APPLICATION FOR RENEWAL OF
EAST HAWAII AND WEST HAWAII CABLE TELEVISION FRANCHISES
BY TIME WARNER ENTERTAINMENT COMPANY, L.P. DBA,
OCEANIC TIME WARNER CABLE

APPLICANT TIME WARNER ENTERTAINMENT COMPANY, L.P. DBA
OCEANIC TIME WARNER CABLE'S RESPONSE TO
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
REQUEST FOR CLARIFICATION OF APPLICATION
DATED JULY 27, 2011

1. State the length of the new franchise term sought by Applicant.

   RESPONSE: Applicant seeks a renewal of the East Hawaii and West Hawaii franchises for a period of twenty years each, or a consolidated franchise for the entire island of Hawaii for a period of twenty years.

2. On May 16, 2011, TWE submitted Financial Statements (unaudited) for its Oceanic Time Warner Cable East Hawai`i and West Hawai`i franchises for the year ending December 31, 2010 and the Independent Accountants' Review Report to the Department of Commerce and Consumer Affairs ("**DCCA**"). Copies of these financial statements are attached to these IRs as Exhibits 1 and 2.

   For each franchise, confirm that there have been no significant changes in Applicant's liabilities, net assets, revenues and expenses, obligations to its parent company, and statements of cash flows since the last reviewed financial statement.

   RESPONSE: Applicant confirms that, for each franchise, there have been no significant changes in Applicant's liabilities, net assets, revenues and expenses, obligations to its parent company, and statements of cash flows since the last reviewed financial statements attached to the IRs as Exhibits 1 and 2.

3. Refer to IV.H (page 48 of the Application). State Applicant's proposed plans and schedule for access operating funding and capital funding for facilities and include the following:

   a. The amount Applicant proposes 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; and

      RESPONSE: Applicant believes that the DCCA should set the annual operating funding to the Director or the Director's designee at a reasonable level to meet specific community needs and interests taking into account the costs to do so. Given that the Community Ascertainment Report did not indicate significant issues with the current level of operating funding, this funding should be limited to no more than the current level of three percent of gross cable service revenue. Applicant reserves the right to discuss this issue further with the DCCA in light of further public testimony and proceedings in connection with the renewal process.

   b. The amount Applicant proposes 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: Applicant proposes that the maximum annual capital fund payments to the Director or the Director's designee for access purposes be limited to no more than a combined maximum of $120,000 for both the Hilo and Kona franchises (or a maximum of $120,000 for a consolidated franchise for the island of Hawaii). Given that the Community Ascertainment Report did not indicate significant issues with the current level of capital funding, however, Applicant believes that the DCCA should set the capital funding at a reasonable level to meet specific community needs and interests taking into account the costs to do so.

Applicant also notes that the cost of video equipment has substantially declined over the past several years, and is expected to continue to decline for the foreseeable future. Applicant therefore reserves the right to discuss this issue further with the DCCA in light of further public testimony and proceedings in connection with the renewal process.

4. State Applicant's proposed plans and schedule of expenditures for and in support of the Hawaii Public Broadcasting.

   RESPONSE: Since the Community Ascertainment Report did not indicate significant issues with the current level of funding for Hawaii Public Broadcasting, Applicant believes that the DCCA should set the support for Hawaii Public Broadcasting at no more than the current level of one percent of gross cable service revenue.

5. State Applicant's proposed plans regarding any franchise required channels.

   RESPONSE: Applicant proposes that the number of PEG channels under the renewed franchises (or consolidated franchise) not exceed the five channels allocated under the current franchises. Applicant notes that the Community Ascertainment Report did not indicate a significant need for additional PEG channels for the island of Hawaii and did not indicate a need for additional franchise required channels; accordingly, Applicant proposes that provisions be included within the franchise order to adjust the number of PEG channels as warranted by the availability or deployment of technology, the demand for PEG programming, and the long-term best interests of Hawaii island subscribers as a whole. While the Community Ascertainment Report noted comments regarding a direct feed of programming from the State Capitol and live transmissions of County Council meetings, the report did not indicate that the foregoing programming could not be accommodated on the existing public access channels. Applicant therefore reserves the right to discuss the issue of any other franchise required channels with the DCCA in light of further public testimony and proceedings in connection with the renewal process.

6. State the specific reasons for Applicant's request to consolidate the East and West Hawai`i franchise systems and provide response to the following:

RESPONSE: Oceanic believes that the consolidation of the franchises for East Hawaii and West Hawaii will result in more efficient and cost-effective administration of the franchise by DCCA, and in the operations of Oceanic. Given, as noted below, that the Hilo and Kona systems are already physically interconnected, are operated by Oceanic as one system, under a single general manager, and with the same technical support, the community and DCCA will benefit from the elimination of potentially duplicative processes, and all interested parties and stakeholders can focus on the services to be provided to the island of Hawaii as a whole. Oceanic believes that a single consolidated franchise covering the entire island of Hawaii will provide operational and administrative efficiencies for all stakeholders, and will ensure that all subscribers on the island of Hawaii will benefit from the terms of a single consolidated franchise order.

a. Are the two franchise systems currently connected physically? If no, then describe how the systems will be connected. When does Applicant intend to initiate consolidation of the two systems?

RESPONSE: The Hilo and Kona franchise systems are physically interconnected.

b. Does Applicant foresee any problems or difficulties in the consolidation of the two franchise systems? If so, please identify and explain any problems or difficulties.

RESPONSE: As noted above, the two systems are already physically interconnected, and there is already consistency in the operation of the Hilo and Kona systems under one general manager.

c. If the two franchise systems are consolidated, what will change?

RESPONSE: Since the two systems are already physically interconnected, Applicant does not anticipate any negative changes for subscribers under a consolidated franchise order that covers the entire island of Hawaii.

d. Are the channel numbers the same for the two franchise systems? After consolidation, will there be any changes to channel numbers.

RESPONSE: The channel numbers are the same for the two systems. After a consolidated franchise is issued, Oceanic does not anticipate any changes to the channel numbers immediately; however, channels are changed from time to time. If any channels are changed, Oceanic plans to use the same channel numbers in both Hilo and Kona.

e. Describe the specific benefits to cable subscribers as a result of the consolidation of the two franchise areas?

RESPONSE: Since the two systems are already physically interconnected, under the same management and with the same technical support, Oceanic believes that subscribers will benefit from the elimination of potentially duplicative processes and requirements, and a single consolidated franchise order will ensure that all subscribers on the island of Hawaii (regardless of whether they live on the Hilo or Kona side of the island) will benefit from uniform franchise requirements.

f. In the event the Director approves of consolidation of the two franchise systems, is Applicant committed to maintain at least one customer service office on the Hilo side and one on the Kona side of Hawai`i island?

RESPONSE: If a consolidated franchise order is issued, Oceanic is committed to maintaining at least one customer service office in Hilo and one in Kona.