



**NORTH CAROLINA
PUBLIC STAFF
UTILITIES COMMISSION**

December 14, 2022

Ms. A. Shonta Dunston, Chief Clerk
North Carolina Utilities Commission
4325 Mail Service Center
Raleigh, North Carolina 27699-4300

Re: Docket No. A-41, Sub 22 – Joint Application of Bald Head Island Transportation, Inc., and Bald Head Ferry Transportation, LLC, for Approval of Transfer of Common Carrier Certificate to Bald Head Island Ferry Transportation, LLC, and Permission to Pledge Assets

Dear Ms. Dunston:

Attached for filing on behalf of the Public Staff in the above-referenced docket please find the public version of the Joint Testimony of Sonja R. Johnson, Krishna K. Rajeev, and John R. Hinton.

By copy of this letter, we are forwarding copies to all parties of record.

Sincerely,

Electronically submitted
/s/ William E. H. Creech
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Electronically submitted
/s/Elizabeth D. Culpepper
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Attachment

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Dec 14 2022

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. A-41, SUB 22

DECEMBER 14, 2022

In the Matter of)	
Joint Application of Bald Head Island)	
Transportation, Inc., and Bald Head)	JOINT TESTIMONY OF
Island Ferry Transportation, LLC, for)	SONJA R. JOHNSON,
Approval of Transfer of Common)	KRISHNA K. RAJEEV, AND
Carrier Certificate to Bald Head Island)	JOHN R. HINTON
Ferry Transportation, LLC, and)	PUBLIC STAFF-
Permission to Pledge Assets)	NORTH CAROLINA
)	UTILITIES COMMISSION

1 **Q. Please state your name, business address, and present**
2 **position.**

3 A. My name is Sonja R. Johnson, and my business address is 430
4 North Salisbury Street, Raleigh, North Carolina. I am the Financial
5 Manager of the Natural Gas and Transportation Section of the
6 Accounting Division of the Public Staff – North Carolina Utilities
7 Commission (Public Staff). My qualifications and experience are
8 provided in Appendix A.

9 **Q. Please state your name, business address, and present**
10 **position.**

11 A. My name is Krishna K. Rajeev, and my business address is 430
12 North Salisbury Street, Raleigh, North Carolina. I am the Director of
13 the Transportation Rates Division of the Public Staff. My
14 qualifications and experience are provided in Appendix B.

15 **Q. Please state your name, business address, and present**
16 **position.**

17 A. My name is John R. Hinton, and my business address is 430 North
18 Salisbury Street, Raleigh, North Carolina. I am the Director of the
19 Economic Research Division of the Public Staff. My qualifications
20 and experience are provided in Appendix C.

21 **Q. Please describe the purpose of your testimony in this**
22 **proceeding.**

1 A. The purpose of our testimony is to present the results of the Public
2 Staff's investigation of the application filed on July 14, 2022
3 (Application), by Bald Head Island Transportation, Inc. (BHIT), and
4 Bald Head Island Ferry Transportation, LLC (BHIFT) (collectively,
5 with BHIT, the Applicants), pursuant to N.C. Gen. Stat. § 62-111 for
6 approval: (1) to transfer BHIT's Common Carrier Certificate to
7 BHIFT, in order to operate the passenger ferry transportation
8 services to and from Bald Head Island and the tram services on the
9 island (the Transfer); and (2) for BHIFT or SharpVue Capital, LLC
10 (SharpVue), to pledge assets and borrow or issue debt pursuant to
11 N.C.G.S. §§ 62-160 and 62-161 as may be necessary to finance the
12 Transfer (the Pledging of Assets, and collectively with the Transfer,
13 the Proposed Transaction).

14 In our testimony, we describe the scope of the Public Staff's
15 investigation of the Proposed Transaction; discuss the balancing of
16 costs and benefits of the Proposed Transaction; describe the primary
17 reasons for and major provisions of the Regulatory Conditions
18 recommended by the Public Staff, which are attached hereto as
19 Exhibit 1 (Regulatory Conditions); and present the Public Staff's
20 recommendation to the Commission regarding the approval of the
21 Proposed Transaction.

22 **Q. Please describe the Public Staff's investigation.**

1 A. The Public Staff reviewed the Application to assess potential costs
2 and benefits and service-related aspects of the Proposed
3 Transaction and analyzed the complex and multiple levels of
4 business entities in the proposed ownership chain and management
5 above BHIFT. Our investigation included written data requests,
6 review of the responses to those data requests as well as the
7 responses to other parties' data requests, a site visit, conversations
8 with representatives of intervenors and the Applicants and
9 intervenors, review of the testimony from the public witness hearing
10 on November 1, 2022, review of the consumer statement positions
11 filed in Docket No. A-41, Sub 22CS, and additional conversations
12 with users of the BHIT utility.

13 **Q. Why is it important to identify and balance the costs and**
14 **benefits of the Proposed Transaction?**

15 A. N.C.G.S. § 62-111(a) provides that "no franchise now existing . . .
16 shall be sold . . . except after application to and written approval by
17 the Commission, which approval shall be given if justified by the
18 public convenience and necessity."

