

ALASKA STATE LEGISLATURE
HOUSE LABOR AND COMMERCE STANDING COMMITTEE

May 2, 2022

3:16 p.m.

MEMBERS PRESENT

Representative Zack Fields, Co-Chair
Representative Ivy Spohnholz, Co-Chair
Representative Calvin Schrage
Representative Liz Snyder
Representative David Nelson
Representative James Kaufman
Representative Ken McCarty

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. 301

"An Act relating to the establishment of a renewable portfolio standard for regulated electric utilities; and providing for an effective date."

- HEARD & HELD

HOUSE BILL NO. 382

"An Act relating to insurance coverage for pharmacy services."

- MOVED CSHB 382 (HSS) OUT OF COMMITTEE

CS FOR SENATE BILL NO. 190 (FIN)

"An Act extending the termination date of the Regulatory Commission of Alaska; relating to Regulatory Commission of Alaska regulations regarding refuse utilities; relating to the powers and duties of the legislative audit division; and providing for an effective date."

- HEARD & HELD

CONFIRMATION HEARING(S) :

Department of Commerce, Community, and Economic Development

Julie Sande - Juneau

- CONFIRMATION(S) ADVANCED

Alcoholic Beverage Control Board

Douglas Moore - Talkeetna
Janice Hill - Haines

- CONFIRMATION(S) ADVANCED

State Board of Registration for Architects, Engineers, and Land Surveyors

Sterling Strait - Anchorage
Brent Cole - Anchorage

- CONFIRMATION(S) ADVANCED

Board of Chiropractic Examiners

Walter Campbell, DC - Palmer

- CONFIRMATION(S) ADVANCED

Board of Examiners in Optometry

Kathleen Rice, OD - Kenai

- CONFIRMATION(S) ADVANCED

Board of Dental Examiners

Dominic Wenzell, DMD - Girdwood

- CONFIRMATION(S) ADVANCED

Board of Massage Therapists

Kelli Shew, LMT - Chugiak
Amanda Nosich, LMT - Anchorage

- CONFIRMATION(S) ADVANCED

Alaska Labor Relations Agency

Paula Harrison - Anchorage

- CONFIRMATION(S) ADVANCED

Marijuana Control Board

Bruce Schulte - Anchorage
Eliza Muse - Anchorage
Ely Cyrus - Kiana

- CONFIRMATION(S) ADVANCED

Board of Marital and Family Therapy

Tristian Monterastelli - Eagle River

- CONFIRMATION(S) ADVANCED

Board of Direct Entry Midwives

Hanna St. George - Fairbanks

- CONFIRMATION(S) ADVANCED

Board of Nursing

Lena Lafferty - Anchorage
Jody Miller, LPN - Haines

- CONFIRMATION(S) ADVANCED

Board of Pharmacy

Ashley Schaber, PharmD, MBA, BCPS - Anchorage
Ramsey Bell, RPh - Eagle River

- CONFIRMATION(S) ADVANCED

Alaska State Board of Public Accountancy

Elizabeth Stuart - Anchorage

- CONFIRMATION(S) ADVANCED

Board of Certified Real Estate Appraisers

Valery Kudryn - Wasilla

- CONFIRMATION(S) ADVANCED

Real Estate Commission

Devon (Thomas) Doran - Wasilla
Chad Stigen - Palmer

- CONFIRMATION(S) ADVANCED

Board of Social Work Examiners

Gabriel King - North Pole
Sharon Woodward - Juneau

- CONFIRMATION(S) ADVANCED

Board of Veterinary Examiners

Ciara Vollaro, DVM - Palmer

- CONFIRMATION(S) ADVANCED

Alaska Workers' Compensation Board

Brad Austin - Juneau
Christopher Dean - Fairbanks
Randy Beltz - Anchorage
Matt Martin - City not provided
Michael Dennis - Anchorage
Sara Faulkner - Homer
Sarah LeFebvre - Fairbanks
Matthew Barth - Anchorage

- CONFIRMATION(S) ADVANCED

Workers' Compensation Appeal Commission

Stephen Hagedorn - Anchorage

- CONFIRMATION(S) ADVANCED

PREVIOUS COMMITTEE ACTION

BILL: HB 301

SHORT TITLE: UTILITIES: RENEWABLE PORTFOLIO STANDARD

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

02/04/22 (H) READ THE FIRST TIME - REFERRALS

02/04/22 (H) ENE, L&C, FIN
 03/08/22 (H) ENE AT 10:15 AM BARNES 124
 03/08/22 (H) Heard & Held
 03/08/22 (H) MINUTE(ENE)
 03/10/22 (H) ENE AT 10:15 AM BARNES 124
 03/10/22 (H) Heard & Held
 03/10/22 (H) MINUTE(ENE)
 03/15/22 (H) ENE AT 10:15 AM BARNES 124
 03/15/22 (H) Heard & Held
 03/15/22 (H) MINUTE(ENE)
 03/17/22 (H) ENE AT 10:15 AM BARNES 124
 03/17/22 (H) Heard & Held
 03/17/22 (H) MINUTE(ENE)
 03/22/22 (H) ENE AT 10:15 AM BARNES 124
 03/22/22 (H) -- MEETING CANCELED --
 03/24/22 (H) ENE AT 10:15 AM BARNES 124
 03/24/22 (H) -- MEETING CANCELED --
 04/26/22 (H) ENE AT 10:15 AM BARNES 124
 04/26/22 (H) Heard & Held
 04/26/22 (H) MINUTE(ENE)
 04/28/22 (H) ENE AT 10:15 AM BARNES 124
 04/28/22 (H) Moved CSHB 301(ENE) Out of Committee
 04/28/22 (H) MINUTE(ENE)
 04/29/22 (H) ENE RPT CS(ENE) NEW TITLE 3DP 1NR 2AM
 04/29/22 (H) DP: TUCK, FIELDS, SCHRAGE
 04/29/22 (H) NR: CLAMAN
 04/29/22 (H) AM: KAUFMAN, RAUSCHER
 05/02/22 (H) L&C AT 3:15 PM BARNES 124

BILL: HB 382

SHORT TITLE: INSULIN COVERAGE:INSURANCE;MEDICAID
 SPONSOR(s): SNYDER

02/22/22 (H) READ THE FIRST TIME - REFERRALS
 02/22/22 (H) HSS, L&C
 04/21/22 (H) HSS AT 3:00 PM DAVIS 106
 04/21/22 (H) Heard & Held
 04/21/22 (H) MINUTE(HSS)
 04/26/22 (H) HSS AT 3:00 PM DAVIS 106
 04/26/22 (H) Moved CSHB 382(HSS) Out of Committee
 04/26/22 (H) MINUTE(HSS)
 04/27/22 (H) L&C AT 3:15 PM BARNES 124
 04/27/22 (H) <Bill Hearing Rescheduled to 04/29/22>
 04/29/22 (H) HSS RPT CS(HSS) 4DP 3DNP
 04/29/22 (H) DP: SPOHNHOLZ, FIELDS, ZULKOSKY, SNYDER
 04/29/22 (H) DNP: KURKA, PRAX, MCCARTY
 04/29/22 (H) L&C AT 9:00 AM BARNES 124

04/29/22 (H) <Bill Hearing Canceled>
05/02/22 (H) L&C AT 3:15 PM BARNES 124

BILL: SB 190

SHORT TITLE: REGULATORY COMMISSION AK/REFUSE UTILITIES

SPONSOR(s): MYERS

02/15/22 (S) READ THE FIRST TIME - REFERRALS
02/15/22 (S) L&C, FIN
02/28/22 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)
02/28/22 (S) Heard & Held
02/28/22 (S) MINUTE(L&C)
03/14/22 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)
03/14/22 (S) Moved CSSB 190(L&C) Out of Committee
03/14/22 (S) MINUTE(L&C)
03/15/22 (S) L&C RPT CS 5DP SAME TITLE
03/15/22 (S) DP: COSTELLO, GRAY-JACKSON, STEVENS,
MICCICHE, REVAK
03/21/22 (S) FIN AT 9:00 AM SENATE FINANCE 532
03/21/22 (S) Heard & Held
03/21/22 (S) MINUTE(FIN)
03/23/22 (S) FIN AT 1:00 PM SENATE FINANCE 532
03/23/22 (S) Heard & Held
03/23/22 (S) MINUTE(FIN)
03/28/22 (S) FIN AT 9:00 AM SENATE FINANCE 532
03/28/22 (S) -- MEETING CANCELED --
03/30/22 (S) FIN RPT CS 3NR 3DP NEW TITLE
03/30/22 (S) DP: BISHOP, HOFFMAN, WIELECHOWSKI
03/30/22 (S) NR: STEDMAN, WILSON, OLSON
03/30/22 (S) FIN AT 9:00 AM SENATE FINANCE 532
03/30/22 (S) Moved CSSB 190(FIN) Out of Committee
03/30/22 (S) MINUTE(FIN)
04/08/22 (S) TRANSMITTED TO (H)
04/08/22 (S) VERSION: CSSB 190(FIN)
04/09/22 (H) READ THE FIRST TIME - REFERRALS
04/09/22 (H) L&C, FIN
04/25/22 (H) L&C AT 3:15 PM BARNES 124
04/25/22 (H) <Bill Hearing Postponed to 4/27/22>
04/27/22 (H) L&C AT 3:15 PM BARNES 124
04/27/22 (H) Heard & Held
04/27/22 (H) MINUTE(L&C)
04/29/22 (H) L&C AT 9:00 AM BARNES 124
04/29/22 (H) <Bill Hearing Canceled>
05/02/22 (H) FIN AT 1:30 PM ADAMS 519
05/02/22 (H) L&C AT 3:15 PM BARNES 124

WITNESS REGISTER

CHRIS ROSE, Executive Director
Renewable Energy Alaska Project
Anchorage, Alaska

POSITION STATEMENT: Provided invited testimony on HB 301 via a PowerPoint presentation, titled "Support for HB 301," dated 5/2/22.

