

Gerald Bannister
9211 Kilbride Rd.
Baltimore, Maryland
21236

Town of Ocean City
301 Baltimore Avenue
Ocean City, Maryland 21842

Re: TCI Cablevision
FCC ID #MD0006

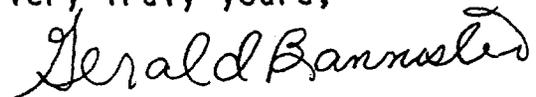
Dear Sir/Madam:

This is to protest the new rates for cablevision. We have a place at the ocean and ~~all~~ we want is the broadcast basic we do not want any other channels, but we are now forced to have all most cable channels and all pay the same amount.

I do not feel this is right why should I have to pay for something I don't want. I truly think that TCI Cablevision should look into the new ruling since so many customers are unhappy.

A copy of this letter is also being sent to my Congress Woman because I think this should be brought up before the Congress and Senate again.

Very truly yours,



Gerald Bannister

cc: TCI Cablevision
The Honorable Helen Bentley

COLLINWOOD APARTMENT
12 34th Street
OCEAN CITY, MARYLAND 21842

Memo

LETTER

(410) 289-7830

Date

9/7/93

Subject

CABLE T.V.

TO MAYOR & CITY COUNCIL
City Hall 3rd St. & Balto. Ave
Ocean City, Md. 21842

Gentlemen:-

We are attaching a list of our annual costs for Cable T.V. for our home only, since 1987.

The new bill amounts to \$277.32 which is 29% more than last year.

We assume you will keep us posted as to any changes the City may be able to achieve.

Very truly yours

J. Edward Collins SR.

Please reply

No reply necessary

SIGNED



J. E. Collins JR. Residence
Account N^o 2505-505-01-6

5/4/87	783.08
4/7/88	150.60
5/20/89	150.60
6/11/90	142.60
7/8/91	186.60
8/4/92	215.40

Prepared
9/7/93
J. E. C.

WARNER CABLE
Stephen R. Fry
Division President

2 735-1234	335-1521
	336-4300

hio Division
1 Road
44310 (216) 633-9203

October 5, 1993

The Honorable John Hanna
Mayor, City of Wadsworth
145 High Street
Wadsworth, OH 44291

Dear Mayor Hanna and Members of Wadsworth City Council:

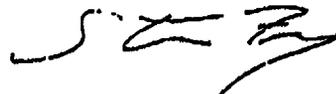
On the back of this letter is our channel line-up, reflecting those changes in our Basic Service line-up as of October 6, 1993.

We have negotiated long and hard with the local network stations which serve our market, and I'm pleased to report, primarily with success. As of today, we have secured non-cash agreements with all but one of the local network stations currently in our Basic Service line-up. These agreements are either for the duration of the three year period specified by the Cable Act of 1992, or an extension of retransmission consent past the October 6 deadline. Our agreement with WKYC falls in the latter scenario. Our one hold-out currently is WOIO, and our negotiations continue with them.

We will be running a series of advertisements in the local newspapers as well as on our video classified and community announcement channel, Channel 7, informing our customers of this success and what the new channel line-up is. Customers may also get copies of our new line-up from our office counters.

We know this has been a very trying time for our customers, your constituents. We concentrated our efforts this past month on keeping the public informed and requesting their help as necessary. We appreciate your patience and understanding, and for this I say thank you. If you have any questions, please do not hesitate to contact me as always.

