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October 12, 2022

Filed Electronically

Ms. Shonta Dunston
Chief Clerk
North Carolina Utilities Commission
Fifth Floor
430 N. Salisbury Street
Raleigh, N.C.

Re: Docket A-41, Sub 21

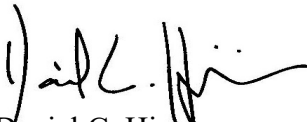
Dear Ms. Dunston:

Enclosed is Bald Head Island Club Wright Cross Examination Exhibit 1 as introduced during the hearing in this matter yesterday.

With best regards, we remain

Sincerely yours,

BURNS, DAY & PRESNELL, P.A.



Daniel C. Higgins

DCH:krs
Enclosure
cc: Counsel of Record

OFFICIAL COPY

Oct 12 2022

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. A-41, SUB 7

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of)
Petition of Bald Head Island)
Transportation, Inc. for a General)
Increase in its Rates and Charges)
)

**DIRECT TESTIMONY
PUBLIC**

FILED

SEP 30 2010

Clerk's Office
N.C. Utilities Commission

**BALD HEAD ASSOCIATION,
BALD HEAD ISLAND CLUB, AND
THE VILLAGE OF BALD HEAD ISLAND**

**DIRECT TESTIMONY
OF
JULIUS A. WRIGHT, Ph.D.
FILED SEPTEMBER 30, 2010**

OFFICIAL COPY

Oct 12 2022

I. INTRODUCTION

1 **Q. PLEASE STATE YOUR NAME, TITLE, AND BUSINESS ADDRESS.**

2 A. My name is Julius A. Wright, President, J.A. Wright & Associates, Inc., 3307
3 Loridan Way, Atlanta, Georgia 30339.

4
5 **Q. FOR WHOM ARE YOU PRESENTING TESTIMONY IN THIS DOCKET?**

6 A. I am presenting testimony on behalf of the Village of Bald Head Island, the
7 Bald Head Island Club, and the Bald Head Association (collectively referred to as the
8 "Parties").

9
10 **Q. DR. WRIGHT, PLEASE SUMMARIZE YOUR EDUCATION AND**
11 **PROFESSIONAL EXPERIENCE.**

12 A. I received a Bachelor of Science degree in Chemistry from Valdosta State
13 College in 1974. I later earned an MBA in Finance from Georgia State University in
14 Atlanta, Georgia, and a Masters and Ph.D. in Economics from North Carolina State
15 University, where I focused on regulatory and environmental economics. I have
16 completed the Michigan State University Regulatory Course, several National
17 Association of Regulatory Utility Commissioners' courses on regulation, and various
18 management and investment seminars.

19 I am the President of J. A. Wright & Associates, Inc. Prior to starting my
20 practice, I was a Client Partner for AT&T Solutions, Utilities and Energy Practice.
21 Before that affiliation, I was a Utility Consultant for three years with EDS. Prior to
22 that, I was a Commissioner on the North Carolina Utilities Commission. I also served

1 A. There are essentially two services provided by BHIT or its unregulated parent
2 that I consider as being parking lot services. I use the term "parking lot services"
3 simply because these services are interrelated to ferry passengers' parking at the ferry
4 terminal on both the island and mainland side. To explain, on the mainland side
5 passengers arriving at the ferry terminal must park their vehicle at the Deep Point
6 Ferry Terminal. On the island side, because of a restriction on the use of cars and
7 trucks on the island, passengers generally have two forms of motorized
8 transportation. They may use their own golf carts, which when necessary they can
9 park at the Bald Head Island Ferry Terminal. This is the second type of parking
10 service provided by BHIT. To get around the island, in lieu of walking, biking or
11 using golf carts, ferry passengers may use a tram service to and from the island ferry
12 terminal to passenger destinations when arriving on or departing from the island. The
13 tram service is currently included as part of the service provided under certain classes
14 of ferry tickets, such as the General Service ticket. Parking on both the island and
15 mainland side is provided for a fee exclusively by Bald Head Island Limited LLC
16 ("BHIL"), the unregulated parent of BHIT.

17 **Q. WHAT IS YOUR CONCERN REGARDING THESE PARKING SERVICES?**

18 A. Parking for ferry passengers' vehicles at the Deep Point Ferry Terminal
19 parking lots is an integral part of the ferry service offered to the public by BHIT and
20 it should be treated as part of BHIT's regulated public utility service. Consequently,
21 the revenues and expenses associated with the parking operations at Deep Point
22 should be considered as part of the regulated business as opposed to the current

1 situation, where all parking lot revenues and expenses flow to BHIT's unregulated
2 parent.

