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February 27, 2023

Ms. A. Shonta Dunston Chief Clerk North Carolina Utilities Commission 430 N. Salisbury Street Room 5063 Raleigh, NC 27603

Re: 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 Transportation, LLC, and Permission to Pledge Assets

NCUC Docket No. A-41, Sub 22

Pre-Filed Rebuttal Testimony of Bion Stewart

Dear Ms. Dunston:

In accordance with the Commission's Order of January 20, 2023, specifically ordering paragraph 5 thereof, requiring rebuttal testimony to be filed on or before Monday, February 27, 2023, in compliance therewith, attached is the pre-filed Rebuttal Testimony of Bion Stewart, filed on behalf of Bald Head Island Transportation, Inc. ("BHIT") and Bald Head Island Ferry Transportation, LLC ("BHIFT").

17 hard copies of this testimony will be provided to the NC Utilities Commission's Clerk's Office within 24 hours following this electronic filing.

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Ms. A. Shonta Dunston Page Two February 27, 2023

If you should have any questions concerning this submittal, do not hesitate to contact me.

Sincerely,

Is M. Gray Styers, Jr.

M. Gray Styers, Jr.

Enclosure

cc: Parties and Counsel of Record
Christopher J. Ayers, Esq. - NC Public Staff
Elizabeth Culpepper – NC Public Staff
William E. H. Creech – NC Public Staff
Lucy Edmondson – NC Public Staff
Jessica Heironimus – NC Public Staff

STATE OF NORTH CAROLINA UTILITIES COMMISSION RALEIGH

DOCKET NO. A-41, SUB 22

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Joint Application	
of Bald Head Island Transportation, Inc.,	j
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	

REBUTTAL TESTIMONY OF BION STEWART

February 27, 2023

- 1 Q. Please state your name, business address, and current position of employment.
- 2 A. Captain Bion Stewart, USCG (ret), 1301 Ferry Road, Southport, NC 28451. I am
- 3 the Vice-President and Chief Operating Officer, Bald Head Island Transportation,
- 4 Inc.

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- 6 Q. What is your educational background?
- 7 A. I have a Bachelor of Arts degree from the University of California, Irvine, and a
- 8 Master of Public Administration Degree from George Washington University.

- 10 Q. As Vice-President and Chief Operating Officer for Bald Head Island
- 11 Transportation, what are your current responsibilities?
- 12 A. My primary responsibility is managing all ferry and tram operations and associated
- maintenance for Bald Head Island Transportation ("BHIT"). I am responsible for
- 14 overseeing U.S. Coast Guard regulatory compliance activities and requirements,
- and I develop annual operating and capital budget requirements for the ferry and
- tram operations as well as the maintenance division. I also develop near, medium,
- and long-term ferry and tram operating and sustainment plans, and am overseeing
- the development and implementation of the electronic ticketing and reservation
- project. Additionally, I am responsible for directing disaster response support in
- 20 coordination with local, state, and federal agencies, and I represent BHIT on the
- 21 Coast Guard Area Maritime Security Committee and associated Industry
- Subcommittee. I directly supervise BHIT department heads, senior managers and

1		supervisors, and provide management and administrative support to Chad Paul and
2		Shirley Mayfield.
3		
4	Q.	How long have you been Vice-President and Chief Operating Officer for Bald
5		Head Island Transportation?
6	A.	I began employment with BHIT as COO on October 1, 2021 and was formally
7		named Vice President in May 2022.
8		
9	Q.	Before joining BHIT's management team, what was your employment?
10	A.	I was the Chief of Staff for the United States Fifth Coast Guard District, based in
11		Portsmouth, Virginia.
12		
13	Q.	What were your responsibilities in that position?
14	A.	I was responsible for oversight and management of 3,500 active duty, reserve, and
15		civilian personnel, and execution of the Coast Guard's maritime safety, security,
16		and environmental stewardship missions throughout the Mid-Atlantic region from
17		central New Jersey through North Carolina covering 156,000 square miles of ocean,
18		bays, and rivers, several major Mid-Atlantic ports, the largest naval base in the
19		world, and our Nation's Capital.
20		
21	Q.	Prior to being Chief of Staff of the Firth Coast Guard District, what was your

employment?