Sincerely,



Stephen R. Fry

cc: Mr. William J. Lyren
Members of Wadsworth Cable Commission

Basic Service	7	Warner Video Pages/Community Access
Basic Service	8	WBNX (IND) Cuyahoga Falls, Ch. 55
* Basic Service	9	WJW (CBS) Cleveland Ch. 8
Basic Service	10	WEAO (PBS) Akron Ch. 45
* Basic Service	11	WEWS (ABC) Cleveland Ch.5
Basic Service	12	WOAC (IND) Canton Ch. 67
Basic Service	13	Open
Standard Tier Service	14	ESPN
Standard Tier Service	15	TNT - Turner Network Television
Standard Tier Service	16	USA Network
Standard Tier Service	17	Headline News
Standard Tier Service	18	A & E - Arts & Entertainment
Standard Tier Service	19	Lifetime Television
Standard Tier Service	20	C - SPAN
Standard Tier Service	21	CNN
Standard Tier Service	22	QVC Warner Home Shopping
Premium Channel	23	The Disney Channel
Standard Tier Service	24	Nickelodeon
Standard Tier Service	25	Warner Home Theatre (Pay-Per-View) Previews
Standard Tier Service	26	MTV - Music Television
Premium Channel	27	Home Box Office
Standard Tier Service	28	TNN - The Nashville Network
Standard Tier Service	29	The Family Channel
	30	SportsChannel Ohio
A La Carte Service	31	The Discovery Channel
A La Carte Service	32	WTBS (IND) Atlanta
A La Carte Service	33	AMC - American Movie Classics
Basic Service	34	Municipal Access
Basic Service	35	Educational Access
Basic Service	36	Community Access
Pay Per View	37	Warner Home Theatre (Pay-Per-View)
Pay Per View	38	Warner Home Theatre (Pay-Per-View)
Premium Channel	39	Cinemax
Premium Channel	40	Showtime
Premium Channel	41	The Movie Channel

* Denotes change in channel position as of October 6, 1993

Warner Cable Wadsworth



WARNER CABLE

Great Performances. Every Day

Channel Line-Up

Level of Service	Channel	Programming
Basic Service	2	WKYC (NBC) Cleveland Ch.3
Basic Service	3	WDLJ (IND) Canton Ch. 17
Basic Service	4	WAKC (ABC) Akron Ch. 23
Basic Service	5	WVIZ (PBS) Cleveland Ch. 25
* Basic Service	6	WUAB (IND) Cleveland Ch. 43
Basic Service	7	Warner Video Pages/Community Access
Basic Service	8	WBNX (IND) Cuyahoga Falls, Ch. 55
* Basic Service	9	WJW (CBS) Cleveland Ch. 8
Basic Service	10	WEAO (PBS) Akron Ch. 45
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Premium Channel	41	The Movie Channel

* Denotes change in channel position as of October 6, 1993

The Disney Channel	12.00
Additional Outlet Premium(s)	3.00
Value Pak Services (purchased separately)*	
TNT	.49
WTBS	.33
The Family Channel	.33
The Nashville Network	.33
Premium Service Packages*	
Feature Package* (Preferred Service, HBO, Showtime and Guide)	39.30
Family Package* (Preferred Service, Showtime, The Disney Channel and Guide)	39.30

*Applicable equipment rental charges not included
Applicable fees and taxes will apply

Comcast customers can also begin to enjoy the following channel additions on September 1, 1993: QVC/Fashion Channel, Channel #12, 3:00 - 6:00 a.m.; ESPN 2, Channel #21; EWTN, Channel #5, 1:30 - 5:30 a.m.

Your bills will contain detailed information. Comcast will do everything we can to minimize confusion during this transition. Let us know if we can answer any questions by calling 904-574-4000.



09-27-93 09:01AM FROM CITY OF TALLA. 3RD FR TO 912027851234*241001# P002/002



COMCAST CABLEVISION
 3760 HARTSFIELD RD TALLAHASSEE, FL
 32303-1121 8226 1400 656

CM D7 19

DATE SEPTEMBER 19, 1992

ACCT. # 8226 14 001 1475162

USE ENCLOSED ENVELOPE
 AND MAKE PAYMENT TO

AMOUNT DUE
 \$40.78

DATE DUE
 ON RECEIPT

AMOUNT ENCLOSED
 \$20.18

PLEASE DETACH AND ENCLOSE TOP PORTION WITH PAYMENT

JMA

COMCAST CABLEVISION
 P.O. BOX 628204
 ORLANDO, FL 32862-8204

CABLE COMM. OFFICE
 223 W COLLEGE AVE
 TALLAHASSEE FL 32301-7709

822614001147516200040782

FOR ALL INQUIRES PLEASE CALL 574-4000
 IF PAYMENT IS RECEIVED AFTER THE DUE
 DATE A \$5.00 LATE FEE MAY BE APPLIED.

