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January 23, 2006

Mr. Nate Smith
President
Time Warner Entertainment Company, L.P.
200 Akamainui Street
Mililani, HI 96789-3999

Re: Letter Order – 2006 Access Operating Fees for Olelo, Hoike and Na Leo

Dear Mr. Smith:

Pursuant to Decision and Order Nos. (D&O) 261 and 291, Time Warner Entertainment Company, L.P. (TWE) is directed to pay annually a fee equal to three percent (3%) of its annual gross revenues to accounts designated by the Director of Commerce and Consumer Affairs (Director), or to the Director's designee. These payments, referred to as **access operating fees**, are to be used for public, educational and governmental (PEG) access purposes and for other public purposes as designated by the Director.

D&O 261 and 291 direct TWE to make one yearly payment for the access operating fees by January 31st of each year. The next payment of the access operating fees by TWE is scheduled for January 31, 2006. In D&O 261 and 291, the Director reserved the authority to reconsider the amount of the access operating fee at any time.

On behalf of the Department of Commerce and Consumer Affairs (DCCA or Department), the Director has historically designated that the PEG access organizations in the different franchise areas be recipients of the access operating fees. This letter order refers to three (3) PEG access organizations in the State, which are: Hoike Kauai Community Television, Inc. (Hoike), Na Leo O Hawaii, Inc. (Na Leo), and Olelo Community Television (Olelo). DCCA entered into separate contracts with these three (3) PEG access organizations to (among other things) manage and operate the PEG channels, train the public to use the PEG facilities and equipment to create programs, and cablecast the programs created and submitted by the public on the cable operator's channels.

Recently, the DCCA was informed that its contracts with the PEG access organizations were subject to the Hawaii State Procurement Code unless an exemption applies. The Department plans to conduct public meetings to obtain input and comments from interested persons on PEG access and PEG services in the State. These public meetings will be held in each county and will provide the Department with information that will assist it in determining whether to competitively bid future PEG contracts, and on what terms, or to seek an exemption from the competitive bid requirement under section 103D-102(b), Hawaii Revised Statutes.

The current supplemental agreements between DCCA and the three (3) PEG access organizations expire on June 30, 2006. It is not certain at this time whether those contracts will be extended beyond June 30, 2006.

In light of these circumstances, and in order to protect the interest of the public in the access operating fees, there being good cause therefore and pursuant to HRS §440G-12, Sections 5.1(g) and 11.8 of D&O 154, Sections 4.2(d) and 12.8 of D&O 173, Sections 4.2(d) and 12.8 of 185 and Sections 4.2(e) and 11.8 of D&O 291, regarding the access operating fee payments that are scheduled to be paid on January 31, 2006 to the PEG access organizations, designated by the Director as Olelo, Na Leo and Hoike, TWE is directed to:

1. Pay fifty percent (50%) of the respective access operating fees for 2006 to Olelo, Na Leo and Hoike on January 31, 2006.
2. Deposit and maintain the remaining fifty percent (50%) balance of the 2006 access operating fees in an interest bearing account in any federally insured financial institution authorized in the State of Hawaii.
3. TWE shall maintain separate accounting records for the access operating fees attributable to each PEG access organization. Upon request of the Department, TWE shall provide DCCA with supporting documentation of the bank account and accounting records.
4. Upon further direction of the Director, TWE shall disperse the remaining amounts of access operating fees in the bank account. The Director anticipates that payment instructions for the remaining fifty percent (50%) of the 2006 access operating fees will forthcoming by June 2006.
5. TWE may recover reasonable costs of administering the bank account, including the tax impact of any interest earned, from the interest on the account.
6. Any interest earned on the bank account shall be prorated and disbursed as further directed by the Department.

Mr. Nate Smith
January 23, 2006
Page 3

Thank you for your attention to and cooperation in this matter. Please call Clyde Sonobe, Cable Television Administrator if you have any questions.

Sincerely,



Mark E. Recktenwald
Director of Commerce and Consumer Affairs

Enc.

cc: Russell Saiki
John Komeiji, Esq.
Kealii Lopez
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