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February 16, 2016

VIA ECFS

John L. Flynn
Tel +1 202 639 6007
Fax +1 202 661 4967
jflynn@jenner.com

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:

This letter provides further detail regarding the merger-specific public interest benefits that will result from increased commercial competition, as described in Charter's December 4, 2015 letter to the Commission ("December 4 Letter").[1] Specifically, this letter includes additional information regarding Charter's calculation of the number of multi-site business customers that it would not be economical for Charter, Time Warner Cable, or Bright House Networks to serve individually, but whose business New Charter will be able to compete for as a result of the Transaction. In addition, this letter explains the basis for Charter's calculation that businesses newly eligible for New Charter's lower rates could save approximately **[BEGIN HIGHLY CONFIDENTIAL INFORMATION] [END HIGHLY CONFIDENTIAL INFORMATION]** per year through Charter's **[BEGIN HIGHLY CONFIDENTIAL INFORMATION] [END HIGHLY CONFIDENTIAL INFORMATION]** promotion.

<u>Estimation of Additional Multi-Site Business Customers.</u>

In its December 4 Letter, Charter estimated that New Charter will become an additional competitive service provider for approximately **[BEGIN HIGHLY CONFIDENTIAL**

[1] Letter from John L. Flynn to Marlene H. Dortch, Secretary, FCC, MB Docket No. 15-149 (Dec. 4, 2015).

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INFORMATION] **[END HIGHLY CONFIDENTIAL INFORMATION]** to **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]** **[END HIGHLY CONFIDENTIAL INFORMATION]** multi-site businesses that it would not be economical for any of the three companies to serve absent the Transaction. To develop this estimate, Charter analyzed proprietary data in order to determine how many businesses have **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]** **[END HIGHLY CONFIDENTIAL INFORMATION]** or more of their locations within the New Charter footprint but not within any of the three companies' footprint individually.[2] As explained further below, Charter reasonably used the **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]** **[END HIGHLY CONFIDENTIAL INFORMATION]** threshold based on its experience that the ability to serve a majority of a multi-site customer's locations (1) is generally necessary to Charter being able to offer a competitively priced solution, and (2) accords with customer preference.[3] Charter has also incorporated the **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]** **[END HIGHLY CONFIDENTIAL INFORMATION]** threshold into guidance and tools being developed for its sales team.

Being unable to directly serve at least **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]** **[END HIGHLY CONFIDENTIAL INFORMATION]** of a potential customer's business locations makes it difficult for Charter to offer competitive pricing to those businesses. To the extent that Charter cannot directly serve a given location of a multi-site business, it must partner with other providers in order to ensure that all locations receive the

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[2] Data provided by Charter's vendor include each business's individual locations at the five-digit ZIP code level and identify the MSO that offers service in the relevant five-digit ZIP code. If more than one MSO operates within that five-digit ZIP code, the data identify the MSO that covers the greater portion of the five-digit ZIP code ("MSO1") as well as the MSO that covers a lesser proportion of the five-digit ZIP code ("MSO2"). Using that data, Charter identified individual business locations with an MSO1 or MSO2 categorization of Charter, TWC, or BHN and assigned that location to each Applicant. Charter then applied the **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]** **[END HIGHLY CONFIDENTIAL INFORMATION]** threshold on a business-by-business basis, identifying multi-site businesses with fewer than a majority of locations within any individual Applicant's footprint but that will have a majority of locations located within the New Charter footprint. *See* December 4 Letter at 2.

[3] *See* December 4 Letter at 1-2; Third Supplemental Response of Charter Communications, Inc. to Information and Data Requests Dated September 21, 2015, at 33 (MB Docket No 15-149 (Nov. 3, 2015); *see also* Response of Charter Communications, Inc. to Information and Data Requests Dated September 21, 2015, at 327, MB Docket No. 15-149 (Oct. 13, 2015) ("New Charter's expanded footprint will enable it to provide an attractive unified service to regional and super-regional businesses whose offices are clustered in areas now split between Charter, TWC, and BHN footprints.").

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support needed to ensure full functionality of the customer's network. But the coordination of multiple networks and personnel, among other things, increases the transaction costs associated with that customer and, as a result, increases the price that Charter must charge in order to recoup an acceptable financial return from that customer relationship. Likewise, partnering with other providers means charging a higher price because of double marginalization—namely, the retail price offered to a customer will include not only Charter's profit margin, but also the profit margin of the wholesale supplier that Charter must engage to serve the customer. Taken together, these factors mean that Charter often is not in a position to offer an attractive proposal when it cannot directly serve at least **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]** **[END HIGHLY CONFIDENTIAL INFORMATION]** of a potential customer's locations.

