

**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	)	DIRECT TESTIMONY OF
Transportation, LLC, for Approval of Transfer	)	DR. JULIUS A. WRIGHT
of Common Carrier Certificate to Bald Head	)	ON BEHALF OF
Island Ferry Transportation, LLC, and	)	THE VILLAGE OF BALD HEAD
Permission to Pledge Assets	)	ISLAND

**BEFORE THE NORTH CAROLINA UTILITIES COMMISSION**

**DOCKET NO. A-41, SUB 22**

**Direct Testimony of Dr. Julius A. Wright**

**On Behalf of the Village of Bald Head Island**

**February 20, 2023**

**I. INTRODUCTION AND PURPOSE**

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

A. Julius A. Wright, Managing Partner, J. A. Wright & Associates, LLC, 6 Overlook Way, Cartersville GA, 30121. I am a consultant to regulated utilities and regulatory agencies and other public bodies on issues related to economics, economic modeling, regulatory policy, industry restructuring, demand-side investments, and resource planning.

**Q. ON WHOSE BEHALF ARE YOU SUBMITTING THIS DIRECT TESTIMONY?**

A. I am submitting this Direct Testimony on behalf of the Village of Bald Head Island (the "Village").

**Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL EXPERIENCE.**

A. I received an undergraduate degree from Valdosta State College (B.S. Chemistry), an MBA in Finance from Georgia State University, and a Master's and Ph.D. in

1 Economics from North Carolina State University, where I focused on regulatory  
2 and environmental economics. Among other past experiences, I served as a  
3 Commissioner on the North Carolina Utilities Commission (“NCUC” or the  
4 “Commission”) from 1985 to 1993. Prior to serving as a member of the  
5 Commission, I served three terms as a North Carolina State Senator and worked in  
6 process engineering for 12 years at three chemical plants, the last with Corning in  
7 Wilmington, NC.

8 Over the past 25 plus years in my consulting practice, I have dealt  
9 extensively with electric, natural gas, and other regulated utilities focusing on a  
10 number of issues. In this context, I have testified before regulatory commissions  
11 and legislative bodies, presented studies and authored reports on issues related to  
12 electric and gas regulation, and I have been a guest speaker at the Bonbright  
13 Conference, other seminars, and at the Georgia Institute of Technology. I have  
14 been a visiting professor teaching both microeconomics and macroeconomics  
15 courses at the University of The Virgin Islands, and I have an Adjunct Economics  
16 Professor appointment with the Emory University School of Nursing where I have  
17 also lectured and worked with graduate students on economic issues related to  
18 health care. A copy of my resume is attached as Exhibit JAW-1.

19 **Q. ARE YOU THE SAME JULIUS A. WRIGHT WHO PROVIDED DIRECT**  
20 **AND REBUTTAL TESTIMONY ON BEHALF OF THE VILLAGE OF**  
21 **BALD HEAD ISLAND (THE “VILLAGE” OR “VBHI”) IN DOCKET A-41,**  
22 **SUB 21?**

1 A. Yes. I provided testimony in the Sub 21 docket where the Village was seeking a  
2 determination of the regulatory status of the parking and barge operations. In my  
3 view, many of the issues raised in that proceeding are relevant in this proceeding  
4 given the intertwined nature of the utility operations serving Bald Head Island.

5 **Q. WHAT INFORMATION DID YOU HAVE ACCESS TO FOR PURPOSES**  
6 **OF YOUR TESTIMONY IN THIS PROCEEDING?**

7 A. I only had access to the information that was available to the Village. As the  
8 Commission is aware, there was a significant amount of information which had  
9 been withheld by SharpVue Capital, LLC (“SharpVue”) – including information  
10 provided to the Public Staff but not to the Village – that has been the subject of  
11 motions to compel by the Village.<sup>1</sup> Not having all the information provided to the  
12 Public Staff, along with the Village having to file several motions to compel, makes  
13 it problematic to be certain that I have all the information that might be relative to  
14 this proceeding. In addition, there were some late-filed responses that I received  
15 just a couple of days (i.e., Saturday, around 4:00 pm) before this testimony filing  
16 was due, which limited my time to review that information.

17 Notwithstanding these restrictions, I did not see anything in these latest  
18 responses, and I do not know what information the Public Staff might have that I  
19 do not, that would alter my conclusions and recommendations at this time. In fact,  
20 this latest information I received just a couple of days ago actually increases my  
21 concerns related to SharpVue’s proposed ownership and management of the

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<sup>1</sup> SharpVue’s discovery responses to the Village’s second through fifth requests are attached as Exhibits JAW-8 – JAW-11.

1 regulated and unregulated assets and supports my recommendations in this  
2 testimony.

3 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

4 A. The purpose of my testimony is to evaluate the transaction proposed in the transfer  
5 application in this proceeding in light of the Commission's governing standards, to  
6 articulate various concerns with the proposed transaction, and to offer  
7 recommendations for addressing those concerns should the Commission move  
8 forward with the proposal.

9 **Q PLEASE SUMMARIZE YOUR TESTIMONY.**

10 A. This case is not the usual certificate transfer proceeding. SharpVue, the proposed  
11 buyer here, is a private equity firm. They are not in the utility business. To evaluate  
12 a proposed transaction, this Commission has established a three-part test. I discuss  
13 in this testimony why I believe that SharpVue has failed to meet its burden of proof  
14 related to this three part test and, consequently, for this reason alone the  
15 Commission should deny the transfer of the certificate as proposed.

16 Notwithstanding my position that the application should be denied, my  
17 testimony discusses other concerns with the proposed transaction.

18 First, I discuss evidence that I believe indicates that SharpVue intends to  
19 seek to recover an acquisition premium from ferry passengers, barge passengers,  
20 and parking in the next rate case. Related to this issue is the fact that the evidence  
21 indicates the purchase price is likely well above the true asset value, or the value  
22 that would be reflected in a rate base determination. Because of these  
23 circumstances, I recommend that the Commission make clear in its Order—and

1 consistent with Commission precedent—that, if the transaction is approved, the  
2 Commission is not approving the purchase price and SharpVue will not be  
3 permitted to recover an acquisition premium in the next rate case. This approach  
4 is consistent with historical Commission practice.

5 Next I review SharpVue’s corporate structure and why this type of corporate  
6 structure imposes some regulatory oversight issues on the Commission and  
7 ratepayers. Because of this, I discuss affiliate issues and recommend the adoption  
8 of protective measures that are traditionally required in other similar corporations  
9 with regulated and unregulated operations. I also recommend that the  
10 Commission’s Order reflect the fact that it is not approving any expenses or  
11 transactions between the affiliates in this proceeding.

12 I also recommend that the Commission should declare that BHIFT,  
13 SharpVue, and SharpVue’s affiliates in this transaction (including, Pelican Legacy  
14 Holdings, LLC, SVC Pelican Partners, LLC, Pelican IP, LLC, Pelican Logistics,  
15 LLC, and Pelican Real Properties, LLC) are public utilities under North Carolina  
16 G.S. Chapter 62. This does not mean the Commission will regulate these entities,  
17 but rather that their books and the records of transactions between BHIFT and its  
18 related SharpVue affiliates are open to inspection and the potential that some costs  
19 may be disallowed for recovery in regulated rates by this Commission.

20 Next, I review SharpVue’s proposed asset ownership whereby all of the real  
21 estate, both marinas, and both ferry terminals are owned by unregulated SharpVue  
22 affiliates while only the ferry boats and island tram are owned by the regulated  
23 operations. I discuss that this arrangement does not appear to be beneficial to

1 ratepayers and the Commission may wish to deny the application under this  
2 proposed asset ownership arrangement. In addition, SharpVue is seeking  
3 permission to pledge assets as collateral and, should the Commission approve the  
4 certificate transfer, I discuss my recommendations relating to restrictions I believe  
5 the Commission should place on such a pledge. I then address some additional  
6 concerns that can be cured by simply requiring SharpVue to make Commission  
7 filings for the barge and parking services similar to those required of the passenger  
8 ferry. I also make a final recommendation that the Public Staff or its representative  
9 should be called upon in the Order in this proceeding to initiate a study investigating  
10 service quality issues.

11 I conclude my testimony with a list of my various recommendations for  
12 addressing the various issues I have identified.

13  
14 **II. SHARPVUE'S BURDEN OF PROOF**

15 **Q. PLEASE PROVIDE A BRIEF OVERVIEW OF THE WHAT IS BEING**  
16 **PROPOSED IN THIS PROCEEDING?**

17 A. Bald Head Island Transportation, Inc. ("BHIT"), Bald Head Island Limited LLC  
18 ("BHIL"), and Bald Head Island Ferry Transportation, LLC ("BHIFT") have made  
19 application to the Commission seeking the following:

- 20 • Approval for the transfer to BHIFT, an entity described by the Applicants  
21 as an "affiliate" of SharpVue, of BHIT's Common Carrier Certificate to  
22 operate the passenger ferry transportation services to and from Bald Head  
23 Island and the related tram services on the Island.
- 24 • Approval for the transfer of ownership of and operational control of the  
25 mainland parking facilities and operations and the ferry barge facilities and  
26 operations to BHIFT;

- 1                   • Approval for the transfer of ownership of and operational control of the  
2                   barge/tug facilities and operations to BHIFT; and
- 3                   • Approval for SharpVue and/or one of its affiliates to pledge and  
4                   borrow/issue debt secured by Transportation Assets as may be necessary to  
5                   finance the proposed transaction.<sup>2</sup>

6   **Q.   WHO IS SHARPVUE AND WHAT IS THEIR ROLE IN THIS**  
7   **TRANSACTION?**

8   A.   SharpVue is a North Carolina-based private equity firm providing, in their words,  
9        “flexible debt and equity capital solutions to lower middle market companies.”<sup>3</sup> As  
10       I understand it, SharpVue is not a direct investor in the proposed transaction here  
11       but rather is the entity responsible for securing funding for the transaction and  
12       negotiating the purchase agreement with the sellers. Post transaction, SharpVue  
13       describes itself as providing “managerial” services to the utility although they have  
14       declined to provide specificity to the Village as to the scope and nature of these  
15       services.<sup>4</sup>

16   **Q.   SHOULD THE COMMISSION BE OVERLY CONCERNED ABOUT THE**  
17   **TRANSFER OF A COMMON CARRIER CERTIFICATE?**

18   A.   Normally, the answer would likely be “no.” But this is not a normal transaction.  
19        There are several factors relevant to this application that should give the  
20        Commission pause.

21               First, the transportation system being sold is a monopoly transportation  
22        service that is the lifeblood of Bald Head Island, an island municipality that is  
23        completely dependent – in every way – on this transportation system (including the

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<sup>2</sup> Amended Application, Jan. 24, 2023, pp. 1-2.

<sup>3</sup> See [www.sharpvuecapital.com/#down](http://www.sharpvuecapital.com/#down)

<sup>4</sup> See Village Reply in Support of Fifth Motion to Compel, at 4-5 (Feb. 15, 2023).



1 ferry, barge, and parking) for public access. The Commission itself has already  
2 made factual findings confirming this in its December 30, 2022 Order in Docket A-  
3 41, Sub 21. Given the extensive record supporting these findings in the Sub 21  
4 Order, in my opinion, the highest purpose of Commission regulation – to protect  
5 the public in public utilities transactions – is at play here.

6 Second, this transaction is a watershed event for the Island. Until now, the  
7 transportation system has been owned and operated by entities affiliated with the  
8 Island's developer. The effect of this association has been to ensure that all parties'  
9 interests are aligned – the Island and its residents and workers rely on the  
10 transportation system and the developer has had a strong economic incentive to  
11 operate the transportation system in a manner that best promotes the long-term  
12 interests of the Island. A new owner may not be similarly incited. It may, instead,  
13 be incited to extract short-term maximum value from the assets being acquired  
14 (such as selling assets, siphoning off cash, cutting costs, and not making capital  
15 improvements) which can all be detrimental to the long-term interests of the public  
16 and a public utility.

17 Third, the proposed buyer here is a private equity firm. Based on the  
18 investor presentations I have reviewed,<sup>5</sup> [BEGIN AEO CONFIDENTIAL] [REDACTED]

19 [REDACTED]

20 [REDACTED]

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<sup>5</sup> See SharpVue Capital Project Pelican Investment Opportunity, March 2022, April 2022, May 2022, and June 2022, where [BEGIN AEO CONFIDENTIAL] [REDACTED]. [END AEO CONFIDENTIAL] Copies of the investment presentations I reference in my testimony are being contemporaneously filed with the Commission, under seal, with the testimony of Lee Lloyd on behalf of the Village.

1 [REDACTED] [END AEO  
2 CONFIDENTIAL]

3 Finally, there is no evidence of widespread public “buy in” to this  
4 transaction. The Village, through its Council, is not supportive of the transaction,  
5 as detailed in the Supplemental Direct Testimony of Scott Gardner. And numerous  
6 individual citizens have stated their own concerns, including a survey of 1500  
7 property owners where 78% of the respondents either oppose the transaction or do  
8 not have enough information to support it.<sup>6</sup> I point this out because I believe the  
9 Commission should be concerned when it appears the transaction only advances  
10 the interests of the seller and the buyer and when that transaction is opposed by the  
11 public the utility serves.

12 **Q. ISN'T SHARPVUE JUST STEPPING INTO LIMITED'S SHOES IN THIS**  
13 **TRANSACTION?**

14 A. That is what they claim, implying that the transaction will have no substantive  
15 impact on the operation of the utility assets. I completely disagree with this  
16 characterization. The purchase of these assets by a private equity firm – particularly  
17 one untethered by regulatory oversight of critical assets if their appeal of this  
18 Commission's Order in Docket A-41, Sub 21 is successful – would be  
19 fundamentally different from Limited's ownership of those assets.

20 **Q. COULD YOU ELABORATE ON THE APPLICABLE LEGAL STANDARD**  
21 **THAT THE COMMISSION WILL APPLY IN THIS PROCEEDING?**

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<sup>6</sup> See Direct Testimony of Scott T. Gardner, Docket No. A-41, Sub 22, at 4 (Dec. 14, 2022).

1 A. The Commission has established a three-part test for determining whether a  
2 proposed utility transfer subject to G.S. § 62-111 is justified by the public  
3 convenience and necessity:

- 4 (1) whether the transfer would have an adverse impact on the rates and  
5 services provided by the resulting utility;
- 6 (2) whether ratepayers would be protected as much as possible from  
7 potential costs and risks of the transfer; and
- 8 (3) whether the transfer would result in sufficient benefits to offset  
9 potential costs and risks.

10 See Amended Application, at ¶ 23 (citing *Order Approving Merger Subject to*  
11 *Regulatory Conditions and Code of Conduct* (Duke/Piedmont Order), Docket Nos.  
12 E-2, Sub 1095, E-7, Sub 1100, and G-9, Sub 682, at 68 (Sept. 29, 2016)). Given  
13 that the Applicants cited this standard in their application, it is not disputed that this  
14 is the applicable standard.

15 **Q. BASED ON YOUR REVIEW AND YOUR EXPERTISE IN STATE**  
16 **REGULATORY MATTERS, HAVE THE APPLICANTS SATISFIED THIS**  
17 **STANDARD?**

18 A. No, SharpVue has not met its burden of proof that it has satisfied the standard for  
19 approval in my view. I have several serious concerns here.

20 As regards the first factor, there is reason for concern that the transaction  
21 will have an adverse impact on service. [BEGIN AEO CONFIDENTIAL] [REDACTED]

22 [REDACTED]

23 [REDACTED]

1 [REDACTED] 7

2 [REDACTED]

3 [REDACTED]

4 i [REDACTED]

5 [REDACTED]

6 [REDACTED]

7 [REDACTED]

8 [REDACTED]

9 [REDACTED] [END AEO CONFIDENTIAL] This type

10 incentive may not be in the best interest of public utility customers. All of these

11 factors work together to suggest that either rates, service, or both will suffer as a

12 result of the transaction.

13 As regards the second factor – whether ratepayers would be protected as

14 much as possible from potential costs and risks of the transfer – SharpVue has

15 declined to commit that it will not seek to recover an acquisition premium from

16 ratepayers. This creates the possibility that SharpVue will seek to burden

17 ratepayers with the excess purchase price amounts that are above net book or

18 historic costs of the assets. Without a commitment from SharpVue not to do so,

19 ratepayers are not “protected as much as possible” from the costs and risks of the

20 potential future recovery of an acquisition premium.<sup>9</sup>

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<sup>7</sup> See, e.g., SharpVue Capital Project Pelican Investment Opportunity, June 2022, pp. 4, 16, and 17.

<sup>8</sup> See, e.g., SharpVue Capital Project Pelican Investment Opportunity, June 2022, pp. 24, 25.

<sup>9</sup> The Commission has usually not allowed recovery of an acquisition premium in regulated rates, but SharpVue is contesting this Commission’s Order in Docket A-41, Sub 21. Should SharpVue

1 As regards the third factor – whether the transfer would result in sufficient  
2 benefits to offset potential costs and risks – I have already discussed what I perceive  
3 as a risk that SharpVue will make decisions based on short-term financial gain  
4 rather than the long-term public interest. Furthermore, SharpVue’s main “benefit”  
5 claim appears to be that it will continue operating the transportation system as it is  
6 currently operated using the same employees, but I do not perceive this is a situation  
7 where there is a risk of service disruption,<sup>10</sup> so the maintenance of current  
8 operations achieves no incremental benefit to the using and consuming public. As  
9 I see it, the main benefits are (1) to SharpVue and its investors if the transaction  
10 proceeds as it’s being proposed and (2) to the family that owns BHIL and BHIT,  
11 whereby they are relieving themselves of a public utility obligation while, at the  
12 same time, receiving an inflated price (as I discuss later) for the utility assets. Thus,  
13 I fail to see any real benefits to the third party in this transaction, the using and  
14 consuming public.

15 **Q. IS THERE ANY OTHER FACTOR RELEVANT TO THIS ANALYSIS?**

16 A. Yes. One of the factors that the Commission historically considers in evaluating  
17 transactions of this nature is “whether effective regulation of the merging utilities  
18 can be maintained.”<sup>11</sup> Here, SharpVue’s appeal from the Sub 21 Order creates legal  
19 uncertainty regarding the scope of the Commission’s authority over the parking and

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prevail, it would mean that the parking and barge operations” rates would be unregulated, and SharpVue could then raise these unregulated rates to recover any acquisition premium – unless SharpVue agrees to the Commission’s jurisdiction over these parking and barge operations’ rates.

<sup>10</sup> See BHIL and BHIT Responses to Village’s Third Data Requests, at DR 3-2 (“BHIL has no plans to discontinue utility services and has never threatened to do so.”) (Exhibit JAW-7).

<sup>11</sup> See Duke/Piedmont Merger Order; Order Approving Merger and Issuance of Securities, Docket No. E-7, Sub 596 (April 22, 1997).

1 barge operations and, potentially, over other ancillary assets such as the Island and  
2 Deep Point ferry terminals which are used and useful in connection with the  
3 regulated utility operations. SharpVue's appeal is at tension with the conclusions of  
4 the Commission in the Sub 21 Order.

5 Stated another way, if SharpVue sought approval to acquire the barge and  
6 parking assets to operate on an unregulated basis the Commission would, and  
7 should, deny that application. Yet, with its appeal, SharpVue is seeking to  
8 effectively create the same outcome, which, if permitted, would be detrimental to  
9 the public interest. While the Commission obviously will conform to any decision  
10 of the appellate courts, it is appropriate in the meantime for the Commission to make  
11 determinations which are consistent with its understanding of its authority and to  
12 advance the public interest. Given this, should the Commission wish to proceed and  
13 agree to the certificate transfer, I believe it should only do so with SharpVue's  
14 express acquiescence to, and acceptance of, the Commission's jurisdiction and  
15 authority over parking and barge (and other ancillary assets).

16 **Q. NOTWITHSTANDING THOSE CONCERNS, DO YOU HAVE**  
17 **RECOMMENDATIONS FOR WAYS THE COMMISSION COULD**  
18 **REDUCE RISKS IN THIS TRANSACTION IF IT CONCLUDES THAT**  
19 **THE TRANSACTION IS IN THE PUBLIC INTEREST?**

20 A. As discussed, I do not believe that SharpVue has met its burden of proof that the  
21 proposed certificate transfer is in the public interest and for this reason alone the  
22 Commission should deny the application. Notwithstanding my overriding  
23 concerns, should the Commission move forward with this application, my

1 following testimony discusses a variety of regulatory mechanisms and conditions  
2 that could be used by the Commission to reduce risk and help protect ratepayers  
3 and the public.  
4

5 **III. AMENDED APPLICATION AND ACQUISITION PREMIUM ISSUE**

6 **Q. HAVE YOU REVIEWED THE AMENDED APPLICATION AND**  
7 **TESTIMONY FILED BY THE APPLICANTS ON JANUARY 24, 2023 IN**  
8 **THIS PROCEEDING?**

9 A. Yes.

10 **Q. WHAT WERE THE KEY DIFFERENCES IN THE AMENDED FILINGS?**

11 A. There were several notable differences between the Amended Application and  
12 Amended Direct Testimony and that filed on July 14, 2022, including revisions  
13 necessary to conform to the Sub 21 Order. Thus one key difference is that this  
14 Amended Application identifies the parking and barge assets and operations as  
15 among the assets for which transfer authority is sought.

16 **Q. DO THE APPLICANTS ACCEPT THE COMMISSION'S AUTHORITY**  
17 **OVER PARKING AND BARGE IN THE AMENDED FILINGS?**

18 A. No. They recognize that the Sub 21 Order found such authority and that they are  
19 required to file the amended application, but the amended application notes that  
20 BHIL, in particular, "does not concede that the Commission has any jurisdiction or  
21 authority over the Parking and Barge Operations or that the Commission's approval  
22 of the sale of those assets as requested is necessary as a matter of law."<sup>12</sup> Consistent

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<sup>12</sup> Amended Application, at 2.

1 with this position, the Applicants (including SharpVue) filed a notice of appeal  
2 seeking review by the North Carolina Court of Appeals of the Sub 21 Order on  
3 January 27, 2023.

