

STATE OF ALASKA

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**BEFORE THE REGULATORY COMMISSION OF ALASKA**

Before Commissioners:

Robert M. Pickett, Chairman  
Paul F. Lisankie  
T.W. Patch  
Norman Rokeberg  
Janis W. Wilson

In the Matter of the Consideration of the Revenue )  
Requirement Designated as TA262-4 Filed by )  
ENSTAR NATURAL GAS COMPANY, A )  
DIVISION OF SEMCO ENERGY, INC. )

Docket No. U-14-\_\_\_\_

**PREFILED DIRECT TESTIMONY  
OF  
DANIEL M. DIECKGRAEFF**

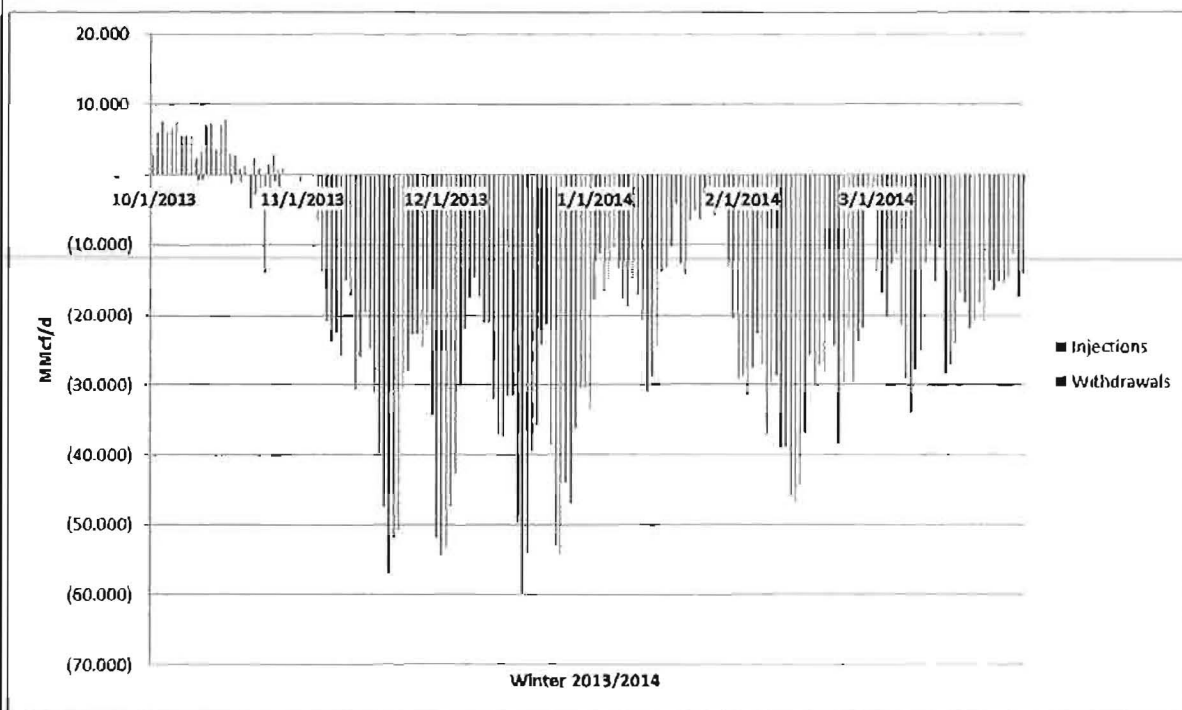
1 **Q. Please state your name, business address, and present position.**

2 A. My name is Daniel Murray Dieckgraeff. I am the Director of Rates and Regulatory  
3 Affairs for ENSTAR Natural Gas Company and Alaska Pipeline Company (to which I  
4 will refer collectively as "ENSTAR" or the "Company").<sup>1</sup> My business address is 3000  
5 Spenard Road, Anchorage, Alaska 99503.

6 **Q. Briefly describe your current job responsibilities at ENSTAR, your work  
7 experience, and your educational background.**

8 A. I am responsible for all of ENSTAR's regulatory matters before the Regulatory  
9 Commission of Alaska (the "RCA" or the "Commission"). I have been employed by  
10 ENSTAR since July 12, 1982, and have held supervisory and managerial positions with  
11 responsibility for ENSTAR regulatory matters since then. From 2000 to early 2008, I

<sup>1</sup> Alaska Pipeline Company and ENSTAR Natural Gas Company have historically been treated as a single entity for regulatory purposes.



### RATE DESIGN AND COST-OF-SERVICE STUDIES

**Q. What were the Company's instructions to Dr. Fairchild concerning the cost of service study he was asked to prepare?**

**A.** Dr. Fairchild was asked to prepare a fully-allocated cost-of-service (COS) study for ENSTAR using, as a starting point, the revenue requirement shown in the 275(a) portion of this filing (based on a normalized test year ended December 31, 2013). He was also instructed to follow the COS methodology established by the APUC and the Commission in ENSTAR's earlier rate design proceedings (Dockets U-87-2, U-87-42 and U-00-88), including using the factor for allocation of transmission activities among the customer classes that was approved in those cases. He was instructed to use the general service customer classes, as well as the large firm and interruptible transportation classes stipulated to in Dockets U-09-69/U-09-70.

1 Q. What factor for allocation of transmission activities was he instructed to use and  
2 why?

3 A. ENSTAR instructed Dr. Fairchild to allocate transmission plant based on an equal  
4 weighting of each customer class' contribution to coincident system peak demand and  
5 average day demand (sometimes referred to as the "Seaboard" method). Because  
6 ENSTAR's pipeline system is an integrated system, designed to both access gas  
7 supplies and to meet peak loads, the Commission determined this was the appropriate  
8 method to allocate ENSTAR's transmission system.<sup>32</sup>

9 Q. What is rate design?

10 A. As Ms. Starring notes in her testimony, rate design is the way in which base rates are  
11 calculated to collect a utility's revenue requirement from its various customer classes.

12 Q. Are you proposing cost-based rates?

13 A. Yes. The proposed rate design recovers the total costs by rate class, as shown by the  
14 cost-of-service study.

15 Q. What factors, other than cost-of-service, did you consider in designing rates?

16 A. The other factors considered in designing rates were:

- 17 1. Value of service;
- 18 2. Promoting the wise use of energy;
- 19 3. Matching costs and revenues;
- 20 4. Lessening the impact of high winter bills; and
- 21 5. Public acceptability and understandability.

22 Q. Why should value of service be considered?

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<sup>32</sup> See Order U-87-2(4)/U-87-42(2), p. 6.

