

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. A-41, SUB 22

In the Matter of
Joint Application of Bald Head Island)
Transportation, Inc., and Bald Head Island Ferry)
Transportation, LLC, for Approval of Transfer) NOTICE OF USE OF AFFIDAVIT
of Common Carrier Certificate to Bald Head)
Island Ferry Transportation, LLC, and)
Permission to Pledge Assets)

NOW COMES the Village of Bald Head Island (the “Village”) giving notice pursuant to N.C.G.S. § 62-68 that the Affidavit of Julie G. Perry, attached hereto and pre-filed on February 20, 2002 as Exhibit KWO-2 to the pre-filed Direct Testimony of Kevin W. O’Donnell, CFA, will be used in evidence at the hearing in this docket scheduled for March 7, 2023. Unless notice of the intent to cross-examine the affiant is provided by the North Carolina Utilities Commission or a party pursuant to N.C.G.S. § 62-68, the affiant will not be called to testify orally and her affidavit will be given the same effect as if the affiant had testified orally.

The name and address of the Affiant are: Julie G. Perry, 3440 Bizzell Grove Church Road, Princeton, NC 27569.

WHEREFORE, the Village provides notice of the proposed use of the Affidavit of Julie G. Perry pursuant to N.C.G.S. § 62-68 as set forth herein.

This 23rd day of February, 2023.

By: /s/ Craig D. Schauer
Marcus W. Trathen
Craig D. Schauer
Amanda S. Hawkins
BROOKS, PIERCE, McLENDON,
HUMPHREY & LEONARD, L.L.P.
Post Office Box 1800
Raleigh, North Carolina 27602
Telephone: (919) 839-0300
Facsimile: (919) 839-0304
mtrathen@brookspierce.com
cschauer@brookspierce.com
ahawkins@brookspierce.com

Jo Anne Sanford
SANFORD LAW OFFICE, PLLC
Post Office Box 28085
Raleigh, North Carolina 27611-8085
Telephone: (919) 210-4900
sanford@sanfordlawoffice.com

Attorneys for Village of Bald Head Island

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing NOTICE OF USE OF AFFIDAVIT and the AFFIDAVIT OF JULIE G. PERRY have been served this day upon all parties of record in this proceeding, or their legal counsel, by registered or certified mail or by hand delivery.

This the 23rd day of February, 2023.

By: /s/ Craig D. Schauer
Craig D. Schauer

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. A-41, SUB 22

In the Matter of
Joint Application of Bald Head Island
Transportation, Inc., and Bald Head Island
Ferry Transportation, LLC, for Approval of
Transfer of Common Carrier Certificate to Bald
Head Island Ferry Transportation, LLC, and
Permission to Pledge Assets)
)
)
)
)
)
)

**AFFIDAVIT OF
JULIE G. PERRY**

Julie G. Perry, being first duly sworn, deposes and says:

1. My name is Julie G. Perry. I have been engaged by the Village of Bald Head Island (the "Village") to provide expert consulting services regarding regulatory accounting.

2. I am currently a utility consultant with Peedin & Perry Consultants, LLC. I began my career with the Office of the State Auditor in October 1989, where I performed audits of state agencies, Community Colleges and other performance audits. In September 1990, I joined the Accounting Division of the Public Staff of the North Carolina Utilities Commission and remained employed there until my retirement on May 1, 2022. At that time and with over 32 years of State service, I was the Accounting Manager of the Natural Gas and Transportation section of the Public Staff. Over the course of my tenure with the Public Staff, I have filed testimony and affidavits in general rate cases, as well as presented items for approval in front of this Commission for Water, Transportation, and Natural Gas Utilities, as well as mergers, annual reviews, and other special projects and investigations including affiliated agreements and proceedings for the expansion of natural gas service in North Carolina.

3. The definition of an acquisition premium as illustrated by the National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts states that Utility Plant Acquisition Adjustments (Account 114) shall include the difference between (1) the cost to the utility of plant acquired as an operating unit or system by purchase, merger, or otherwise, and (2) the net of amounts distributed to the plant accounts, the accumulated depreciation account and other appropriate accounts, also referred to as net book value.

4. As listed in Exhibit A to my affidavit, the North Carolina Utilities Commission has consistently disallowed recovery of the acquisition premiums from ratepayers in merger proceedings over the last 25 years.

5. Based on SharpVue's purchase price allocation corresponding to the transportation assets amounts produced in discovery, and the rate base amounts determined in the financial analysis performed by Mr. O'Donnell, I am able to calculate the acquisition premium as shown in the table below:

[BEGIN AEO CONFIDENTIAL]

	Parking	Barge	Ferry	Total
[REDACTED]	[REDACTED]			
Rate Base	\$3,958,975	\$1,445,434	\$3,849,258	\$9,253,667
[REDACTED]	[REDACTED]			

[END AEO CONFIDENTIAL]

¹ SharpVue Supplemental Response to Village's Second Set of Data Requests, at DR 2-21 (SHARPVUE-1407) (Feb. 15, 2023). These allocations are stated to be "Preliminary Estimated" figures.

