authority and providing for a Committee on Alaska Energy Research and Development to assist in the development of that program; and providing for an effective date."

4:38:02 PM

LISA WEISSLER, Staff to Representative Ethan Berkowitz, Alaska State Legislature, Sponsor, stated that Alaskan communities are paying "ever-increasing" costs for fuel, adding that long-term solutions are needed in order to make communities more self-reliant. She informed the committee that HB 335 contains three main provisions. The first provision states that the Alaska Energy Authority (AEA), via a proposed Alaska energy research and development program, will conduct the initial assessments to determine the viability of alternative energy sources, and will then report its findings and assist communities in determining the appropriate energy source for their location. The State of Alaska will conduct any necessary further assessments. Ms. Weessler explained that this will allow the state to take advantage of the cost efficiencies associated with coordinated assessment, and address the inability of many communities to afford the upfront cost.

MS. WEISSLER said that the second provision is the energy loan fund. This provides a way for communities to pay for alternative energy. Production incentive credits are generated by the production of alternative energy facilities, and are available to "pay down" the loan. Ms. Weessler stated that this provides the incentive to keep the [alternative energy] facility in good, working condition. The third provision pertains to the

establishment of the Committee on Energy Research and Development. This committee will develop and guide implementation of aforementioned the energy research and development program. She added that it is the sponsor's hope that once the facilities are built, they will provide Alaskan communities with stable energy prices.

MS. WEISSLER explained that a proposed Committee Substitute (CS), included in members' packets, is based on a conversation with utilities and addresses their concerns. The biggest change gives the committee the duty to develop the regulations. It also deletes the requirement for the committee to create energy portfolio standards and a tradable credit system. She explained that this would have required utilities to produce a certain amount of energy from alternative energy sources, and if unable to do so they would have been able to purchase credits from an area that was producing alternative energy. She went on to say that there was concern about whether this would have worked in Alaska.

[4:41:09 PM](#)

CHAIR ANDERSON moved CSHB 335(24-LS1354\I, Wayne, 2/1/06, as the working document. There being no objection, Version I was before the committee.

REPRESENTATIVE LYNN asked if there would be any statutory conflict between the Alaska Energy Authority and the proposed Committee on Alaska Energy Research and Development.

MS. WEISSLER replied that Legislative Legal and Research Services commented that there may be an issue, but did not specifically say that there was.

CHAIR ANDERSON asked for documentation from Legislative Legal and Research Services regarding this question.

REPRESENTATIVE LYNN stated his understanding that the AEA currently manages 47 projects, and asked if this legislation would cause any conflicts with these.

MS. WEISSLER answered that the intent of the legislation is to coordinate and bring all of these projects together.

[4:42:57 PM](#)

BECKY GAY, Project Manager, Alaska Energy Authority (AEA), stated that the AEA's concerns regarding HB 335 relate to the duplication of efforts and statutory powers and the potential for conflicts of interest, particularly between the AEA's board of directors and the proposed Committee on Alaska Energy Research and Development. She explained that AEA's statutory powers include: equipping and improving power projects, waste energy [projects], energy conservation [projects], and alternative energy facilities and equipment. AEA's statutory powers also include loans for [alternative energy facilities and equipment]. To support these efforts, AEA projects and programs provide assistance for the development of safe, reliable, and efficient energy systems throughout Alaska that are sustainable and environmentally sound. Ms. Gay went on to say that these projects provide reduced electricity costs for residential and community facilities in rural Alaska and also increases the AEA's ability to respond quickly and effectively to electrical emergencies.

MS. GAY stated that AEA's professional engineering and accounting staff allows AEA to focus on implementing commercially proven technology, including alternatives to diesel. The AEA partners with Arctic Energy Technology Development Laboratory (AETDL) based at the University of Alaska Fairbanks (UAF) for the research and development aspects of diverse areas such as fuel cells, energy storage, diesel efficiency, and the rural energy conference. She explained that the AETDL program is federally funded.

