

ALASKA STATE LEGISLATURE
HOUSE LABOR AND COMMERCE STANDING COMMITTEE

April 15, 2024

3:17 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. 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."

- HEARD & HELD

SENATE BILL NO. 196

"An Act relating to drug and alcohol testing by employers."

- HEARD & HELD

HOUSE BILL NO. 394

"An Act relating to the Regulatory Commission of Alaska and regulation of the service of natural gas storage and liquefied natural gas import facilities; relating to records of the Regulatory Commission of Alaska; relating to rates established by the Regulatory Commission of Alaska; and providing for an effective date."

- HEARD & HELD

Presentation(s): Pensions and Economics of Retirement

- REMOVED FROM AGENDA

HOUSE BILL NO. 378

"An Act relating to theft; relating to organized retail theft; establishing a statewide marketplace facilitator sales tax; establishing the organized retail theft fund in the general fund; and providing for an effective date."

- BILL HEARING CANCELED

HOUSE JOINT RESOLUTION NO. 27

Supporting trade policies for the United States that hold China, Russia, and other countries accountable, reward leadership in clean production standards, reward superior environmental performance, support economic development, and support the rebuilding of supply chains in the United States.

- SCHEDULED BUT NOT HEARD

PREVIOUS COMMITTEE ACTION

BILL: HB 226

SHORT TITLE: PHARMACIES/PHARMACISTS/BENEFITS MANAGERS

SPONSOR(S): REPRESENTATIVE(S) SUMNER

01/16/24	(H)	PREFILE RELEASED 1/8/24
01/16/24	(H)	READ THE FIRST TIME - REFERRALS
01/16/24	(H)	HSS, L&C, FIN
02/27/24	(H)	HSS AT 3:00 PM DAVIS 106
02/27/24	(H)	Heard & Held
02/27/24	(H)	MINUTE(HSS)
02/29/24	(H)	HSS AT 3:00 PM DAVIS 106
02/29/24	(H)	Moved CSHB 226(HSS) Out of Committee
02/29/24	(H)	MINUTE(HSS)
03/04/24	(H)	HSS RPT CS(HSS) 6DP 1NR
03/04/24	(H)	DP: SUMNER, RUFFRIDGE, MCCORMICK, SADDLER, MINA, PRAX
03/04/24	(H)	NR: FIELDS
03/06/24	(H)	L&C AT 3:15 PM BARNES 124
03/06/24	(H)	Scheduled but Not Heard
03/11/24	(H)	L&C AT 3:15 PM BARNES 124
03/11/24	(H)	Heard & Held
03/11/24	(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
04/03/24	(H)	<Bill Hearing Rescheduled to 04/05/24>
04/05/24	(H)	L&C AT 3:15 PM BARNES 124

04/05/24 (H) -- MEETING CANCELED --
04/15/24 (H) L&C AT 3:15 PM BARNES 124

BILL: SB 196

SHORT TITLE: EMPLOYER DRUG AND ALCOHOL TESTING

SPONSOR(s): LABOR & COMMERCE

01/18/24 (S) READ THE FIRST TIME - REFERRALS
01/18/24 (S) L&C
03/08/24 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)
03/08/24 (S) Heard & Held
03/08/24 (S) MINUTE(L&C)
03/20/24 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)
03/20/24 (S) Moved SB 196 Out of Committee
03/20/24 (S) MINUTE(L&C)
03/22/24 (S) L&C RPT 4DP 1NR
03/22/24 (S) DP: BJORKMAN, BISHOP, GRAY-JACKSON,
MERRICK
03/22/24 (S) NR: DUNBAR
04/10/24 (S) TRANSMITTED TO (H)
04/10/24 (S) VERSION: SB 196
04/11/24 (H) READ THE FIRST TIME - REFERRALS
04/11/24 (H) L&C
04/15/24 (H) L&C AT 3:15 PM BARNES 124

