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January 24, 2023

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

Re: In the Matter of
Joint Application of Bald Head Island Transportation, Inc. and Bald Head Island
Ferry Transportation, LLC for Approval of Transfer of Common Carrier Certificate
to Bald Head Island Ferry Transportation, LLC, and Permission to Pledge Assets
NCUC Docket No. A-41, Sub 22
Amended Direct Testimony of Charles A. "Chad" Paul, III

Dear Ms. Dunston:

Attached for filing in the above referenced docket is the Amended Direct Testimony of
Charles A. "Chad" Paul, III.

Thank you in advance for your assistance with this filing. If you should have any questions
concerning this submittal, please contact me.

Sincerely,

/s/ M. Gray Styers, Jr.

M. Gray Styers, Jr.

pbb

A Pennsylvania Limited Liability Partnership

California Colorado Delaware District of Columbia Florida Georgia Illinois Minnesota
Nevada New Jersey New York North Carolina Pennsylvania South Carolina Texas Washington

Ms. A. Shonta Dunston
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Enclosure

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

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. A-41, SUB 22

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Joint Application
of Bald Head Island Transportation, Inc.,
and SharpVue Capital, LLC, for
Approval of Acquisition of Common
Carrier Certificate and by SharpVue
Capital, LLC, and Permission to Pledge
Assets

**AMENDED DIRECT TESTIMONY OF
CHARLES A. "CHAD" PAUL, III**

January 24, 2023

1 **Q. Please state your name, occupation, and business address.**

2 A. My name is Charles A. “Chad” Paul, III. I am the President of Bald Head Island
3 Transportation, Inc. (“BHIT”). I also serve as Chief Executive Officer and a
4 Manager of Bald Head Island Limited LLC (“BHIL”), BHIT’s parent company.
5 My business address is 6 Marina Wynd, Bald Head Island, North Carolina 28461-
6 5073.

7 **Q. Please describe your educational and professional background.**

8 A. I have a B.A. degree in economics from Holy Cross and a Master’s degree from the
9 Harvard University Graduate School of Business Administration. Before joining
10 BHIL and BHIT, I worked for JP Morgan Chase, Salomon Brothers, and Arnolt
11 Partners. I am also a managing partner of Harbor Island Partners, LLC, a private
12 equity investment firm where I oversee a diverse mix of industry and product
13 services company holdings.

14 **Q. Can you describe what BHIL and BHIT do?**

15 A. BHIL was formed by George P. Mitchell to purchase Bald Head Island out of
16 receivership in 1983. Bald Head is the southernmost barrier island in North
17 Carolina. It sits at the mouth of the Cape Fear River and the Atlantic Ocean just
18 off the coast of Southport, North Carolina. It has 12,000 acres of beach, marsh, and
19 maritime forest.

20 Mr. Mitchell created BHIL in part to ensure that Bald Head was developed in a
21 responsible and sustainable manner to preserve the island’s natural environment.
22 In furtherance of this mission, BHIL set aside 10,000 acres as a permanent nature
23 reserve which will remain undeveloped. To this day, Bald Head remains accessible

only by boat, and once on island, transportation is largely restricted to trams, golf carts, bicycles, and pedestrian traffic. Gasoline-engine vehicles are allowed for the tram, construction activities, deliveries of equipment and suppliers, and other commercial services on the island (e.g. garbage pick-up, etc.). These vehicles arrive on island via the barge owned by BHIL.