4 **Q. WHAT DO YOU SEE AS THE RELEVANCE TO THIS PROCEEDING OF**  
5 **SHARPVUE’S “RESERVATION OF RIGHTS” AND APPEAL OF THE**  
6 **COMMISSION’S ORDER IN DOCKET NO. A-41, SUB 21?**

7 A. While I am not a lawyer and am not offering a legal opinion, from my regulatory  
8 perspective I find it substantively problematic that they would contest the  
9 Commission’s authority while at the same time they are seeking an order from the  
10 Commission which requires the exercise of that authority. Should the Commission  
11 move forward, notwithstanding the appeal, to avoid future disputes I think, as I  
12 stated earlier, that it is important that the Commission require SharpVue’s  
13 acquiescence to the Commission’s authority as regards the parking and barge  
14 operations, especially given the Commission’s conclusions that the parking and  
15 barge operations are “necessary components of a single, holistic transportation  
16 service.” Sub 21 Order, at 17.<sup>13</sup>

17 **Q. DO YOU HAVE ANY OTHER OBSERVATIONS ABOUT THE**  
18 **DIFFERENCES BETWEEN THE ORIGINAL AND AMENDED**  
19 **TRANSFER APPLICATION?**

20 A. Yes, I found it quite significant that SharpVue revised the Amended Application to

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<sup>13</sup> The Commission made multiple similar factual findings in the Sub 21 Order. *See, e.g.*, Sub 21 Order, at Findings of Fact 13, 15 (the parking facilities provide “the only means of public parking access” to the ferry and the public’s use of the parking is “derivative of” the public’s use of the ferry “and vice versa.”) and *id.*, at Finding of Fact 29 and p. 24 (recognizing the barge is the “the ‘lifeblood’” to the island) and p. 25 (“[w]ithout these [barge] services, the Ferry Operations would either have to provide the same or most public travel to the Island would cease”).



1 delete the prior commitment not to seek acquisition premium from ratepayers.  
2 Previously, SharpVue stated that “[BHIFT] is not seeking to recover any  
3 transaction costs or acquisition premium related to this transaction from  
4 passengers ....” *See* Application for Transfer of Common Carrier Certificate, at ¶  
5 37 (Jul. 14, 2022) (emphasis added). This commitment was repeated in Mr.  
6 Robert’s Direct Testimony: “Q. Will SharpVue seek to recover any transaction or  
7 acquisition premiums related to this transaction from passengers? A. No.” *See*  
8 Direct Testimony of Lee Roberts, at 7 lines 1-3 (Jul. 14, 2022). This commitment  
9 to not seek recovery of any acquisition premium has been excised from both the  
10 Amended Application and the Amended Direct Testimony of Mr. Roberts.<sup>14</sup>

11 **Q. WHAT CONCLUSION DO YOU DRAW FROM THIS OMISSION OF THE**  
12 **PLEDGE NOT TO SEEK TO RECOVER ACQUISITION PREMIUM?**

13 A. It was obviously intentional and it signals to me that SharpVue likely intends to  
14 seek to recover an acquisition premium from ferry passengers, barge passengers,  
15 and parking, either through future unregulated services rates (potentially parking  
16 and barge services) or in the next regulated services rate case.

17 **Q. IN MR. ROBERTS’ AMENDED DIRECT TESTIMONY (PAGE 7, LINES**  
18 **14-18) HE STATES THAT THERE WILL NOT BE A RATE INCREASE**  
19 **REQUEST AS A RESULT OF THIS PROPOSED TRANSACTION FOR**  
20 **ONE YEAR. DOES THIS ALLEVIATE YOUR CONCERN THAT**  
21 **SHARPVUE WILL NOT SEEK RECOVERY OF AN ACQUISITION**  
22 **PREMIUM IN A FUTURE RATE CASE?**

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<sup>14</sup> *See* Amended Application at ¶ 38; Amended Direct Testimony of Lee Roberts, at 7-8 lines 21-1.

1 A. No, that does not alleviate my concern in this matter. However, I believe Mr.  
2 Roberts can clarify this issue by making it clear that this statement includes no  
3 future efforts to recover an acquisition premium in any passenger ferry rates, barge  
4 operation's rates, or parking rates.

5 **Q. WHAT ARE YOUR CONCERNS REGARDING THE RECOVERY OF**  
6 **ACQUISITION PREMIUM?**

7 A. This is a huge issue. It has a potential significant adverse impact on ratepayers. In  
8 addition, I believe that SharpVue investors should be aware of the financial  
9 consequences of this issue and how it will likely be resolved if Commission  
10 precedent is any guide. Based on the evidence I have reviewed, it is apparent that  
11 the primary reason that Limited's prior effort to sell the system was unsuccessful  
12 (in that case, to the Bald Head Island Transportation Authority) was that Limited,  
13 acting through the Authority, was unable to justify the proposed transaction price,  
14 which greatly exceeded the tax valuation of the assets.

15 Specifically, regarding the Bald Head Island Authority proposed purchase,  
16 the Local Government Commission ("LGC"), the state agency entrusted with over-  
17 seeing local governing financing, indicated discomfort with two appraisals offered  
18 in support of the authority purchase (appraisals of \$50.9 million and \$48 million).  
19 Comments of the State Auditor, one of the members of the LGC, indicated she felt  
20 the two appraisals were higher than the actual value of the property. Attached as  
21 Exhibits JAW-2 and JAW-3 are letters from the State Auditor expressing those  
22 concerns with the two appraisals. Attached as Exhibit JAW-4 is a public statement  
23 of the State Treasurer explaining the LGC's decision declining to move forward on

1 the Authority financing application. Attached as Exhibit JAW-5 is a transcript of  
 2 an LGC discussion on the financing application at its November 2, 2021 meeting.  
 3 Also, attached as Exhibit JAW-6 is a citizen letter discussing valuation issues.  
 4 While the LGC discussion centered on the proposal of the Bald Head Island  
 5 Transportation Authority, (a) it is my understanding that the underlying valuations  
 6 relied on by the parties have not significantly changed, and (b) [BEGIN AEO  
 7 CONFIDENTIAL] [REDACTED]  
 8 [REDACTED]  
 9 [REDACTED]  
 10 [REDACTED] [END AEO CONFIDENTIAL]

11 **Q. WHAT IS THE CONCERN IF THE PRICE BEING PAID AND RELATED**  
 12 **VALUATIONS ARE “TOO HIGH”?**

13 A. The basic concern with the appraisals valuation being too high is that it could mean  
 14 that the debt service obligations might not be supported by the revenues generated  
 15 by the ferry, barge and parking operations. Consequently, I am curious whether  
 16 and how the income from the these operations can support the even higher purchase  
 17 price being proposed by SharpVue. In this regard I would caution that the  
 18 Commission should be aware of [BEGIN AEO CONFIDENTIAL] [REDACTED]  
 19 [REDACTED]

<sup>15</sup> [BEGIN AEO CONFIDENTIAL] [REDACTED]

[END AEO CONFIDENTIAL]

1 [REDACTED]  
 2 [REDACTED]  
 3 [REDACTED]  
 4 [REDACTED] [END AEO  
 5 CONFIDENTIAL]

6 **Q. DO WE KNOW THE MAGNITUDE OF THE ACQUISITION PREMIUM**  
 7 **AT ISSUE?**

8 A. Yes. This actual financial analysis is sponsored by Mr. O'Donnell and addressed  
 9 in his testimony, as supported by an Affidavit from Julie Perry. My review of his  
 10 testimony and data leads me to believe that SharpVue will potentially seek to  
 11 recover [BEGIN AEO CONFIDENTIAL] [REDACTED]  
 12 [REDACTED] [END AEO CONFIDENTIAL] In the context of these  
 13 assets, this would represent a significant wealth transfer which from ratepayers to  
 14 the private equity firm which the Commission should not allow.

15 **Q. DO YOU HAVE A RECOMMENDATION FOR THE COMMISSION ON**  
 16 **THIS ISSUE?**

17 A. Yes. Quite simply the Commission should not approve this transaction with this  
 18 issue left unresolved because doing so would be wrong to both the ferry system's  
 19 using and consuming public and wrong to SharpVue's investors. Consequently, I  
 20 believe the Commission's Order in this proceeding should state definitively that  
 21 (1) SharpVue will not be permitted to recover an acquisition premium for all the  
 22 assets being acquired (including parking and barge), (2) the Commission in this

---

<sup>16</sup> See forward looking rate assumptions in SharpVue Investment Opportunity, January, March, April, May and June, 2022.

1 Order is not evaluating or approving the purchase price, nor is the purchase price  
2 reflective of the rate base the Commission will use in a future rate proceeding, and  
3 (3) SharpVue should be required to acquiesce to the Commission's jurisdiction and  
4 authority for purposes of this requirement, as SharpVue should not be permitted to  
5 recover an acquisition premium from users of the passenger, barge, or parking  
6 operations even if the Courts find in their favor in the appeal case. This approach  
7 is consistent with the Commission's well-established approach in merger and  
8 transfer cases and is necessary to ensure that ratepayers are not harmed as a result  
9 of the transaction. Addressing this issue now will avoid what will otherwise be a  
10 contentious hearing on this issue in the future and it will also help SharpVue and  
11 its investors manage their expectations as regards going forward utility operations.  
12

#### 13 **IV. SHARPVUE'S PROPOSED CORPORATE STRUCTURE**

14 **Q. PLEASE DISCUSS SHARPVUE'S CORPORATE STRUCTURE AND THE**  
15 **RELATED TRANSACTIONS BEING PROPOSED.**

16 A. Figure 1 below provides an illustration of the historical Bald Head Island ferry  
17 services corporate structure as perceived by SharpVue prior to the Commission's  
18 Order in Docket No. A-41, Sub 21. This figure indicates that BHIT is the current  
19 holder of the NCUC Common Carrier Certificate, and, prior to the recent order in  
20 Docket A-41, Sub 21 (Dec. 30, 2022), both BHIL and SharpVue (and its various  
21 affiliates) claimed that only the assets held by BHIT were subject to this  
22 Commission's regulatory authority. In the recent Sub 21 Order, the Commission  
23 made clear, as shown in Figure 2, that all of the primary ferry related assets and

1 operations, including mainland parking and the barge services, were subject to this  
 2 Commission's regulatory authority (subject to SharpVue's recent appeal of this  
 3 Commission Order).

Figure 1: Corporate Structure Prior to Commission's Order in A-41, Sub 21

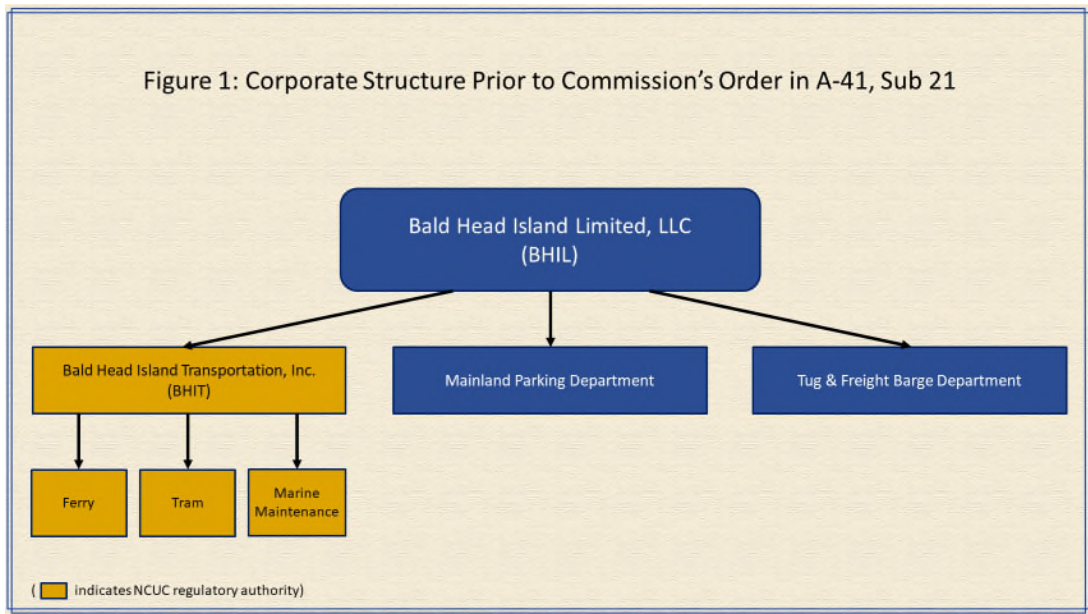


Figure 2: Corporate Structure After Commission's Order in A-41, Sub 21

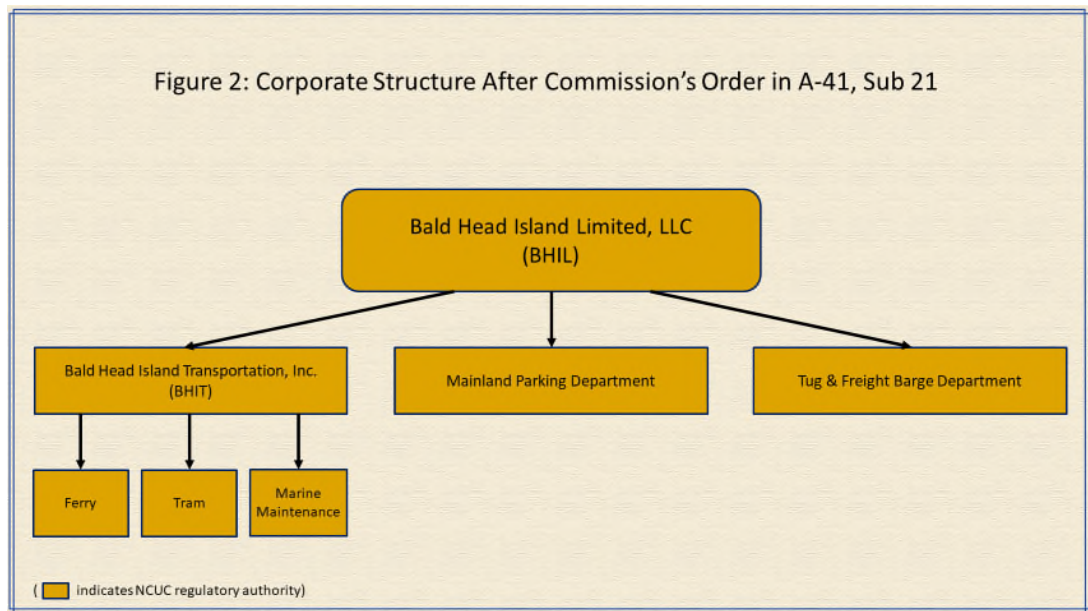
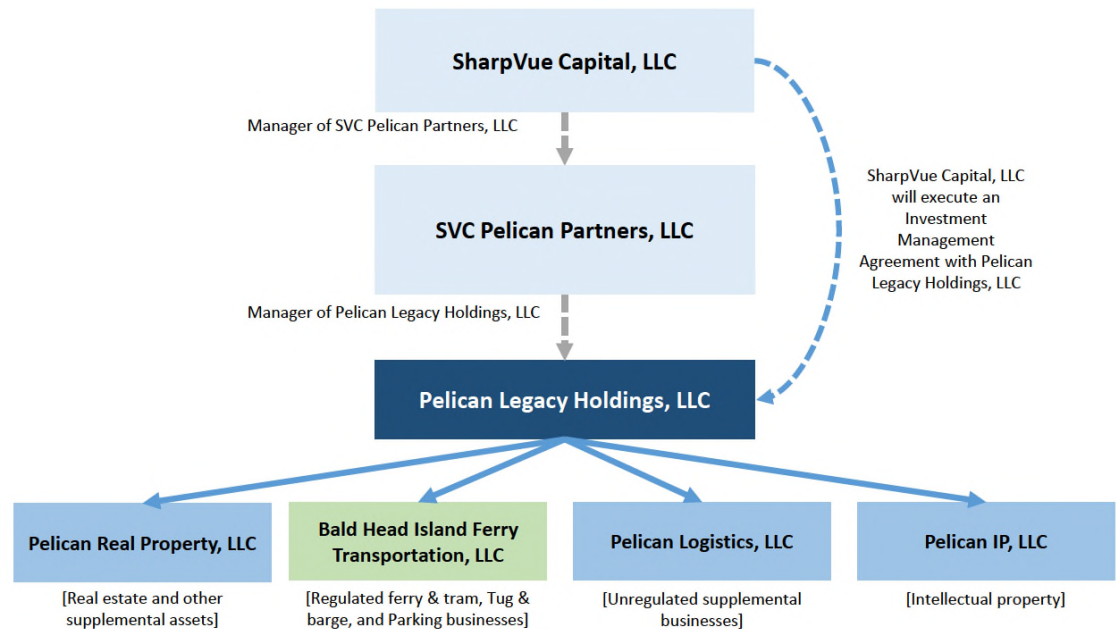


Figure 3 illustrates SharpVue and its related affiliate's current corporate structure associated with the proposed BHIL transaction.

**FIGURE 3:**

**Proposed Organizational Structure**

Exhibit B to the Amended Application under Sub 22 as of 2/16/2023



**Q. PLEASE DESCRIBE THE VARIOUS AFFILIATE OWNERSHIP AND MANAGEMENT ARRANGEMENTS, AS YOU UNDERSTAND THEM, THAT WOULD RESULT FROM THE SHARPVUE TRANSACTION.**

**A.** As illustrated in Figure 3, and based on the filings made by SharpVue, these various SharpVue affiliates ownership and management relationships are:

**[BEING AEO CONFIDENTIAL]**

- [REDACTED]
- [REDACTED]



1 [REDACTED]

2 [REDACTED]

3 [REDACTED]

4 [REDACTED]

5 [REDACTED]

6 [REDACTED]

7 • [REDACTED]

8 [REDACTED]

9 [REDACTED]

10 [REDACTED]

11 [REDACTED]

12 • [REDACTED]

13 [REDACTED]

14 [REDACTED]

15 [REDACTED]

16 [REDACTED]

17 [REDACTED]

18 [REDACTED]

<sup>17</sup> SharpVue Responses to Public Staff Data Request 3-1 to SharpVue; SharpVue Responses to Public Staff Second Data Requests to BHIFT, at DR 2-5.

<sup>18</sup> SharpVue Responses to Public Staff Data Request 3-1 to SharpVue.

<sup>19</sup> SharpVue Supplemental Responses to Second Data Requests to BHIFT, at DR 2-2.

<sup>20</sup> Operating Agreement of Pelican Legacy Holding, at Exhibit D (SHARPVUE-0878).

<sup>21</sup> Operating Agreement of Pelican Legacy Holdings, LLC, at § 1.01 (SHARPVUE-0838).

<sup>22</sup> Operating Agreement of Pelican Legacy Holdings, LLC, at § 5.02(a), (SHARPVUE-0853).

<sup>23</sup> See Amended Application, at ¶ 17.

<sup>24</sup> SharpVue Responses to Public Staff Second Data Requests to BHIFT, at DR 2-9.



1 [REDACTED] [REDACTED]  
 2 [REDACTED]  
 3 [REDACTED]  
 4 • [REDACTED]  
 5 [REDACTED]  
 6 [REDACTED]  
 7     ▪ [REDACTED]  
 8     ▪ [REDACTED]  
 9     ▪ [REDACTED]  
 10    ▪ [REDACTED]  
 11    ▪ [REDACTED]  
 12     [REDACTED]  
 13 • [REDACTED]  
 14 [REDACTED]  
 15 [REDACTED]  
 16     ▪ [REDACTED]  
 17     ▪ [REDACTED]  
 18     ▪ [REDACTED]

<sup>25</sup> SharpVue Responses to Public Staff Second Data Requests to BHIFT, at DR 2-6.

<sup>26</sup> Amended Application, at ¶ 16; Amended Direct Testimony of Lee Roberts, at 3:16-19.

<sup>27</sup> SharpVue Responses to Village Fifth Data Requests, at DR 5-5.

<sup>28</sup> It is not clear at all from SharpVue's Amended Application and discovery responses exactly what parking assets will be owned by BHIFT or what BHIFT's role in operating the parking facilities will be. It does seem clear that BHIFT will not own the parking real estate itself.

<sup>29</sup> SharpVue Responses to Village Fifth Data Requests, at DR 5-3(d).

- 1                               ▪ [REDACTED]
- 2                               • [REDACTED]
- 3                               [REDACTED]
- 4                               [REDACTED]
- 5                               [REDACTED]
- 6                               [REDACTED]
- 7                               [REDACTED]
- 8                               • [REDACTED]
- 9                               [REDACTED]
- 10                              [REDACTED]
- 11                              [REDACTED]
- 12                              [REDACTED]
- 13                              [REDACTED]
- 14                              [REDACTED]
- 15                              [REDACTED]
- 16                              [REDACTED]
- 17                              [REDACTED]

<sup>30</sup> [AEO CONFIDENTIAL]

[AEO CONFIDENTIAL]

<sup>31</sup> SharpVue Responses to Public Staff Seventh Data Requests to BHIFT, at DR 7-3.

[END AEO CONFIDENTIAL]

**Q. WHAT DO YOU SEE AS THE MOST IMPORTANT ISSUES WITH SHARPVUE'S PROPOSED AFFILIATE RELATIONSHIP'S AND ASSET OWNERSHIP.**

A. There are two things that stand out to me. First, the multiple affiliates and the related overlapping management illustrate a need, if the certificate transfer is approved, for the Commission to require various affiliate transaction conditions. The second, and one of the more troubling aspects of SharpVue's proposal, is that it is proposing that the only regulated assets owned by BHIFT are the ferry boats, the tug and barge boats, the island tram, and I assume the parking operation's ticket machine and parking gate.

None of the underlying real estate of the parking facilities, none of the real estate at either ferry terminal, neither of the ferry terminal buildings, and no other ferry operations buildings or other assets, are owned by the proposed regulated affiliate! As I discuss later, I find this proposed asset ownership quite troubling and believe the Commission may wish to deny the proposed certificate transfer under the proposed asset ownership structure in the absence of a demonstration of positive ratepayer benefits. In addition, as I discuss later, this proposed asset ownership is also problematic to me as it relates to the pledging of assets and to the establishment of a future rate base.

