Hawaiian Telcom

Legal Department
P.O. Box 2200
Honolulu, Hawaii 96841
Phone: 808-546-3606
Fax: 808-546-7621

August 7, 2006

VIA HAND DELIVERY (ORIGINAL + 7 COPIES)

Mr. Clyde Sonobe, 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. Sonobe:

We are enclosing an original and seven (7) 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 July 25, 2006. Also enclosed, in a sealed envelope, are an original and seven (7) 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.

Francis K. Mukai
Vice President and Associate General Counsel

Request:

Response to DCCA IR-3 – Are there census tracts on the island of Oahu in which Applicant will not be providing video service? Please list the number of each census tract.

In Response to DCCA IR-3, Applicant provided maps of census track numbers for the proposed franchise area which appear to have been reduced in size to fit the page. Since the maps are not decipherable, please provide legible copies of these maps.

Response:

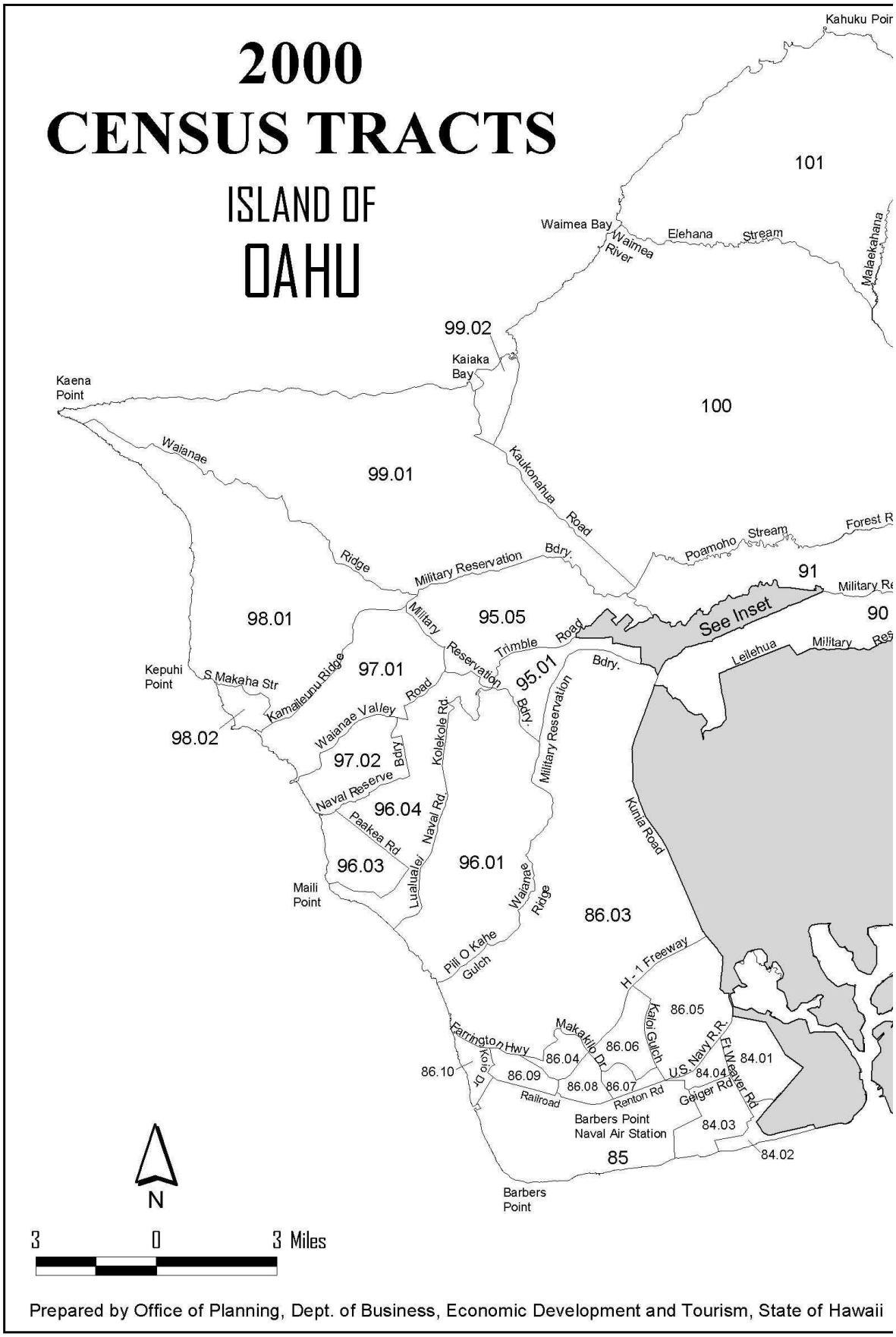
Applicant intends to provide video service to all census tract areas (excluding military bases) on Oahu. Note: military bases require separate cable franchises. To date, Applicant has not filed, nor been granted a cable franchise on any military base on Oahu.

Re-sized versions of the maps are attached. The island of Oahu map is shown on pages 2 and 3. The Honolulu inset map is shown on pages 4 and 5.

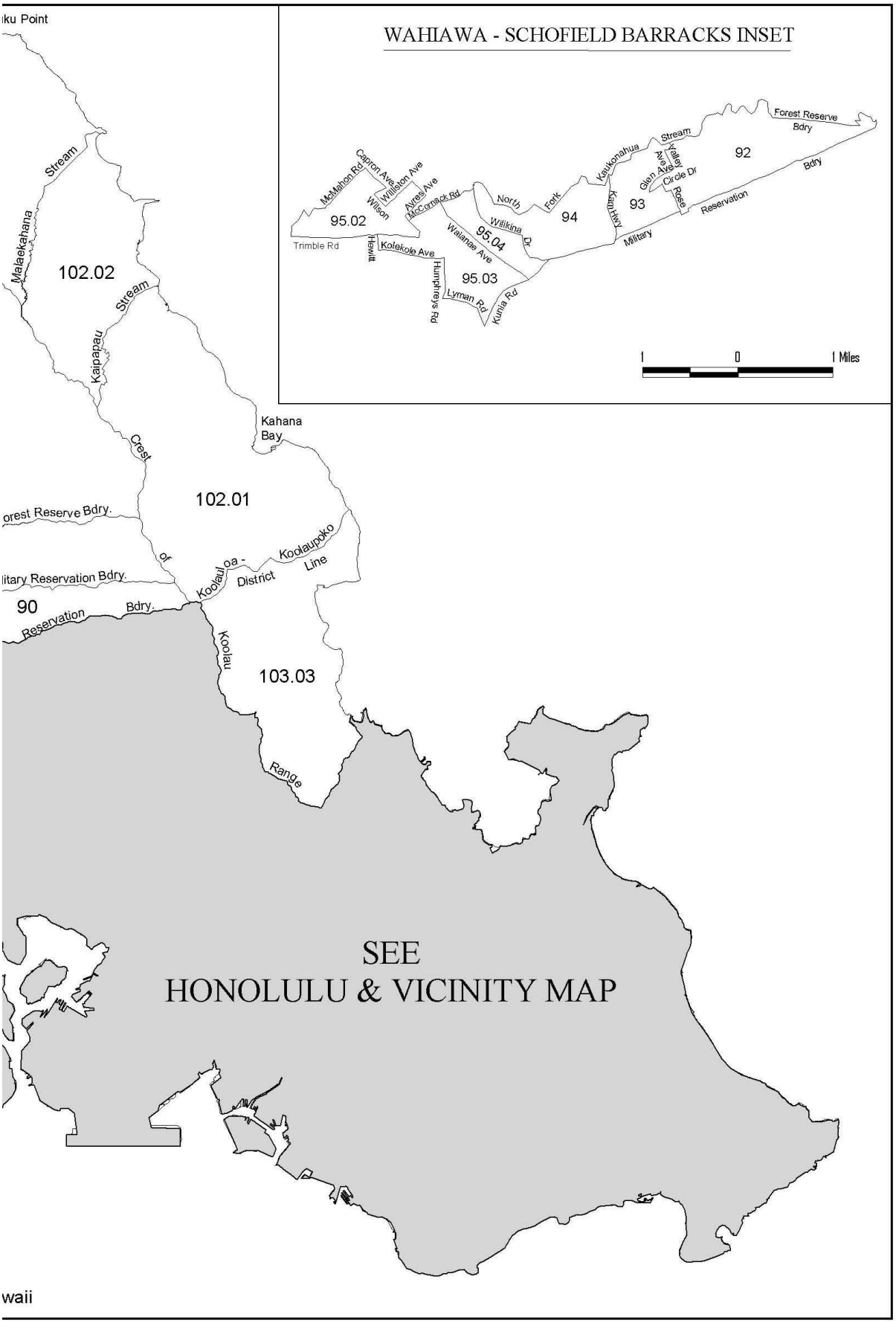
Unfortunately, a standard letter size (8.5 x 11) page does not provide enough space to easily show detailed areas of the census tract maps. The maps were obtained from the State of Hawaii, DBEDT website. As a convenience, the URLs for both maps are contained below:

