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Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of:

Applications of CHARTER COMMUNICATIONS,
INC., TIME WARNER CABLE INC., and
BRIGHT HOUSE NETWORKS, LLC for Consent To
Assign or Transfer Control of Licenses and
Authorizations

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WC Dkt. No. 16-197

**INDEPENDENT COMPLIANCE OFFICER'S FIRST REPORT ON CHARTER'S
COMPLIANCE WITH THE DISCOUNTED BROADBAND SERVICES OFFER
CONDITION**

OCTOBER 30, 2017

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INTRODUCTION

On May 10, 2016, the Federal Communications Commission (“FCC” or “Commission”) issued an order (the “Merger Order”) approving the merger of Charter Communications, Inc. (“Legacy Charter”), Time Warner Cable Inc. (“Legacy TWC”), and Advance/Newhouse Partnership (“Legacy Bright House”) (as a combined entity, “Charter” or the “Company”), subject to certain conditions (the “Conditions”). (Mem. Op. & Order, MB Dkt. No. 15-149, FCC 16-59, May 10, 2016.) The Conditions are set forth in Appendix B of the Merger Order. To monitor and assess the Company’s compliance with the Conditions, Appendix B requires Charter to engage an Independent Compliance Officer (“ICO”). (App’x B § IX(3).) The ICO’s duties include preparing and submitting reports that detail the Company’s efforts to satisfy the Conditions. (App’x B § IX(3)(e).) The ICO is to submit such reports within sixty days of receiving the periodic reports filed by the Company pursuant to the Conditions. (App’x B § IX(3)(e).)

On August 17, 2016, the FCC appointed the Honorable Barbara S. Jones (ret.) as the ICO. (Pub. Notice, WC Dkt. No. 16-197, DA 16-936.) Members of the ICO’s firm, Bracewell LLP, and consultants at Guidepost Solutions, LLC are working at the ICO’s direction to assist her in the performance of her duties.

On July 31, 2017, Charter filed its first semi-annual report pursuant to the Discounted Broadband Services Offer Condition (the “Discounted Broadband Condition” or the “Condition”). This report addresses Charter’s progress on satisfying that Condition.

EXECUTIVE SUMMARY

Based on the ICO's assessment of information Charter has presented to the ICO, interviews the ICO has conducted of Charter employees, and the ICO's review of documents and materials, the ICO believes that Charter is in compliance with the terms of the Condition.

The remainder of this report proceeds in two parts. The first part sets forth the ICO's methodology for assessing Charter's compliance with the Discounted Broadband Condition; the second part sets forth the ICO's observations and recommendations regarding Charter's compliance with the Condition.

METHODOLOGY

As stated in prior reports, the ICO's basic methodology for assessing compliance with each condition in the Merger Order—including the Discounted Broadband Condition—involves the same fundamental process:

- 1) Provide Charter with information requests to obtain materials relevant to Charter's implementation and satisfaction of the Condition;
- 2) Meet with the Charter personnel involved in implementing the Condition to learn Charter's approach to satisfying the condition and ask questions;
- 3) Review documents produced in response to the ICO's information requests and analyze those documents with the help of experts, if necessary;
- 4) Analyze Charter's filed reports in light of the information the ICO has received or obtained; and
- 5) Conduct field visits or independent checks as necessary to validate Charter's reported data.

The process is iterative. When presentations or interviews reveal the existence of additional relevant materials, the ICO transmits follow-up information requests to Charter. And when documents give rise to further questions, the ICO requests additional information in the form of interviews or written materials.

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Consistent with the ICO's work plan, the ICO sent Charter her first set of document requests related to the Discounted Broadband Condition on October 6, 2016. The ICO followed-up with additional requests on February 17, 2017, and on August 16, 2017. The ICO held her first meeting with Charter personnel specific to the Condition on June 14, 2017.

In addition to the methodologies employed above, the ICO monitors public information related to Charter's compliance with the Discounted Broadband Condition.

COOPERATION WITH THE ICO

Charter has been cooperative with the ICO with respect to her requests related to the Discounted Broadband Condition.