JULIE ESTEY, Director
External Affairs & Strategic Initiatives
Matanuska Electric Association
Palmer, Alaska

POSITION STATEMENT: Provided invited testimony during the hearing on HB 301.

BRIAN HICKEY, Chief Operating Officer
Chugach Electric Association
Anchorage, Alaska

POSITION STATEMENT: Provided invited testimony during the hearing on HB 301.

ALAN MITCHELL, Owner
Analysis North
Anchorage, Alaska

POSITION STATEMENT: Provided invited testimony during the hearing on HB 301.

ERIN MCKITTRICK, Co-Founder
Ground Truth Trekking
Seldovia, Alaska

POSITION STATEMENT: Provided invited testimony during the hearing on HB 301.

RYAN JOHNSTON, Staff
Representative Calvin Schrage
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: During the hearing on HB 301, presented the summary of changes made in CSHB 301(ENE) on behalf of the House Special Committee on Energy.

JAMES HOLZENBERG, Staff
Representative Liz Snyder
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: During the hearing on HB 382, explained the change made in CSHB 382(HSS) on behalf of Representative Snyder, prime sponsor.

LORI WING-HEIER, Director
Division of Insurance
Alaska Department of Commerce, Community, and Economic
Development
Anchorage, Alaska

POSITION STATEMENT: During the hearing on CSHB 382(HSS), answered questions.

LAURA KELLER
American Diabetes Association
Phoenix, Arizona

POSITION STATEMENT: Testified in support of CSHB 382(HSS).

ROBERT "BOB" PICKETT, Chair
Regulatory Commission of Alaska
Anchorage, Alaska

POSITION STATEMENT: During the hearing on CSSB 190(FIN), answered questions.

STUART GOERING, Assistant Attorney General
Commercial, Fair Business and Child Support Section
Civil Division (Anchorage)
Department of Law
Anchorage, Alaska

POSITION STATEMENT: During the hearing on CSSB 190(FIN), answered questions.

SENATOR ROBERT MYERS
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Answered a question as the prime sponsor of CSSB 190(FIN).

ACTION NARRATIVE

[3:16:53 PM](#)

CO-CHAIR ZACK FIELDS called the House Labor and Commerce Standing Committee meeting to order at 3:16 p.m. Representatives Snyder, Nelson, McCarty, Spohnholz, and Fields were present at the call to order. Representatives Schrage and Kaufman arrived as the meeting was in progress.

HB 301-UTILITIES: RENEWABLE PORTFOLIO STANDARD

[3:17:21 PM](#)

CO-CHAIR FIELDS announced that the first order of business would be HOUSE BILL NO. 301, "An Act relating to the establishment of a renewable portfolio standard for regulated electric utilities; and providing for an effective date." [Before the committee was CSHB 301(ENE).]

CO-CHAIR FIELDS opened invited testimony.

[3:17:37 PM](#)

CHRIS ROSE, Executive Director, Renewable Energy Alaska Project (REAP), provided invited testimony on HB 301 via a PowerPoint presentation titled "Support for HB 301," dated 5/2/22. He turned to the second slide and noted that REAP is a statewide nonprofit organization that has been working to promote renewable energy and energy efficiency since 2004. He moved to the third slide, "REAP Education & Programs," and related that REAP has multiple education programs in both urban and rural Alaska, including science, technology, engineering, and mathematics (STEM) education in the schools so children understand where their energy comes from, as well as work for development to make sure there are people in the state to operate, maintain, and optimize renewable energy and energy efficiency projects into the future.

MR. ROSE showed the fourth slide, "REAP Advocacy," and recounted that REAP has been involved in advocacy since 2008 when it helped pass the Renewable Energy Fund, for which the legislature has appropriated \$275 million to date for renewable energy projects around the state. More recently, REAP supported Senate Bill 123, Railbelt Grid Reform, which passed [in 2020] to create the first electric reliability organizations in the state, which will affect the Railbelt.

MR. ROSE spoke to the fifth slide, "Why the Railbelt Needs More Renewable Energy." He said the Railbelt needs more renewable energy because the region is dangerously [80 percent] dependent on one, high-priced fuel - Cook Inlet natural gas. Because of that, he stated, the Railbelt's electricity rates are very high, about twice as much is paid for Cook Inlet gas as Lower 48 utilities pay for their gas. He pointed out that the Railbelt has renewable energy resources, including wind, solar, hydro, geothermal, biomass, and tidal. He further pointed out that the

Railbelt has a history of inaction, it took about 40 years for SB 123 to pass to create a mechanism for the Railbelt utilities to work together. The Railbelt has no energy policy that really focuses on ensuring that Railbelt consumers are protected, Mr. Rose continued, so SB 123 did a lot by creating a mechanism to ensure that regional planning will be done in the future. If passed, HB 301 would be executed through that regional planning process, he explained.

MR. ROSE proceeded to the sixth slide, "Declining Wind & Solar Prices Compared to Natural Gas." He said the graph shows how quickly solar and wind prices have come down, with solar (gold line) coming down about 90 percent over the last 10 years and wind (blue line) coming down about 70 percent. He drew attention to the average cost of natural gas (dotted line) and noted that wind and solar are now competitive with natural gas in the Lower 48. He reiterated that about twice as much is being paid for Cook Inlet gas and said a strong argument can be made that wind and solar are competitive in the Railbelt right now. He pointed out that the circles on the graph represent individual contracts between utilities and independent power producers and the bigger the circle the bigger the contract.

[3:21:42 PM](#)

REPRESENTATIVE SPOHNHOLZ, regarding declining wind and solar prices, noted that a federal tax credit has helped make solar a lot less costly for Americans. She offered her belief that the credit expires in 2024, and asked whether an extension of this credit has been introduced federally.

MR. ROSE replied that there have been discussions in Congress to continue to extend the production tax credit, but as of now he doesn't know of any package that it is in.

MR. ROSE resumed his presentation and addressed the bar graph on the seventh slide, "Levelized Cost of Energy Comparison—Unsubsidized Analysis." He explained that this analysis, done every year by the consultant group Lazard, compares the unsubsidized cost of all different energy resources. He related that the cost of renewable energy resources, solar and wind, are roughly \$30, \$28, and \$26 a megawatt hour (MWh), which is now the cheapest unsubsidized electricity that can be produced. For conventional resources, he continued, the cost from a fully depreciated nuclear plant is \$29/MWh while the cost from a newly built nuclear plant would be \$130-\$204/MWh; the cost from a fully depreciated combined cycle natural gas plant is as low as

\$24/MWh while the cost from a newly built combined cycle natural gas plant would be \$45-\$74/MWh. The Railbelt, he specified, is producing Cook Inlet gas closer to the price of \$74.

MR. ROSE displayed the eighth slide, "Net electricity generation from wind and other sources in selected states (2020)." He pointed out that 20 percent of all the electricity received in Texas is now from wind and that 58 percent of all electricity produced in Iowa is wind power.

MR. ROSE discussed the ninth slide, "Declining Costs of Lithium Ion Batteries." He said an important part of the picture is the cost of energy storage, at least in the cost of lithium-ion batteries. A sharp decline is being seen in the cost of lithium-ion batteries; a large driver for that is electric vehicles, but other consumer products are using lithium-ion batteries thereby creating a greater economy of scale and driving the price down. The price of energy storage is expected to continue going down, he continued, which can help integrate variable renewables like wind and solar.

MR. ROSE turned to the tenth slide, "Sources of U.S. electricity generation, 2020." He specified that renewables are about 20 percent of the current mix, with the percentage increasing as the price of these resources goes down.

MR. ROSE spoke to the eleventh slide, "Renewable & Clean Energy Standards." He explained that the map depicts the states where there are already either renewable energy portfolio standards or clean energy standards. Thirty states have renewable portfolio standards, which is what HB 301 started out as, he said, and five states have clean energy standards. These standards, he added, drive the portfolios toward more clean energy.

[3:26:13 PM](#)

MR. ROSE proceeded to the twelfth slide, "The Railbelt is Dangerously Dependent on High-Priced Cook Inlet Natural Gas." He reiterated that the Railbelt's portfolio is heavily dependent on just one resource and noted that that resource is provided by a virtual monopoly, Hilcorp. He further noted that the Railbelt doesn't have a lot of factors that are going to see its prices drop: demand is flat, production costs in Cook Inlet are high, infrastructure is aging, and the state gas subsidies for Cook Inlet are now unsustainable.

