

**CABLE ADVISORY COMMITTEE (“CAC”)
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
STATE OF HAWAII**

MINUTES OF MEETING

Date: October 19, 2017

Time: 1:30 p.m. – 3:30 p.m.

Place: Queen Liliuokalani Conference Room
Department of Commerce & Consumer Affairs
335 Merchant Street, 1st Floor
Honolulu, HI 96813

CAC MEMBERS: Gerry Silva, Tim Bryan, and Scott K. Wong

OTHERS: Catherine P. Awakuni Colón, Director; Ji Sook Kim, CATV Administrator; Glen Chock, CATV Staff; Jamie Sheu, CATV Staff Attorney; and Kyle Kagihara, CATV Staff Attorney

AGENDA: The agenda for this meeting was filed with the Office of the Lieutenant Governor.

- I. Call to Order – The meeting was called to order at 1:30 p.m.
- II. Introduction of New CAC Member: Scott K. Wong
- III. Minutes of December 1, 2016 Meeting – Mr. Silva asked about Hawaiian Telcom’s cable network buildout and was informed the item was placed on the current agenda. There were no further questions about the minutes, which were then accepted by the CAC.
- IV. Update on Pending Matters
 - A. Charter/OTWC’s Maui and Kauai Franchise Renewals
 1. OTWC’s Renewal of Maui Cable Television Franchises – Current franchise expiration date is November 30, 2017

Director Awakuni Colón stated that while the Maui Cable Television Franchises Renewal process commenced before the Kauai Cable Television Franchise, the Kauai Cable Franchise will be handled first. The Cable Television Division (“CATV”) of the Department of Commerce and

Consumer Affairs (“DCCA”) is working on extending Oceanic Time Warner Cable LLC’s (“OTWC”) Maui Cable Television Franchises. The extension to the Maui Cable Franchises will allow DCCA to continue discussions with OTWC/Charter Communications (“Charter”) and issue a Decision & Order.

2. OTWC’s Renewal of Kauai Cable Television Franchise – Current franchise expiration date is March 31, 2018

Director Awakuni Colón stated that the Kauai Cable Franchise is further along and will be handled first. A draft Decision & Order is under discussion between CATV and OTWC/Charter and CATV is currently waiting on comments from OTWC/Charter. Mr. Wong asked about any points of interest for the Renewal. Director Awakuni Colón responded that CATV is using the Big Island Renewal as a starting point, but recognizes that special considerations need to be reflected due to the uniqueness and needs of each island. Administrator Kim mentioned that the Big Island Renewal was also issued under the prior ownership of Time Warner and CATV is doing its best to work with and learn about the new company that emerged after the merger between Charter and OTWC’s previous parent company. Mr. Bryan asked if the Federal Communications Commission’s (“FCC”) changes have influenced local issues. Administrator Kim responded that the FCC’s influence has not yet impacted local cable television.

B. PEG Designations

Director Awakuni Colón stated that DCCA hoped to be further along in designating public, educational, and governmental (“PEG”) access organizations. A draft contract was provided to `Ōlelo Community Media (“`Ōlelo”) and DCCA is looking forward to discussing contract language with `Ōlelo. Through this designation process DCCA wants to set expectations, memorialize policies and procedures already in practice or issued in letter orders, respond to comments from the Legislature, and put forth measurable deliverables. Director Awakuni Colón stated that PEG access organizations do a lot, and CATV wants to ensure the contract language captures the services PEG access organizations provide. As this process continues, DCCA anticipates entering into additional one-year extensions on the current PEG contracts. Mr. Silva commented that perhaps something like a twenty (20) year cable franchise term should be considered and then inquired whether the lack of designation impacted the amount of PEG channels being provided. Administrator Kim responded that the delay in designating the PEG access organizations has not impacted the number of channels being provided for PEG use. Mr. Wong

asked if new provisions are included in the extensions to the current contracts. Administrator Kim responded that no new negotiations were included in the extensions. Mr. Bryan asked if any other State agencies have looked at the PEG Designation contracts. Director Awakuni Colón responded that DCCA and the Attorney General's Office have looked over the contracts. Mr. Bryan asked if the Attorney General's Office sits in on the negotiations. Director Awakuni Colón responded that the Deputy Attorney General assigned to CATV provides input but does not sit in on the negotiations. Administrator Kim added that the Deputy Attorney General's concerns are voiced by DCCA. Mr. Wong asked if Charter or Hawaiian Telcom were involved in the negotiations. Director Awakuni Colón responded that the negotiations are strictly between DCCA and the PEG access organizations, but that Charter has expressed desire that PEG subscriber monies be well spent and in compliance with federal laws. Mr. Bryan asked if Hawaiian Telcom contributes to the funds that support PEG access organizations. Director Awakuni Colón responded that Hawaiian Telcom only contributes to support `Ōlelo because it only operates on Oahu.

