

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
SHIRLEY A. MAYFIELD
ON BEHALF OF
RESPONDENTS**

Shirley A. Mayfield Testimony Summary

Docket No. A-41, Sub 21

My name is Shirley A. Mayfield. I am the Chief Financial Officer of Bald Head Island Limited LLC (“BHIL”). I also have oversight and responsibility for the finances of BHIT and serve as its Secretary/Treasurer.

It is my responsibility to ensure that the financial records for the business lines of BHIT and BHIL are accurately maintained and reported so that the Public Staff and Commission can determine that the rates and allowable rate of return on the public utility’s business are based only on the used and useful assets of BHIT and the revenues and expenses generated by those activities and assets.

The regulated and non-regulated entities under BHIL’s corporate umbrella operated separately and distinctly. Each operation has its own vertically integrated personnel base of employees, managers, and senior managers. The financial books of BHIT, the BHIL Parking Department, and the BHIL Tug & Freight Barge Department are kept, maintained, and audited separately. I make sure that their costs are properly documented, separated, or, where necessary, allocated.

When the Commission first granted a CPCN to BHIT to provide ferry service to and from Bald Head Island, in Docket No. A-41, Sub 0, in 1993, the financial statements filed and relied upon by the Commission showed no real estate assets in the rate base associated with parking. Much more recently and up to the present, by Order of the Commission in the 2010 Rate Case, Docket No. A-41, Sub 7, I have signed and filed, every quarter for the past twelve years (in Docket No. A-41, Sub 7A), an income statement and plant schedules listing all of the asset categories and accumulated depreciation for the rate base assets of BHIT. Because the parking and barge assets

are not owned by BHIT and have never been considered to be part of BHIT's rate base, they have never been included on those financial statements.

Speaking of the last (and only) rate case for BHIT, I was the CFO at that time, prepared the financial information that was submitted with the application, testified in that docket, and have first-hand knowledge of the rate base approved by the Commission in that docket and how it was derived. Working with our regulatory accountant, I identified and determined the value of the assets of BHIT used and useful in providing regulated utility service to and from and on the island.

During the course of the Rate Case, we had numerous discussions and negotiations with the Public Staff, and specifically with its Accounting Division, head, Jim Hoard. Those negotiations resulted in various revisions to the rate base calculations, but we were able to reach an agreement and stipulation of settlement with the Public Staff and all of the intervenors prior to the hearing. All of the parties, including the Village of Bald Head Island, agreed that the rate base value of all assets used and useful in the provision of the regulated utility service upon which the rates were based was \$3,943,335, and, likewise, the Commission found in its Order that the value of all assets used and useful were \$3,943,335.

At no time – in the initial application, in the negotiations with the Public Staff, in the Stipulation of Settlement, or in the Commission's final order -- did the rate base of assets ever include any assets that were part of the parking or barge businesses lines conducted by BHIL.

In the almost thirty years that parking has been provided by BHIL -- both at Indigo Plantation and, more recently, at Deep Point -- parking facilities have never been considered by the Commission to be part of the regulated rate base of BHIT, and parking assets have never been part of the rate base of BHIT on which rates were calculated. Accordingly, rates for BHIT have

never included recovery of a rate of return on the property used for parking, depreciation expenses of improvements on that property, or property taxes paid.

Any prospective inclusion of parking and/or barge assets into the rate base of the regulated utility would pose concerns for BHIL and BHIT, and for the public. First, there would be the matter of the form of inclusion -- lease or ownership; either would create a higher rate base and/or higher cost of service which would require new, higher ferry rates. One would need to evaluate how parking and barge revenue would be applied in rate design to satisfy that requirement along with the determination of how parking and barge assets would be assigned. How would assets that are newly part of rate base be valued. If services were on a first-come, first-served basis, what would be the consideration of parking locations and availability on revenue generation? And how would barge capacity and usage affect the overall financials? Hypothetically, with multiple revenue streams from unrelated operating sources with different cost structures and different operating requirements, determining the rates for the different standalone services for customer requirements would be a more complicated rate design process if it required the division and allocation of the parking and barge function assets and expenses. I have not undertaken that analysis, nor is it broached by the Complaint.

For all of these reasons, I do not believe it is appropriate, now, after almost thirty years of BHIL providing parking and barge services with assets that have been purchased, utilized, and accounted for distinct and separate from BHIT's ferry and tram utility services -- and never considered by the Commission to be used and useful in the provision of BHIT's utility services -- to consider them to be subject to Commission regulation.

CERTIFICATE OF SERVICE

I certify that a copy of the foregoing Testimony Summary of Shirley A. Mayfield 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