MR. ROSE moved to the thirteenth slide, "Published Prevailing Values for Cook Inlet Gas (\$ per MCF)," a graph depicting the price of Cook Inlet natural gas from 1994 to 2022. He said Cook Inlet gas is now in the range of \$8 [per thousand cubic feet (MCF)], while the Henry Hub price in the Lower 48 is around \$4, which went up significantly in the last year. [The Railbelt's] natural gas prices are very high despite being produced in-state because of the very small market.

MR. ROSE reviewed the fourteenth slide, "Renewable Portfolio Standard Assessment for Alaska's Railbelt." He related that the governor asked the National Renewable Energy Laboratory (NREL) to look at whether 80 percent renewables by 2040 was a possibility. The NREL study found two things: 1) Multiple pathways exist for the Railbelt to achieve 80 percent without impacting the reliability of the grid; 2) An 80 percent [renewable portfolio standard (RPS)] will save consumers \$400-\$500 million a year in natural gas fuel prices. But, he said, the next question is: How much will it cost to get there?

MR. ROSE turned to the fifteenth slide, "Preliminary Benefit/Cost Analysis of NREL's RPS Scenario 3." He explained that Alan Mitchell of Analysis North did a preliminary benefit/cost analysis of NREL's Scenario 3 using very conservative assumptions. He said Mr. Mitchell found that the capital cost of getting to 80 percent wind and solar along with a little bit of hydro would be \$3.2 billion compared to \$6.7 billion of fuel cost savings, a 2:1 ratio of savings.

MR. ROSE showed the sixteenth slide, "A New Railbelt ERO Would Execute HB 301." He pointed out that Senate Bill 123, the bill passed two years ago, now has created a mechanism to execute a policy like this. He stated he is part of a group that has been meeting for the last two years to develop an application to the Regulatory Commission of Alaska (RCA), which was submitted at the end of March. If the RCA certifies that group, he said, it would become the first electric reliability organization (ERO) in Alaska, and the group would be required to do integrated resource planning for the entire region, which would do technical and economic feasibility on a range of portfolio options. So, he continued, if the legislature specified a goal, then the ERO would do the analysis to find the portfolios to get there.

[3:29:42 PM](#)

MR. ROSE suggested three amendments for the committee's consideration. First, he said, is the initial requirement of 25 percent by 2030. The original bill, he noted, had a requirement in 2025 and then 30 percent by 2030. He suggested moving that requirement back to 30 percent and moving the timeline somewhere between 2025 and 2030. He stated that it is important to keep moving forward rather than allowing complacency and waiting until 2030 before reaching these initial goals because getting to 30 percent by the next goal is possible. Second, he suggested that the proposed fine be raised from \$20 a MWh to closer to \$50 a MWh, which is about the national average for these kinds of fines. Third, he suggested that the clean energy credits scheme be reorganized and stated that [REAP] would provide detailed technical comments on that.

MR. ROSE concluded his presentation with the seventeenth slide, which read as follows [original punctuation provided]:

HB 301 Would:

- *Diversify* the region's generation portfolio and increase resiliency
- *Displace* high-priced natural gas fuel, and save hundreds of millions of dollars every year
- *Utilize* local, flat-priced renewable resources
- *Not impact* reliability on the grid
- *Keep* Alaska competitive in a fast-changing world, increase energy independence and meet consumer demand
- *Support* electrification of transportation and heat
- *Create* jobs, spur statewide innovation and keep precious energy dollars circulating in the state's economy
- *Establish* a standard that triggers action

MR. ROSE added that REAP believes all these requirements are achievable even faster than the current legislation requires.

[3:33:02 PM](#)

JULIE ESTEY, Director, External Affairs & Strategic Initiatives, Matanuska Electric Association (MEA), provided invited testimony during the hearing on HB 301. She concurred with Mr. Rose that diversifying the energy portfolio is an important step for the Railbelt. She stated that utilities in the Railbelt have been very clear in actions and testimony that they support effective policy for creating a diversified energy portfolio. She said surveys show that 70-80 percent of MEA's members in this conservative district want some sort of carbon reduction or renewable energy portfolio, but this support declines significantly when members are asked about the effect on rates or reliability. So, she continued, what MEA hears from its members is that they are interested in innovation and energy diversification, but they want to make sure that MEA's primary responsibility around reliability and rates is kept full as well.

MS. ESTEY noted that MEA's members are constituents of the committee's members, which is why MEA is before the committee to share how it believes HB 301 can be adjusted and smart policy made because the time to make a transition is right now. She recounted that in testimony before the House Special Committee on Energy, Jenn Miller, CEO of Renewable Independent Power Producer ("Renewable IPP"), stated that the Railbelt is at a critical time for transition, the transition is big, and there should be no pretending that it is going to be easy, but that doesn't mean it shouldn't be done; it means it should be done right and it starts here with policy. So, Ms. Estey continued, that is why [MEA] is before the committee today. She noted that Renewable IPP has brought on cost-effective solar power in Willow and [will soon be doing the same] in Houston.

MS. ESTEY offered MEA's belief that the purpose section added in CSHB 301(ENE) is well written and clearly describes attributes of a successful and sustainable clean energy standard. This addition is appreciated, she said, because it brings everyone together around common goals. She stated that the Railbelt utilities before the committee today have worked earnestly to revise the bill to provide cost and reliability protection for consumers as well as due consideration for the realities of the Railbelt's current limited system. Also, she pointed out, the Railbelt has few rate payers to spread costs over, so that must be considered in a transition and be part of the plan.

MS. ESTEY noted that the goals listed in the purpose section of HB 301 include to minimize costs [to consumers], a priority of MEA. While there are many positive reasons to make the

transition, she stated, the rate impact will be to MEA's members so it must be done right to limit that impact. She further noted that the goals in the purpose section of the bill also include to provide price stability to enhance opportunities for economic growth, maximum grid resiliency, and minimize carbon emissions. For member-owned cooperatives, she said, those are all very important parts, each equal, in how this is moved forward. She commended the House Special Committee on Energy and Chair Schrage for their efforts to listen to all the stakeholders involved and bring a committee substitute (CS) that has a significant amount of support. She offered MEA's belief that the bill is very close to something that can achieve the goals established in the purpose section.

MS. ESTEY deferred to Mr. Brian Hickey to address some of the topics brought up in testimony [before the House Special Committee on Energy].

[3:38:07 PM](#)

BRIAN HICKEY, Chief Operating Officer, Chugach Electric Association, provided invited testimony during the hearing on HB 301. He offered appreciation to the committee and to the [the House Special Committee on Energy and Chair Schrage] to get a spectrum of comments before deciding. He submitted that there will be an achievable and sustainable product that can be done in a technically effective way.

MR. HICKEY drew attention to page 10, Figure 4, of the NREL study, "Renewable Portfolio Standard Assessment for Alaska's Railbelt." He said NREL did not do a reliability analysis but did run a production costing model which tells whether enough capacity is had in every hour a day to meet load. A significant amount of work needs to be done to do the reliability analysis, he advised, and NREL was upfront about that in its assessment.

MR. HICKEY stated that Section 42.05.785(a) is the large project preapproval process from the language of Senate Bill 123. Those projects, he said, cannot be completed if they are detrimental to the load serving entity (LSE) achieving its goals under the renewable portfolio standard (RPS). That section of Senate Bill 123, he explained, was put in place so that local areas could develop reliability projects to meet local reliability, and typically those must be dispatchable resources. However, he noted, wind and solar are non-dispatchable because they come and go when they come and go. Therefore, he advised that section constrains those local regions from building reliability

projects that are necessary and have not been included in the integrated resource plan (IRP) that comes out of the electric reliability organization (ERO).

3:40:37 PM

MS. ESTEY explained that the ERO was formed in Senate Bill 123, and the ERO brings all the stakeholders - utilities, non-utilities, independent power producers, the State of Alaska, and consumer advocates - around the table to talk about reliability standards and integrated resource planning. The ERO, she noted, has an independent staff that will help in coming up with an integrated resource plan. She stated that there is going to be lots of public process, lots of transparency, and lots of fun money to be spent coming up with an integrated resource plan. She said she agrees with Mr. Rose's statement that that is a natural place for these two efforts to merge, but qualified that she agrees with him on a different level. There is going to be lots of conversation, transparency, and involvement, she reiterated, and having a clean energy standard out in front of that basically gives that group the answers, and that is one way for policy members to impact that. Since a previous legislature has already empowered that group of stakeholders to come together as approved by the RCA and come up with an integrated resource plan, she continued, one suggestion is to have the current goals perhaps confirmed by a feedback loop from that process back into policy. That is something to consider while going through this process, she said.

MS. ESTEY pointed out that there was no real economic analysis in the NREL study because NREL did not have the time or scope to do so. She offered support for a second phase of NREL studies to help confirm the numbers and economics. She noted that NREL did do an analysis of the potential fuel savings but the cost to achieve those was not included. Mr. Mitchell's preliminary benefit/cost analysis was a great start, she continued, but it would be good to have further conversation and vetting around that. She related that the utilities started doing their own economic analysis but realized that it probably wouldn't be credible. She therefore suggested having NREL do a similar and more in-depth analysis than Mr. Mitchell's given that NREL does this for other places all the time.