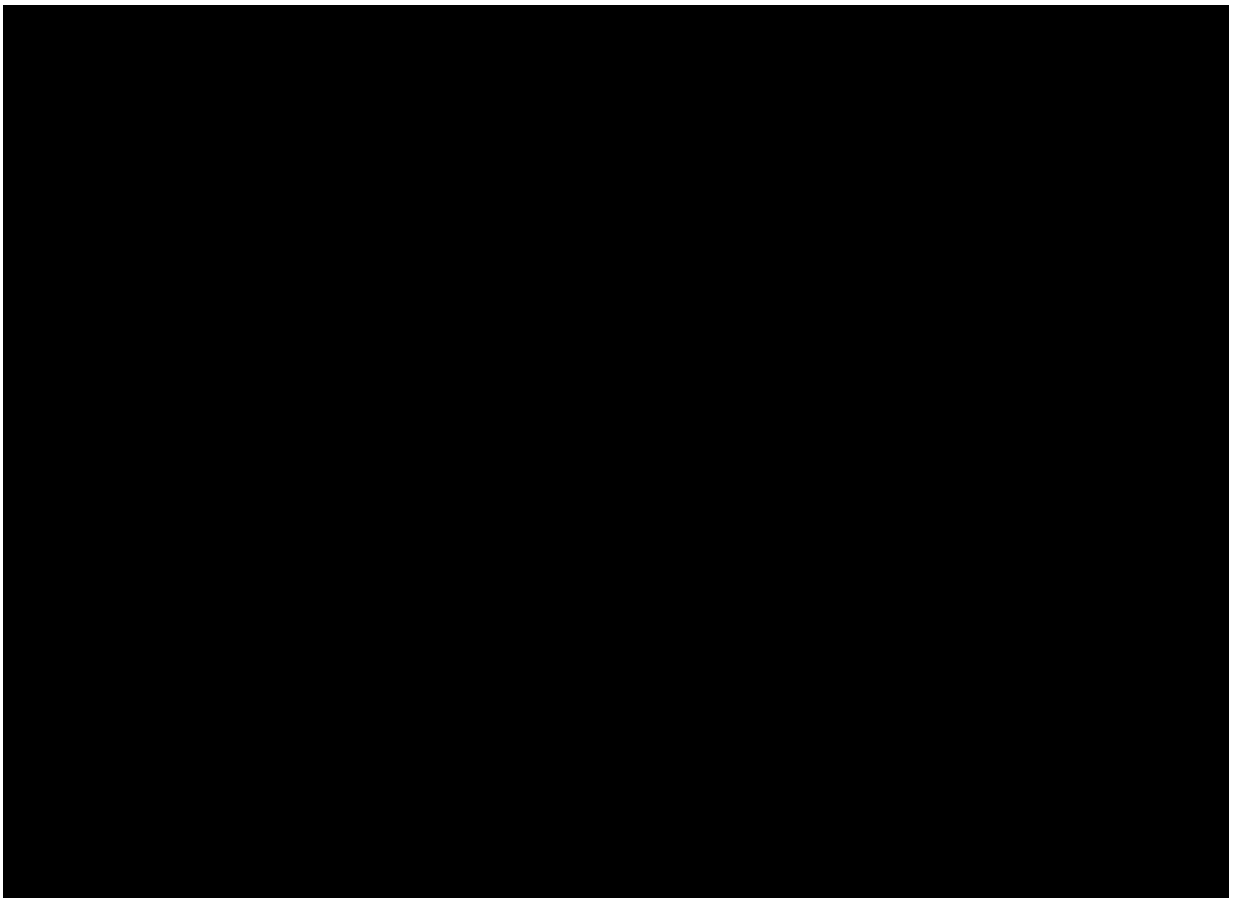
**Q. HAVE YOU REVIEWED RECENT DISCOVERY RESPONSES THAT**

1           **SUGGEST THAT THE CORPORATE STRUCTURE IS EVEN MORE**  
 2           **COMPLICATED THAN YOU HAVE DESCRIBED?**

3       A.     Yes.   We received additional information pursuant to Commission order on two  
 4           day ago. Copied below is the new organization charge which provides additional  
 5           layers of complexity that had not been disclosed previously

**[BEGIN AEO CONFIDENTIAL]**

**Figure 4**



6           **[END AEO CONFIDENTIAL]**

7           As illustrated by the multiple and overlapping arrows in this diagram, unraveling  
 8           the manner in which Pelican Legacy Holdings, LLC and its subsidiaries will be  
 9           controlled and managed is somewhat complex and will require thorough and

1 cooperative (with the Commission and Public Staff) affiliate relationship  
2 transaction and accounting practices. This type of arrangement may be customary  
3 in private equity deals, but it complicates the task before the Commission in  
4 ensuring that appropriate regulatory controls are in place.

5 **Q. WHY IS SHARPVUE'S CORPORATE STRUCTURE IMPORTANT TO**  
6 **THE TRANSACTION BEING PROPOSED?**

7 A. It is critical that the Commission have a clear understanding of who will own and  
8 control the regulated operations. The Commission has emphasized in a prior  
9 transfer involving a private equity firm that it

10 . . . strives to do all that it can to maintain the stability of the public  
11 utilities that the Commission regulates. To that end, **the**  
12 **Commission needs to know who is in control of the operations**  
13 **of each utility.** Further, the Commission needs to ensure as much as  
14 possible that each utility has **stability in its management and in**  
15 **the people who are making the operations decisions.** One  
16 situation the Commission wants to avoid is having the control of a  
17 utility passed to a new parent company on a frequent basis merely  
18 because an opportunity for selling the utility comes along.<sup>32</sup>  
19

20 In that proceeding, the Commission was expressing a particular concern that the  
21 proposed ownership of the upstream owner had changed hands *while the transfer*  
22 *proceeding was pending*, causing the Commission to observe: **“To say the least,**  
23 **this has not given the Commission any comfort about the future stability of**  
24 **Frontier’s ownership if the Commission should give its approval for Frontier**  
25 **to be owned by an equity investor.”** (*Id.*) (emphasis added) As the  
26 Frontier/Blackrock situation illustrated, assessing ownership and control is much  
27 more difficult in the private equity setting where asset ownership is disbursed,

---

<sup>32</sup> Frontier Natural Gas, *Order Joining Necessary Party and Requiring Additional Verified Information*, Docket No. G-40, Sub 136, at 6-7 (July 11, 2017) (emphasis added).

1 management and ownership is separated, multiple affiliate relationships are  
2 envisioned, and the entire structure is often intended to facilitate future transactions.

3 **Q. WHAT OTHER OBSERVATIONS WOULD YOU MAKE ABOUT**  
4 **OWNERSHIP AND MANAGEMENT AS PROPOSED BY SHARPVUE?**

5 A. As shown in Figure 3 and Figure 4, the proposed SharpVue corporate structure has  
6 several levels of management, several different affiliates that own different parts of  
7 the regulated and unregulated assets, and several different affiliates that provide  
8 management services and other services to the tariff-regulated ferry operations.  
9 Notwithstanding my earlier concerns about the proposed regulated and unregulated  
10 asset ownership, given this proposed corporate and management structure, it is  
11 important for the parties to understand which of SharpVue's various affiliates are  
12 subject to the Commission's regulatory authority and how that regulatory authority  
13 should be exercised.

14

15 **V. SHARPVUE'S AFFILIATE RELATIONSHIPS**  
16 **AND RELATED REGULATORY OVERSIGHT**

17 **Q. WHAT IS THE BASIS OF YOUR CONCERNS REGARDING THE**  
18 **PROPOSED AFFILIATE TRANSACTIONS?**

19 A. The SharpVue proposed corporate structure involves several entities who each own  
20 different parts of the overall Bald Head Island ferry services. In addition, there are  
21 management agreements between the various affiliates and there have historically  
22 been, and will continue to be, various operations that will provide unregulated  
23 services to the regulated entities, such as ferry and barge maintenance (the  
24 maintenance operations are unregulated). Because of this intermingling of

1 regulated and unregulated services and the charging of fees to the regulated entities  
2 by the unregulated entities, this creates the need for additional affiliate relationship  
3 regulatory oversight. This Commission has often cited a concern for these types of  
4 regulated and unregulated relationships. For example, in the Commission's Order  
5 approving the Duke Energy Corporation merger with Cinergy Corporation, the  
6 approval order stated that the "[k]nown and potential costs and risks of the Merger  
7 to ratepayers include.... potential adverse effects on Duke Power of transactions  
8 within the holding company family and the resulting need for increased regulatory  
9 oversight of such transactions, the potential for Duke Power to unreasonably favor  
10 its unregulated affiliates over non-affiliated suppliers of goods and services, ...."<sup>33</sup>

11 Simply put, the overriding concern is that unregulated affiliates might  
12 provide services to the regulated entity that are too costly or unnecessary, and  
13 potentially lead to unwarranted increases in the regulated rates. I would add that  
14 SharpVue witness Mayfield acknowledged this same concern stating in her Direct  
15 Testimony in the Sub 21 proceeding, "Financial transparency allows the  
16 Commission to ensure that a regulated utility does not, for instance, divert revenue  
17 to an unregulated entity that would artificially reduce the utility's revenue or absorb  
18 expenses not specifically used in the regulated activity and perhaps bolster a case  
19 for higher than justified rates."<sup>34</sup>

20 **Q. HOW HAS THIS COMMISSION TRADITIONALLY REGULATED**  
21 **AFFILIATE TRANSACTIONS?**

---

<sup>33</sup> Order in Docket No. E-7, Sub 795, March 24, 2006, at p. 7 ¶ 14.

<sup>34</sup> Mayfield Direct Testimony, Docket No. A-41 Sub 21, Sept 8, 2022, pp. 2-4, lines 19-22:1-4.

1 A. Affiliate transactions are usually governed and accounted for under a document  
2 often called a Code of Conduct, which contains rules, procedures, and filing  
3 requirements that govern the various affiliate interactions and transactions. This  
4 Commission has required affiliate Codes of Conduct be filed as a condition of  
5 regulatory approval of many types of utility filings including, but not limited to  
6 utility mergers, utility holding Company organizations, utility reorganizations, and  
7 utilities initiating new unregulated business operations.

8 Q. **WHAT RULES, PROCEDURES AND FILING REQUIREMENTS WOULD**  
9 **YOU RECOMMEND THIS COMMISSION ADOPT AS A REGULATORY**  
10 **CONDITION FOR APPROVAL OF THIS CERTIFICATE TRANSFER?**

11 A. Based on the fact that this Commission has required affiliate Codes of Conduct for  
12 numerous utilities and affiliate operations, I believe the basic issues and related  
13 procedures found in the aforementioned Duke/Cinergy merger Code of Conduct  
14 found in Dockets E-2, Sub 998, E-22, Sub 551 (or in other Codes of Conduct)  
15 provide a reasonable guide, subject to the elimination of those procedures not  
16 applicable to this certificate transfer filing. These procedures and requirements  
17 include, but are not limited to, the following on all SharpVue affiliates:

- 18       ▪ G.S. § 62-51 - allowing inspection of books and records.
- 19       ▪ G.S. § 62-153 - requiring the filing, with this Commission, the various  
20       contracts for services between affiliates.
- 21       ▪ G.S. § 62-160 - related to security regulation and the ability to pledge assets.
- 22       ▪ Maintenance of separate accounting books and records for each affiliate.
- 23       ▪ Nondiscrimination in that affiliates will not unduly discriminate against  
24       services offered by non-affiliates.



- 1           ▪ Restrictions related to the provision of goods and services, transfer pricing,  
2           and cost allocation between a non-tariff regulated affiliate and a tariff-  
3           regulated affiliate (tariff regulated in this context includes the provision of  
4           parking, passenger ferry, tram and barge operations).
- 5           ▪ Any costs for services provided to a tariff-regulated entity shall be at the  
6           lower of market price or affiliate cost.
- 7           ▪ Any provision of services from a tariff-regulated affiliate to another affiliate  
8           shall be at the higher of market price or tariff-regulated affiliate cost.
- 9           ▪ Shared costs, including those related to management and joint purchases,  
10          between affiliates shall be distributed on a reasonable and justifiable basis.

11   **Q.   DO YOU HAVE ANY OTHER CONCERNS RELATED TO THE**  
12   **AFFILIATE FINANCIAL RELATIONSHIPS BEING PROPOSED IN THIS**  
13   **PROCEEDING?**

14   A.   Yes. I recognize the Commission has approved, through stipulation, the current  
15   affiliate financial relationship between BHIT and BHIL. This includes BHIT  
16   paying the parent company BHIL a lease for certain facilities required for the  
17   operation of the ferry business [BEGIN CONFIDENTIAL] [REDACTED] [END  
18   CONFIDENTIAL] per year.<sup>35</sup> However, it is not apparent to me how the  
19   separation of these critical assets makes regulatory sense post-transaction, and there  
20   are also one or more management contracts between SharpVue's various affiliates  
21   that are being proposed in this proceeding which may duplicate services provided  
22   under the existing lease arrangements. Further, at this time it is unclear to me  
23   whether and how these existing financial relationships have been examined and  
24   placed into the regulated ferry services rates.

---

<sup>35</sup> James Leonard Direct Testimony, Docket No. A-41 Sub 21, Sept 8, 2022, at Exhibit B pp. 64-65.

1           Should the Commission move forward in this docket, I recommend the  
2 Commission's Order include language that (1) notifies SharpVue and its affiliates  
3 that any proposed change to the current ferry and parking regulated tariffs could  
4 trigger an investigation of and a report related to justification for these current  
5 affiliate costs, and (2) clearly indicates that the level of these current affiliate related  
6 costs are not being approved in this Order and that these costs will be examined and  
7 adjudicated in the ferry system's next filed rate case, and these costs may be found  
8 to be unjustified and unrecoverable in regulated ferry or parking rates in this future  
9 rate proceeding.  
10

11           **VI. THE COMMISSION'S REGULATORY AUTHORITY**

12   **Q. DOES THIS COMMISSION HAVE THE AUTHORITY TO DECLARE**  
13   **SHARPVUE AND ITS AFFILIATES INVOLVED IN THIS TRANSACTION**  
14   **PUBLIC UTILITIES?**

15   A. Yes. To explain, refer to Figure 2 which illustrates the current corporate structure  
16 of the Bald Head Island ferry transportation services. Note in the current (not  
17 SharpVue proposed) corporate structure that BHIL is the parent corporation of all  
18 the ferry transportation operations. Under the BHIL corporate ownership umbrella  
19 is BHIT which owns the ferry, tram, and marine maintenance operations. BHIL  
20 owns the mainland parking and the barge operations. The Commission's Order in  
21 Docket No. A-41, Sub 21, noted that "BHIL [the parent company of BHIT] was a  
22 public utility under Chapter 62 because it was the parent corporation of BHIT and  
23 BHIL's operations would have an impact on BHIT's rates or services." This

1 reasoning is based on the clear language of G.S. § 62-3(23)c which states “The  
2 term ‘public utility’ shall include all persons affiliated through stock ownership  
3 with a public utility doing business in this State as parent corporation or subsidiary  
4 corporation to such an extent that the Commission shall find that such affiliation  
5 has an effect on the rates or service of such public utility.”

6 In a similar vein, SharpVue’s proposed corporate structure indicates both  
7 various levels of corporate entities that either have a stock ownership interest in or  
8 management contracts with BHIFT, the regulated ferry operations. These  
9 relationships include the provision of various services and the payment of fees from  
10 the regulated ferry operations to the heretofore unregulated BHIFT affiliates, and  
11 these various payments will impact the rates and services of BHIFT’s ferry  
12 operations. Consequently, based on both stock ownership and on the impact on  
13 regulated rates, as it did with BHIT and BHIL, this Commission should declare that  
14 BHIFT, SharpVue Capital, LLC, Pelican Legacy Holdings, LLC, SVC Pelican  
15 Partners, LLC, Pelican IP, LLC, Pelican Logistics, LLC, and Pelican Real  
16 Properties, LLC are public utilities under North Carolina G.S. Chapter 62.

17 **Q. IF THE COMMISSION DECLARES SHARPVUE AND ALL OR SOME OF**  
18 **ITS AFFILIATES AS PUBLIC UTILITIES, DOES THIS MEAN THE**  
19 **COMMISSION MUST REGULATE THEIR SERVICES AND FESS?**

20 **A.** No. Just as it does with holding company affiliates of regulated electric utilities, it  
21 simply means that the books and records of transactions between BHIFT and its  
22 related SharpVue affiliates are open to inspection by this Commission and that the  
23 various affiliate costs charged to BHIFT may be disallowed in future rates.

**VII. SHARPVUE'S PROPOSED ASSET OWNERSHIP STRUCTURE  
AND ITS PROPOSAL TO PLEDGE REGULATED  
ASSETS TOWARD FINANCING ITS PROPOSED ACQUISITION**

**Q. PLEASE PROVIDE A BRIEF OVERVIEW OF THE PROPOSAL BY SHARPVUE TO PLEDGE THE ASSETS AND BORROW/ISSUE DEBT.**

A. It is my understanding that under the terms of the Asset Purchase Agreement SharpVue is proposing to pay \$67.2 million to acquire all of the assets of BHIT and a portion of the remaining assets of BHIL, which include both the assets associated with ferry operations, tram operations, parking facilities, and barge, as well as other assets. To support this transaction SharpVue is seeking approval to pledge assets and borrow/issue debt secured by the ferry and tram assets as may be necessary to finance the transaction described herein.<sup>36</sup>

**Q. DO YOU HAVE ANY CONCERNS REGARDING HOW SHARPVUE IS PROPOSING TO PLEDGE ASSETS AND THE RELATED OWNERSHIP OF THESE FERRY RELATED ASSETS?**

A. Yes. As I discussed earlier, SharpVue is proposing that the unregulated affiliate, Pelican Real Property, LLC, will own both ferry terminal buildings and the associated real estate, the parking facility real estate, and all other real estate and building assets labeled as supplemental assets. This is an unusual regulatory relationship, where the underlying real estate and structures that support the regulated operations are not owned by the entity with the regulated operations. Based on this proposed asset ownership alone, I believe the Commission may wish

---

<sup>36</sup> Amended Application, ¶ 19.

1 to deny transfer of the certificate in the absence of an affirmative demonstration of  
 2 ratepayer benefit. **[BEGIN AEO CONFIDENTIAL]** [REDACTED]  
 3 [REDACTED]  
 4 [REDACTED]  
 5 [REDACTED]  
 6 [REDACTED] [REDACTED]  
 7 [REDACTED] **[END AEO**  
 8 **CONFIDENTIAL]**

9 Consequently, the Commission's Order, if this ownership proposal goes  
 10 forward, should indicate (1) that the utility-related real estate (i.e., parking) and  
 11 terminal buildings assets cannot be sold or leased absent Commission approval,  
 12 (2) that any financial arrangements made between parties owning or leasing these  
 13 real estate and terminal buildings assets cannot be assumed or payments made by  
 14 the regulated operations be assumed absent Commission approval of said  
 15 payments, and (3) based on both ownership and on the impact on regulated rates,  
 16 as it did with BHIT and BHIL, this Commission should indicate that in any sale or  
 17 lease of these assets the purchaser or leasing party shall be declared a public utility  
 18 and subject this Commission's authority under G.S. Chapter 62.

19 **Q. DO YOU HAVE ANY ADDITIONAL CONCERNS WITH SHARPVUE'S**  
 20 **PROPOSAL TO PLEDGE ASSETS TO SUPPORT THE PROPOSED**

<sup>37</sup> **[BEGIN AEO CONFIDENTIAL]** [REDACTED]

**[END AEO CONFIDENTIAL]**

1           **TRANSACTION?**

2       A.     Yes. I would observe that SharpVue has not specifically identified the assets which  
3           it is proposing to encumber for the proposed financing. In the absence of this  
4           information, I question whether the Commission is in a position to make a  
5           determination on the request for approval to pledge regulated assets – particularly  
6           for an acquisition that involves a mix of “regulated” and “unregulated” assets.

7                     In any event, to the extent that SharpVue is proposing to pledge only  
8           regulated assets in support of a transaction which includes a mix of regulated and  
9           unregulated assets, I believe that would be contrary to Commission and public  
10          policy. Moreover, I believe the “unregulated” assets – like real estate intended for  
11          development – likely have a significant value and that they reflect a significant part  
12          of the overall purchase price. Furthermore, I do not believe it is consistent with  
13          public policy for this Commission to allow the pledging of public utility property  
14          to support the purchase of assets that are not owned or controlled by that public  
15          utility – even if related to the operation of utility.

16   **Q.     WHAT WOULD YOU RECOMMEND REGARDING THE PLEDGING OF**  
17       **ASSETS TO SUPPORT THE PROPOSED \$67.2 MILLION**  
18       **TRANSACTION?**

19   A.     I believe there are two possible alternatives. First, and the best option, would be  
20          for all the transportation assets, except the supplemental assets, be defined as tariff-  
21          regulated public utility property. In such an arrangement, the tariff-regulated  
22          transportation assets could be pledged to support only those costs related to a  
23          purchase of the tariff-regulated transportation assets and the other supplemental

1 assets could be pledged to support that part of the transaction related to a purchase  
2 of non-transportation assets. This would require an appraisal of these two asset  
3 bases and an amendment to the purchase agreement specifying this amended asset  
4 pledge.

5 A second alternative would be for all the assets being purchased, including  
6 the real estate assets, supplemental assets, and transportation assets be equally  
7 pledged to support the proposed transaction. I would add that these two options are  
8 also based on an assumption that the lienholder pledge is only to support the  
9 proposed \$42 million in debt cost of the total \$67 million purchase price. In  
10 addition, as I previously stated, the Commission's Order should make clear this  
11 does not mean that it is approving the purchase price or the amount of debt in this  
12 transaction.

13  
14 **VIII. OTHER CONCERNS WITH THE PROPOSED TRANSACTION**

15 **Q. DO YOU HAVE ANY OTHER CONCERNS RELATED TO THIS**  
16 **PROCEEDING?**

17 **A.** Yes. I have the following additional concerns to mention before I conclude:

- 18 • Currently, as all utilities do, the passenger ferry files certain reports and its  
19 tariffs with the Commission. I would recommend that these filings be  
20 required of both the parking and barge operations in the future.
- 21 • The Amended Application and supporting testimony does not sufficiently  
22 address customer service quality issues. Based on the evidence surfaced in  
23 Docket No. A-41, Sub 21 and the initial testimony submitted by the Village

1 in this proceeding there have been expressed concerns about significant  
2 service issues which should be addressed in the context of a change in  
3 ownership. I do not believe these concerns can be properly addressed in  
4 this proceeding, but I do believe that the Public Staff should be called upon  
5 in the Order in this proceeding to initiate a study investigating these, and  
6 any other, service quality issues.

7 **Q. DOES THE VILLAGE UNDERSTAND THAT IF THE APPLICANTS ARE**  
8 **REQUIRED TO UPGRADE SERVICES, SUCH AS IMPROVEMENTS TO**  
9 **THE ISLAND FERRY TERMINAL, THAT THE COSTS MUST BE BORNE**  
10 **BY FERRY RIDERS?**

11 A. Yes, but that would initiate a rate proceeding which at that time should include a  
12 consideration of all the ferry services' revenues and costs, including parking and  
13 barge services.

