

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. A-41, SUB 21

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of:

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

**TESTIMONY SUMMARY
OF
CHARLES A. "CHAD" PAUL, III
ON BEHALF OF
RESPONDENTS**

Charles A. “Chad” Paul, III Testimony Summary

Docket No. A-41, Sub 21

My name is Charles A. “Chad” Paul, III. I am the President of Bald Head Island Transportation, Inc. (“BHIT”). I also serve as Chief Executive Officer and a Manager of Bald Head Island Limited LLC (“BHIL”), BHIT’s parent company.

BHIL formed BHIT to operate the passenger ferry and on-island tram system in 1993 and obtained final authority for its operations from this Commission in 1995. The schedules for the Ferries are approved by the Commission. Ferry ticket prices have only been raised once – in 2010 -- since 1993. That one rate case was in NCUC Docket No. A-41, Sub 7.. BHIT sells all ferry ticket classes at the Deep Point Terminal and one-way-return tickets at the Island Terminal.

Certain ticket classifications include baggage and tram service to and from the on-Island terminal and the passenger’s ultimate destination on the island. To provide the on-island tram service, BHIT owns and operates 23 tram units that are comprised of a truck driven by a BHIT employee and an attached passenger trailer. Passengers’ belongings are transported in the truck’s bed to their final designation on the island.

In 2021, BHIT transported over 373,000 passengers, and its ferries made over 16,000 voyages. About 40 percent of passengers traveled on general fare tickets which allows them to utilize on-island tram service.

BHIL also owns the ferry terminals in Southport, NC (at Deep Point) and on the Island and leases them to BHIT pursuant to lease terms that were part of the financial data that served as the basis of the 2010 Rate Case order. Adjacent or near to the ferry terminal in Southport, NC, BHIL owns and operates parking lots, which are the subject of this proceeding. There are 1,955

paved/striped parking spots and an additional 347 gravel spots that bring that total to 2,302. Currently, general daily parking cost \$12.00 per day; contactors pay \$10 per day or they (and employees) can use a QR Exit Pass for \$6.00. We also offer Annual Passes ranging in price from \$1,350 for Premium lots immediately next to terminal to \$650 per year in the Employee lot. The only parking price increases since 2009 were \$1 increases in 2019 and 2021 to the cost of “daily” parking in the General Parking Lot; Annual Premium Lot prices increased from \$1,200 to \$1,350 in 2022; and General Annual Lot prices increased from \$1,000 to \$1,100 in 2022. Parking lot price increases have stayed well-below the rate of inflation since 2009.

I have heard the Village’s witnesses testify there are currently no alternatives for ferry passengers to parking at BHIL’s parking facilities at Deep Point, but, that is because of the high quality and reasonable pricing of parking services offered by BHIL. Potential competitors have not entered the market to pursue adjacent or off-site alternatives. Over the years, property has been available for purchase in and around Southport -- and, in-fact, directly across the street from Deep Point, and adjacent to the NC State operated Fort Fisher Ferry, on Ferry Road -- that could have been purchased and used by a parking competitor (via a shuttle-served lot or walk-to, off-site parking lot, as exists for other ferry operations around the country), yet no one has come forward to develop such an alternative parking option, so, therefore, to date, I’ll acknowledge there are not any other, currently existing, permanent parking facilities for ferry passengers. But that doesn’t mean that there couldn’t be in the future.

I would also like to mention that public access to the Deep Point terminal is available to potential competitive parking providers. No payment is required, no gate needs to be opened, and no other barriers exist for shuttles, carpools, buses, or any other vehicles to reach the entrance to the ferry terminal at Deep Point. In this respect, access is very similar to that at an airport or train

station. Generally, if there are multiple ferry passengers in any vehicle (a personal car or otherwise), those passengers and their luggage are dropped off at the entrance to the terminal, and then the driver of the vehicle proceeds to the parking lot, but the driver could leave the terminal area altogether without parking, and, again, without making any payment or opening any gates – again, similar to access at an airport or train station.