V. New Business

A. Hawaiian Telcom/Cincinnati Bell's Merger Transaction

1. Presentation by Hawaiian Telcom/Cincinnati Bell on their Joint Application and additional information submitted to DCCA

Director Awakuni Colón introduced the merger by stating that on August 11, 2017, Hawaiian Telcom/Cincinnati Bell filed their joint application to transfer control of Hawaiian Telcom's television cable franchise, at the parent level, to Cincinnati Bell, and other related matters.

Chris Wilson, Vice President and General Counsel for Cincinnati Bell, presented to the CAC members, staff, and audience. Mr. Wilson introduced himself, Pat McDonough, Vice President of Business Operations at Cincinnati Bell, and Steve Golden, Vice President of External Affairs at Hawaiian Telcom. Mr. Wilson thanked the CAC for the opportunity to present and answer questions regarding the joint application to transfer control of the cable franchise.

Mr. Wilson presented several key points from the joint application. Mr. Wilson stated that the merger will be largely seamless from the customer's perspective and the merger will not affect the day-to-day operations, billing systems, or operational support systems. He noted that Hawaiian Telcom will keep its name and that the cable unit will continue to operate as

Hawaiian Telcom TV and comply with the terms of its existing franchise agreement. Mr. Wilson stated that customers will continue to be serviced by local support personnel; there will be no service disruptions and customers will not be asked to change service providers. Mr. Wilson reassured CAC members that Hawaiian Telcom TV will remain under local management.

Mr. Wilson went on to explain that the merger will provide Hawaiian Telcom TV with additional scale, technical resources, and financial support to improve service to customers. According to Mr. Wilson, these benefits will facilitate faster growth across a range of products and services, and will allow the applicants to leverage best practices and improve efficiencies leading to a better overall customer experience. He asserted that Cincinnati Bell wants to serve the community and be close to its customers.

Finally, Mr. Wilson stated that the merger will enhance competition, giving customers the ability to choose among service providers, which gives the service providers an incentive to constantly improve service offerings and to price them to attract and retain customers.

Mr. Wilson closed his presentation and asked the CAC members if they had any questions. Mr. Silva asked about the financial stability of Hawaiian Telcom. Mr. Wilson responded that the merger includes a bond offering and that \$650 million is being held in escrow; and that financing is available to complete the merger. Mr. Silva asked about the comparison between Hawaiian Telcom and Charter and Hawaiian Telcom's expansion plans. Mr. Golden responded that Hawaiian Telcom has made good progress and, in 6 years, it now reaches 204,000 homes and about 80% of the available market in the franchise area. Director Awakuni Colón added that Hawaiian Telcom is compliant with its franchise requirements and understands that although expansion is important there is a cost consideration that must be balanced.

Mr. Bryan asked about possible neighbor island expansion for Hawaiian Telcom as there is a need and desire for competition on the Big Island. Mr. McDonough responded by stating that they have started to evaluate demographics, economic viability, and competition. Although Hawaiian Telcom is prioritizing neighbor islands and expansion is likely to be part of future budget forecasts, they are still in the evaluation process and do not yet have any specific areas targeted for expansion. Mr. Silva asked if the current proceeding is a statewide merger and what is the role of the Hawaii Public Utilities Commission ("PUC"). Mr. Wilson responded that this merger is a statewide matter impacting all Hawaiian Telcom's

services, and that CATV is just one regulatory body in Hawai'i and that the PUC's application is on a separate timeline. On the federal level, the FCC will also evaluate and review the proposed merger. Mr. Bryan noted that the PUC reviews the telephone side of the merger.

