

BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 100304-EU

DIRECT TESTIMONY AND EXHIBIT  
OF  
DR. RICHARD K. HARPER

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1 GULF POWER COMPANY

2 Before the Florida Public Service Commission  
3 Prepared Direct Testimony of  
4 Dr. Richard K. Harper  
5 Docket No. 100304-EU  
6 Date of Filing: March 3, 2011

7 Q. Please state your name, business address, and occupation.

8 A. My name is Richard K. Harper. My business address is P. O. Box 2235,  
9 Pensacola Florida, 32513. I am an economist.

10 Q. What is the purpose of your testimony in this proceeding?

11 A. The purpose of my testimony is to address the non-rural nature of certain  
12 communities and areas served by Choctawhatchee Electric Cooperative,  
13 Inc. (CHELCO) across Northwest Florida.

14  
15 Q. Have you prepared an exhibit that contains information to which you will  
16 refer in your testimony?

17 A. Yes. I have one exhibit I am sponsoring as part of my testimony. My  
18 exhibit (RKH-1) consists of two schedules. Schedule 1 is a copy of my  
19 current curriculum vitae. Schedule 2 consists of an Esri report that  
20 includes a map depicting my definition of Bluewater Bay and demographic  
21 information to which I will refer to in my testimony.

22 Counsel: We ask that Dr. Harper's exhibit as just described be  
23 marked for identification as Exhibit No. \_\_\_\_ (RKH-1).

24

25

1 Q. Please describe your educational background.

2 A. I received a Bachelor's Degree in Economics from Guilford College in  
3 Greensboro, North Carolina in 1978, a Master's Degree in Economics  
4 from Duke University in North Carolina in 1986, and a Ph.D. degree in  
5 Economics from Duke University in 1989.

6

7 Q. Please describe your professional background and experience.

8 A. As more fully described in my curriculum vitae attached as Schedule 1 to  
9 my exhibit, I served as an economist at Research Triangle Institute in  
10 North Carolina from 1979 to 1984, then as a graduate student in  
11 economics at Duke University from 1984 to 1989. Thereafter, I served as  
12 an assistant, then associate, professor of economics at the University of  
13 West Florida (UWF) in Pensacola. I served for more than a dozen years,  
14 until 2011, as Director of the Haas Center for Business Research and  
15 Economic Development at UWF. In 2011, I became Executive Director of  
16 UWF's Office of Economic Development and Engagement (OEDE). The  
17 mission of the Haas Center is to provide data and analysis of economic,  
18 social and demographic conditions in Northwest Florida and the State of  
19 Florida. The mission of the OEDE is to identify and support UWF  
20 economic development partnerships, and to support the research mission  
21 of the Haas Center and the outreach mission of the Florida Small  
22 Business Development Center network. As part of my work at Haas and  
23 OEDE, I regularly offer opinions and testimony and write reports and other  
24 analysis regarding Florida economic, social and demographic issues

1 under contract to Florida local and state government agencies and to the  
2 legislature.

3

4 Q. How does that experience qualify you to render the opinions contained in  
5 your testimony?

6 A. This experience has made me quite familiar with the economic and  
7 demographic characteristics of areas in Northwest Florida.

8

9 Q. Are you familiar with the definition of a "rural area" as that term is used in  
10 Chapter 425, Florida Statutes?

11 A. Yes, I am. According to section 425.03(1), Florida Statutes, a "rural area  
12 means any area not included within the boundaries of any incorporated or  
13 unincorporated city, town, village or borough having a population in  
14 excess of 2,500 persons."

15

16 Q. Are you familiar with CHELCO's provision of electric service in portions of  
17 Northwest Florida?

18 A. Yes, I am. CHELCO is a rural electric cooperative which serves members  
19 in areas across Okaloosa and Walton counties and some portions of  
20 western Holmes and eastern Santa Rosa counties.

21

22 Q. How many members does CHELCO serve in the foregoing areas?

23 A. According to CHELCO's discovery responses in this proceeding, it serves  
24 a total of 34,722 members as of February 2011.

25

1 Q. What is the population of the City of Crestview, Florida?

2 A. The Florida Legislature's Office of Economic and Demographic Research  
3 reports that the municipality of Crestview as of April 1, 2010, had a  
4 population of 21,321.

5

6 Q. Does the City of Crestview, Florida constitute a "rural area" as defined by  
7 section 425.03(1), Florida Statutes?