BILL: HB 394

SHORT TITLE: RCA REGULATE NATURAL GAS STORAGE FACILITY

SPONSOR(s): RESOURCES

03/20/24 (H) READ THE FIRST TIME - REFERRALS
03/20/24 (H) RES, L&C
04/01/24 (H) RES AT 1:00 PM BARNES 124
04/01/24 (H) <Bill Hearing Rescheduled to 04/03/24>
04/03/24 (H) RES AT 1:00 PM BARNES 124
04/03/24 (H) Heard & Held
04/03/24 (H) MINUTE(RES)
04/05/24 (H) RES AT 1:00 PM BARNES 124
04/05/24 (H) Moved HB 394 Out of Committee
04/05/24 (H) MINUTE(RES)
04/08/24 (H) RES RPT 4DP 3AM
04/08/24 (H) DP: SADDLER, MCCABE, WRIGHT, MCKAY
04/08/24 (H) AM: ARMSTRONG, MEARS, DIBERT
04/08/24 (H) L&C AT 3:15 PM BARNES 124
04/08/24 (H) Scheduled but Not Heard
04/15/24 (H) L&C AT 3:15 PM BARNES 124

WITNESS REGISTER

SARENA HACKENMILLER, Staff
Representative Jesse Sumner
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Read the explanation of changes from CSHB 226(HSS) a proposed committee substitute, Version R, on behalf of Representative Sumner, prime sponsor.

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

POSITION STATEMENT: answered committee questions on HB 226 Version R.

SENATOR JESSE BJORKMAN
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: As prime sponsor, read the sponsor statement to SB 196.

TAIHYA THOMAS, Human Resources Manager
Barrow Utilities & Electric Coop
Barrow, Alaska

POSITION STATEMENT: Gave invited testimony in support of SB 196.

LAURA ACHEE, Staff
Senator Jesse Bjorkman
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: On behalf of Senator Jesse Bjorkman, prime sponsor, answered questions related to SB 196.

REPRESENTATIVE TOM MCKAY
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: As chair of the House Resources Standing Committee, sponsor, presented HB 394.

TREVOR JEPSEN, Staff
Representative Tom McKay
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: On behalf of the House Resources Standing Committee, sponsor, on which Representative McKay serves as chair, gave a PowerPoint presentation on HB 394.

JOHN SIMS, President
Enstar Natural Gas
Anchorage, Alaska

POSITION STATEMENT: Answered committee questions on HB 394.

ROBERT DOYLE, Chair
Regulatory Commission of Alaska
Anchorage, Alaska

POSITION STATEMENT: Answered questions related to HB 394.

BECKI ALVEY, Advisory Section Manager,
Regulatory Commission of Alaska
Anchorage, Alaska

POSITION STATEMENT: Answered committee questions related to HB 394.

DEREK NOTTINGHAM, Director,
Division of Oil & Gas, Department of Natural Resources
Anchorage, Alaska

POSITION STATEMENT: Answered committee questions related to HB 394.

ACTION NARRATIVE

[3:17:42 PM](#)

CHAIR JESSE SUMNER called the House Labor and Commerce Standing Committee meeting to order at 3:17 p.m. Representatives Prax, Ruffridge, Carrick, Fields, and Sumner were present at the call to order. Representatives Saddler and Wright arrived as the meeting was in progress.

HB 226-PHARMACIES/PHARMACISTS/BENEFITS MANAGERS

[3:18:38 PM](#)

CHAIR SUMNER announced that the first order of business would be 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." [Before the committee was CSHB 226(HSS).]

3:18:48 PM

REPRESENTATIVE RUFFRIDGE moved to adopt the proposed committee substitute (CS) to HB 226, Version 33-LS0955\R, Wallace, 4/11/24, as a working document.

REPRESENTATIVE FIELDS objected for the purpose of discussion.

3:19:20 PM

SARENA HACKENMILLER, Staff, Representative Jesse Sumner, Alaska State Legislature, on behalf of Representative Sumner, prime sponsor, read the explanation of changes from CSHB 226(HSS) to the proposed CS, Version R [included in committee packet], which read as follows [original punctuation provided]:

Title - Amends title removing reference to pharmacies, pharmacists, and patient choice of pharmacy. Adds reference to dispensing fees.

Section 1 - No change.

Section 2 - New section in this bill version. Amends 08.80.297(d)(2) - Prescription prices available to consumer.

Moves the new definition of "pharmacy benefit manager" to a new section added to the statute later in the bill (AS 21.27.975).

Section 3 - Previous section 2, no change.

Section 4 - Previous section 3, no change.