COMPLIANCE WITH THE DISCOUNTED BROADBAND CONDITION

The following are the ICO's observations and recommendations on Charter's compliance with the Discounted Broadband Condition and the contents of Charter's July 31, 2017 semi-annual report on the Condition (the "July 2017 Discounted Broadband Report" or "the Report"). As always, the observations and recommendations of the ICO are based on the ICO's knowledge and information at this point in time; the ICO's assessment of Charter's compliance with the Discounted Broadband Condition will continue to be shaped by additional materials received and interviews conducted.

I. STATEMENT OF THE CONDITION

1. Introduction. We find it is in the public interest to ensure that a bundle of video and broadband services is not the consumer's only competitive choice, and this protection may be particularly important for low-income subscribers who may not be able to afford bundled services. Thus, we impose this Condition to ensure an affordable, low-price standalone broadband service is available to low-income consumers in the Company's wireline footprint.
2. Condition.
 - a. Within six (6) months of the Closing Date, the Company shall begin offering a reduced price broadband service to low income families to make broadband access more affordable to them (the "Discounted Broadband Services Offer") and, within a year of the closing date, will offer this service through the Company's footprint where 30 Mbps wireline BIAS is technically available. The Company shall offer year-round, with no limitations imposed on enrollment periods or terms, fixed Broadband Internet Access Service with download speeds of at least 30/4 Mbps and a cable modem to any Eligible Enrollee who does not have an Eligibility Restriction in the Company's footprint for no more than \$14.99 per month. The Company shall submit a written filing with the Commission, within five (5) months of the Closing Date, specifying those markets (including all Charter, Time Warner Cable and Bright House Networks footprints) where 30/4 Mbps wireline Broadband Internet Access Service is not technically available. As part of this offer, the Company shall offer an in-home Wi-Fi router at a price no higher than \$5.00 per month, offer a free-self-installation kit, and waive customary router installation and activation fees.¹
 - b. "Eligible Enrollee" is a potential enrollee meeting the "Eligibility Requirements" of either (i) having at least one child who participates in the National School Lunch Program ("NSLP"), subject to annual recertification; or (ii) being a senior age 65 or older receiving Supplemental Security Income ("SSI") program benefits, subject to annual recertification.
 - c. "Eligibility Restrictions" are having (i) outstanding debt for the Company's services that was incurred within one (1) year prior to the enrollee's request for service under the Discounted Broadband Services Offer; (ii) subscribed to the Company's Fixed Broadband Internet Access Services within sixty (60) calendar days prior to requesting services under the Discounted Broadband Services Offer; or (iii) outstanding debt that is incurred for the Discount Broadband Services Offer and that is subject to the Company's ordinary debt collection procedures.
 - d. The Company shall offer the discounts set forth in this Condition for at least four (4) years from the commencement of the Discounted Broadband Services Offer. For qualifying households that sign up for the Discounted Broadband Services

¹ The Company may charge installation fees to the extent that an Eligible Enrollee requests on-site assistance from the Company, either for installation or other technical assistance with the service. In homes where self-installation is not available, the Company will waive the installation fee.

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Offer during the final year of the Discounted Broadband Services Offer, the Company shall provide service pursuant to the Discounted Broadband Services Offer for at least twelve (12) months.