3

4 **Q. WHY DO YOU BELIEVE THE PARKING LOTS AND THEIR RELATED**
5 **REVENUES AND EXPENSES SHOULD BE TREATED AS PART OF THE**
6 **REGULATED SERVICES?**

7 A. The parking lots are an integral part of BHIT's regulated public utility ferry
8 service, but these services are currently an unregulated monopoly service provided to
9 ferry passengers by and in conjunction with the ferry services provided by the
10 regulated utility. By monopoly I mean that there are essentially no reasonable
11 substitutes or alternatives for ferry passengers other than using the current parking
12 lots at the Deep Point Ferry Terminal operated by BHIT's unregulated parent, BHIL.
13 I base this conclusion on the very definition of monopolies and public utilities
14 coupled with my knowledge of public utilities and regulation, my discussions with
15 ferry passengers, my review of the ferry service facilities and surrounding facilities,
16 and my own familiarity with the Southport, Wilmington, and the Bald Head Island
17 area.

18 **Q. PLEASE DEFINE WHAT YOU MEAN WHEN YOU USE THE TERMS**
19 **MONOPOLY AND A REGULATED PUBLIC UTILITY.**

20 A. The most straightforward definition of a monopoly is that it is "the only seller
21 in a market."¹ Based on my review of the parking situation at the Deep Point Ferry
22 Terminal and the surrounding area, it is obvious that the BHIT parking lots at the

¹ Binger, Brian R. and Hoffman, E.; "Microeconomics With Calculus," Scott, Foresmann and Company, Glenview, IL, 1988, p 99.

1 Deep Point Ferry Terminal are the only parking available to a rider of the ferry.

2 There is also no substitute service, such as bus service from another public parking

3 facility, available to passengers utilizing BHIT's ferry service. Coupled with this

4 definition of a monopoly is the related concept of a public utility, which is essentially

5 a monopoly that should be regulated. A regulated public utility is essentially a

6 monopoly that can be defined by the following characteristics:²

- 7 • Increasing economies of scale,
- 8 • The provision of essential or vital services,
- 9 • A capital intensive service,
- 10 • Most regulated public utilities sell services rather than goods (an exception is
- 11 natural gas), which also means the services cannot usually be stored or
- 12 transferred,
- 13 • Costs often vary by time-of-use, and
- 14 • Most public utilities have franchise or exclusive territories.

15 Both the ferry service *and the parking services* provided to Bald Head Island ferry

16 passengers exhibit the characteristics associated with a regulated public utility –

17 although only the ferry service currently has regulated rates.

18

19 **Q. BASED ON THE FACT THAT THE COMMISSION DOES NOT**
20 **CURRENTLY REGULATE ANY PARKING LOT SERVICES, DO YOU**
21 **BELIEVE IT HAS THE AUTHORITY TO REGULATE THE PARKING LOT**

² Bonbright, James C. et.al., "Principles of Public Utility Rates," Public Utility Reports, Inc., Arlington, VA, 2nd edition, 1988, pp 7-9.

1 **SERVICES PROVIDED AT THE BALD HEAD ISLAND FERRY**
2 **TERMINALS?**

3 A. Yes, this Commission has the authority to regulate the parking services that
4 are related and an integral part of the currently regulated ferry services and I believe it
5 should regulate these services until there are comparable, competitive parking
6 structures within close proximity or a reasonably available parking lot substitutes
7 available for ferry passengers. Under NCGS § 62-3(23)(a)(27), a public utility's
8 services are defined as including:

9 [A]ny service furnished by a public utility, including any commodity
10 furnished as a part of such service and *any ancillary service or facility used in*
11 *connection with such service.*

12 (emphasis added).

13 I believe that the provision of parking services to BHIT's ferry passengers is an
14 "ancillary service" and the parking lot facility at Deep Point is an "ancillary facility"
15 essential to and "used in connection with" the provision of the related ferry service.
16 Indeed, if one argues that the parking service is not essential to the provision of ferry
17 service to Bald Head Island, then one also has to conclude that ferry passengers
18 arriving at the Deep Point terminal have made use of one of two modes of transport.
19 Option one would be an alternative public parking lot with transportation to the ferry
20 terminal, which simply does not exist. Option two would be an alternative ferry or
21 marine service to get to the island, and this simply does not exist either.³

³ If one argued that the ferry passengers could take their own boat, this is on its face a ludicrous argument. However, if one were to argue this point, this assumes there is a marina on Bald Head Island that can accommodate the 1,200 or so individual boats, one for each current island owner, who might need to park their boat at this non-existent marina.