Section 5 - Previous section 4, no change.

Section 6 - Previous section 5, no change.

Section 7 - New section in this bill version. Amends 21.27.940 - Pharmacy audits; restrictions.

Expounds on the requirements of pharmacy audits. This section states that the requirements under statutes of an audit do not apply when there is suspected fraudulent activity.

Section 8 - Modifies previous section 6, 21.27.945(b) - Drug pricing list; procedural requirements.

In paragraph 5, modifies reference from "national drug database pricing" to "national average drug acquisition cost."

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Section 9 - Previous section 7, no change.

Section 10 - Modifies previous section 8, amends 21.27.945 - Drug pricing list; procedural requirements.

Removes previous paragraph 3, "pharmacy acquisition cost."

Section 9 under the original bill is removed.

Section 11 - Modifies previous section 10 and adds a fourth new section under AS 21.27.

Sec. 21.27.951. Patient choice of pharmacy.

In paragraph 2, the language defining "affiliate" is removed. Previous version subsection

(b) removed and following subsection letters updated.

Subsection (d) (previous

subsection c) modified, requiring a specialty pharmacy to provide documentation that it

holds a federal certification demonstrating its ability to distribute specialty prescriptions.

Sec. 21.27.952. Patient access to clinician-administered drugs.

Modifies paragraph 3; shifts previous paragraph 3 to sub-paragraph "A" and adds subparagraph "B" that a health insurer or pharmacy benefits manager may not impose a

penalty for using an independent pharmacy. Removes paragraph 7, following paragraphs renumbered.

Sec. 21.27.954. Regulations relating to pharmacy benefit manager claims, grievances, activities, and appeals.

Adds a new section to statute regarding the regulation of PBM claims and grievances.

This section ensures regulations and standards are in place giving pharmacies the

opportunity for appropriate resolution of grievances, independent reviews of PBM

activities, and requiring PBMs to hear pricing appeals.

Sections 11, 12, and 13 under the original bill are removed.

Section 12 - New section in this bill version. Adds two new sections under AS 21.27.

Sec. 21.27.960. Coverage for dispensing fees.

Allows the director to periodically review dispensing fees by using surveys conducted by

the Department of Health under AS 47.07 and the national average drug acquisition cost

(NADAQ) retail price survey conducted by the Centers for Medicare and Medicaid (CMS).

The director shall negotiate dispensing fees with independent pharmacies and tribal health pharmacy providers to ensure availability of prescription medications. The director may establish differential dispensing fees based on community. The director shall set and adjust dispensing fees and shall adjust dispensing fees at least once every five years.

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Sec. 21.27.975. Definitions.

This section takes all definitions previously listed under AS 21.27.955 (repealed in Section 15) and lists them here as well as adds new definitions.

1. affiliate;
2. audit;
3. claim;
4. covered person (moved from AS 21.27.955);
5. drug (moved from AS 21.27.955);
6. extrapolation;
7. health care insurance plan (moved from AS 21.27.955);
8. independent pharmacy;
9. insurer;
10. list;
11. maximum allowable cost (moved from AS 21.27.955);
12. national average drug acquisition cost (moved from AS 21.27.955);
13. network (moved from AS 21.27.955);
14. network pharmacy;
15. pharmacy;
16. pharmacy acquisition cost;
17. pharmacy benefits manager;
18. plan sponsor (moved from AS 21.27.955);
19. provider (moved from AS 21.27.955);
20. recoupment; and
21. wholesale acquisition cost (moved from AS 21.27.955).

Sections 15, 16, 17 and 18 under the original bill are removed.

Section 13 - Modifies previous section 14, amends 21.36.520 - Unfair trade practices.

Removes previous section 14 paragraphs 6-8 and updates all following paragraph numbers.

Section 14 - Previous section 19, no change.

Section 15 - Previous section 20, no change.

Section 16 - Modifies previous section 21.

Adds applicability to insurance policies in addition to contracts. Updates referenced sections.

Section 17 - Previous section 22, no change.

Section 18 - Modifies previous section 23.

Updates referenced transition regulations number due to section number changes in this version.

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Section 19 - Modifies previous section 24.