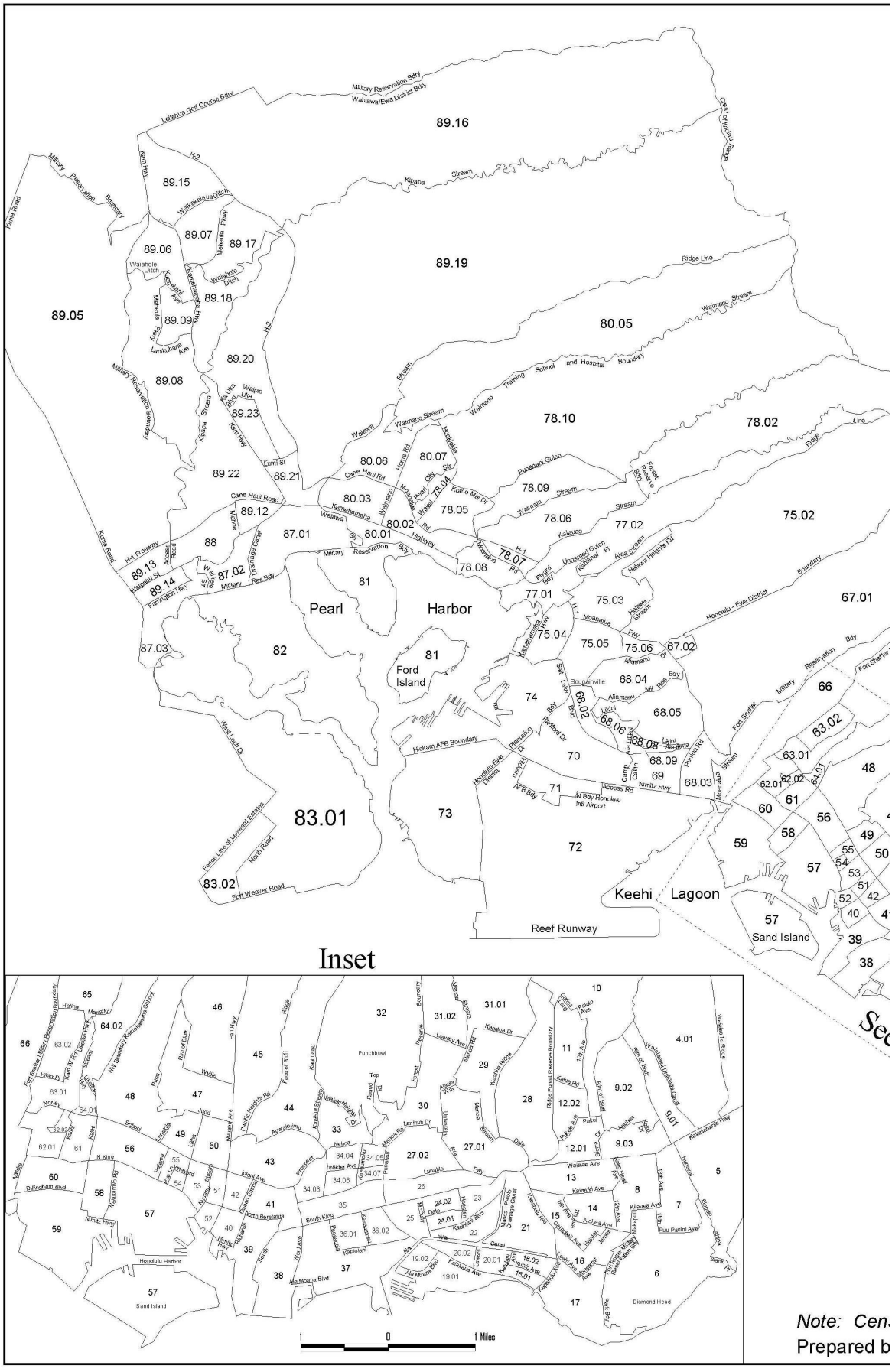
http://www.hawaii.gov/dbedt/gis/maps/oahu_tracts.pdf
http://www.hawaii.gov/dbedt/gis/maps/honolulu_tracts.pdf

The on-line maps are high resolution PDF files. The PDF viewer will allow the user to "zoom" in on any part of the map to resolve greater detail.



Prepared by Office of Planning, Dept. of Business, Economic Development and Tourism, State of Hawaii