8 A. It does not. Crestview, Florida is an incorporated city with a population in  
9 excess of 2,500 persons and is, therefore, clearly not a "rural area" under  
10 section 425.03(1), Florida Statutes.

11

12 Q. What is the population of the City of DeFuniak Springs, Florida?

13 A. The Florida Legislature's Office of Economic and Demographic Research  
14 reports that the municipality of DeFuniak Springs as of April 1, 2010, had a  
15 population of 5,061.

16

17 Q. Does the City of DeFuniak Springs, Florida constitute a "rural area" as  
18 defined by section 425.03(1), Florida Statutes?

19 A. It does not. DeFuniak Springs, Florida is an incorporated city with a  
20 population in excess of 2,500 persons and is, therefore, clearly not a "rural  
21 area" under section 425.03(1), Florida Statutes.

22

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1 Q. Are there any other cities, towns, village or boroughs which are served by  
2 CHELCO and which fall outside of the definition of a "rural area" as found  
3 in section 425.03(1), Florida Statutes?

4 A. Yes, there are several. The first, and most obvious, is the community of  
5 Bluewater Bay. Bluewater Bay is an unincorporated residential and golf  
6 resort community located between Niceville and Destin in Okaloosa  
7 County, Florida. It has substantial non-rural characteristics that include  
8 multiple golf courses, marina and other recreational facilities, underground  
9 utilities, water, sewer, private parks, along with fire and police services.  
10 The voters in Bluewater Bay approved the establishment of a Municipal  
11 Services Benefit Unit (MSBU) for their local area. It is intended to  
12 supplement the services provided by the State of Florida and Okaloosa  
13 County regarding the improvement, repair and maintenance of grounds,  
14 irrigation, signage and street lighting on arterial and limited arterial road  
15 rights of way.

16

17 Q. What geographical boundaries have you used for purposes of determining  
18 that Bluewater Bay is not a "rural area"?

19 A. I have defined Bluewater Bay as the original Bluewater Bay development  
20 plat and the additions thereto, but have not included the area that many  
21 maps designate as the "Seminole" community. As previously noted,  
22 Schedule 2 of my exhibit contains a copy of the Esri report for this defined  
23 area, and the first page of that report is a map indicating the area that I  
24 included for the report.

25

1 Q. Is this area the same as that defined as Bluewater Bay in Gulf Power's  
2 Second Interrogatories in this docket and used by Witness Spangenberg  
3 in his testimony?

4 A. Yes, I believe them to be identical.  
5

6 Q. Do you have an opinion as to how many persons currently receive electric  
7 service from CHELCO within Bluewater Bay?

8 A. According to CHELCO's discovery responses, it serves a total of 4,741  
9 members in Bluewater Bay, as defined above, as of February 2011. The  
10 approximate resident population of Bluewater Bay in 2010 was 10,847  
11 people. *There are also business customers in Bluewater Bay in addition*  
12 *to the current resident population. However, the U.S. Decennial Census*  
13 *does not provide the number of businesses in the area. Based on these*  
14 *statistics, a conservative estimate of the number of persons receiving*  
15 *electric service from CHELCO within Bluewater Bay is 10,847.*  
16

17 Q. You mentioned that a Municipal Services Benefit Unit, or "MSBU" has  
18 been established for Bluewater Bay. What is a MSBU?

19 A. A MSBU is established by county government pursuant to section 125.01,  
20 Florida Statutes. It allows the county government to levy additional ad  
21 valorem taxes and special assessments on properties within the  
22 boundaries of the MSBU for the purpose of providing certain essential  
23 facilities and municipal services. Such services include, but are not limited  
24 to, law enforcement, fire protection, recreation, garbage collection,  
25 sewage collection, indigent health care services, and mental health care

1 services. The fact that a MSBU has been established for the substantial  
2 majority of Bluewater Bay further supports the conclusion that the  
3 community is not "rural" in nature.

4  
5 Q. Is your geographical description of Bluewater Bay limited to the  
6 boundaries of the MSBU?

7 A. No, it is not.

8  
9 Q. Why is that?

10 A. The MSBU is somewhat smaller than the description I have used, as the  
11 MSBU does not apply to certain neighborhoods at the northern and  
12 southern ends of Bluewater Bay. However, these non-MSBU  
13 neighborhoods are appropriately considered as part of Bluewater Bay  
14 given that they are contiguous to the MSBU area, have similar population  
15 densities and share amenities such as golf courses, fire protection, and  
16 other recreational facilities and services.