1 A. I was Commander, Coast Guard Sector North Carolina.

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- 3 Q. As Commander, Coast Guard Sector, North Carolina, what were your
 4 responsibilities?
- 5 I served as the Captain of the Port (COTP), Officer In Charge of Marine Inspection A. 6 (OCMI), Federal On-Scene Coordinator (FOSC), Area Maritime Security 7 Coordinator (AMSC), and Search and Rescue Mission Coordinator (SMC) in all 8 navigable waters in the State of North Carolina as well as the Exclusive Economic 9 Zone of the United States out to 200 nautical miles from the North Carolina coast. 10 The broad scope of duties and responsibilities include overseeing vessel inspections 11 and mariner licensing; enforcing environmental regulatory compliance and leading 12 oil and chemical spill incident response; overseeing all commercial and recreational 13 activities in the navigable and coastal waters of North Carolina included setting port 14 and waterway conditions for the Ports of Wilmington and Morehead City; 15 conducting waterway security operations including review, approval, and 16 enforcement of vessel and facility security plan compliance; leading natural and 17 man-made disaster response and recovery operations (e.g., FOSC for the Hurricane 18 Florence response and recovery); conducting law enforcement and search and 19 rescue operations; managing the waterway marking and aids-to-navigation system 20 throughout North Carolina; overseeing military load-out operations in the Ports of 21 Wilmington, Morehead City, and Military Ocean Terminal Sunny Point.

- Q. What have been some of your other positions in the United States military prior to serving as Commander, Coast Guard Sector in North Carolina?
- A. I began my military career by enlisting in the United States Navy in 1989 as an

 Aviation Anti-Submarine Warfare Operator, helicopter aircrewman and rescue

 swimmer. I then transferred to the Coast Guard and received my commission after

 completing Officer Candidate School in 1992.

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Since receiving my commission and before being named Commander, Coast Guard Sector North Carolina, I served in a broad range of operational and administrative positions. My Coast Guard operational assignments include tours on the USCGC MALLOW, USCGC KUKUI, USCGC JUNIPER, USCGC GEORGE COBB, USCGC CHASE, and USCGC SHERMAN where I served in various leadership positions, including dive officer, operations officer, navigator, executive officer, and commanding officer. My staff assignments include: (1) National Response Center senior watch officer; (2) Instructor and Yard Patrol Craft Officer-in-Charge at the U. S. Naval Academy; (3) FEMA's Budget Desk Officer during a detail to the Department of Homeland Security (DHS), Office of the Chief Financial Officer; (4) Program Reviewer in the Coast Guard Office of Budget and Programs where I oversaw budget and program development for law enforcement, search and rescue, deployable specialized forces, and defense readiness; (5) Coast Guard Liaison to the U.S. House of Representatives and acting Chief of Congressional Affairs; (6) Principal Director for Strategy and Analysis in the DHS Office of Policy where I

initiated the analysis and development of the 2018 Quadrennial Homeland Security Review; (7) Deputy Presidential Transition Officer for DHS overseeing department-wide preparations for the Department's leadership transition following the Presidential Election of 2016; and (8) Chief of Staff of the DHS Executive Order Implementation Task Force where I oversaw Component and DHS Headquarters implementation of the President's direction related to immigration enforcement, regulatory reform, and border and trade security.

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I retired from the Coast Guard in August 2021 with 32 years of military service.

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Q. Have you received any awards or recognitions for your service?

12 A. In addition to numerous service awards, my personal awards include the Legion of
13 Merit, Meritorious Service Medal (5 awards), Coast Guard Commendation Medal
14 (3 awards), Navy and Marine Corps Commendation Medal, Coast Guard
15 Achievement Medal (3 awards), and Commandant's Letter of Commendation.