19 As explained in the Order Approving Merger Subject to Regulatory
20 Conditions and Code of Conduct issued September 29, 2016, in
21 Docket Nos. E-2, Sub 1095, E-7, Sub 1100, and G-9, Sub 682
22 (Duke/Piedmont Merger Order):

1 In prior merger proceedings the Commission has
2 established a three-part test for determining whether a
3 proposed utility merger is justified by the public
4 convenience and necessity. That test is (1) whether the
5 merger would have an adverse impact on the rates and
6 services provided by the merging utilities; (2) whether
7 ratepayers would be protected as much as possible
8 from potential costs and risks of the merger; and (3)
9 whether the merger would result in sufficient benefits to
10 offset potential costs and risks. See Order Approving
11 Merger Subject to Regulatory Conditions and Code of
12 Conduct (Duke/Progress Merger Order), issued June
13 29, 2012, in Docket Nos. E-2, Sub 998 and E-7, Sub
14 986, aff'd, In re Duke Energy Corp., 232 N.C. App. 573,
15 755 S.E.2d 382 (2014). These questions are related to
16 one another and together establish a reasoned
17 framework upon which utility mergers may be
18 evaluated. In making these assessments, the
19 Commission has also examined factors such as
20 whether service quality will be maintained or improved,
21 the extent to which costs can be lowered and rates can
22 be maintained or reduced, and whether effective
23 regulation of the merging utilities will be maintained. See
24 Order Approving Merger and Issuance of Securities,
25 issued April 22, 1997, in Docket No. E-7, Sub 596.

26 Duke/Piedmont Merger Order, p. 68.

27 The Public Staff believes the Commission's three-part test for
28 determining whether a proposed merger is justified is also
29 appropriate in determining the appropriateness of the Proposed
30 Transfer.

31 **Q. Please describe BHIT's operations.**

32 A. BHIT provides ferry transportation of passengers between the Deep
33 Point passenger terminal in Southport to Bald Head Island in
34 Brunswick County, and related tram services on the island. BHIT

1 began providing service in 1988 and was granted a Common Carrier
2 Certificate on January 6, 1995. BHIT's ferry and tram services
3 require approximately 65 full-time employees and 20 additional part-
4 time staff during the summer months.

5 **Q. Please describe the Proposed Transaction.**

6 A. The Asset Purchase Agreement (APA) for the Proposed Transaction
7 (attached as Confidential Exhibit E to the Application) provides for
8 the sale of BHIT's regulated ferry and tram assets as well as other
9 assets owned by BHIL related to parking, barge operations, real
10 estate, and intellectual property at a purchase price of \$67.2 million
11 to entities wholly owned by Pelican Legacy Holdings, LLC
12 (Holdings).

13 As depicted in the organizational chart on Exhibit B to the
14 Application, BHIFT is the sub-entity of Holdings that will acquire
15 BHIT's assets, the regulated passenger ferry and tram operations.

16 As indicated in Confidential Exhibit F to the Application, the
17 acquisition is proposed to be financed with **[BEGIN**
18 **CONFIDENTIAL]** **[END CONFIDENTIAL]** of equity
19 capital and **[BEGIN CONFIDENTIAL]** **[END**
20 **CONFIDENTIAL]** of debt. Thus, the financing structure is comprised
21 of approximately **[BEGIN CONFIDENTIAL]** **[END**

1 **CONFIDENTIAL]** common equity and **[BEGIN CONFIDENTIAL]**
2 **██████████ [END CONFIDENTIAL]** debt.

3 BHIFT indicated in its Application and testimony that there are no
4 immediate plans to change rates, terms, or conditions of service;
5 management; or operational structure, with no significant changes in
6 the number of employees and staff. (Application paragraph 16, pp.
7 5-6, paragraph 19, pp. 6-7) Furthermore, representatives of BHIFT
8 have committed not to pursue an acquisition adjustment in a future
9 rate case.

10 **Q. Please describe issues of ownership, management, and control**
11 **relating to the Proposed Transaction.**

12 Application

13 A. At the time of the Application, and as generally shown in Application
14 Exhibit B, BHIFT's [BEGIN CONFIDENTIAL] [REDACTED]
15 [REDACTED] [END CONFIDENTIAL] Holdings. Holdings' [BEGIN
16 CONFIDENTIAL] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [END
17 CONFIDENTIAL] SVC Pelican Partners, LLC (Partners); and
18 Partners' [BEGIN CONFIDENTIAL] [REDACTED]
19 [END CONFIDENTIAL] SharpVue¹. Therefore, at the time of filing

¹ SharpVue was founded in 2016. SharpVue was previously an arm of Curi, formerly known as Medical Mutual. In 2019, Lee Roberts and partner Douglas Vaughn spun SharpVue off into its own investment management firm. Roberts previously served as State Budget Director and worked with Piedmont Community Bank Holdings, Cherokee Investment Partners, and Morgan Stanley. Vaughn previously served in senior

