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July 14, 2022

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
Direct Testimony of Charles A. "Chad" Paul, III

Dear Ms. Dunston:

Attached for filing in the above referenced docket is the 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 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

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

July 14, 2022

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

1 only by boat, and once on island, transportation is largely restricted to trams, golf
2 carts, bicycles, and pedestrian traffic. Gasoline-engine vehicles are allowed for the
3 tram, construction activities, deliveries of equipment and suppliers, and other
4 commercial services on the island (e.g. garage pick-up, etc.)

5 To ensure that residents, employees, and the public have reliable and safe access to
6 the island, BHIL formed BHIT to operate the passenger ferry and on-island tram
7 system in 1993 and obtained final authority for its operations from this Commission
8 in 1995. BHIT owns four passenger ferries that transport passengers between
9 Southport and Bald Head. BHIT also owns 23 tram units which transport ferry
10 passengers on the island. These services are critical infrastructure for Bald Head
11 Island. BHIL also owns the ferry terminals in Southport and on the island and
12 leases them to BHIT.

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

14 A. George Mitchell died in 2013. Since that time, BHIL and BHIT have continued to
15 operate under the umbrella of his Estate, but that Estate is moving toward settlement
16 and closure. The Mitchell family is not in a position to continue operations of BHIL
17 and BHIT in perpetuity, and the decision was made to divest the remaining assets.
18 To that end, BHIL and BHIT entered into an Asset Purchase Agreement (“APA”)
19 to sell most of their remaining operations and some real estate assets on or
20 associated with Bald Head Island to an affiliate of SharpVue Capital, LLC
21 (“SharpVue”), a North Carolina limited liability company, and its affiliates on May
22 17, 2022 (the “SharpVue Transaction”).

1 Among other things, SharpVue seeks to acquire the Certificate of Common Carrier
2 Authority issued by this Commission in 1995 pursuant to which BHIT has been
3 operating the passenger ferries and trams under the Commission's jurisdiction.

4 Our lawyers have advised us that this transfer requires the Commission's approval.

5 My testimony supports the Joint Application of BHIT and BHI Ferry
6 Transportation, LLC (the "Application") requesting the Commission's approval of
7 the SharpVue Transaction.

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

9 A. First, I will introduce the other witnesses supporting the Application for approval
10 of the SharpVue Transaction. Then I will describe the operations of BHIT's ferry
11 and tram service. Finally, I will explain the need for the proposed transaction and
12 why it benefits the public from the seller's perspective.

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

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

17 • Ms. Shirley Mayfield, the Chief Financial Officer of BHIL, who will testify
18 about the financial implications of the operations and the transaction.

19 • Mr. Lee Roberts, the Managing Partner of Sharpvue, who will testify about
20 SharpVue's financial and operational abilities and its plans for ensuring a
21 seamless transition and continuity of safe, reliable, and cost-effective services.

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

3 A. BHIT owns and operates four passenger ferries (the “Ferries”) that travel between
4 the Deep Point Marine Terminal in Southport and the on-island passenger terminal
5 on Bald Head Island. The schedules for the Ferries are approved by the
6 Commission. The current schedule was approved in Commission Docket No. A-
7 41, Sub 18. While the ferry service runs 365 days per year, BHIT rotates and
8 utilizes the individual ferries to provide safe and reliable service to our passengers
9 as cost-effectively as practicable. BHIL also has a department that provides BHIT
10 with appropriate maintenance and repairs to ensure longevity and reliability of the
11 vessels.

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

21 Employee and contractor ferry tickets do not include tram service on the island.

22 The passengers utilizing those tickets either walk to their destinations (which are

1 often near the on-island terminal), are picked up at the terminal by their employer,
2 or travel by a BHIT-operated shuttle to the Contractor Services location.

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

4 A. Bald Head Island is comprised of a mix of residential, commercial, and resort
5 facilities. The ferries serve residents; both overnight and day-trip visitors;
6 construction, maintenance, and custodial contractors; and employees of local
7 employers, including commercial businesses, the Bald Head Island Club, and the
8 Village of Bald Head, and BHIL itself. In 2021, BHIT transported over 373,000
9 passengers, and its ferries made over 8,000 round trips. About 40 percent of
10 passengers traveled on the general fare tickets which allows them to utilize on-
11 island tram service..

