

**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.)	

**REBUTTAL TESTIMONY OF
LEE H. ROBERTS**

September 28, 2022

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

2 A. My name is Lee Roberts. I am Managing Partner of SharpVue Capital, LLC
3 (“SharpVue”). My business address is 3700 Glenwood Avenue, Suite 530,
4 Raleigh, North Carolina 27612.

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

6 A. I have a B.A. degree in political science from Duke University and a law degree
7 from Georgetown University Law Center. I have worked in real estate investment
8 and finance for more than 25 years, including positions in private equity,
9 investment banking, and commercial banking for companies. My former
10 employers include the State of North Carolina, Piedmont Community Bank
11 Holdings and Cherokee Investment Partners in Raleigh, as well as Morgan Stanley
12 in London and New York.

13 **Q. Why is this rebuttal testimony your first prefiled testimony in this proceeding?**

14 A. At the time of the June 17, 2022, scheduling order that set testimony-filing dates,
15 SharpVue was not a party. On August 1, 2022, the Commission issued an order
16 naming SharpVue as a necessary party. SharpVue is not specified as a complainant,
17 respondent or intervenor, and thus the dates for those parties to file testimony
18 seemed inapplicable. However, as a necessary party by Commission order, the
19 June 17, 2022, scheduling order provision for “parties” to file rebuttal testimony or
20 reply comments by September 28, 2022, is inclusive of SharpVue. Most
21 importantly, SharpVue wishes specifically to respond to certain issues raised by

1 testimony filed on September 8 that it is uniquely positioned to address in order to
2 provide a full and complete record for this proceeding.

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

4 A. The purpose of my testimony is to describe SharpVue’s plans for the unregulated
5 parking operations it has contracted to purchase. SharpVue has reviewed the
6 Comments filed by Public Staff, and seeks to provide information to the
7 Commission about its perspective, as a potential purchaser, of the parking
8 operations and, upon approval of the Commission in A-41, Sub 22 to purchase the
9 ferry and tram systems, its plans to provide adequate supply of reasonably priced
10 parking that can be used by ferry passengers.

11 **Q. When and why was SharpVue formed?**

12 A. I co-founded SharpVue in 2016 in Raleigh, North Carolina. SharpVue was
13 previously an arm of Curi, formerly known as Medical Mutual Holdings, Inc.
14 Seeing the tremendous opportunity for continuing growth in North Carolina, my
15 partner, Doug Vaughn, and I spun SharpVue off into its own investment
16 management firm in 2019. One of SharpVue’s primary missions is economic
17 growth in North Carolina.

18 **Q. The testimony of Mr. Sawyer references a “transfer of these assets to an
19 unregulated entity . . .without economic development motivations”; is that an
20 accurate characterization of SharpVue?**

21 A. No. First, Mr. Vaughn and I have lived in this great state for many years and raised
22 our families here. We are proud to call it home and don’t plan to live anywhere

1 else. We know it well – its needs and its opportunities. Immediately prior to joining
2 SharpVue, I had the honor of serving as budget director to Governor Pat McCrory.
3 I am currently a member of the Board of Governors for the University of North
4 Carolina system. I have served on the board of directors for the Golden LEAF
5 Foundation, which distributes grants intended to make meaningful economic
6 transformation across the State. I have also served on the State Board of
7 Community Colleges and the North Carolina Banking Commission. With all due
8 respect to BHIL/BHIT, as explained in detail below, I believe SharpVue has an
9 even greater interest in the success of Bald Head Island, than the sellers who have
10 been extraordinary stewards of these regulated and unregulated assets for decades.

11 **Q. How will the parking operation fit into the SharpVue corporate and**
12 **organizational structure?**

13 A. SharpVue will enter an agreement for management services with Pelican Legacy
14 Holdings, LLC, which is the sole member of Pelican Logistics, LLC, a North
15 Carolina limited liability company that will manage the parking and tug and barge
16 operations being purchased from Bald Head Island Limited, LLC (“BHIL”).

17 A chart reflecting the proposed management organization of the non-regulated
18 assets, to include the parking operations, is attached as Exhibit A. SharpVue is
19 merely stepping into the shoes of the seller from a corporate organization
20 standpoint. Further, this investment will not be held in a limited life fund, but in an
21 LLC with a perpetual life.