To ensure that residents, employees, and the public have reliable and safe access to the island, 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. BHIT owns four passenger ferries that transport passengers between Southport and Bald Head. BHIT also owns 23 tram units which transport ferry passengers on the island. BHIL also owns the ferry terminals in Southport and on the island and leases them to BHIT, at a rental rate approved in the 2010 Rate Case order. The ownership structure of these entities is reflected, below, in Figure 1:

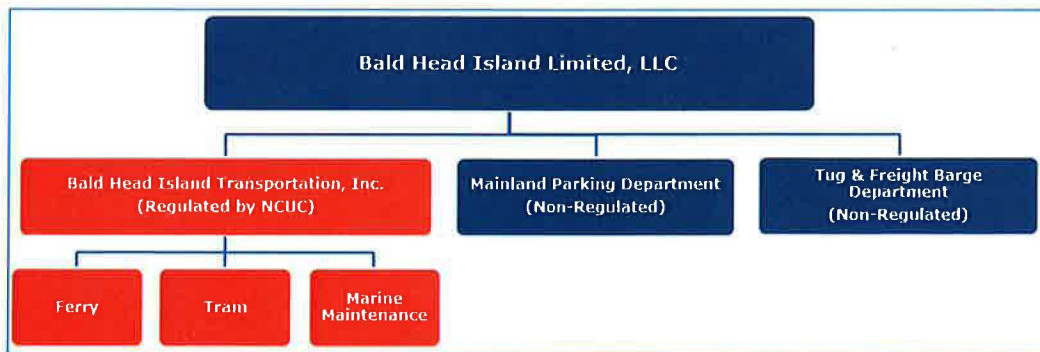


Figure 1

Q. What caused you to file testimony in this proceeding?

1 A. George Mitchell died in 2013. Since that time, BHIL and BHIT have continued to
2 operate under the umbrella of his Estate, but that Estate is moving toward settlement
3 and closure. The Mitchell family is not in a position to continue operations of BHIL
4 and BHIT in perpetuity, and the decision was made to divest the remaining assets.
5 To that end, BHIL and BHIT entered into an Asset Purchase Agreement (“APA”)
6 to sell most of their remaining operations and some real estate assets on or
7 associated with Bald Head Island to an affiliate of SharpVue Capital, LLC
8 (“SharpVue”), a North Carolina limited liability company, and its affiliates on May
9 17, 2022 (the “SharpVue Transaction”).

10 Among other things, SharpVue seeks to acquire the Certificate of Common Carrier
11 Authority issued by this Commission in 1995 pursuant to which BHIT has been
12 operating the passenger ferries and trams under the Commission’s jurisdiction. I
13 am now amending my testimony to include information about the parking facilities
14 and barge/tugboat assets pursuant to the Commission’s Order in Docket No. A-41,
15 Sub 21. Although that order may be appealed, SharpVue has requested that we
16 proceed with this amended application requesting transfer of the certificate,
17 recognizing that the ultimate scope of regulatory jurisdiction will apply to these
18 assets regardless of who owns them.

19 Our lawyers have advised us that this transfer of all four operations – ferry, tram,
20 parking, and barge -- requires the Commission’s approval. My amended testimony
21 supports the Joint Application of BHIT, BHIL, and BHI Ferry Transportation, LLC

(the “Application”) requesting the Commission’s approval of the SharpVue Transaction.

Q. What is the purpose of your testimony in this proceeding?

A. First, I will introduce the other witnesses supporting the Application for approval of the SharpVue Transaction. Then I will describe the operations of BHIT’s ferry, tram, parking, and barge services. Finally, I will explain the need for the proposed transaction and why it benefits the public.

Q. Please briefly summarize the testimony of the other witnesses supporting the Application.

A. In addition to my testimony, BHIT and SharpVue are providing direct testimony from two other witnesses:

- Ms. Shirley Mayfield, the Chief Financial Officer of BHIL, who will testify about the financial implications of the operations and the transaction.
- Mr. Lee Roberts, the Managing Partner of Sharpvue, who will testify about SharpVue’s financial and operational abilities and its plans for ensuring a seamless transition and continuity of safe, reliable, and cost-effective services.

Q. Can you describe the ferry and tram services that are operated pursuant to the Common Carrier Authority granted to BHIT by the Commission?

A. BHIT owns and operates four passenger ferries (the “Ferries”) that travel between the Deep Point Terminal in Southport and the on-island terminal on Bald Head Island. The schedules for the Ferries are approved by the Commission. The current schedule was approved in Commission Docket No. A-41, Sub 18. While the ferry

1 service runs 365 days per year, BHIT rotates and utilizes the individual ferries to
2 provide safe and reliable service to our passengers as cost-effectively as practicable.