ACCOUNT NUMBER	SERVICE FROM	SERVICE TO	DATE DUE			
8226 14 001 1475162	SEPTEMBER 25, 1992	OCTOBER 24, 1992	ON RECEIPT			
DATE	SERVICE / TRANSACTION DESCRIPTION	AMOUNT				
	PREVIOUS BALANCE	20.18				
	MONTHLY BASIC CABLE	19.55				
	FRANCHISE FEE	1.05				
	AMOUNT DUE	40.78				
<p>YOUR ACCOUNT IS PAST DUE PLEASE MAIL YOUR PAYMENT TODAY TO AVOID BEING DISCONNECTED. RECONNECTION FEE IS \$34.95. IF YOU HAVE MAILED YOUR PAYMENT PLEASE DISREGARD THIS NOTICE.</p>						
<p>PAYMENTS RECEIVED AFTER SEPTEMBER 19 ARE NOT INCLUDED IN THIS STATEMENT</p>						
PREVIOUS BALANCE	PAYMENTS THANK YOU	CURRENT CHARGES	CREDITS	OTHER CHARGES (PERMITS)	TAX FEE	AMOUNT DUE
20.18	0.00	19.55	0.00	0.00	1.05	40.78
<p>AN AMOUNT FOLLOWED BY A (CR) IS A CREDIT OR A CREDIT BALANCE</p>						20.18



Tallahassee/Leon County

Rate Card

Effective January 1, 1993

* Indicates no increase from 1992 rate.

Limited Service	\$ 7.95*
Satellite Service **	13.45
Preferred Basic Service ***	21.40
Additional Outlet (without converter)	5.00*
Additional Outlet (Whole House-2 or more)	7.50*
HBO, Showtime, Cinemax, Disney	11.00*
Remote Control	3.00*
Additional Manual Converter	3.50*
Additional Remote Converter	6.50*
New Installation (Preferred Basic Service)	39.95
New Installation (Limited Service)	39.95
Transfer of Service	14.95*
Reconnection	39.95
Trip Charge	39.95
VCR Install at Original Install Date	10.00*
AB Switch Service Charge	15.00*
Delete Outlet	9.95*
A/O Installed at Original Install Date	10.00*

** Satellite Service is available only with Limited Service

*** Preferred Basic Service = Limited Service plus Satellite Service

Retail Price does not include franchise fee or state sales tax.

To All Comcast Cable Customers

New federal regulations governing cable rates take effect September 1, 1993. As a result, your cable bill will look different and the total amount you pay for cable TV service may change. Federal law now regulates most cable rates and charges except for programming offered on a per-program (such as pay-per-view) or per-channel basis. Examples of per-channel programming are premium services like HBO and SHOWTIME and any other cable channels available individually. Your monthly bill will now list charges separately for programming, equipment and service calls.

New Comcast rates are listed below. Depending on the services you choose, your total bill may be more, less, or about the same as you pay now. Because of the formulas required to calculate the rates, a cable system may have more than one rate for the different areas it serves.

COMCAST CABLE RATE CARD (Effective September 1, 1993)

Tallahassee

Programming Services*

Limited Basic	8.13
Standard Service	11.52
Value Pak (see below)	.65
Preferred Service (Includes Limited Basic, Standard Service and Value Pak)	20.30

Equipment Rental

Addressable Converter	2.45
Standard Converter	1.04
Remote Control	.45

Other Services*

Additional Outlet	No Charge
Guide	.75
Pay-Per-View	Prices Vary

Service Charges

CableGuard	.45
New Connect Installation Charge	51.32
Prewired New Connect	38.49
Reconnect	32.08
Additional Outlet/Relocate Outlet (Initial Installation) - per outlet	12.83
Additional Outlet/Relocate Outlet (Separate trip) - per outlet	25.66
Hourly Service Charge/Custom Installation	25.66
Change of Service Charge (home visit required)	19.25
Change of Service (no home visit required)	1.99

Premium Service Programming (purchased separately)*

HBO	12.00
Cinemax	12.00
Showtime	12.00
The Disney Channel	12.00
Additional Outlet Premium(s)	3.00

Value Pak Services (purchased separately)*

TNT	.49
WTBS	.33
The Family Channel	.33
The Nashville Network	.33

Premium Service Packages*

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Family Package* (Preferred Service, Showtime, The Disney Channel and Guide)	39.30

*Applicable equipment rental charges not included
Applicable fees and taxes will apply

Comcast customers can also begin to enjoy the following channel additions on September 1, 1993: QVC/Fashion Channel, Channel #12, 3:00 - 6:00 a.m.; ESPN 2, Channel #21; EWTN, Channel #5, 1:30 - 5:30 a.m.