1 **Q. Testimony has been filed regarding the importance of the parking and barge**
2 **operations to the functioning of the island; what relevant experience does**
3 **SharpVue have as it relates to the operation of infrastructure assets?**

4 A. SharpVue has a history of participating in infrastructure projects. For example, in
5 2017, SharpVue invested in the acquisition of a Raleigh-based sanitary solid waste
6 company by a private group of investors. This investment was made as a minority
7 equity investor, and after owning the investment for approximately five years,
8 SharpVue's shares were acquired and SharpVue no longer owns this minority
9 interest. In 2020, SharpVue invested in a reclaimed wastewater treatment facility
10 in a Piedmont-located municipality. The waste water treatment investment was
11 made in 2020 as a lender and SharpVue still holds this loan.

12 Further, in previous roles I have been involved with the following selected
13 infrastructure transactions, among others: financing of the \$1.6 billion Africa
14 ONE fiber network connecting locations on the African continent; financing of
15 the \$2.2 billion Mumbai Trans Harbour Link, India's longest bridge;
16 establishment of the Triangle Transit Authority's master developer program for
17 "Transit-Oriented Development" around light rail; the \$5 billion redevelopment of
18 the World Trade Center site in lower Manhattan; the \$300 million IPO and
19 recapitalization of Golar LNG, the world's largest maritime shipper of liquefied
20 natural gas; acquisition of one of the largest privately owned waste services
21 companies in the United States; and financing to support the wastewater treatment
22 infrastructure for one of the largest master-planned communities in the Southeast.

1 Financing these transactions brings with it a developed knowledge of the
2 businesses being financed. This knowledge and experience does not replace, but
3 supplements, the experience of those who have operated and managed these
4 businesses being acquired.

5 Moreover, SharpVue has secured an understanding with the operations' current
6 management to continue in their current roles and duties, to include (but not limited
7 to): Charles A. "Chad" Paul, III, Chief Executive Officer and a Manager of Bald
8 Head Island Limited LLC, Shirley Mayfield, Chief Financial Officer of Bald Head
9 Island Limited LLC, and Captain Bion Stewart, the current Chief Operating Officer
10 of Bald Head Island Transportation, Inc.

11 Further, SharpVue has committed to hire almost all of the current employees. In
12 the process of negotiating the transaction and conducting our due diligence, we
13 have been impressed with the knowledge and expertise this team brings with it and
14 are confident that the transition will be seamless and operations will continue
15 without noticeable impact to consumers as a result of the transaction.

16 **Q. Mr. Sawyer's testimony expresses concern about parking being eliminated;
17 does SharpVue plan to make any significant changes to the parking operation?**

18 A. No, we have no such plans. Sometimes an equity investor will purchase an
19 underperforming company with the intent of making changes to make it more
20 profitable, but that is absolutely not the situation here. Instead, we see BHIL as an
21 unusual situation in which an extremely well-run company needs to be sold for
22 external reasons (i.e., the death of Mr. George Mitchell), and it is our intent to

1 continue that track record of success. We intend to spend the first year after the
2 purchase communicating with stakeholders and evaluating the current operations
3 in more detail and, of course, looking for opportunities to improve service and make
4 any needed investments over time. Further, SharpVue believes the parking assets
5 can be operated and achieve a strong cash flow using conservative operating and
6 capex assumptions all while maintaining a reasonable debt service coverage ratio
7 (DSCR). As you can see from my comments below about our plans for continuing
8 to provide adequate parking at reasonable prices, we plan to own and operate the
9 parking asset for the foreseeable future. Finally, let me repeat and re-emphasize:
10 there is no scenario under which SharpVue would eliminate parking for ferry
11 passengers.

12 **Q. Intervenor testimony has expressed fears about adverse impacts to the island**
13 **operations and tourist spending because of the sale of the assets by**
14 **BHIL/BHIT; from your perspective, what benefits will there be to the public**
15 **by SharpVue’s operation of the parking and barge businesses?**

16 A. In the short term, SharpVue will ensure that these operations continue uninterrupted
17 in the same cost-effective, safe, and reliable manner that the public has come to
18 historically enjoy. Going forward, SharpVue is willing and able to provide the
19 operations with the capital they need to accommodate growth and enhance the
20 consumer experience while maintaining efficient operations. As a North Carolina
21 company, with North Carolina management, SharpVue is committed to the success
22 of the island. Moreover, we owe a duty to our investors to increase – not decrease

1 – the utilization of our assets. As tourism grows, ridership on the ferry increases,
2 barge usage increases, and parking facilities are utilized. Our financial success
3 providing this infrastructure is very much tied to the overall continued success of
4 the island. The doomsday scenarios imagined in Mr. Sawyer’s testimony and
5 possibly from some intervenors are inconsistent with our motivations as
6 prospective owners/operators of the barge and parking assets, or with sound
7 economic and investment principles. This was true for BHIL/BHIT in the past, and
8 it will be equally true for us or for any entity owning and operating the parking
9 facilities or barge in the future.

