

7/13/94  
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for Authority to )  
Implement a Replacement Rate )  
Schedule for Standby Electric )  
Service by Gulf Power Company. )

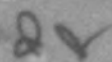
DOCKET NO. 931844-RT  
FILED: July 11, 1994

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REBUTTAL TESTIMONY  
OF  
DENNY BRUEGGEMEIER

ON BEHALF OF CHAMPION INTERNATIONAL CORPORATION

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for Authority to  
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) DOCKET NO. 931044-EI

) FILED: July 11, 1994

REBUTTAL TESTIMONY

OF

DENNY BRUEGGEMEIER

ON BEHALF OF CHAMPION INTERNATIONAL CORPORATION

1                   BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION  
2                                 REBUTTAL TESTIMONY  
3   OF  
4                                 DENNY BRUEGGEMEIER  
5                   ON BEHALF OF CHAMPION INTERNATIONAL CORPORATION  
6                                 DOCKET NO. 931044-EI

7 Q.   PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

8 A.   My name is Denny Brueggemeier. My address is 375  
9       Muscogee Road, Cantonment, Florida. I am utility  
10      superintendent for Champion International Corporation  
11      ("Champion").

12 Q.   DID YOU SUBMIT PREFILED DIRECT TESTIMONY IN THIS DOCKET?

13 A.   Yes.

14 Q.   WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

15 A.   I wish to respond to an erroneous statement which appears  
16      in the prefiled testimony of Staff witness William Berg.

17 Q.   PLEASE IDENTIFY THE STATEMENT TO WHICH YOU WISH TO  
18      RESPOND.

19 A.   At page 3, lines 9 - 17, Mr. Berg states: "The daily  
20      demand charge represents a significant component of the  
21      bill for a standby customer who uses standby power for  
22      extended periods of time during a billing month. This is  
23      because a customer's daily demand cost will increase  
24      rapidly if he imposes load on the system every day in a  
25      billing month. Waiving this significant portion of the

1 customer's bill may encourage this class of customers to  
2 use standby power that they otherwise would not have  
3 used. This is because a customer may find it cheaper to  
4 continue to purchase kilowatt-hours from Gulf Power after  
5 his scheduled maintenance is complete than to bring his  
6 own generation back on line."

7 Q. WHAT IS WRONG WITH THE QUOTED STATEMENT?

8 A. Mr. Berg mistakenly assumes that the comparative  
9 economics of self-generation and buying standby power  
10 from Gulf Power are such that standby power would be  
11 cheaper than the cogenerator's own power whenever the  
12 daily demand charge is not applicable.

13 Q. IS THIS NOT THE CASE FOR CHAMPION INTERNATIONAL  
14 CORPORATION?

15 A. Far from it. Not only would Champion not have an  
16 incentive to remain on the new standby rate after its  
17 unit was operationally ready; we would have every  
18 incentive to restore our unit to service as quickly as  
19 possible.

20 Q. WHY IS THIS SO?

21 A. In his rebuttal testimony, Jeffry Pollock describes  
22 generally the aspects of the cogeneration process that  
23 disclose the flaw in Mr. Berg's assumption. I will  
24 illustrate how those general principles apply to  
25 Champion's Cantonment mill. I am informed that my

1 statements regarding comparative economics and incentives  
2 hold true for the other industrial intervenors as well.

3 The variable cost of producing electricity from a  
4 cogeneration unit such as Champion's is largely a  
5 function of two variables; fuel cost and the heat rate of  
6 the unit. As I mentioned in my direct testimony, at our  
7 Cantonment mill we obtain 72% of our fuel from by-  
8 products of our paper process. Said differently, 72% of  
9 the fuel involved in the cogeneration of electricity and  
10 steam is essentially free. The implications of this fact  
11 on the comparative economics are as significant as they  
12 are obvious.

13 Q. WHAT ABOUT THE OTHER FACTOR YOU MENTIONED, WHICH IS THE  
14 HEAT RATE OF THE UNIT?

15 A. Bear in mind that the heat rate refers to the Btu's of  
16 fuel that a particular unit must burn to generate a  
17 kilowatt hour of electricity. In short, the heat rate is  
18 a measure of the unit's efficiency in converting heat  
19 energy to electrical energy. Cogeneration is inherently  
20 far more efficient than the utility's central station  
21 generator. The heat rate of the utility's unit is  
22 generally in the range of 10,000 to 11,000 Btu's per  
23 kilowatt hour. The precise value of the heat rate of our  
24 unit, like our specific cost of producing electricity, is  
25 proprietary and confidential; however, in order to give

1       you some insight as to the comparable economics, I have  
2       been authorized to tell you that it is below 8200  
3       Btus/kWh.

4               As a result of these factors, our self-generation  
5       enjoys a cost advantage over Gulf Power's alternative  
6       that is not erased by the removal of the daily demand  
7       charge during certain periods. To us, that feature of  
8       the rate is simply an enhanced incentive to perform  
9       maintenance during CMM's rather than at other times.

10   Q.   DIDN'T THE FORMER STANDBY RATE INCORPORATE SUCH AN  
11       INCENTIVE?

12   A.   The small differential between summer and non-summer  
13       daily demand charges in the old rate to which Mr. Berg  
14       alludes in his testimony was insufficient to cause  
15       Champion to plan all of its maintenance outages during  
16       non-summer months.

17   Q.   ARE THERE ANY OTHER CONSIDERATIONS THAT BEAR ON THE  
18       VALIDITY OR INVALIDITY OF MR. BERG'S ASSUMPTION?

19   A.   Yes. Mr. Berg fails to take into account that our  
20       cogeneration unit produces both electricity and steam,  
21       and we need both to maintain production. When the  
22       cogeneration unit is not operating, we must either  
23       produce steam by an alternative, and generally much more  
24       expensive means, or lose production. To Champion, each  
25       of these alternatives is an undesirable scenario that we

1        try hard to avoid. This is another reason why Mr. Berg's  
2        concern is entirely unfounded.

3    Q.    DOES THAT CONCLUDE YOUR REBUTTAL TESTIMONY?

4    A.    Yes.

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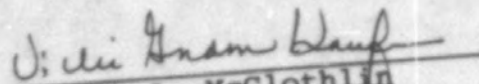
CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the Rebuttal Testimony of Denny Brueggemeier has been furnished by U.S. Mail or by hand delivery\* to the following parties of record, this 11th day of July, 1994.

Sheila Erstling\*  
Division of Legal Services  
Florida Public Service  
Commission  
101 E. Gaines Street  
Rm. 212, Fletcher Building  
Tallahassee, FL 32399

G. Edison Holland, Jr.  
Jeffrey A. Stone  
Teresa E. Liles  
Beggs and Lane  
Post Office Box 12950  
Pensacola, FL 32576-2950

Jack L. Haskins  
Manager of Rates and  
Regulatory Matters  
Gulf Power Company  
Post Office Box 13470  
Pensacola, FL 32591-3470

  
Joseph A. McGlothlin  
Vicki Gordon Kaufman  
McWhirter, Reeves, McGlothlin,  
Davidson & Bakas, P.A.  
315 S. Calhoun Street, Suite 716  
Tallahassee, Florida 32301  
904/222-2525

John W. McWhirter, Jr.  
McWhirter, Reeves, McGlothlin,  
Davidson & Bakas, P.A.  
Post Office Box 3350  
Tampa, Florida 33601-3350  
813/224-0866

Attorneys for the Industrial  
Intervenors