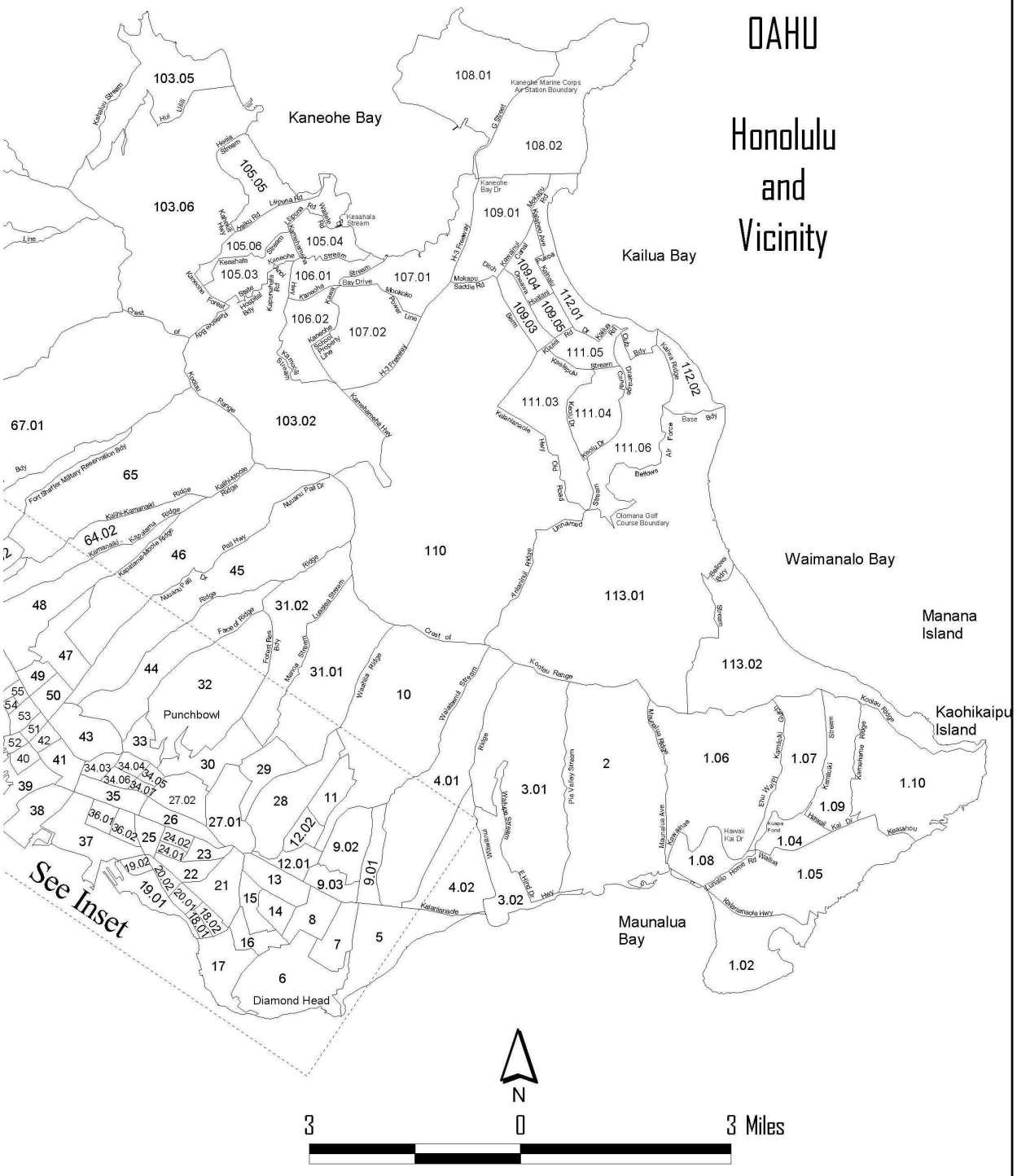

WAHIAWA - SCHOFIELD BARRACKS INSET
Forest Reserve Bdry
Stream
Y'alley Ave
92
Kaukonahua
Glen Ave
Circle Dr
Rose
Bdry
Reservation
Military
Kam Hwy
93
North Fork
94
Wilikina Dr
95.04
Waianae Ave
95.02
Trimble Rd
Hewitt
Kolekole Ave
95.03
Humphreys Rd
Lyman Rd
Kunia Rd
McMahon Rd
Capron Ave
Williston Ave
Wilson
Ayres Ave
McCormack Rd
1 0 1 Miles
Iku Point
Stream
Malaekahana
102.02
Stream
Kaipapau
Kahana Bay
Crest
102.01
orest Reserve Bdry.
itary Reservation Bdry.
of
Koolau
oa -
District
Koolaupoko
Line
90
Reservation
Bdry.
Koolau
103.03
Range
SEE
HONOLULU & VICINITY MAP
waii


Pearl
Harbor
Ford
Island
Keehi
Lagoon
Sand Island
Reef Runway
Inset
Note: Cen
Prepared b

2000 CENSUS TRACTS

ISLAND OF OAHU

Honolulu and Vicinity



Census Tract 114.98 (not shown) consists of the Northwestern Hawaiian Islands, exclusive of Midway Islands.

ared by Office of Planning, Dept. of Business, Economic Development and Tourism, State of Hawaii

Request:

Response to DCCA IR-7, Pages 1 & 2, Information Requirements

Applicant states that the two entities (HTI and Applicant) offer a full range of telecommunications to residents of Hawaii. Applicant provides certain tariff pages relating to services regulated by the Hawaii Public Utilities Commission (PUC) or the Federal Communications Commission (FCC) and directs the Department to its website, www.hawaiiantel.com, "Service Terms and Conditions" for more detail. The Department however was unable to access services this webpage since the page was not available.

a. Please confirm whether Applicant currently offers each of the following products or services:
   i. internet access service including high speed digital subscriber line (DSL)
   ii. wireless phone service
   iii. directories (Hawaiian Telcom Directory)
   iv. internet yellow pages
   v. sale of customer premise equipment (PBX, key systems)
   vi. voice mail
   vii. long distance (national and international)
   viii. interisland toll calling

b. Describe how Applicant intends to bill its video programming service to subscribers. Include whether charges for video programming will be listed on the same billing statement as the regulated local telephone service provided by HTI.

Response:

a. Yes, for all subparts i. through viii. To clarify subpart (i), Applicant sells a bundled DSL service which is comprised of the DSL transport provided by HTI, bundled with Applicant's add-on ISP services (such as e-mail and Applicant's portal).

b. Applicant intends to bill its video programming service to subscribers on the same billing statement as the regulated local telephone service provided by HTI.

Request:

Response to DCCA-IR-13c, pages 14 and 17 of 27. Services provided by HTSC are charged at the lower of fair market value (FMV) or the fully distributed cost (FDC), whereas the services provided to HTSC are charged at the higher of FMV or FDC.

Does the difference in the cost of services charged to as opposed to services provided by HTSC result in higher rates for its video service?

Response:

These internal charges will not impact the rates or prices that HTSC will charge for its video services. Ultimately, for a deregulated set of offers such as video services, all rates are based on market forces and on what consumers are willing to pay.

Request:

Response to DCCA-IR-13.f, 1 of 17. Will a subscriber be able to purchase Applicant's video service "a la carte," that is, without being required to purchase any other service from Applicant or HTI? For example, will a subscriber be able to subscribe to the video service without having to purchase wireline telephone service?

a. If no, please explain in detail why not.

Response:

Yes. Subscribers will be able to purchase Applicant's video service "a la carte," that is, the subscriber does not need to subscribe to HTI's wireline or Applicant's high-speed internet service in order to subscribe to Applicant's video service.

Request:

Response to DCCA-IR-17. Consolidated Balance Sheets of Hawaiian Telcom Communications, Inc. and subsidiaries (HTI and HTSC)

Page 6 of 27 of Applicant's Response lists:

Intangible assets, net	$647,199,000
goodwill	134,273,000
Total non-physical assets	$781,472,000

If total assets are reduced by the total non-physical assets, which are really of value only to HTI and not readily transferable to another company:

Total assets	1,756,554,000
Total non-physical assets	< 781,472,000 >
Total physical assets	975,062,000

Comparing the amount of liabilities to the physical assets results in:

Amount of liabilities	1,510,357,000
Less total non-physical assets	<975,062,000 >
Amount of liabilities over physical assets	$ 535,295,000

a. In light of the amount of liabilities over physical assets of Applicant as indicated above, state in detail the assurances Applicant can provide for the position that Applicant has the financial qualifications to provide the proposed cable service.
b. Other than Applicant, who will guarantee Applicant's financial and operational obligations in the future?
c. For each guarantor, please provide detailed information on the terms and conditions of the guaranty.

Response:

a. Applicant’s proposed video service has the formal endorsement and support of Applicant’s parent, Hawaiian Telcom Communications, Inc. (HTCI). The Board of Directors of HTCI approved Applicant’s proposed video service, including the pro forma budget for the project previously provided to the DCCA. A description of the funding of the video service project was previously provided to the DCCA. In any business venture, the success or failure of the venture is determined in great measure by management execution, marketplace demand, regulatory burdens, and the competitive environment. Applicant believes not only will its proposed video service be successful in light of these factors, but that its video service is essential to strengthening the long-term financial

position of the Hawaiian Telcom companies and will complement their already robust product portfolios. Applicant's proposal to introduce video service furthermore is in keeping with Hawaiian Telcom's 123-year tradition of keeping pace with customer demand by introducing numerous products at the forefront of technology.

b. There are no guarantors for Applicant's financial and operational obligations.

c. Not applicable.

Request:

In the public testimony presented by Joel Matsunaga on July 19, 2006, Mr. Matsunaga declared that Hawaiian Telcom's investment in Hawaii is providing the State with an opportunity to continue as a leader in the digital age.

Describe the investments made by Applicant and the investment amounts and where these amounts are reflected in the Consolidated Balance Sheets of Hawaiian Telcom.

Response:

As evidenced by the proposed video service, Applicant and the other Hawaiian Telcom entities are committed to making significant investments in infrastructure that will enable them to be technological leaders in the digital age and thereby benefit all of the Company's stakeholders.

Other significant ongoing and projected investments can be found in the 2006 Construction Budget Report, filed by Hawaiian Telcom, Inc. with the Hawaii PUC on May 1, 2006. These investments are also reflected in Property, Plant and Equipment on the Consolidated Balance Sheet of Hawaiian Telcom Communications, Inc.

(A copy of the 2006 Construction Budget Report is being filed under confidential seal under and subject to letter dated August 7, 2006. The information in this Report contains confidential, proprietary and/or competitively sensitive information that shall not be disclosed, provided or otherwise disseminated to third parties outside the Cable Television Division, Department of Commerce and Consumer Affairs, without the prior written consent of Hawaiian Telcom Services Company, Inc.)