Updates referenced section number due to section number changes in this version

[3:20:35 PM](#)

LORI WING-HEIER, Director, Division of Insurance, Department of Commerce, Community & Economic Development (DCCED), in response to a question from Representative Fields explained that the new sections were added to Version R to separate an audit from a criminal investigation.

[3:22:09 PM](#)

MS. HACKENMILLER concluded the explanation of changes [text provided previously].

[3:27:25 PM](#)

REPRESENTATIVE FIELDS removed his objection to the motion to adopt the proposed committee substitute (CS) to HB 226, Version 33-LS0955\R, Wallace, 4/11/24, as a working document. There being no further objection, Version R was before the committee.

[3:27:39 PM](#)

REPRESENTATIVE FIELDS said he doesn't understand how rebates work as mentioned in HB 226, Version R. He requested more information on the topic in future meetings.

[3:28:20 PM](#)

REPRESENTATIVE CARRICK asked whether Version R added a definition for independent pharmacies in the definitions section.

MS. HACKENMILLER answered that there is a new definition in Version R.

[3:29:11 PM](#)

REPRESENTATIVE FIELDS said that changing the definition is a more cost-effective way for having a mechanism for pharmacy coverage and added his belief that the new Section 12 is essentially a new way of preserving pharmacy access.

REPRESENTATIVE CARRICK asked whether tribal health plans are covered under an Employee Retirement Income Security Act (ERISA) plan.

REPRESENTATIVE FIELDS answered no, tribal providers are not ERISA participants.

REPRESENTATIVE CARRICK asked the bill sponsor how Version R would affect tribal health plans.

[3:30:29 PM](#)

CHAIR SUMNER responded that there are many changes. He added that they are likely to fall under the independent pharmacy definition.

CHAIR SUMNER announced that HB 226 would be held over.

SB 196-EMPLOYER DRUG AND ALCOHOL TESTING

[3:31:05 PM](#)

CHAIR SUMNER announced that the next order of business would be SENATE BILL NO. 196, "An Act relating to drug and alcohol testing by employers."

[3:31:33 PM](#)

SENATOR JESSE BJORKMAN, Alaska State Legislature, as prime sponsor, read the sponsor statement to SB 196 [included in committee packet], which read as follows [original punctuation provided]:

Senate Bill 196 would add oral fluid, or saliva, to the statutory list of samples an employer may collect from an employee for drug and alcohol testing. While an employer could already choose to collect an oral fluid sample instead of a urine or breath sample, adding the collection of oral fluid in this section of statute protects the employer from legal claims related to drug or alcohol testing and subsequent employment actions.

Collecting urine or breath samples for job-related testing can have drawbacks. Using an oral fluid sample mitigates the challenges of these other methods. Collecting or testing a urine sample can require taking the time to travel to an off-site facility, and urine samples are susceptible to cheating unless the sample collection is observed by another person.

In contrast, oral fluid is collected with a swab, can be easily collected at the job site without needing a restroom, and can be certain to be from the employee without significantly invading their privacy. While urine tests provide evidence of the use of a drug over a longer window of time, oral fluid can show the presence of drugs in a person's system more quickly and at lower concentrations for some substances.

In addition to the lower barriers for collection and testing, oral fluid testing may be lower in cost for the employer than other methods. Together, these attributes could allow for more frequent testing leading to greater on-the-job safety for employees, their coworkers, and members of the public.

The United States Department of Transportation promulgated regulations in 2023 allowing employers to collect and test oral fluid samples for commercial driver's license holders, and requiring the use of oral fluid testing for transgender and non-binary people as same-gender observers are required for urine sample collections. Public comment on the regulations package suggests that the option for oral fluid testing will be very well received by employees in addition to the benefits it provides to employers.

[3:33:05 PM](#)

REPRESENTATIVE FIELDS asked whether an employer would still be able to perform hair follicle testing under SB 196.

SENATOR BJORKMAN answered yes.

