

ALASKA STATE LEGISLATURE
HOUSE LABOR AND COMMERCE STANDING COMMITTEE

April 3, 2024

3:19 p.m.

MEMBERS PRESENT

Representative Jesse Sumner, Chair
Representative Justin Ruffridge, Vice Chair
Representative Mike Prax
Representative Dan Saddler
Representative Stanley Wright
Representative Ashley Carrick
Representative Zack Fields

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. 324

"An Act relating to insurance data security; amending Rule 26, Alaska Rules of Civil Procedure, and Rules 402 and 501, Alaska Rules of Evidence; and providing for an effective date."

- MOVED CSHB 324(L&C) OUT OF COMMITTEE

HOUSE BILL NO. 55

"An Act relating to allocations of funding for the Alaska Workforce Investment Board; and providing for an effective date."

- HEARD & HELD

PRESENTATION(S): RAIL BELT ENERGY COST ANALYSIS

- HEARD

HOUSE BILL NO. 325

"An Act relating to business license fees; and providing for an effective date."

- BILL HEARING RESCHEDULED TO 4/5/24

HOUSE BILL NO. 226

"An Act relating to the Board of Pharmacy; relating to insurance; relating to pharmacies; relating to pharmacists; relating to pharmacy benefits managers; relating to patient choice of pharmacy; and providing for an effective date."

- BILL HEARING RESCHEDULED TO 4/5/24

PREVIOUS COMMITTEE ACTION

BILL: HB 324

SHORT TITLE: INS. DATA SECURITY; INFO. SECURITY PRGRMS

SPONSOR(S): REPRESENTATIVE(S) STAPP

02/14/24	(H)	READ THE FIRST TIME - REFERRALS
02/14/24	(H)	L&C, JUD
03/25/24	(H)	L&C AT 3:15 PM BARNES 124
03/25/24	(H)	Heard & Held
03/25/24	(H)	MINUTE(L&C)
04/03/24	(H)	L&C AT 3:15 PM BARNES 124

BILL: HB 55

SHORT TITLE: EXTEND WORKFORCE INVEST BOARD ALLOCATIONS

SPONSOR(S): REPRESENTATIVE(S) CARRICK

02/01/23	(H)	READ THE FIRST TIME - REFERRALS
02/01/23	(H)	EDC, L&C, FIN
01/31/24	(H)	EDC AT 8:00 AM DAVIS 106
01/31/24	(H)	Heard & Held
01/31/24	(H)	MINUTE(EDC)
02/12/24	(H)	EDC AT 8:00 AM DAVIS 106
02/12/24	(H)	Heard & Held
02/12/24	(H)	MINUTE(EDC)
02/14/24	(H)	EDC AT 8:00 AM DAVIS 106
02/14/24	(H)	Scheduled but Not Heard
03/13/24	(H)	EDC AT 8:00 AM DAVIS 106
03/13/24	(H)	Heard & Held
03/13/24	(H)	MINUTE(EDC)
03/15/24	(H)	EDC AT 8:00 AM DAVIS 106
03/15/24	(H)	Moved CSHB 55(EDC) Out of Committee
03/15/24	(H)	MINUTE(EDC)
03/20/24	(H)	EDC RPT CS(EDC) NEW TITLE 2DP 2NR 3AM
03/20/24	(H)	DP: MCCORMICK, ALLARD
03/20/24	(H)	NR: MCKAY, PRAX
03/20/24	(H)	AM: HIMSCHOOT, STORY, RUFFRIDGE
03/20/24	(H)	L&C AT 3:15 PM BARNES 124
03/20/24	(H)	Scheduled but Not Heard
03/21/24	(H)	L&C AT 10:30 AM BARNES 124

03/21/24 (H) -- MEETING CANCELED --
03/22/24 (H) L&C AT 3:15 PM BARNES 124
03/22/24 (H) Heard & Held
03/22/24 (H) MINUTE(L&C)
03/25/24 (H) L&C AT 3:15 PM BARNES 124
03/25/24 (H) Heard & Held
03/25/24 (H) MINUTE(L&C)
04/03/24 (H) L&C AT 3:15 PM BARNES 124

WITNESS REGISTER

CLIFTON COGHILL, Staff
Representative Will Stapp
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Answered questions during the hearing on the proposed CS for HB 324, Version B, on behalf of Representative Stapp, prime sponsor.

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

POSITION STATEMENT: Answered questions during the hearing on the proposed CS for HB 324, Version B.

STUART RELAY, Staff
Representative Ashley Carrick
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Gave an explanation of changes from Version R to Version D, on behalf of Representative Carrick, prime sponsor.