14

15 **IX. CONCLUSION**

16 **Q. PLEASE LIST YOUR RECOMMENDATIONS.**

17 A. I believe that SharpVue has failed to meet its burden of proof that the proposed  
18 certificate transfer is in the public interest and, for this reason alone, the proposed  
19 certificate transfer should be denied. In addition, I believe SharpVue's proposed  
20 regulated and unregulated asset ownership is not in the public interest and this is  
21 another reason the Commission may wish to deny the certificate transfer  
22 application.



1           However, should the Commission approve the certificate transfer I  
2       recommend the Commission's Order include the following statements and  
3       conditions:

- 4       • Require SharpVue's express acquiescence to and acceptance of the  
5       Commission's jurisdiction and authority over parking and barge (and other  
6       ancillary assets).
- 7       • Make clear that SharpVue will not be permitted to recover acquisition premium  
8       in any future rate proceeding.
- 9       • Make clear that the Commission in this Order is not evaluating or approving  
10      the purchase price, nor is the purchase price reflective of the rate base the  
11      Commission will use in a future rate proceeding.
- 12      • Require that SharpVue file an affiliate Code of Conduct that covers each of its  
13      affiliates that supply services or collect fees from the regulated passenger ferry,  
14      parking and barge operations.
- 15      • Notify SharpVue and its affiliates that any proposed change to the current ferry  
16      and parking regulated tariffs would require a rate proceeding and could trigger  
17      an investigation of and a report related to justification for the current or  
18      proposed affiliate costs.
- 19      • Indicate that the level of these current affiliate related costs are not being  
20      approved in this Order and that these costs will be examined and adjudicated in  
21      the ferry system's next filed rate case and that these costs may be found to be  
22      unjustified and unrecoverable in regulated ferry or parking rates in this future  
23      rate proceeding.

- 1 • Declare that BHIFT, SharpVue, and all SharpVue's affiliates (specifically
- 2 Pelican Legacy Holdings, LLC, SVC Pelican Partners, LLC, Pelican IP, LLC,
- 3 Pelican Logistics, LLC, and Pelican Real Properties, LLC) in this transaction
- 4 are public utilities under North Carolina G.S. Chapter 62.
- 5 • That the real estate and terminal buildings assets cannot be sold or leased absent
- 6 Commission approval.
- 7 • That any financial arrangements made between parties owning or leasing the
- 8 real estate and terminal buildings assets cannot be assumed or payments made
- 9 by the regulated operations be assumed absent Commission approval of said
- 10 payments.
- 11 • In any sale or lease of the parking, passenger ferry, and barge assets the
- 12 purchaser or leasing party shall be declared a public utility and subject this
- 13 Commission's authority under G.S. Chapter 62.
- 14 • That the Commission only allow the pledging of assets as lien collateral under
- 15 the conditions discussed in this testimony.
- 16 • Require SharpVue to file with the Commission tariffs and other data and
- 17 reports required now of the passenger ferry system.
- 18 • Have the Public Staff or its representative initiate a study investigating the ferry
- 19 system service quality issues.

20 **Q. DOES THIS COMPLETE YOUR DIRECT TESTIMONY?**

21 A. Yes.



**INDEX TO EXHIBITS**

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JAW-4	Public Statement of State Treasurer Dated December 2, 2021
JAW-5	LGC Meeting Transcript – Excerpt of Meeting on November 11, 2021
JAW-6	Citizen Letter to State Treasurer and State Auditor Dated August 3, 2021
JAW-7	BHIL and BHIT Responses to Village's Third Data Requests
JAW-8	SharpVue Responses to Village Second Data Requests
JAW-9	SharpVue Responses to Village Third Data Requests (CONFIDENTIAL)
JAW-10	SharpVue Responses to Village Fourth Data Requests (CONFIDENTIAL)
JAW-11	SharpVue Responses to Village Fifth Data Requests (CONFIDENTIAL)



# **Exhibit JAW-1**

## **Resume of Julius A. Wright, Ph.D.**



Julius A. “Chip” Wright is the President of  
J. A. Wright and Associates, LLC  
6 Overlook Way  
Cartersville, GA 30121  
770-365-1872  
[jawright@mindspring.com](mailto:jawright@mindspring.com).

### Experience Overview

Prior to starting his firm, Dr. Wright was a Client Partner for AT&T Solutions Utilities and Energy Practice and before that a Principal in EDS’ Management Consulting Services. Dr. Wright has been consulting electric gas, and telephone utilities on regulation, economics, rates, production modeling and strategic planning for the past three years. Prior to this Dr. Wright served an eight-year term as a Utility Commissioner for the state of North Carolina. Prior to that he served three terms in the North Carolina State Senate while he was a senior project engineer for Corning Glass Works on their optical wave guide project in Wilmington, North Carolina. He has a total of 14 years’ government-related experience, 12 years’ chemical plant-related engineering experience, and he has established two companies.

Dr. Wright, beginning in 2020, is also an Adjunct Professor at Emory University in Atlanta GA. providing lectures and graduate level student assistance related to economic and public policy issues. In addition, (2011) he was a Visiting Professor at the University of the Virgin Islands teaching sophomore courses in both Macro and Micro Economics.

While serving on the North Carolina Utility Commission, he served four years on the National Association of Regulatory Utility Commissioners (NARUC) Electricity Committee. He has served in various other advisory capacities, including the Keystone

Committee on Externalities; the North Carolina Radiation Protection Committee, and on an Oversight Committee for a joint North Carolina/New York/ Department of Energy (DOE) project.

Dr. Wright has also served on the Southern States Energy Board Task Force on Restructuring the Electric Utility Industry.

### Regulatory Policy Issues, Prudence Reviews and Regulatory Studies

- Presented a report to the Louisiana Public Service Commission related to why that state should not adopt retail electric competition, Docket No. R-35462, Dec. 15, 2022
- Presented direct and rebuttal testimony supporting the Village of Bald Head Island related to that islands ferry transportation services and those services being declared a utility to be regulated by the North Carolina Utility Commission. The Commission’s Order in this proceeding found in favor of the positions I took in the case. NCUC, August, Sept. 2022, Docket No. A-41, Sub 21.
- Presented a report to the US District Court, Western Division of North Carolina, in support of Duke Energy’s response to a lawsuit claiming that Duke had violated the



FERC's policies related to wholesale market contracts. The court sided with Duke in this lawsuit. Civil Action No. 3:19-cv-515-KDB-DSC, Feb. 18, 2002.

- Presented testimony to the South Carolina Utility Commission in support of Duke Energy Carolina's and Duke Energy Progress' filings related to the appropriate tariff design and economic issues related to solar and net metering tariffs, November 2020, Docket No. 2019-182-E.
- Regulatory Policy: Presented testimony to the South Carolina Utility Commission in support of Duke Energy Progress' efforts to recovery coal ash remediation costs the Company incurred in response to new coal ash disposal costs, Docket No. 2018-318-E.
- Presented testimony and rebuttal testimony to the North Carolina Utility Commission in support of Duke Energy Carolinas' efforts to recovery coal ash remediation costs the Company incurred in response to new coal ash disposal costs, Feb., 2017, Docket No. E-7, Sub 1146.
- Presented testimony and rebuttal testimony to the North Carolina Utility Commission in support of Duke Energy Progress' efforts to recovery coal ash remediation costs the Company incurred in response to new coal ash disposal costs, June and November, 2017, Docket No. E-2, Sub 1146.
- Provided testimony and rebuttal testimony on behalf of Duke Energy Carolinas in North Carolina related to the appropriate regulatory policy with respect to the recovery of coal ash remediation costs. Docket No. E-7, Sub 1146, August 25, 2017.
- Provided testimony and rebuttal testimony on behalf of Duke Energy Progress in North Carolina related to the appropriate regulatory policy with respect to the recovery of coal ash remediation costs. Docket No. E-2, Sub 1142, June 1, 2017.
- Provided Testimony on behalf of Dominion Energy North Carolina related to the appropriate regulatory policy related to the Commission's rule regarding the use of the Company's nuclear capacity factor compared to national averages as a way to determine the prudence of nuclear operations in a fuel cost recovery proceeding, Docket No. E-22, Sub 546, October 2017.
- Prudence review: report for Georgia Power Company regarding the prudence of Plant Vogtle new nuclear construction costs, "*The South Carolina Public Service Commission's Prudence Reviews of Summer Units 2 and 3 as Persuasive Precedent for the Georgia Public Service Commission's Regulatory Treatment of Vogtle Units 3 and 4,*" April 5, 2016, Georgia Public Service Commission, Docket No 29849.
- Regulatory study: "*The Economic and Rate Implications from an Electric Utility's Loss of Large Load Customers,*" presented in rebuttal testimony for Progress Energy Carolinas, North Carolina Utility Commission Docket No. E-2, Sub 1023, March 4, 2013.
- Regulatory study: Dr. Wright routinely provides testimony support and witness training to several Fortune 500 investor-owned utilities in the Southeast, most recently involving two rate cases (2011, 2012) and three rate related cases dealing with an ongoing nuclear construction project (2008, 2010, 2012).

- Prudence review: related to a review of affiliate cost structure relative to compliance with FERC Order 707, conducted for a major SE utility, 4th quarter, 2008.
- Prudence review: related to a review of Affiliate Cost for Service Company Charges to a Regulated Utility, study conducted for SCANA Corporation, May, 2008.
- Regulatory study: review of Electric Utility Formula Rate Plans and specific Entergy formula rate plans, conducted for Entergy Mississippi, Jan-May, 2008.
- Prudence review: June 2005, provided a financial analysis related to the options for collecting and saving nuclear plant decommissioning costs for Duke Energy and this study along with a presentation was provided to the North Carolina Public Utility Commission and Staff.
- Regulatory study: provided analysis for Entergy Mississippi that was presented to the Mississippi Public Service Commission related to the valuation of services that Company provided to an unregulated affiliate, November 2002.
- Prudence review: “*Energy Deregulation*,” March 2001, report of the California State Auditor on the causes of the problems related to high electric prices and blackouts (from May, 2000 through June 2001, and ongoing) in California’s restructured electric marketplace. Dr. Wright was one of three consultants who essentially researched and prepared the State Auditor’s report.
- Prudence review: Principal author with Dr. Al Danielsen of “*Reliability of Electric Supply In Georgia*,” published by The Bonbright Utilities Center, University of Georgia, June, 2001.
- Regulatory Policy & Study: Presented testimony before the North Carolina Public Utilities Commission on behalf of SCANA Corporation regarding issues related to market power in its merger with Public Service Company of North Carolina, Docket No. G-5, Sub 400; G-3, Sub 0, 2000.
- Prudence review: was the principal author of a report and investigation titled “*An Analysis of Commonwealth Edison’s Planning Process For Achieving Reliability of Supply*,” which was an investigation of the Company’s planning process to meet its statutory obligation for supplying electricity as Illinois transitions to a competitive retail electric market, Illinois Commerce Commission Docket No. 98-0514.
- Regulatory study: co-authored a national study that used computer modeling techniques to quantify the impact of electric competition on the aggregate economy in each of the 48 continental United States.
- Regulatory Policy: presented testimony to Louisiana Legislative Committee on behalf of Entergy Corporation regarding the various regulatory and technical issues that need to be addressed in the transition to competition.
- Regulatory Policy: presented testimony For Virginia Power with regard to its transition to competition plan.

- Regulatory Policy: testified before the Mississippi Public Service Commission on issues related to the establishment of retail electric competition, including ISO establishment, regional power exchanges, legislation, taxes and regulatory policies.
- Regulatory Policy: presented testimony for Entergy Corp. in both Louisiana and Arkansas in support of its transition to competition filing.
- Regulatory study: worked with three major southeastern utilities on developing business and regulatory strategy as they prepare for competition.
- Regulatory Policy & Study: filed a report with the South Carolina Legislature that studied the impact of electric competition on the state of South Carolina.
- Was a panelist on a Southern Gas Association national televised forum on performance based regulation for the natural gas industry.
- Regulatory Policy & Study: Was the lead policy witness for South Carolina Electric and Gas on obtaining regulatory approval to transfer depreciation reserve from a nuclear plant to T&D depreciation reserve. This is a critical issue in preparing for competition and limiting stranded investment.
- Developed regulatory and marketing strategy for Entergy with regard to its telecommunications initiatives. In these efforts he worked with the EDS Telecommunications Consulting Group.
- Prudence review: was the lead analysis of the prudence of Central Vermont Public Service Company's power and resource acquisitions over a five year period. The prudence of this utility's power supply strategy was under investigation in a rate case proceeding. Dr. Wright's team filed testimony supporting the Company and their efforts were instrumental in undermining the charges of imprudence brought by the Company's opposition.
- Regulatory Policy & Study: developed an EDS intra-company task force to address the issues related to FERC's Transmission NOPR. This task force subsequently filed three responses to FERC's Open Access NOPR which provide a basis for EDS to maintain a leadership position as the electric utility industry undergoes restructuring to a competitive market.
- Regulatory study: helped develop a regulatory strategy and presented testimony on behalf of South Carolina Pipeline. In this case, an economic analysis prepared by Dr. Wright and Dr. Frank Cronin (from EDS Economic Planning and Analysis Consulting Group) was presented along with recommendations. The analysis and recommendations were generally accepted by the Commission staff.
- Prudence reviews: as a North Carolina Utility Commissioner Dr. Wright was involved in the prudence reviews of the costs related to the construction of three nuclear plants, Catawba 1 & 2 and Shearon Harris. In addition, he was involved in several other prudence reviews of various utilities.

***Resource Planning & Economic Analysis***

As a Commissioner he has been involved in a variety of resource planning issues including chairing the last North Carolina Resource Planning hearing that involved Duke Power Company, Carolina Power and Light, Virginia Power Company and the North Carolina Electric Membership Corporation.

He was also selected by the states of North Carolina and New York and the Department of Energy to be one of five representatives on a peer review panel overseeing a Resource Planning project being conducted by the Oak Ridge National Laboratories. In addition to these initiatives Dr. Wright has:

- Presented testimony to the South Carolina Utility Commission in support of Duke Energy Carolina's and Duke Energy Progress' filings related to the appropriate tariff design and related economic issues related to solar and net metering tariffs, November 2020, Docket No. 2019-182-E.
- *"The Economic and Rate Implications from an Electric Utility's Loss of Large Load Customers,"* presented in rebuttal testimony for Progress Energy Carolinas, North Carolina Utility Commission Docket No. E-2, Sub 1023, March 4, 2013.
- Provided an analysis of electric vehicle economics and the legislative, engineering, and regulatory issues that regulated electric utilities should address in both residential and commercial installments of electric vehicle charging stations. Studied performed for Fortune 500 Southeastern investor-owned utilities, 2011-2012.
- Provided a study to a Fortune 500 large Southeastern investor-owned utility related to the use of regulated electric rates designed to help retain current large industrial customers, 2012.
- Provided a Fortune 500 large Southeastern based investor-owned electric utility an economic, engineering, and environmental evaluation of a proposed renewable fuel alternative including the provision of an assessment and the design for a large-scale pilot test in one of that utility's fossil-fired facilities, 2012.
- Regulatory Policy & Testimony: Provided testimony for Entergy Mississippi related to whether the Mississippi Public Service Commission should adopt some proposed Federal standards related to integrated resource planning and energy efficiency, Docket No. 2008-AD-477, February 2009.
- Provided a report to Entergy Mississippi on fuel cost recovery mechanisms that included a nationwide survey of fuel adjustment and any related performance based regulatory mechanisms, 2008.
- Regulatory Policy & Testimony: Provided testimony in North Carolina for Duke Energy related to whether the North Carolina Public Utility Commission should approve the recovery of nuclear generation project development costs, Docket No. E-7-Sub 819, April 2008.
- Provided a review for Duke Energy of the cost assumptions and regulatory initiatives related to new nuclear plant construction nationwide, April 2008.

- Provided analysis for Entergy Mississippi related to new nuclear plant applications and any new regulatory mechanisms adopted by various states related to the approval or cost recovery associated with these new nuclear plants, April 2008.
- Presented testimony on behalf of Entergy Mississippi on its IRP or electric resource plan and demand side initiatives, June, 2008, Docket No. 2008-AD-158.
- Provided testimony in Georgia for Georgia Power Company supporting that Company's Integrated Resource Planning (IRP) process, the appropriate methods for evaluating demand side energy options, and supporting that Company's planned demand side programs, Docket No. 24505-U, June 2007.
- Regulatory Policy & Testimony: Provided testimony in North Carolina for Duke Energy and Progress Energy related to the regulatory and economic rationale and appropriateness for using the "peaker" methodology and other methodologies for the establishment of avoided cost rates, Docket No. E-100-Sub 106, June 2007.
- Regulatory Policy & Testimony: Provided analysis for Entergy Mississippi that was presented to the Mississippi Public Service Commission related to the valuation of services that Company provided to an unregulated affiliate, November 2002.
- Regulatory Policy & Testimony: Was the lead policy witness for South Carolina Electric and Gas on obtaining regulatory approval to transfer depreciation reserve from a nuclear plant to T&D depreciation reserve. This is a critical issue in preparing for competition and limiting stranded investment.
- Was instrumental in acquiring a large engagement for a major southeastern utility examining their competitive position as it relates to a competitive electric market. During the engagement he provided input and guidance on regulatory issues related to the deregulation of the electric industry.
- Assisted Carolina Power and Light Company in their integrated resource planning process by advising and facilitating a Commission directed public policy panel.
- Developed an overview of Niagara Mohawk Gas' integrated resource planning efforts. This engagement was under a contract from Oak Ridge National Laboratories.

***Renewable Fuels, Demand Side, Energy Efficiency***

- Regulatory Policy & Testimony: Presented testimony to the South Carolina Utility Commission in support of Duke Energy Carolina's and Duke Energy Progress' filings related to the appropriate tariff design and economic issues related to solar and net metering tariffs, November 2020, Docket No. 2019-182-E.
- Regulatory Policy & Study: Provided an analysis of electric vehicle economics and the legislative, engineering, and regulatory issues that regulated electric utilities should address in both residential and commercial installments of electric vehicle charging stations. Studied performed for Fortune 500 Southeastern investor-owned utilities, 2011-2012.

- Provided a Fortune 500 large Southeastern based investor-owned electric utility an economic, engineering, and environmental evaluation of a proposed renewable fuel alternative including the provision of an assessment and the design for a large-scale pilot test in one of that utility's fossil-fired facilities, 2012.
- Provided testimony for Entergy Mississippi related to that Company's proposed new demand side initiatives Docket No. EC-123-0082-00, February 2009.
- Regulatory Policy & Testimony: Provided testimony for Entergy Mississippi related to whether the Mississippi Public Service Commission should adopt some proposed Federal standards related to integrated resource planning and energy efficiency, Docket No. 2008-AD-477, February 2009.
- Presented testimony on behalf of Public Service of North Carolina supporting that Company's proposed demand side initiatives as well as the cost recovery of those initiatives, Docket No. G-5, Sub 495, March 2008.
- Regulatory Policy & Testimony: Provided testimony in South Carolina for Duke Energy, South Carolina Electric and Gas, and Progress Energy related to whether the South Carolina Public Service Commission should adopt some proposed Federal standards related to smart metering and energy efficiency rate setting procedures, Docket No. 2005-386-E, April, 2007.
- Provided testimony in South Carolina for South Carolina Electric and Gas related to Integrated Resource Planning and that Company's demand side initiatives, June 2007.
- Provided testimony in Georgia for Georgia Power Company supporting that Company's Integrated Resource Planning process, the appropriate methods for evaluating demand side energy options, and supporting that Company's planned demand side programs, Docket No. 24505-U, June 2007.
- Regulatory Policy & Testimony: Provided testimony in North Carolina for Duke Energy and Progress Energy related to whether the North Carolina Public Utility Commission should adopt some proposed Federal standards related to smart metering, energy efficiency, and electric resource planning, Docket No. E-100-Sub 108, November 2006.

### ***Nuclear Issues***

- Regulatory Policy & Testimony: Provided Testimony on behalf of Dominion Energy North Carolina related to the appropriate regulatory policy related to the Commission's rule regarding the use of the Company's nuclear capacity factor compared to national averages as a way to determine the prudence of nuclear operations in a fuel cost recovery proceeding, Docket No. E-22, Sub 546, October 2017.
- Prudence review: report for Georgia Power Company regarding the prudence of Plant Vogtle new nuclear construction costs, "*The South Carolina Public Service Commission's Prudence Reviews of Summer Units 2 and 3 as Persuasive Precedent for the Georgia Public Service Commission's Regulatory Treatment of Vogtle Units 3 and 4,*" April 5, 2016, Georgia Public Service Commission, Docket No 29849.



- Dr. Wright provided testimony support and witness training involving three rate related cases dealing with an ongoing nuclear construction project (2008, 2010, 2012).
- Regulatory Policy & Testimony: Provided testimony in North Carolina for Duke Energy related to whether the North Carolina Public Utility Commission should approve the recovery of nuclear generation project development costs, Docket No. E-7-Sub 819, April 2008.
- August 2008 provided a study to Duke Energy Carolinas examining the issue of cost justification for new nuclear power facilities.
- June, 2005, provided a financial analysis related to the options for collecting and saving nuclear plant decommissioning costs for Duke Energy and this study along with a presentation was provided to the North Carolina Public Utility Commission and Staff.

***Cost of Service, Rate Design, Performance Based Regulation, Forecasting, Public Utility Policies***

While serving more than eight years on the North Carolina Commission, Dr. Wright was involved in several cost of service and rate design analyses, testimonies, and orders. This included work in electric, telephone, gas, and water utilities. Additionally, he has presented testimony on performance based ratemaking, and for over two decades has worked extensively with Entergy Mississippi and the Mississippi Public Service Commission on that utility's performance based regulatory mechanism (which is thought to be the oldest continuously operating major electric utility PBR mechanism in the nation). He has also been involved in analyzing electric utility forecasting models, including end-use models, regression analysis (both linear and nonlinear) and customer discrete choice modeling forecasts. Furthermore, Dr. Wright's Ph.D. is in environmental and regulatory economics with special research into nonlinear minimal cost optimization procedures for electric utility production models. This work included optimizing investments, optimal regulatory regimes, pricing, cost recovery, and rate of return issues.

