

December 11, 2015

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VIA ECFS

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: In the Matter of Applications of Charter Communications, Inc., Time Warner Cable Inc., and Advance/Newhouse Partnership for Consent to Transfer Control of Licenses and Authorizations, MB Docket No. 15-149

Dear Ms. Dortch,

As requested by Commission staff, this letter provides additional information in connection with the application referenced above of Charter Communications, Inc. ("Charter"), Time Warner Cable Inc. ("TWC"), and the parent of Bright House Networks, LLC ("BHN"), Advance/Newhouse Partnership (collectively, the "Applicants"). Specifically, this letter provides information on Charter's residential pricing and packaging methodology, and how it will be employed upon the closing of the proposed mergers with TWC and BHN (the "Transaction"). It also provides information on Charter's standalone broadband pricing, and confirms that this model will remain in effect after the Transaction is completed.

I. Pricing and Packaging Methodology

Charter has been successful with its pricing and packaging methodology and the proposed merged company ("New Charter") intends to apply it throughout the New Charter footprint.

A. Charter's Pricing and Packaging Model

Charter's strategy is to offer high-quality services that are better than our competitors' and to price them competitively, eliminating many of the common fees in the industry to simplify bills and avoid "bill shock." We establish a national uniform retail rate pricing ("Rack Rates"), which has the effect that consumers across our footprint get the benefit of the pricing in the most competitive local market. While we do have local promotions, **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]**

[END HIGHLY CONFIDENTIAL INFORMATION] given the high quality products and services they receive, transition more easily to our nationally uniform pricing.

More specifically, Charter sets its prices for standalone and bundled services based on a number of factors including:

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- The company's strategic goals of providing a superior customer experience through simple pricing and packaging and through high-value services, including bundles.
[BEGIN HIGHLY CONFIDENTIAL INFORMATION]

- **[END HIGHLY CONFIDENTIAL INFORMATION]**
CONFIDENTIAL INFORMATION]

Charter uses these factors to create nationally uniform pricing and packaging, meaning that standard rates for Charter customers are the same for each tier of service and bundle of services¹ regardless of the geographic market.² This promotes efficient operations and marketing of services throughout Charter's footprint: **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]**

[END HIGHLY CONFIDENTIAL INFORMATION].

As a result, with the exception of temporary promotions, rates in the least competitive geographic markets are the same as rates in the most competitive markets.

At any given time, Charter also creates several specific promotions, some of which are available across its footprint while others are available in limited geographic areas.³ For example, Charter offers introductory promotions for stand-alone broadband and video as well as bundled triple and double play offerings. Regional offerings include **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]**

[END HIGHLY CONFIDENTIAL INFORMATION] and in all circumstances, at the end of the promotion period, Charter's promotional pricing transitions to the same nationally uniform retail rates. Moreover, Charter approach is to **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]**

[END HIGHLY CONFIDENTIAL INFORMATION] combined with the high quality products and services facilitate more customers transitioning to national uniform pricing.

¹ The structure of Charter products is consistent across its footprint, but slight variations (e.g., individual channels available) will exist between geographic markets.

² Charter has previously provided the Commission with specific pricing information in response to Request 73 of the Commission's September 21, 2015, Requests for Information. The focus of this letter is to provide additional information on Charter's methodology.

³ Charter typically has **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]** **[END HIGHLY CONFIDENTIAL INFORMATION]** promotional pricing offers (usually available in different regions) at any given time).