DON ETHERIDGE, Lobbyist
Alaska AFL-CIO; Lobbyist, Alaska Works Partnership, Inc.
Juneau, Alaska

POSITION STATEMENT: Testified during the hearing on HB 55.

KRIS CURTIS, Legislative Auditor
Legislative Audit Division
Legislative Agencies and Offices
Juneau, Alaska

POSITION STATEMENT: Testified during the hearing on HB 55 and reviewed the legislative audit.

PAUL DENHOLM, Senior Research Fellow

National Renewable Energy Laboratory
Golden, Colorado

POSITION STATEMENT: Gave a PowerPoint presentation on the Rail Belt Energy Cost Analysis.

ACTION NARRATIVE

[3:19:46 PM](#)

CHAIR JESSE SUMNER called the House Labor and Commerce Standing Committee meeting to order at 3:06 p.m. Representatives Prax, Wright, Carrick, Fields, and Sumner were present at the call to order. Representatives Ruffridge and Saddler arrived as the meeting was in progress.

HB 324-INS. DATA SECURITY; INFO. SECURITY PRGRMS

[3:20:24 PM](#)

CHAIR SUMNER announced that the first order of business would be HOUSE BILL NO. 324, "An Act relating to insurance data security; amending Rule 26, Alaska Rules of Civil Procedure, and Rules 402 and 501, Alaska Rules of Evidence; and providing for an effective date." [Before the committee, adopted as the working document on 3/25/24, was the proposed committee substitute (CS) for HB 324, Version 33-LS1348\B, Wallace, 3/21/24 ("Version B").]

[3:20:53 PM](#)

The committee took an at-ease from 3:20 p.m. to 3:22 p.m.

[3:22:02 PM](#)

REPRESENTATIVE WRIGHT moved to adopt Amendment 1 to Version B, labeled 33-LS1348\B.1, Wallace, 3/27/24, which read:

Page 12, line 28, following "information;":
Insert "and"

Page 12, line 31:
Delete "; and"
Insert "."

Page 13, lines 1 - 3:
Delete all material.

Page 14, line 28:
Delete "electronic"

Page 14, line 30:
Delete "electronic"

Page 15, line 9:
Delete "electronic"

REPRESENTATIVE CARRICK objected.

REPRESENTATIVE WRIGHT asked the bill sponsor to speak to Amendment 1.

[3:22:30 PM](#)

CLIFTON COGHILL, Staff, Representative Will Stapp, Alaska State Legislature, on behalf of Representative Stapp, prime sponsor, deferred to Ms. Wing-Heier.

[3:22:51 PM](#)

LORI WING-HEIER, Director, Division of Insurance, Department of Commerce, Community & Economic Development, explained that the amendments before the committee today would fix drafting errors in Version B at the request of the insurance industry. Amendment 1 would clarify that if a consumer were to sue the insurance company for breach of private information, data can be obtained, but not from the Division of Insurance ("the division") or the division director. She added that the division holds the data confidential to conduct the investigation and then levies whatever penalty or fine that may be assessed against the insurance company.

[3:24:36 PM](#)

REPRESENTATIVE CARRICK questioned the removal of "electronic" in Amendment 1.

MS. WING-HEIER said although most information is kept electronically, there are still some paper files within insurance companies and brokerage firms that may contain personal information that could be breached. For that reason, "electronic" is removed to ensure that all information is subject to the bill.

REPRESENTATIVE CARRICK removed her objection. There being no further objection, Amendment 1 was adopted.

REPRESENTATIVE WRIGHT moved to adopt Amendment 2 to Version B, labeled 33-LS1348\B.2, Wallace, 4/1/24, which read:

Page 13, line 9:
Delete "10"
Insert "15"

REPRESENTATIVE CARRICK objected. She questioned the rationale for changing the number of employees exempted from risk assessment from "10" to "15" or fewer.

[3:26:21 PM](#)

MS. WING-HEIER said she would not object to Amendment 2 because it still captures the majority of insurance agencies within the state.

REPRESENTATIVE CARRICK asked whether Version B would be a valuable tool for insurance agencies with 10 to 14 employees.

MR. COGHILL did not know the answer.

[3:27:40 PM](#)

REPRESENTATIVE SADDLER asked which firms would be included in 15 [employees] that would be otherwise limited by 10.

MS. WING-HEIER explained that in the state of Alaska, most insurance agencies are either the larger firms or those with 5 employees; consequently, not many would fall between 10 and 14.

[3:29:11 PM](#)

REPRESENTATIVE PRAX guessed that the captive agencies would have support from the "mother company" but the independent agencies would have to dig into their own pockets.