Your bills will contain detailed information. Comcast will do everything we can to minimize confusion during this transition. Let us know if we can answer any questions by calling 904-574-4000.



RECEIVED

SEP 1 1993

Cable Communication Division



COMCAST CABLEVISION
 3760 HARTSFIELD RD TALLAHASSEE, FL
 32303-1121 8226 1400 656

CM D7 19

DATE SEPTEMBER 19, 1992

ACCT.# 8226 14 001 1475162

USE ENCLOSED ENVELOPE
 AND MAKE PAYMENT TO

AMOUNT DUE
\$40.78

DATE DUE
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AMOUNT ENCLOSED
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JMA

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 P.O. BOX 628204
 ORLANDO, FL 32862-8204

 CABLE COMM. OFFICE
 223 W COLLEGE AVE
 TALLAHASSEE FL 32301-7709

822614001147516200040782

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 DATE A \$5.00 LATE FEE MAY BE APPLIED.

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PAYMENTS RECEIVED AFTER SEPTEMBER 19 ARE NOT INCLUDED IN THIS STATEMENT			
PREVIOUS BALANCE	PAYMENTS THANK YOU	CURRENT CHARGES	CREDITS
20.18	0.00	19.55	0.00
			OTHER CHARGES (SEE ACCOUNT)
			0.00
			TAX FEE
			1.05
			AMOUNT DUE
			\$40.78
AN AMOUNT FOLLOWED BY A (CR) IS A CREDIT OR A CREDIT BALANCE			

20.18 JMA





Department of Administration
Office of Cable Television Regulation

David R. Riemer
Administration Director

Ronald A. Kuisis
Cable Franchise Officer

September 28, 1993

Sandy Wilson, Chief
Cable Services Division
Federal Communications Commission
2033 M Street, N. W.
Washington D.C. 20554

Re: Time Warner Cable; Community ID No.: W10438

Dear Ms Wilson:

At the Orlando NATOA Conference, you recommended that I forward to you questions about the actions taken by Time Warner Cable in Milwaukee in regard to the Cable Television Consumer Protection and Competition Act of 1992.

Enclosed are items which outline issues which I believe need to be addressed by the Federal Communications Commission:

1. A September 27 letter to Congressman Edward J. Markey which identifies specific rate hikes for unregulated cable services imposed on cable subscribers in Milwaukee. August 6, 1993, correspondence to the FCC Commissioners on this issue is also enclosed.
2. August 5 and 13 correspondence about Time Warner's negative option marketing, which had sent to the State of Wisconsin Department of Justice; and
3. A June 3 letter to the FCC's Cable Television Branch, outlining the difference between audited revenues of Time Warner and those revenues reported to the FCC during its January survey of cable system annual revenue. In short, the audited revenues received by the company in 1992 which are attributable to regulated cable services are understated by 6.5 percent, or approximately \$1.3 million, on the FCC survey form. The company did not report as basic service revenues the gross totals of a monthly \$1.22 per subscriber charge which it had begun that year to itemize on subscriber bills as "other franchise related costs." To the extent this and other cable surveys under-reported revenues, the FCC may have been led to establish benchmark rates which are too high.

Thank you for your attention to these matters. Please call me at (414) 286-5911 if you need any additional information. I look forward to hearing from you.

Very truly yours,

Ronald A. Kuisis
Cable Franchise Officer

Enclosures

CC: Time Warner Cable

CABLE TELEVISION REGULATORY OFFICE
City of Milwaukee
200 East Wells St., Room 606
Milwaukee, WI 53202

PHONE: 414.226.5909

FAX PHONE: 414.226.9547

TO: Stacy Sobel, MILLER AND HOLBROOKE
FROM: Ronald A. Kuisis, Cable Franchise Officer 
DATE: September 14, 1993
SUBJ: TIME WARNER REVENUE REPORTS

Attached is a comparison of the 1992 audit revenues for the Milwaukee system with the revenue reported to the FCC. As I indicate in the letter to Sandy Wilson, the company under-reported its basic-related revenue to the FCC.

I've also attached an August 4, 1993 letter from Warner which includes a statement that indicates all Warner companies may have under-reported, as well. See item G, Page 5 of the Warner letter:

"For internal reporting purposes, franchise fees and public access payments are not considered revenues....Consistent with the other Time Warner Cable divisions, these payments were not included on Schedule 3 of the FCC report."