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Q. After such a distinguished career, why did you come to work for BHIT?

I had no plans nor a need to work anywhere after retiring from the Coast Guard.

Furthermore, I initially did not think any position in the private sector would give

me the mission-focused, professional and personal satisfaction I experienced

serving in the Navy and the Coast Guard. However, my opinion changed when

Chad Paul and Claude McKernan (former BHIT Transportation Manager) reached

out to me to discuss the potential of coming onboard with BHIT as the Chief Operating Officer during the summer of 2021.

I became familiar with BHIT's operations while serving as the Commander of Sector North Carolina and OCMI. Contrary to assertions made in testimony by Village representatives and other stakeholders that the BHIT ferry system is "substandard," BHIT was and remains well known within the industry and by the Coast Guard as an exceptionally well-managed and well-maintained passenger ferry operation.

Coast Guard inspectors under my command routinely reported to me that BHIT had the best-maintained and most professional mariners in the North Carolina Captain of the Port Zone. Following the devastation of Hurricane FLORENCE in 2018, and based on the reputation of the BHIT crews, I relied on BHIT to deploy their ferries to be my eyes and ears to assess the safety of the lower Cape Fear River and the aids-to-navigation system for commercial and recreational vessel traffic. Based on their professionalism and assessments, I was able to open the river to essential vessel traffic to serve the Bald Head Island community and support vital national security operations much earlier than would have normally been possible. The current Captain of the Port continues to rely on BHIT to provide similar services. BHIT's outstanding reputation with the Coast Guard has also facilitated special authorizations to extend vital ferry operations during adverse weather events that

Rebuttal Testimony of Bion Stewart Docket No. A-41, Sub 22 Page 7

might not have otherwise been approved. BHIT's ferries are typically the last vessels allowed to operate on the Cape Fear River and the first ones authorized to resume operations after a river closure. Were BHIT truly "substandard" as has been asserted, this would surely not be the case.

Furthermore, BHIT's reputation as a benchmark passenger ferry operation has resulted in numerous site visits by the Director and senior staff of the North Carolina (NC) State Ferry System. NC State Ferry representatives have used BHIT's operation to inform their vessel maintenance programs and make improvements to their newly established passenger ferry operation between Hatteras and Ocracoke Islands. In addition, and based on the recommendation of the Director of the NC State Ferry System, the State of South Carolina Department of Transportation recently visited BHIT to benchmark the establishment of a staterun passenger ferry service for a coastal island community similar to Bald Head Island.

During my first attendance at the Passenger Vessel Association conference in 2022, several managers, owners, and operators of other ferry systems – government and privately operated – commented to me on BHIT's reputation as a well-run operation. In particular, our ability to effectively operate and coordinate the tram service and the ferry as a unified system under a sailing schedule that is frankly

unheard of in the industry, was often remarked by the phrase, "there is no way we could do that."

What Chad Paul, Shirley Mayfield, and the entire BHIT team have built and sustained through record passenger growth, COVID, severe weather events, the constant challenge of maintaining and operating a multi-vessel fleet, and an industry-unique tram service is remarkable. In addition to BHIT's reputation of excellence and professionalism, I was also drawn to the mission-focused nature of the operation, and particularly the importance of the ferry service to the local community.

In many ways, BHIT presented an opportunity for me to apply my skills and experience in a position that allowed me to continue to serve and carry out a vital mission that made a difference in people's lives — not unlike what drove me to commit over half of my life to a military career. For the residents, businesses, employees, and visitors to Bald Head Island, the ferry system provides freedom of movement, help when disaster strikes, a way to earn a living, and, for many homeowners and visitors, it facilitates the realization of lifelong memories and dreams. I consider it very meaningful work.