10 **Q. Will the customers who use the parking and barge businesses be harmed in**
11 **any way as a result of the SharpVue transaction?**

12 A. No. We’re simply stepping into the shoes of BHIL and BHIT as their successors.
13 SharpVue is committed to continue to operate the parking and barge operations in
14 the same efficient manner they have been under BHIL’s ownership. Between the
15 expertise of the current management team, the wealth of knowledge of the existing
16 employee base, and the resources and experience of SharpVue, we are well situated
17 to make that happen. Moreover, let me emphasize that it is in our (or any
18 prospective owner’s) own best interest for the BHI Club to succeed, for the
19 commercial businesses on the island to succeed, and for the island as a whole to
20 succeed.

21 **Q. Does the cost structure of operating infrastructure assets also align your**
22 **interests?**

1 A. Yes. The parking, barge (and ferry) operations require a large amount of capital
2 investment and therefore have high fixed costs. In other words, it costs
3 approximately the same to make a ferry run with 1 passenger as it does with 150
4 passengers; to utilize staff and technology to park 1 car in the existing parking lots,
5 as it does 2,000; to operate a barge full of construction vehicles as it does with one
6 golf cart. Our economic incentives are to maximize our asset utilization, which can
7 only be accomplished if the island is successful and is an attractive destination for
8 primary and second-home owners as well as vacationer tourism. Mr. Sawyer is
9 correct about the “symbiotic relationship between the island community, the Clubs
10 and vacationer tourism” and a “reliable, safe, and affordable transportation system”,
11 but “symbiosis,” by definition, is a *mutually* beneficial relationship that runs both
12 ways: a successful island community, the Clubs, and vacationer tourism is essential
13 for a commercially successful transportation system. Neither BHIL/BHIT,
14 SharpVue, nor any other owner would institute a pricing structure that would harm
15 the island. It is in all of our mutual interests to view each other as cooperative
16 partners, working together toward common goals. That is one reason that the
17 adversarial nature of these proceedings has been, in my opinion, unnecessary and
18 counter-productive.

19 **Q. Are these observations consistent with the experiences of other parking and**
20 **ferry operations around the country?**

21 A. Yes. Prior to offering to purchase the assets of BHIL and BHIT, we, of course,
22 performed our own due diligence, which included looking at similar small, island-

1 based transportation operations. Mr. Leonard’s prefiled testimony summarizes
2 various parking and ferry operations around the country and is consistent with our
3 own due diligence. To my knowledge, nowhere in the country are rates for parking
4 available for ferry passengers regulated by a state Utilities Commission, and
5 nowhere in the country have parking rates been increased to a point that has
6 depressed ferry ridership. Basic economic principles and rational economic
7 behavior don’t support that feared scenario.

8 **Q. Given that SharpVue intends to continue providing parking services at**
9 **reasonable rates anyway, and in response to the Public Staff’s comments filed**
10 **on September 8, what specific steps will SharpVue take to ensure the continued**
11 **availability of adequate parking?**

12 **A.** For the reasons explained above, market forces and basic economics dictate that we
13 will provide adequate parking, but, in addition, if the transfer of the Certificate of
14 Public Convenience and Necessity (“CPCN”) is approved in Docket A-41, Sub 22,
15 SharpVue commits, as a condition of that transfer, that during all times that it owns
16 or controls the parking business currently operated by BHIL, it will provide *no less*
17 spaces for parking than the aggregate of: (i) the current number of paved, lined
18 spaces at the Deep Point lots (1,955) and (ii) the number of overflow cars that it
19 can currently accommodate on the unpaved, gravel lots at Deep Point (347).
20 SharpVue also commits that during all times that it owns or controls the parking
21 operations currently owned by BHIL, it will meet the parking space commitments
22 of this paragraph in one, or a combination of, the following ways: (i) at the Deep

1 Point parking lots currently used by BHIL; (ii) through the acquisition and
2 development of other conveniently located parking lots with regular shuttle service
3 to convey passengers and their baggage to and from the Deep Point terminal; or
4 (iii) through the construction of parking decks or garages in lieu of surface lots.
5 SharpVue proposes that this obligation would continue until such time as the
6 Commission were to allow a waiver or modification of this condition of the transfer
7 upon a showing of a demonstrable decline in demand for parking at Deep Point or
8 the availability of equivalent parking by a third-party provider. Again, SharpVue
9 has no intention to eliminate parking for ferry passengers.