Please pass this information on to Sandy Wilson and let me know if I need to do anything further.

WARNER CABLE 1992 REVENUE AS
REPORTED TO FCC AND CITY

SOURCE	1/22/93 REPORT TO FCC	1992 AUDIT REPORT
BASIC	\$10,136,051	\$19,829,643
STANDARD	\$10,179,617	
BULK	\$0	\$486,026
PAY	\$7,284,979	\$6,193,424
REMOTE	\$3,640,257	\$3,640,258
GUIDE	\$0	\$1,656,641
A/O'S	\$1,396,118	\$1,396,118
PPV	\$1,911,355	\$1,911,355
INSTALL	\$396,538	\$396,538
ADVERTIS	\$291,938	\$286,696
HOME SHOP	\$131,852	\$108,570
LATE FEES	\$0	\$642,267
FR FEES & ACCESS	\$0	\$2,144,703
OTHER	\$130,268	\$152,882
TOTAL	\$35,498,973	\$38,845,121
ADJUSTMENTS		
COMPLIMEN		\$227,291
BAD DEBT		(\$1,667,118)
GUIDE		(\$1,656,641)
FRANCH. REV		\$35,748,653
	x 5%	x 5%
FRANCHISE FEE	\$1,788,362	\$1,787,433

HOUSEHOLDS	282,769	
HOMES PASSED	263,536	
SUBS - 9/30/92	89,448	
TIER 1: BASIC	89,448	
TIER 2: STAND.	83,578	
TIER 2: BULK	0	



OFFICE OF CABLE TELEVISION REGULATION
MILWAUKEE, WISCONSIN

100 EAST WELLS STREET
MILWAUKEE, WISCONSIN 53202

7 AUG 93 2:12
CFC-07-TELE
MILWAUKEE, WISCONSIN
100 EAST WELLS STREET
MILWAUKEE, WISCONSIN 53202

August 4, 1993

Mr. Ron Kuisis
Department of Administration
Office of Cable Television Regulation
Room 606, City Hall
200 East Wells Street
Milwaukee, WI 53202

Dear Ron:

Your letter dated June 18, 1993 requested clarification on certain information contained in Warner Cable Communication of Milwaukee's audited financial statements, additional information and supplemental schedules for the year ended December 31, 1992. A response to each issue set forth in your letter is provided below.

1. **Indicate whether the 200,915 phone calls identified in Schedule 3-a represent (a) the number of phone calls received by CSR's only from subscribers in the City of Milwaukee or (b) the total number of phone calls received from all the franchise areas being served by Warner Cable.**

The 200,915 phone calls represent estimated phone calls for service and repair received from City of Milwaukee subscribers. This number was determined by multiplying the estimated total Division service and repair phone calls times the percentage that City of Milwaukee subscribers represent to total Division subscribers (approximately 69%). The service repair phone calls are estimated based on weekly samplings of phone calls received during 1992.

2. **Describe the methodology used in counting the number of subscribers identified in schedule 2-b.**

The subscribers identified in Schedule 2-b include each individual residence as well as each individual residence of a multiple dwelling unit subscribing to cable service as an active subscriber. Bulk and commercial subscribers are reflected on an unequivalized basis. Each commercial establishment subscribing to cable is counted as one subscriber. The number of bulk subscribers is dependent upon whether the complex is marketable in which case each individual unit subscribing to cable service is counted as a subscriber. A non-marketable complex (i.e. hotel) is counted as one subscriber.



WARNER CABLE
COMMUNICATIONS

Mr. Ron Kuisis
Office of Cable Television Regulation
August 4, 1993
Page 2

2. Continued

Previous subscriber reporting reflected bulk and commercial subscribers on an equivalized basis. This methodology divided total revenue derived from these establishments by the standard monthly service charge to determine active subscribers. The effects of this change was to decrease active subscribers by approximately 440 units.

3. Account for the disposition or use of the \$642,267 in "Late Fee" revenues identified in Schedule I-g by identifying the dollar amount and category of expenses to which these revenues are matched.