- i. After three (3) years from the commencement of the Discounted Broadband Services Offer, the Company may increase the monthly fee for the Discounted Broadband Services Offer by no more than \$3 (i.e., charging no more than \$17.99 per month).
- e. Qualifying households shall be provided a self-installation kit free of charge and shall not be required to pay modem fees, WiFi router activation fees, or installation fees (unless installation requires a technician's visit on-site).²
- f. For the period during which this Condition is in effect, the Company shall clearly and conspicuously market the Discounted Broadband Services Offer, including but not limited to, undertaking the following actions:
 - i. Providing on the Company's consumer-facing homepage a link to a webpage devoted to describing the Discounted Broadband Services Offer; and
 - ii. Ensuring that prior to interacting with prospective customers, and on an annual basis thereafter, a targeted set of the Company's customer service representatives is trained to inform consumers of the availability of the Discounted Broadband Services Offer, including pricing, and terms and conditions as described in this Condition.
- g. The Company shall establish and maintain a dedicated phone number prospective participants can call in order to verify eligibility for the Discounted Broadband Services Offer and, subject to confirmation, to register for the program if eligible.
- h. The Company shall submit a written report in accordance with the filing and service requirements set forth in Section IX.5 herein on a semi-annual basis that includes a description of the Company's compliance with the Condition, with the first such report to be submitted twelve (12) months after the Closing Date. The Company Compliance Officer shall regularly track the program's implementation, and file the semi-annual report. The report must be signed by this officer and shall include the following, as of the date of the report:
 - i. the total number of households enrolled and receiving service in the Discounted Broadband Services Offer on a monthly basis; and
 - ii. the total number of estimated households eligible to participate in the Discounted Broadband Services Offer on a monthly basis.
- i. The Company shall enroll participating households into the Discounted

² Eligible Enrollees may, but shall not be required to, rent a Wi-Fi router from the Company at a price of no higher than \$5.00 per month. Eligible Enrollees may also purchase a Wi-Fi router at their own expense.

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Broadband Services Offer as follows:

- i. at least 25,000 households enrolled and receiving service by the end of the 12th month after the Closing Date;
 - ii. at least 100,000 households enrolled and receiving service by the end of the 18th month after the Closing Date;
 - iii. at least 225,000 households enrolled and receiving service by the end of the 24th month after the Closing Date;
 - iv. at least 475,000 households enrolled and receiving service by the end the 36th month after the Closing Date; and
 - v. at least 525,000 households enrolled and receiving service by the end the 48th month after the Closing Date.
- j. The Company, on its own initiative, may eliminate or relax the Eligibility Restrictions.
 - k. If the Company fails to meet the applicable enrollment and participation goal in any reporting period, then the Company, in its semi-annual report, shall enumerate those steps it plans to take to meet the enrollment requirements.
3. Enforcement.
- a. If the Company fails to meet an enrollment target identified in subpart 2.i., then on the first such failure, the Company shall expand eligibility in the Discounted Broadband Services Offer to include as potential enrollees those living in a household where at least one individual participates in the Supplemental Nutrition Assistance Program (“SNAP”), subject to annual recertification.
 - b. If the Company fails to comply with the Discounted Broadband Services Offer Condition identified herein (except for the first failure to meet an enrollment target identified in subpart 2.i.), then such a failure may result in the extension of the terms, in their entirety, of the Discounted Broadband Services Offer Condition for an additional period of time that is no more than the length of the period of the Company’s non-compliance with the Condition.

(See App’x B § VI.)

II. OBSERVATIONS

A. Charter’s Approach to Satisfying the Condition

In addition to the CCO, the core team responsible for the implementation of the Discounted Broadband Condition includes [BEGIN HIGHLY CONFIDENTIAL INFORMATION]

[END HIGHLY CONFIDENTIAL INFORMATION]

1. The Product Offering

To satisfy the Discounted Broadband Condition, Charter created a service offering called Spectrum Internet Assist (“SIA”). Consistent with the terms of the Condition, the service provides fixed BIAS with download speeds of 30/4 Mbps to eligible customers for \$14.99 per month. The price includes provision of a cable modem (customers may also use their own Charter-approved modem) as well as all of Charter’s standard internet features, including a security suite (McAfee or F-Secure) and up to seven mailboxes. Only one instance of SIA is permitted per household; if a customer requires a second modem, he or she may not enroll in SIA. SIA customers are permitted to bundle the service with Charter’s video and voice offerings,³ and customers may add a WiFi router to the service for an additional \$5.00 per month.