EXHIBIT B TO APPLICATION FOR TRANSFER
NCUC DOCKET A-41, SUB 22

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graph TD
    SVC[SharpVue Capital, LLC] -- "Manager of" --> PelicanPartners[SVC Pelican Partners, LLC]
    PelicanPartners -- "Manager of" --> PelicanLegacy[Pelican Legacy Holdings, LLC]
    SVC -.->| "SharpVue Capital, LLC will execute an Investment Management Agreement with Pelican Legacy Holdings, LLC" | PelicanLegacy
    PelicanLegacy --> PelicanRealProperty[Pelican Real Property, LLC]
    PelicanLegacy --> BaldHead[Bald Head Island Ferry Transportation, LLC]
    PelicanLegacy --> PelicanLogistics[Pelican Logistics, LLC]
    PelicanLegacy --> PelicanIP[Pelican IP, LLC]
    PelicanRealProperty --- RealEstate["[Real estate and other supplemental assets]"]
    BaldHead --- Ferry["[Regulated ferry & tram business]"]
    PelicanLogistics --- Logistics["[Tug & barge and parking businesses]"]
    PelicanIP --- IP["[Intellectual property]"]
  
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1 an agreement is “commonly used in the financial advisory industry”
2 and a “common feature of private equity funds.” (BHIFT Responses
3 to PS DR 2, Item 7, and PS DR 5, Item 3)

4 As for day-to-day operations, BHIFT indicated that it reached
5 agreement, which has not yet been memorialized, and intends to
6 contract with current management employees of the ferry and tram
7 operations to continue in current roles and duties⁴ including "Chad"
8 Paul, III, President of BHIT and the CEO and a Manager of BHIL;
9 Shirley Mayfield, Chief Financial Officer of BHIL; and Captain Bion
10 Stewart, the current COO of BHIT.

11 In discovery, the Public Staff obtained an updated chart of the
12 organizational structure as shown below:

13 **[BEGIN CONFIDENTIAL]**

⁴ BHIFT has indicated, in response to PS DR 2, Item 8:

“We anticipate that Bald Head Island Ferry Transportation, LLC will be the employer for current employees of the Ferry Operations and Tram Operations. We anticipate that Chad Paul and Shirley Mayfield will provide management services to all subsidiaries of Pelican Legacy Holdings, LLC (including Bald Head Island Ferry Transportation, LLC), and may have employment agreements with Pelican Legacy Holdings, LLC. This is beneficial to ratepayers in that it maintains the current structure employed by BHIL/BHIT, which has not historically resulted in any stated concern by any party, the Public Staff or the Commission. This safeguards ratepayers because the employees they interact with regarding the ferry and tram will be employed by the entity holding the certificate for the ferry and tram operation – and thus will not be confused about who they are dealing with and the Commission will have jurisdiction over the regulated utility, BHIFT.”

1

2

[END CONFIDENTIAL]

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11

The above organizational structure depicts in greater detail BHIFT's proposed ownership and management structure contemplated for closing. As part of its investigation, the Public Staff learned that, at transaction closing, SharpVue will no longer be a member of Partners,⁵ and therefore, will no longer be the ultimate parent company of Partners, Holdings, and BHIFT. Additionally, the Public Staff learned that, at closing, Partners [BEGIN CONFIDENTIAL] –

⁵ In its updated organizational structure, SharpVue indicates that it [BEGIN CONFIDENTIAL] [END CONFIDENTIAL] Partners.

1 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [END
2 **CONFIDENTIAL]** As a result, BHIFT indicated to the Public Staff that
3 it does not consider either SharpVue or Partners to be the ultimate
4 parent company of BHIFT. (BHIFT Response to PS DR 2, Items 5
5 and 6) Rather, while BHIFT will still be wholly owned by Holdings,
6 Holdings will be comprised of various investors that include Partners,
7 **[BEGIN CONFIDENTIAL]** [REDACTED]
8 [REDACTED]
9 [REDACTED] **[END CONFIDENTIAL]** The Public Staff
10 learned that Partners is (and upon closing will continue to be), along
11 with Lee Roberts and Chad Paul, one of the three initial Managers
12 on the Board of Managers of Holdings, such that Partners will be the
13 sole entity with both ownership and management over Holdings and
14 BHIFT. (BHIFT Response to PS DR 2, Item 9) However, by virtue of
15 the above-described IMA, Partners' management rights in Holdings
16 will be assigned for the term of the IMA to SharpVue. (BHIFT
17 Response to PS DR 5, Item 3) This arrangement results in Lee
18 Roberts and Douglas Vaughn, the Managing Partners of SharpVue,
19 owning or controlling over 50% of the equity ownership interests in
20 Holdings, and, therefore, a controlling interest in or over BHIFT's
21 regulated passenger ferry and tram operations. (BHIFT Response to
22 PS DR 4, Item 1).

1 However, while the updated organizational structure has been
2 provided, BHIFT indicated that, beyond the unexecuted IMA and key
3 employee agreements, various closing-related documents are not
4 yet complete, such that the Public Staff cannot confirm all proposed
5 aspects of the Transfer.

6 In light of all the foregoing, in particular the intertwined issues of
7 ownership, management, and control, the Public Staff requires that
8 in addition to binding Holdings and BHIFT to the Regulatory
9 Conditions discussed later in our testimony, SharpVue and entities
10 under common ownership or control of SharpVue and its principals
11 Lee Roberts and Douglas Vaughn each be bound as well.