The Division assesses an administrative collection fee of \$5.00 for delinquent accounts. This charge offsets the collection costs associated with the pursuit of delinquent and uncollectible accounts. Collection expenses include the following:

- ◆ commissions paid to third party collection services
- ◆ commissions paid to technicians for delinquent account collections
- ◆ collection representative's compensation
- ◆ lobby representative's compensation - a large number of statements paid in the lobby are delinquent
- ◆ customer service representative's compensation - phone calls are received due to accounts being force turned and delinquency and disconnect notices. Further, time is spent processing delinquent account payments made in the lobby, account writeoffs and coordinating third party collection agency efforts.
- ◆ postage and supplies for reminder notices
- ◆ building overhead
- ◆ Automatic Response Unit maintenance

It is my understanding the Division has justified it's collection fees to the State Banking Commission in the past and is prepared to do so again if it should be necessary. We do feel our collection fees are within Banking Commission guidelines.

Please let me know if you would like to discuss this issue further.



WARNER CABLE
COMMUNICATIONS

Mr. Ron Kuisis
Office of Cable Television Regulation
August 4, 1993
Page 3

4. Provide an itemization, by number, dollar amount and type of installation (i.e., new install, reconnect, tier upgrade, pay channel change or addition, etc.) of the sources of the \$396,538 in "Installation" revenue identified in Schedule 1-g.

The following lists 1992 installation, disconnect and pay unit change activity for the City of Milwaukee.

Installation:		
New Connects	8,014	
Reconnects	<u>36,289</u>	44,303
Disconnects:		
Voluntary	20,617	
Non-payment	<u>19,002</u>	39,619
Pay Unit Connects		61,679
Pay Unit Upgrades		52,288
Pay Unit Disconnects		55,850
Pay Unit Downgrades		45,150

Currently, our general ledger does not differentiate between type of installation or service change revenue. All such charges are aggregated each month by the billing system and coded to a single general ledger account. On a prospective basis, it is possible to expand our billing system's transaction codes in order to separately account for each type of installation. However, we should discuss the benefits to be derived from this additional detail.



WARNER CABLE
COMMUNICATIONS

Mr. Ron Kuisis
Office of Cable Television Regulation
August 4, 1993
Page 4

5. Provide an itemization of the sources of the \$1,667,118 in "Bad Debt" expense by category, including the dollar value and number of accounts per category (i.e. How much of the total is attributable to itemized franchise fees which have not been collected? How much is uncollected Commercial billings? How much from uncollected Pay-Per-View charges? Basic Service? Expanded Basic? Program Guide Billings? 3rd Party Collection Expense? etc.)

Approximately 20,600 accounts were written off in 1992 as uncollectible although \$303,000 from these accounts were later recovered. Nearly \$140,000 was spent in 1992 with outside collection agencies recovering past due accounts. If there had been no bad debt expense in 1992, the City of Milwaukee would have received nearly \$87,000 in additional franchise fees.

At the present time, specific charges are not maintained for written off accounts. It is possible, however, to manually accumulate this information in the future. Since this will require additional resources, we should discuss the benefits to be derived from this data.

6. Explain fully the differences in audited revenues and those reported to the FCC in a January 1993 "Cable TV System Operator Rate Structure Questionnaire Issued Pursuant to FCC Order 92-545 (FCC Report)".

<u>REVENUE TYPE</u>	<u>FCC REPORT</u>	<u>AUDIT REPORT</u>	<u>DIFFERENCE</u>	<u>ITEM</u>
Basic	\$10,136,051	\$19,829,643	(\$9,693,392)	A
Standard	10,179,617		10,179,617	A
Bulk	0	486,026	(486,026)	A
Pay	7,284,979	6,193,424	1,091,555	B
Remote	3,640,257	3,640,258	1	
Guide	0	1,656,641	(1,656,641)	C
A/O's	1,396,118	1,396,118	--	
PPV	1,911,355	1,911,355	--	
Install	396,538	396,538	--	
Advertising	291,938	286,696	5,242	D
Home Shop	131,852	108,570	23,282	E
Late Fees	0	642,267	(642,267)	F
FR Fees & Access	0	2,144,703	(2,144,703)	G
Other	<u>130,268</u>	<u>152,882</u>	<u>(22,614)</u>	E
Total	\$35,498,973	\$38,845,121	(\$3,346,148)	



