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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. 931044-EI FILED: July 11, 1994

ORIGINAL
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REBUTTAL TESTIMONY

OF

DENNY BRUEGGEMEIER

ON BEHALF OF CHAMPION INTERNATIONAL CORPORATION

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CTR ____
EAG Berg
LEG Erstling
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Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

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

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

A. Yes.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

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

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

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

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

Q. WHAT IS WRONG WITH THE QUOTED STATEMENT?

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

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

A. Far from it. Not only would Champion <u>not</u> have an incentive to remain on the new standby rate after its unit was operationally ready; we would have every incentive to restore our unit to service as quickly as possible.

Q. WHY IS THIS SO?

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

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

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

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

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

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

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

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

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

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

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

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

Q. **DOES THAT CONCLUDE YOUR REBUTTAL TESTIMONY?**

A. Yes.

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.

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