3 BHIL also has a department that provides BHIT with appropriate maintenance and
4 repairs to ensure longevity and reliability of the vessels.

5 Ferry ticket prices have only been raised once since 1995. BHIT sells ferry tickets
6 both at the Deep Point Marine Terminal and on the island. General passenger
7 tickets include luggage and tram service to and from the on-island terminal and the
8 passenger's ultimate destination on the island. To provide the on-island tram
9 service, BHIT owns 23 tram units that are comprised of a truck driven by a BHIT
10 employee and an attached passenger trailer. Passengers' belongings are transported
11 in the truck's bed. Each unit is subject to routine inspection and maintenance, and
12 each truck has a useful life of about 7 to 10 years while the passenger trailers have
13 a useful life of about 20-25 years.

14 Employee and contractor ferry tickets do not include tram service on the island.
15 The passengers utilizing those tickets either walk to their destinations (which are
16 often near the on-island terminal), are picked up at the terminal by their employer,
17 or travel by a BHIT-operated shuttle to the Contractor Services location.

18 In addition, BHIL operates the parking lots adjacent to the Deep Point Marina and
19 the barge and tugboat operations as described above.

20 **Q. Who typically uses the ferry and tram services?**

21 A. Bald Head Island is comprised of a mix of residential, commercial, and resort
22 facilities. The ferries serve residents; both overnight and day-trip visitors;

1 construction, maintenance, and custodial contractors; and employees of local
2 employers, including commercial businesses, the Bald Head Island Club, and the
3 Village of Bald Head, and BHIL itself. In 2022, BHIT transported over 380,000
4 passengers, and its ferries made over 8,000 round trips. About 40 percent of
5 passengers traveled on the general fare tickets which allows them to utilize on-
6 island tram service.

7 **Q. How many employees does BHIT employ?**

8 A. We have approximately 65 year-round staff but hire additional staff during peak,
9 summer season. For managerial purposes, staff are organized into three different
10 departments: (1) the ferry operations, (2) the island tram services, and (3) marine
11 maintenance.

12 **Q. What parking facilities does BHIL currently own and proposes to sell to**
13 **SharpVue?**

14 A. Since the 2009 opening of the Deep Point Terminal, BHIL has provided parking in
15 lots that are adjacent or near the terminal. Figure 2, below, provides a visual
16 snapshot of currently available parking near Deep Point and identifies its four key
17 levels: Premium, General, Contractor and Employee.