17  
18 Q. If the Commission were to find that the geographical description for  
19 Bluewater Bay should be limited to the boundaries of the MSBU, would  
20 this change your conclusion that Bluewater Bay is not a "rural area" as  
21 defined by section 425.03(1), Florida Statutes?

22 A. It would not. The population within the boundaries of the MSBU still  
23 exceeds 2,500 persons and the MSBU possesses all of the urban  
24 characteristics previously mentioned in connection with my description of  
25 Bluewater Bay above.

1 Q. Do you have an opinion as to how many persons currently receive electric  
2 service from CHELCO within the Bluewater Bay MSBU?

3 A. The estimated resident population of the Bluewater Bay MSBU area in  
4 2010 was approximately 9,134, and there are businesses served that are  
5 in addition to this number. Based on these statistics, a conservative  
6 estimate of the number of persons receiving electric service within the  
7 Bluewater Bay MSBU is 9,134.

8

9 Q. Are you familiar with the geographical boundaries established by Gulf  
10 Power for Greater Crestview and Greater DeFuniak Springs as described  
11 in the testimony of Witness Spangenberg?

12 A. Yes, I am.

13

14 Q. Do you believe that those boundaries represent reasonable extensions of  
15 the social, economic and commercial fabric of the adjoining incorporated  
16 municipalities such that Greater Crestview and Greater DeFuniak Springs  
17 would fall outside of the definition of a "rural area" as found in section  
18 425.03(1), Florida Statutes?

19 A. Yes, I do.

20

21 Q. What is the basis for your conclusion?

22 A. The boundaries include residences of people who will use the same sets  
23 of retail stores, schools, churches and other social and economic  
24 amenities and tend to have similar commute patterns.

25

1 Q. Witness Spangenberg has provided an estimate of the number of persons  
2 receiving electric service from CHELCO within Greater Crestview and  
3 Greater DeFuniak Springs. Do you agree that these are conservative and  
4 reasonable estimates?

5 A. Yes, I do.

6

7 Q. Are you familiar with the geographical boundaries established by Gulf  
8 Power for Greater Freeport, as described in the testimony of Witness  
9 Spangenberg?

10 A. Yes, I am.

11

12 Q. Do you believe that these boundaries represent a reasonable extension of  
13 the social, economic and commercial fabric of the adjoining incorporated  
14 municipality such that Greater Freeport would fall outside of the definition  
15 of a "rural area" as found in section 425.03(1), Florida Statutes?

16 A. Yes, I do.

17

18 Q. What is the basis for your conclusion?

19 A. These boundaries include residences of people who will use the same  
20 sets of retail stores, schools, churches and other social and economic  
21 amenities and tend to have similar commute patterns.

22

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1 Q. Witness Spangenberg has provided an estimate of the number of persons  
2 receiving electric service from CHELCO within Greater Freeport. Do you  
3 agree that this is a conservative and reasonable estimate?

4 A. Yes, I do.

5

6 Q. Does this conclude your testimony?

7 A. Yes. This concludes my testimony.

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AFFIDAVIT

STATE OF FLORIDA     )  
                                  )  
COUNTY OF ESCAMBIA )

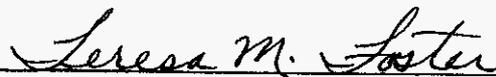
Docket No. 100304-EU

Before me the undersigned authority, personally appeared Richard K. Harper, who being first duly sworn, deposes, and says that the foregoing is true and correct to the best of his knowledge, information, and belief. He is personally known to me.



\_\_\_\_\_  
Name  
Title

Sworn to and subscribed before me this 1<sup>ST</sup> day of <sup>MARCH</sup>~~February~~, 2011.