12 **Q. Please discuss the source of debt capital and the proposed**
13 **Pledging of Assets.**

14 A. With the help of SharpVue, Holdings plans to obtain its long-term
15 debt from [BEGIN CONFIDENTIAL] [REDACTED]
16 [REDACTED] [END CONFIDENTIAL] whereby the ferry and the tram
17 assets will be pledged. [BEGIN CONFIDENTIAL] [REDACTED] [END
18 CONFIDENTIAL] has also offered to provide a [BEGIN
19 CONFIDENTIAL] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [END
20 CONFIDENTIAL] that will be available to fund future capital needs.
21 The Public Staff has been informed by BHIFT that at this time
22 [BEGIN CONFIDENTIAL] [REDACTED]
23 [REDACTED]. [END

1 **CONFIDENTIAL]** BHIFT anticipates closing the sale and loan
2 transaction shortly after issuance of a Commission Order, if any,
3 approving the Transfer.

4 **Q. Please provide additional detail on the investors of equity**
5 **capital.**

6 A. As depicted in the updated organizational structure above, the equity
7 investors in Holdings will be comprised of Partners, **[BEGIN**
8 **CONFIDENTIAL]** [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED] **[END CONFIDENTIAL]**

12 The Public Staff learned from BHIFT that investors have started
13 making initial contributions towards their planned investment
14 amounts, and that a capital call for the remaining capital will be made
15 in advance of closing. BHIFT contends that the penalties embedded
16 within the operating agreement for Holdings ensures that the
17 remaining capital will be provided.

18 **Q. What are the benefits of the Transfer?**

19 A. The existing owners indicated through their representatives that they
20 are no longer interested in owning or further investing in the Bald
21 Head Island ferry operations. BHIFT's proposed purchase with
22 retention of key managers and employees allows for an orderly

1 transition from BHIT and for ratepayers. Additionally, BHIFT
2 indicated it will “spend the first year after the purchase
3 communicating with stakeholders and evaluating the current
4 operations in more detail and . . . look[ing] for opportunities to
5 improve service and make any needed investments over time.”
6 (Roberts Direct Testimony, p. 6)⁶ The Public Staff believes that
7 Holdings and BHIFT will be adequately capitalized and supported by
8 owners with significant investment experience and owner-managers
9 Lee Roberts and Douglas Vaughn with access to sufficient capital.
10 Additionally, BHIFT agreed to continue to provide for adequate and
11 reasonably priced parking.⁷

⁶ Also, in BHIFT Response to PS DR 2 (“General Metrics for Ferry & Tram Operations”), Item 1, BHIFT indicated that:

“The due diligence reports contracted by and provided to the Bald Head Island Transportation Authority, including the analysis by Mercator, and reviewed by its finance and bond advisors, all consistently found that the transportation system has been well run, and that its assets have been well maintained. Our own due diligence confirmed these conclusions. SharpVue has not yet developed its own independent maintenance and replacement schedules for ferry and tram operating assets. Related to ferry operation, we do think steps can be taken to improve system operations. A starting point would be improved information technology, that would allow reservations and electronic ticketing. We also believe that—once the ownership of the system is settled and the sale to SharpVue has closed—we will be able to more effectively address employee hiring, training, and retention issues. 2023 will be the first full calendar year that the new baggage policies approved by the Commission in Docket A-41, Sub 20 will be in place, and we are hopeful that, with better public understanding of those policies, baggage handling will improve, which hopefully should improve on-time performance. But, as we stated in our verified Application, we will also evaluate how to improve baggage handling operations, and when and how to replace the next ferry in the fleet that may be approaching obsolescence. SharpVue will evaluate ferry and tram operations during the first year and may develop new or revised maintenance and replacement schedules if it determines these are necessary.”

⁷ For example, in SharpVue Response to PS DR 2, Item 4, SharpVue indicated that:

“After closing the transaction, SharpVue intends to continue the parking operations without significant or immediate change. SharpVue understands that the current parking rates are outlined on BHIL/IT 000719. SharpVue understands this document was

1 **Q. What is the Public Staff's recommendation with regard to the**
2 **Proposed Transaction?**

3 A. The Public Staff recommends that the Proposed Transaction be
4 approved, subject to **[BEGIN CONFIDENTIAL]** [REDACTED]
5 [REDACTED] [REDACTED] [REDACTED] [REDACTED] **[END OF CONFIDENTIAL]** and
6 consummation of the Proposed Transaction as described above and
7 subject to the provisions of the Regulatory Conditions described
8 below. These Public Staff conditions together with the above-
9 described plans of BHIFT (with respect to employees, parking,
10 operations, and services) guard against adverse impacts on rates
11 and services, assure that the benefits of the Proposed Transaction
12 outweigh its costs, and protect customers from risks and costs as
13 much as possible consistent with the requirements of the three-part
14 test.

15 **Q. Please explain the primary reasons for, and the major**
16 **provisions of the Regulatory Conditions recommended by the**
17 **Public Staff.**

18 A. As a result of its investigation, the Public Staff developed its
19 recommended Regulatory Conditions, which we believe are
20 necessary to ensure that the Proposed Transaction is justified by the

previously provided to the Public Staff. SharpVue expects that aggregate rates will not rise faster than overall cost inflation."

1 public convenience and necessity and serves the public interest. The
2 following is a description of the major provisions of our recommended
3 Regulatory Conditions:

4 **Applicability of the Regulatory Conditions**

5 The Regulatory Conditions apply jointly and severally to SharpVue,
6 SharpVue Affiliates (defined as Partners, [BEGIN CONFIDENTIAL]
7 [REDACTED]
8 [REDACTED] [END CONFIDENTIAL],
9 Holdings, and BHIFT and their successors.