Request:

Response to DCCA IR-34, Form E

In its Response, Applicant states that its proposed video offering will utilize IP data packet technology, which is maintained by HTI's trained data network professionals and technicians and trained personnel in HTI's Network Operations Center, Customer Care centers, and installation and repair technicians.

a. In its confidential Response to DCCA IR-30, Applicant provides its growth projections (the actual numbers remain confidential). Given its projections, will HTI's existing installation and repair technicians be able to handle the anticipated increase in the number of video installations?
b. Will potential subscribers be able to call the Customer Care center when ordering the new video service or when arranging for home installation, without having to wait for long periods (more than a few minutes) on the phone to talk to a customer care representative?
c. Please provide specific details as to how Applicant will handle the increased demand on staffing as it deploys the proposed video service

Response:

a. HTI intends to staff additional installation and repair technicians specifically trained for video installations and repair. The actual number of additional technicians will depend on subscriber penetration/order rates and field-dispatched service call volume. Initial staffing will be based on first-year projections with additional staffing based on actual orders and repair volume.

b. Yes. HTI intends to staff additional customer service representatives specifically trained for video sales and customer care. The actual staff level of customer service representatives will depend on subscriber penetration/order rates and received support calls. Initial staffing will be based on first-year projections with additional staffing based on actual orders and service/repair call volumes. Given the unique and difficult competitive situation faced by Applicant, to be successful Applicant will have no choice but to ensure there will be adequate staffing.

c. (This response is being filed under confidential seal under and subject to letter dated August 7, 2006. The information in this response contains confidential, proprietary and/or competitively sensitive information that shall not be disclosed, provided or otherwise disseminated to third parties outside the Cable Television Division, Department of Commerce and Consumer Affairs, without the prior written consent of Hawaiian Telcom Services Company, Inc.)

Request:

Response to DCCA-35

Applicant states that HTI plans to install outside plant utility boxes to accommodate new facilities to allow for increased bandwidth supporting high speed Internet (HIS) service and applications such as video service.

a. Provide a detailed description of the outside plant utility boxes including the size. Please provide available photos and/brochures describing the boxes.
b. Please provide the locations (i.e., neighborhoods and specific addresses) where the outside plant utility boxes will be placed.

Response:

a. A detailed product description of the outside plant utility boxes that will be deployed is attached as pages 2 through 12 of this response.

b. (This response is being filed under confidential seal under and subject to letter dated August 7, 2006. The information in this response contains confidential, proprietary and/or competitively sensitive information that shall not be disclosed, provided or otherwise disseminated to third parties outside the Cable Television Division, Department of Commerce and Consumer Affairs, without the prior written consent of Hawaiian Telcom Services Company, Inc.)


Alcatel 7330 ISAM FTTN
INTELLIGENT SERVICES ACCESS MANAGER FIBER TO THE NODE
BROADEN YOUR LIFE
ALCATEL

The Alcatel 7330 Intelligent Services Access Manager (ISAM) Fiber to the Node (FTTN) takes the best of Alcatel's DSL developments, providing a unique set of capabilities that enables service providers to deliver the most competitive triple play service offerings. Building on Alcatel's leadership in broadband access, the Alcatel 7330 ISAM FTTN addresses the growing need for a deep-fiber access solution. This innovative platform enables service providers to offer IPTV and other ultra-high bandwidth applications while leveraging the existing copper plant. As a member of the ISAM family, the Alcatel 7330 ISAM FTTN shares technology with the Alcatel 7302 ISAM, the industry's first IP-based platform capable of delivering 100 percent triple play services.

The Alcatel Fiber to the Node Solution for Deep-Fiber Access

POWER AND FLEXIBILITY FOR EACH SERVICE PROVIDER'S UNIQUE NEEDS

Alcatel has been the world leader in DSL deployments since the early development of the technology. To date, Alcatel has shipped more than 80 million DSL lines worldwide.

Market requirements for bandwidth to the subscriber have increased tremendously since the initial deployments of DSL services. Each change in market demand has been anticipated and met with a new technological breakthrough from Alcatel. The Alcatel 7330 ISAM FTTN is part of Alcatel's continued worldwide leadership in broadband innovation.

Answering the challenge to bring more bandwidth closer to the subscriber, service providers are starting the next wave of DSL deployments by increasing the penetration of fiber in access networks. This new deep-fiber access delivers non-blocking, ultra-high bandwidth to each subscriber, enabling the delivery of rich communication and entertainment services. As an evolution toward a full fiber network, FTTN provides the most competitive service.

Taking the Battle to a New Level

IP services in the home are the key to winning the battle against the competition.

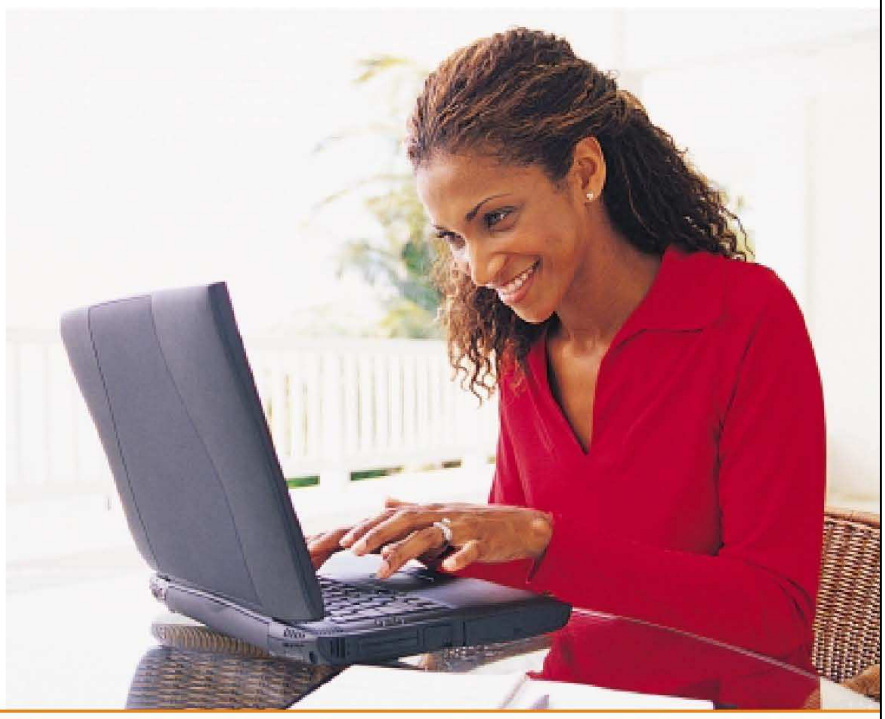
HALTING THE SIEGE

Service providers are under siege. Competitive local exchange carriers (CLECs) are in serious competition with incumbent local exchange carriers (ILECs). In addition, cable operators have attacked telecom service providers in the broadband market. At the same time, cable operators are also beginning to compete in the traditional core market of ILECs — voice. In order to survive, telecom service providers must take the battle to a new level.

Broadband technology and the many IP services that it enables create a new battleground for competition in the market place. Those companies that can deploy high-bandwidth connectivity to the customer and effectively develop and market IP services will win the war.

Telecom service providers have determined that, to be competitive, they must provide bundled services that typically include such things as IP television (IPTV) and other interactive services in addition to high-speed Internet (HSI) and voice. The combination of IP services needed to meet this strategic requirement can increase the required bandwidth to the subscriber from 2 or 3 Mb/s to 20 Mb/s. With Alcatel's VDSL2, up to 25 Mb/s or more can be delivered depending on loop lengths.

The challenge for service providers is to provide additional bandwidth to the subscriber in a cost-effective manner.