Every day the men and women I work with -- the employees of BHIT -- move thousands of people and their belongings from Southport to Bald Head Island and

to their homes and worksites on the island. It is an incredibly complex operation in an unpredictable and sometimes dangerous environment. The challenges are many. However, leading this team in overcoming the challenges we face and building on the outstanding work of Chad Paul, Shirley Mayfield, Woody Fulton, Claude McKernan, and others in executing our mission is what gives me the professional and personal satisfaction I did not think I would find after retiring from the Coast Guard.

Q. You said your current position uses your skills and experience, how has your experience qualified you to serve as Vice-President and Chief Operating Officer for the Bald Head Island Transportation ferry and tram operations?

A. My 30+ years of experience in the maritime environment and working with the maritime industry provides the operational expertise I need to understand the "what" and "how" of operating a ferry system. I also understand how the complex components of BHIT's ferry and tram operations work in coordination to provide safe and efficient service for our customers. However, I believe the most valuable skill set I bring to the Vice-President and Chief Operating Officer position is leadership and decision-making experience.

Whether making life-and-death decision as the Commanding Officer of a Coast Guard cutter or leading a state-wide hurricane response, or working with the White House, Cabinet Agencies, and Congress to pass critical authorization and multi-

Feb 27 2023

billion dollar appropriations legislation, I spent the vast majority of my Coast Guard career leading and working within complex systems and making high-consequence, national-level decisions. While the decisions I make as the VP and COO of BHIT do not have the same level of national impact, they are important and impactful to our workforce and our customers. I use my extensive experience in analyzing information across multiple disciplines, developing alternatives, analyzing options, and focusing on achievable and affordable outcomes to inform every decision I make whether operational or administrative.

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- Q. Testimony that has been filed in this docket has expressed concern that SharpVue has no experience running a ferry system; based upon your experience, how would you respond to that concern?
- 13 A. That testimony demonstrates a fundamental misunderstanding of the role of 14 SharpVue, and a complete lack of understanding of what it takes to operate a 15 complex system such as the BHIT ferry. I also note that, to my knowledge, neither 16 the witness who submitted the testimony, nor any of the persons whose statements 17 are cited within, have any actual experience in ferry operations beyond being an 18 occasional passenger. This begs the question of whether any professional 19 qualification, experience or expertise was applied in their assessment, and whether 20 the witness would know whether or not *anyone* is qualified to run a ferry system.

Owning and financing the ferry system is a vital function, but it differs significantly from the daily "running" of the ferry system. As a Sector Commander I "owned" all of Coast Guard operations within the State of North Carolina, but I had no experience in four of the five statutory responsibilities for which I was charged. I relied upon those with specific training and experience to execute each mission and advise me on how to best maintain and improve operations across the full spectrum of our missions and responsibilities. My job as the leader of such a complex organization was not to be an expert in every aspect of our operations. My job was to listen, learn, and apply sound judgment, leadership, and management principles to put the right people in the right place at the right time, and empower them to carry out the mission. I have had extensive conversations with Mr. Roberts, and he understands this role with absolute clarity. This understanding is why one of his first objectives was to ensure retaining the BHIL/BHIT senior management team (Mr. Paul, Ms. Mayfield, and myself) was a central component of the transaction. Furthermore, Mr. Roberts understands the importance of retaining the critical employees from the ferry captains and mates to the tram drivers, dock workers, mechanics, and customer service representatives who are the backbone of the ferry and tram operation. By retaining the talented and experienced workforce that will actually be running the ferry system as their first order of business. Sharp Vue has already demonstrated the ability to fulfill its most important role as the owner of the ferry system. Coupled

with their stated commitments to the long-term health and well-being of the ferry