10 **Requirements of the Entities**

11 The Regulatory Conditions set forth the requirements the Public Staff
12 believes are necessary to be imposed on SharpVue, SharpVue
13 Affiliates, Holdings, and BHIFT to protect the public interest. Each
14 entity would further be required not to cause any other entity among
15 them to violate the Regulatory Conditions, nor to prevent the other
16 entities from taking action to comply with the Regulatory Conditions,
17 for so long as the Regulatory Conditions would remain in effect and
18 would be applicable to SharpVue, SharpVue Affiliates, Holdings, and
19 BHIFT.

20 These Regulatory Conditions are primarily designed to protect
21 ratepayers as much as reasonably possible from potential costs and
22 risks associated with the Transfer. Regulatory Conditions 1 through

1 3 provide that all transfer-related direct costs and expenses will be
2 excluded from the regulated expenses of BHIFT, and that the
3 recovery of an acquisition adjustment will not be allowed in any future
4 rate case.

5 Regulatory Condition 4 relates to adequate and reasonably price
6 parking services for ferry customers. Regulatory Condition 5 requires
7 that for future general rate cases, an appropriate level of parking
8 revenue shall be imputed in the setting of just and reasonable rates
9 for BHIFT on a level that is consistent with the prior general rate
10 case.

11 Regulatory Condition 6 is a general condition that the owners and
12 Managers of BHIFT be required to take actions to hold customers
13 harmless from the effects of the Transfer. The Condition provides
14 that BHIFT shall continue to fulfill the requirement that it provide safe
15 and reliable utility service at reasonable rates.

16 Regulatory Conditions 7, 8, 9, 10, 11, and 12 relate to financial
17 management. Condition 7 prohibits BHIFT from paying any
18 distribution in excess of 80% of BHIFT's net income, and Regulatory
19 Condition 8 ensures that BHIFT will maintain 40% of its booked
20 capitalization will be maintained as common equity. The Public Staff
21 believes that a 40% equity ratio should be maintained to ensure the
22 regulated utility's ongoing financial viability. Regulatory Condition 9

1 ensures that the Commission will be informed if SharpVue,
2 SharpVue Affiliates, or Holdings makes any investment in a business
3 entity that constitutes 10% or more of the booked capitalization of
4 BHIFT. Regulatory Condition 10 ensures that the Commission is
5 notified if SharpVue, SharpVue Affiliates, Holdings, or BHIFT
6 experiences a default on an obligation or files for bankruptcy.
7 Regulatory Condition 11 requires that the intercompany loan
8 between BHIL and BHIT as reported on BHIT's financial statement
9 of December 31, 2021, shall not be binding upon Holdings and
10 BHIFT. (SharpVue Response to PS DR 3, Item 5)⁸ This requirement
11 applies to any subsequent indebtedness through the consummation
12 of the Transfer. Regulatory Condition 12 provides that Holdings and
13 BHIFT shall file with the Commission post-closing financial
14 information and provide closing-related documents to the Public
15 Staff.

⁸ With respect to Application Exhibit A, ("Bald Head Island Transportation, Inc. Financial Report December 31, 2021"), Note 9, regarding "Company owes Limited \$19,808,228 at December 31, 2021. There is no agreement, terms, or expiration on the loan," SharpVue has indicated on behalf of BHIFT that:

"(a) SharpVue understands that this is an intracompany loan between separate legal entities, Bald Head Island Limited, LLC and Bald Head Island Transportation, Inc., which are ultimately under common ownership.

(b) SharpVue is not aware of any related filing with the North Carolina Utilities Commission or subsequent approval by the North Carolina Utilities Commission.

(c) SharpVue's transaction is structured as an acquisition of assets. SharpVue will not assume any debt, including this "loan," from Bald Head Island Transportation, Inc. As a result, this "loan" will not be part of Bald Head Island Ferry Transportation, LLC's capital structure, and will not be included in a future general rate case."

1 Regulatory Conditions 13 through 22 address various regulatory
2 and service quality concerns that further provide for safe,
3 reliable transportation, and parking at reasonable rates
4 consistent with current practices.

5 **Q. Does this conclude your testimony?**

6 A. Yes.

Appendix A
QUALIFICATIONS AND EXPERIENCE

SONJA R. JOHNSON

I am a graduate of North Carolina State University with a Bachelor of Science and Master of Science degree in Accounting. I was employed by the Public Staff from December 2002 until May 2004 and rejoined the Public Staff in January 2006. I became the Financial Manager for Natural Gas and Transportation in May 2022.

As a Financial Manager, I am responsible for the performance and supervision of the following activities: (1) the examination and analysis of testimony, exhibits, books and records, and other data presented by utilities and other parties under the jurisdiction of the Commission or involved in Commission proceedings; and (2) the preparation and presentation to the Commission of testimony, exhibits, and other documents in those proceedings.

Since initially joining the Public Staff in December 2002, I have filed testimony or affidavits in several water and sewer general rate cases. I have also filed testimony in applications for certificates of public convenience and necessity to construct water and sewer systems and noncontiguous

extension of existing systems. My experience also includes filing affidavits in several fuel cost recovery cases and Renewable Energy and Energy Efficiency Portfolio Standard (REPS) cost recovery cases for the utilities currently organized as Duke Energy Carolinas, LLC, Duke Energy Progress, LLC, and Virginia Electric and Power Company d/b/a Dominion Energy North Carolina.