MS. WING-HEIER stated that many smaller agencies have been acquired by a larger firm, which would require them to comply with this bill. She agreed that the firm of captive offices would be subject to the provisions in Version B.

REPRESENTATIVE PRAX how much the bill would cost independent agencies.

MS. WING HEIER said there aren't many firms that have data and lack corporate governance with respect to data security. She further noted that agencies would be given 18 months to comply with the bill.

REPRESENTATIVE CARRICK maintained her objection.

[3:31:38 PM](#)

A roll call vote was taken. Representatives Saddler, Wright, Prax, Ruffridge, and Sumner voted in favor of Amendment 2. Representatives Carrick and Fields voted against it. Therefore, Amendment 2 was adopted by a vote of 5-2.

[3:32:17 PM](#)

REPRESENTATIVE SADDLER noted that the bill sponsor is currently in the House Finance Committee addressing the operating budget.

[3:32:39 PM](#)

REPRESENTATIVE RUFFRIDGE moved to report CSHB 324, Version 33-LS1348\B, Wallace, 3/21/24, as amended, out of committee with individual recommendations and the accompanying fiscal notes. No objection. There being no objection, CSHB 324(L&C) was reported from the House Labor and Commerce Standing Committee.

HB 55-EXTEND WORKFORCE INVEST BOARD ALLOCATIONS

[3:33:23 PM](#)

CHAIR SUMNER announced that the next order of business would be HOUSE BILL NO. 55, "An Act relating to allocations of funding for the Alaska Workforce Investment Board; and providing for an effective date." [Before the committee was CSHB 55(EDC).]

[3:33:39 PM](#)

REPRESENTATIVE RUFFRIDGE move to adopt the proposed committee substitute (CS) for HB 55, Version 33-LS0360\D, A. Radford, 4/1/24, as the working document. There being no objection, Version D was before the committee.

[3:34:17 PM](#)

REPRESENTATIVE CARRICK, prime sponsor, deferred to her staff.

[3:34:26 PM](#)

STUART RELAY, Staff, Representative Ashley Carrick, Alaska State Legislature, on behalf of Representative Carrick, prime sponsor, gave an explanation of changes in Version D [hard copy included in the committee packet], which read as follows [original punctuation provided]:

Page 1, lines 4-9: delete all material.

Page 2, line 12 - page 3, line 15: delete all material.

Page 3 line 20: delete all material.

MR. RILEY noted that Version D would bring the CS back to the original version of the bill - the only difference being a two-year extension instead of a six-year extension.

[3:35:27 PM](#)

REPRESENTATIVE SADDLER questioned whether it was the bill sponsor's intent to come back in two years and try to reinstitute the provisions in the prior CS, Version R.

REPRESENTATIVE CARRICK said her main goal is to ensure the reauthorization of TVEP. The more limited extension would put time pressure on implementing changes and reconsiderations to TVEP over the course of the next intervening years before the legislation were to come back before the committee.

[3:36:51 PM](#)

CHAIR SUMNER opened public testimony on HB 55.

[3:37:12 PM](#)

DON ETHERIDGE, Lobbyist, Alaska AFL-CIO; Lobbyist, Alaska Works Partnership, Inc., said it would only be fair to extend TVEP for two years and gather all participants in the same room to discuss potential changes. He emphasized the importance of the program and said, "it's a great idea."

[3:38:00 PM](#)

KRIS CURTIS, Legislative Auditor, Legislative Audit Division, Legislative Agencies and Offices, testified during the hearing on HB 55 and reviewed the legislative audit, beginning on page 3. She discussed report conclusions on page 10. The audit provides 2 recommendations beginning on page 23: Firstly, it recommends that the legislature consider repealing the direct award to the 10 training providers, which would allow TVEP funds to be paid via grant process; secondly, it recommends that the Department of Labor & Workforce Development (DLWD) work with the Office of Management and Budget (OMB) to resolve the underpayments to the seven training providers.

[3:48:00 PM](#)

CHAIR SUMNER closed public testimony on HB 55 and announced that the bill would be held over.

presentation(s): Rail Belt Energy Cost Analysis

[3:48:11 PM](#)

CHAIR SUMNER announced that the final order of business would be a presentation on the Rail Belt Energy Cost Analysis.

