

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. A-41, SUB 21

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of:

Village of Bald Head Island,)
)
Complainant,)
)
v.)
)
Bald Head Island Transportation, Inc.)
and Bald Head Island Limited, LLC,)
)
Respondents.)

**TESTIMONY SUMMARY
OF
LEE H. ROBERTS
ON BEHALF OF
RESPONDENTS**

Lee H. Roberts Testimony Summary

Docket No. A-41, Sub 21

My name is Lee Roberts, and I am Managing Partner of SharpVue Capital, LLC (“SharpVue”).

Because this is my first time testifying before the Utilities Commission, I would like to respectfully ask your indulgence to allow me to spend a minute or two introducing myself.

I co-founded SharpVue in 2016 in Raleigh. SharpVue was previously an arm of Curi, formerly known as Medical Mutual Holdings, Inc. Seeing the tremendous opportunity for continuing growth in North Carolina, my partner, Doug Vaughn, and I spun SharpVue off into its own investment management firm in 2019.

One of SharpVue’s primary missions is economic growth in North Carolina. Mr. Vaughn and I have lived here for many years. We are proud to call it home and don’t plan to live anywhere else. Immediately prior to joining SharpVue, I served as budget director to Governor Pat McCrory. I am currently a member of the Board of Governors for the University of North Carolina system. I have served on the board of directors for the Golden LEAF Foundation, which distributes grants intended to make meaningful economic transformation across the State. I have also served on the State Board of Community Colleges and the North Carolina Banking Commission. With this experience and orientation, I would like to emphasize that – for so many reasons -- SharpVue and I have a great interest in the continuing long-term success of Bald Head Island.

With that introduction, let me cut straight to the heart of my rebuttal testimony: Some testimony you have previously heard has expressed fears about adverse impacts to the island operations and tourist spending because of the sale of the assets by BHIL/BHIT to SharpVue. Those fears are unfounded for a number of reasons:

First, we're simply stepping into the shoes of BHIL and BHIT as their successors. SharpVue is committed to continue to operate the parking and barge operations in the same efficient manner as they have been under BHIL's ownership. Between the expertise of the current management team (which we're committed to retain), the wealth of knowledge of the existing employee base (which we're committed to hiring), and the resources and experience of SharpVue, we are well situated to make that happen. The Mitchell heirs have sold almost all of their holdings on the island except the ferry; they have very little remaining interest left on the island. In the short term, SharpVue will ensure that these operations continue uninterrupted in the same cost-effective, safe, and reliable manner that the public has come to historically enjoy. In the long run, SharpVue is willing and able to provide the operations with the capital they need to accommodate growth and enhance the consumer experience while maintaining efficient operations.

Second, as a North Carolina company, with North Carolina management, SharpVue is committed to the success of the island. As tourism grows, ridership on the ferry increases, barge usage increases, and parking facilities are utilized. Our financial success providing this infrastructure is very much tied to the overall continued success of the island. This was true for BHIL/BHIT in the past, and it will be equally true for us -- or for any entity owning and operating the parking facilities or barge in the future. There is a "symbiotic relationship between the island community, the Clubs and vacationer tourism" and a "reliable, safe, and affordable transportation system", and "symbiosis," by definition, is a *mutually* beneficial relationship that runs both ways: a successful island community, the Clubs, and vacationer tourism is essential for a commercially successful transportation system. Neither BHIL/BHIT, SharpVue, nor any other owner would institute a pricing structure or policies that would harm the island. It is in all of our mutual interests to view each other as cooperative partners, working together toward common goals. That is one

reason that the adversarial nature of these proceedings has been, in my opinion, unnecessary and counter-productive.

Third, the cost structure of operating infrastructure assets also aligns our interests with those of the island. Moreover, we owe a duty to our investors to increase – not decrease – the utilization of our assets. The parking, barge (and ferry) operations require a large amount of capital investment and therefore have high fixed costs. In other words, it costs approximately the same to make a ferry run with 1 passenger as it does with 150 passengers; to utilize staff and technology to park 1 car in the existing parking lots, as it does 2,000; to operate a barge full of construction vehicles as it does with one golf cart. Our economic incentives are to maximize our asset utilization, which can only be accomplished if the island is successful and is an attractive destination for primary and second-home owners as well as vacationer tourism. To implement policies or a pricing structure that would depress or discourage economic activity on the island would be inconsistent with our motivations as prospective owners/operators of the barge and parking assets, or with sound economic and investment principles.

