



NEIL ABERCROMBIE
GOVERNOR

SHAN S. TSUTSUI
LT. GOVERNOR

STATE OF HAWAII
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
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KEALI'I S. LOPEZ
DIRECTOR

JO ANN M. UCHIDA TAKEUCHI
DEPUTY DIRECTOR

Email and U.S. Mail

December 18, 2013

Mr. Bob Barlow
President
Oceanic Time Warner Cable LLC
200 Akamainui Street
Mililani, HI 96789-3999

Dear Mr. Barlow:

Re: Letter Order – Collection of 5% of Franchise Fees

As you know, pursuant to Decisions and Orders ("D&O") Nos. 261, 291, and 346, the Department of Commerce and Consumer Affairs ("DCCA") currently requires Oceanic Time Warner Cable LLC ("OTWC") to pay Franchise Fees in an amount equal to approximately 4.64% of OTWC's annual gross revenues for its cable systems throughout the State to the following: (1) approximately 3% in annual Access Operating Fees ("AOF") to the various PEG Access Organizations in the State, (2) 1% to the Hawai'i Public Television Foundation, dba PBS Hawai'i ("HPTF"), and (3) approximately .64%¹ in Annual Fees to DCCA to administer HRS chapter 440G.

¹ Currently, .64% of OTWC's gross revenues equals approximately one percent (1%) of the income received from Subscribers for cable services rendered during the preceding year.

Under HAR section 16-132-2(d), "income received from subscribers for cable services" means revenues derived from the supplying of regular subscriber service and includes installation fees, disconnect and reconnect fees and fees for regular cable benefits. The term does not include per-program or per-channel charges, leased channel revenues, advertising revenues and other income derived from the system.

Under federal law, the State is entitled to franchise fees from cable operator(s) that in total do not exceed five percent (5%) of a cable system's annual gross revenues. 47 U.S.C. §542(b).

This is to inform you that the Director orders that effective for the bills received by subscribers in April, 2014 and thereafter, the Franchise Fee is raised from 4.64% of its annual gross revenues for each of OTWC's cable systems to the maximum 5% allowed under federal law. Accordingly, commencing January 31, 2015 and every January 31 thereafter, OTWC shall pay 5% of its annual gross revenues for each of its cable systems as follows:

1. Approximately 3% in annual AOFs to the various PEG Access Organizations in the State;
2. 1% annually to HPTF;
3. FIVE HUNDRED THOUSAND AND NO/100 DOLLARS (\$500,000.00) annually to 'Ulu'ulu: Henry Ku'ualoha Guigni Moving Image Archive of Hawai'i ("**HKG Archive**"),² subject to further order of the Director. Payments shall be made to the University of Hawai'i, for the HKG Archive Special Fund established by HRS section 304A-2180; and
4. The remainder shall be paid to DCCA as the Annual Fee under HAR section 16-132-2.³ In subsequent Letter Orders, pursuant to HAR section 16-132-2(c), DCCA shall adjust the remaining percentage so that OTWC pays no more than 5% of annual gross revenues.

² In 2012, the HKG Archive was designated as the official State archive for moving images. See, Act 90 (SLH 2012) and HRS section 304A-1864.

The HKG Archive, located at the University of Hawai'i, West Oahu, is a unique digital and material archive intended to perpetuate and share the special history and culture of Native Hawaiians and the people of Hawai'i. It is dedicated to the care of film, videotape, and audiovisual materials, as well as the preservation of Hawai'i's moving images. The HKG Archive converts videotapes and film footage to digital files kept on servers that are accessible to the public through a website portal.

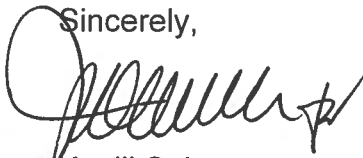
The Director of DCCA has determined that providing a portion of the operational funding for the State's archive for moving images will help to preserve and maintain the HKG Archive collection, and thereby, support the State's interest in educating current and future generations about the history and culture of Hawai'i.

³ DCCA intends to increase the Annual Fee paid to DCCA because the current Annual Fee of .64% is insufficient to cover DCCA's rising staffing costs and costs of other services to administer HRS chapter 440G.

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If you have any questions on the above, please do not hesitate to contact Ms. Catherine Awakuni, Cable Television Administrator, at (808) 586-2620. Thank you for your assistance and cooperation in this matter.

Sincerely,

A handwritten signature in black ink, appearing to read 'Kealii S. Lopez', with a large initial 'K' and a stylized flourish at the end.

Kealii S. Lopez
Director
Department of Commerce and
Consumer Affairs

c: Brian Kang, Esq.
Department of the Attorney General