



Hawaiian Telcom

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CABLE DIVISION
COMMERCE AND
CONSUMER AFFAIRS

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February 9, 2011

VIA HAND DELIVERY (ORIGINAL + 4 COPIES)

Mr. Glen Chock, Acting Cable Administrator
Cable Television Division
Department of Commerce and Consumer Affairs
335 Merchant Street, 1st Floor
Honolulu, Hawaii 96813

Re: In re Application of Hawaiian Telcom
Services Company, Inc. for a Cable Franchise

Dear Mr. Chock:

We are enclosing an original and four (4) copies of the responses of Hawaiian Telcom Services Company, Inc. ("Applicant") to the Department of Commerce and Consumer Affairs Second Request for Clarification/Supplemental Information dated January 26, 2011. Also enclosed, in a sealed envelope, are an original and four (4) copies of responses labeled "Confidential" that contain information Applicant considers to be confidential, proprietary, and/or highly competitive. Applicant respectfully requests that the contents of the "Confidential" responses not be disclosed to third parties without Applicant's prior written consent.

Very truly yours,

Hawaiian Telcom Services Company, Inc.



John T. Komeiji
Senior Vice President and General Counsel

Non-Confidential DCCA-Second IR-A:

A. DCCA-IR-C. Referring to III.G (page 8 of the Application). Hawaii Administrative Rules §16-133-9(a)(5) require Applicant to supply “proposed plans and schedule of expenditures for or in support of the use of public, educational and governmental access facilities.” Applicant’s response to DCCA-IR-C is not sufficient since Applicant fails to provide a specific monetary amount. Please provide the specific information requested. In providing this information, it may be appropriate to base your proposed contributions on the subscriber and revenue projections that you provided in Confidential Form B-1 and B-2, as long as you clearly disclose that these projections formed the basis for your proposal and the manner in which the projections were used to calculate your proposed contributions. In addition, it would also be appropriate to provide revised Forms B-3, B-4 and B-5 reflecting the proposed contributions.

1. State Applicant’s proposed plans and schedule of expenditures for or in support of the use of public, educational, and governmental (PEG) access channels and facilities including the following:
 - a. The specific amount Applicant proposes, at a minimum, for the annual access operating fee payments to the Director or the Director’s designee for PEG access purposes. If this proposed payment is based on a percentage of revenue, explain how the percentage will be calculated.
 - b. The amount Applicant proposes, at a minimum, for the annual capital fund payments to the Director or the Director’s designee for PEG access purposes. Explain how Applicant proposes to calculate this amount.

Response: Referring to Section III.G (page 8) of the Application and DCCA-IR-C:

1. a. Applicant proposes that its annual access operating fee payments for PEG access purposes be determined on the same basis that the incumbent cable operator’s annual access operating fee payments are determined pursuant to Decision and Order No. 346, applying the same definition of Gross Revenues to Applicant’s video service revenues. See also Confidential Response to DCCA-Second IR-A being provided under separate cover.
- b. Applicant proposes that its annual capital fund payments for PEG access purposes be a pro-rata share of the capital fund payments that the incumbent cable operator negotiates with the PEG organization every five years pursuant to Decision and Order No.

346 to, where Applicant's pro-rata share is based on comparative video service Gross Revenues for the applicable preceding calendar year.

Confidential Forms B-3, B-4, and B-5 have been revised to reflect the proposed contributions in 1.a. above, but not 1.b. above because Applicant does not know the capital fund payments that the incumbent cable operator will be paying to the PEG organization.

Non-Confidential DCCA-Second IR-B:

- B. DCCA-IR-D. Referring to III.H (page 9 of the Application). Applicant's response to DCCA-IR-D is not sufficient since Applicant fails to provide a specific monetary amount. Please provide the specific information requested. In providing this information, it may be appropriate to base your proposed contributions on the subscriber and revenue projections that you provided in Confidential Form B-1 and B-2, as long as you clearly disclose that these projections formed the basis for your proposal and the manner in which the projections were used to calculate your proposed contributions. In addition, it would also be appropriate to provide revised Forms B-3, B-4 and B-5 reflecting the proposed contributions.
1. State Applicant's proposed plans and a specific schedule of expenditures for and in support of Hawaii Public Broadcasting. If this proposed payment is based on a percentage of revenue, explain how the percentage will be calculated.

Response: Referring to Section III.H (page 9) of the Application and DCCA-IR-D:

1. Applicant proposes that its expenditures for and in support of Hawaii Public Broadcasting be determined on the same basis that the incumbent cable operator's expenditures for and in support of Hawaii Public Broadcasting are determined pursuant to Decision and Order No. 346. See also Confidential Response to DCCA-Second IR-B being provided under separate cover.

Confidential Forms B-3, B-4, and B-5 have been revised to reflect the proposed contributions.

Non-Confidential DCCA-Second IR-C:

- C. In its response to DCCA-IR-E, Applicant states that there are no unaudited financial statements solely for Applicant, Hawaiian Telcom, Inc., or Hawaiian Telcom Communications, Inc. Please provide any unaudited in-house prepared financial statements for Applicant.