10 **Q. What specific steps will SharpVue take to ensure that available parking is**
11 **reasonably priced?**

12 **A.** For the reasons explained above, market forces and basic economics dictate that
13 available parking will be reasonably priced, but, in addition, if the transfer of the
14 CPCN is approved in Docket A-41, Sub 22, SharpVue commits, as a condition of
15 that transfer, that it will not increase the aggregate rates for parking ticket classes
16 or levels in the foreseeable future more than the then-applicable Consumer Price
17 Index for All Urban Consumers (CPI-U) as reported by the United States Bureau
18 of Labor Statistics. SharpVue will attempt in good faith to reach an agreement with
19 the Public Staff and other intervenors in the CPCN transfer proceeding, Sub 22, on
20 a time period for this commitment of not less than four (4) years, but has not yet
21 engaged in those discussions. Again, SharpVue has no intention to substantially
22 raise parking rates for ferry passengers.

1 **Q. Has SharpVue made other commitments in the transfer Docket, A-41, Sub 22,**
2 **about its operation of businesses and assets acquired from BHIL and BHIT**
3 **that address the concerns of the intervenor testimony in this docket?**

4 **A.** Yes. SharpVue commits that it will not seek a rate change in rates for at least one
5 (1) year following a prospective transfer of the CPCN under which BHIT’s ferry
6 and tram services operate. SharpVue has concluded that it can continue to operate
7 the ferry and tram services at the approved rates at this time,¹ assuming that there
8 are no significant changes to its regulated status or to the rate base. SharpVue
9 would consider a decision in this docket or any future docket to include the assets
10 of the parking and barge businesses in the ferry/tram rate base, or to otherwise
11 regulate those assets, as a “significant change.”

12 SharpVue further commits that Bald Head Island Ferry Transportation, LLC is
13 “stepping into the shoes” of BHIT such that it assumes responsibility for all rights
14 and obligations of BHIT that flow from the Commission’s order approving a
15 settlement of the 2010 Rate Case for the ferry and tram services in Docket A-41,
16 Sub 7. Specifically, this includes but is not limited to, the element of that order that
17 \$523,725 of annual revenues (including regulatory fee impact) from the parking
18 business that SharpVue seeks to acquire from BHIL will continue to be imputed to
19 the revenue requirement of the utility with respect to the existing Commission-

¹ Depending upon the price of fuel, SharpVue may find it necessary to avail itself to the fuel surcharge mechanism as authorized by the Commission in Docket A-100, Sub 0 and set forth in Commission Rule R4-13 in order to avoid having to initiate a rate case solely because of fuel increases.

1 ordered rates until such time as the Commission may approve an adjustment to
2 rates. SharpVue agrees with the Public Staff's comment that this imputation "does
3 not indicate operation of the parking lot should be a regulated function."