With regards to the barge, as explained in more detail by Woody Fulton, BHIL operates a freight barge transporting vehicles across the Cape Fear River between Southport and Bald Head Island. It is a 100-foot steel deck barge that carries vehicles of varying sizes, including supply and construction trucks, and large highway trucks. The barge is pushed by a tugboat on its voyages between the mainland and the Island.

The only connection between BHIL's barge operation and the vehicles it transports is that BHIL rents space on the barge's deck on the basis of every 6 lane-feet occupied by a vehicle. The barge can accommodate about 110,700 lane feet of vehicles on each crossing. The barge currently charges \$60.00 per 6-foot length. From 2006 until July 2019, the barge rate was \$50.00 per 6-foot length and then moved to \$55.00 per 6-foot length in July 2019, and moved to \$60 per 6-foot length in June 2021. Because the barge has never been regulated by the Commission and its rates have never been set by the Commission, there has never been a fuel surcharge to help recover the cost of rising fuel prices. As explained by Mr. Fulton, the BHIL barge operation does not take custody or possession of any cargo carried in a vehicle, nor does it take an inventory of such cargo. There are no variable charges based on what cargo, if any, that a particular vehicle carries.

The assets utilized by the parking and barge businesses of BHIL have never been part of the rate base of the regulated ferry and tram utility. The Commission's order that decided the ferry and tram's last Rate Case in 2010 (Docket No. A-41, Sub 7) approved a rate base value of used

and useful assets that did not include assets connected with either BHIL's parking or barge businesses. As explained by Ms. Mayfield, the financial books of BHIT, the BHIL Parking Department, and the BHIL Tug & Freight Barge Department are kept, maintained, and audited separately. Additionally, each operation has its own vertically integrated personnel base of employees, managers, and senior managers. The regulated and non-regulated entities under BHIL's corporate umbrella are operated separately and distinctly.

I would like to conclude by briefly summarizing our transaction with SharpVe Capital, since that is the catalyst for this docket: Ever since the death of Mr. Mitchell in July 2013, it has been common knowledge the day was coming when BHIL and BHIT would have to be wound down and we have been planning for a transfer of the ferry and tram operations for several years, since at least 2015. In 2017, the North Carolina General Assembly passed legislation authorizing the creation of regional ferry transportation public authorities that could purchase private ferry operations. BHIL and BHIT worked cooperatively with the NC General Assembly, City of Southport, Brunswick County, and the Village of Bald Head Island in their creation of the Bald Head Island Transportation Authority, whose purpose was to purchase the assets. BHIL and BHIT negotiated an agreement to sell the regulated ferry and tram system as well as BHIL's parking and barge businesses to the Authority, but – as is well documented -- the Authority was unable to secure the necessary approval for the financing of the purchase from the Local Government Commission. At that point, BHIL and BHIT had no choice but to begin actively pursuing other options to ensure that the services would continue uninterrupted as BHIL and BHIT wound down operations, and we secured an agreement with SharpVue Capital to purchase the assets.

One of the reasons we felt that SharpVue was the penultimate purchaser and steward of the operations and assets was its commitment to keeping the management team and employees in place

and we knew the transaction would have no negative impact on passengers. We anticipate that the day after the transaction closes, it will be business as usual, and our passengers, parkers and barge users will not notice any difference. Most importantly, SharpVue's purchase will allow the ferry and tram services to keep operating even as BHIT and BHIL wind down their operations so that the public will continue to have safe and reliable access to the island.

Therefore, there is no reason to change the regulatory status of our barge or parking operations, and we ask that the complaint be dismissed and the relief requested by the Village be denied.

CERTIFICATE OF SERVICE

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

This 11th day of October, 2022.

/s/ *M. Gray Styers, Jr.*

M. Gray Styers, Jr.
Counsel for
Bald Head Island Transportation, Inc.
and Bald Head Island Limited, LLC