MR. HICKEY informed the committee that significant transmission investment in the Railbelt will be required to move renewable power from one location to another. He said there are currently two transmissions lines that tie the three areas together. The

Anchorage and the Kenai line, owned by Chugach Electric Association, moves about 75 megawatts, he specified, which is about 10 percent of the peak load of the Railbelt. It is a single contingency line, he explained, so when it is out of service there is no access to [the Bradley Lake Hydroelectric Project] resources. Nor, he added, would Chugach have access to [the proposed Dixon Diversion Hydro Project ("Dixon Creek"), nor would Chugach be able to carry the energy from Dixon Creek on that line. Responding to Co-Chair Spohnholz, he said the proposed Dixon project is located near the Bradley Lake facility on the Kenai Peninsula on Kachemak Bay.

MR. HICKEY said the [second transmission line] from Anchorage to Fairbanks carries about 80 megawatts, about 10 percent of the peak flow, and it is a single contingency line that is going to cost a fair amount of money. Federal infrastructure funding is actively being sought for this, he related, and it is important to pass HB 414 and SB 241 to give the Alaska Energy Authority (AEA) the receipt authority for federal funds from the [2021] Infrastructure Investment and Jobs Act (IIJA).

[3:45:50 PM](#)

CO-CHAIR FIELDS asked whether those provisions of SB 414 are included in the current Senate Finance Committee CS which rolled in many provisions of SB 414.

MR. HICKEY replied that they were, but he doesn't know about the current [CS].

MR. HICKEY resumed his testimony. He said that in addition to federal funding and utility contributions it is likely there will have to be state funding for some of the transmission. Building out that level of transmission could be done by the utilities, he stated, but it would result in significant rate increases, so it is really beyond the financial capabilities of the Railbelt at this point.

MS. ESTEY interjected that [the utilities] disagree with any statements that \$20 per MWh is not a steep enough fine. She said the utilities are nonprofit cooperatives that do not have shareholders from which to grab fine payments. The fines would be paid by cooperative members somehow, whether through rates or through margins, which are the capital credits. She pointed out that any fine, especially one at \$20 per MWh, would be paid on top of the large amount that the utilities are already paying for gas-powered generation. So, she continued, a fine of \$20

per MWh would be more than an adequate deterrent for a member owned cooperative. Many of the member owned cooperatives in the Lower 48 are exempt from these sorts of requirements, she noted.

MR. HICKEY added that including it in rates as opposed to taking it out of the cooperatives' margins is critical. He recalled discussion in the House Special Committee on Energy that some items are not allowed in rates, such as advertising for lobbyists. He specified that Chugach's margins in 2021 were about \$9.7 million, so Chugach's portion of a 30 percent penalty for missing the target would be \$4.5 million. That would move Chugach into areas where its bond debt covenants, which require Chugach to collect 110 percent of its margins for interest over interest, would push the cooperative into a realm where it could go into technical default. The RCA is required to set rates under AS 42.05.431 that allow [a public utility] to recover costs that are contracted for in bond covenants; so, Mr. Hickey advised, there is a dichotomy there. The challenge, he continued, is that this number is much bigger than anything that is currently disallowed in rates for a cooperative. A cooperative's margins are razor thin because cooperatives return that money to their members. Not having it recovered in rates and trying to recover it out of capital credits, he stated, could push the utilities into difficult financial straits.

MR. HICKEY related that it was brought up in the House Special Committee on Energy and in the NREL study that utilities should be able to put large quantities of wind and solar on the system and shut down their gas turbines for extended periods of time. The challenge with that on the Railbelt, he explained, is that there are minimum deliverability takes out of the inlet to keep the wells producing natural gas. The home heating sector is still drawing gas, but as gas turbines are shut down and as deliverability is shut down, it is likely that deliverability will be lost in the basin, which will increase both the cost of gas and the availability of it. So, Mr. Hickey continued, while this concept works well at the one-hundred-thousand-foot level, when getting down into the details it must be figured out how to transition off Cook Inlet natural gas without losing Cook Inlet natural gas altogether. This critical component, he advised, must be addressed in the CS.

[3:50:41 PM](#)

MS. ESTEY stated that the utilities have consistently voiced what they feel is necessary, such as rate caps and reliability assurances. She said CSHB 301(ENE) includes considerations for

the RCA to keep an eye on that and it is anticipated the RCA would write detailed regulations to spell that out. It is the RCA's responsibility to look after the rate impacts and reliability of the utilities, she continued, so [CSHB 301(ENE)] assures that that is happening. She related that the regulatory commissions in other places can adjust the renewable portfolio standard (RPS) if it is felt that the RPS is going above and beyond what is needed. However, she stressed, that is not what is being asked for here, it is just being asked that the RCA raise its hand or put on guardrails. Currently, most of [the Railbelt's] renewables are above the costs of producing with gas generation, and everyone is banking on that shifting in the future. If it doesn't shift, then it is the members of the cooperatives who are holding the bag, Ms. Estey stated. Given it is already the RCA's responsibility to look at rates and reliability, putting some guardrails on what is acceptable is important to everyone, she continued. So, the changes made by the House Special Committee on Energy are appreciated and [the cooperatives] look forward to the RCA creating more. She again touched on the idea of putting the feedback loop from the ERO process into the clean energy standard. Regarding fines, she related that under the current CS fines are not allowed to be recovered in rates. She reiterated that without shareholders, cooperatives only have rates and margins from which to pull funding. Margins are what is left over, she explained, and those get reinvested back into the cooperative and eventually paid out as capital credits. So, either way it impacts the members of the cooperatives. She expressed her hope that the committee discusses this further.

CO-CHAIR FIELDS said he intends to write an amendment on that. He stated that the fines would be put back into building renewable generation so it meets the purpose of the bill and would be clear to consumers.

CO-CHAIR SPOHNHOLZ noted that a chart distributed to committee members shows a significant decline in Cook Inlet natural gas usage taking place over the last 20 years. She inquired about the number of years left for being able to reliably count on Cook Inlet natural gas to provide energy to the Railbelt.

MS. ESTEY replied that her limited understanding is that it may not be what is called "behind pipe." There is gas, she said, but there would be a cost for getting that gas connected into the system and delivered, and decisions would have to be made as to whether those costs are economically worth it.

MR. HICKEY added that significant investment of Cook Inlet would be needed to get gas behind pipe and maintain the gas fields or else go a different way, such as [the proposed Susitna-Watana Hydroelectric Project] and Dixon Creek to bridge that gap. He said there is solar and wind that could be used to fill in some of the gaps, so that transition is necessary.

MS. ESTEY added that that is why the energy portfolio should be diversified.

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CO-CHAIR SPOHNHOLZ commented that a key question on the time horizon for the renewable energy portfolio standard is looking at where to make capital investments during the transition. Rate payers across Alaska are going to pay one way or another, she stated, and a question is whether to accelerate that transition to renewables while trying to maintain reliability or whether it is more economic and worth the higher carbon footprint of developing natural gas moving forward. She said she wants to look at both versions of the bill so that policy makers can make a calculated decision for the people of Alaska.

MR. HICKEY advised that a provision in [CSHB 301(ENE)] regarding a levelized wheeling rate for renewable energy creates a conflict between AS 42.05.431(c), which is the Bradley Lake exemption. Bradley Lake, he noted, would be considered a clean energy resource under this bill. The agreements for the Bradley Lake Project, he said, are not regulated by the RCA as they were exempted under AS 42.05.431(c)(1). The challenge, he explained, is that a very complex set of agreements negotiated in 1980 govern the wheeling and delivery of Bradley Lake energy. If the current bill is passed, he continued, there would a conflict between the Bradley Lake exemption and the bill that would then have to be figured out. Mr. Hickey suggested amending the bill to reflect projects that are built on a going forward basis and leave projects that have existing wheeling arrangements which are very intricate and tied together and that are very difficult to unwind. That specific statute, he added, was upheld after several years of litigation by the Alaska Supreme Court in 2019.

MS. ESTEY pointed out that [CSHB 301(ENE)] includes a very prescriptive list of what things are acceptable and what are not. She emphasized that it is hard to sit here in 2022 and know what should be on this list decades in the future. She suggested that the bill include a provision for review every two to three years by an independent source, whether it is the

Alaska Energy Authority, the RCA, or the Alaska Center for Energy and Power. She related that this was also supported by the REAP board during discussions about looking at these technologies and not limiting because there is a lot on the horizon and there needs to be the ability to take advantage of everything. This topic was discussed before the House Special Committee on Energy, she noted, and the decision was made to have more conversation about it.

[3:59:49 PM](#)

ALAN MITCHELL, Owner, Analysis North, provided invited testimony during the hearing on HB 301. He stated he has been working on technical and economic analysis of energy and telecom projects for over 30 years in Alaska. He displayed the first of four slides, "Preliminary Economic Analysis of Railbelt RPS," and noted that this preliminary analysis was not done for REAP, but rather on his own and no payment was received from anyone. He said he agrees with Ms. Estey about getting NREL to do a more serious economic analysis. He explained that NREL mapped out five different routes for achieving the 80 percent renewable standard in the Railbelt from which he picked [Scenario 3], which predominantly relies on wind and solar as the renewable means to get to that 80 percent. He said that in his analysis he did not change anything in the work NREL did, but he went a step further by taking NREL's results for how much capacity of wind would be needed to achieve the 80 percent and how much capacity of solar and assigning some preliminary benefit in cost numbers to that scenario.