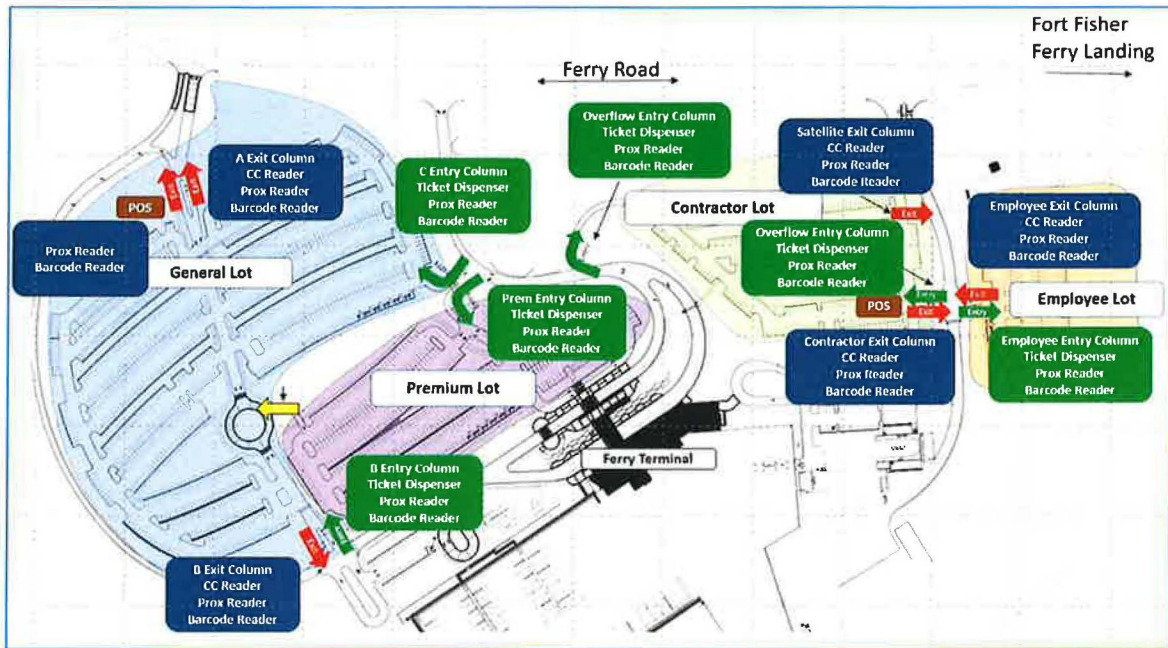


Figure 2

There are currently 1,955 paved/striped parking spots and additional gravel spots that bring that total to 2,302. The breakdown of those spots among the various parking levels is shown in Figure 3.

DEEP POINT PARKING FACILITY (Parking Lot Space 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
Total	2,302

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

Figure 3

1 **Q: What assets are used for the tugboat and freight barge operations of BHIL**
2 **that are proposed to be sold to SharpVue?**

3 **A:** They consist of the *Brandon Randall*, a 100 foot x 32 foot steel deck barge that can
4 carry up to 200 tons of cargo, in the form of vehicles and equipment, and the
5 *Captain Cooper*, a tug boat that pushes the barge, five days per week, on its four
6 nautical mile journey back and forth between the Deep Point Terminal in Southport
7 and the Bald Head Island Marina. The barge is a Roll-on/roll-off vessel that
8 transports vehicles of varying sizes, including trucks that supply food and other
9 products for stores on the island, large highway trucks, and construction vehicles.
10 Images that depict the tug and barge as they typically function (which appear on
11 www.bhibarge.com) are below in Figures 4 and 5:



Figure 4



Figure 5

1
2

3 **Q. Have the parking and barge operations been operated separately from the**
4 **ferry and tram operations?**

5 A. Historically, yes. Because the Commission only recently concluded that the
6 parking and barge operations are operating pursuant BHIT's Certificate of
7 Common Carrier Authority, the financial books of BHIT, the BHIL Parking
8 Department, and the BHIL Tug & Freight Barge Department have been and are
9 kept, maintained, and audited separately. Additionally, each operation has its
10 own vertically integrated employee base to include employees, managers, and
11 senior managers. An exception to this structure is inter-company services
12 provided by BHIT's Marine Maintenance that also provide services to the barge
13 and tugboat operated by BHIL. For those services careful allocations of costs and
14 expenses among benefitted entities are honored and accounted for pursuant to
15 Commission practice and guidelines.

16 **Q. Can you describe how the SharpVue Transaction came about?**

1 A. Ever since the death of Mr. Mitchell, we have known the day was coming when
2 BHIL and BHIT would have to be wound down and have been planning for a
3 transfer of the ferry and tram operations for several years. In 2017, the North
4 Carolina General Assembly passed legislation authorizing the creation of regional
5 ferry transportation public authorities that could purchase private ferry operations.
6 (Prior to the passage of this legislation, I had met with then-Governor Pat McCrory
7 and his budget director Lee Roberts to discuss the need to transfer the BHIT
8 operations. The legislation was passed unanimously by both the House and the
9 Senate and signed into law by Governor Cooper.) After the passage of the
10 authorizing legislation, The City of Southport, Brunswick County, and the Village
11 of Bald Head Island, all passed resolutions to create the Bald Head Island
12 Transportation Authority (“Authority”), which was chartered as an agency of the
13 State in 2017.