In addition, in Charter's experience, enterprise customers generally prefer to engage providers who can serve at least **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]** **[END HIGHLY CONFIDENTIAL INFORMATION]** of the customer's business locations within their footprint. When a provider cannot do so, **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]**

[END HIGHLY CONFIDENTIAL INFORMATION] Accordingly, customers tend to engage a provider that is able to reduce these complexities and thereby provide a more seamless customer experience.

Because Charter is able to offer more competitive pricing and better accommodate customer preference where it can serve as many business locations as possible, Charter has**[BEGIN HIGHLY CONFIDENTIAL INFORMATION]**

[END HIGHLY CONFIDENTIAL INFORMATION][4] **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]**

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4 **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]** **[END HIGHLY CONFIDENTIAL INFORMATION]**

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[END HIGHLY CONFIDENTIAL INFORMATION][5]

<u>Estimation of Annual Savings to Eligible Business Customers.</u>

In its December 4 Letter, Charter estimated that the expanded availability of Charter's **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]** **[END HIGHLY CONFIDENTIAL INFORMATION]** pricing post-Transaction could save newly eligible businesses who take advantage of that pricing approximately **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]** **[END HIGHLY CONFIDENTIAL INFORMATION]** annually. In order to calculate that figure, Charter assumed that **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]** **[END HIGHLY CONFIDENTIAL INFORMATION]** of the approximately **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]** **[END HIGHLY CONFIDENTIAL INFORMATION]** newly eligible businesses would take advantage of New Charter's **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]** **[END HIGHLY CONFIDENTIAL INFORMATION]** rates, and that those businesses would enroll in New Charter's **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]** **[END HIGHLY CONFIDENTIAL INFORMATION]** service plan, offered at **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]** **[END HIGHLY CONFIDENTIAL INFORMATION]** per month. Charter then compared that price to price data for comparable offerings on the market in order to calculate the total potential savings associated with the Transaction.

Charter's assumption that **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]** **[END HIGHLY CONFIDENTIAL INFORMATION]** of newly eligible customers would sign up for service at **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]** **[END HIGHLY CONFIDENTIAL INFORMATION]** rates was a conservative estimate based in part on **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]**

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[5] **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]** **[END HIGHLY CONFIDENTIAL INFORMATION]** is attached as Exhibit A.

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[END HIGHLY CONFIDENTIAL INFORMATION] Additionally, since filing the December 4 Letter, Charter has **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]** **[END HIGHLY CONFIDENTIAL INFORMATION]** that confirms the **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]** **[END HIGHLY CONFIDENTIAL INFORMATION]** estimate is both reasonable and conservative. **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]**

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Charter's use of the 100 Mbps service for its analysis was also conservative. In its December 4 Letter, Charter calculated price savings to newly eligible customers by assuming that each new customer to sign up would choose the **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]** **[END HIGHLY CONFIDENTIAL INFORMATION]**, which is priced at **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]** **[END HIGHLY CONFIDENTIAL INFORMATION]** per month. Charter made that assumption conservatively because, among the various **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]** **[END HIGHLY CONFIDENTIAL INFORMATION]** plans, the unbundled 100 Mbps option offers customers the *least* cost savings compared to Charter's estimate of the average monthly price of comparable services available on the market. Based on Charter's estimates, the average monthly price available on the market is **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]** **[END HIGHLY CONFIDENTIAL INFORMATION]** for a 100 Mbps service and **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]** **[END HIGHLY CONFIDENTIAL INFORMATION]** for a 1 Gbps service. Charter developed these estimated averages, which it also **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]** **[END HIGHLY CONFIDENTIAL INFORMATION]**, using **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]** **[END HIGHLY CONFIDENTIAL INFORMATION]**[6] Because the sample group average reflected in the

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[6] **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]** **[END HIGHLY CONFIDENTIAL INFORMATION]**

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December 4 Letter includes **[BEGIN HIGHLY CONFIDENTIAL INFORMATION] [END HIGHLY CONFIDENTIAL INFORMATION]** pricing, which is less expensive than the average cost of similar services offered by other providers, cost savings to businesses that sign up at **[BEGIN HIGHLY CONFIDENTIAL INFORMATION] [END HIGHLY CONFIDENTIAL INFORMATION]** rates may be even greater on average than Charter estimated in its December 4 Letter.

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

Sincerely,

/s/ John L. Flynn

John L. Flynn
Counsel for Charter Communications, Inc.

Attachment (Redacted)

cc: Vanessa Lemmé