MR. MITCHELL proceeded to slide 2, "Preliminary Benefit/Cost Analysis," and explained that the graph is a summary of the benefits and the costs that he came up with. He said his estimate is \$3.2 billion in capital cost to implement [Scenario 3], and his estimate is \$6.7 billion in present value benefits over the life of these investments, which he estimates to be 22 years. He arrived at \$6.7 billion, he explained, by adding up the fuel savings, which were done by NREL and which he did not modify, with proper discounting over that 22-year life. He said he did reduce those fuel savings somewhat by the added operating and maintenance costs of the renewable facilities required. Benefits far exceed the costs, Mr. Mitchell stated, and even if the capital cost was doubled a net benefit would still be seen.

MR. MITCHELL moved to slide 3, "Capital Costs of Scenario 3 relative to Base Case," and gave further detail on the estimated capital costs. He said the right-most column of numbers depicts

the total cost [in billions] for each renewable energy generation source [wind - \$2.34, solar - \$0.80, add turbine to Bradley Lake - \$0.09, biomass - \$0.22, fossil fuel - minus \$0.21, totaling \$3.24]. He noted that the bar chart to the right of those numbers depicts the relative magnitude of the different sources, and the capital costs for this wind-solar scenario are dominated by wind and solar. He pointed out that no transmission and battery storage costs are in the table because NREL assumed that both transmission and battery storage would be built in the status quo case, in the nonrenewable case, and in all the renewable cases, so it was a common investment to everything.

MR. MITCHELL continued reviewing slide 3. He stated that Scenario 3 adds 802 megawatts of wind, but NREL did not state what that would cost. He said he therefore looked at Golden Valley Electric's Eva Creek Wind Farm, brought online in 2012 at a cost of about \$1.94 [per kilowatt], which was a bit less than twice the cost per kilowatt of the national average wind farm. He took the 1.94 multiplier, he explained, and applied it to current day national average wind costs, so his estimate is roughly twice the current capital cost per kilowatt for wind in the Lower 48. Similarly for solar, he continued, he used a 1.46 multiplier, which is consistent with the publicly stated estimate of the proposed Homer Electric 20-megawatt solar farm.

MR. MITCHELL turned to slide 4, "Benefits that were Not Considered in the Analysis." He stated that several things make his analysis on the conservative side. First, while solar cost has declined 85 percent since 2010 [adjusted for inflation] and wind cost has declined 65 percent, he said his analysis did not assume any further decline in solar and wind cost even though he thinks there will be and most of these renewable investments to implement Scenario 3 will occur 5-20 years from now. Second, he stated, these renewable projects are going to save fuel well past 2040, but he did not project fuel prices to increase more than just the general rate of inflation beyond the year 2040. Further, he continued, he didn't take any economic credit for the reduced carbon emissions that these projects will bring about, so he didn't assume that carbon tax would be avoided. Finally, he specified, he didn't factor in any sort of federal subsidies for the renewable projects, he assumed that the projects were entirely funded by Alaskans.

[4:07:46 PM](#)

ERIN MCKITTRICK, Co-Founder, Ground Truth Trekking, provided invited testimony during the hearing on HB 301. She noted that while she is a board member of Homer Electric Association (HEA), her testimony today is on behalf of herself. She said she has a deep interest in energy and has done independent analysis of the Railbelt system looking at such things as the economics of the current system and carbon emissions. Having a clean energy standard is important, she stressed, and good for Alaskan consumers.

MS. MCKITTRICK reviewed two graphs to provide background. She stated that the Railbelt's generation system hasn't changed much in the last decade but the circumstances around it are different. She referred to the graph titled "Cook Inlet Gas usage" [for the years 2000-2020] and said that when lots of gas was being produced in Cook Inlet for a big market, which included Agrium and exports, the local users were just "along for the ride, almost an afterthought." A steep decline occurred as that became less and less economically viable, she stated, and now it is down to a small market that is mostly Enstar, the electric utilities, and the oil and gas industry itself. She referred to the graph titled "State Subsidies vs. Utility Purchases of Gas" and said it looks at the state tax credits. She pointed out that when talking about the current system, the price of gas, and what is going to happen in the future, it must be remembered that steps have already been taken to avert a local energy crisis with substantial state money. She noted that the yellow bars represent \$1.3 billion [in tax credits paid by the state], and during several years the state subsidies were more than what all the utilities were paying together. While there is gas out there, Ms. McKittrick continued, it might be more costly to get it to people. The state may well be on the hook for more rescues, she said, and diversifying fuel sources and investing in renewable energy projects instead are tangible things going forward, given nobody knows how long the relative price stabilization from those subsidies will last.

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MS. MCKITTRICK addressed earlier testimony about the importance of utilities working together for a better economy of scale in building a project that serves more than one utility. Often necessary in that coordination, she said, is moving power around between the different utilities. Transmission is part of that, she stated, and she concurs with the NREL study's anticipation that transmission upgrades would be necessary to reach that 80 percent number. She pointed out that due to lack of time the

NREL study did not look at lower, more intermediate targets. She advised that lots of renewable energy can be built, and that power transferred on the grid as it is now, while working on building the other things. For example, Ms. McKittrick related, Homer Electric Association has a rule of 50 percent renewable energy by 2025 and anticipates that that is possible before new transmission is built. She further pointed out that the constraints on the current transmission system aren't true for every direction. If a line is full going north it is not necessarily full going south, she explained, so depending on where a project is put, a lot of power can be transferred on those lines. It isn't necessary, she continued, to wait for those transmission improvements to start down this path.

MS. MCKITTRICK, regarding the Bradley Lake agreements affecting transmission wheeling, stated it is important to have a simple unified rate going forward to transfer this renewable energy along existing power lines. She said she doesn't know whether it would be necessary to specifically exclude Bradley Lake to avoid legal conflicts, but she imagines that it could be done. Bradley Lake, she continued, is specifically excluded from many of the things she has mentioned regarding what could be done without destroying the intent of freely moving power from other projects.

MS. MCKITTRICK drew attention to the provision that would let utilities trade credits for clean power. She stated that this works between the Railbelt utilities, but the House Special Committee on Energy's CS modified that to be statewide. She offered her belief that the intention was to potentially provide some benefits to rural Alaska but cautioned that, as written, the provision could have substantial unintended consequences. A large amount of renewable energy, she explained, is produced by about nine hydroelectric projects in Southeast Alaska and Kodiak, so if any renewable energy in the state could help meet these goals there would be incentive for those utilities to sell those credits cheaply and it wouldn't necessarily benefit anyone. Those places have cheaper power than the Railbelt, she noted, and they don't really need to build more renewable power themselves in many cases because they already are pretty much running on hydro. Ms. McKittrick suggested that this problem could be solved by modifying the credit system to be either on the Railbelt or utilities that are eligible for the Power Cost Equalization (PCE) Program. Those are small rural utilities with high costs, she added, and their total amount of power generation is much smaller so they could sell credits in the Railbelt but still build projects.

[4:17:41 PM](#)

MS. MCKITTRICK said looking at costs is important and looking at fuel savings is key because current power generation [in Alaska] is so expensive in many cases that it might be possible to build and operate a renewable project for the fuel cost of running an existing plant. Existing plants do not have to be taken off the books or dismantled, she stated, it makes sense to keep them as backups when building new more efficient nonrenewable generation or building renewable generation. There is no need to wait for existing plants to be at the end of their lives, she added.

CO-CHAIR FIELDS asked Ms. McKittrick to provide her suggestion for credits by email to the committee.

[4:19:25 PM](#)

REPRESENTATIVE MCCARTY noted that certain areas such as Kodiak have more resources and certain areas do not have access to renewable energy. He requested comment on that aspect because it doesn't appear that one thing fits all.

MS. MCKITTRICK responded that this standard applies to the Railbelt which is all tied together and has enough renewable resources to meet this. She said the credit system is a way, in lieu of meeting some portion of that standard, to buy credits from another utility elsewhere in Alaska, so presumably those villages or other areas that had access [to renewables] could sell those credits. This bill would not solve the problem of providing energy to all villages, she continued; it is intended to focus on the Railbelt so doesn't attempt to answer that question about what villages with no access to renewable resources should do.

[4:21:55 PM](#)

RYAN JOHNSTON, Staff, Representative Calvin Schrage, Alaska State Legislature, presented the summary of changes made in CSHB 301(ENE) on behalf of the House Special Committee on Energy. He paraphrased from the document in the committee packet titled "Summary of Changes for HB 301 (Version A to W)," which read as follows [original punctuation provided]:

Page 1, Lines 1 - 3: amends the title to read "clean energy standard" and adds "relating to the Alaska Energy Authority and clean energy projects;" to the

title of the bill. The title change was done to conform with the "renewable portfolio" standard being replaced with a "clean" energy portfolio.

Page 1, Lines 9 - 11: after "energy resources" adds to the purpose section of the bill, "in order to minimize costs to consumers, increase stability for economic development, maximize grid resiliency, and minimize the state's carbon emissions."

Page 1, Line 14: adds a new section to AS 42.05.381 that directs the Electrical Reliability Organization to develop a uniform transmission services rate for the transmission of energy to comply with the clean energy standard under AS 42.05.900.