[3:48:30 PM](#)

PAUL DENHOLM, Senior Research Fellow, National Renewable Energy Laboratory (NREL), gave a PowerPoint presentation on the Rail Belt Energy Cost Analysis. NREL is part of the National Laboratory System that was formed as part of the U.S. nuclear weapons program. The lab reports to the U.S. Department of Energy (USDOE) and is an applied research lab that's focused on advancing renewable energy technologies. The average Railbelt consumer spends \$590 more per year on electricity than those in the Lower-48. There are also concerns about the need to import Liquefied Natural Gas (LNG), which provides 60 percent of Railbelt electricity. Projections show that with declining natural gas supply to the Cook Inlet, LNG would be imported at a considerably higher cost, resulting in an additional \$75 million per year in electricity costs to Railbelt consumers.

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REPRESENTATIVE FIELDS asked how much the cost to consumers would increase per household.

MR. DENHOLM estimated an additional \$200 per year. He said the main question is whether renewable energy could offset fuel purchases at less than the cost of purchasing natural gas. He described the lab's approach and assumptions. The cost of acquiring new renewables includes the cost of building the wind and solar and interconnecting to the build. The capital and fixed O&M costs could be captured via a power purchase agreement.

[4:04:42 PM](#)

REPRESENTATIVE PRAX commented on the assumption that the cost of renewables would continue to decline. He said some would argue that as demand expands on the minerals needed to produce windmills or solar panels, the price would increase as supply is capped. He asked whether measurement of that risk had been considered.

MR. DENHOLM answered yes and explained that wind and solar has continually declined over the past 20 years with the exception of two notable "blips." He noted that wind and solar are not hugely dependent on rare earths and maintained that geopolitical instabilities aside, the decline in the cost of these technologies should continue.

REPRESENTATIVE PRAX surmised that more lithium batteries may be needed in the future and asked whether that had been considered.

MR. DENHOLM said yes, the availability of lithium and other resources for batteries is of significant concern to the USDOE. He explained that lithium is quite abundant; however, there are a limited number of locations where it's mined.

[4:08:06 PM](#)

REPRESENTATIVE SADDLER questioned whether the assumptions presume that the tax credits would continue ad infinitum or whether there is a calculated risk of them going away.

MR. DENHOLM said the larger political question of what happens if the law (indisc.) is not considered.

REPRESENTATIVE SADDLER asked whether there's an iron clad argument that all projects will receive tax credits or whether they are subject to appropriation.

MR. DENHOLM shared his understanding that there's no issues with that aspect of the law, as it applies to Alaska. In other words, he assumed full eligibility for the entire tranche of renewables constructed for this project.

[4:10:36 PM](#)

MR. DENHOLM resumed the presentation by sharing his belief that both wind and PB could be developed below the avoided cost of natural gas. He highlighted the volatility of natural gas prices and explained that locking in prices for power purchase agreements would guarantee the cost of electricity for the portion of the load served by renewables, which makes it easier for larger industrial commercial [utilities] to know what to charge for their services. Findings showed that the lower cost of renewable energy would result in large deployments of wind and solar in the least cost scenario. The modeling shows a buildup of up to 76 percent of Railbelt electricity from renewables in 2040 due to their lower cost and the ability to offset natural gas. This results in net savings of roughly \$100 million per year in 2030 and cumulative cost savings of over \$1 billion.

[4:15:55 PM](#)

REPRESENTATIVE PRAX shared his understanding that from the perspective of the legislature, independent power producers would be spending money instead of the state.

MR. DENHOLM confirmed that that this would not require a direct state dollar spend because the \$4.2 billion in fuel would come from consumers' pockets to the electric utilities to the natural gas suppliers.

[4:17:08 PM](#)

MR. DENHOLM resumed the presentation and emphasized that the existing fossil resources would still be maintained for reliability purposes, but they would be used less. He explained that these renewable energy sources would be deployed in high quality wind resource locations near Fairbanks and Kenai thereby taking advantage of the new transmission capacity.

[4:19:48 PM](#)

REPRESENTATIVE FIELDS asked Mr. Denholm to contextualize the 76 percent least cost scenario.

MR. DENHOLM said the challenge is determining the difference between the optimum solution, as opposed to the 80 percent Renewable Portfolio Standards (RPS). He reiterated his belief that the absolute least cost solution would be around 75 or 76 percent.

[4:20:40 PM](#)

MR. DENHOLM resumed the presentation and highlighted the volatility of renewable resources, which would require a change in systems operations, such as software upgrades. The lab accounted for \$1.5 million per year in software updates when conducting this study; however, additional upgrades would be needed to account for forecasting wind and solar, changing operational practices, and changing staff. He emphasized the role of integration costs, which were accounted for in the study and evaluated as cost savings. He concluded that new renewable resources would have the opportunity to displace existing natural gas; however, a number of caveats would need to be studied in addition to further cost reductions associated with deploying new hydropower options.