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B. New Charter's Pricing and Packaging Model

New Charter's pricing and packaging methodology will be based on the same factors described above—namely, **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]**

[END HIGHLY CONFIDENTIAL INFORMATION] It will also depend on **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]**
[END HIGHLY CONFIDENTIAL INFORMATION]

As applied to the combined company's new footprint, many product and service decisions will be consistent with Charter's current practices, such as New Charter's lack of a cable modem rental fee.⁴ New Charter also intends **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]**

[END HIGHLY CONFIDENTIAL INFORMATION] Finally, within twelve months of closing, New Charter intends to offer a minimum broadband offering of 60 Mbps in areas that are all-digital at the time of closing.⁶

As can be expected, however, a transition will be needed, among other things, to **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]**

[END HIGHLY CONFIDENTIAL INFORMATION] As a result, Charter anticipates initially introducing its packaging and pricing strategies within twelve months to TWC and BHN areas that are all-digital at closing, and continuing to roll out the marketing strategy to new areas as they are upgraded to all-digital.⁷

Extending Charter's pricing and packaging methodology to New Charter will provide numerous benefits. After the merger, TWC and BHN subscribers will enjoy simplified monthly prices and will remain free from contracts which can result in early termination fees or usage-based billing. New Charter's simplified packaging and pricing approach is also likely to increase customer satisfaction. Indeed, after Charter implemented uniform pricing based on the factors previously discussed, it **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]**

[END HIGHLY CONFIDENTIAL INFORMATION] Improvements in customer satisfaction have also been confirmed in independent surveys, as reflected in Appendix A. According to the investment firm Cat Rock Capital Management, since 2013 there has been a measurable increase in the percentage of Charter's broadband customers who are "highly satisfied" with its broadband speed and reliability—particularly as compared to other major broadband providers.

⁴ See Response of Charter Communications, Inc., to Information and Data Requests Dated September 21, 2015, at 353 (Oct. 13, 2015) (Request 32).

⁵ See *id.* at 352-53.

⁶ See *Application of Charter Communications, Inc., Time Warner Cable Inc., and Advance/Newhouse Partnership for Consent to the Transfer of Control of Licenses and Authorizations*, Public Interest Statement, MB Dkt. No. 15-149, at 19 (July 25, 2015) ("Public Interest Statement").

⁷ See *id.* at 19-20.

⁸ See Response of Charter Communications, Inc., to Information and Data Requests Dated September 21, 2015, at 234-235 (Oct. 13, 2015) (Request 73(d)-(e)).

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Importantly, while a new pricing and packaging plan will be offered to TWC and BHN subscribers, those subscribers will not be forced to change their current plan. Current TWC and BHN subscribers who prefer to retain their services on their existing pricing or move to new pricing at Rack Rates at the expiration of any promotional period may do so.

II. Standalone Broadband Pricing

Charter's pricing for its standalone broadband service is subject to the same general methodology discussed previously. New Charter does not anticipate this approach to change.

A. Charter's Current Standalone Broadband Pricing

Charter currently offers its standalone broadband at a base speed of 60 Mbps, for a promotional rate that transitions to a nationally uniform retail price after twelve months.⁹ As with bundled prices, this pricing methodology **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]**

[END

HIGHLY CONFIDENTIAL INFORMATION]

B. New Charter's Standalone Broadband Pricing

Charter has a history of providing quality high-speed broadband throughout its footprint at attractive prices to customers. For example, Charter successfully increased its minimum speed tier from 1 Mbps in 2011, to the current base speed of 60 Mbps in 2014. This change was driven by a **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]**

[END HIGHLY CONFIDENTIAL INFORMATION] Moreover, Charter increased speeds throughout its footprint regardless of which competitors serve a particular geographic market.

Consistent with Charter's current practices, New Charter intends to offer a standalone broadband service at speeds of 60 Mbps without data caps, usage-based pricing, modem fees, or early termination fees throughout its footprint.¹⁰ Charter also has a higher-speed offering at 100 Mbps, and New Charter likewise intends to have a single higher tier, **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]**
[END HIGHLY CONFIDENTIAL INFORMATION]

Currently, Charter has no plans to increase the price of its standalone broadband offering. Moreover, because included in Charter's pricing and packaging model is the strategic goal of national pricing, competition in one market benefits consumers in areas where the local competitor (e.g., ILEC, CLEC, or municipality) is offering lower value broadband offerings. Consumers in those markets tend to receive the benefit of competition's effects on prices in other Charter markets, as Charter seeks to lift price-adjusted quality levels across the board.