Mr. Wong asked about Cincinnati Bell's ability to address the following items: 1) reaching areas with no phone service; 2) upgrading copper to fiber; and 3) increasing internet speeds. Mr. Wong added that a smooth transition is good for customers. Mr. Wilson responded that Cincinnati Bell believes in fiber, and has a seventy percent (70%) buildout of fiber in Cincinnati, Ohio. Mr. Wilson also stated that fiber will make the company more competitive, but there must be a prudent approach to buildout while also taking into account shareholder concerns. Mr. Wong added that he is worried about the minority who need service. Mr. McDonough addressed the comment by stating that federal Connect America Funds program justify buildouts to underserved areas. Mr. Golden added that Hawaiian Telcom's buildout through the federal program will focus on the Big Island to reach 11,000 homes, and noted that places like Puna will have fiber to homes. Mr. Bryan asked if the majority of Hawaiian Telcom's buildout would be focused on Puna. Mr. Golden responded that the buildout will reach Hawaiian Acres and Eden Rock, and other areas. Mr. Silva asked if the buildout would include Hana. Mr. Golden responded that there are no current plans to buildout to Hana, especially due to difficulties concerning landowners. Mr. Silva commented that the same concerns were raised during the OTWC/Charter merger. Mr. Wong added that accessibility is important.

Mr. Bryan asked Cincinnati Bell representatives if there is anything on the horizon that Cincinnati Bell is excited about. Mr. McDonough responded that he is excited about 5G, picking best practices between the merged companies, and "G.FAST" which will allow high speed internet over copper wires where fiber cannot be built. Mr. Wong asked about mobile WiFi in Honolulu. Mr. McDonough responded that Cincinnati Bell works with and specializes in small cell technology. Mr. Golden added that Cincinnati Bell can help Hawaiian Telcom deploy mobile WiFi. Mr. McDonough stated Cincinnati Bell will target more wireless offerings. Mr. Bryan asked if Cincinnati Bell will be offering WiFi hotspots. Mr. McDonough responded by stating that Cincinnati Bell will be competitive and that it provides public WiFi in Cincinnati. Mr. Silva asked Cincinnati Bell representatives if they had any comment on the issues of buildout, WiFi hotspots, and low-income broadband, which were raised by Charter at the public hearing. Mr. Wilson stated that Cincinnati Bell does not have plans to make changes. Mr. Golden added that low-income broadband is

addressed by the Federal Lifeline program. Mr. Wong commented that a program addressing elderly with fixed incomes should be considered.

Director Awakuni Colón stated that as part of the 120-day review period required under federal law, DCCA is targeting December 8, 2017, as the deadline to issue the Decision & Order unless mutually extended by DCCA and the parties. In addition, Director Awakuni Colón mentioned that all written comments received regarding the transfer application, including those received during the public hearing have been uploaded to the CATV website.

B. Hawaiian Telcom Services Company, Inc.'s current cable network buildout and future plans

Mr. Golden addressed much of this agenda item, which was initially brought up by Mr. Silva during the December 1, 2016 CAC Meeting, during the previous discussion. Mr. Golden expanded on his previous comments by stating that Hawaiian Telcom is moving into new neighborhoods, working on upgrading to fiber to the home, and focused on greenfields build-ins. Mr. Golden also mentioned that Hawaiian Telcom has made efforts to buildout into multi-family dwellings, such as 801 South St. and The Collection. Mr. Golden closed by stating that Hawaiian Telcom is limited in capital, but Cincinnati Bell can provide additional capital for buildouts.

VI. Public Comment

- A. Jay April - Akakū - Maui Community Television ("Akakū"). Jay April, Akakū President and Chief Executive Officer ("CEO"), spoke about Charter's efforts to improve service to Hana. Mr. April acknowledged that it is difficult to get service to Hana, and mentioned that Akakū uses cell bound live view units when in Hana, which is like a satellite truck in a backpack. Mr. April added that WiFi unit hops along the Hana Highway should be considered and that someone might even consider using the Piilani Highway route into Hana. Mr. April stated that Akakū has considered providing WiFi hops to Hana and that creative ways are needed to work on service. Mr. April then stated that the feedback that he receives from Hana is that Charter's service is better than it used to be.

Mr. April supported the postponement of the renewal of Maui franchises. Mr. April then turned his attention to the Decision & Order concerning the OTWC/Charter merger, stating that he thought the Decision & Order was thorough and he was grateful that Charter had made various representations and promises that he hopes Charter will keep. Mr. April

added that it is a credit to DCCA that Charter's rate hikes in Hawaii are not as steep as other Charter franchise areas. Mr. April went on to point out that Tom Rutledge is the highest paid CEO in the United States, earning approximately \$98 million per year.