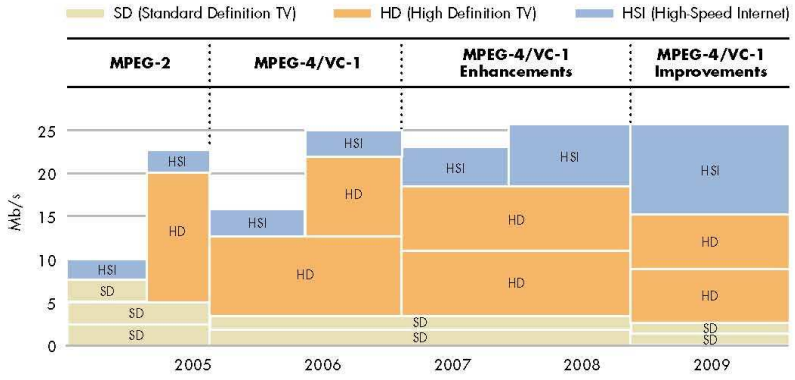
Increasing Bandwidth to the Subscriber for Deployment of New Interactive Services

FTTN economically increases available bandwidth to the subscriber while leveraging the existing copper plant.

TECHNOLOGICAL HURDLES

The existing DSL network was engineered to provide HSI access with downstream bandwidth between 0.5 and 2 Mb/s. Competition and increasing usage of the broadband connection have driven HSI bandwidth requirements into the 3 to 8 Mb/s range. Deployment of IPTV service calls for a deep-fiber solution in the access network. Bandwidth requirements for a competitive triple play service require a 20-Mb/s range as illustrated in Figure 1.

Figure 1 - Projected Downstream Bandwidth per Household (Typical IPTV Service)



- Service mix may vary (e.g., Voice over IP) or service subsets may be offered
- Second HD channel initially to support concurrent home PVR recording
- Assumes quality of picture competitive with digital satellite/cable

ENCODING RATE ASSUMPTIONS

MPEG-2 SD	MPEG-2 HD	MPEG-4 VC-1 SD	MPEG-4 VC-1 HD	MPEG-4 VC-1 Enh. SD	MPEG-4 VC-1 Enh. HD	MPEG-4 VC-1 Imp. SD	MPEG-4 VC-1 Imp. HD
2.5 Mb to 3 Mb	15 Mb to 19 Mb	1.5 Mb to 2 Mb	10 Mb to 12 Mb	<1.5 Mb	8 Mb to 10 Mb	< 1 Mb	< 7 Mb

FTTN Leverages Existing Copper Infrastructure

The long-term solution for many service providers is to deploy a fiber-to-the-user (FTTU) solution. This solution enables the service provider to deliver virtually unlimited bandwidth to the subscriber. While this solution is available today and practical in many cases, time-to-market pressures and short-term economic concerns drive an incremental access strategy — FTTN — which leverages the existing copper infrastructure by deploying fiber deep in the outside plant so that copper loop lengths are reduced and DSL bandwidth is increased. This is shown in Figure 2.

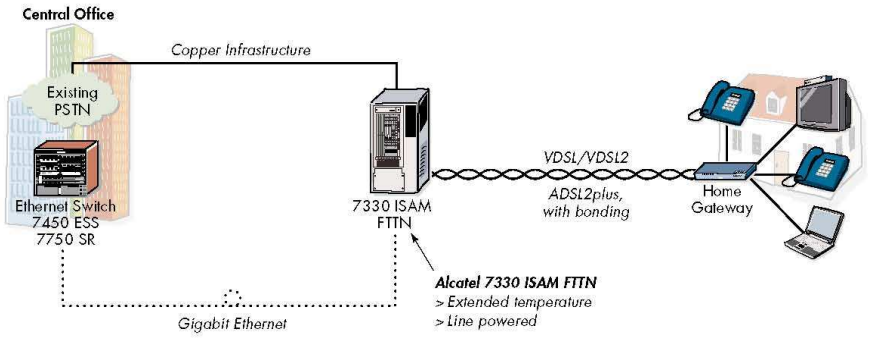
As a member of the ISAM family, the Alcatel 7330 ISAM FTTN delivers all services to all customers regardless of the population density and the reach from the central office (CO). The concepts of flexibility and uniformity lead to simplified operations, minimized operating expenditures (OPEX), minimized training needs and faster time-to-market for new services.

There are several key advantages to FTTN networks:

- Small footprint and minimal power requirements
- Reduced right-of-way costs
- Deep-fiber investment provides an incremental step toward FTTU
- Seamless integration into existing operations processes, reducing training costs
- Accelerated deployment, reducing costs and time-to-market while increasing revenues

Coverage and bandwidth needs are answered with Alcatel's self-aggregation concept. The Alcatel 7330 ISAM FTTN is capable of modular growth. The host shelf can be extended in an a distributed way that optimizes the network infrastructure and helps reduce the number of fiber connections to the CO. Fewer fiber connections mean less digging to install fibers and fewer ports required on the switch. The result is a cost-efficient and gradual evolution toward deep-fiber penetration. An additional advantage of this distributed access platform is that it optimizes network management because the distributed system is viewed as one node.

Figure 2 - Leveraging the Existing Copper Infrastructure with FTTN



Alcatel 7330 ISAM FTTN — World-Class Technology for World-Class Solutions

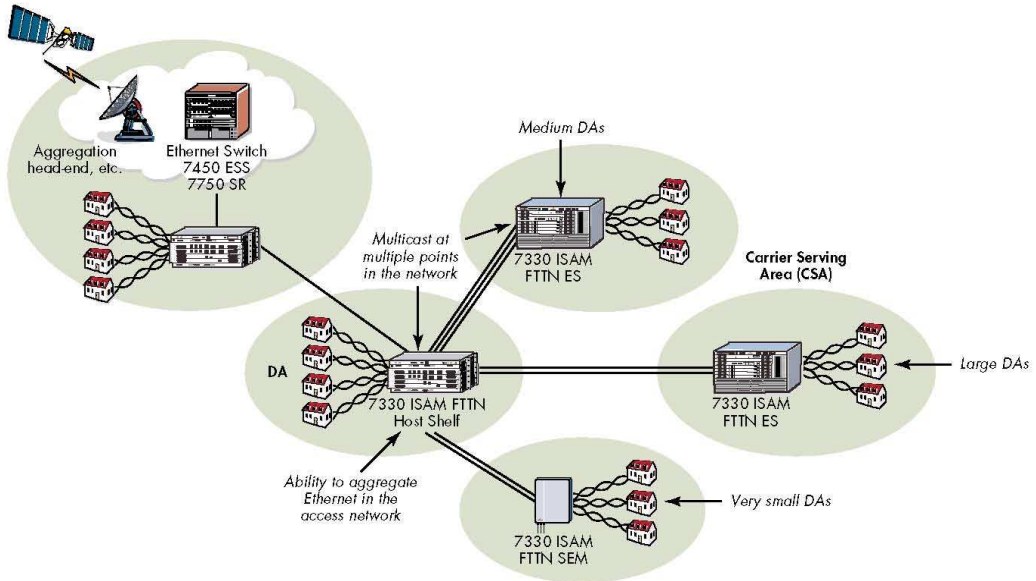
The Alcatel 7330 ISAM FTTN is the latest member of the ISAM family. It builds on Alcatel's worldwide DSL expertise by integrating the best technology available from the 7302 ISAM into a more compact remote digital subscriber line access multiplexer (DSLAM) tailored for the unique requirements of FTTN networks.

Figure 3 provides an Alcatel 7330 ISAM FTTN network layout showing a standard area the service provider would cover (the carrier serving area). The CO has an Alcatel 7330 ISAM FTTN host shelf to serve lines that are within the serving area distance of the CO. A remote host is connected to an Alcatel 7330 ISAM FTTN expansion shelf (ES) at one remote site and a sealed expansion module (SEM) at another remote site. This extends the carrier serving area in a cost-efficient way, allowing modular growth and quick deployment of new services. Another way of extending the coverage is subtending an Alcatel 7330 ISAM FTTN host to an Alcatel 7302 ISAM. The host shelf can be extended with an Alcatel 7330 ISAM FTTN ES or SEM.