⁹ See Response of Charter Communications, Inc., to Information and Data Requests Dated September 21, 2015, at 234 (Oct. 13, 2015) (Request 73(c)) (providing more specific pricing information on Charter's standalone broadband).

¹⁰ See Public Interest Statement at 7-8.

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Please contact me if you have any questions regarding these matters.

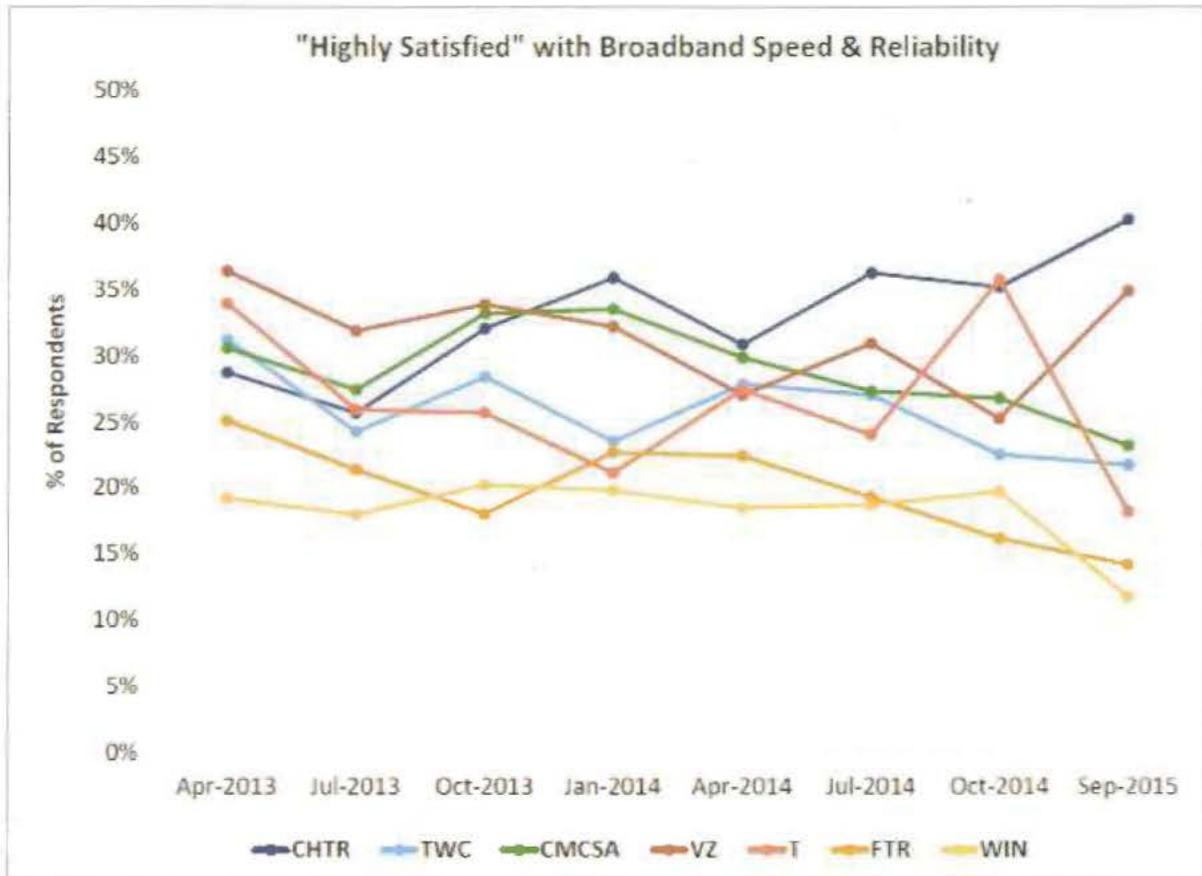