In addition, he has:

- Presented direct and rebuttal testimony supporting the Village of Bald Head Island related to that island's ferry transportation services and those services being declared a utility to be regulated by the North Carolina Utility Commission. The Commission's Order in this proceeding found in favor of the positions I took in the case. NCUC, August, Sept. 2022, Docket No. A-41, Sub 21.
- Regulatory Policy & Testimony: Presented testimony to the South Carolina Utility Commission in support of Duke Energy Carolina's and Duke Energy Progress' filings related to the appropriate tariff design and economic issues related to solar and net metering tariffs, November 2020, Docket No. 2019-182-E.
- Presented testimony to the South Carolina Utility Commission in support of Duke Energy Progress' efforts to recovery coal ash remediation costs the Company incurred in response to new coal ash disposal costs, Docket No. 2018-318-E.

- Regulatory Policy, Study & Testimony: “*The Economic and Rate Implications from An Electric Utility’s Loss of Large Load Customers*,” presented in rebuttal testimony for Progress Energy Carolinas, North Carolina Utility Commission Docket No. E-2, Sub 1023, March 4, 2013.
- Provided a study to a Fortune 500 large Southeastern investor-owned utility related to the use of regulated electric rates designed to help retain current large industrial customers, 2012.
- Regulatory Policy & Testimony: Presented testimony on behalf of Public Service of North Carolina related to the establishment of a formulary performance type rate setting mechanism for this natural gas LDC, August 2008, Docket No. G-5, Sub 495.
- Regulatory Policy & Testimony: Provided testimony in Georgia for Georgia Power Company supporting that Company's methodology for pricing fuel and its use of marginal replacement fuel cost procedures in its intra-company resource sharing arrangement with the Southern company, Docket No. 191142-U, April 2005.
- Regulatory Policy & Testimony: Provided an economic analysis of the proper regulatory regime for South Carolina Pipeline Company. In this analysis he presented testimony supporting performance based ratemaking and his recommendations were generally accepted by the Commission staff.
- Developed forecasted rates for two New York state utilities. These rates were developed to support a bond filing by a co-generator.
- Provided a forecast of power payments from New York State Electric and Gas (NYSEG) to two independent power producers (IPPs). This forecast was used to estimate the level of overpayments by NYSEG to these IPPs, under PURPA regulations, which he used in a filing before FERC supporting the company’s claim of unlawful overpayments.

### ***Telecommunications***

As a Commissioner he has regulated all types of telecommunications providers for eight years. In addition, he has worked with two electric utilities in strategy formulation in regard to their entering the telecommunications business. Furthermore, he has eight years experience as a fiber optic engineer.

### **Other Areas of Expertise**

Prior to joining EDS, he worked for eight years as a senior process engineer for Corning Glass in the design and production of optical waveguides (or fiber optics). Prior to that he worked for four years in the chemical industry as a process chemist and later as a senior project engineer. He has done work in environmental monitoring, process and product improvement, plant utilization, as well as starting and selling two successful companies – one in the financial leasing business and the other in the entertainment industry.



## Presentations and Publications

Presentation to the Louisiana Public Service Commission related to why that state should not adopt retail electric competition, Docket No. R-35462, Dec. 15, 2022

Report for Georgia Power Company regarding the prudence of Plant Vogtle new nuclear construction costs, *"The South Carolina Public Service Commission's Prudence Reviews of Summer Units 2 and 3 as Persuasive Precedent for the Georgia Public Service Commission's Regulatory Treatment of Vogtle Units 3 and 4,"* April 5, 2016, Georgia Public Service Commission, Docket No 29849.

*"The Economic and Rate Implications from An Electric Utility's Loss of Large Load Customers,"* presented in rebuttal testimony for Progress Energy Carolinas, North Carolina Utility Commission Docket No. E-2, Sub 1023, March 4, 2013.

*"Energy Deregulation,"* March 2001, report of the California State Auditor on the causes of the problems related to high electric prices and blackouts (from May, 2000 through June 2001, and ongoing) in California's restructured electric marketplace. Dr. Wright was one of three consultants who essentially researched and prepared the State Auditor's report.

*"Low Cost States and Electric Restructuring - The Issue is the Price!"* presented to the 1999 Miller Forum on Government, Business and the Economy, University of Southern California, April 19, 1999.

*An Analysis of Commonwealth Edison's Planning Process For Achieving Reliability of Supply,* Illinois Commerce Commission Docket No. 98-0514.

*The Impact of Competition on the Price of Electricity,* author, published by L. A. Wright and Associates, November, 1998.

*"Retail Competition in the Electric Industry: The Impact on Prices,"* presented at the 18<sup>th</sup> Annual Bonbright Center Energy Conference, Atlanta, Georgia, Sept. 10, 1998.

*Potential Economic Impacts of Restructuring the Electric Utility Industry,* co-author, published by the Small Business Survival Committee, Washington, DC, November, 1997.

*"How Deregulation Will Affect Power Quality and Energy Management,"* presented at the Power Quality and Energy Management Conference co-sponsored by Entergy and EPRI, New Orleans, LA, Nov. 14, 1997.

*"Deregulation of the Electric Industry,"* Proceedings: National Business Energy Forum, New Orleans, LA, June 26, 1997.

*"A Different View of the Market,"* presented at the Southeastern Electric Exchange Conference, Charlotte, N.C., June 25, 1997.

*"Restructuring The Electric Utility Industry: Theory vs. Reality,"* presented at the American Bar Association Restructuring Conference, Raleigh, NC, Dec. 5, 1996.

*"Restructuring: The Best Approach for Virginia,"* presented at the Virginia State Corporation Commission Electricity Restructuring Forum, Charlottesville, VA, Nov. 15, 1996.

*"Alternative Rate Making for the Natural Gas Industry: State Issues,"* presented at the Tenth Annual NARUC Biennial Regulatory Information Conference, Columbus, Ohio, Sept. 12, 1996.

*"RetailCo: To Regulate or Not?"* presented at the 9<sup>th</sup> Annual Automatic Meter Reading Symposium, New Orleans, La., Sept. 10, 1996.

*"Convergence: The Competitive Revolution Comes To Electric Power,"* presented to the Southeastern Association of Regulatory Commissioners Annual Convention, Point clear, Alabama, June 4, 1996.

*"Stranded Assets Recovery Issues,"* presented at the Western Electric Power Institute: Financial Forum, Tucson, Arizona, March 8, 1996.

*"The Deregulation of the Electric Utility Industry : Current Status,"* presented at the North Carolina Economic Developers Association Midwinter Conference, Pinehurst, N.C., February 23, 1996.

*"Performance Based Regulation for The Natural Gas Industry,"* panelist on Southern Gas Association's Televised Regulatory Forum, Dallas, Texas, Jan. 18, 1996.

*"Industry Structure Should Meet Stakeholder Objectives,"* Electric Light and Power, Jan., 1996.

*"Quantifying the Value of Stranded Investment: A Dynamic Modeling Approach,"* Proceedings: Implementing Transmission Access and Power Transactions Conference, Denver, Colorado, Dec. 14, 1995.

*"Quantifying the Value of Stranded Investment: A Dynamic Modeling Approach,"* at the 15<sup>th</sup> Annual Bonbright Center Electric and Natural Gas Conference, October 9-11, 1995, Atlanta, Georgia.

Comments to FERC in the matter of Notice of Proposed Rulemaking on Open Access, Docket No. 95-9-000, 1995.

*"The Road to Competition for Re-Regulated Industries,"* presented at the 1995 National PROMOD users Forum, St. Petersburg, Florida, May 1, 1995.

*"Comparing New York State Electric and Gas Corporation's Non-Utility Generator Payments to Current Avoided Cost Rates,"* report submitted in support of affidavit filed before FERC in Docket No. EL 95-28-000.

*"A Solution To The Transmission Pricing and Stranded Investment Problems"* Public Utilities Fortnightly, January 1995.

*"Electric Utility Competition: The Winning Focus,"* presented at 1994 Southeastern Electric and Natural Gas Conference, Atlanta, Georgia, October 1994.

*“Gas Integrated Resource Planning: The Niagara Mohawk Experience,”* for Martin Marietta Energy Systems, Inc., under contract to the United States Department of Energy, ORNL/SUB/93-03369.

*“Future Regulation In the Water Industry - Can We Solve the Problems Before They Happen?”* Water, Vol. 29, No. 2, pp. 14-17, Summer 1988.

*“The Regulatory Process - Historical and Today,”* presented at Carolina Power and Light Company’s IRP Public Participation Committee Seminar, June 1994.

*“The Regulatory Role In DSM: Who Pays?”* presented at Carolina Power and Light Company’s IRP Public Participation Committee Seminar, June 1994.

*“The Regulatory Process In North Carolina,”* North Carolina Telephone Association, June 1991.

*Testimony*

- Presented a report to the Louisiana Public Service Commission related to why that state should not adopt retail electric competition, Docket No. R-35462, Dec. 15, 2022
- Presented direct and rebuttal testimony supporting the Village of Bald Head Island related to that islands ferry transportation services and those services being declared a utility to be regulated by the North Carolina Utility Commission. The Commission's Order in this proceeding found in favor of the positions I took in the case. NCUC, August, Sept. 2022, Docket No. A-41, Sub 21.
- Presented a report to the US District Court, Western Division of North Carolina, in support of Duke Energy's response to a lawsuit claiming that Duke had violated the FERC's policies related to wholesale market contracts. The court sided with Duke in this lawsuit. Civil Action No. 3:19-cv-515-KDB-DSC, Feb. 18, 2002.
- Provided testimony and rebuttal testimony on behalf of Duke Energy Carolinas and Duke Energy Progress in South Carolina related to the appropriate regulatory policy and economic valuation of solar related net energy metering. Docket No. 2019-182-E, October 2020.
- Provided testimony and rebuttal testimony on behalf of Duke Energy Carolinas in North Carolina related to the appropriate regulatory policy with respect to the recovery of coal ash remediation costs. Docket No. E-7, Sub 1146, August 25, 2017.
- Provided testimony and rebuttal testimony on behalf of Duke Energy Progress in North Carolina related to the appropriate regulatory policy with respect to the recovery of coal ash remediation costs. Docket No. E-2, Sub 1142, June 1, 2017.
- Provided Testimony on behalf of Dominion Energy North Carolina related to the appropriate regulatory policy related to the Commission's rule regarding the use of the Company's nuclear capacity factor compared to national averages as a way to determine the prudence of nuclear operations in a fuel cost recovery proceeding, Docket No. E-22, Sub 546, October 2017.
- Presented testimony before the Mississippi Public Service Commission on behalf of Entergy Mississippi, Inc., in support of that company's revisions to its Formula Ratemaking procedures, Docket No. 2014-UN-132, June 2014.
- Rebuttal testimony for Progress Energy Carolinas, related to the economic and rate implications from an electric utility's loss of large load customers, North Carolina Utility Commission Docket No. E-2, Sub 1023, March 4, 2013.
- Provided a study to a Fortune 500 large Southeastern investor-owned utility related to the use of regulated electric rates designed to help retain current large industrial customers, and developed proposed testimony in support of this issue, 2012.
- Provided an affidavit in support of Progress Energy Carolinas to the North Carolina Utility Commission in a proceeding considering the appropriate avoided cost rates that should be paid to an independent power producer, Docket No. E-2, Sub 966, Sept. 2010.

- Presented testimony on behalf of Entergy Mississippi in an investigation of the Commissions procedures concerning confidentiality, Docket No. 2010-AD-259, August, 2010.
- Presented testimony before the Mississippi Public Service Commission on behalf of Entergy Mississippi, Inc., in support of the formula rate plan annual evaluation, Docket No. 2002-UN-526, March, 2009.
- Presented testimony before the Mississippi Public Service Commission on behalf of Entergy Mississippi, Inc., in support of an energy efficiency pilot program and cost recovery mechanism, Docket No. 2009-UN-064, February, 2009.
- Presented testimony before the Mississippi Public Service Commission on behalf of Entergy Mississippi, Inc., in a proceeding to review statewide energy generation needs, Docket 2008-AD-270, August 2008.
- Presented testimony on behalf of Public Service of North Carolina related to the establishment of a formulary type rate setting mechanism for this natural gas LDC, August, 2008, Docket No. G-5, Sub 495.
- Presented testimony on behalf of Entergy Mississippi in an investigation of that utility's fuel charges and its fuel cost recovery, July, 2008, Docket No. 2008-AD-270.
- Presented testimony on behalf of Entergy Mississippi on its IRP or electric resource plan and demand side initiatives, June, 2008, Docket No. 2008-AD-158.
- Presented testimony for Duke Energy in North Carolina related to the approval to incur pre-construction costs for the proposed Lee Nuclear Station, Docket No. E-7, Sub 819, May, 2008.
- Presented testimony for Duke Energy in South Carolina related to the approval to incur pre-construction costs for the proposed Lee Nuclear Station, Docket No. 2007 -440-E, June, 2008.
- Presented rebuttal testimony for Duke Energy in North Carolina related to the recovery of costs incurred by Duke related to GridSouth and why these expenses should be fully recoverable at this time, Docket No. E-7, Sub 828, October, 2007.
- Provided testimony for Georgia Power in its 2007 Integrated Resource Plan reviewing the plan filed by the Company and discussing how its demand-side proposals were reasonable, compared the Company's demand-side proposals to those found in neighboring states, and discussed the application of the various tests used to evaluate demand-side programs (TRC, RIM, PTC), Docket number 24505-U, May, 2007.
- Presented two testimonies before the South Carolina Public Service Commission on behalf of South Carolina Electric and Gas, Duke Energy and Progress Energy Carolinas in the investigation of adoption of energy efficiency and generation standards related to the Energy Policy Act of 2005, Dockets No. 2005-385-E and No. 2005-386-E, April, 2007.

- Presented testimony before the North Carolina Public Utilities Commission on behalf of Duke Energy and Progress Energy Carolinas in the investigation of adoption of energy efficiency and generation standards related to the Energy Policy Act of 2005, Docket No. E-100, Sub 108 November 2006.
- Presented testimony before the North Carolina Public Utilities Commission on behalf of Duke Energy in the investigation of Duke Energy's 2006 Integrated Resource Plan, Docket No. E-100, Sub 103, June, 2006.
- Provided testimony for Georgia Power in its 2005 Fuel Adjustment Hearing on the issue of the appropriate pricing methodology for the dispatch and sale of electricity in the Southern Company system, Docket number 19142-U, April, 2005.
- Presented testimony on behalf of South Carolina Electric and Gas Company before the South Carolina Public Utility Commission for South Carolina Pipeline Company related to the inclusion of a generating plant in rate base and to the recovery of RTO (Gridsouth) related costs, Docket No. 2004-178-E, October, 2004.
- Presented testimony on behalf of Entergy Mississippi before the Mississippi civil court dealing with maintaining the confidentiality of special use contracts, August, 2004.
- Presented rebuttal testimony before the South Carolina Public Utility Commission for South Carolina Pipeline Company related to the reasons for continuing a program that allows flexible, competitive based pricing for large, interruptible customers that have alternative fuels, Docket No. 2004-6-G, May 29, 2004.
- Presented testimony before the Georgia Public Service Commission on the appropriate range for a return on equity earnings band (a form of performance based regulation) to set in a Savannah Electric & Power Company rate case, Docket No. 14618-U, April, 2002.
- Presented testimony before the Georgia Public Service Commission on behalf of Scana Energy Marketing related to affiliate relationships and the appropriate affiliate rules between Atlanta Gas Light Company's regulated and unregulated affiliates. Docket No. 146060-U, August 24, 2001.
- Presented testimony before the Georgia Public Service Commission on the appropriate range for a return on equity earnings band (a form of performance based regulation) to set in a Georgia Power Company rate case, Docket No. 14000-U, November 19, 2001.
- Presented testimony before the North Carolina Public Utilities Commission on behalf of SCANA Corporation regarding issues related to market power the appropriate affiliate relationship protections necessary in its merger with Public Service Company of North Carolina, Docket No. G-5, Sub 400; G-43, Sub 0.
- Presented testimony before the South Carolina Public Service Commission on behalf of South Carolina Pipeline Corporation regarding issues related to its annual review of gas costs as reflected in its purchase gas adjustment charge, Docket No. 1999-007-G, September, 1999.
- Presented testimony before the Arkansas Public Service Commission on behalf of Entergy Arkansas, Inc. regarding regulatory policies related to the definition of public

utilities as it impacts citing requirements of non-utility owned generating facilities, Dockets No. 98-337-U, March 9, 1999.

- Presented Rebuttal and Surrebuttal testimony before the Louisiana Public Service Commission on behalf of Entergy Louisiana, Inc. and Entergy Gulf States regarding regulatory policies related to stranded cost recovery and on the issue of whether investors have been compensated for the risk of not recovering stranded costs, Dockets Nos. U-22092SC and U-20925, September, 1998.
- Presented testimony to the South Carolina Public Utility Commission for South Carolina Pipeline Corp. related to acquisition adjustments and regulatory policies related to performance based regulation, Docket No. 90-588-G, June, 1998.
- Testified before the Mississippi Public Service Commission on issues related to the establishment of retail electric competition, including ISO establishment, regional power exchanges, legislation, taxes and regulatory policies, April 16, 17, 1997.
- Support of Transition Proposals filed by Virginia Power Corporation, March, 1997.
- Entergy Arkansas testimony in support of Transition to Competition Filing, 1997.
- Entergy Louisiana testimony in support of Transition to Competition Filing, 1997.
- Support of Performance Based Regulation for GTE South Inc., Docket No. P-19, Sub 277, before the North Carolina Utility Commission, filed Nov. 22, 1995.
- Stranded Cost Regulatory Policy and Recovery Testimony before the South Carolina Public Service Commission, the Commission approved the request Dr. Wright was advocating, Docket No. 95-1000-E, October 27, 1995.
- Performance based rate making mechanism and rate levels, testimony on behalf of South Carolina Pipeline Corporation, Docket No. 90-588-G, filed August 3, 1995.
- Prudence Review of Power Resource Planning for Central Vermont Public Service Company, Docket No. 5724, September 7, 1994.
- Rebuttal testimony on behalf of Central Vermont Public Service Company, Docket 5724, September 7, 1994.
- Surrebuttal testimony on behalf of Central Vermont Public Service Company, Docket No. 5724, September 9, 1994.

### ***Education***

Dr. Wright received a Ph.D. in Economics from North Carolina State University, focusing on regulatory and environmental economics, and is a member of the honor society.

He received an MBA in finance from Georgia State University in 1978, graduating with honors.

He received a Master of Economics from North Carolina State University in 1991 and was a member of the honor society.

He received a B.S. in Chemistry from Valdosta State College in Valdosta, Georgia, graduating Magna Cum Laud.

In addition, he has completed the Michigan State University Regulatory Course, several other NARUC courses on regulation, been an instructor on regulatory issues at several NARUC courses, completed management courses at Corning Glass and financial seminars at Bank Boston and Merrill Lynch dealing with regulation.

Dr. Wright (in 2011) has also been a Visiting Professor at the University of the Virgin Islands teaching sophomore courses in both Macro and Micro Economics.





## **Exhibit JAW-2**

**Letter from State Auditor to State  
Treasurer Dated November 15, 2021**



STATE OF NORTH CAROLINA  
**Office of the State Auditor**

2 S. Salisbury Street  
20601 Mail Service Center  
Raleigh, NC 27699-0600  
Telephone: (919) 807-7500  
Fax : (919) 807-7600  
<https://www.auditor.nc.gov>

**Beth A. Wood, CPA**  
State Auditor

November 15, 2021

The Honorable Dale Folwell  
North Carolina State Treasurer  
3200 Atlantic Avenue  
Raleigh, NC 27604

Dear Treasurer Folwell:

I am writing this letter to **insist** that you, as the Chairman of the Local Government Commission, remove from the December 2021 agenda both applications to sell bonds to purchase the assets of the Bald Head Island Transportation System.

N.C.G.S. § 159-52(a) lists thirteen criteria that the Commission **should** consider when deciding to approve an application to sell bonds. Specifically, item (8) references the consideration of the “appraised and assessed value of the property subject to taxation.”

Additionally, N.C.G.S. § 159-52(b) states “(b) The Commission shall approve the application **if**, upon the information and **evidence** it receives, it finds and determines... (2) That the amount proposed is **adequate** and **not excessive** for the proposed purpose of the issue.” (*Emphasis added*).

To date, the Commission has **not** received the **evidence**, required by statute, that supports the value of the assets, and provides adequate support for Commission member consideration verifying that the amount proposed is adequate and not excessive.

The two valuations/appraisals of the assets of the Bald Head Island Transportation System that have been submitted used assumptions that have raised a number of questions, have used estimates of asset values supplied by the seller, and has garnered so many other questions that have gone unanswered, even after multiple requests. Until the applications to sell bonds to purchase the assets of Bald Head Island Transportation System is supported by a valuation/appraisal that accurately and reliably sets the value of the assets, no application should be allowed on the Commission agenda at any time.

**NO** other unit of government, nor any authority that has to go through the Commission for approval to sell bonds, is allowed to appear on the agenda without the evidence to support the sale. Why are the two applications for the sale of bonds to purchase the Bald Head Island Transportation System assets being treated differently?



The Honorable Dale Folwell  
November 15, 2021  
Page 2

As a voting member of the Commission, N.C.G.S. § 159 requires that I have the information/evidence I need to approve or reject the application. Thus far, I have not been provided that information.

As the State Auditor, I question the preferential treatment of these applicants and the precedent that will be set for other units applying for approval to sell bonds.

Also, it is imperative to note that the Commission just lost three Commissioners, whose term ended June 30, 2021 and were not reappointed. These three terminated Commissioners have been intricately involved in all the discussions, issues, history of the application for the bond sale, and all the associated problems. There is absolutely not enough time for the new appointees to educate themselves well enough to make an informed vote at the December meeting, especially since the appointments for the vacated positions have not been made as of this date.

While I have seen, first-hand, the **extreme pressure** put upon you to get the application(s) on the Commission agenda, that cannot be the reason for putting them on the December 2021 agenda. The application(s) to purchase the Bald Head Island assets should not be back on the agenda until the Commission has the evidence, required by state statute, to make informed decisions and the new appointees to the Commission have had an opportunity to become well versed in the details of the bond sale so they can make an informed vote.

Again, I **insist** the two applications for the approval of the sale of bonds to purchase the Bald Head Island Transportation System be removed from the December 2021 agenda.