MS. GAY, with regard to the potential conflicts of interest, stated that the members of the [proposed Committee on Alaska Energy Research and Development] would likely be drawn from the same pool of past and future AEA grantees. She added that AEA's powers are vested in its board of directors. The proposed legislation states that AEA "shall administer" the programs, but the [Committee on Alaska Energy Research and Development] shall provide oversight. She stated that this usurps statutory powers and responsibilities of the board, in addition to potentially causing management conflicts. She opined that if the proposed committee is responsible for developing regulations and AEA is required to adopt these regulations, this may violate due process protections if [in doing so] AEA is constrained from following the Administrative Procedure Act (APP).

MS. GAY stated that AEA currently has a wide variety of energy initiatives, some of which are addressed in HB 335. These include: alternative energy source development and application,

alternative energy resource assessment and data dissemination, and community and/or regional meetings on alternative energy options, among others. Ms. Gay noted that AEA is also an owner of large alternative energy assets for Alaska, including the Bradley Lake Hydroelectric Project near Homer and the Larson Bay Hydroelectric facility on Kodiak Island. She opined that the non-commercial research efforts suggested in the legislation may be better cultivated in an academic setting, such as the University of UAF, adding that this may enhance the combined efforts and lead to new technology applications for Alaska.

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CHAIR ANDERSON opined that the intention of the new committee is not to replace the AEA, but rather to channel the direction towards alternative energy methods.

MS. GAY, in response to questions from Chair Anderson, replied that upon review, the AEA feels that the committee would have broad powers with regard to its control over AEA's current programmatic efforts. She added that because there is no funding effort accompanying the legislation, it would be diluting AEA's efforts.

REPRESENTATIVE LYNN inquired as to the possibility of private companies "filling in the gap."

[4:50:46 PM](#)

PETER CRIMP, Project Manager, Alternative Energy and Energy Efficiency, Alaska Energy Authority (AEA), replied that it takes all kinds of assistance, adding that some projects are best addressed with commercial technologies and power utilities. He stated that hydroelectric is a "mature" technology that works. Technologies such as fuel cells, microturbines, and biodiesel require assistance from a University.

[4:52:04 PM](#)

MR. CRIMP, in response to questions, replied that the AETDL is based at the UAF and is funded by the U.S. DOE's, and that AEA sits on the board that helps choose remote energy projects.

REPRESENTATIVE ROKEBERG asked if this includes wind energy.

MR. CRIMP replied that the AETDL currently receives most of its funding from the DOE's fossil energy section. He opined that

the AETDL would be better served if some of the funding came from the DOE energy efficiency and renewable energy funds, adding that this would give wider applicability in places where hydro, wind, and other renewable [energy sources] are being considered.

REPRESENTATIVE ROKEBERG asked if members of Alaska's congressional delegation have been made aware of this.

MR. CRIMP replied that a letter has been written.

[4:53:52 PM](#)

REPRESENTATIVE LYNN asked if this program would be similar to those in the former Alaska Science and Technology Foundation (ASTF), and if so, why the legislature is "reviving" projects that the state previously decided were no longer "fit" to fund.

MS. WEISLER answered that the sponsor was not aware of the [ASTF] programs. She stated the sponsor's intent to look at what is currently happening and find a way to jump-start alternative energy development in the state.

REPRESENTATIVE LYNN expressed his support for alternative energy and requested an answer to the previous question.

CHAIR ANDERSON explained the process by which the ASTF was removed from the budget, and noted that HB 335 includes many of the same projects.

REPRESENTATIVE ROKEBERG, referring to CS, asked if the language regarding "carbon credits" is completely removed from the bill.

MS. WEISLER replied that it is still included, and explained that there is a general belief that there will eventually be a national carbon [production] cap that the state may be able to take advantage of through carbon sequestration.

REPRESENTATIVE ROKEBERG offered his understanding that the US is the only industrialized country that has stayed well below the carbon production cap listed in the "Kyoto treaty."