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

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

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

18 A. Ever since the death of Mr. Mitchell, we have known the day was coming when
19 BHIL and BHIT would have to be wound down and have been planning for a
20 transfer of the ferry and tram operations for several years. In 2017, the North
21 Carolina General Assembly passed legislation authorizing the creation of regional
22 ferry transportation public authorities that could purchase private ferry operations.

1 (Prior to the passage of this legislation, I had met with then-Governor Pat McCrory
2 and his budget director Lee Roberts to discuss the need to sell the BHIT operations.
3 The legislation was passed unanimously by both the House and the Senate and
4 signed into law by Governor Cooper.) After the passage of the authorizing
5 legislation, The City of Southport, Brunswick County, and the Village of Bald Head
6 Island, all passed resolutions to create the Bald Head Island Transportation
7 Authority (“Authority”), which was chartered as an agency of the State in 2017.
8 BHIL and BHIT negotiated an agreement to sell the ferry system and associated
9 operations to the Authority, but the Authority was unable to get the necessary
10 approval for the financing of the purchase from the Local Government
11 Commission. At that point, we had no choice but to begin actively pursuing other
12 options to ensure that the services would continue uninterrupted as BHIL and BHIT
13 wind down.
14 In looking for a purchaser, it was important to us to find a buyer with the financial
15 wherewithal and managerial experience to continue the ferry and tram services
16 without interruption or delay, with an appreciation for and understanding of the
17 Bald Head Island and the State of North Carolina as a whole, and with a
18 commitment to maintain and continue the Mitchell’s vision and mission for the
19 island. It became apparent to us that the best way to advance these goals was to
20 find a buyer based in North Carolina who would be interested in taking over all of
21 BHIL’s and BHIT’s operations, rather than breaking it up in pieces. We found that
22 buyer in SharpVue.

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

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

15 **Q. Why do you believe SharpVue is a good fit as the purchaser of the ferry and**
16 **tram systems?**

17 A. SharpVue has the experience and means to assume the ownership of the regulated
18 operations. Its management team have deep North Carolina ties and a track record
19 of successful management and operations experience. We were convinced that
20 SharpVue is well suited to make a seamless transition, to continue the ferry and
21 tram service without interruption or immediate change. They are definitely "fit,
22 willing, and able" to own and operate the ferry and tram operations.

1 **Q. Do you anticipate that the transaction will any negative impact the**
2 **passengers?**

3 A. No; not at all. One of the most important things that convinced us that SharpVue
4 was the right partner is that they have already committed to keeping the
5 management team and employees in place. We anticipate that the day after the
6 transaction closes, it will be business as usual and our passengers will not notice
7 any difference. Most importantly, SharpVue's purchase will allow the ferry and
8 tram services to keep operating even as BHIT and BHIL wind down their operations
9 so that the public will continue to have safe and reliable access to the island.

10 **Q. Will you have any continued involvement in the ferry and tram operations at**
11 **Bald Head Island following the SharpVue Transaction?**

12 A. Yes. I have reached an agreement with SharpVue to stay on as CEO and manager
13 for thirty-six (36) months. I am excited to help continue the Mitchell legacy on
14 Bald Head Island, a commitment that SharpVue shares.

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

17 A. No. SharpVue has said it will not request any rate changes because of the SharpVue
18 Transaction itself unless there is a significant change in the regulatory status or rate
19 base of the regulated utility. It has also committed not to evaluate the need for any
20 rate changes for at least a year, and any rate changes that may be considered in the
21 future will be based on operational and financial factors unrelated to the
22 Transaction.

1 **Q. As a result of the SharpVue Transaction, do you anticipate there will be any**
2 **impact to the employees of BHIT?**

3 A. No. As I indicated earlier, SharpVue intends to hire almost all BHIT employees in
4 their current roles.

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

6 A. Yes, at this time.