MR. JOHNSTON clarified that for the new section to AS 42.05.381, any energy transmission done from the generation of clean energy would be covered under that transmission tariff and anything existing currently from normal production would not be covered. He continued paraphrasing from the summary of changes:

Page 2, Line 15: amends subsection (B) to be more aligned with utility industry language.

Page 3, Line 27 - Page 4, Line 3: amends the benchmarks for the clean energy standard to from four to three. The first being 25 [percent] by December 31, 2030. The second being 55 [percent] by December 31, 2040. And finally, the third being 80 [percent] by December 31, 2050. The third benchmark was amended to now only be applied Railbelt wide instead of by each utility.

Page 4, Lines 18 - 23: adds a new section to AS 42.05.900 that would allow for construction that has begun prior to the end of a compliance period to be counted to fulfilling the clean energy standard if the project will begin providing energy no later than two years after the compliance period or the end of a period determined by the Regulatory Commission of Alaska.

MR. JOHNSTON explained that this new section to AS 42.05.900 was added to give more leeway for larger construction projects that would potentially happen so the RCA would have the ability to determine that time period.

[4:24:49 PM](#)

CO-CHAIR FIELDS asked whether he is correct in understanding that if the deadline is 25 percent by 2030 and there is a large project that would get to 25 percent, but it is still being developed and not actually producing by 2030, then the utilities are meeting the requirements.

MR. JOHNSTON that is correct; technically if it fell within the two-year period it would be fine. The gray area, he said, would be if it was going to fall after the two-year period, then the utilities would have to make a case with the RCA to determine the period of time in which it could comply.

MR. JOHNSTON continued paraphrasing from the summary of changes:

Page 5, Line 2: adds a new section to AS 42.05.900 stating that a load serving entity may satisfy the clean energy standard using clean energy credits.

Page 5, Line 4: adds a new section to AS 42.05.900 that a project located wholly or partially on state lands are exempted from state lease fees.

Page 5, Line 20: adds a new section to empower the Regulatory Commission of Alaska to monitor the effect of the clean energy standard on rates and reliability to determine if it is consistent with the public good.

Page 5, Line 23 - Page 6, Line 4: amends the previous credit system into the "Clean energy Credits". A clean energy credit may only be used once. A credit may be used to comply with the clean energy standard without purchasing or use of the electrical generation from which the credit is derived. The energy from which the credit is derived must be generated in the State of Alaska.

MR. JOHNSTON pointed out that the credits-based system [was changed in the CS] to focus on the whole of Alaska instead of just the Railbelt as was provided in the original version.

CO-CHAIR FIELDS referenced Ms. McKittrick's comments and asked whether current language states that existing hydro from Southeast could be counted or whether new language needs to be added to clarify that this is only new generation.

MR. JOHNSTON responded that under current language it could be existing or new projects. He related that there have been conversations about potentially scaling this down because the intent of the amendment was to create a link between rural Alaska and the Railbelt since the bill is so heavily focused on the Railbelt, and then creating a credit system that would allow a revenue stream for Alaska's small rural power producers to participate in a clean energy standard.

CO-CHAIR FIELDS stated that that is a change the committee will need to pursue. The idea, he said, is that the most economic project might be in Bethel or Southeast and encouraging that is wanted, but to not count everything that is already there and thereby do nothing.

MR. JOHNSTON continued paraphrasing from the summary of changes:

Page 7, Line 6: after "commission" changed the word "may" to "shall".

Page 7, Lines 16 - 20: amends the previous exemptions section to a single exception. The new exemption states that if the Railbelt achieves the clean energy standard than the individual load serving entities are exempted.

Page 7, Lines 24 - 28: adds a definition of a "clean energy credit".

Page 7, Line 29: Amended the definition of "renewable energy resource" and renamed "clean energy resource" was cleaned up by legislative legal to be more in line with their drafting standards and the previous committee added nuclear generation to the definition.

Page 8, Lines 6 - 8: amends the previous definition of "renewable energy standard" to be a "clean energy standard" and reordered it in the definitions section.

Page 8, Line 11: amends the compliance period to a 10-year period.

Page 8, Line 26: adds a new subsection to AS 44.83.940. The new subsection would require that the Alaska Energy Authority shall provide a report to the legislature every two years on the progress developing

renewable and clean energy resources in rural parts of the state.

Page 9, Line 3: the regulations language for the RCA of Alaska was cleaned up by legislative legal to be more in line with their drafting standards and existing powers of the RCA.

[4:30:11 PM](#)

REPRESENTATIVE SPOHNHOLZ asked about the change in nomenclature from renewable energy resource to clean energy resource and why "clean" is being used as opposed to "renewable."

MR. JOHNSTON answered that with the addition of nuclear it made more sense to set the precedent with clean rather than renewable because it is generally not accepted that nuclear is a renewable energy resource, but it is considered a clean energy resource.

CO-CHAIR SPOHNHOLZ agreed that that makes sense.

MR. JOHNSTON noted that NREL recently provided a cost estimate and a time period breakdown, which he will pass along to the committee.

CO-CHAIR FIELDS related that the House Special Committee on Energy heard this bill extensively for about two months.

[HB 301 was held over.]

HB 382-INSULIN COVERAGE:INSURANCE;MEDICAID

[4:32:34 PM](#)

CO-CHAIR FIELDS announced that the next order of business would be HOUSE BILL NO. 382, "An Act relating to insurance coverage for pharmacy services." [Before the committee was CSHB 382(HSS).]

[4:32:39 PM](#)

REPRESENTATIVE SNYDER, as prime sponsor, stated that CSHB 382(HSS) could have immediate and meaningful impacts to the pocketbooks of Alaskans because it addresses the astronomically high cost of insulin. In 1996, she related, the list price for a vial of insulin was \$21; today that list price is about \$300 - four times the cost that would be expected based on inflation

alone. She said this puts many folks with diabetes in a situation where they are making choices about what they can spend their limited household income on when they need to purchase insulin plus pay rent or buy food.

REPRESENTATIVE SNYDER specified that about 49,000 Alaskans have been diagnosed with diabetes and an additional 15,000 have diabetes but don't know it yet. Another 5,000 Alaskans are diagnosed with diabetes every year, making it a growing problem. About 34 percent of Alaska's adult population, about 182,000 people, have pre-diabetes. So, she added, this bill has the potential to impact a significant proportion of Alaska's population.

REPRESENTATIVE SNYDER pointed out that about 20 states now have similar legislation. In Minnesota, two health insurers decided independently to cap insulin costs at \$25 a month for their patients, and Blue Cross/Blue Shield has announced a \$0 co-pay cap on insulin for its patients. So, she continued, capping the co-pay is becoming an important mitigation measure for Americans. Medicare Part D plans agreed to cap insulin at \$35 per month starting in 2021. This bill is an opportunity for Alaskans to directly feel this same benefit, she stressed. Regarding whether capping co-pays could result in increased insurance premiums for everyone, she cited the 2017 Milliman Study which found that the cost to provide the benefit would be about 70-95 cents per member per year. That doesn't account for the potential to reduce premiums overall, Representative Snyder continued, because better managed diabetes through improved access to insulin decreases healthcare costs associated with the complications of poorly managed diabetes, such as amputations. She further noted that in 2021 the state of Washington voted to cap its insulin co-pays at \$100 a month, which resulted in an average proposed rate decrease of almost 2 percent within that year. Kentucky introduced an insulin co-pay cap [at a cost to provide the benefit] of 7-24 cents per person per month on fully insured policies, and California is similar.

JAMES HOLZENBERG, Staff, Representative Liz Snyder, Alaska State Legislature, during the hearing on HB 382, explained the change made in CSHB 382(HSS) on behalf of Representative Snyder, prime sponsor. He said the change was on page 2, line 6, Section 2, coverage for treatment of diabetes, where the proposed co-pay cap was brought down to \$35.

REPRESENTATIVE SNYDER added that the bill is an opportunity to make a small change to something that affects many Alaskans, and

it will have a long-term beneficial impact for all Alaskans regardless of whether they experience diabetes themselves.

CO-CHAIR FIELDS noted that \$35 is consistent with other states and pending federal legislation, hence the change.

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REPRESENTATIVE MCCARTY asked whether insulin could be purchased in bulk to bring down the price, as is being done in Utah.

REPRESENTATIVE SNYDER replied that this opportunity has not yet been explored by the Division of Insurance, but it is something that can be pursued. She said the Utah program has been going for a couple years but there is not yet data on its success. She said she shares Representative McCarty's interest in whether this would be a good option for Alaska.

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LORI WING-HEIER, Director, Division of Insurance, Alaska Department of Commerce, Community, and Economic Development (DCCED), replied that the House Health and Social Services Standing Committee asked the division about the Vaccine Assessment Council. The council, she explained, is run through the Department of Health and Social Services (DHSS), and the state buys vaccines in bulk and then the providers access the vaccines from the state to get the lowest cost possible for vaccines for children, infants, and adults. She related that DHSS has responded that it could look at the Vaccine Assessment Council much like looking at the Utah program, but it is not addressed in this legislation and would need to be taken up in another bill at another date to either mirror what Utah has done or look at Alaska's own resources.