To meet the very challenging requirements of an FTTN network, the Alcatel 7330 FTTN has been engineered to support:

- A non-blocking Ethernet architecture to enable 100 percent take rates of IPTV
- Expansion shelves and sealed expansion modules to match network population densities
- Full Internet group management protocol (IGMP) support for multicasting
- Line-rate IP and Ethernet forwarding via reuse of the 7302 ISAM network processor technology
- Multiple ADSL line termination (LT) options:
  - ADSL
  - ADSL2
  - ADSL2plus, with bonding
  - READSL2
- VDSL LT options
  - VDSL
  - VDSL2
- Gigabit Ethernet (GigE) network interfaces
- Integration with the Alcatel 5523 ADSL Work Station (AWS) for element management (ETSI)
- Integration with the Alcatel 5526 Access Management System (AMS) for element management (ANSI)

Figure 3 - 7330 ISAM FTTN Network Layout



Alcatel FTTN: Multiple Options, One Solution

At the heart of the Alcatel 7330 ISAM FTTN is an Ethernet switch fabric and distributed network processors that were first offered on the Alcatel 7302 ISAM. This high-capacity Ethernet switch fabric is hardened for outside plant deployments and is leveraged across both two-slot and four-slot LT form factors.

7330 ARAM-D

7330 ISAM FTTN (HOST SHELF)

The 7330 ISAM FTTN host shelf contains a high-capacity Ethernet switch. This host shelf supports northbound interfaces to the Ethernet aggregation network. It also provides Ethernet expansion links to expansion modules.

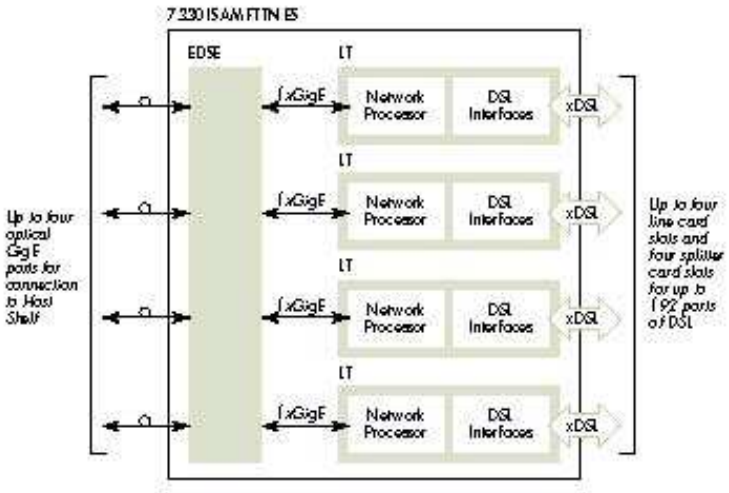
Key features of the 7330 ISAM FTTN host shelf include:

- High-capacity 24-Gb/s switching fabric and LT architecture, providing non-blocking service to all subscribers at ADSL2plus and VDSL2 line rates
- Up to seven GigE uplinks, supporting service providers' migration toward Ethernet managed area networks (EMANs) for DSL aggregation
- Up to ten GigE expansion links for connecting expansion modules
- Up to four LT cards and four POTS splitter card slots to support up to 192 DSL ports
- Integration with Alcatel 5620 AMS (ANSI) and Alcatel 5523 AWS (ETSI), for centralized, integrated, in-band management and support of ASAM TL1 parameters

FTTN EXPANSION FOR ADDITION OF SUBSCRIBER INTERFACES

The Alcatel 7330 ISAM FTTN supports expansion modules that have been designed for the addition of subscriber interfaces without the need for additional switching capacity. The Alcatel 7330 ISAM FTTN host, which acts as a central hub for expansion modules, extends GigE interfaces to high-density subscriber interface modules that can be either collocated with the host or remotely deployed and connected with an optical interface.

Figure 4 - 7330 ISAM FTTN Expansion Shelf



ENABLING EFFICIENT GROWTH

7330 ISAM FTTN Expansion Shelf and Sealed Expansion Module

The Alcatel 7330 ISAM FTTN expansion shelf (ES) is a modular shelf that enables the efficient growth of services and supports up to 192 DSL lines per shelf (as shown in Figure 4). The same ARAM-D shelf used for the host is used for the ES. The expansion shelves can be collocated with a host shelf at a common site or remotely located with the host and expansion shelf at separate sites. In either deployment scenario, the 7330 ISAM FTTN ES uses GigE links to connect to the host shelf.

The 7330 ISAM sealed expansion module (SEM) (Figure 5) is a sealed enclosure than can be mounted directly on the outside of a cabinet. It contains 24 VDSL2 ports that are upgradable to VDSL2 ports by downloading software.

Figure 5 - Sealed Expansion Module Architecture

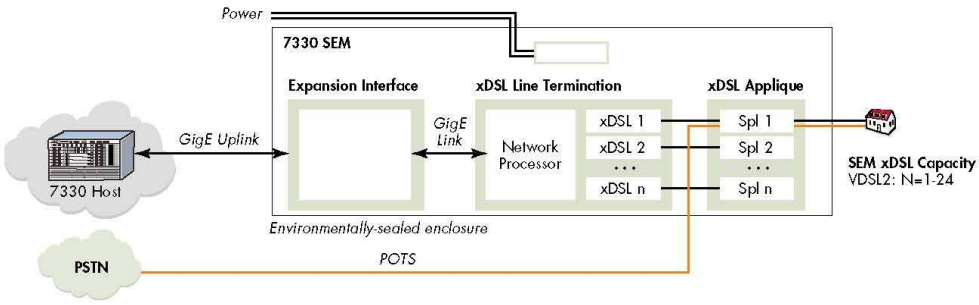


Table 1 - Alcatel 7330 ISAM FTTN Features and Benefits

Feature	Benefit
Member of ISAM family	Flexibility and uniformity lead to simplified operations, minimized OPEX, minimized training needs and faster time-to-market for new services
Distributed architecture	Multiple deployment options fit very small to large distribution areas with the ability to aggregate GigE traffic within the access network; capability to deliver all services to all customers regardless of population density and reach from the CO
GigE interfaces	Economical, high-bandwidth interfaces optimized for IP traffic
Multi-ADSL service unit	LT units, supporting ADSL, ADSL2, ADSL2plus (ITU-T G.992.5) with bonding and READSL2, provide maximum bandwidth to the customer over a wide variety of loop lengths
VDSL service unit	VDSL (ITU-T G.993.1), followed by VDSL2, enables service providers to increase bandwidth to the subscriber to approximately 100 Mb/s
Hardened for harsh environments	Operating temperature range of -40 C to 65 C (-40 F to +149 F)
Ethernet bridging	Layer 2 Ethernet bridge capability provides capacity of up to 24 Gb/s
Multicast support	IGMP and proxy functions (IETF RFC 2236) ensure rapid channel change for IPTV while minimizing the burden of transporting the same content to multiple subscribers
VLAN support	Limits broadcast traffic within the same VLAN broadcast domain to enhance performance while increasing security
Quality of service (QoS)	Implementation of 802.1p priority queues prioritizes date service types, ensuring QoS across IP services, including HSI, video and packet voice
Alcatel 5523 AWS (ETSI)	Full element management for all other Alcatel DSLAM products, optimizing operations and reducing costs
Alcatel 5526 AMS (ANSI)	Support for 7330 ISAM FTTN along with all other Alcatel DSLAM products, for reduced operating costs and ease of deployment of new services

Alcatel Fiber to the Node Answers the Challenge

Alcatel's answer to the FTTN challenge is the Alcatel 7330 ISAM FTTN.

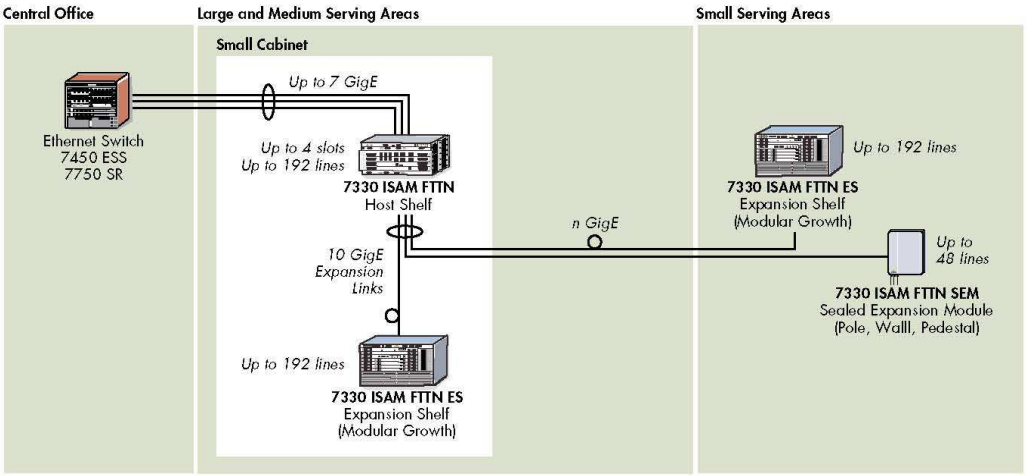
The 7330 ISAM FTTN architecture meets the service providers' challenge by delivering ultra-high bandwidth connectivity to subscribers over the existing copper plant.