[4:57:32 PM](#)

MEERA KOHLER, President and Chief Executive Officer (CEO), Alaska Village Electric Cooperative (AVEC), informed the committee that she is in support of HB 335. Acknowledging that

the AEA has concerns regarding conflicts between the proposed Committee on Alaska Energy Research and Development and the AEA board, Ms. Kohler opined that the AEA board does not represent the interests needed to develop the regulations that will impact many [rural] Alaskan communities. She informed the committee that AVEC serves 44 percent of Alaska's village population and 52 villages throughout Alaska. In the last two years, AVEC has started to bring alternative energy sources to the communities they support, which is expensive and laborious; however, AVEC believes this needs to be done. She commented that HB 335 is a "pretty modest" attempt to offset the high costs of alternative energy development. Typically, wind energy costs \$5,000-\$6,000 per kilowatt, which is 5-6 times the cost of diesel generation. She explained that a 2 percent loan program has the potential to bring the \$30,000 per year costs on a \$300,000 project down to about \$25,000 per year. She added that this is modest, but valuable and has the potential to bring up projects that may not occur otherwise.

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REPRESENTATIVE GUTTENBERG asked if AVEC feels that not enough has been done regarding alternative energy.

MS. KOHLER replied that a lot remains to be done, explaining that AEA is making good progress in assessing wind regimes that may yield alternative energy in rural Alaska, adding that this needs to be done in more of the state. She opined that this legislation will encourage this. With regard to development of alternative energy, she commented that this is usually done by the local utilities.

REPRESENTATIVE ROKEBERG asked if AVEC would prefer the legislature to appropriate monies to the emergency fuel and rural fuel program or to an energy loan fund.

MS. KOHLER answered that "in the best of all worlds" she would want both programs to be funded.

CHAIR ANDERSON stated that there are many different concerns regarding HB 335 and suggested appointing a subcommittee. He asked Ms. Kohler if, in her opinion, there are any areas of the bill that would adversely affect AEA's ability.

MS. KOHLER replied that she does not think so, and opined that it could be a "harmonious" relationship. She noted that AEA is not in the business of developing and installing alternative

energy in rural Alaska, adding that this is an area that the utilities should be responsible for.

CHAIR ANDERSON requested a more detailed analysis of the proposed CS from AEA, adding that he does not see a problem with moving the bill from committee.

REPRESENTATIVE ROKEBERG expressed concern regarding a possible Alaska Industrial Development and Export Authority (AIDEA) fiscal note and stated that this legislation would take a "stand alone" appropriation [in the budget]. He opined that it may be more effective to "marry" AEA with the provisions in the bill and also use the UAF program. He commented that Alaska is a small state and so trying to finance multiple programs may result in competition for funding.

REPRESENTATIVE CRAWFORD stated that he is a cosponsor of HB 335 and does not feel that the focus [in Alaska] has been on alternative energy sources, and HB 335 is intended to do this, especially in rural areas where the cost to generate diesel is high. He stated that this legislation was not meant to be in competition with [current programs], but rather be in addition to these programs.

REPRESENTATIVE KOTT asked if there are any nuclear projects "springing up" in the state.

MS. KOHLER replied that she is aware of one project proposed for Galena but is not sure how close it is to being permitted. She stated her understanding that the cost is being covered by Toshiba, which is one of the primary sponsors, and estimated the project start time to be several years away if the permit is granted. She noted that nuclear energy is not covered in HB 335.

REPRESENTATIVE CRAWFORD moved to report the proposed CS for HB 335, Version 24-LS1354\I, Wayne, 2/1/06, out of committee with individual recommendations and the accompanying fiscal notes.

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REPRESENTATIVE ROKEBERG objected.

A roll call vote was taken. Representatives Kott, Guttenberg, Crawford, Lynn, LeDoux, and Anderson voted in favor of moving CSHB 335, Version 24-LS1354\I, Wayne, 2/1/06, out of committee. Representatives Rokeberg voted against it. Therefore, CSHB

335(L&C) was reported out of the House Labor & Commerce Committee by a vote of 6-1.

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ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 5:13 p.m.