  
\_\_\_\_\_  
Notary Public, State of Florida at Large

 **TERESA M. FOSTER**  
**NOTARY PUBLIC**  
**STATE OF FLORIDA**  
Comm# DD0918215  
Expires 10/28/2013

**RICHARD K. HARPER  
VITA**

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Pensacola, FL 32513-2235  
(850) 341-8908  
[RickHarperPhD@gmail.com](mailto:RickHarperPhD@gmail.com)

**EDUCATION**

Ph.D., Economics, Duke University, 1989  
Areas of specialization:  
Industrial Organization, International Trade and Public Choice.  
M.A., Economics, Duke University, 1986.  
B.A., Economics and Spanish. Guilford College, Greensboro, NC, 1978.  
Facultad de filosofia y letras, Seville, Spain, 1976-77

**FELLOWSHIPS, AWARDS AND SERVICE**

Advisor to Florida Senate Select Committee on Florida's Economy, 2008 - present  
Florida Governor's Council of Economic Advisors, 2001 - 2006  
Gabor Company, UWF Faculty Member of the Year, 2002  
President, Gulf Coast Economics Club, 2000 - 2002  
Director, Association for University Business and Economic Research (AUBER), 1999 - 2001  
E.W. Hopkins Summer Research Award, 1996  
Florida Teaching Incentive Program Award, 1997, 1994  
UWF MBA Association Outstanding Graduate Program Instructor, 1994-95  
UWF Student Government Association Distinguished Teaching Award, 1994  
UWF Summer Research Award, 1993, 1990  
UWF Outstanding Undergraduate Teaching and Advising Award, 1993  
UWF Task Force on Undergraduate Education, Curriculum Development Award, 1992  
UWF College of Business, Dyson Faculty Excellence Award, 1991  
Carnegie Foundation, for study of economic sanctions, 4/86-11/87  
Center for International Political Economy, Duke University, Summer, 1987.

**EXPERIENCE**

THE UNIVERSITY OF WEST FLORIDA  
Office of Economic Development and Engagement  
Pensacola, FL 32514-5752

Executive Director  
1/11 - present

Direct activities of economic development office, including development of community partnerships and programmatic activities related to economic development. Oversee activities of Haas Center and Florida Small Business Development Center Network. Position reports to the University President.

SCHEDULE 1  
Page 2 of 3

THE UNIVERSITY OF WEST FLORIDA  
Haas Center for Business Research and Economic Development  
Pensacola, FL 32514-5752

Director  
8/98 – 3/03, 8/04 – 1/11  
Interim Director  
8/97 - 8/98

Direct activities of research center providing socioeconomic and demographic data and research studies. These include economic impact studies, regional economic research reports, labor market studies and economic forecasting, as well as survey research, marketing research and other business-related topics.

THE UNIVERSITY OF WEST FLORIDA  
Dept of Marketing and Economics  
Pensacola, Florida 32514

Associate Professor  
8/95 - present  
Assistant Professor  
8/89 - 8/95

Teaching responsibilities include undergraduate and graduate courses in economics and business.

UNIVERSITY OF NORTH CAROLINA AT GREENSBORO  
Greensboro, NC

Visiting Lecturer  
8/1/88 - 8/89

DUKE UNIVERSITY  
Durham, NC

Research/Teaching Assistant  
8/84 - 8/89

RESEARCH TRIANGLE INSTITUTE  
Research Triangle Park, NC

Assistant Economist  
10/79 - 8/84

Duties included assisting in all phases of various funded research projects, including data collection and analysis, report writing, proposal preparation and project management. On-site courses in use of microcomputers for public budgeting taught in Spanish to municipal officials from Costa Rica, Panama, Ecuador, Peru.

## PUBLICATIONS

Richard K. Harper and Richard Hawkins. "Hurricanes and the Local Sales Tax Base: Evidence from the 2004 Florida Hurricanes," State Tax Notes. Vol 40, No 5, 2006 [Changes in sales tax collections]

Richard K. Harper, R. Hawkins, G. Martin, R. Sjolander. "Price Effects Around a Sales Tax Holiday," Public Budgeting and Finance. Vol 23, No 4, 2003, pp 108 – 113 [Who wins from sales tax holidays]

Richard K. Harper and Alfred Cuzan. "Economic Systems," in Hillman, Richard, ed., Understanding Contemporary Latin America, Lynne Rienner Publishers, 3<sup>rd</sup> ed. 2005. [Description of Latin American economic structure and issues]

Feinberg, Robert and Richard K. Harper. "Regime Effects of EU Market Integration Policies on the UK Financial Sector," Review of Industrial Organization. Vol 15, No 4, pp 357-365, 1999. [European share price response to banking market integration]

Harper, Richard K. and William Huth. "Japanese Equity Market Response to Administered Protection Decisions," Managerial and Decision Economics. Vol. 18, pp 11-26, 1997. [Effects on Japanese stock

prices of being named as a respondent in a US antidumping case]