With the Alcatel 7330 ISAM FTTN in their arsenal, service providers can halt the competitive siege by rapidly deploying a ubiquitous service offering to their entire subscriber base. Very small to large serving areas can be addressed with multiple form factors of a single Alcatel solution (see Figure 6).

Regardless of the form factor, each 7330 ISAM FTTN supports:

- A non-blocking, Ethernet architecture with a 24-Gb/s switching fabric
- Multi-ADSL (ADSL, ADSL2, ADSL2plus with bonding and READSL2)
- VDSL and VDSL2 services
- Multicast requirements with IGMP snooping
- Priority queuing for QoS
- Full element management through the Alcatel 5526 AMS (ANSI) or the Alcatel 5523 AWS (ETSI)

Figure 6 - Alcatel Fiber to the Node Solution



As more and more service providers worldwide prepare for the next wave of broadband deployment — offering a full set of user-centric, personalized triple play services — Alcatel has the solution to meet your deployment requirements.

The Alcatel 7302 Intelligent Services Access Manager (ISAM) is a future-safe, multiservice intelligent access platform for the CO that gives service providers the flexibility of deploying all services to each customer regardless of the customer's access technology.

While the Alcatel 7330 ISAM FTTN addresses the growing need for a deep-fiber access solution, the Alcatel 7340 Advanced Services Access Manager (ASAM) Fiber to the User (FTTU) and the Alcatel 7342 ISAM FTTU expand Alcatel's access portfolio with all-optical access solutions.

7302 ISAM

7340 ASAM FTTU

For more information on the Alcatel 7330 ISAM FTTN, please go to www.alcatel.com/7330

Request:

Response to DCCA IR-35.b.iv.

Please provide maps indicating the boundaries of the service areas where DSL upgrades or improvements will be made or constructed for each year during the next 5 years.

Response:

(This response is being filed under confidential seal under and subject to letter dated August 7, 2006. The information in this response contains confidential, proprietary and/or competitively sensitive information that shall not be disclosed, provided or otherwise disseminated to third parties outside the Cable Television Division, Department of Commerce and Consumer Affairs, without the prior written consent of Hawaiian Telcom Services Company, Inc.)

Request:

Response to DCCA IR-40. Line extension policy

In its Response to IR-40, Applicant provides HTI's line extension policy by way of tariff pages on file with the Hawaii PUC. Applicant does not state whether it is adopting HTI's line extension policy as stated in the tariff pages.

a. Does Applicant adopt HTI's line extension policy as its own policy along with the proviso that the availability of the video service is subject to the loop limits inherent in the underlying DSL technology being utilized to provide the service?
b. If so, will line extension costs be apportioned between Applicant and HTI?
c. Please explain the basis of any cost division.

Response:

a. Applicant's proposed video service will use HTI's facilities and network infrastructure. As such, it is more accurate to say Applicant is "subject to" HTI's line extension policy and the availability of HTI network facilities that will support the proposed video service. This is similar to the current provisioning of Applicant's DSL service.

b. The costs for extending HTI's network infrastructure under HTI's line extension tariff will be recorded on the books of HTI, not apportioned between HTSC and HTI. This recording of costs is consistent with the recording of line extension costs today, which does not depend upon whether the line extension is being driven by a desire for HTI's basic telecommunications service or a desire for Applicant's DSL service. As previously stated in DCCA-IR-14, the use of HTI's facilities by Applicant will be subject to the affiliate services agreement between HTI and Applicant referenced in Applicant's response to DCCA-IR-13(c).

c. Not applicable.

Request:

Response to DCCA IR-43. Aid to construction policy

In its Response to IR-43, Applicant provides HTI's line aid to construction policy by way of tariff pages on file with the Hawaii PUC. Applicant does not state whether it is adopting HTI's aid to construction policy as stated in the tariff pages.

a. Does HTSC adopting HTI's aid to construction policy as its own?
b. If so, will aid to construction payments be apportioned between Applicant and HTI?
c. Please explain the basis of any cost division.

Response:

a. Applicant's proposed video service will use HTI's facilities and network infrastructure. As such, it is more accurate to say Applicant is "subject to" HTI's aid to construction policy and the availability of HTI network facilities that will support the proposed video service. This is similar to the current provisioning of Applicant's DSL service

b. Aid to construction costs will be recorded on the books of HTI, not apportioned between HTSC and HTI. This recording is consistent with the recording of aid to construction payments today. The use of HTI's facilities by Applicant will be subject to the affiliate services agreement between HTI and Applicant referenced in Applicant's response to DCCA-IR-13(c).

c. Not applicable.

Request:

Customer Service and Rates:

Applicant states that all references to Hawaiian Telcom are to Applicant.

a. If so, will aid to construction payments be apportioned between Applicant and HTI? From Applicant's Response to DCCA IR-50, it appears that Applicant has established customer service groups and standards. Are these customer service groups and standards separate from the customer service groups and standards of HTI?
b. In its Response to DCCA IR-50, Applicant lists federal customer service standards that it will meet. Applicant states that it currently maintains a local, toll-free access line which will be available to subscribers 24 hours a day, seven days a week. Applicant provides the same telephone numbers listed by HTI on customer billing statements for billing questions and ordering service. These telephone numbers are not available 24 hours a day, seven days a week. The Hawaiian Telcom billing statement (for service period July 2006) states on page 2 of 4 as follows:

How to Reach Us:

Billing Questions:		643-3343	7 am – 6 pm M-F
Ordering Service		643-3456	7 am – 6 pm M-F
DSL & LD Billing Questions		643-3222	7 am – 6 pm M-F
Online Invoice Viewing	hawaiiantel.com		24 hours a day
Direct Payment Enrollment	hawaiiantel.com		24 hours a day
Correspondence Address:	P.O. Box 2200 Honolulu, HI 96841		

Please specifically explain what is meant by the statement that Applicant currently maintains a local, toll-free access line which will be available to subscribers 24 hours a day, seven days a week. For example, does Applicant intend to have a live person available to answer calls 24 hours a day, seven days a week? Or does Applicant intend to have an automated response system, including an answering machine answering the calls after 6:00 p.m.?

c. Is Applicant going to utilize HTI's customer service telephone numbers, centers and bill payment locations?
d. Applicant states that it intends to use its existing customer support infrastructure. Does Applicant mean that it will utilize HTI's existing customer support infrastructure or that Applicant has its own customer support infrastructure?
e. Will Applicant provide installation and repair service for at least 8 hours each weekday and on Saturdays (except for legal holidays)?

Applicant states that additional customer service reps will be hired to meet increased inquiries and orders related to its video service offerings to provide the equivalent level of service standards that is offered with Applicant's other service offerings (e.g. DSL).

f. In its Response to DCCA IR-50(a), Applicant states that under normal conditions, the customer will receive a busy signal less than 3% of the time. Please explain what Applicant means by "under normal conditions."