[3:33:50 PM](#)

TAIHYA THOMAS, Human Resources Manager, Barrow Utilities & Electric Coop Inc, gave invited testimony in support of SB 196. She shared information about drug and alcohol testing at her co-op. She mentioned that during the COVID-19 pandemic, no one signed up to be urine collectors, so it had to be shipped because testing is required to keep status. She detailed how unobtrusive oral swab testing is different compared to urine samples and added that once oral testing becomes approved for drivers with commercial driver's licenses (CDLs), there will still be more work ahead to see other industries follow suit. She noted that oral swab testing is cheaper and added that oral testing did not exist when the safe harbor law was passed, so it was never included in the law as a protected testing method. She said SB 196 would cure this inconsistency and give employers and employees the same rules and protections regardless of testing method and urged committee members to support the proposed legislation.

[3:39:06 PM](#)

REPRESENTATIVE CARRICK asked whether blood testing is ever used for investigations.

SENATOR BJORKMAN answered that blood testing is a "safe harbor option."

[3:40:12 PM](#)

LAURA ACHEE, Staff, Senator Jesse Bjorkman, Alaska State Legislature, on behalf of Senator Jesse Bjorkman, prime sponsor of SB 196 added that either urine or breath can be sampled by an employer.

[3:41:13 PM](#)

REPRESENTATIVE FIELDS said he supported SB 196 and asked whether other states have approved other testing methods like ones proposed under SB 196.

SENATOR BJORKMAN responded that he could not answer that question at this time.

[3:42:10 PM](#)

CHAIR SUMNER announced that SB 196 was held over.

HB 394-RCA REGULATE NATURAL GAS STORAGE FACILITY

[3:42:29 PM](#)

CHAIR SUMNER announced that the final order of business would be HOUSE BILL NO. 394, "An Act relating to the Regulatory Commission of Alaska and regulation of the service of natural gas storage and liquefied natural gas import facilities; relating to records of the Regulatory Commission of Alaska; relating to rates established by the Regulatory Commission of Alaska; and providing for an effective date."

[3:42:46 PM](#)

The committee took an at-ease from 3:42 p.m. to 3:51 p.m.

[3:51:25 PM](#)

REPRESENTATIVE TOM MCKAY, Alaska State Legislature, on behalf of the House Resources Standing Committee, sponsor, read the sponsor statement for HB 394 [included in the committee packet], which read as follows [original punctuation provided]:

HB 394 is aimed at enhancing the energy security of Southcentral Alaska by providing a clear regulatory framework for third-party natural gas storage. This bill was designed to establish a regulatory framework that not only encourages the expansion of natural gas and liquefied natural gas (LNG) storage facilities but also ensures these critical pieces of energy infrastructure operate efficiently and remain economically viable.

HB 394 provides for the Regulatory Commission of Alaska (RCA) to have clear oversight authority over natural gas and LNG storage facilities, which will bring stability and predictability to the sector and make it more attractive to operators and investors. HB 394 defines principles for the determination of just and reasonable rates, ensuring that operation costs, tax incentives, and the fair market value of storage assets are all considered. This approach aims to foster fair pricing practices that benefit both consumers and businesses.

This bill also introduces measures to protect sensitive financial information, mandating

confidentiality for certain records. This move strikes a balance between protecting commercial sensitivities and fulfilling the need for regulatory transparency. Additionally, the bill recognizes the complexities of state and federal regulations by exempting LNG import facilities that are already regulated by the federal government from state oversight.

HB 394 is a necessary piece of legislation if the state of Alaska wants to see third-party gas storage from the private sector. I urge my colleagues of the 33rd legislature to join me in supporting this bill which represents a decisive step towards reinforcing Southcentral Alaska's energy infrastructure and ensuring the well-being of our state.

[3:55:30 PM](#)

TREVOR JEPSEN, Staff, Representative Tom McKay, on behalf of the bill sponsor, the House Resources Standing Committee, on which Representative McKay serves as chair, began a PowerPoint presentation, titled "HB 394 - RCA regulation of natural gas storage facilities." He drew attention to slide 2, which explained the changes proposed under HB 394 and intended benefits. He moved to slide 3, which displayed active gas storage facilities in Southcentral Alaska.

[3:57:40 PM](#)

REPRESENTATIVE FIELDS asked for clarification as to the definition of the term "third party" in the context of slide 3.

MR. JEPSEN replied that HB 394 would address gas storage issues for companies all throughout Southcentral Alaska.