REPRESENTATIVE MCCARTY inquired whether DHSS could do this, provided insulin could be purchased in bulk, rather than wait for a statute change.

MS. WING-HEIER deferred to DHSS to answer the question. She offered her belief that when DHSS was before the other committee the department said it did need the legislation and would need to do an analysis to see what it would take to bring it into Alaska as a bulk purchase.

[4:42:43 PM](#)

REPRESENTATIVE KAUFMAN inquired about the root cause for high insulin prices.

REPRESENTATIVE SNYDER replied that while there are different forms of insulin, different ways of delivering it, and different manufacturers, there are no cheaper generic options for insulin. So, she said, it opens the door for pharmaceutical companies to charge ever increasing prices, which has happened over the past several decades because individuals need insulin to survive.

REPRESENTATIVE KAUFMAN surmised that "if we're not actually affecting the price, then what we're left with is distributing the cost across the system."

REPRESENTATIVE SNYDER stated that this bill is not where she would like to stop with this issue. She agreed that initially it is distributing the cost but that various studies across multiple states show it is very minimal and is a net savings to everyone due to lower costs associated with hospitalizations and adverse impacts associated with uncontrolled diabetes. She argued that passing legislation on co-pay will motivate the insurance companies to put pressure on the pharmaceutical companies to drive down those costs. She related that there has not been pushback on the bill except for one letter from the Association for Health Insurance Providers (AHIP), which is in the committee packet. She said the letter identifies a range of other things that can also be done, with which she agrees, such as improving drug pricing transparency and banning pay for delay. She explained that banning pay for delay has to do with companies paying other pharmaceutical companies to delay the release of generic options. However, she continued, that doesn't really apply here for diabetes, so there are some challenging recommendations in this single letter that aren't quite transparent or accurate.

CO-CHAIR FIELDS noted that he asked about root cause when the bill was before the House Health & Social Services Standing Committee. He said the pharmaceutical companies are engaged in price gouging and he understands the administration is exploring action through the attorney general's office because the price increases far exceed anything that could possibly be attributed to production costs. He expressed his support for investigation and follow-up by the attorney general.

REPRESENTATIVE KAUFMAN submitted that capping the co-pay and spreading the cost across all insurance subscribers does not result in downward pressure because the insurance company is

flexible and can share those costs and it doesn't transmit back to the insulin manufacturer. He asked whether a mechanism could be put into the bill so it would not be a cost sharing bill but would instead apply downward pressure.

REPRESENTATIVE SNYDER answered that she would look forward to exploring such an amendment with Representative Kaufman either in this committee or ahead of the floor.

CO-CHAIR SPOHNHOLZ offered her appreciation for the sentiment in Representative Kaufman's questions. She related that when the bill was before the House Health and Social Services Standing Committee it was learned that this is a case of making sure that people are getting their insulin and not rationing this life saving medication. She pointed out that in addition to the cost savings of 70-95 cents per member per year identified in the 2017 Milliman Study, there is a net increase in productivity of the Americans who receive access to this care and not having amputations, becoming blind, or having ulcers.

REPRESENTATIVE SNYDER confirmed that the statements by Co-Chair Spohnholz are in the ballpark. She said data shows that irregular insulin use can increase in-patient hospital cost by up to 41 percent. A common issue associated with poorly managed diabetes, she explained, is foot ulcers. The charge per foot ulcer can be up to \$17,000 per ulcer, which if not treated can lead to amputation, a horrendous and horrendously expensive experience. Another complication, she continued, is end stage renal disease and the price tag for complications associated with that. She said she agrees that there is an additional opportunity to deal with the high prices coming out of the pharmaceutical industry itself, but that a co-pay cap can have an initial first and quick reduction in expenses to both the individual with diabetes and those sharing a plan.

[4:50:35 PM](#)

CO-CHAIR FIELDS opened public testimony on CSHB 382(HSS).

[4:50:47 PM](#)

LAURA KELLER, American Diabetes Association (ADA), testified in support of CSHB 382(HSS). She confirmed that many levers can be pulled throughout the chain to address the cost of medications like insulin. However, she advised that as a person with type 1 diabetes, there is no other option and people are rationing and

they are dying because they do not have access to the lifesaving medication.

MS. KELLER said ADA is urging the committee to act now because this helps people with insurance, which is a great first step that makes a difference in people's lives. She stated that the Utah scenario would be a great secondary thing to do and would impact people who don't have health insurance. She related that a non-partisan study in California showed that with an insulin co-pay cap a state can reduce diabetes related hospitalizations by 10 percent in the first couple years after the bill's passage, and there will be other savings to the state. She stressed that people with diabetes need the insulin, there is no other option. She pointed out that the insulin used in insulin pumps ranges from \$3-\$7 a vial, which includes a company making back its research and development and marketing. So, she said, this situation is different than many other medications.

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CO-CHAIR FIELDS closed public testimony after ascertaining that no one else wished to testify.

[4:52:51 PM](#)

REPRESENTATIVE MCCARTY offered his understanding that a medication goes generic after being around for seven years. He asked whether there is generic insulin given that insulin has been around a long time.

MS. KELLER replied that there is not generic insulin on the market currently. She explained that the companies which make insulin have rebranded some of their insulin to be considered a generic. While it is the exact same product and the exact same manufacturers, she continued, those generic medications are priced very similarly and therefore still not a co-pay of \$25.

REPRESENTATIVE MCCARTY referenced the US Food and Drug Administration (FDA) and asked whether cheaper insulin can be found outside the US.

MS. KELLER responded that the FDA is looking at some "bio-similars" and other options of potentially generic insulins, but nothing has been approved into the market yet. She said the insulin under discussion can be purchased in other countries, such as Canada and Mexico, and they are the exact same brand and formula at a much-reduced cost. But, she explained, health

insurance is currently unable to provide those insulins in that way because the FDA and the federal government have not approved that through proper channels.

REPRESENTATIVE MCCARTY said he has heard that the State of Utah sends employees to Mexico for medication.

MS. KELLER offered her belief that that is correct but said she is unfamiliar with how Utah does that and the cost that Utah is paying. She noted that she worked with the representative for the Insulin Utah Purchasing Program which allows people to purchase for the same price as the employee price in the state of Utah. That program has been very successful, she continued, and it is a completely online program.

CO-CHAIR FIELDS said he hopes the Department of Health and Social Services will continue examining how to obtain insulin directly from Canada and bypass "pharma" to get lower prices.

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REPRESENTATIVE SPOHNHOLZ moved to report CSHB 382(HSS) out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHB 382(HSS) was moved out of the House Labor and Commerce Standing Committee.

SB 190-REGULATORY COMMISSION AK/REFUSE UTILITIES

[4:56:32 PM](#)

CO-CHAIR FIELDS announced that the next order of business would be CS FOR SENATE BILL NO. 190(FIN), "An Act extending the termination date of the Regulatory Commission of Alaska; relating to Regulatory Commission of Alaska regulations regarding refuse utilities; relating to the powers and duties of the legislative audit division; and providing for an effective date."

CO-CHAIR FIELDS moved to adopt Amendment 1 to CSSB 190(FIN), labeled 32-LS1525\W.2, Radford/Ambrose, 4/28/22, which read:

Page 1, line 3, following "**division;**":

Insert "**relating to the privatization of refuse utilities;**"

Page 2, following line 8:

Insert a new bill section to read:

"* **Sec. 3.** AS 42.05.641 is amended by adding a new subsection to read:

(b) A municipality that seeks to privatize a municipal refuse utility that is subject to the provisions of this chapter shall submit a proposal to the commission for review. The commission may approve the proposal if the commission finds that privatization will not result in higher rates for consumers and that privatization is in the public interest. A privatization proposal must include

(1) a business plan that lists the prospective vendors;

(2) the projected cost of private operation compared to continued municipal operation for a ten-year period;

(3) disclosure of any potential conflicts of interest on the part of municipal officials; and

(4) proposed methods

(A) for periodically evaluating the utility's performance to avoid diminished service quality, interruption, or stoppage of work by the contractor;

(B) to encourage competition and productivity;

(C) for monitoring a contract in order to detect any contractor defaults, monitor penalties, and prepare for contract renewals or renegotiations and inflation; and

(D) to address municipal employee displacement."

Renumber the following bill sections accordingly.

CO-CHAIR SPOHNHOLZ objected for purposes of explanation.

CO-CHAIR FIELDS recalled that including refuse utilities in the Regulatory Commission of Alaska (RCA) was discussed at the previous bill hearing. He said a consolidated review process makes a lot of sense, and given the underlying bill looks at refuse utilities it also makes sense to add some consumer safeguards; for example, a municipality decides to change governance of the refuse utility. These proposed changes were suggested by the Alaska Public Interest Research Group, he continued, so Amendment 1 does not prohibit or require, nor encourage or discourage privatization, but it does say that if a municipality is going to privatizes a refuse utility there needs to be an RCA review to ensure the proposed privatization will

not raise cost for consumers beyond those which would be incurred under the existing governance structure.

[4:58:24 PM](#)

REPRESENTATIVE KAUFMAN expressed concern that Amendment 1 would preempt. He said that if the utility has been part of the municipality it may not represent good allocation of the operation, maintenance, and other costs. So, he continued, regarding the clause that it will not result in higher rates for consumers, the rates that were being charged were maybe not realistic. Putting a lid on it, he argued, would make it nearly impossible to determine the market value of the services.