While away from the Public Staff, I was employed by Clifton Gunderson, LLP. My duties included the performance of cost report audits of nursing homes, hospitals, federally qualified health centers, intermediate care facilities for the mentally handicapped, residential treatment centers and health centers.

Appendix B
QUALIFICATIONS AND EXPERIENCE

KRISHNA K. RAJEEV

I received a Bachelor of Arts degree in Business from the University of Iowa in 2011. I joined the Public Staff in October 2011 as a consumer complaint analyst and was promoted to the Transportation Rates Division in November 2013 as a rate specialist. Since August 2017, I have served as the Director of the Transportation Rates Division.

The Transportation Rates Division oversees household goods movers, regular route motor carriers of passengers, ferry-boat operators, and accordingly maintains the rates and service schedules for the Bald Head Island ferry. I have investigated and addressed consumer complaints regarding the Bald Head Island Transportation (BHIT) utility. I have testified in front of the Commission in various Transportation industry matters, including the amendment of BHIT's service schedules in Docket No. A-41, Sub 18, and BHIT's modification of baggage policies in Docket No. A-41, Sub 20.

Appendix C
QUALIFICATIONS AND EXPERIENCE

JOHN R. HINTON

I received a Bachelor of Science degree in Economics from the University of North Carolina at Wilmington in 1980 and a Master of Economics degree from North Carolina State University in 1983. I joined the Public Staff in May of 1985. I filed testimony on the long-range electrical forecast in Docket No. E-100, Sub 50. In 1986, 1989, and 1992, I developed the long-range forecasts of peak demand for electricity in North Carolina. I filed testimony on electricity weather normalization in Docket Nos. E-7, Sub 620, E-2, Sub 833, and E-7, Sub 989. I filed testimony the level of funding for nuclear decommissioning costs in Docket Nos. E-2, Sub 1023; E-7, Sub 1026, and E-7, Sub 1146. I have filed testimony on the Integrated Resource Plans (IRPs) filed in Docket No. E-100, Subs 114 and 125, and I have reviewed numerous peak demand and energy sales forecasts and the resource expansion plans filed in electric utilities' annual IRPs and IRP updates.

I have been the lead analyst for the Public Staff in numerous avoided cost proceedings, filing testimony in Docket No. E-100, Subs 106, 136, 140, 148, and 158. I filed a Statement of Position in the arbitration case involving

EPCOR and Progress Energy Carolinas in Docket No. E-2, Sub 966. I have filed testimony regarding avoided costs related to the cost recovery of energy efficiency programs and demand side management programs in Dockets Nos. E-7, Sub 1032, E-7, Sub 1130, E-2, Sub 1145, and E-2, Sub 1174.

I have filed testimony on the issuance of certificates of public convenience and necessity (CPCN) in Docket Nos. E-2, Sub 669, SP-132, Sub 0, E-7, Sub 790, E-7, Sub 791, and E-7, Sub 1134.

I filed testimony on the merger of Dominion Energy, Inc. and SCANA Corp. in Docket Nos. E-22, Sub 551, and G-5, Sub 585.

I have filed testimony on the issue of fair rate of return in Docket Nos. E-22, Subs 333, 412, and 532; P-26, Sub 93; P-12, Sub 89; G-21, Sub 293; P-31, Sub 125; P-100, Sub 133b; P-100, Sub 133d (1997 and 2002); G-21, Sub 442; G-5, Subs 327, 386; and 632; G-9, Subs 351, 382, 722 and Sub 781, G-39, Sub 47, W-778, Sub 31; W-218, Subs 319, 497, 526 and 573; W-354, Subs 360; 364, 384, and 400 and in several smaller water utility rate cases. I have filed testimony on credit metrics and the risk of a downgrade in Docket No. E-7, Sub 1146.

I have filed testimony on the hedging of natural gas prices in Docket No. E-2, Subs 1001, 1018, and 1292. I have filed testimony on the expansion of natural gas in Docket No. G-5, Subs 337 and 372. I performed the financial

analysis in the two audit reports on Mid-South Water Systems, Inc., Docket No. W-100, Sub 21. I testified in the application to transfer the CPCN from North Topsail Water and Sewer, Inc. to Utilities, Inc., in Docket No. W-1000, Sub 5. I have filed testimony on rainfall normalization with respect of water sales in Docket No. W-274, Sub 160.

I was a member of the Small Systems Working Group that reported to the National Drinking Water Advisory Council with the EPA and I have published an article in the National Regulatory Research Institute's Quarterly Bulletin entitled Evaluating Water Utility Financial Capacity.

DOCKET NO. A-41, SUB 22

REGULATORY CONDITIONS

These Regulatory Conditions set forth requirements imposed upon Holdings and BHIFT, as a condition of approval of the application by BHIT and BHIFT pursuant to N.C. Gen. Stat. § 62-111 and Commission Rule R2-8.1 for authority to transfer BHIT's Common Carrier Certificate to operate the passenger ferry transportation services to and from Bald Head Island and the tram services on the island to BHIFT (Transfer).