Best regards,



Beth A. Wood, CPA  
STATE AUDITOR





## **Exhibit JAW-3**

**Letter from State Auditor to State  
Treasurer Dated January 12, 2022**



BETH A. WOOD, CPA  
STATE AUDITOR

STATE OF NORTH CAROLINA  
**Office of the State Auditor**

2 S. Salisbury Street  
20601 Mail Service Center  
Raleigh, NC 27699-0600  
Telephone: (919) 807-7500  
Fax: (919) 807-7600

January 12, 2022

The Honorable Dale Folwell  
North Carolina State Treasurer  
3200 Atlantic Avenue  
Raleigh, NC 27604

Dear Treasurer Folwell:

I am writing to follow up on my letter, dated November 15, 2021 regarding applications submitted to the Local Government Commission (Commission) to sell bonds to purchase the assets of the Bald Head Island Transportation System.

While the applications for approval to sell bonds were removed from the December 2021 agenda, I insist that "no" applications should be included in the Commission agenda, in the future, for approval, without the support of a valuation/appraisal that provides a credible AND reliable value of the assets.

I will reiterate the statutory requirements for Commission Members to approve "any" application related to the sale of bonds:

- N.C.G.S. § 159-52(a) lists thirteen criteria that the Commission **should** consider when deciding to approve an application to sell bonds. Specifically, item (8) references the consideration of the "appraised and assessed value of the property subject to taxation."
- Additionally, N.C.G.S. § 159-52(b) states "(b) The Commission shall approve the application **if**, upon the information and **evidence** it receives, it finds and determines... (2) That the amount proposed is **adequate** and **not excessive** for the proposed purpose of the issue." (*Emphasis added*).

Most importantly, **no other** unit of government, nor authority is allowed to appear on the Commission agenda without meeting the criteria/requirements of N.C.G.S. § 159-52 and without providing the required evidence to support the sale of bonds. To allow "any" application to be included on the agenda, without meeting all the requirements of the above referenced statute, will set a dangerous precedence and undermines the integrity of the Commission's responsibility in the approval process for units of government and authorities to sell bonds.

Therefore, until "any/all" applicant(s), who wish to sell bonds for the purpose of purchasing the assets of the Bald Head Island Transportation System meets the criteria of N.C.G.S. § 159-52, the applications should "not" be included in the Commission agenda for Member approval.



The Honorable Dale Folwell  
January 12, 2022  
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I recognize that there will be renewed efforts to apply pressure to get one or both of the previous applications (or possibly others) on the Commission agenda; however, I trust that you, as the Chairman of the Commission, will ensure that does not happen until the application(s) meet all criteria required by North Carolina Statutes and the policies and procedures of the Commission.

Sincerely,

A handwritten signature in cursive script that reads "Beth A. Wood".

Beth A. Wood, CPA  
STATE AUDITOR





## **Exhibit JAW-4**


# **Public Statement of State Treasurer Dated December 2, 2021**

# Statement from State Treasurer Dale R. Folwell, CPA, Regarding the Local Government Commission's December Agenda and the Sale of the Bald Head Island Ferry System

**NC** [nctreasurer.com/news/press-releases/2021/12/02/statement-state-treasurer-dale-r-folwell-cpa-regarding-local-government-commissions-december-agenda](https://nctreasurer.com/news/press-releases/2021/12/02/statement-state-treasurer-dale-r-folwell-cpa-regarding-local-government-commissions-december-agenda)

Raleigh, NC

Dec 2, 2021

In a letter  a few weeks ago, State Auditor Beth Wood insisted that applications to purchase the Bald Head Island ferry (System) by the Village of Bald Head Island (Village) and the Bald Head Island Transportation Authority (Authority) not be included in the December Local Government Commission (LGC) agenda.

One of the many reasons cited was that members of the LGC are bound by law to consider the applications and assessed value of the property subject to taxation and that the amount of borrowing is adequate and not excessive.

I want to note that this ferry system is owned by a family from Texas who chose the broker, lawyers, investment bankers and, most importantly, both appraisers for the potential sale. In addition, a recent letter from the Authority stated that the family categorically refused to sell the System to the Village even after voters in November approved the authorization of General Obligation (GO) bonds to purchase the System.

Complicating the matter further, Governor Roy Cooper replaced all his appointees to the LGC less than 48 hours after the voters of the Village approved the GO bonds. While this is his right, his actions caused the loss of years of combined institutional knowledge on this transaction.

According to a study paid for by the seller, the System is a partially regulated monopoly. The passenger ferry is regulated but the parking and barges are not. Regulated or not, it is a public highway that uses boats instead of cars.

But for this privately owned "highway" system, residents, tourists and, most importantly, workers (a group which at times is six times larger than the other group) could not live, eat and work on the island.

There may be some that ride the ferry who are unaware of the difference in a partially regulated monopoly. They may not know what it means when the family states that they categorically refuse to sell the System to the Village, but they may sell it to Wall Street bankers. What they do know is how many hours per day they must work to ride the “highway.”

For nearly 100 years, the treasurer as LGC chair has set the agenda. As chair, my goals have never changed: governance, transparency and, to the Auditor’s letter, a correct valuation that brings reasonable price certainty to the average blue-collar worker is paramount.

The LGC deserves a side-by-side open comparison of the applications submitted by the Village and the Authority.

If there is going to be a transfer of wealth from working people to the family through higher tolls, then the commission deserves this comparison to properly fulfill its duties.

The LGC has never been faced with approving bonds for a ferry system. The LGC is uniquely able and enabled to not be bound by any particular special interest. I believe the LGC has a responsibility to “measure twice, and cut once,” and it is not intended to function as a “rubber stamp.”

Therefore, I intend to honor State Auditor Beth Wood’s request not to include any applications for the sale of the Bald Head Island Ferry System in the agenda for December’s Local Government Commission (LGC).



## **Exhibit JAW-5**

# **LGC Meeting Transcript – Excerpt of Meeting on November 11, 2021**

**NC Local Government Commission Meeting****November 2, 2021****Full meeting audio available at <https://www.youtube.com/watch?v=MepA1Ja89Xk>****The following excerpt begins at 1:35:27**

State Treasurer Dale Folwell: Members, in the December meeting we're going to be dealing with Bald Head Island. I want to remind you of that. And also to ask your opinion for holding our January 2022 meeting on the 11th of January instead of right after the New Year.

State Auditor Beth Wood: May I ask a question. Where is the valuation for Bald Head Island . . . that makes sense and ties to something that makes sense to me. The two I've seen – I would – I would – they are not worth the paper they are written on. I could punch holes in them and I'm not even going to evaluate it. So is there a valuation coming that tells me how much that stuff is really worth. Tim?

Tim Romocki, Director, Debt Management: There is not a third valuation.

Wood: And not one coming? So why is it on the agenda? I cannot loan money on something that I have no idea what the value is. We can't do that. The Commission cannot do that. That is just ludicrous. This sounds so political to me. We're not about politics. We're supposed to be loaning money and with this property and all that goes with it so that it works, so that the organization that gets it - and again I don't care who gets it - can pay back the money and if the assets are overvalued and we loan too much money then they cannot make it. If I'm not getting a third valuation that makes sense then why is it on the agenda?

Romocki: Well, I'll take responsibility for putting it on the agenda because there has been fits and starts. And there have been different thoughts about trying to put it on the agenda up until this point. Well, there have been several motions to have it put on the agenda over the last 4 months - 5 months – that is accurate. No. 1 and No. 2, there is a referendum on the ballot today in Bald Head that will, depending on how that referendum goes, we have 2 applications sitting in this building. One application is for a revenue bond from the Authority. The other application is for a GO bond from the Village. .... We'll get to the parcels in a minute - we're talking about the financing. Depending on how that referendum goes, the applicant, being the Village, because the Authority is not issuing the referendum – it's not on the ballot – so depending on how the referendum goes, the Village will have a choice to make whether it's thumbs up or thumbs down as to whether they would want to reapply or alter their application to come in with a revenue bond application just like the Authority is because currently – we still ain't gotten a price valuation – just hang on – I don't go from A-Z as fast as you do – so, but you say why is it on the agenda is because there has been fits and starts about this about this during the whole process and I think we will be a lot clearer tomorrow about what the next 4 weeks look like in terms of this particular agenda item. I thought the Village was doing an evaluation of the valuation.

Secretary of Revenue Ronald Penny: They did that.

Wood: I could do that. It's not worth the paper it is written on so it's done. Okay.

Romocki: Wait a minute now, I thought the Authority did 2 valuations – the Authority had done 2 and then appraisal certified valuations. Then the Village hired a 3<sup>rd</sup> evaluator/appraiser to critique the previous valuations and that's all – they did not come up with a new valuation as you said the auditor would – they just criticized the current ones that were before.

Wood: Well, again, I don't need the Village to hire anybody because I've already asked questions that nobody can answer. Depreciation – I've asked to see the true depreciation numbers on those assets that would give me some idea. The depreciation is well understated in those valuations. I could just look at them and tell. If anybody spends any time on those valuations at all, you could tell that. I want to make something clear here. So we're putting Bald Head Island back on the agenda – not because it fits the criteria of being on the agenda - but for political reasons.

Cindy Aiken, Assistant General Counsel, NC Department of State Treasurer: So this is Cindy, I don't want to speak out of turn but, if they have submitted -

Wood: Their job is to look at what gets submitted, the application and the numbers that come behind it make sure that it is feasible and then it gets on the agenda as a recommendation from Staff to me and many, many get turned down because the numbers all don't work. Now, we've got 2 valuations that are not any good so I don't know how we can put it on the agenda for us to vote on with the valuations that is \$57 million or whatever - it is no good, it is no good. It is so obvious if you look at the tax valuation, assessment numbers and the valuation – they are not this far apart – they are this far apart – and there is no valuations. In the State of North Carolina they are this far apart and again, everything that comes on this agenda I am thinking ya'll are bringing it to me, you've done all the research, you've looked at all the numbers but if you can't tell me those assets are truly worth the \$47 million or whatever the valuations say they are, I don't understand why it is on the agenda to take up my time. Mr. Treasurer?

Folwell: And I take responsibility for that because there has been -

Wood: Then I am asking you to take it off the agenda because you are wasting my time.

Commissioner Mike Philbeck: Well, I personally don't think putting it on the agenda necessarily means you're going to necessarily have a vote up or down. I think putting it on the agenda means we're going to hash it out again or hash out the present information which we're doing right now in some regard.

Wood: That's not what we're here for.

Secretary of State Elaine Marshall: If I may, it does give an opportunity to let the folks know what they need to do to be able to get it in shape to bring to here.

Wood: We've told them twice – your valuations are no good



Marshall: Well since the second one came in we haven't told them that publicly in a meeting. We have had an occasion -

Wood: Okay. Be ready because they spent 15 pages comparing Bald Head Island to Myrtle Beach. Which is ludicrous... absolutely ludicrous. Okay, fine. Put it on the agenda.

Folwell: Well, I want to be clear that we are not wanting to waste anybody's time.

Wood: That's a waste of my time. Just sitting here for an hour and arguing about numbers that I already know are no good.

Folwell: Maybe that can be tightened up before that happens.

Beth: I don't know how. Somebody is trying to shove a valuation that has been bought down my throat. Because I am a CPA, I've been in the financials before, I read all the disclaimers that the valuator puts on there and things like the numbers are given to us we take to be true and accurate and reliable. Of course you do. But I'm saying nobody will give me the depreciation schedules of what those assets have been depreciated at because I could use those to show you that things over estimated to begin with – over value to begin with but I haven't seen them yet.

Folwell: Do we have the depreciation schedules?

Romocki: We have their audited financials... I don't think...

Wood: Not for those assets – those particular assets you do not. They are not being given out by intention.

Folwell: OK. I am asking that the Staff provide the auditor -

Romocki: We can ask for that.

Folwell: - and the rest of the LGC with that information.

Wood: Can we subpoena them?

[Laughter, several short comments]

Folwell: You have subpoena power, right?

Aiken: She does.

Wood: As the Auditor I do. As a Local Government Commission member, I do not.

Marshall: If they refuse to provide the necessary information for this body to make an informed decision –

Folwell: That will tell you something also

Marshall: - then perhaps no sale until the seller gets right or whatever the reason is that things are being not disclosed so that we can act in our responsibility to protect the public.

Folwell: That's productive. Now, since we're all on the subject of things people not knowing, is the revenue and the profit of the parking operation – we have that information – is that public?

Romocki: Ummm.

Wood: Where did you get it from?

Romocki: I think it's from their audited financials. So they gave us audited financial statements for the parking operation, the barge operation and then for the ferry itself it's under the Utilities Commission and for their audits they go to the Utilities Commission. A summary was done historical of those revenues and expenses and that I know is posted on the Village's website. Individual financial statements aren't.

Folwell: Are there any deficiencies in whether it's outdated or real deficiencies in what you just said that you would like to see typed up, sharpened up or freshened?

Romocki: We had a conversation with them I think 10 days ago of what we would need for December. One is the last numbers we have are the fiscal year end December 19 so they have now December 20 numbers and they also have the summer as the big period – they have unaudited numbers for those – for how they operated their entities– over this past summer and so they are going to provide us with those numbers.

Wood: My question to this is – so you've got these revenues coming in the door – I can increase the revenues any time I want to cover this loan – right? So my point is to prevent that being through the roof, I want to know what the true value of the assets that are being bought are worth because you can always up the revenues to anything you want to cover a loan and that is not how this should be done. We should be paying a fair price of what those assets are truly worth and all I want to know is, what is that? And the depreciation numbers in both of those valuations were estimated and had assumptions in them that I absolutely do not agree with.

Commissioner Joshua Bass: Mr. Treasurer, can I ask again to tell us about there is going to be a vote today at Bald Head. How clear is that? Is that, is that a strict up and down like the citizens say yes we want Bald Head to participate, we want Bald Head to make an offer or is that a down like no we want you to back out.

[Background chatter about it being about a GO bond. Difficult to discern specific speakers.]

Folwell: It's about the authorization for the Village to issue GO bonds for this potential acquisition up to the valuation amount.

Wood: \$50?

Folwell: I think it's \$55 or \$56 million.

Wood: \$55 million.

Bass: Okay, so if they vote it down then they're off the table? Right? Bald Head Island residents – that offer is off the table because they can't borrow the money. Am I right?

Folwell: Well – I'll go out on a limb and say that City Council is on the ballot, the Mayor is on the ballot. If the referendum is voted down, then the Village will have to make a choice whether to reapply, alter their application for it to be a revenue bond so you'd have 2 applicants applying for the same asset and where we will need to get the valuation right both using the same form of payment.

Bass: OK, I have one more question – maybe my memory is wrong here but I was thinking there was a threat from the present owner that if this wasn't settled by a certain time, he had an offer and he could – he was going to go ahead and sell it. Am I right on that?

Wood: A threat to chop it up.

Folwell: There was a – I don't even want to comment on threats – but there was a lot going on but I think that the Utilities Commission would probably have something to say about that so I'm not sure as Auditor Wood said that there was a threat that we would just chop it up and sell it in pieces. I'll just repeat what I've said all along. A year or two ago I obviously knew there was a Bald Head, North Carolina. I've never been there. And, all I've ever desired in this situation is for there to be a governance and transparency and get the valuation right so that's it not just for residents but the actual 6 to 1 workers who actually use the ferry for them to be able to have certainty about what the cost of getting to work is. That's all the 3 things I've ever, ever talked to anybody.

Bass: One more question – at our December meeting, this would not be the only thing discussed? We'll have other things that we would normally do, right?

Folwell: Yes?

Romocki: Yes, there will normal applicants on the agenda for December.

Bass: Well, as far as I am concerned Mr. Treasurer, you have the authority to set the agenda and I am fine with putting Bald Head on the agenda.

Folwell: Well, I used to think I have the authority to set the agenda.

Bass: I think you do.

Folwell: Secretary Marshall tried to convince me otherwise last year. [laughter] Anyway, I think we'll leave it at that and end on the good note that Susan left us with a few minutes ago. We will keep driving toward getting to asking the right questions, thinking about the unintended consequences and try to get the right outcomes. That is all we can do.

Philbeck: Mr. Treasurer, this is Mike Philbeck, may I ask one question? If Bald Head Island were to see the bond vote go down and were as a governing body to reapply as a revenue bond, isn't the maximum term on a revenue bond a shorter maturity thus creating a higher payment?

Folwell: Umm, well, Tim Romocki?

Romocki: Yes, this is Tim Romocki. Well, I think the term of the maturity is really tied to the asset so that's the way the Administrative Code and I think also the statutes are laid out so I think in either case they could have - whether it's a general obligation bond or a revenue bond they could have the same maturity.

Philbeck: They would just have a little bit higher rate if it was a revenue bond, I would imagine.

Romocki: Right, that's the big difference. With the general obligation bond, it is backed by the taxing power of Bald Head and so that would give it a slightly better credit rating possibly and then a lower interest rate.

Philbeck: Thank you.

Excerpt ends at 1:53:23



## **Exhibit JAW-6**

**Citizen Letter to State Treasurer and  
State Auditor Dated August 3, 2021**

August 3, 2021

**Memorandum to NC State Treasurer Dale R. Folwell and NC State Auditor Beth A. Wood**

**Subject: Bald Head Island Transportation Authority**

On July 26, 2021, the Bald Head Island Transportation Authority (BHITA) released a new real estate appraisal of assets that make up the Bald Head Island ferry transportation system. As you know, BHITA is proposing to acquire those assets from their current owner, Bald Head Limited (Limited), for \$47.75M, and to finance the acquisition with a \$56.1M revenue bond issue that the Local Government Commission (LGC) must approve.

BHITA's second real estate appraisal was done by Newmark Knight Frank (NKF). It took approximately 3 weeks to complete and was done in response to concerns that the LGC raised about the validity of BHITA's initial appraisal of Limited's transportation assets. The initial appraisal was done in 2019 and came to \$50.8M. It was based largely on two real estate appraisals, done by the Worsley Real Estate Company, of Limited's ferry terminal landing sites on BHI and at the Deep Point marina in Southport NC on the mainland. Those sites were appraised by Worsley at \$6.07M and \$36.325M, respectively.

NKF's appraisal of the BHI and Deep Point Terminal sites came to \$6.5M and \$33M, respectively, or 6.8 percent below Worsley's estimates. Importantly, NKF's total valuation of \$39.5M when added to the \$8.4M appraised value of Limited's transportation assets that are not real estate (e.g., vessels, autos, trams, IT system, etc.), BHITA's second appraisal came to \$47.9M or just slightly above its proposed \$47.75M purchase price.

In our July 21, 2020 letter to you, we explained that BHITA's proposed \$47.75M purchase price represents the highest price that BHITA could possibly pay Limited, and finance through an (\$56.1M) investment-grade bond issue, rated BBB- or just one notch above junk. The Worsley and NKF appraisals, therefore, were pertinent to BHITA's deal with Limited only in terms of satisfying BHITA's statutory requirement that whatever price it ended up paying Limited could not exceed the appraised value of Limited's transportation assets.

The question remains, however, whether Limited's transportation assets are actually worth BHITA's \$47.75M offer price. For reasons detailed below, and BHITA's two appraisals notwithstanding, we do not believe those assets are worth anywhere near \$47.75M.

As to the Worsley appraisals, we will simply note the LGC raised several critical questions with BHITA about the validity and reliability of Worsley's valuations of the Deep Point and BHI ferry terminal sites in a list of "must answer" questions that the LGC staff submitted to BHITA in late June, 2021. In its July 6, 2021, response, BHITA made no real attempt to defend Worsley's appraisals. Instead, BHITA simply noted that it had retained NKF to conduct a second appraisal that presumably would address the LGC's concerns with the Worsley appraisals, and responded to several specific "must answer" questions that the LGC raised with a "See New Appraisal."





In its Income Approach valuation of the Deep Point site, NKF takes the total Cost Approach valuation of \$33.9M and reduces it to \$30.9M in order to remove the 15% entrepreneurial profit adjustment (to site improvements and buildings) and a modest capital expenditure requirement. The adjusted \$30.9M cost estimate is then multiplied by a 7.5% Developer Return Parameter (e.g., investor hurdle rate) to estimate a hypothetical annual market rent payment of \$2,317,500. The rent payment is then divided by a 7.25% discount rate to get back to NKF's Income Capitalization Approach valuation of \$31.8M as described and calculated in the table on page 67. Since all buildings at Deep Point have a building area of 50,325 sq. ft., NKF's estimated annual rent works out to \$46.05 per sq. ft.

Of note, a significant percentage of the 50,325 sq. ft. of building space is roofed but open-air space. The current average rental rate for commercial (heated and air conditioned) office space in Wilmington NC is \$19.41. While we were unable to discern the going rental rate for office space in Southport, NC, where Deep Point is located, we expect it is significantly lower than the \$19.41 rate in Wilmington.

We are not surprised that NKF's hypothetical rental rate for Deep Point is nearly 2.8 times the actual average rental rate for office space in Wilmington. As explained above, NKF's replacement cost estimates of the Deep Point buildings and site improvements are based on faulty calculations that resulted in excessive valuations.

Second, NKF's Income Capitalization Approach valuation, including its annual rental rate estimate, are based on its flawed Cost Approach valuation and does not reflect how much income the Deep Point property currently generates, or even could generate had NKF developed pro forma financial statements that could have been used to value the Deep Point ferry terminal site. In any case, for NKF to suggest that its Income Capitalization Approach somehow satisfies the LGCs interest in seeing an Income Approach used in appraising the Deep Point property along with a Cost Approach -- in an effort cut down on the likelihood of an erroneous valuation -- is highly questionable, at best.

A third major shortcoming of NKF's Deep Point appraisal has to do with its land valuation of \$10,080,000. NKF arrived at the latter estimate by dividing, arbitrarily and without explanation, the 54.8-acre parcel that BHITA is proposing to acquire from Limited, into two pieces: a 43.26-acre parking area and a 11.54-acre ferry terminal and barge area which sits directly on the river front. Based on the sale of comparable properties, NKF estimates the value of the 11.54 acre terminal and barge site at \$653,380 per acre, and the 43.26 acre parking site at \$58,713 per acre. In our view, both of the cost per acre figures are clearly excessive.

The \$653,380 per acre estimate of the ferry terminal and barge site are based on allegedly comparable sales of waterfront property that is used or could be used for marinas, waterfront building lots, or some other use that is far more valuable than Limited's ferry terminal or barge loading area. While Limited's Deep Point property does include an 83-private boat slip marina, that acreage is not being sold to BHITA, and should not have been used by NKF to identify comparable properties on which its \$653,380 per acre land cost estimate is based.

Similarly, the 43.26 acre parking area, valued at \$58,713 per acre, is immediately adjacent to a 74 acre track of land that has been for sale for several years and is currently listed at \$43,919 per acre, or 23% less than NKF's per acre estimate for land classified as parking area.