[4:23:28 PM](#)

REPRESENTATIVE FIELDS recalled that the NREL study finding that 76 percent is the least cost solution for the Railbelt did not rely on the 45Q tax credit for carbon storage. He asked whether that is correct.

MR. DENHOLM confirmed that new carbon capture and sequestration options and small modular reactors were not considered. New coal plants without carbon capture sequestration were considered, but they were found to be uneconomic.

[4:24:28 PM](#)

REPRESENTATIVE RUFFRIDGE asked who would bear the cost of the battery systems that would be necessary to offset the variability of wind and solar.

MR. DENHOLM said the cost could be incurred by either a power purchase agreement or the utility. Ultimately, he said NREL is neutral as to which business policy works best for the utilities.

REPRESENTATIVE RUFFRIDGE asked whether the costs for additional best systems were included in the study.

MR. DENHOLM answered, "Absolutely."

[4:26:42 PM](#)

CHAIR SUMNER asked what percentage of the (indisc.) manufacturing occurs in China.

MR. DENHOLM said a large fraction of panels are made in China. He explained that 50 percent of the cost of installation would occur in the state, while the remaining 50 percent would be mixed between domestic and foreign content. He offered to follow up with numbers on domestic content for historical installations of both PB and wind.

CHAIR SUMNER questioned the impact of 60 percent tariffs on China.

MR. DENHOLM said he's seen significant growth in domestic manufacturing in addition to manufacturing in other parts of Asia that aren't subject to tariffs.

[4:28:57 PM](#)

REPRESENTATIVE PRAX sought to confirm that NREL assumed that existing gas and coal powered plants would continue to operate; however, some plants, like the one in Golden Valley, are nearing the end of their natural life.

MR. DENHOLM said NREL only retired the Healy Unit 2 coal plant based on recommendations from the Golden Valley Electric Association (GVEA). He added that the lab spoke with all local utilities while conducting the study.

[4:30:12 PM](#)

REPRESENTATIVE FIELDS asked Mr. Denholm to discuss changes that could portend in terms of electricity to heating opportunities and how that would affect the potential for renewable deployment and managing variable electric inputs.

MR. DENHOLM said fairly conservative assumptions were made on the evolution of energy storage technologies by assuming continued incremental improvements to technology. Heating applications were not considered in great detail either.

REPRESENTATIVE FIELDS asked what types of innovative storage are being deployed in the Lower-48.

MR. DENHOLM said early demonstration phase technologies are being deployed through a combination of state and federal subsidies or early-stage research and development (R&D) projects. He shared an example of flow batteries that use liquid electrolytes and technologies that use iron as the storage medium.

[4:34:06 PM](#)

REPRESENTATIVE PRAX how much of the assumed demand is due to growth, other than residential growth.

MR. DENHOLM said growth and electric demand was only assumed based on population growth and electric vehicles. Consequently, a 20 percent total growth in electric demand was assumed between now and 2040.

REPRESENTATIVE PRAX asked whether no increase in the demand for electric vehicles would change the result.

MR. DENHOLM said it may make a small difference, but it would not fundamentally change the overall result.

[4:36:21 PM](#)

REPRESENTATIVE CARRICK asked whether grid and grid funding is essential to seeing these projects move forward.

MR. DENHOLM said North of Anchorage, the deployment of new wind and solar is not dependent on that funding. In addition, a significant amount of wind could be deployed in Kenai and Fairbanks; however, the same benefits would not be realized. He noted that independent of renewables, [the grid funding project] would still provide significant benefits to the Railbelt.

REPRESENTATIVE CARRICK asked whether the economic benefits would apply grid-wide independent of renewables.

MR. DENHOLM said most benefits would apply on the south side; however, benefits would continue to flow up into the Fairbanks region. He explained that the overall benefits of the \$100 million in cost savings would not be exactly equal to each

region on a populated basis, which is why large, regional projects can be challenging.

[4:39:41 PM](#)

REPRESENTATIVE PRAX sought to verify that the upgrade of the transmission system north of Anchorage is not essential to making this project work.

MR. DENHOLM said he would love to see the Alaska Intertie upgraded because it would provide significant benefits to the Railbelt regardless of renewable deployment; however, given the challenges of transmission upgrades, NREL made the conservative assumption that the Alaska Intertie would not be changed. In response to a series of follow-up questions from Representative Prax, he explained that addressing the stability problems would require the use of power electronic-based technologies, referred to as grid forming inverters. He said one of the motivations of RPS is to spur the marketplace and unleash the free market.

[4:46:54 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 4:46 p.m.