Mr. April pointed out that electrical workers in New York City have protested Charter's unfair business practices, and the Governor of New York and the Mayor of New York City have sided with the striking electrical workers. Mr. April continued by pointing out that Charter has been fined \$13 million by the New York Public Service Authority for not delivering its promise to bring broadband to rural areas, which speaks to remote areas in Hawai'i; and in Lexington, Kentucky, Charter has been involved in a controversy surrounding an elderly woman who was forced into receiving cable service that had a significant rate increase, and when she complained to Charter she was told that the rate was to increase further. Mr. April went on to say that other jurisdictions have seen rate hikes up to thirty percent (30%). Mr. April added that there are many articles on <http://www.fiercecable.com/> about Charter's increasing bills, rising rates, and layoffs. Mr. April then stated that in Oregon Charter refused to broadcast the PEG in high definition ("HD") and that he couldn't find any PEG channels under Charter that is in HD.

Mr. April turned his attention to Charter's impacts in Hawaii. Mr. April stated that prior to the merger his bill was \$64.74, after the merger he noticed an increase in surcharge and that he was being charged for items that were previously free. Mr. April said that Charter is "nickel and diming" him. In addition, Mr. April complained that the channel lineups are now very confusing because of the wide variety of packages offered. Mr. April stated that he knows that channels have been switched without the 30-day notification requirement, or so it seems, and certain channels are now moving to a higher tier.

Mr. April moved on to customer service and reminded the CAC that customer service is important to Senator Rosalyn Baker. In particular, Senator Baker is concerned about local customer service for areas such as Lana'i and Moloka'i. Mr. April went on to talk about an experience that an Akakū staff member had when trying to contact Charter to resolve a technical issue. Mr. April explained that the staff member was connected to a customer service representative in the Caribbean who could not provide any assistance, which is hardly customer service. Mr. April went on to thank Director Awakuni Colón for clarifying the established protocol Akakū staff members should utilize when experiencing cable service issues.

Mr. April went on to state that PEG access organizations need to be in HD. Furthermore, they should not be measured by ratings as PEG access organizations cannot compete with broadcast/entertainment channels. PEG channels are designed for media literacy and are for the community and for niche viewers and sometimes there are a lot of viewers and sometimes not. Mr. April stated that people must understand what PEG access organizations are, they are not traditional broadcast stations, and PEG channel programming can save lives and serve the community.

Mr. April turned his attention to Hawaiian Telcom by stating that he wants Hawaiian Telcom to enter the Maui market because Hawaiian Telcom gives `Ōlelo two HD channels. Mr. April mentioned that Akakū can send an HD signal. Mr. April then stated that the encoder recommended by Charter is hooked up and that the Charter technicians on Maui are good.

Mr. April noted that under the 2014 Letter Order PEG access organizations deserve the same level of broadcasting as commercial channels. He stated that Akakū had some issues, but is now ready to submit an HD signal, however, he was told Akakū does not have an HD channel. According to Mr. April, if local technicians were in charge the HD signal would be up already. Mr. April complained about the effects of the 2014 Letter Order if this is not being provided to the PEG channels.

Mr. April stated that PEG access organizations are being diminished and punished. Mr. April wants to be treated like PBS Hawaii on Oahu, and wants the same signal as PBS Hawaii. Mr. April wants Akakū to be the last off the analog signal and first on digital. Mr. April expressed the need for Charter to address the change in channel definition. Mr. April stated that Charter was given additional bandwidth, yet Akakū does not have the same display quality as other channels.

Next Mr. April stated that he wants to see DCCA consult with the Mayor of Maui, Akakū, and the soon to be nominated CAC candidate from Maui before the renewal of the Maui Cable Franchise. Mr. April also wants Akakū and the soon to be nominated CAC candidate from Maui to see the draft agreement. Mr. April also suggested that DCCA hold another public hearing and reinvestigate before agreeing to a new Cable Franchise Agreement. Mr. April went on to mentioned that there is a rumor that Charter might be up for sale again.