CO-CHAIR FIELDS replied that it is not his intent to arbitrarily cap rates at a point in time. He said his assumption is that in doing this analysis the RCA could analyze the actual costs incurred by a municipality and what the costs would be over a reasonable time horizon versus what the costs would be under a proposed privatization. He requested an RCA representative to address whether the RCA would have the ability to look at what price escalation would be under an existing municipal structure versus potential price escalation under a proposed privatized structure.

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ROBERT "BOB" PICKETT, Chair, Regulatory Commission of Alaska (RCA), responded that the amendment raised some legal questions concerning the rest of Alaska's statutes when he saw it for the first time this morning, so he immediately asked Stuart Goering, Assistant Attorney General, to read the amendment. Mr. Pickett stated that it would be very difficult for a non-regulated municipal utility to do that because there is a wide variation in how municipalities handle their accounting practices. He further stated that if a municipality is subsidizing the refuse service, it gets into intergovernmental cost charges, which different entities handle differently. He clarified that he isn't saying it's impossible, but that there would be some challenges in trying to project a regulatory framework onto an entity that isn't regulated to do this analysis and determine whether it is ultimately going to be in the benefit of the rate payers.

CO-CHAIR FIELDS asked what would prevent the RCA from asking a municipality what the costs are of providing a refuse collection

service and what the municipality anticipates those costs will be over a 10-year period, as provided in the amendment.

MR. PICKETT answered that when going through rate cases and the schedules that are required to make those assessments, it gets into the nature of the municipality and how the municipality handles its accounting practices. Plus, he added, there are some legal issues involved with that too.

CO-CHAIR FIELDS invited Mr. Goering to address the legal concerns.

[5:02:09 PM](#)

STUART GOERING, Assistant Attorney General, Commercial, Fair Business and Child Support Section, Civil Division (Anchorage), Department of Law, responded that there are several different issues from a regulatory perspective. He explained that to his knowledge there are no economically regulated municipal refuse utilities in Alaska right now. All municipalities that have certificates, he said, are exempt under either AS 42.05.711(b), which is the exception for political subdivisions of the state, or AS 42.05.711(d), which is the Municipality of Anchorage Solid Waste Services. He stated this means that the RCA does not specify any of the economic conditions of a municipality's operations, which includes that the RCA doesn't tell a municipality how to do accounting, there is no uniform system of accounts, there is no uniform depreciation schedule, and there is no cost allocation manual for the other governmental operations to share costs with the utility. As a result, Mr. Goering continued, the RCA has no previous knowledge of the economics of any of the municipal waste collection utilities [in Alaska]. That is the background, he noted, for Mr. Pickett's response that it would be extremely difficult because without that information the RCA would be doing that from scratch.

MR. GOERING stated that even with a regulated utility that has been keeping its books and records in the proper form for an economically regulated utility, and with a long history of economic regulation, rate cases often take multiple years. The timeline for those is 540 days, he said, and can sometimes go longer with extensions that the parties ask for because of the complications with the cases. So, he continued, it isn't a simple matter to step into the middle of something which has been operating for potentially since statehood in some cases and try to figure out the economics of the operation without any background at all, and that is where some of the difficulty

would come in for the RCA. He said he can address the legal issues if the committee wishes.

CO-CHAIR FIELDS said he understands that the RCA would be requesting new information since the bill brings in some new responsibilities and that is why Amendment 1 was introduced.

[5:05:12 PM](#)

REPRESENTATIVE SCHRAGE noted that the bill adds refuse utilities under the RCA regulations without this amendment passing. He asked whether there are legal concerns with bringing in refuse utilities under the RCA and/or hurdles in drafting and creating regulations related to refuse utilities given the lack of experience regulating such utilities.

MR. GOERING answered that the bill does not bring refuse in as a regulated utility for the first time; refuse has been a regulated utility class for a long time. He said Amendment 1 is different from the rest of the bill in that it addresses municipal refuse utilities; the rest of the bill relates to economically regulated refuse utilities that are privately owned and must follow the RCA's regulations on uniform system of accounts and must file periodic rate cases. He explained that the other part of the bill, which is being referred to, modifies AS 42.05.381 to change the way that those rates are made, not assign responsibility for making those rates in the first place. So, Mr. Goering continued, that part of the bill would simplify the process rather than making it more complicated, but it would not remove any of the background information that the RCA currently gets in the form of annual reports, which municipalities don't file, and periodic rate cases, which municipalities don't file. So, he stated, they really are two separate issues - the RCA is already regulating refuse utilities, but not municipal refuse utilities.

[5:07:01 PM](#)

REPRESENTATIVE NELSON said he is always hesitant to add policy to a simple extension of the termination date of a regulatory commission. He asked whether the bill sponsor has taken a position on Amendment 1.

SENATOR ROBERT MYERS, Alaska State Legislature, prime sponsor of CSSB 190(FIN), answered that he received the amendment on [4/29/22] and is still figuring out what Amendment 1 entails.

He said he isn't sure one way or the other and was planning to defer to the RCA's expertise.

CO-CHAIR FIELDS offered his appreciation for the perspective of the RCA and Department of Law, as well as his appreciation for Senator Myers trying to address refuse utilities. The RCA is very capable and able to analyze complex information, he said, and the information from refuse utilities is less complex than that of electric utilities which the RCA deals with.

CO-CHAIR SPOHNHOLZ removed her objection to Amendment 1. She said that while it would require work on the part of the RCA to clearly define and measure cost centers, one of the RCA's jobs is to ensure there aren't unnecessary rate increases to Alaskans. The RCA is capable of incredibly complex oversight and analysis, she added.

[5:08:44 PM](#)

REPRESENTATIVE KAUFMAN objected to Amendment 1.

[5:08:54 PM](#)

A roll call vote was taken. Representatives Fields, Spohnholz, and Snyder voted in favor of Amendment 1 to CSSB 190(FIN). Representatives Kaufman, Schrage, McCarty, and Nelson voted against it. Therefore, Amendment 1 to CSSB 190(FIN) failed to be adopted by a vote of 3-4.

[CSSB 190(FIN) was held over.]

CONFIRMATION HEARING(S) :

Department of Commerce, Community, & Economic Development
Alcoholic Beverage Control Board
State Board of Registration for Architects, Engineers, and Land Surveyors
Board of Chiropractic Examiners
Board of Examiners in Optometry
Board of Dental Examiners
Board of Massage Therapists
Alaska Labor Relations Agency
Marijuana Control Board
Board Of Marital and Family Therapy
Board Of Direct Entry Midwives
Board of Nursing
Board of Pharmacy
Alaska State Board of Public Accountancy
Board of Certified Real Estate Appraisers

Real Estate Commission
Board of Social Work Examiners
Board of Veterinary Examiners
Alaska Workers' Compensation Board
Workers' Compensation Appeal Commission

[5:10:14 PM](#)

CO-CHAIR FIELDS announced that the final order of business would be the confirmation hearings on the governor's appointees to various boards and commissions. [The confirmation hearings were begun at several previous meetings and were held over.]

[5:10:14 PM](#)

CO-CHAIR FIELDS stated that the House Labor and Commerce Standing Committee has reviewed the qualifications of the governors appointees and recommends the following names be forwarded to the joint session for consideration: Julie Sande, Commissioner, Department of Commerce, Community, and Economic Development; Douglas Moore and Janice Hill, Alcoholic Beverage Control Board; Sterling Strait and Brent Cole, State Board of Registration for Architects, Engineers, and Land Surveyors; Walter Campbell, DC, Board of Chiropractic Examiners; Kathleen Rice, OD, Board of Examiners in Optometry; Dominic Wenzell, DMD, Board of Dental Examiners; Kelli Shew, LMT and Amanda Nosich, LMT, Board of Massage Therapists; Paula Harrison, Alaska Labor Relations Agency; Bruce Schulte, Eliza Muse, and Ely Cyrus, Marijuana Control Board; Tristian Monterastelli, Board of Marital and Family Therapy; Hanna St. George, Board of Direct Entry Midwives; Lena Lafferty and Jody Miller, LPN, Board of Nursing; Ashley Schaber, PharmD, MBA, BCPS, and Ramsey Bell, RPh, Board of Pharmacy; Elizabeth Stuart, Alaska State Board of Public Accountancy; Valery Kudryn, Board of Certified Real Estate Appraisers; Devon (Thomas) Doran and Chad Stigen, Real Estate Commission; Gabriel King and Sharon Woodward, Board of Social Work Examiners; Ciara Vollaro, DVM, Board of Veterinary Examiners; Brad Austin, Christopher Dean, Randy Beltz, Matt Martin, Matthew Barth, Michael Dennis, Sara Faulkner, and Sarah LeFebvre, Alaska Workers' Compensation Board; and Stephen Hagedorn, Workers' Compensation Appeals Commission.

CO-CHAIR FIELDS stated that signing the report regarding appointments to boards and commissions in no way reflects an individual member's approval or disapproval of the appointee. The nomination is merely forwarded to the full legislature for confirmation or objection.

5:11:48 PM

The committee took a brief at-ease.

5:11:56 PM

ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 5:12 p.m.