WARNER CABLE
COMMUNICATIONS

Mr. Ron Kuisis
Office of Cable Television Regulation
August 4, 1993
Page 5

- A. For the FCC report, basic and standard tier revenue were reported so that basic service from every basic and standard subscriber was coded as basic revenue and tier service from every standard subscriber was coded to standard revenue. Bulk revenue was included in this allocation. The sum of the differences for basic, standard and bulk is \$1, which is rounding.
- B. The difference in pay revenue is how channel guide revenue was classified. For FCC reporting purposes, channel guide revenue (net of guide expense) was combined with pay revenue whereas for the audit report channel guide revenue was listed separately.
- C. As discussed in B above, pay revenues per the FCC report included guide revenue. Guide expenses were inadvertently netted against this revenue in the FCC report. It should be noted, however, that pay and guide revenues are not regulated and were not considered in the FCC benchmarks.
- D. The 1992 general ledger was not finalized until after the completion of Schedule 3 in the FCC Report. Adjusting journal entries were subsequently made to properly state advertising revenues for the year ended December 31, 1992.
- E. Combining the differences from home shopping and other revenue results in a variance of \$668. This other revenue was included in pay revenue in the audit report.
- F. For internal reporting purposes, "late" fees (administrative collection fees) are reported as an offset to bad debt and collection expenses and, as such, are not considered "revenue". Therefore, "late" fees were not reported on Schedule 3 of the FCC report. This practice is consistent with other Time Warner Cable divisions. "Late" fees are included as revenues in the audit report since the Division and the City of Milwaukee have agreed to reflect "late" fees as system revenues.
- G. For internal reporting purposes, franchise fees and public access payments are not considered revenues for the reasons set forth in Note 1 to the audited financial statements. Consistent with the other Time Warner Cable divisions, these payments were not included on Schedule 3 of the FCC report. For the audit report, the City and the Division agreed to report franchise fees and public access payments as revenues and expenses. Neither the Division's net income nor the amount of franchise fees due to the City of Milwaukee is affected by this difference in policy.



WARNER CABLE
COMMUNICATIONS

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Office of Cable Television Regulation
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7. Explain why the company believes the method of calculating franchise fees which was reported to the FCC accurately reflects the method employed in the City of Milwaukee to calculate the amount of the franchise fee paid by the company to the City.

Effective January 1, 1992, the Division began itemizing franchise fees, public-access payments and other franchise-related costs on subscriber bills as provided by Section 622 of the Cable Communications Policy Act of 1984. The Division records the collection of such franchise fees and public-access payments as a liability in accordance with generally accepted accounting principles. Subsequent remittances of such franchise fees and payments to the City of Milwaukee are accounted for as reductions of this liability. This practice is consistent with other Time Warner Cable divisions. Thus, franchise fees and public access payments were not included in Schedule 3 of the FCC report. Note that the FCC's benchmark calculations also exclude franchise fees.

Sincerely,

John F. Herbert, Jr.
Vice President Controller

JH/jlp



Department of Administration
Office of Cable Television Regulation

David R. Riemer
Administration Director

Ronald A. Kuisle
Cable Franchise Officer

September 27, 1993

The Honorable Edward J. Markey, Chair
House Subcommittee on Telecommunications and Finance
316 Ford House Office Building
Washington, DC 20515

Dear Representative Markey:

It has been brought to my attention that you will conduct FCC oversight hearings in regard to the implementation of the Cable Television Consumer Protection and Competition Act of 1992. As the Cable Television Regulatory Officer for the City of Milwaukee, I want to inform you of several questionable rate and service changes implemented on September 1, 1993 by Time Warner Cable which prevent Milwaukee cable subscribers from receiving the rate reductions which Congress intended in passing the 1992 Act.

In short, Time Warner in Milwaukee has:

- * Increased the price of "unregulated" services and created new billable "unregulated" services to offset the required reductions in the rates for regulated services;
- * Imposed these new and increased rates for unregulated services without providing a 30-day advance notice as required by local and state law; and
- * Charged customers for newly-created optional, "unregulated" services by negative option, without receiving affirmative orders.

It is important to note that the company has adamantly claimed that the FCC has led them to believe each of these questionable practices, including increases in the rates for unregulated services, is specifically permitted under the rules -- and under the exceptions to the rules -- issued by the Commission.

As you conduct your oversight hearings, you may wish to query the commissioners if they, in fact, have given cable companies approval to make such changes.