Mr. April's next comments centered around PEG Designation. Mr. April does not want the State Procurement Office to be involved, because PEG access organizations are not State agencies. Mr. April stated that PEG access organizations should not be micromanaged by the State, and any

PEG access organization oversight and accountability could be part of an agreement. However, Mr. April stressed that oversight and accountability already comes from the jurisdiction where the channels exist, community ascertainment, and pillars of the community, and should not come from the legislature or fiat from up on high. Mr. April added that there is no innovation with micromanagement. Mr. April went on to say that Akakū is changing the paradigm of a PEG channel by using smartphones to cover and broadcast news. This type of innovation cannot happen if someone from the State is asking about first-run programming or checking to see if the program schedule is up on the channel website two weeks in advance. Mr. April stated that he dislikes the channel guide posting requirement as it cannot be done when people broadcast live from their phones. Prior requirements that tried to control PEG access organizations are obsolete, whether it was the State Procurement Office or the request for proposal process. According to Mr. April, with internet access, Akakū does not need the cable company to provide a video on demand channel because this can be done online on the Akakū website and the sound and picture quality are better. Mr. April closed by asking DCCA to help Akakū innovate so Hawai'i can remain one of the best PEG access environments in the United States.

Director Awakuni Colón asked Mr. April about the 2014 Letter Order and whether all the system requirements Akakū needed to make, as set forth in the 2014 Letter Order, were complete. Mr. April responded yes and pointed out he felt that Charter should purchase all the equipment Akakū needed to transmit the signal. Mr. April also stated that there were some personnel changes, changes in technology, cost reduction, and Akakū recently made the decision to meet with Charter. Akakū wanted to send the HD signal but Charter wanted an SD signal and things were worked out. Mr. April then stated that they have the equipment and it was probably installed that day or yesterday and it has been tested, and within days Akakū can send an HD signal. Mr. April had positive comments about the local Charter technicians that Akakū worked with. He then added that many of the issues with Charter were on the corporate level. Director Awakuni Colón asked that Mr. April provide notification to DCCA when all the equipment is bought and installed and the signal is ready to transmit. Mr. April said he would be happy to send the notification and estimated that he could do it the following week. Mr. April went on to say that he wants Akakū to be the first HD PEG channel on Charter's cable system. Director Awakuni Colón addressed some of Mr. April's comments about Hana by stating that DCCA has designated seven WiFi hotspots in that area. Director Awakuni Colón acknowledged that it is difficult to service Hana but took note of the improved experiences of Hana residents. Director Awakuni Colón went on to say that she encourages

continued buildout in the Hana area and hopes Charter continues to improve its service.

J Robertson - Ho`ike – Kaua`i Community Television, Inc. (“Ho`ike”).

J Robertson, Ho`ike Executive Director, commented that the PEG representatives represent both the PEG institutions and the community and people of their respective islands. Mr. Robertson stated that he wants to see improved and increased services for all. Mr. Robertson turned his attention to the PEG contract extensions that have been ongoing since 2005 and stated that this has been a long and tedious process. Mr. Robertson then addressed Charter’s internet service, stating that they currently only receive three (3) megabits per second (“Mbps”) down and one (1) Mbps up and every time he calls about this he is told by Charter that there are no plans to improve this service. Mr. Robertson then mentioned that he was also disappointed that Charter had no plan to improve the infrastructure on Kaua`i. Mr. Robertson stated that he supports the Hawaiian Telcom/Cincinnati Bell merger because he wants Cincinnati Bell to expand its cable franchise to Kaua`i and improve services.

VII. Announcements

Director Awakuni Colón encouraged attendees to visit <http://boards.hawaii.gov/> to view the steps involved in nominating a CAC candidate especially for Kaua`i and Maui. Director Awakuni Colón asked CAC members to send in possible locations for WiFi hotspots so they could be considered for designation. Mr. Bryan asked how many designated WiFi hotspots have been used. Administrator Kim responded that about quarter of the 100 WiFi hotspots have been designated and deployed. Mr. Wong asked if OTWC provides a WiFi hotspot map. Mr. Bryan responded that OTWC provides an app to find WiFi locations. Mr. Wong then commented that it is important to use WiFi for smartphones because large data items like television shows can be viewed on smartphones. He noted that the future of television is on phones and tablets, video on demand and television on demand and the key to this is WiFi.

VIII. Adjournment – The meeting was adjourned at 3:01 p.m.

Taken and recorded by:

Kyle Kagihara
Date: _____