With respect to installation, Charter provides enrollees with a self-installation kit whenever possible. Professional installation is provided free-of-charge if self-installation is not available, [BEGIN HIGHLY CONFIDENTIAL INFORMATION]

³ Customers new to Charter may bundle SIA with any presently-offered Spectrum Packaging and Pricing (“SPP”) video or voice product. Customers who already have video or voice service from one of the legacy companies are permitted to maintain those legacy services while adding SIA to their service package. [BEGIN HIGHLY CONFIDENTIAL INFORMATION]

[END HIGHLY CONFIDENTIAL INFORMATION] Charter adopted the policy to make the transition to SIA easier. The ICO agrees that Charter’s decision to adopt this policy could make SIA more attractive to eligible customers.

[END HIGHLY

CONFIDENTIAL INFORMATION] A sample of the installation instructions included in one of Charter's self-install kits is attached as Exhibit A.⁴

Charter began offering SIA service in November 2016, and made it available across its entire footprint where 30/4 Mbps service is technically possible in April 2017. **[BEGIN
HIGHLY CONFIDENTIAL INFORMATION]**

[END HIGHLY CONFIDENTIAL INFORMATION]

⁴ The attached set of instructions applies to customers who have opted to include a WiFi router with SIA service.

2. Eligibility

a. Eligibility Criteria

The Discounted Broadband Condition includes in the definition of “Eligible Enrollee” a customer who either (i) has a child who participates in the National School Lunch Program (“NSLP”), or (ii) is a senior age 65 or older who receives Supplemental Security Income (“SSI”) program benefits (the “Eligibility Requirements”). (See App’x B § VI(2)(b).) **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]**

[END HIGHLY CONFIDENTIAL INFORMATION]

The customer additionally must not be subject to any “Eligibility Restrictions,” which include having (i) any outstanding debt for Charter’s services that was incurred within a year of the enrollee’s request for Discounted Broadband; (ii) subscribed to Charter’s fixed BIAS offerings within sixty days prior to requesting Discounted Broadband; or (iii) outstanding debt that is incurred for the Discounted Broadband Service and that is subject to Charter’s ordinary debt collection procedures. (See App’x B § VI(2)(b).) Charter is permitted to eliminate or relax the Eligibility Restrictions on its own initiative (see App’x B § VI(2)(j)), **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]**

[END HIGHLY CONFIDENTIAL INFORMATION]

b. Enrollment Process

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⁵ **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]**

INFORMATION]

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⁶ [BEGIN HIGHLY CONFIDENTIAL INFORMATION]
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3. Marketing

To market SIA, Charter maintains a link to a SIA-dedicated site at the bottom of its homepage. At present, the link is displayed in the following format:



The SIA-dedicated site provides information about the Discounted Broadband Service Offering, lists the criteria a customer must satisfy to enroll in SIA, and allows a customer to enter his or her zip code to determine if SIA is available in his or her area. If a customer enters the zip code for an area in which SIA is available, the customer is instructed to call a toll-free number (1-844-525-1574) to proceed in the enrollment process. [BEGIN HIGHLY CONFIDENTIAL
INFORMATION]

[END HIGHLY CONFIDENTIAL INFORMATION]

In addition to its website, Charter has engaged in efforts to directly market SIA. As of early September 2017, Charter had sent approximately [BEGIN HIGHLY CONFIDENTIAL
INFORMATION] [END HIGHLY CONFIDENTIAL INFORMATION] direct mailings, [BEGIN HIGHLY CONFIDENTIAL INFORMATION] [END
HIGHLY CONFIDENTIAL INFORMATION] emails, and made approximately [BEGIN
HIGHLY CONFIDENTIAL INFORMATION] [END HIGHLY

⁷ [BEGIN HIGHLY CONFIDENTIAL INFORMATION]

[END HIGHLY CONFIDENTIAL INFORMATION]

CONFIDENTIAL INFORMATION] outbound marketing calls to promote its Discounted Broadband Service.⁸ Additionally, Charter has held approximately **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]** **[END HIGHLY CONFIDENTIAL INFORMATION]** community events—*e.g.*, at **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]** **[END HIGHLY CONFIDENTIAL INFORMATION]**—to promote the service. These local events as well as Charter’s efforts to promote SIA generally have resulted in press coverage of the SIA offering.⁹ Charter has additionally trained its in-store personnel on SIA. Both the volume and breadth of Charter’s attempted contacts with potential customers indicate that Charter is working hard to inform potential customers about and investing substantial resources in promoting the program. The ICO believes that these efforts constitute clear and conspicuous marketing of the program as required by the Condition.