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1		and tram system and the Bald Head Island community, I am more than confident
2		SharpVue is well-positioned to be an effective owner and partner in the safe and
3		efficient operation of the ferry and tram system.
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5	Q.	If SharpVue purchases the ferry and tram operations of BHIT, is it your
6		intention to stay on and continue as Vice-President and Chief Operating
7		Officer ?
8	Α,	Yes. I would be honored to have the opportunity to continue to serve in my current
9		role under Mr. Roberts' and Mr. Paul's leadership, and most importantly to
10		continue to be a part of the great team we have built at BHIT.
11		
12	Q.	If the Village of Bald Head Island were to purchase the ferry system, would
13		you continue working with the ferry operations under their ownership?
14	A.	Unfortunately, the Village has not provided me any indication over the last 15-
15		months of my time with BHIT, nor during my tenure as Coast Guard Sector

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Q. Mr. Gardner's response testimony goes to great length to describe the on-time departure challenges of the ferry operations; as Chief Operating Officer, what is your reaction to that testimony?

me, so the answer is definitively, "No."

Commander, that working under their leadership would be a good experience for

A. As noted previously, Mr. Gardner's testimony demonstrates a very limited understanding of ferry operations and maritime operations in general. Most illustrative of this lack of understanding is his comparison of BHIT to the Washington State Ferry System (WSFS) and New York City Ferry System (NYCFS).

On-time-performance (OTP) is impacted by a broad range of variables both within the system's control (e.g., number of ferries) and outside the system's control (e.g., weather, ridership, equipment casualties, federal and state regulation). The key to improving OTP is to build efficiency into each variable within your control and mitigate the impacts of each variable outside of your control. As is the case with any public transportation system, the passenger also plays a key role and their safety is of paramount importance over all other factors, including OTP.

Mr. Gardner compares the WSFS to BHIT and notes their reported OTP for 2020 was 89.8%. BHIT's OTP for 2020 was 83.8%. BHIT's OTP for 2021 was 66.2% reflecting the cumulative impact of COVID protocols, record ridership (746,000), a 20% increase in baggage per customer, and extended U.S. Army Corps of Engineers dredging operations adjacent to the ferry route, which required captains to slow the ferry transit speed to nearly half for 40% of the route from November 2020 through September 2021. BHIT OTP improved to 68.3% in 2022 with ridership increasing to over 760,000.

In comparing numbers between these ferry systems, it is vital to understand both the operation and the data inputs. For example, the WSFS considers a ferry late when its scheduled departure time is delayed for <u>10 minutes</u>; BHIT logs a late departure at <u>two minutes</u>. The data to determine WSFS' OTP based on a two-minute standard is not available, but one may reasonably assume if WSFS were held to the same standard as BHIT, their OTP would likely be considerably lower than their stated 89.9%. For further comparison, the NYCFS uses a five-minute late departure standard in calculating their OTP. Again – were the NYCFS required to use a two-minute standard it is reasonable to assume their OTP figures would be markedly lower than the 96% referenced in Mr. Gardner's testimony.

Operationally, the WSFS schedules a minimum of 15 minutes for passenger offload and onload on each route, and in some cases and during certain periods even more time is allotted. Other than specific holiday weekends (e.g., Christmas) and during the mid-day break during the off-season, BHIT maintains a 10-minute turnaround for each arrival/departure. Comparatively speaking, a 50% increase in turnaround time has a substantial impact on a ferry system's ability to maintain schedule, particularly when comparing a two-minute OTP standard to a 10-minute OTP standard. Moreover, BHIT's 30-minute schedule has no elasticity built into it to absorb any anomaly that might delay departure making recovering even a two-minute delay nearly impossible.

Rebuttal Testimony of Bion Stewart Docket No. A-41, Sub 22 Page 15

The NYCFS operates a very different route schedule with multiple vessels and multiple stops operating simultaneously on various routes – very much like a subway or bus system. Therefore, it is both inconsistent and unproductive to attempt a direct comparison of the NYCFS and the BHIT operation with respect to turnaround times and other OTP measures.