Had NKF reduced its cost per acre estimate (based on sales of comparable properties) for both the terminal and barge area as well as the parking area by a minimum of say 20 percent, its valuation of land at Deep Point would have declined to \$8.64M, leaving its total Cost Approach estimate at \$23,508,043, not \$33.9M. Based on its Income Capitalization calculations, NKF's hypothetical annual rental rate also would have declined from \$46.05 per sq. ft. to \$36.84 which is still twice as high as the average rental rate of \$19.41 per sq. ft. for commercial space in Wilmington.

Before discussing NKF's appraisal of the BHI ferry terminal landing site, it should be noted that NKF did address concerns raised by the LGC about stark differences between its valuation and what the Brunswick County tax assessor uses to assess property taxes on the Deep Point property. In a table entitled Taxes and Assessments on p. 49, NKF notes that the County valued parcel 23800003 at \$15,964,290, as of January 1, 2021; \$9,346,000 for the land and \$6,617,490 for improvements. According to NKF's table, Tax Comparables, also on p. 49, \$15,964,290 is 65% of its market value estimate which implies a valuation of \$24,560,446, including land and improvements.

However, the figures immediately above are inaccurate because the Brunswick County tax records indicate that parcel 23800003 encompasses the entirety of Limited's Deep Point property, including 18.93 acres associated with the 83-slip marina that BHITA is not acquiring from Limited. Parcel 2380000302 which is the property BHITA is proposing to purchase encompasses 52.6 acres and is valued by Brunswick County at \$10,262,850; of which \$7,101,000 is the assessed value of the land and \$3,161,850 the value of improvements. We do not know why NKF made such an obvious error. It may have resulted from BHITA's request that NKF complete its audit in two weeks which was extended to three. Whatever the reason, this and other obvious errors cited above, certainly do not instill confidence in the report's credibility, reliability, or usefulness.

## **2. NKF's Appraised Value of the BHI Ferry Terminal Site Is Grossly Inflated**

NKF's appraised value of the BHI ferry terminal site comes to \$6,500,000, or 7.1% higher than the Worsley valuation (\$6,070,000). The \$6.5M total includes 5.577 acres of land (see Attachment A) which NKF values at \$6,300,000. In our view, the appraisal is grossly inflated for two principal reasons.

First, all 5.57 acres are valued the same (i.e., \$1,091,854 per acre) even though only 2.8 acres are usable. As is reflected in Brunswick County's site map of land on BHI being purchased by BHITA, 2.77 acres encompasses a protective tidal dune and a sand beach on the river front. Because this acreage is highly unstable due to on-going erosion that results from periodic

dredging of the Wilmington Harbor Navigation Channel, and periodic storm damage, it is now and will very likely remain unbuildable. Thus, the land could not be used for “some form of residential or recreational development such as single family homes or beach front vacation cabins,” as NKF suggests it could on p. 49 of its report. Although NKF acknowledges that 2.77 of the 5.57-acre parcel is unusable, all 5.57 acres are valued at \$1,091,854 per acre, based on a highly questionable selection of comparable sales. Unusable land should be valued much lower (e.g., \$100,000 per acre in this instance). This adjustment alone would have reduced the \$6,500,000 valuation to \$3,334,191, or by 49%.

Second, since roughly 90% of the 2.8 acres of usable land can only be used as it currently is – for paved road way and tram parking space -- it also should be discounted significantly from multiple use commercial real estate that NFK relied on to derive its \$1,091,854 per acre land valuation estimate. Were the land at the BHI ferry terminal site that is used for paved tram parking and roadway adjusted downward by 30%, as it certainly should have been at the very least, NFK’s estimated value for the BHI ferry terminal site would have been reduced by another \$825,441, bringing the total value down to \$2,508,750, based on the latter two adjustments alone.

Finally, drawing on its \$6.5M Cost Approach valuation, and its circuitous Income Capitalization calculation, NFK estimates a hypothetical annual market rent for the BHI ferry terminal property of \$63.80 per sq. ft. for roofed, but largely open-air building space. This is 3.3 times the current average rental rate for (enclosed, air conditioned) office space in Wilmington (\$19.41). An annual rental rate calculated in the same manner that NFK used, but based on a total valuation of \$2,508,750, would work out to \$24.88 per sq ft which is still 28 percent higher than the going rate for commercial office space in Wilmington. In our view, The NKF’s estimated \$63.80 per sq. ft. annual rental rate – based on a \$6.5M total valuation -- for the BHI ferry terminal site is patently unreasonable, and the underlying appraisal could and should be dismissed on that basis alone.

### **3. BHITA’s Real Estate Appraisals are Irrevocably Flawed and Should Not Be Used to Establish a Purchase Price for Limited’s Transportation Assets**

We do not profess to know what the Deep Point and BHI ferry terminal sites are actually worth and what users of the BHI transportation system might reasonably be asked to pay. We are quite certain, however, that the market value of Limited’s transportation assets, including the two ferry terminal sites, is substantially below the \$47.75M that BHITA is proposing to pay Limited and finance through its \$56.1M revenue bond issue. A bond issue that, according to BHITA’s cash flow projections, will cost users of the transportation system \$111M over the next 30 years.

As explained in our July 8, 2021 letter to you, we further believe that if BHITA borrowed \$56.1M in order pay Limited \$47.75M, BHITA would effectively tap-out its borrowing capacity at least until a significant portion of its debt is paid down. Should significant capital spending requirements materialize in the near term (e.g., due to damage caused by a hurricane), BHITA

may have no choice but to ask the State for a capital infusion, or, failing that, default on its bond payments. As such, and because Limited's transportation assets are worth no where near \$47.75M, BHITA is asking the LGC to approve a revenue bond issue that would prove unreasonably costly to users of the transportation system, and subject Bald Head Island and the State to an unnecessarily high level of financial risk. BHITA's bond application should be rejected by the LGC for these two reasons alone.

We also believe, however, that some entity needs to acquire the BHI transportation system from Limited. Limited is a real estate development company that has operated on BHI since acquiring it out of bankruptcy in 1983. Limited's work on BHI is effectively done, and the transportation system represents its last major asset on the island which Limited clearly wants and needs to sell.

Since the system represents the only way (other than private boat), to move people and things between the island and the mainland, the transportation system is vitally important to the island and all BHI stakeholders. So goes the transportation system, so goes Bald Head Island, at least as a viable resort community.

For that reason, we would urge the LGC to reject BHITA's current bond application, and to instruct BHITA and the Village of Bald Head Island to work out a reasonable and mutually acceptable purchase price, bond issue, and operating agreement that would govern the transportation system going forward. We believe that the LGC doing so would ultimately benefit all parties involved.

Respectfully yours,

Robert T. Blau, CFA  
5 Starrush Trail, Bald Head Island

J. Paul Carey  
611 Currituck Way, Bald Head Island

cc: Honorable Ronald Penny, NC Secretary of Revenue  
Honorable Elaine Marshall, NC Secretary of State  
Honorable Mike Philbeck, NC Speaker of House  
Mr. Joshua Bass  
Ms. Viola Harris  
Mr. Scott Padgett  
Mr. Edward Munn  
Ms. Sharon Edmundson, NC Deputy Treasurer  
Mr. Timothy Romocki, Director, Debt Management, NC Department of State Treasurer  
Ms. Susan Rabon, Chair, Bald Head Island Transportation Authority  
Mr. J. Andrew Sayre, Mayor, Village of Bald Head Island

## An aerial photograph of a coastal area with property boundaries overlaid in yellow. The central focus is a large, irregularly shaped lot labeled '2600 JA 000' in yellow text. This lot is surrounded by several smaller lots, some of which are also labeled with yellow text: '2600 JA 002' to the north, '2600 JA 003' to the east, and '2600 JA 004' to the south. To the west of the central lot is a sandy beach and the ocean. To the east is a paved road labeled '4711 JALAN BAYU' in yellow text. Further east, there are more lots, some labeled with yellow text like '2600 JA 005' and '2600 JA 006'. The map also shows various lot numbers in blue text, such as 230, 231, 232, 233, 234, 235, 236, 237, 238, 239, 240, 241, 242, 243, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 254, 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 265, 266, 267, 268, 269, 270, 271, 272, 273, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, 290, 291, 292, 293, 294, 295, 296, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 325, 326, 327, 328, 329, 330, 331, 332, 333, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 346, 347, 348, 349, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 380, 381, 382, 383, 384, 385, 386, 387, 388, 389, 390, 391, 392, 393, 394, 395, 396, 397, 398, 399, 400, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 435, 436, 437, 438, 439, 440, 441, 442, 443, 444, 445, 446, 447, 448, 449, 450, 451, 452, 453, 454, 455, 456, 457, 458, 459, 460, 461, 462, 463, 464, 465, 466, 467, 468, 469, 470, 471, 472, 473, 474, 475, 476, 477, 478, 479, 480, 481, 482, 483, 484, 485, 486, 487, 488, 489, 490, 491, 492, 493, 494, 495, 496, 497, 498, 499, 500, 501, 502, 503, 504, 505, 506, 507, 508, 509, 510, 511, 512, 513, 514, 515, 516, 517, 518, 519, 520, 521, 522, 523, 524, 525, 526, 527, 528, 529, 530, 531, 532, 533, 534, 535, 536, 537, 538, 539, 540, 541, 542, 543, 544, 545, 546, 547, 548, 549, 550, 551, 552, 553, 554, 555, 556, 557, 558, 559, 560, 561, 562, 563, 564, 565, 566, 567, 568, 569, 570, 571, 572, 573, 574, 575, 576, 577, 578, 579, 580, 581, 582, 583, 584, 585, 586, 587, 588, 589, 590, 591, 592, 593, 594, 595, 596, 597, 598, 599, 600, 601, 602, 603, 604, 605, 606, 607, 608, 609, 610, 611, 612, 613, 614, 615, 616, 617, 618, 619, 620, 621, 622, 623, 624, 625, 626, 627, 628, 629, 630, 631, 632, 633, 634, 635, 636, 637, 638, 639, 640, 641, 642, 643, 644, 645, 646, 647, 648, 649, 650, 651, 652, 653, 654, 655, 656, 657, 658, 659, 660, 661, 662, 663, 664, 665, 666, 667, 668, 669, 670, 671, 672, 673, 674, 675, 676, 677, 678, 679, 680, 681, 682, 683, 684, 685, 686, 687, 688, 689, 690, 691, 692, 693, 694, 695, 696, 697, 698, 699, 700, 701, 702, 703, 704, 705, 706, 707, 708, 709, 710, 711, 712, 713, 714, 715, 716, 717, 718, 719, 720, 721, 722, 723, 724, 725, 726, 727, 728, 729, 730, 731, 732, 733, 734, 735, 736, 737, 738, 739, 740, 741, 742, 743, 744, 745, 746, 747, 748, 749, 750, 751, 752, 753, 754, 755, 756, 757, 758, 759, 760, 761, 762, 763, 764, 765, 766, 767, 768, 769, 770, 771, 772, 773, 774, 775, 776, 777, 778, 779, 780, 781, 782, 783, 784, 785, 786, 787, 788, 789, 790, 791, 792, 793, 794, 795, 796, 797, 798, 799, 800, 801, 802, 803, 804, 805, 806, 807, 808, 809, 810, 811, 812, 813, 814, 815, 816, 817, 818, 819, 820, 821, 822, 823, 824, 825, 826, 827, 828, 829, 830, 831, 832, 833, 834, 835, 836, 837, 838, 839, 840, 841, 842, 843, 844, 845, 846, 847, 848, 849, 850, 851, 852, 853, 854, 855, 856, 857, 858, 859, 860, 861, 862, 863, 864, 865, 866, 867, 868, 869, 870, 871, 872, 873, 874, 875, 876, 877, 878, 879, 880, 881, 882, 883, 884, 885, 886, 887, 888, 889, 890, 891, 892, 893, 894, 895, 896, 897, 898, 899, 900, 901, 902, 903, 904, 905, 906, 907, 908, 909, 910, 911, 912, 913, 914, 915, 916, 917, 918, 919, 920, 921, 922, 923, 924, 925, 926, 927, 928, 929, 930, 931, 932, 933, 934, 935, 936, 937, 938, 939, 940, 941, 942, 943, 944, 945, 946, 947, 948, 949, 950, 951, 952, 953, 954, 955, 956, 957, 958, 959, 960, 961, 962, 963, 964, 965, 966, 967, 968, 969, 970, 971, 972, 973, 974, 975, 976, 977, 978, 979, 980, 981, 982, 983, 984, 985, 986, 987, 988, 989, 990, 991, 992, 993, 994, 995, 996, 997, 998, 999, 1000. The map also shows various lot numbers in blue text

[illegible]



## **Exhibit JAW-7**

# **BHIL and BHIT Responses to Village's Third Data Requests**

**STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH**

**Docket No. A-41, Sub 22**

In the Matter of	)	<b>BALD HEAD ISLAND</b>
Joint Application of Bald Head Island	)	<b>LIMITED, LLC AND BALD</b>
Transportation, Inc., Bald Head Island	)	<b>HEAD ISLAND</b>
Limited, LLC, and Bald Head Island	)	<b>TRANSPORTATION,</b>
Ferry Transportation, LLC, for Approval	)	<b>INC.'S RESPONSES TO</b>
of Transfer of Common Carrier	)	<b>VILLAGE OF BALD HEAD</b>
Certificate to Bald Head Island Ferry	)	<b>ISLAND'S THIRD DATA</b>
Transportation, LLC, and Permission to	)	<b>REQUESTS</b>
Pledge Assets	)	

Bald Head Island Limited LLC (“BHIL”) and Bald Head Island Transportation, Inc., (“BHIT”), by and through legal counsel, hereby respond to Village of Bald Head Island (the “Village”)’s Third Data Requests as follows:

**General Statement**

In responding to these requests, BHIL and BHIT do not waive their legal position that the North Carolina Utilities Commission (“Commission”) has no jurisdiction over BHIL’s tugboat/barge operations and parking facilities for the reasons set forth in its Notice of Appeal and Exceptions filed on January 27, 2023, in Commission Docket No. A-41, Sub 21, and, therefore, that discovery on these topics is not reasonably calculated to lead to the discovery of admissible evidence. Notwithstanding this legal position, BHIT and BHIL provides all responsive documents and complete responses to these data requests subject to the specific objections stated below.

In responding to these requests, BHIL and BHIT have made reasonable efforts to research documentation and data regarding the subject matter of this proceeding. These



responses are based upon information presently available to BHIL, BHIT, and their attorneys, and specifically known to the individuals who were involved in preparing these responses. It is possible that future discovery and independent investigation may supply additional facts or information, add meaning to known facts, and establish entirely new factual conclusions and contentions, all of which may lead to substantial additions to, changes in, and variations from the responses set forth herein.

These responses are made without prejudice to BHIL and BHIT's rights to provide additional evidence at the time of any proceeding before the Commission. BHIL and BHIT reserve the right to supplement or correct these responses. BHIL and BHIT also reserve the right to object to future discovery on the same or related matters and do not waive any objection by providing the information in these responses. Finally, BHIL and BHIT reserve the right to object to the admissibility of any of these responses, in whole or in part, at any further proceeding on this matter, on any grounds, including but not limited to timeliness, materiality, relevance, and privilege.

### **General Objections**

1. BHIL and BHIT object to the Data Requests to the extent they are vague, ambiguous, and/or incapable of reasonable ascertainment.

2. BHIL and BHIT object to the Data Requests to the extent they seek information, documents, and/or things protected from disclosure by the attorney-client privilege, the work product doctrine, consulting expert privilege, and/or the common-interest privilege. Inadvertent disclosure of any such information, documents, and/or things shall not operate as a waiver of any applicable privilege or immunity. With respect to privileged information, BHIL and BHIT specifically object to Instruction No. 7 as it

pertains to privileged documents or communications that were created or occurred during the pendency of this proceeding.

3. BHIL and BHIT object to the Data Responses to the extent they seek discovery of documents available by means that are less burdensome, less expensive, or more appropriate.

4. BHIL and BHIT object to the Instructions accompanying the Data Requests to the extent they purport to impose burdensome obligations that are not required by the rules of the Utilities Commission or by law.

### **DATA REQUESTS**

1. Please produce any and all documents identified, referred to, or relied upon in preparing your response to the Village's Third Set of Data Requests.

**RESPONSE:** BHIL and BHIT object to the extent this request seeks documents protected from disclosure by the attorney-client privilege and/or work product doctrine. Without waiving their objections, BHIL and BHIT refer the Village to the documents attached to the Petition and those provided concurrently with these responses.

2. Refer to page 2 of the Amended Application and the statement that BHIL is joining in the Application to, among other things, ensure operations may continue without interruption. Is Limited threatening to discontinue utility services? If so, please explain fully and in detail the basis for such actions, the anticipated date of such discontinuance and the services impacted, and the precipitating causes for any such discontinuance.

**RESPONSE:** No. Without waiving its objections, BHIL has no plans to discontinue utility services and has never threatened to do so. BHIT has operated the regulated utility since 1993 and has an exemplary record with the Commission dating back 30 years in its operation of the regulated utility. Moreover, with 26 previous transitions selling significant assets on Bald Head Island, BHIL has a proven transition process providing support and guidance and intends to offer the same to SharpVue. The extent to which the transition to a new owner is seamless to customers and occurs without disruption can depend upon a number of variables, including the identity of the new owner and its management.

3. If such a report exists, please produce information showing the barge's monthly on-time performance from 2012 to present.

**RESPONSE:** Without waiving its objections, BHIL states that because the barge has never operated under an approved tariff and schedule, no such document exists.

4. Please produce any complaints you have received regarding the barge operations over the last 10 years.

**RESPONSE:** Without waiving its objections, BHIL refers the Village to the documents produced herewith and marked as BHIL\_IT 003247-3255.

5. Please produce information showing the monthly utilization of parking spaces in the parking facilities from 2017 to present, including the total number of parking spaces available and the number of parking spaces used.

**RESPONSE:** Without waiving its objections, BHIL tracks parking utilization data based on parking exits per lot. Please refer to the document produced herewith and marked as BHIL\_IT 006161 for further information regarding the utilization. The total number of parking spaces are set forth in the table below.

DEEP POINT PARKING FACILITY (Parking Lot Stall Allocation)	
Parking Lot	# Spaces
Premium Parking Lot	396
General Parking Lot Spaces	1,021
General Parking Lot Gravel Spaces	167
General/Contractor Parking Lot Gravel Spaces (June 2022)	180
Contractor Parking Lot (a)	366
Employee Parking Lot	172
<b>Total</b>	<b>2,302</b>

(a) Lot also used by employees in winter and as overflow lot during summer.

6. Please produce information showing the daily utilization of parking spaces in the parking facilities the months of June, July, and August for 2017 to present, including the total number of parking spaces available and the number of parking spaces used.

**RESPONSE:** The response to this request can be derived from the document referred to in the response to request no. 5 above.

7. Please refer to the Rebuttal Testimony of Kevin O'Donnell in Docket No. A-41, Sub 21, at Rebuttal Exhibit KWO-1. Please admit that the following from Rebuttal Exhibit KWO-1 is an accurate summary of rate base for the respective operations as of December 31, 2021. To the extent that you are unwilling or unable to make this admission, please explain in detail any disagreement with

this analysis and provide Limited's calculation or analyses (in excel format with operating functions intact) of the rate base for the transportation assets. Identify all documents relating to this calculation or analysis.

	Parking Facilities	Barge Facilities	BHI Ferry Transportation
Plant in Service	\$10,225,330	\$2,765,525	\$6,737,006
Less: Accumulated Depreciation	(\$6,447,301)	(\$1,406,191)	(\$3,597,515)
Net Plant in Service	\$3,778,029	\$1,359,334	\$3,139,491
Cash Working Capital (formula approach)	\$184,012	\$87,967	\$794,304
Tax Accruals (formula approach)	(\$3,066)	(\$1,866)	(\$70,188)
Accumulated Deferred Taxes	\$0	\$0	(\$14,350)
Total Rate Base	\$3,958,975	\$1,445,434	\$3,849,258

**RESPONSE:** Without waiving its objections, BHIL and BHIT do not admit that Rebuttal Exhibit KWO-1 is an accurate summary of rate base for the respective operations as of December 31, 2021. BHIL and BHIT affirmatively state that the Plant in Service, Accumulated Depreciation, and Net Plant in Service numbers in this exhibit are incorrect. As of the date of this response, BHIL and BHIT have not calculated the valuation of these assets as if they were part of a regulated utility's rate base, but will supplement this response with those calculations when they are available.

8. Has the Asset Purchase Agreement between the parties been amended since the Commission's December 30, 2022 ruling in Docket No. A-41, Sub 21? If so, please identify the amendments and provide the amended terms. Please supplement this response should the agreement be amended after your initial response to this request.

**RESPONSE:** Without waiving their objections, BHIL and BHIT refer the Village to Exhibit E to the Amended Application, which includes any and all amendments to the Asset Purchase Agreement.

9. Please identify any known capital needs (e.g., repair, retrofit, upgrade, and/or replace) relating to the regulated Transportation Assets (including the ferry/tram, parking, barge/tug), including projected costs associated with such needs, presently existing or projected over the next ten years. Identify any documents relating to such needs.

**RESPONSE:** Without waiving their objections, BHIL and BHIT state that—in the current opinion of their management—that operating capital, repairs and maintenance capital, and investment capital budget planning will be reviewed and assessed post-transaction and that all such capital investments will be evaluated and implemented in a manner consistent with past practices. Notwithstanding, we would anticipate normal annual capital expenditures to be in the \$1.2 million range

(past 5-year average) with additional capital expenditures over the next 3-5 years to cover extraordinary capital expenditures such as paving the three gravel lots in the Deep Point Parking area in Southport, NC, and the purchase of a new catamaran ferry.

This 6th day of February, 2023.

ONLY AS TO OBJECTIONS:

FOX ROTHSCHILD, LLP

By: /s/ Elizabeth S. Hedrick

Elizabeth Sims Hedrick

M. Gray Styers, Jr.

Fox Rothschild, LLP

434 Fayetteville Street, Suite 2800

Telephone: 919-755-8700

E-mail: [ehedrick@foxrothschild.com](mailto:ehedrick@foxrothschild.com)

E-mail: [gstyers@foxrothschild.com](mailto:gstyers@foxrothschild.com)

*Attorneys for*

*Bald Head Island Transportation, Inc.,  
and Bald Head Island Limited, LLC*

**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing BALD HEAD ISLAND LIMITED, LLC AND BALD HEAD ISLAND TRANSPORTATION, INC. RESPONSES TO THE VILLAGE OF BALD HEAD ISLAND'S THIRD DATA REQUESTS has been served this day by electronic mail to the parties listed below.