Sincerely,

/s/ John L. Flynn

John L. Flynn

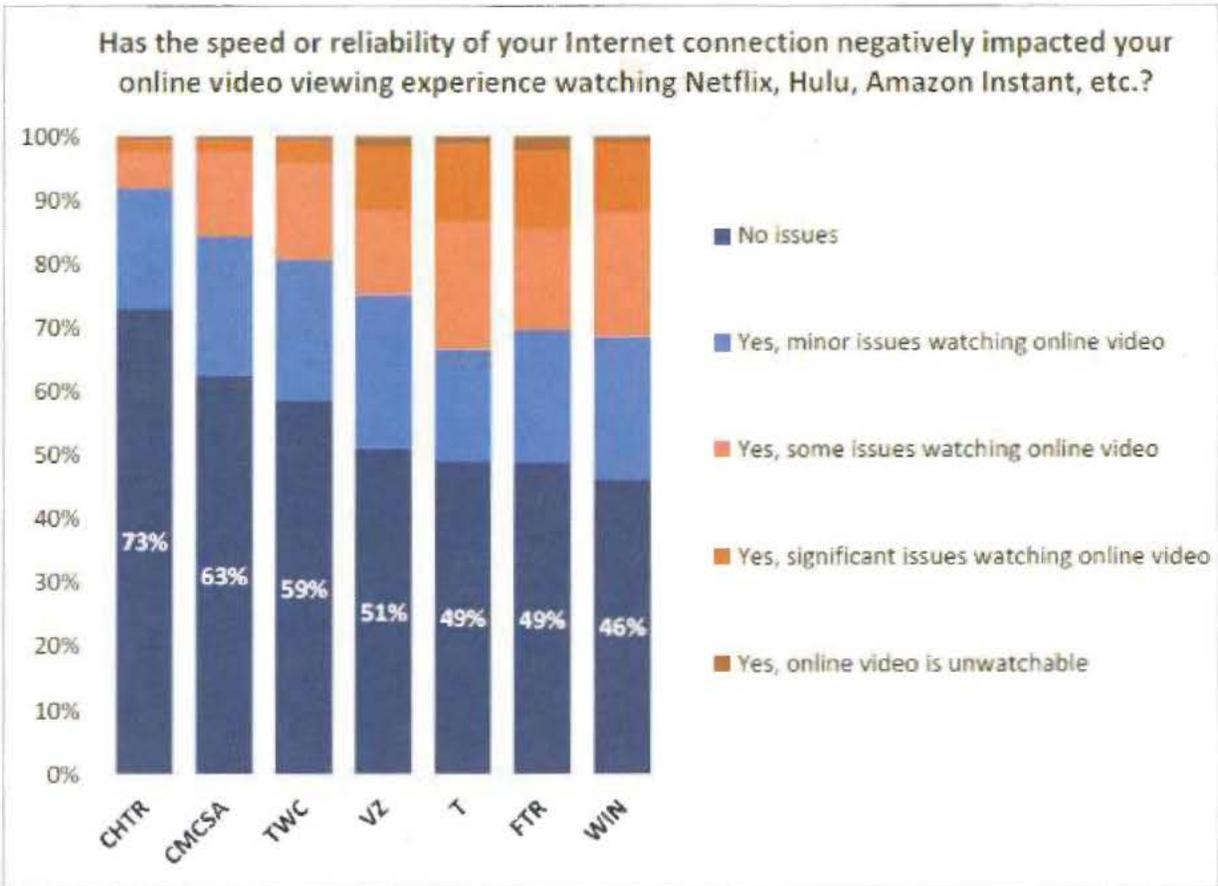
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APPENDIX A



Source: Survey conducted by Dectiva on behalf of Cat Rock Capital Management LP, October 2015

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Source: Survey conducted by Dectiva on behalf of Cat Rock Capital Management LP, October 2015