[3:58:50 PM](#)

MR. JEPSEN continued to slide 4, which explained the logistics and necessity of gas storage and gas storage facilities. He moved to slide 5, which displayed a list of agency roles that the Alaska Oil and Gas Conservation Commission (AOGCC), Department of Natural Resources (DNR), and Regulatory Commission of Alaska (RCA) all play in gas storage in Alaska. He concluded the presentation on slide 6, which provided an overview of HB 394 and its policies as they relate to gas storage.

[4:02:17 PM](#)

REPRESENTATIVE FIELDS asked Mr. Sims about the fair market value language in HB 394.

MR. JEPSEN explained that the language is to clarify to the private industry about fair market value and make companies aware that things are being considered other than just the point of sale price.

REPRESENTATIVE FIELDS asked whether the price of gas has any impact on cost of storage.

MR. JEPSEN answered that he believes that is so.

[4:04:57 PM](#)

JOHN SIMS, President, Enstar Natural Gas, proffered that the challenge of gas pricing is determining when the price was set. He added that the fluctuation of gas prices makes for a challenge.

REPRESENTATIVE FIELDS asked for information about cost of storage and further asked for a comparison about language of legislation with or without fair market value language.

MR. SIMS replied that it would be difficult to compare such language and explained how the gas storage rate was first set.

[4:08:04 PM](#)

REPRESENTATIVE CARRICK asked why HB 394 would make records confidential when companies can already request confidential records.

MR. JEPSON replied that companies must make the prices confidential to attract business in Alaska.

[4:09:10 PM](#)

ROBERT DOYLE, Chair, Regulatory Commission of Alaska, stated that the RCA is in support of HB 394 because it would convert a legacy field into a storage facility.

REPRESENTATIVE CARRICK asked Mr. Doyle whether the current confidentiality process is sufficient.

MR. DOYLE answered that the current system for confidentiality records is sufficient and is based off of a "mighty mite"

standard that protects the confidentiality of records if there is any chance of a breach of confidentiality in the process of attaining said confidentiality.

[4:12:05 PM](#)

REPRESENTATIVE SADDLER pointed to Section 4 of HB 394 and asked about the difference between a financial statement and a financial assurance statement.

MR. DOYLE explained that it depends on how far a person wants to go into the finance records and directed his answer to Becki Alvey.

[4:13:11 PM](#)

BECKI ALVEY, Advisory Section Manager, Regulatory Commission of Alaska, explained the differences between a financial statement and a financial assurance statement. In response to a follow-up question, she explained that a financial assurance agreement is the agreement that is obtained when a third party backs a financial investment of a company.

REPRESENTATIVE SADDLER asked how far the confidentiality of records for companies would extend.

MR. DOYLE said that the committee is talking about S-Corporations and would need to seek legal counsel to answer Representative Saddler's question.

[4:16:09 PM](#)

REPRESENTATIVE MCKAY emphasized that Alaska is in need of additional gas storage beyond current capacity and explained that the confidentiality language is in the bill to retain access to current and future storage opportunities.

[4:16:44 PM](#)

REPRESENTATIVE FIELDS asked Mr. Nottingham about confidentiality agreements between the State of Alaska and gas companies.

[4:17:33 PM](#)

DEREK NOTTINGHAM, Director, Division of Oil & Gas, Department of Natural Resources, answered that the purpose of the confidentiality agreement is to show that the investing company

has the financial backing to support its investment. He added that the Department of Natural Resources (DNR) is looking at making sure said company could not leave the state high and dry with old equipment and failed payments.

REPRESENTATIVE FIELDS asked why there are two different confidentiality provisions under HB 394.

MR. NOTTINGHAM explained that there are current statutes that protect the confidentiality of those records and explained how HB 394 would affect those statutes.

REPRESENTATIVE FIELDS asked whether the language in HB 394 goes further than existing statute surrounding confidentiality.

MR. NOTTINGHAM said he could not comment.

[4:20:38 PM](#)

REPRESENTATIVE RUFFRIDGE asked the bill sponsor if there is enough storage during peak demand times in winter and asked how the proposed legislation would get the state access to more gas storage.

REPRESENTATIVE MCKAY replied that the state currently has access to only one storage facility and added that the three Hillcorp fields are not available until the company agrees with the state. He reiterated that the goal of HB 394 is to prepare Alaska for a possible need to import gas in the future.