14 BHIL and BHIT negotiated an agreement to sell the ferry system and associated
15 operations to the Authority, but the Authority was unable to get the necessary
16 approval for the financing of the purchase from the Local Government
17 Commission, due to the Village of Bald Head Island objections. At that point, we
18 had no choice but to begin actively pursuing other options to ensure that the services
19 would continue uninterrupted as BHIL and BHIT wind down, because the Mitchell
20 estate no longer has—as an estate that is winding down—an ability to own or
21 operate these assets.

1 In looking for a purchaser, it was important to us to find a buyer with the financial
2 wherewithal and managerial experience to continue these services without
3 interruption or delay, with an appreciation for and understanding of the Bald Head
4 Island and the State of North Carolina as a whole, and with a commitment to
5 maintain and continue the Mitchell's vision and mission for the island. It became
6 apparent to us that the best way to advance these goals was to find a buyer based in
7 North Carolina who would be interested in taking over all of BHIL's and BHIT's
8 operations, rather than breaking it up in pieces. We found that buyer in SharpVue.

9 **Q. What due diligence was done by BHIL and BHIT on SharpVue to determine**
10 **its competence, skill, and expertise to operate the Bald Head Island**
11 **transportation services?**

12 A. In full disclosure, I have known Mr. Roberts for many years. We both served on
13 the North Carolina State Banking Commission, and I have discussed with him his
14 service to the State as the budget director of the former Governor, and as a board
15 member of the Golden LEAF Foundation, the community college system, and the
16 university system. In addition, we undertook research of the breadth and depth of
17 SharpVue's holdings, their management team, and their long-term goals. SharpVue
18 and its related entities have significant real estate management and operations as
19 well as infrastructure projects. We also confirmed that SharpVue has the financial
20 resources to continue operations, address growth, prepare for contingencies, and
21 make capital investments as needs arise, ensuring the long-term viability of the
22 ferry and tram services.

1 **Q. Why do you believe SharpVue is a good fit as the purchaser of the**
2 **Tranportation Assets?**

3 A. SharpVue has the experience and means to assume the ownership of the regulated
4 operations. Its management team have deep North Carolina ties and a track record
5 of successful management and operations experience. We were convinced that
6 SharpVue is well suited to make a seamless transition, to continue the services that
7 BHIL and BHIT have provided without interruption or immediate change. They
8 are definitely “fit, willing, and able” to own and operate these operations.

9 **Q. Do you anticipate that the transaction will have any negative impact the**
10 **passengers?**

11 A. No. One of the most important things that convinced us that SharpVue was the
12 right partner is that they have already committed to keeping the management team
13 and employees in place. We anticipate that the day after the transaction closes, it
14 will be business as usual and our passengers will not notice any difference in
15 parking, ferry, tram, or barge services. Most importantly, SharpVue’s purchase
16 will allow these services to keep operating even as BHIT and BHIL wind down
17 their operations so that the public will continue to have safe and reliable
18 transportation to and from the island.

19 **Q. Will you have any continued involvement in these operations at Bald Head**
20 **Island following the SharpVue Transaction?**

1 A. Yes. I plan to continue working with SharpVue as CEO and manager for thirty-six
2 (36) months. I am honored to help continue the Mitchell legacy on Bald Head
3 Island, a commitment that SharpVue shares.

4 **Q. To the best of your knowledge, will SharpVue seek approval for new or**
5 **changed rates as a result of the SharpVue Transaction?**

6 A. No. SharpVue has said it will not request any rate changes because of the SharpVue
7 Transaction itself, and any rate changes that may be considered in the future will
8 be based on operational, financial, and/or regulatory factors unrelated to the
9 Transaction.

10 **Q. As a result of the SharpVue Transaction, do you anticipate there will be any**
11 **impact to the current employees of BHIT and BHIL?**

12 A. No. As I indicated earlier, SharpVue intends to hire almost all of the employees in
13 their current roles.

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

15 A. Yes, at this time.