Harper, Richard K. and Stephen Adams. "CERCLA and Deep Pockets: Market Response to the Superfund Program," Contemporary Policy Issues. January 1996. [Stock price effects on businesses potentially liable at Superfund sites]

Richard K. Harper, Richard Sjolander and Snorri Gislason. "Using Export to Win! in International Business," in Karakaya, Fahri, ed. Utilizing Information Technology in International Business, Haworth Press, 1995. [Evaluation of simulation software for use in teaching international business]

Arguea, Nestor and Richard K. Harper. "Linkages in U.S. and World Sugar Futures Contracts". Managerial Finance. Vol 20, No 2, 1994. [Statistical study of sugar futures markets]

Harper, Richard K. "Intellectual Property and Unfair Trade: Market Response to ITC Decisions," International Journal of the Economics of Business. Vol 1, No 3: 343-353, 1994. [Wealth effects of International Trade Commission Decisions on intellectual property rights]

Arguea, Nestor, and Richard K. Harper. "Industry Definition and Less Than Fair Value Pricing: An Analysis of ITC Practice," Journal of Economic Integration. Vol 6, No 1: 1994. [Case study of International trade Commission practice, using commuter aircraft industry]

Harper, Richard K. and Ronald F. Bush. "Evaluation of Computer Based Information Sources for International Business," Journal of Teaching in International Business Vol 4, No 2-3., 1994. [Comparison of computer alternatives in the classroom]

Harper, Richard K. and John Aldrich. "The Political Economy of Sugar Legislation," Public Choice, v. 70: 299-314, 1991. [Study of sugar voting in the U.S. Senate, 1962-1987]

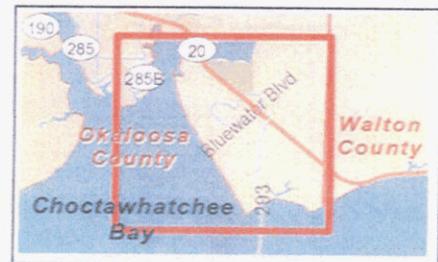
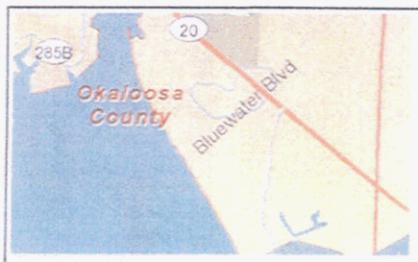
Harper, Richard K. Sugar: Market Structure and Performance. Fuqua School of Business, Background note # 1950, 1990. [Development/performance of world and U.S. sugar markets]

Harper, Richard K. "Problems in Political Economy." Syllabus and related course materials included in Tower, Edward, ed. Public Choice, Political Economy, Law and War. Volume 20, pages 70-76, Eno River Press, Durham, NC, 1990.



Bluewater Bay  
Area: 8.66 Square miles  
Custom Polygon

### Site Map





# Demographic and Income Profile

Docket No. 100304-EU  
 Exhibit of Dr. Richard K. Harper  
 Exhibit RKH-1, Page 5 of 6

Bluewater Bay  
 Area: 8.66 Square miles

SCHEDULE 2  
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Summary	2000	2010	2015
Population	10,011	10,847	11,021
Households	3,686	4,146	4,250
Families	2,968	3,309	3,371
Average Household Size	2.64	2.55	2.53
Owner Occupied Housing Units	2,838	2,996	3,059
Renter Occupied Housing Units	848	1,150	1,192
Median Age	39.8	43.1	43.4

Trends: 2010 - 2015 Annual Rate	Area	State	National
Population	0.32%	0.84%	0.76%
Households	0.50%	0.83%	0.78%
Families	0.37%	0.64%	0.64%
Owner HHs	0.42%	0.89%	0.82%
Median Household Income	1.10%	2.34%	2.36%

Households by Income	2000		2010		2015	
	Number	Percent	Number	Percent	Number	Percent
<\$15,000	218	5.9%	192	4.6%	154	3.6%
\$15,000 - \$24,999	271	7.3%	220	5.3%	175	4.1%
\$25,000 - \$34,999	381	10.3%	315	7.6%	244	5.7%
\$35,000 - \$49,999	443	11.9%	440	10.6%	326	7.7%
\$50,000 - \$74,999	944	25.5%	858	20.7%	1,029	24.2%
\$75,000 - \$99,999	642	17.3%	729	17.6%	709	16.7%
\$100,000 - \$149,999	614	16.6%	1,080	26.0%	1,268	29.8%
\$150,000 - \$199,999	117	3.2%	184	4.4%	214	5.0%
\$200,000+	79	2.1%	129	3.1%	134	3.2%

