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January 24, 2007

VIA FACSIMILE

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

Re: Letter Order – 2007 Access Operating Fees and Capital Fund Payments to Olelo, Hoike, Na Leo and Akaku

Dear Mr. Smith:

On behalf of the Department of Commerce and Consumer Affairs (**DCCA or Department**), the Director of Commerce and Consumer Affairs (**Director**) has historically designated that the public, educational and governmental (**PEG**) access organizations in the different franchise areas to be recipients of access operating fees and capital fund payments. This letter order refers to the four (4) PEG access organizations in the State, which are: Hoike Kauai Community Television, Inc. (**Hoike**), Na Leo O Hawaii, Inc. (**Na Leo**), Olelo Community Television (**Olelo**), and Akaku: Maui Community Television (**Akaku**). DCCA entered into separate contracts with each of the four (4) 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.

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, or to the Director's designee (such as the PEG access entities). These payments, referred to

as access operating fees, are to be used for 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, 2007. In D&O 261 and 291, the Director reserved the authority to reconsider the amount of the access operating fee at any time.

In addition, TWE is directed to make capital fund payments on January 31, 2007 for PEG access facilities and equipment to each designated PEG access entity pursuant to: D&O 310 (Oahu franchise area), D&O 321 (Maui and Lahaina franchise areas), D&O 322 (County of Hawaii franchise areas), and D&O 327 (Kauai County).

As you know, in late 2005, the Department was informed that its contracts with the PEG access organizations were subject to the Hawaii State Procurement Code. The supplemental agreements between the DCCA and PEG access organizations were due to expire on June 30, 2006, and it was not certain whether the contracts would be extended beyond that date. Accordingly, the Department issued a Letter Order dated January 23, 2006, directing TWE to pay fifty percent (50%) of the respective 2006 Access Operating Fees to Hoike, Na Leo and Olelo. In a separate Letter Order also dated January 23, 2006, TWE was instructed to pay Akaku sixteen and seventy-five hundredths percent (16.75%) of its respective 2006 Access Operating Fees. On April 11, 2006, the Department further directed TWE to pay Akaku thirty-three and twenty-five hundredths percent (33.25%) of the 2006 Access Operating Fees.

On June 27, 2006, the Department subsequently directed TWE to disburse the remaining fifty percent (50%) of the 2006 Access Operating Fees being held to Olelo, Na Leo, Hoike and Akaku, plus a separate check for any prorated interest earned less reasonable costs and any tax impact of the interest earned.

On June 16, 2006, the State Procurement Office (**SPO**) granted the DCCA an exemption from July 1, 2006 to June 30, 2007 to complete the competitive procurement process in accordance with HRS chapter 103D. On November 22, 2006, a Request for Information (**RFI**) regarding draft Request for Proposals to operate the PEG access channel, funds, facilities and equipment was issued by the State Procurement Office (**SPO**) on behalf of the DCCA. In December 2006, public comment meetings on the RFI were held on Oahu and also on the neighbor islands by DCCA. Written comments and suggested amendments were due on December 26, 2006. At the present time, the competitive procurement process is ongoing and an RFP is being developed.

The current supplemental agreements between DCCA and the four (4) PEG access organizations will expire on June 30, 2007. It is not certain at this time whether those contracts will be extended beyond June 30, 2007 in view of the competitive procurement process.

In light of these circumstances, and in order to protect the interest of the public in the access operating fees and capital fund payments, there being good cause therefore and pursuant to HRS §440G-12, Sections 5.1(g), 11.8 and 11.10 of D&O 154, Sections 4.2(d), 12.8 and 12.9 of D&O 173, Sections 4.2(d), 12.8 and 12.9 of D&O 174, Sections 4.2(d), 12.8 and 12.9 of 185, Sections 4.2(d), 12.8 and 12.9 of D&O 241, and Sections 4.2(e), 11.8 and 11.9 of D&O 291, regarding the access operating fee payments and capital fund payments that are scheduled to be paid on January 31, 2007 to the PEG access organizations, designated by the Director as Olelo, Na Leo, Hoike and Akaku, TWE is directed to:

1. Pay fifty percent (50%) of the respective access operating fees for 2007 to Olelo, Na Leo, Hoike and Akaku, on January 31, 2007.
2. Deposit and maintain the remaining fifty percent (50%) balance of the 2007 access operating fees in an interest bearing account in any federally insured financial institution authorized in the State of Hawaii.
3. Pay fifty percent (50%) of the respective 2007 capital fund payments to Olelo, Na Leo, Hoike and Akaku, on January 31, 2007.
4. Deposit and maintain the remaining fifty percent (50%) balance of the 2007 capital fund payments in a separate interest bearing account in any federally insured financial institution authorized in the State of Hawaii.
5. TWE shall maintain separate accounting records for the access operating fees and the capital fund payments 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.
6. Upon further direction of the Director, TWE shall disperse the remaining amounts of access operating fees and capital fund payments in the bank accounts. The Director anticipates that payment instructions for the remaining fifty percent (50%) of the 2007 access operating fees and capital fund payments will be forthcoming by June 2007.
7. TWE may recover reasonable costs of administering the bank accounts, including the tax impact of any interest earned, from the interest on the accounts.
8. Any interest earned on the bank accounts shall be prorated and disbursed as further directed by the Department.

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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
J Robertson
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