It must also be noted, neither the WSFS nor the NYCFS offers baggage-handling service. All passengers must be able to personally carry on their baggage (or roll on their bicycle) themselves or transport their belongings in their vehicle when embarking and disembarking the ferry. Conversely, BHIT in addition to loading and unloading over 745,000 walk-on passengers also loaded and unloaded over 38,500 dollies of baggage, bicycles, kayaks, and other oversized items weighing more than 3,000,000 pounds in 2022. The labor, coordination, and most importantly time required to execute this operation safely adds significant complexity to the BHIT ferry operation. Recent direction by the NCUC to limit baggage from six items to three items per ticketed passenger is expected to alleviate some of the time pressure associated with baggage handling; however, the achievable efficiencies and impact on OTP from this change will also depend on several other factors including overall ridership, passenger flow patterns, and policy compliance.

BHIT makes every effort to maintain schedule and meet OTP goals. However, weather, passenger and baggage volume, waterway traffic, routine dredging operations, medical and law enforcement transports provided at the request of the Village (it is unclear if either the WSFS or the NYCFS provide on-request "ambulance" or law enforcement transport services), facility equipment and vessel casualties all contribute to BHIT's ability to maintain its regulated schedule. Many of these factors affecting BHIT's OTP compared to the WSFS and the NYCFS are services not offered by the WSFS or the NYCFS. For those that are, those systems' status as a federally, state, and municipally funded ferry operation provides them substantially more resources to mitigate the impacts of these factors.

For example, the operating budget of the WSFS is \$1.1 billion annually – funded by both the State of Washington and the federal government, with highly subsidized ticket pricing. Included in this figure is a \$587 million operating budget and a \$514 million capital budget. The NYCFS's publicly-funded and highly-subsidized system has an annual budget of \$129.9 million, which includes an operating budget of \$69.9 million and a capital budget of \$60 million. It is important to note these figures only support ferry operations and do not include tram services. In contrast, BHIT's total operating and capital budget for ferry and tram service is \$7.9 million.

Breaking these figures down into a per-passenger comparison, the WSFS budget supports approximately \$64 per passenger (based on approximately 17.3 million

riders in 2021; 2022 ridership not reported) in operating and capital investment to maintain and improve services including new vessel and facility construction. The NYCFS budget supports approximately \$16 per passenger (based on estimated 8 million riders in 2022), which also includes new vessel and facility construction. Based on the current regulated ticket price and annual revenue for 2021, BHIT's annual budget supports approximately \$10 per rider (747,000 in 2021) to operate and maintain the ferry and tram system. BHIT has no federal, state or municipal funding available to subsidize its operating revenue or capital improvement needs. To generate a similar per-rider operating and capital budget to the NCYFS, ticket prices would need to increase by 60% across all ticket classes. At the WSFS level of operating and capital investment, ticket prices would need to increase by nearly 600%.

Even as we face two aging ferry vessels, supply chain constraints, increased complexity in the maritime environment, and growth in demand for our services with another record breaking year in ridership for 2022, by any measure, BHIT has and continues to provide a high value service to the residents, businesses, employees, and visitors of Bald Head Island. We do everything we can within our control and within our resource availability to improve OTP, maintain vessels and

¹ The WSFS and NYCFS ticket sales and passenger/vehicle counts are based on a one-way transit, BHIT tickets under the NCUC tariff (with the exception of a one-way "lost" ticket) are sold as round-trip. The BHIT \$10-per-rider calculation reflects the price average of all ticket classes sold divided by two to reflect the fact that each ticket purchaser is transported twice.

facilities, attract and retain employees, and provide a positive customer experience. For this community and those who depend on us, ours is a no-fail mission and we take-on that responsibility with the utmost focus and dedication. While I acknowledge Mr. Gardner's surface-level assessment of our performance, his comparison of our performance to that of the WSFS and the NYCFS demonstrates to me neither he nor the Village of Bald Head Island has any understanding of the complexities, technical requirements, resources, or expertise it actually takes to run the BHIT ferry system or any maritime operation for that matter.

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- Q. Does this conclude your testimony?
- 11 A. Yes, at this time.