Median Household Income	\$61,387	\$76,195	\$80,485
Average Household Income	\$71,561	\$85,732	\$90,864
Per Capita Income	\$26,815	\$33,052	\$35,355

Population by Age	2000		2010		2015	
	Number	Percent	Number	Percent	Number	Percent
0 - 4	561	5.6%	627	5.8%	627	5.7%
5 - 9	708	7.1%	682	6.3%	681	6.2%
10 - 14	866	8.7%	735	6.8%	762	6.9%
15 - 19	764	7.6%	740	6.8%	697	6.3%
20 - 24	399	4.0%	581	5.4%	566	5.1%
25 - 34	918	9.2%	1,014	9.3%	1,158	10.5%
35 - 44	1,719	17.2%	1,300	12.0%	1,231	11.2%
45 - 54	1,527	15.3%	1,802	16.6%	1,545	14.0%
55 - 64	1,070	10.7%	1,511	13.9%	1,643	14.9%
65 - 74	904	9.0%	974	9.0%	1,201	10.9%
75 - 84	469	4.7%	660	6.1%	663	6.0%
85+	105	1.0%	220	2.0%	247	2.2%

Race and Ethnicity	2000		2010		2015	
	Number	Percent	Number	Percent	Number	Percent
White Alone	9,160	91.5%	9,565	88.2%	9,570	86.8%
Black Alone	362	3.6%	517	4.8%	569	5.2%
American Indian Alone	34	0.3%	43	0.4%	46	0.4%
Asian Alone	169	1.7%	228	2.1%	254	2.3%
Pacific Islander Alone	15	0.2%	20	0.2%	21	0.2%
Some Other Race Alone	70	0.7%	137	1.3%	163	1.5%
Two or More Races	201	2.0%	336	3.1%	398	3.6%
Hispanic Origin (Any Race)	335	3.3%	631	5.8%	780	7.1%

Data Note: Income is expressed in current dollars  
 Source: U.S. Bureau of the Census, 2000 Census of Population and Housing. Esri forecasts for 2010 and 2015.

