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November 13, 2009

Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Re: Sandwich Isles Communications, Inc.
Petition for Declaratory Ruling
WC Docket No. 09-133

Ex Parte Notice

Dear Ms. Dortch:

On November 12, 2009 Albert Hee, Al Pedersen and I, representing Sandwich Isles Communications, Inc. met with Sharon Gillett, Marcus Maher, Albert Lewis and Jennifer Prime to discuss the Petition described above.

Sandwich Isles representatives explained how the company had been created to provide modern communications service to the inhabitants of the Hawaiian Homelands that then incumbent carrier, GTE Hawaiian Tel., refused to provide. Sandwich Isles worked closely with the Rural Utilities Service that provided initial financing and, in 2000, approved further financing which included an inter-island network that would have connected the Sandwich Isles central offices serving Hawaiian Homeland areas on the six major islands. Following the 2004 Commission order requiring Sandwich Isles to apply for a waiver of the frozen study area rule, RUS suspended further funding. Sandwich Isles was then forced to turn to a third party arrangement and in 2007 committed to lease the Paniolo network. That network is now in operation and is described on the attached maps.

Although NECA had been fully advised as to the 2000, and 2007 plans for the network, in May, 2009, it notified Sandwich Isles that it had concluded that the lease costs of the network were excessive in comparison with the amount of traffic that Sandwich Isles customers currently generate. Because the lease costs did not, in its opinion, meet the "used and useful" or prudent expenditure tests, NECA would not include the costs in its June 2009 tariff filing or accept the costs in Sandwich Isles cost study for reimbursement. After unsuccessful meetings with NECA, Sandwich Isles filed the current Petition for Declaratory Ruling requesting reversal of the NECA decision.

Sandwich Isles explained that at the time of the initial RUS evaluation, and on subsequent reevaluation, it concluded that it could not rely on Hawaiian Telcom to provide adequate, reliable service with modern technology at a predictable price. This conclusion was based upon the carrier's history of inadequate investment in the outer islands, and the financial structure imposed on it when purchased by its current owners. This concern has been validated by the current bankruptcy proceedings of Hawaiian Telcom. The PLNI/TWT network connecting the islands does not provide carrier grade capability and reliability.

Sandwich Isles also explained that the adverse cost to traffic ratio of concern to NECA is a necessary condition of "lumpy" investment by small companies. Sandwich Isles expects the traffic volume to grow substantially in the near future as result of inquiries from seven other carriers, and an increased effort by the Department of Hawaiian Homelands to establish homesteads for its beneficiaries. However, without Commission action to require NECA to accept the network costs, Sandwich Isles cannot survive financially while the network evolves to full utilization.

In response to questions, Sandwich Isles agreed to provide additional data regarding financial implications of the network lease.

Please contact me if there are any questions in this matter.

Sincerely yours

David Cosson
Counsel to Sandwich Isles Communications, Inc.

Attachment

cc: Sharon Gillett
Marcus Maher
Albert Lewis
Jennifer Prime