These Regulatory Conditions, which become effective only upon closing of the Transfer, shall apply jointly and severally to SharpVue, Partners, Holdings, BHIFT, and other entities owned or controlled by SharpVue or its principals Lee Robert and Douglas Vaughn, being **[BEGIN CONFIDENTIAL]** [REDACTED]

[REDACTED]

[END CONFIDENTIAL] (as well as any successor entities), and shall be interpreted in the manner that ensures BHIFT's customers (a) are protected from any known adverse effects from the Transfer, (b) are protected as much as possible from potential costs and risks resulting from the Transfer, and (c) receive

sufficient known and expected benefits to offset any potential costs and risks resulting from the Transfer.

For purposes of these Regulatory Conditions, "SharpVue Affiliates" shall be comprised of Partners, **[BEGIN CONFIDENTIAL]** [REDACTED]

[REDACTED]

[END CONFIDENTIAL]

SharpVue and SharpVue Affiliates and any successor entities must acknowledge and consent to these Regulatory Conditions imposed upon Holdings and BHIFT. SharpVue and SharpVue Affiliates are further required not to cause any Subsidiary Entities to violate such Regulatory Conditions, nor to prevent Holdings and BHIFT from taking action to comply with the Regulatory Conditions, for so long as such Regulatory Conditions remain in effect and applicable to Holdings and BHIFT. The consent and acknowledgment of SharpVue and SharpVue Affiliates set forth above does not constitute a general consent to expansion of the North Carolina Utilities Commission's jurisdiction over SharpVue and SharpVue Affiliates beyond that established by Chapter 62 of the North Carolina General Statutes.

The Commission retains the right to impose future limitations on BHIFT that the public interest requires.

For purposes of these Regulatory Conditions, the North Carolina Utilities Commission is referred to as “the Commission,” and the Public Staff – North Carolina Utilities Commission is referred to as “the Public Staff.”

1. **Transfer-related Direct Costs and Expenses.** Direct costs and expenses associated with the Transfer will be excluded from the regulated expenses of BHIFT for Commission financial reporting and ratemaking purposes. Direct Transfer expenses are change-in-control payments made to terminated executives, Transfer-related bonuses, severance payments, regulatory process costs, and transaction fees (such as, but not limited to, acquisition, architectural, broker, environmental, financing, investment banker, and legal fees for due diligence, transaction structuring, financial market analysis, and fairness opinions based on formal agreements with investment bankers). BHIFT will file a summary report of its final accounting for Direct Transfer and Transfer-related -expenses within 120 days after the close of the Transfer, and supplemental reports within 60 days after each quarter until such expenses cease.
2. **Non-Consummation of Transfer.** If the Transfer is not consummated, neither the cost nor the receipt of any termination payment shall be allocated to BHIT or included in regulated expenses of BHIT for

Commission financial reporting and ratemaking purposes. BHIT's customers shall not otherwise bear any direct expenses or costs associated with a non-consummated Transfer.

3. **Acquisition Adjustments.** SharpVue, SharpVue Affiliates, Holdings, and BHIFT shall neither pursue or recover an acquisition adjustment in any future rate case.
4. **Parking Services of Holdings and BHIFT.** Holdings and BHIFT will continue to provide for the availability of adequate and reasonably priced parking.
5. **Inclusion of Imputed Parking Revenue in Future Rate Proceedings.** For purposes of future general rate case proceedings for BHIFT, the Public Staff shall not be limited to or constrained by the provisions of these Regulatory Conditions in asserting or sustaining arguments regarding the proper treatment of imputed revenue associated with the parking facilities in setting just and reasonable rates for BHIFT. An appropriate level of parking revenue shall be imputed in the setting of just and reasonable rates for BHIFT on a level that is consistent with the prior general rate case.
6. **Hold Harmless Commitment.** The Transfer shall be effectuated in a manner designed to prevent harm to BHIFT's ratepayers. Notwithstanding

this, SharpVue, SharpVue Affiliates, Holdings, and BHIFT (as well as any successor entities directly or indirectly owning or controlling BHIFT or its employees) shall take all such actions as may be reasonably necessary and appropriate to hold BHIFT's customers harmless from the effects of the Transfer.

7. **Distributions to SharpVue, SharpVue Affiliates, and Holdings.** BHIFT shall not pay to SharpVue, SharpVue Affiliates, Holdings, or their Members or Managers any distribution exceeding 80% of BHIFT's net income calculated on a two-year-rolling average basis. In addition, BHIFT shall limit cumulative distributions paid to SharpVue, SharpVue Affiliates, and Holdings subsequent to closure of the Transfer to (i) the amount of its retained earnings on the day prior to the closure of the Transfer, plus (ii) any future earnings recorded by BHIFT subsequent to closure of the Transfer.
8. **Common Equity Capital.** Until a final order is issued in BHIFT's next (first) general rate case, BHIFT shall maintain common equity capital at levels equal to or greater than 40% of total adjusted capital (including common equity, preferred stock, long-term debt, and long-term capital leases). No equity distributions, whether by dividend or other form, such as the management fees of SharpVue, may be made that would result in equity

capital of BHIFT falling below this minimum 40% level without prior approval of the Commission. Notwithstanding the foregoing, BHIFT shall maintain the right to petition the Commission for an exception to this Regulatory Condition.