In June 2006, the Honolulu Star Bulletin reported that HTI's call center was flooded with calls that overloaded HTI's telephone system. Despite the newly hired 120 additional workers, the extra help was unable to keep up with the number of calls. Customers were unable to reach a customer service representative after long waits or received a busy signal. It appears that Applicant intends to utilize the same customer telephone numbers for sales and billing as HTI.

g. Should there be another billing problem by HTI at the same time Applicant is attempting to rollout its video services, how does Applicant intend to handle the situation?
h. What specific, firm assurances can Applicant provide that the federal cable television customer service standards will be met?
i. Is Applicant willing to provide a separate telephone number for video customers with dedicated customer service representatives to handle the calls?
j. Is Applicant willing to agree to a stipulated fine/penalty for each day it is not in compliance with the federal cable television customer service standards? Can Applicant suggest a reasonable amount of fine/penalty per day?
k. Is Applicant willing to conduct an annual customer satisfaction survey by an independent survey company and submit the survey results to the Department?
l. Does Applicant commit to minimizing the number of customer-related problems and responding quickly and efficiently if problems do arise?

Response:

a. Aid to construction payments will be applied only to HTI (please refer to Applicant's response to DCCA-Second IR-11). For cost effective reasons, Applicant's proposed video service is designed to operate using HTI's facilities and network infrastructure; that is, like high-speed internet, video service is simply another service being offered to consumers over HTI's facilities and network. To clarify, Applicant will use HTI's customer service groups but have its own standards for the video service. As noted in the response to DCCA-Second IR-7, based on order and repair volumes, HTI intends to staff and train additional Customer Service Representatives to support the proposed video service.

b. As stated in the Response to DCCA IR-50, Applicant intends to follow the Code of Federal Regulations, Title 47, Volume 4. Specific excerpt as follows:

```
PART 76 MULTICHANNEL VIDEO AND CABLE TELEVISION SERVICE
Subpart H General Operating Requirements
Sec. 76.309  Customer service obligations.
```

(A) Trained company representatives will be available to respond to customer telephone inquiries during normal business hours.

(B) After normal business hours, the access line may be answered by a service or an automated response system, including an answering machine. Inquiries received after normal business hours must be responded to by a trained company representative on the next business day.

Customer Service Representatives will be available during normal business hours via toll-free access number at 643-3456. At commercial launch of the video service, Video Service technical support will be available 24x7 via toll-free access line 877-482-1999.

c. Yes. Applicant intends to utilize HTI's customer service centers and bill payment locations. Regarding telephone numbers, see response to part b. above.

d. To minimize cost to the consumer and to eliminate unnecessary and expensive duplication of facilities and resources, Applicant intends to utilize HTI's existing customer support infrastructure.

e. Yes. Applicant intends to provide installation and repair service Monday-Saturday for a minimum of 8 hours each day (except for legal holidays).

f. Generally speaking, "under normal conditions" means the normal, day to day conditions of a video service business. It would not include unusual conditions which Applicant could not reasonably anticipate and prepare for in advance. Applicant intends to comply with the federal customer service standards and generally accepted industry-practice definitions for customer service.

g. HTI is working aggressively to resolve its current billing issues as soon as possible. Once resolved, further billing problems are not anticipated. Applicant intends to conduct complete and thorough end-to-end bill preparation, distribution and treatment prior to launching its proposed video service. The video services market on Oahu is highly competitive; as the new entrant in a highly penetrated business, Applicant fully intends to meet current market practice and standards and cannot afford to launch new services until all systems are ready.

h. Please see response to part g. above.

i. To minimize cost to the consumer and to eliminate unnecessary and expensive duplication of facilities and resources, Applicant intends to utilize HTI's existing customer support infrastructure. Dedicated customer service representatives positions will be staffed and trained to handle sales and support calls. Applicant may elect to provide dedicated telephone lines if it deems that such action will provide customers with a better experience.

j. A stipulated fine/penalty is not necessary or appropriate in this situation. Competition and the marketplace, not regulation, is the appropriate enforcement mechanism. The video services market on Oahu is highly competitive; Applicant's market success will be judged quickly based on Applicant's ability to provide competitive products and services, including minimizing customer-related problems and responding promptly and efficiently to problems that may arise. In any event, Applicant has stated previously its intent to comply with applicable federal standards for customer service and to meet generally accepted market practice and standards. The video services market on Oahu is highly competitive; as the new entrant entering a monopolized market, Applicant simply cannot afford to provide customer service that does not meet or exceed that provided by the entrenched incumbent.

k. Please see response to part j. above.

l. Yes. For the reasons stated above Applicant is committed to minimizing the number of customer-related problems and responding quickly and efficiently if problems do arise. Applicant and HTI have a 123-year history of providing reliable and state-of-the-art communications services to the residents of Hawaii.

Request:

Response to DCCA-IR-46, Exhibit G.17.

Applicant's proposed INET contribution of one percent (1%) of gross revenues falls below the investments and contributions provided by the incumbent cable operator. In its Response to DCCA-IR-46, Applicant states that it discussed other ideas but none of the other approaches were developed to the point where it could be viewed as a viable alternative to the existing proposal.

Please describe the alternative INET contributions considered by Applicant and the basis as to why each of these alternatives was not a viable option.

Response:

This request for information states that the proposed INET contribution "falls below the investments and contributions provided by the incumbent cable operator." It is important to note that when the incumbent cable operator was granted its cable franchise for geographic areas on the island of Oahu, consumers had no alternatives other than broadcast television which, due to Oahu's mountainous terrain, could not always provide a quality signal.

Based on a May 2006 Nielsen Media Research survey, the incumbent cable operator has 94% of Oahu's households with a TV as customers. If granted a cable franchise, Applicant would receive the right to provide the consumers of Oahu with a choice for video service, but in this case it would be in competition with an entrenched incumbent with a monopoly market position. In practical terms, every household on Oahu that opts for Applicant's new video service will need to be won from the incumbent cable provider, a very different scenario from that faced by the incumbent. It is also important to note that the incumbent cable provider is backed by a parent company with $44 billion in revenues, economies of scale based on its 11 million cable subscribers nationwide, and control of key video content properties such as HBO, CNN, and Turner Broadcasting to name just a few.

It would be an unreasonable barrier to entry to require Applicant, in this very different economic scenario, with no video customers and no video revenues, to match the level of the INET contributions of the monopoly incumbent.

There is precedence for regulators adopting policies that encourage the entry of new competitors. In the telecommunications market, new entrants were given specific competitive advantages by federal and state regulators to allow them to establish a foothold and to grow to be an effective competitor to the telephone companies. In fact, the incumbent cable operator on Oahu has used this differential treatment to introduce a competitive wireline voice offer without the regulatory requirements imposed on Applicant's sister company, Hawaiian Telcom, Inc.

On a national basis, federal legislation aimed at speeding the entry of new video service competitors across the country has been introduced in Congress and provides that contributions to INET would be success-based and calculated as 1% of video revenues. Likewise, Applicant proposes that its INET contribution should be success-based and based on 1% of its video revenues. As Oahu consumers are attracted to the choices offered and switch from the incumbent provider to the Applicant's video service, Applicant would in turn provide incremental INET contributions even though the total number of households that subscribe to video services on Oahu would be unchanged. Based on Applicant's market share position, additional funding would be provided to support INET, and the consumers on Oahu would receive a choice in video service.

It is also important to note that when a traditional cable operator receives the rights to a franchise, it is in exchange for the use of public rights-of-way that it needs to provide service. By contrast, Applicant will not be imposing any additional burdens on the public because it already has access to rights-of-way. Therefore, under generally accepted regulatory standards, Applicant should not be required to provide additional consideration to the State for rights-of-way. However, in the interest of being able to offer Oahu consumers a competitive video offer in a timely manner, Applicant is willing to provide a reasonable contribution to the INET, as long as it is success-based and not heavily front-loaded.

With this context in mind, prior to submitting its franchise application, Applicant had reviewed a number of other alternatives for INET contributions. The basic premise was that since the INET was already established by the current cable operator, Applicant could offer a set of services that would enable the State to benefit from some of the more unique features and advantages of the Applicant's interactive video and high-speed data offer. Since Applicant's INET contribution is still under review, the examples of the alternate INET approaches will be submitted confidentially.

(The balance of this response is being filed under confidential seal under and subject to letter dated August 7, 2006. The information in this response contains confidential, proprietary and/or competitively sensitive information that shall not be disclosed, provided or otherwise disseminated to third parties outside the Cable Television Division, Department of Commerce and Consumer Affairs, without the prior written consent of Hawaiian Telcom Services Company, Inc.)