This the 6th day of February, 2023.

By: /s/ Elizabeth S. Hedrick  
Elizabeth S. Hedrick  
Fox Rothschild LLP

Marcus W. Trathen  
Craig D. Schauer  
Brooks, Pierce, McLendon, Humphrey, & Leonard LLP  
E-Mail: [cschauer@brookspierce.com](mailto:cschauer@brookspierce.com)  
E-Mail: [mtrathen@brookspierce.com](mailto:mtrathen@brookspierce.com)

Jo Anne Sanford  
Sanford Law Office, PLLC  
E-Mail: [Sanford@sanfordlawoffice.com](mailto:Sanford@sanfordlawoffice.com)

William E. H. Creech  
Public Staff Legal Contact  
E-mail: [zeke.creech@psncuc.nc.gov](mailto:zeke.creech@psncuc.nc.gov)

Gina Holt  
Public Staff Legal Contact  
E-mail: [gina.holt@psncuc.nc.gov](mailto:gina.holt@psncuc.nc.gov)

Edward S. Finley Jr.  
E-Mail: [edfinley98@aol.com](mailto:edfinley98@aol.com)

David Ferrell  
E-Mail: [dferrell@nexsenpruett.com](mailto:dferrell@nexsenpruett.com)



**Exhibit JAW-8**  
**SharpVue Responses to**  
**Village's Second Data Requests**



**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	)	<b>SHARPVUE CAPITAL, LLC'S</b>
Island Ferry Transportation, LLC, for	)	<b>RESPONSES TO VILLAGE</b>
Approval of Transfer of Common Carrier	)	<b>OF BALD HEAD ISLAND'S</b>
Certificate to Bald Head Island Ferry	)	<b>SECOND DATA REQUESTS</b>
Transportation, LLC, and Permission to	)	
Pledge Assets	)	

SharpVue Capital, LLC ("SharpVue"), by and through its undersigned counsel, hereby responds to the Village of Bald Head Island's Second Data Request to SharpVue Capital, LLC in the above-captioned docket.

**GENERAL OBJECTIONS**

SharpVue objects to the Data Requests to the extent they seek information, documents, materials, support, and/or things protected from disclosure by the attorney-client privilege, the work-product doctrine, consulting expert privilege, the common-interest privilege, and/or seek information beyond the regulated assets at issue herein. Inadvertent disclosure of any such information, documents materials, support, and/or things shall not operate as a waiver of any applicable privilege or immunity. SharpVue's production of documents or information does not waive any SharpVue's right to object to this request as not reasonably calculated to lead to the discovery of admissible evidence in this docket.

Certain SharpVue information provided herein are produced on the condition that they are held as confidential pursuant to the parties' confidentiality agreement. SharpVue

reserves the right to object to the admissibility of any of these responses, in whole or in part, at any further proceeding of this matter, on any grounds, including but not limited to timeliness, materiality, relevance, and privilege.

### **RESPONSE TO DATA REQUESTS**

1. Please produce any and all documents identified, referred to, or relied upon in preparing your response to the Village's Second Set of Data Requests.

**RESPONSE: See SHARPVUE NOS. 0831 to 0882.**

2. Provide a complete summary of the existing business operations, if any, of BHI Ferry Transportation, LLC, Pelican Legacy Holdings, LLC, and SVC Pelican Partners, LLC.

**RESPONSE: BHI Ferry Transportation, LLC, Pelican Legacy Holdings, LLC, and SVC Pelican Partners, LLC are all affiliates of and managed by SharpVue Capital, LLC. These entities were established to own and operate the assets purchased pursuant to the Asset Purchase Agreement ("APA") attached as Exhibit E to the Joint Application filed herein. BHI Ferry Transportation, LLC will own the regulated assets, and Pelican Legacy Holdings, LLC, and SVC Pelican Partners, LLC will own the non-regulated assets – much in the same way the existing owner holds the assets.**

3. Provide state the current capitalization of BHI Ferry Transportation, LLC, Pelican Legacy Holdings, LLC, and SVC Pelican Partners, LLC and identify all documents showing such capitalization.

**RESPONSE: See Exhibit F to the Joint Application filed herein. This document has been previously provided to the Village in a previous data request, and was provided as CONFIDENTIAL – ATTORNEYS' EYES ONLY.**

4. Provide a complete summary of SharpVue's experience providing utility services, broken down by SharpVue entity. If SharpVue's experience consists solely of acquiring ownership interests entities providing utility services, please (a) identify the entity providing utility services, (b) state the percentage

ownership interest held and the type and nature of the interest, and (c) state the dates that SharpVue Capital acquired and sold such interests.

**RESPONSE: SharpVue plans to hire the operations' current management to continue in their current roles and duties, to include (but not limited to): Charles A. "Chad" Paul, III, President of Bald Head Island Transportation, Inc. and Chief Executive Officer and a Manager of Bald Head Island Limited LLC; Shirley Mayfield, Chief Financial Officer of Bald Head Island Limited LLC; and Captain Bion Stewart, the current Chief Operating Officer of Bald Head Island Transportation, Inc. Further, SharpVue has committed to hire almost all of the current employees.**

**SharpVue objects to Data Request No. 4 in that it requests irrelevant information that is not likely to lead to discoverable information about separate and distinct investments that are not related to its purchase of the assets described in the APA. SharpVue has raised capital specifically for this opportunity from a group of primarily local investors with the understanding that this collection of assets can be held for the long term. In other words, and importantly, this investment will not be held in a limited life fund, but in an LLC with a perpetual life.**

5. What is the average length of SharpVue Capital's pre percentage ownership interest held and the type and nature of the interest, and (c) state the dates that SharpVue Capital acquired and sold such interests.

**RESPONSE: SharpVue objects to Data Request No. 5 in that it requests irrelevant information that is not likely to lead to discoverable information about separate and distinct investments that are not related to its purchase of the assets described in the APA. SharpVue has raised capital specifically for this opportunity from a group of primarily local investors with the understanding that this collection of assets can be held for the long term. In other words, and importantly, this investment will not be held in a limited life fund, but in an LLC with a perpetual life.**

6. Explain all ways in which SharpVue will maintain a strong local community presence and constructive relationships on the island.

**RESPONSE: SharpVue intends to step into the Seller's shoes, and maintain the same level of strong local community presence and constructive relationships on the island, to include employing the same personnel who have been representing the Sellers on the island in the past.**

7. Explain all ways in which SharpVue will be a committed partner to the continued success, prosperity, and conservation mission of Bald Head Island.

**RESPONSE: The success of SharpVue's investment depends fully on Bald Head Island's continued success and prosperity, and therefore the interests of SharpVue and island stakeholders are fully aligned.**

8. Specify the capital improvements that SharpVue commits to undertake as owner of the transportation facilities, including (a) the projected date of completion of the improvement, and (b) the project cost of the improvement.

**RESPONSE: After closing the transaction, SharpVue intends to continue the ferry and tram operations without significant or immediate change. SharpVue plans to analyze the business more fully while operating it and make strategic decisions, including related to capital improvements, in due course.**

9. Does SharpVue intend to exercise operational control of the ferry and tram assets? In your response, state whether SharpVue's intention is to transfer operational control of the assets to a third party while retaining ownership the underlying real estate assets and the timeframe for this restructuring.

**RESPONSE: BHI Ferry Transportation, LLC is an affiliate of and will be managed by SharpVue Capital, LLC – not an unrelated third party entity. SharpVue plans to hire the operations' current management to continue in their current roles and duties, to include (but not limited to): Charles A. "Chad" Paul, III, President of Bald Head Island Transportation, Inc. and Chief Executive Officer and a Manager of Bald Head Island Limited LLC; Shirley Mayfield, Chief Financial Officer of Bald Head Island Limited LLC; and Captain Bion Stewart, the current Chief Operating Officer of Bald Head Island Transportation, Inc.**

10. What is SharpVue's timeframe for divesting 100% of the initial investments in this project?

**RESPONSE: SharpVue has no divestment timeframe. SharpVue intends to continue the ferry and tram operations without significant or immediate change. SharpVue plans to analyze the business more fully while operating it and make strategic decisions in due course.**

11. Identify the source of funds for the capital improvements specified in response to data request 8 and state whether such funds are currently committed or otherwise secured. If not committed or otherwise secured, state SharpVue's plans for obtaining the necessary funds.

**RESPONSE:** After closing the transaction, SharpVue intends to continue the ferry and tram operations without significant or immediate change. SharpVue plans to analyze the business more fully while operating it and make strategic decisions, including related to capital improvements, in due course. Regarding funding, see Exhibit F to the Joint Application filed herein.

12. Provide an estimate (in dollars) of the public benefits that SharpVue contends will accrue from the Transaction, if any. Provide all backup and workpapers substantiating and supporting this calculation in native format.

**RESPONSE:** SharpVue has not undertaken such an analysis.

13. Provide a complete description of the public benefits that SharpVue contends will accrue from the Transaction.

**RESPONSE:** SharpVue will ensure that the ferry and tram services continue uninterrupted in the same professional, safe, and reliable manner that the public has come to expect. Going forward, SharpVue is willing and able to provide the operations with the capital they need to accommodate growth and enhance the passenger experience while maintaining efficient operations.

14. Does SharpVue commit to implementing electronic ticketing? If so, specify when electric ticketing will be implemented.

**RESPONSE:** After closing the transaction, SharpVue intends to continue the ferry and tram operations without significant or immediate change. SharpVue plans to analyze the business more fully while operating it, and make strategic decisions, which could include electronic ticketing, in due course.

15. Will SharpVue commit to improving baggage handling operations? If “yes,” explain how SharpVue plans to improve baggage handling operations, the estimated cost associated with such improvements, and when SharpVue commits to completing the improvements.

**RESPONSE:** After closing the transaction, SharpVue intends to continue the ferry and tram operations without significant or immediate change. SharpVue plans to analyze the business more fully while operating it, and make strategic decisions, which could include changes or improvements to the baggage handling operation, in due course.

16. State the acquisition premium associated with the ferry assets, and provide a spreadsheet (in native form) showing the calculation of the premium, including any workpapers associated with or supporting the calculation.

**RESPONSE:** SharpVue does not believe the term “acquisition premium” applies in this context.

17. Does SharpVue commit that it will not seek to recover any portion of the acquisition premium described in the preceding data request from barge and/or parking customers (either directly or indirectly) if those services remain unregulated?

**RESPONSE:**

SharpVue does not believe the term “acquisition premium” applies in this context. SharpVue does not intend to raise prices as a result of any acquisition fees or expenses. After closing the transaction, SharpVue intends to continue the parking and barge operations without significant or immediate change. SharpVue plans to analyze the business more fully while operating it and make strategic decisions in due course.

18. In paragraph 34 of the Application, the applicants state that SharpVue “has experience with infrastructure projects which will be valuable in assuming operations.” Please identify all such projects, specify SharpVue’s role in such project, identify the extent of any ownership interest in such projects, and the dates SharpVue acquired and disposed of any interest in such projects.

**RESPONSE:** Lee H. Roberts, managing partner of SharpVue, has been involved with the following selected infrastructure transactions, among others:

- Financing of the \$1.6 billion Africa ONE fiber network encircling the African continent;
- Financing of the \$2.2 billion Mumbai Trans Harbour Link, India's longest bridge;
- Establishment of the Triangle Transit Authority's master developer program for "Transit-Oriented Development" around light rail;
- The \$5 billion redevelopment of the World Trade Center site in lower Manhattan;
- The \$300 million IPO and recapitalization of Golar LNG, the world's largest maritime shipper of liquefied natural gas;
- Acquisition of one of the largest privately owned waste services companies in the United States;
- Financing to support the wastewater treatment infrastructure for one of the largest master-planned communities in the Southeast.

Moreover, with regard to this transaction, SharpVue has reached agreement with the operations' current management to continue in their current roles and duties, to include (but not limited to): Charles A. "Chad" Paul, III, President of Bald Head Island Transportation, Inc. and Chief Executive Officer and a Manager of Bald Head Island Limited LLC; Shirley Mayfield, Chief Financial Officer of Bald Head Island Limited LLC; and Captain Bion Stewart, the current Chief Operating Officer of Bald Head Island Transportation, Inc. Further, SharpVue has committed to hire almost all of the current employees.

19. Identify all facts in support of the allegations of paragraph 27 of the Application.

**RESPONSE:** See Exhibit F to the Joint Application filed herein.

20. Identify all facts in support of the allegations of paragraph 28 of the Application.

**RESPONSE:** In addition to the business, finance, and management experience of the SharpVue team, SharpVue has a history of participating in infrastructure projects, as described above. Further, SharpVue has reached agreement with the operations' current management to continue in their current roles and duties, to include (but not limited to): Charles A. "Chad" Paul, III, President of Bald Head Island Transportation, Inc. and Chief Executive Officer and a Manager of Bald Head Island Limited LLC; Shirley Mayfield, Chief Financial Officer of Bald Head Island Limited LLC; and Captain Bion Stewart, the

**current Chief Operating Officer of Bald Head Island Transportation, Inc. Further, SharpVue has committed to hire almost all of the current employees.**

21. Specify how SharpVue allocates the purchase price among the assets to be purchased in the Transaction and how it proposes to allocate the purchase price among the acquired assets at closing. If SharpVue contends that it has not allocated the purchase price among the assets, explain how SharpVue has valued the individual components of the transaction and provide all documents relating to the valuation of these components.

**RESPONSE: Of the \$67.7M purchase price, \$56M is allocated to ferry, tram, parking, and barge. Otherwise, SharpVue has not completed such an analysis but will do so at the time of closing under the APA.**

22. Does SharpVue intend – either as a component of the Transaction or as a component of a planned future transaction – to pledge the assets comprising the ferry and tram operations as collateral or security? If SharpVue does not presently intend to pledge these assets, might SharpVue consider pledging those assets in the future?

**RESPONSE: See Exhibit F to the Joint Application filed herein.**

23. Does SharpVue intend – either as a component of the Transaction or as a component of a planned future transaction – to pledge the parking facilities or barge assets as collateral or security? If SharpVue does not presently intend to pledge these assets, might SharpVue consider pledging those assets in the future?

**RESPONSE: See Exhibit F to the Joint Application filed herein.**

24. Identify the individual investors in Pelican Legacy Holdings, LLC and SVC Pelican Partners, LLC, including name, address and committed funding amount.

**RESPONSE: SharpVue objects to this request because among other things it is beyond the scope of information relevant to the proceeding or likely to lead to discoverable information. Without waiving objections, see Exhibit F to the Joint Application filed herein for the committed funding**



**amount. As is customary for such transactions, the committed amount will be in SharpVue's possession at closing under the APA.**

25. Identify the "co-investors" in Pelican Legacy Holdings, LLC, including name and address.

**RESPONSE: SharpVue objects to this request because among other things it is beyond the scope of information relevant to the proceeding or likely to lead to discoverable information. Without waiving objections, see Exhibit F to the Joint Application filed herein for the committed funding amount. As is customary for such transactions, the committed amount will be in SharpVue's possession at closing under the APA.**

26. Provide the Operating Agreements for Pelican Legacy Holdings, LLC, and SVC Pelican Partners, LLC.

**RESPONSE: See SHARPVUE NOS. 0831 to 0882.**

27. State the ownership (by percentage of each owner) of each of BHI Ferry Transportation, LLC, Pelican Legacy Holdings, LLC, SVC Pelican Partners, LLC, and SharpVue Capital, LLC.

**RESPONSE: SharpVue objects to this request because among other things it is beyond the scope of information relevant to the proceeding or likely to lead to discoverable information. Without waiving objections, see Exhibit F to the Joint Application filed herein for the committed funding amount. As is customary for such transactions, the committed amount will be in SharpVue's possession at closing under the APA.**

28. Identify all communications with the Bald Head Association staff, Officers, or Board of Directors members concerning the Transaction or related matters before the North Carolina Utilities Commission, including those in Docket No. A-41, Sub 21.

**RESPONSE: Objection to questions about Docket No. A-41, Sub 21 in Docket No. A-41, Sub 22. Without waiving objections, on July 27, 2022, Lee Roberts was invited to and attended an informational meeting for the Bald Head Island Association staff, officers, Board of Directors, and members. The Village and the Authority were also represented at the meeting. The meeting was held in person on the island and by Zoom. Mr.**

Roberts, as well as the other invited guests, discussed the transaction and answered questions from Association members. Upon information and belief, over 400 Association members either participated in the meeting live or later viewed a recording of the meeting posted to the Association's website.

29. Please identify all due diligence referenced at page 6, line 14 of the Testimony of Lee H. Roberts.

**RESPONSE:** SharpVue performed research and review of the operating costs, financial data, and related information of BHIT/BHIL, which has been previously provided to the Village by BHIT/BHIL. Further, SharpVue had the benefit of the fact that BHITA had spent four years evaluating the system in great depth in conjunction with their plans to purchase the ferry and tram services. SharpVue obtained and reviewed appraisals, evaluations, reports, and analyses on all of the assets included in the APA and reviewed the records related to these operations as a going concern – all of which we believe has been previously provided to the Village by BHIT/BHIL.

30. Refer to page 6, line 16 of the Testimony of Lee H. Roberts. Please describe what is meant by “changes to its regulatory status or to the rate base” and provide copies (in native format) of all analysis or due diligence conducted or reviewed relating to such changes and their potential impact on utility rates.

**RESPONSE:** A decision in Docket No. A-41, Sub 21 or any future docket to include the assets of the parking and barge businesses that SharpVue has contracted to purchase from Bald Head Island Limited, LLC (“Limited”) in the ferry/tram rate base or to otherwise regulate those assets. Notwithstanding the above, SharpVue agrees to assume responsibility for all rights and obligations of BHIT that flow from the Commission's order approving a settlement of the 2010 Rate Case for the ferry and tram services in A-41, Sub 7. Specifically, this includes but is not limited to, the element of that order that \$523,725 of annual revenues (including regulatory fee impact) from the parking business that SharpVue seeks to acquire from BHIL will continue to be imputed to the revenue requirement of the utility with respect to the existing Commission-ordered ferry/tram rates until such time as the Commission may approve an adjustment to rates. SharpVue also affirms it will adhere to the 2012 and 2022 Commission orders regarding baggage entered in A-41, Sub 9 and 20, the current treatment of fuel surcharge as provided in the 2010 rate case, as well as abiding by the terms of the lease agreement between BHIT and BHIL to lease real property in Southport, North

**Carolina and on Bald Head Island (upon which services involving the assets at issue in this docket are performed).**

31. Refer to page 6, lines 16-21 of the Testimony of Lee H. Roberts. Please provide copies (in native format) of all financial and operational analysis and due diligence conducted or reviewed showing that SharpVue can continue to operate the ferry and tram services at the approved rates for at least one year.

**RESPONSE: See operating costs, financial data, and related information of BHIT/BHIL, which has been previously provided to the Village by BHIT/BHIL. See BHITA due diligence documents, including appraisals, evaluations, reports, analyses on all of the assets included in the APA, and records related to these operations as a going concern, all of which we believe has been previously provided to the Village by BHIT/BHIL.**

32. Refer to page 2, line 18 of the Testimony of Lee H. Roberts. Please provide the basis for Mr. Robert's statement of familiarity with Bald Head Island, including identification of any prior investments on the island, ownership of property, and other contacts with the island.

**RESPONSE: Mr. Roberts has traveled to Bald Head Island multiple times over a twenty-year period. Additionally, Mr. Roberts served as the Budget Director for the State North Carolina at the time of the Bald Head Island Transportation Authority's formation, and was aware of the related legislative process and thesis behind the Bald Head Island Transportation Authority's creation. Mr. Roberts does not and has not personally owned property or other investments on Bald Head Island.**

33. Provide copies of the agreements referenced at page 4, lines 1-7 of the Testimony of Lee H. Roberts. If the agreements have not been reduced to writing, summarize their terms.

**RESPONSE: The offers to the operations' current management have not been reduced to writing, but the offers and expected agreements would be for them to continue in their current roles and duties. Again, SharpVue, on behalf of BHI Ferry Transportation, is simply stepping into the shoes of BHIT.**

34. If SharpVue intends to hold the ferry assets "long term," how does SharpVue define this term. Include in your response the specific number of years that

would constitute “long term” ownership and state what assurances you will provide the Commission that you will retain ownership of this assets for this period of time?

**RESPONSE: Other than the preliminary information included in investor presentations at SHARPVUE-0001 to SHARPVUE-0655 previously provided to the Village, SharpVue does not have a predefined definition of “long term” ownership. SharpVue plans to analyze the business more fully while operating it and make strategic decisions in due course.**

35. Provide all documents produced to the Village or any other intervening party (including the Public Staff) in connection with Docket No. A-41, Sub 21.

**RESPONSE: All such documents that have been requested to date have been provided to the Village.**

This the 12<sup>nd</sup> day of September, 2022.

NEXSEN PRUET PLLC

By: /s/ David P. Ferrell  
David P. Ferrell  
NC Bar No. 23097  
dferrell@nexsenpruet.com  
4141 Parklake Avenue, Suite 200  
Raleigh, North Carolina 27612  
Tel.: (919) 755-1800  
Fax: (919) 890-4540  
*Attorneys for SharpVue Capital, LLC*

**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing SHARPVUE CAPITAL, LLC'S RESPONSES TO THE VILLAGE OF BALD HEAD ISLAND'S FIRST DATA REQUESTS has been served this day upon all parties of record in this proceeding, or their legal counsel, by electronic mail or by delivery to the United States Post Office, first-class postage pre-paid.

This the 12<sup>th</sup> day of September, 2022.

By: /s/ David P. Ferrell



## **Exhibit JAW-9**

# **SharpVue Responses to Village's Third Data Requests (CONFIDENTIAL)**

**CONFIDENTIAL MATERIAL**  
**INTENTIONALLY OMITTED**





## **Exhibit JAW-10**

# **SharpVue's Responses to Village's Fourth Data Requests (CONFIDENTIAL)**

**CONFIDENTIAL MATERIAL**  
**INTENTIONALLY OMITTED**



## **Exhibit JAW-11**

# **SharpVue's Responses to Village's Fifth Data Requests (CONFIDENTIAL)**

**CONFIDENTIAL MATERIAL**  
**INTENTIONALLY OMITTED**