9. **Notice of Certain Investments.** Whenever SharpVue, SharpVue Affiliates, or Holdings makes any new or increased direct or indirect investment in a business entity where: (a) such investment appears or will appear on the books of BHIFT, or will otherwise have an effect on the books, costs, rates, revenues, charges, obligations, services, capitalization, or indebtedness of BHIFT, and (b) the amount of such investment is equal to 10% or more of BHIFT's book capitalization, the investing entity shall file or cause to be filed, as soon as practicable following Board or other approval of the subject transaction and any public announcement thereof (if one is made), a notice of the investment with the Commission. The notice shall include a full description of the investment and an explanation of how it will be accounted for in the investing entity's books and records.
10. **Notice of Default or Bankruptcy.** If SharpVue or SharpVue Affiliates experiences a default on an obligation or files for bankruptcy, Holdings and BHIFT shall notify the Commission of the event in advance, if possible, or, if not, as soon as possible but not later than ten days after such event.

11. **Non-attribution or Forgiveness of Intercompany “Loan.”** To the extent that closing of the Transfer memorializes any intercompany “loan” between BHIL and BHIT (see \$19,808,223 of Related Party Loan(s) as reported in BHIT’s Financial Report of December 31, 2021), SharpVue, SharpVue Affiliates, Holdings, and BHIFT must disclaim any such “loan” and any such “loan” or indebtedness shall not be binding upon Holdings and BHIFT and shall not be presented for Commission consideration whatsoever, whether for rate base purposes or otherwise. This requirement applies to all existing or subsequent indebtedness of BHIL or BHIT through closing.
12. **Post-Closing Financial Information.** Holdings and BHIFT shall file pre- and post-Transfer closing balance sheets and the associated closing journal entries, including relevant descriptions and disclosures for the transactions recorded as soon as practicable but not later than the end of the second full quarter following the close of the Transfer, and shall provide to the Public Staff closing documents for the consummation of the Proposed Transaction, including closing statements for Holdings and BHIFT.
13. **Meetings with Public Staff.** the Public Staff to discuss Holdings’ financial condition, BHIFT’s financial condition and results, service quality metrics

and maintenance initiatives and results, and the ferry and tram transportation services, parking services, and any changes and potential improvements and new tariffs.

14. **Access to Books and Records.** In accordance with and to the extent provided by North Carolina law, the Commission and the Public Staff shall continue to have access to the books and records of Holdings and BHIFT.
15. **Management.** SharpVue, SharpVue Affiliates, Holdings, and BHIFT have indicated that they intend to maintain current management comprised of existing key BHIL and BHIT employees Chad Paul, Shirley Mayfield, and Captain Bion Stewart. Holdings and BHIFT shall notify the Commission at least 30 days prior to any termination of agreements with or resignation by these key personnel.
16. **Regulatory Reporting Requirements.** BHIFT shall comply with all regulatory reporting requirements, including Annual Report, Quarterly Report, and Quarterly Financial Report of monthly information.
17. **Regulatory Staffing.** Holdings and BHIFT shall maintain sufficient, adequately trained personnel to ensure that regulatory reporting

requirements are complied with in a timely and accurate manner. BHIFT shall notify the Public Staff when there is any change in regulatory or operational personnel at the supervisor level.

18. **Overall Service Quality and On-Time Performance.** Upon consummation of the Transfer, SharpVue, SharpVue Affiliates, Holdings, and BHIFT shall continue to provide safe and reliable ferry and tram services consistent with current practices. Holdings and BHIFT shall have a goal of on-time ferry departures of 90%. BHIFT shall evaluate service delivery and related components and make needed changes to improve overall ridership experience.
19. **Affiliated Agreements.** Holdings and BHIFT shall file with the Commission agreements pursuant to N.C.G.S. § 62-153. All such agreements that involve payment of fees or other compensation by Holdings or BHIFT shall require acceptance and authorization by the Commission and shall be subject to any other Commission action required or authorized by North Carolina law and the Rules and orders of the Commission. Prior to making any changes to existing agreements, Holdings and BHIFT shall file such changes with the Commission. SharpVue, SharpVue Affiliates, Holdings, and BHIFT shall file with the Commission any proposed amendments to,

assignment of, or transfer of management rights under the Management Agreement (referred to by BHIFT as an “Investment Management Agreement”) among SharpVue, Partners, and Holdings as well as any event in which SharpVue Managing Partners Lee Roberts and Douglas Vaughn will no longer be leading the provision of management services under the Management Agreement.

20. **Intellectual Property.** Any and all intellectual property currently used in ferry and tram operations shall continue to be available for use by BHIFT at no additional charge. Specifically, to the extent that intellectual property of BHIL conveyed to Pelican IP, LLC, at closing is currently used in ferry and tram operations, BHIFT shall have the continued right to utilize such intellectual property and shall not be charged a licensing fee or any other sum associated with such use.
21. **Consultation with constituents.** The Board of Managers of Holdings shall meet at least semi-annually in a noticed public meeting on Bald Head Island with island residents and other ferry and tram service constituents to receive input on all aspects of ferry and tram services.

- 22. Successors.** The respective successors and assigns of SharpVue, SharpVue Affiliates, Holdings and BHIFT shall be bound by these regulatory conditions, Commission rules, and Commission jurisdiction established by Chapter 62 of the North Carolina General Statutes.