6. Ratepayers could be harmed if SharpVue is allowed the opportunity to seek recovery of an approximate **[BEGIN AEO CONFIDENTIAL]** **[END AEO CONFIDENTIAL]** acquisition premium from ratepayers. This position is in opposition to 25 years of precedent of this Commission's Orders involving merger and/or transfer proceedings. If the Commission were to allow the utilities to recover their acquisition premium—or leave the issue undecided—there is an extreme concern that ratepayers could be harmed in a future general rate case proceeding.

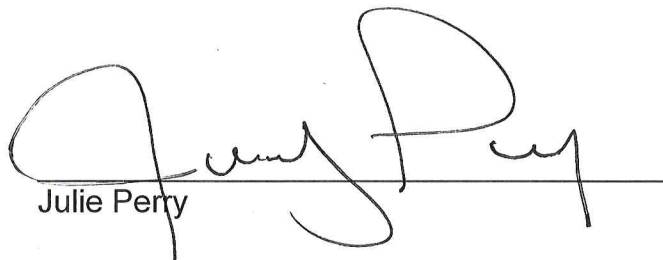
7. This Commission's Orders approving mergers consistently includes language that states that the transfer is in the public interest and ensures that ratepayers are protected as much as possible from potential costs and risks resulting from the transfers, and that the transfers will have no adverse impact on the rates and service of ratepayers. Thus, in order to ensure ratepayers are protected, this Commission's past orders have always included language and regulatory conditions disallowing the recovery of any acquisition premium and other merger-related costs from ratepayers.

8. Even though the Commission has stated that no rate changes will take place in this proceeding, the table shown above presents the current rate base for the consolidated parking, barge and ferry operations and is estimated at approximately \$9 million. The purchase price that SharpVue has assigned to these assets is approximately **[BEGIN AEO CONFIDENTIAL]** **[END AEO CONFIDENTIAL]**. **[BEGIN AEO CONFIDENTIAL]** If the Commission does not disallow the recovery of the **[BEGIN AEO CONFIDENTIAL]** **[END AEO CONFIDENTIAL]** acquisition

premium in this proceeding, then the Commission would be opening up the possibility that rates could increase to a point much higher than what is reasonable and appropriate for these assets and ratepayers would be harmed.

9. If the Commission decides to allow the transfer, at a minimum, the Commission should state what the rate base is for each of the parking, barge, and ferry assets as of December 31, 2021, and implement regulatory conditions that set forth that no acquisition premium will be allowed to be recovered from BHIT ratepayers, and that the ratepayers will be protected as much as reasonably possible from any other costs and risks of the transfer.

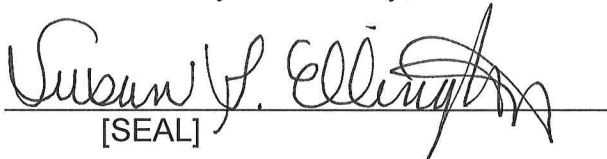
This completes my affidavit.

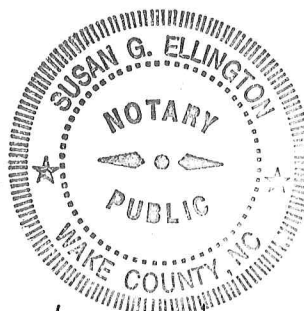

Julie Perry

State of NC,

County of WAKE

Sworn to and subscribed before me,
this the 20th day of February, 2023.


[SEAL]



Notary Public
Printed Name: SUSAN G. ELLINGTON

My Commission Expires: MAY 12, 2024

EXHIBIT A**Acquisition Premiums Not Allowed in the Following Merger/Transfer Proceedings:**

Duke Power Company and PanEnergy Corp -Docket Nos. E-7, Sub 596 (1997)

Dominion Resources, Inc., and Consolidated Natural Gas Company, Docket No. E-22, Sub 380 (1999)

Carolina Power & Light Company and North Carolina Natural Gas Corporation, Docket Nos. E-2, Sub 740 and G-21, Sub 377 (1999)

Carolina Power and Light Company and Florida Progress Corporation, Docket No. E-2, Sub 760 (2000)

Piedmont Natural Gas Company & NUI North Carolina Gas Service -Docket Nos. G-9, Sub 466/G-3, Sub 251 (2002)

Piedmont and North Carolina Natural Gas Corporation and Eastern NCNG Merger - G-9, Sub 470, G-21 Sub 439, and E-2, Sub 825 (2003)

Duke Energy Corporation - Cinergy in Docket No. E-7 Sub 795 (2005)

Duke and Progress Energy, Inc. Merger in Docket Nos. E-2, Sub 998 and E-7, Sub 986 (2012)

Duke Energy Corporation (Duke) and Piedmont Merger in Docket Nos. E-2, Sub 1095, E-7, Sub 1100, and G-9, Sub 682 (2016)

Public Service Dominion Energy, Inc. (Dominion Energy) and SCANA Corporation (SCANA) - Docket Nos. E-22, Sub 551 and G-5, Sub 585 (2018)

Ullico Infrastructure Hearthstone Holdco, LLC Acquisition of GEP Bison Holdings Inc., Including Frontier Natural Gas Company - Docket No G-40, Sub 160 (2021)