REPRESENTATIVE RUFFRIDGE asked about repeal language in Section 5 of HB 394.

[4:23:40 PM](#)

MR. JEPSEN responded that current gas storage and transfer action is regulated under Title 42 of Alaska Statute and the repeal language being questioned is merely conforming language.

REPRESENTATIVE RUFFRIDGE clarified Mr. Jepson's answer and asked about language in Section 5 and Section 7 of the bill.

MR. JEPSEN explained that Section 5 of HB 394 is referencing language in Chapter 6, Title 42 of Alaska Statute.

REPRESENTATIVE RUFFRIDGE asked why the State of Alaska would make North Slope natural gas different from that of the other carriers.

MR. JEPSEN deferred the question to Becki Alvey.

[4:26:20 PM](#)

MS. ALVEY, in response to Representative Ruffridge, answered that it is not unusual to see a specific definition or statute relating to North Slope gas companies.

[4:27:40 PM](#)

REPRESENTATIVE MCKAY clarified that HB 394 is only related to Cook Inlet gas companies, not North Slope companies.

REPRESENTATIVE RUFFRIDGE remarked that it seems out of line to carve out a section of bill language for specific companies that would not be impacted by the proposed legislation.

[4:29:41 PM](#)

MR. JEPSEN said that he would do more research to get a better answer to the committee.

REPRESENTATIVE MCKAY explained that the state must regulate all gas pipelines, regardless of their length, especially assuming importation of LNG that could start in 2030.

MR. JEPSEN reiterated that HB 394 was created specifically for Cook Inlet gas companies.

[4:31:27 PM](#)

REPRESENTATIVE RUFFRIDGE shared his understanding that HB 394 would prohibit certain companies from falling under the RCA's Chapter 5 of Title 42 of Alaska Statute.

[4:32:22 PM](#)

REPRESENTATIVE CARRICK asked how many natural gas facilities in Alaska would be exempt from Chapter 6 under HB 394.

MR. JEPSEN answered that there aren't many companies that would be exempt and pointed to a current project in Cook Inlet that

would fall under the exemption section of the proposed legislation.

[4:35:24 PM](#)

MS. ALVEY explained that Alaska Statute (AS) 42.06.630 currently defines what a pipeline facility and pipeline carrier are as defined by the pipeline act and explained how other statutes in AS title 42 interact with each other and the proposed legislation.

REPRESENTATIVE SADDLER asked for an example of a pipeline facility operated by a pipeline carrier.

MS. ALVEY said that a pipeline facility is the facility where a pipeline is operated by a pipeline carrier. In response to follow-up questions, she said that a pipeline carrier is the owner of the pipeline, while a pipeline facility is the place where the pipeline operates.

[4:38:07 PM](#)

MR. SIMS used Harvest Midstream as an example of a pipeline facility operated by a pipeline operator.

[4:38:40 PM](#)

REPRESENTATIVE FIELDS asked Representative McKay what the definition of "fair return" is in statute.

MR. JEPSEN deferred the question to Robert Doyle.

[4:39:24 PM](#)

MR. DOYLE said that coming up with a fair and justifiable rate is a process that would not be determined by legislation but would be done by the RCA on the record.

REPRESENTATIVE FIELDS asked what the RCA sees as "revenue requirements" and gave a hypothetical situation related to the term.

MR. DOYLE explained that the company under scrutiny for its pricing would have to justify the price before any regulatory action is taken on setting a price.

REPRESENTATIVE FIELDS asked whether other ways to create storage had been considered.

[4:43:04 PM](#)

MR. JEPSEN shared the bill sponsor's belief that crafting a piece of legislation is the most prudent and effective method of getting more private sector gas storage online.

[4:43:41 PM](#)

REPRESENTATIVE SADDLER commented that a fair rate is not determined by legislation and asked Mr. Doyle if the RCA makes allowable rate of return rate decisions and further questioned what is considered "fair" by the RCA.

MR. DOYLE answered that there needs to be a utility that can be viable over time and a good return margin to the ratepayer.

REPRESENTATIVE SADDLER said that the RCA is already doing that and clarified the intent of his question.

[4:46:35 PM](#)

CHAIR SUMNER announced that HB 394 was held over.

[4:47:04 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 4:47 p.m.