Given these fundamental economic principles, it's not surprising that, to my knowledge, no state Utilities Commission in the country has ever found it necessary to rate regulate parking operations for ferry passengers, and, to my knowledge, nowhere in the country, have parking rates been increased to a point that has depressed ferry ridership.

Sometimes an equity investor will purchase an underperforming company with the intent of making changes to make it more profitable, but that is absolutely not the situation here. Instead, we see BHIL as an unusual situation in which an extremely well-run company needs to be sold for external reasons (i.e., the death of Mr. George Mitchell), and it is our intent to continue that track record of success. We intend to spend the first year after the purchase communicating with

stakeholders and evaluating the current operations in more detail and, of course, looking for opportunities to improve service and make any needed investments over time.

Given that SharpVue intends to continue providing parking services at reasonable rates anyway, and in response to the Public Staff's comments filed on September 8, SharpVue is willing to make specific commitments to ensure the continued availability of adequate parking at reasonable prices and address the concerns raised by the Village. If the transfer of the Certificate of Public Convenience and Necessity ("CPCN") is approved in Docket A-41, Sub 22, SharpVue commits, as a condition of that transfer, that we will provide no less spaces for parking than currently provided by BHIL today: 1,955 paved, lined spaces and the 347 spaces in unpaved, gravel lots. We will meet this parking space commitment (1) at the Deep Point parking lots currently used by BHIL; (2) through the acquisition and development of other conveniently located parking lots with regular shuttle service to convey passengers and their baggage to and from the Deep Point terminal; or (3) through the construction of parking decks or garages in lieu of surface lots. This obligation would continue until such time as the Commission were to allow a waiver or modification of this condition upon a showing of a demonstrable decline in demand for parking at Deep Point or the availability of equivalent parking by a third-party provider. After all, the opportunity exists for a third-party parking provider, as SharpVue has agreed it will not restrict access to the road leading to the Deep Point Marina from Highway 211 (Ferry Road) in Southport. Again, SharpVue has no intention to eliminate parking for ferry passengers, and I want to take that concern off the table.

For the reasons explained above, market forces, the risk of competition, and basic economics dictate that available parking will be reasonably priced, but, in addition, if the transfer of the CPCN is approved in Docket A-41, Sub 22, SharpVue commits, as a condition of that transfer, that it will not increase the aggregate rates for parking ticket classes or levels more than the then-applicable Consumer Price Index for All Urban Consumers (CPI-U) for at least four years.

These conditions, and others explained in more detail in my prefiled testimony, should assuage any legitimate concerns about SharpVue's intentions or the consequences of the parking and barge remaining unregulated – as it has been for almost thirty years. These measures also would be sufficient to accomplish the “oversight” of parking the Public Staff references in their Initial Comments.

Finally, I'll note that we have closely studied the tug and freight barge operations and, after consultation with counsel, agree with the comments of the Public Staff that the barge's transport of vehicles to and from the Island “does not involve the specialized functions associated with a household goods mover” that the Commission regulates under Chapter 62. SharpVue, through its management agreement with Pelican Logistics, is committed to continuing the excellent and fairly priced services that BHIL has afforded for many years and in the same manner as BHIL has provided them. We see no reason to implement significant changes to its pricing structure or operations.

BHIL and BHIT have served the people of Bald Head Island extremely well for many, many years. They have been good stewards and run a good operation. That's why I intend to hire their management and employees. Likewise, the Commission's regulation of the ferry and tram rates and service has appeared to work well. But there is no reason to now, after almost 30 years, to radically change that scope of regulation to address a hypothetical problem that doesn't exist,

and won't exist. Extending rate regulation over assets that operate in a potentially competitive market is administratively burdensome, reduces our incentives to invest and improve service, restricts our flexibility to match our services to customer demand, and is simply unnecessary. For those reasons, as the potential purchaser of the assets, I ask that you deny the demands sought by the Village in this docket.

CERTIFICATE OF SERVICE

I certify that a copy of the foregoing Testimony Summary of Lee H. Roberts has been served by electronic mail, hand delivery, or by depositing a copy of same in the United States Mail, postage prepaid, properly addressed to parties and counsel of record as shown on the Commission's Service List in docket A-41, Sub 21, and has also been provided to Commission's Counsel and to the appropriate members of the NC Public Staff.

This 10th day of October, 2022.

/s/ David P. Ferrell
David P. Ferrell
Attorney for SharpVue Capital, LLC