[BEGIN HIGHLY CONFIDENTIAL INFORMATION]

⁸ Sample mailings, emails, and community flyers are attached as Exhibit B.

⁹ See, *e.g.*, Bridging the Gap: New Low Cost Internet Service Offered to Eligible Seniors, Families in Blount County, *The Daily Times* (Apr. 6, 2017) (http://www.thedailytimes.com/news/bridging-the-gap-new-low-cost-internet-service-offered-to/article_6b2113ed-a0b0-5d62-a13f-2aa8003c218f.html); New Computer Lab at Jordan Park Apartments, *The Weekly Challenger* (August 31, 2017) (<http://theweeklychallenger.com/new-computer-lab-at-jordan-park-apartments/>).

[END HIGHLY CONFIDENTIAL INFORMATION]

B. Charter's July 31, 2017 Discounted Broadband Report

As reported in the July 31, 2017 Discounted Broadband Report, as of May 2017,

[BEGIN HIGHLY CONFIDENTIAL INFORMATION] [END HIGHLY
CONFIDENTIAL INFORMATION] households had enrolled in and were receiving SIA
service. That total is over [BEGIN HIGHLY CONFIDENTIAL INFORMATION]
[END HIGHLY CONFIDENTIAL INFORMATION] more households than the Condition
required Charter to enroll by the end of May 2017. Charter additionally estimates that as of May
2017 there were approximately [BEGIN HIGHLY CONFIDENTIAL INFORMATION]
[END HIGHLY CONFIDENTIAL INFORMATION] households in Charter's
footprint that Charter currently estimates are eligible to participate in SIA.

1. Information Included

The July 31, 2017 Discounted Broadband Report contains two sections, a narrative
section outlining Charter's compliance with the Condition in broad strokes, and an attached chart
listing month-by-month SIA enrollment numbers and eligibility estimates. As such, it contains
all of the information and data required by the Condition.

2. Reliability of the Data

The two pieces of data in the report that require verification are (1) Charter's month-by-month SIA enrollment numbers, and (2) Charter's SIA eligibility estimates. For this first report regarding the Discounted Broadband Condition, the ICO has focused her efforts on understanding how Charter gathers those two pieces of information. In the coming months, the ICO will work with Charter to develop ways to independently quality check its figures—its monthly enrollment numbers in particular.

a. SIA Enrollment Numbers

The ICO has learned that Charter gathers its monthly SIA enrollment numbers as follows.

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¹⁰ **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]**

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[END HIGHLY CONFIDENTIAL INFORMATION]

b. SIA Eligibility Estimates

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[END HIGHLY CONFIDENTIAL

INFORMATION]

c. Assessment

The ICO appreciates that Charter's monthly SIA enrollment numbers are **[BEGIN
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INFORMATION] That said, the ICO would like to find a way to provide some independent corroboration of Charter's SIA subscriber numbers. The ICO plans to work with Charter on an approach to independent verification in the months to come.

With respect to Charter's estimated eligibility numbers, the ICO will continue to review Charter's methodology and understand any adjustments Charter may make to its methods. The ICO understands, however, that the number is a best estimate, and believes that Charter's current calculation methodology seems reasonable.

Accordingly, the ICO makes only one recommendation to Charter at this time—that Charter work with the ICO to develop an approach for the ICO to independently corroborate its monthly eligibility numbers.

CONCLUSION

It is the ICO's view that Charter is in compliance with the terms of the Discounted Broadband Condition. Going forward, the ICO recommends that Charter work with the ICO to develop an approach to allow independent corroboration of its monthly eligibility numbers.

Exhibit A

This entire exhibit has been redacted.

Exhibit B

This entire exhibit has been redacted.