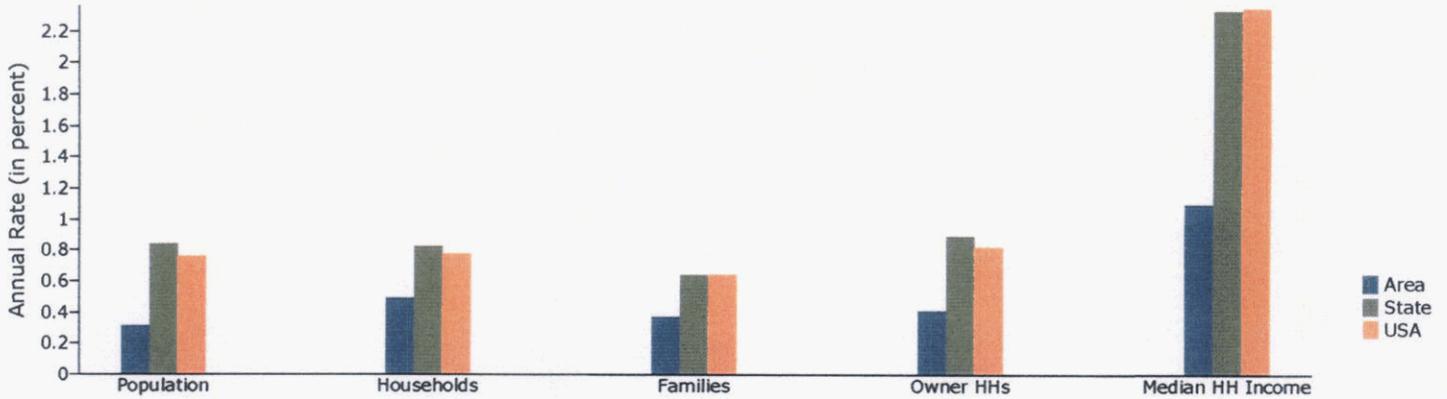
February 25, 2011

Made with Esri Business Analyst

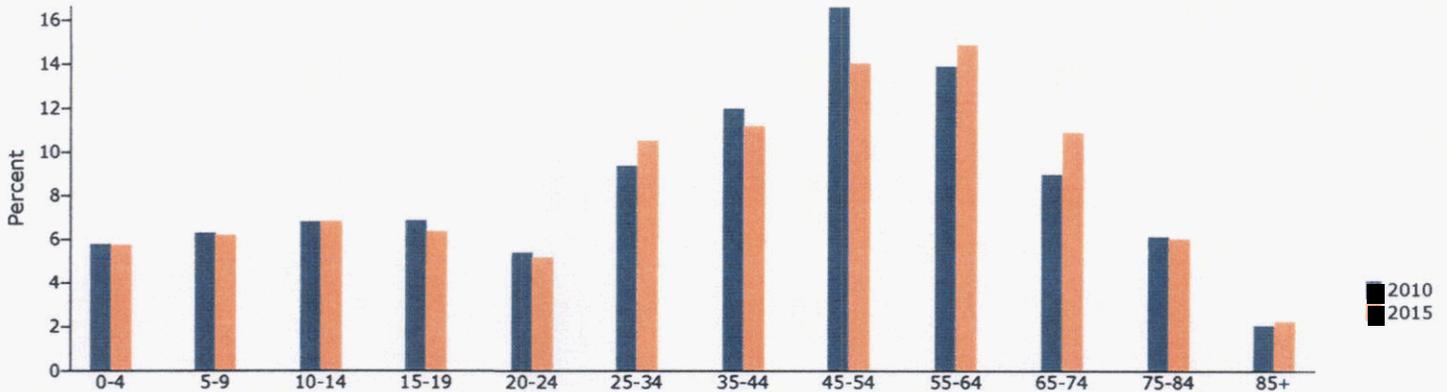
Bluewater Bay  
 Area: 8.66 Square miles

SCHEDULE 2  
 Page 3 of 3

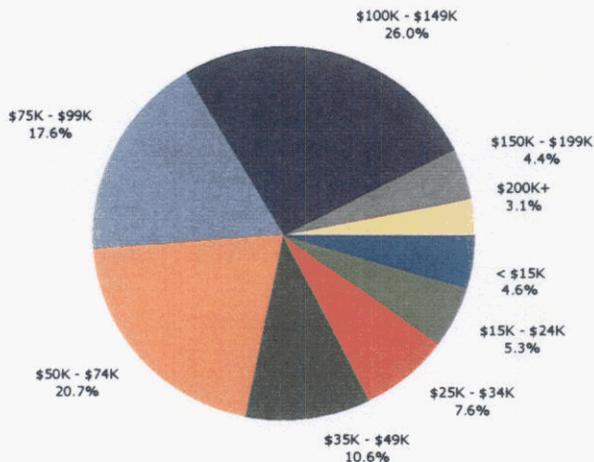
### Trends 2010-2015



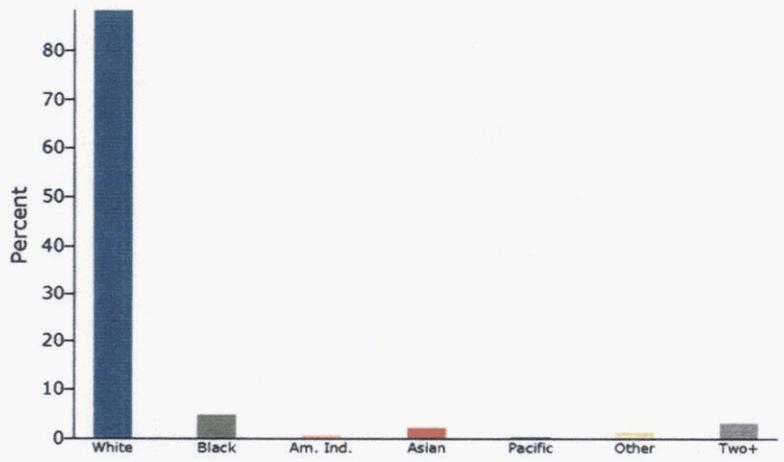
### Population by Age



### 2010 Household Income



### 2010 Population by Race



2010 Percent Hispanic Origin: 5.8%

Source: U.S. Bureau of the Census, 2000 Census of Population and Housing. Esri forecasts for 2010 and 2015.