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As a result of the company's policy changes, basic (Tier 1) service subscribers in Milwaukee will pay 45¢ more to receive the same level of services before and after the September 1 effective date of rate regulation. The pre-regulation cost of a 27 channel Tier 1 service was \$11.02; a customer now pays \$15.97 to receive the same 27 channels of service.

In addition, a customer receiving the standard (Tier 2) service now pays 8¢ more. The total cost for the same number of channels is \$26.05 now, compared to \$24.10 prior to regulation.

Increased unregulated rates to offset regulated rate reductions

Time Warner has imposed four specific price "hikes" in their unregulated basket of service to mitigate against the effects of required rate reductions in their regulated basket of services:

1. Time Warner created a "premium access charge" (which the company argues is unregulated by either the city or the FCC) to allow converters located at additional outlets to receive premium movie channels at each additional converter located in a household.

The company is using a negative option billing method for this new charge. Customers subscribing to optional movie services and who have more than one converter are being billed \$3.42 per additional converter without being given the opportunity to affirmatively order this optional service.

2. Time Warner is charging higher-than-benchmark per-channel prices for newly created "a la carte" channels which the company has removed from the regulated benchmark tiers.

The combined total price of the regulated tiers and unregulated a-la-carte channels is identical to the pre-regulation cost of all the channels when they had been offered as tier services. In effect, the required reduction of the "excessive" pre-regulation cost is being recovered by creating and automatically billing customers for newly-established optional channels at higher-than-benchmark unregulated rates.

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The company's use of negative option billing for these newly-optional services, adding the cost of the optional channels to bills without receiving affirmative orders, appears to be contrary to the statutory language of Act, which requires that companies receive affirmative requests from subscribers when restructuring effects a fundamental change in the nature of a service.

3. Time Warner has increased the unregulated price of its program guide from \$2.50 to \$2.63 cents.
4. Time Warner has also increased the price of unregulated components of "packages" by reducing the discount previously offered to customers who subscribe to these services.

Approximately 50% of Warner's Milwaukee customers purchase "packages" of services; i.e., combinations of regulated and unregulated services and equipment at a discounted price.

The company has not credited consumers the full value of required rate reductions in the regulated components of the packages, however. Instead of reducing the price of the packages by the value of the reductions, the company continues to charge the same rate for the packages. The required reduction has been offset by a lower discount -- an effective increase in the price of the package.

Possible violation of 30-day notice requirements

Warner has increased unregulated prices without providing a 30-day notice to subscribers as required by local and state law.

The FCC's order which preempted local and state 30-day notice requirements is limited "to the extent that it requires an operator to give notice . . . of any rate change intended to comply with our rate regulations" (emphasis added).

However, price increases in unregulated services are clearly outside of the limits of the May 13, 1993 "notice pre-emption", since changes in unregulated prices are not necessary to comply with FCC rate regulations.

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Negative Option Marketing

Congress, in the 1992 Cable Act sec. 632 (f), has specifically prohibited the use of negative option billing in respect to "any service...not affirmatively requested by name." Section 632 (c) of the Act also specifically indicates that nothing in the Act "shall be construed to prohibit any State...from enacting or enforcing any consumer protection law, to the extent not specifically preempted by this title."

Time Warner, however, adamantly claims that the FCC has authorized the company to market its newly-created optional services --at unregulated prices -- via a negative option marketing strategy. In fact, the company has filed a federal court action for declaratory and injunctive relief enjoining the State of Wisconsin from enforcing state consumer protection laws against negative option marketing.

Misleading billing practices

Time Warner's billing practice in Milwaukee makes it virtually impossible for a consumer to identify the correct rate or price of any billed service. For example:

- * The rate notice identifies the price of basic service to be \$11.65; the bill says basic service costs \$10.27;
- * The rate for a converter is \$1.95 on the rate sheet but \$1.85 on the bill;
- * All four negatively optioned "a la carte" channels are available at \$2.20 according to the rate notice but are billed at \$2.09 (\$3.00 less a 91-cent discount);
- * Two negatively optioned "a la carte" channels are advertised at 79 cents each, but are billed at \$1.50, or 75 cents each; and
- * HBO is advertised at \$12.55 but billed at \$11.92.

The billing practice of not identifying the full cost of a billed service clearly conflicts with the intent of Congress in passing the Act. The House Report states that "If a cable operator charges \$30 per month for basic cable service, the \$1.50 itemized