Response: Referring to DCCA-IR-E:

See Confidential Response to DCCA-Second IR-C being provided under separate cover.

Non-Confidential DCCA-Second IR-D:

- D. DCCA-IR-F. Provide the most recent forecast of the non-video services presented by Applicant and/or its parent corporation(s) to creditors, or investors.

Response: Referring to DCCA-IR-F and section VI.C.2 (page 27) of the Application:

Applicant does not have a forecast of solely non-video services. It only has a consolidated video/non-video forecast, and the most recent version of the forecast presented to creditors and investors can be found in Schedule A of the Senior Secured Loan Agreement that was provided to the DCCA as Confidential Exhibit V.D.4 with the Application.

Non-Confidential DCCA-Second IR-E:

- E. DCCA-IR-I. Equitable Extension of Service (page 43 of the Application). Applicant's response does not appear to provide a description of Applicant's proposed policy about making its multichannel video services available to "all subscribers" in the franchise area. Please articulate your policy toward satisfying this goal during the term of the initial franchise.

Response: We believe this IR actually refers to confidential DCCA-IR-F and Section VIII.H ("Equitable Extension of Service") at page 43 of the Application. See Confidential Response to DCCA-Second IR-E being provided under separate cover.

Non-Confidential DCCA-Second IR-F:

- F. DCCA-IR-K. Cable Drop to Schools (page 44 of the Application). Applicant's response does not provide an adequate alternative to the requirement that cable operators provide cable drops to schools or institutions of higher education. Please note that the requirement to provide a cable drop to each school is a statutory requirement (*see* § 440G-8.2(e)). If Applicant seeks a waiver of this requirement, Applicant must propose an alternative contribution and an explanation regarding why such alternative contribution would better service the public interest. For its proposed alternative service, Applicant must include a formulaic method of determining how many or which facilities might receive the service.

Response: Referring to DCCA-IR-K and Section VIII.I (Cable Drop to Schools) at page 44 of the Application:

Applicant will provide one video service drop and basic video service to each school or institution of higher education that requests such connection and is within the video service footprint at the time of the request. Because Applicant's video service is based on switched IP technologies, provision of the service drop will require Applicant to do an on-premise installation that includes the provision, without charge, of one residential gateway and one set top box.

Non-Confidential DCCA-Second IR-G:

- G. DCCA-IR-J. For a customer who is to pay for a long drop, how are the additional construction costs calculated? Is there an average value for a standard entrance, which is subtracted from the actual total costs, to determine an incremental charge? Please summarize the method used to calculate the additional costs and indicate if this method will differ depending on the number of services (voice, data, video) being purchased.

Response: Referring to DCCA-IR-J and Section VIII.G (Aid-To-Construction Policy) at p. 43 of the Application:

Additional construction costs will be calculated based on Hawaiian Telcom, Inc.'s actual cost to provide the drop beyond the footage described in the Aid-To-Construction Policy set forth on page 43 of the Application. As part of this process, the customer would be provided with an estimate on how much it would cost, which estimate includes material costs plus loadings and Hawaiian Telcom, Inc.'s loaded labor rates. If the customer pays this estimated charge, Hawaiian Telcom, Inc. then proceeds with construction. After the work is completed, there is a true-up. If the actual cost is less than estimate, the customer is refunded the difference, and if the actual cost is greater than the estimate, the customer is billed the difference. The method will not differ depending on the number of services being purchased.

Non-Confidential DCCA-Second IR-H:

- H. DCCA-IR-L. Referring to Applicant's statement on page 48 of the Application in response to the question stated below:

1. Application Question: "List all public buildings (including educational and library buildings) that will be capable of receiving service."

Response in Application: "The Applicant's video service will be available for any public building with qualified second-generation DSL service."

In light of Applicant's response to DCCA-IR-L, that "it is not feasible to identify and list all such public buildings," please explain the basis for Applicant's initial response in the Application. Please also explain why it is not feasible to identify and list all such public buildings. The Department is reluctant to accept the Applicant's representation that it

cannot determine which public buildings have access to Applicant's second-generation DSL service.

Response: Referring to DCCA-IR-L and Section IX.A.3 on page 48 of the Application:

Applicant's response to DCCA-IR-L reflects that (i) Applicant does not have a list of "all public buildings" on Oahu and their addresses, and cannot reasonably create an accurate list of such kind, and (ii) the determination of a building's ability to receive Applicant's video service requires doing a qualification check for each such building. Nevertheless, in an effort to be responsive to non-confidential DCCA-Second IR-H, Applicant attempted to create a list of public buildings on Oahu based upon white pages listings of federal, state, and county offices (taking into consideration that not all offices are in "public buildings") and the Department of Education website, focusing on public schools and libraries. Applicant then looked at the locations of each of the over 300 buildings and made a preliminary determination of the buildings that are candidates for its video service. See Confidential Exhibit DCCA-Second IR-H being provided under separate cover. This confidential list of potentially-enabled public facilities is based on current design plans and the service delivery infrastructure to these locations.