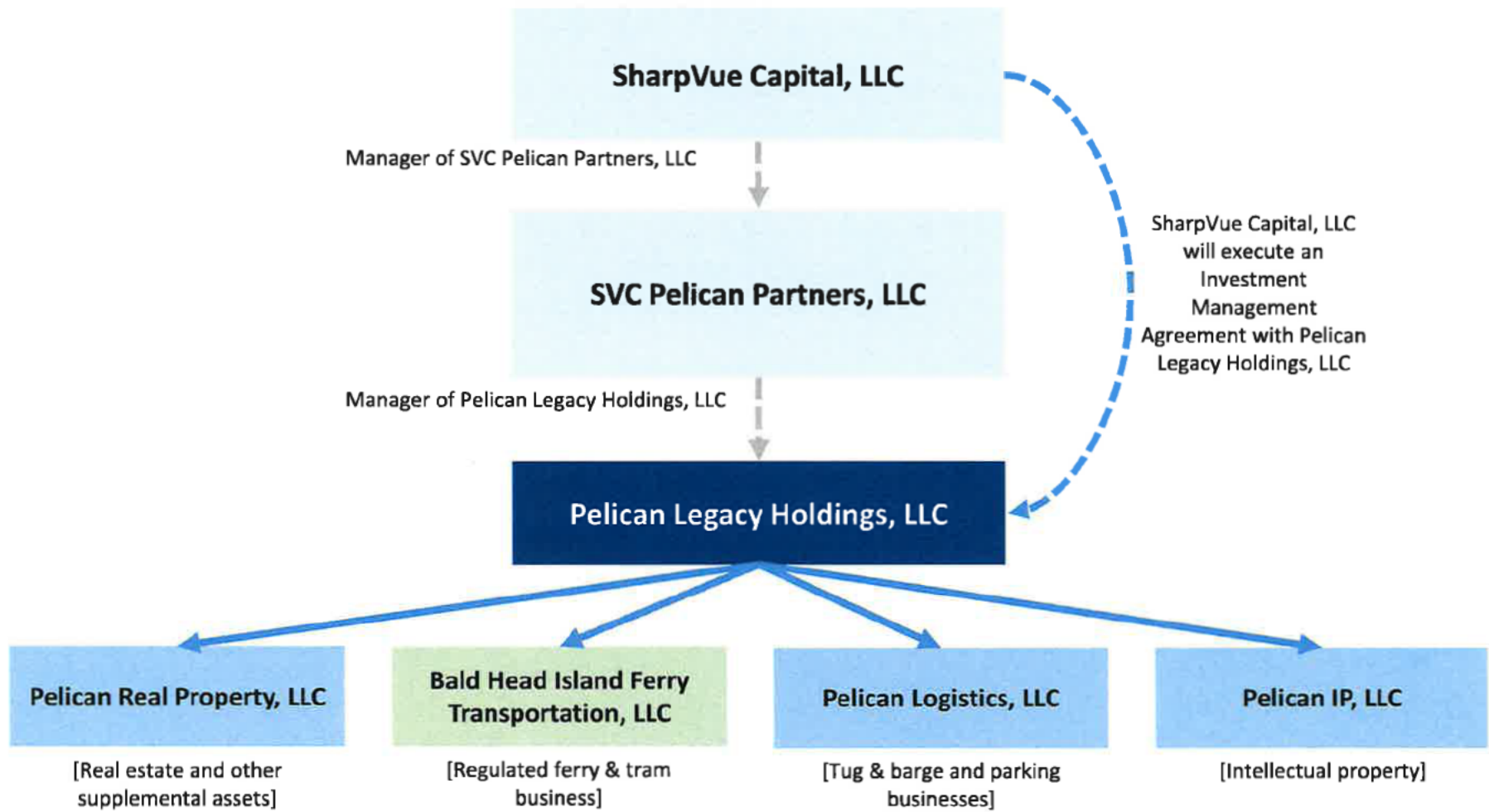
4 SharpVue also affirms it will adhere to the 2012 and 2022 Commission orders
5 regarding baggage entered in Docket A-41, Sub 9 and 20, as well as abiding by the
6 terms of the lease agreement between BHIT and BHIL (included in the current ferry
7 rate base under the terms of Docket A-41, Sub 7) to lease real property in Southport,
8 North Carolina and on Bald Head Island (upon which services involving the assets
9 at issue in this docket are performed).

10 SharpVue believes these items can be made conditions of the approval of a transfer
11 of the CPCN in Docket A-41, Sub 22. Further, SharpVue's agreements on parking
12 availability and pricing can also be made conditions of the approval of a transfer of
13 the CPCN in Docket A-41, Sub 22. This could accomplish the "oversight" of
14 parking the Public Staff references in their Initial Comments.

15 **Q. The Bald Head Island Club provided testimony as an intervenor that stated**
16 **BHIL's tug and freight barge transports "people and goods to and from Bald**
17 **Head Island." How does SharpVue view that statement?**

18 **A.** SharpVue has closely studied the tug and freight barge operations and, after
19 consultation with counsel, agrees with the comments of the Public Staff that the
20 barge's transport of vehicles to and from the Island "does not involve the
21 specialized functions associated with a household goods mover" that the
22 Commission regulates under Chapter 62. We believe that regulatory regime targets

Proposed Organizational Structure



1 those entities that are in the business of end-to-end movement of household goods
2 (HHG). The barge, on the other hand, is an intermodal transportation service that
3 might move a truck operated by an HHG mover from port to port but should not be
4 subject to the same regulations that apply to companies that contract to provide the
5 consumer service of HHG packing, transportation, and delivery.

6 Moreover, our evaluation of BHIL's barge operations indicates that it does not
7 transport passengers and is not regulated as a passenger vessel under federal law.
8 Instead, a driver or vehicle operator is permitted to remain with a vehicle – in its
9 cab – during the barge trip and is not charged a fee as a passenger or required to
10 purchase a ticket to stay with the vehicle. This is consistent with the roll-on/roll-
11 off nature of the barge, and its role as a link in the journey of the vehicle or truck
12 from its origin to its ultimate destination.

13 We agree with the Public Staff's comments that the barge provides a transport
14 service that is not regulated by Maximum Rate Tariff No. 1 and that its services are
15 “not related to the provision of regulated passenger ferry service.” SharpVue,
16 through its management agreement with Pelican Logistics, is committed to
17 continuing the excellent and fairly priced services that BHIL has afforded for many
18 years and in the same manner as BHIL has provided them.

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

20 **A.** Yes, at this time.