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February 18, 2016

BY ELECTRONIC FILING

Marlene H. Dortch, Secretary
Federal Communications Commission
445 Twelfth Street, SW
Washington, DC 20554

Re: Notice of *Ex Parte* Communication in MB Docket No. 15-216

Dear Ms. Dortch:

On February 16, I met on behalf of the American Television Alliance with Michelle Carey, Martha Heller, and Diana Sokolow of the Media Bureau. We discussed the following subjects raised in ATVA's filings and in our meeting on January 20 with Media Bureau staff.[1]

- The relationship between retransmission consent rates and MVPD prices.
- The FCC's authority to restrict out-of-market joint negotiations.
- ATVA's proposal to prohibit blackouts prior to marquee events.
- ATVA's proposal to permit temporary importation of distant signals.
- CBS's recent letter, in which it claims (among other things) that broadcast programming is never "blacked out" because it is always available online—even though CBS itself perpetrated perhaps the worst online blackout in history.

1. Retransmission Consent Fees and MVPD Prices.

We discussed at length the relationship between retransmission consent fees and the retail rates charged by MVPDs. Congress has tasked the Commission with "establish[ing] regulations to govern the exercise by television broadcast stations of the right to grant retransmission consent,"[2] with an eye toward "the impact that the grant of retransmission consent by television

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[1] Letter from Michael Nilsson to Marlene Dortch (filed Jan. 22, 2016). Unless otherwise indicated, all documents cited in this letter were filed in MB Docket No. 15-216.

[2] 47 U.S.C. § 325(b)(3)(A).

stations may have on the rates for the basic service tier."[3] As ATVA and others have described, this statutory provision gives—and has always given—the Commission both the authority and the duty to address a wide range of broadcaster misbehavior.[4]

ATVA has designed its proposals to limit the frequency of broadcaster blackouts and the harm they cause viewers. More specifically, ATVA seeks to prevent broadcasters from using blackouts "tactically"—that is, as a weapon with which to hold innocent viewers hostage and thereby force MVPDs to pay artificially high rates. Of course, if the Commission limits the use of this tactical weapon, broadcasters may have less leverage to raise their fees. From the viewer's perspective, however, this is a feature of ATVA's approach, not a bug.

ATVA, moreover, had thought the economic evidence indisputable that higher retransmission consent fees lead to higher consumer bills—and that, conversely, relief from retransmission consent rate hikes will lead to relief on consumer bills. Yet broadcasters continue to deny any relationship between the rates they charge and the prices consumers pay. They argue instead that, to the extent Commission action induces them to moderate retransmission consent rates, this will merely "put more money in the pockets" of large MVPDs.[5]

The Commission has at least four pieces of evidence demonstrating that broadcasters are wrong. The first is its own determination last year in *AT&T-DIRECTV*. In that proceeding, Applicants had claimed that the transaction would result in a reduction in programming costs, at least some of which the merged company would be expected to pass through to its customers. The Commission agreed.[6]

Second is the economic evidence—submitted in the *AT&T-DIRECTV* proceeding and elsewhere—that overwhelmingly supports this conclusion. We have collected some of that evidence here for the Commission's review.

- **Exhibit A** contains an excerpt from the public version of the Applicants' Opposition from *AT&T-DIRECTV*, in which former FCC Chief Economist Michael L. Katz explained, "[i]t is a well-established principle taught in freshman economics courses that

[3] *Id.* The Commission must also ensure that its regulations do not conflict with its obligation to ensure that rates for the basic service tier are reasonable. *Id.*

[4] *E.g.*, Comments of the American Television Alliance at 54 (filed Dec. 1, 2015) ("ATVA Comments").

[5] Reply Comments of the National Association of Broadcasters at 1 (filed Jan. 14, 2016) ("NAB Reply Comments").

[6] *AT&T Inc. and DIRECTV*, 30 FCC Rcd. 9131, ¶ 290 (2015) ("We find it likely that some of the programming payment reductions will be passed through to subscribers and, as discussed below, that some portion of such reductions may help in funding FTTP expansion.").

even a monopolist . . . has incentives to pass through marginal cost decreases to consumers in whole or in part."[7]

- **Exhibit B** contains the public version of a white paper submitted by the *AT&T-DIRECTV* Applicants further describing the economics of pass-through.[8]

- **Exhibit C** contains an abstract from one of the most important recent articles from the economic literature on the subject. (The actual article is available for purchase.[9]) This article explains how, under conditions of both perfect competition and monopoly, firms will pass through cost reductions, although the amount by which they are expected to do so depends on elasticities of supply and demand.

Third is the strong relationship between rising retransmission consent rates and rising prices paid by consumers for the cable basic tier, which by law consists principally of broadcast programming.[10] **Figure 1**, below, depicts that relationship, based on recent year-by-year data from SNL Kagan (for retransmission consent rates)[11] and the Commission (for cable basic tier prices).[12] **Exhibit D** contains the raw data. As the data show, increases in basic tier prices have tracked increases in retransmission consent rates almost perfectly over of the last five years for which data is available.[13]

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[7] Joint Opposition of AT&T Inc. and DIRECTV to Petitions to Deny and Condition and Reply to Comments, *AT&T Inc. and DIRECTV*, MB Docket No. 14-90, An Economic Assessment of AT&T's Proposed Acquisition of DIRECTV: Reply Declaration of Michael L. Katz ¶ 21 (filed Oct. 16, 2014).

[8] AT&T Inc. and DIRECTV, Content Cost Savings Will Result in Both Improved Profitability and Pass Through to Consumers, White Paper, 11-12, attached to Letter from Maureen R. Jeffreys to Marlene H. Dortch, MB Docket No. 14-90 (filed Nov. 12, 2014).

[9] E. Glen Weyl and Michal Fabinger, *Pass-Through as an Economic Tool: Principles of Incidence under Imperfect Competition*, 121 J. Pol. Econ. 528, 548 (2013), *available for purchase at* http://www.jstor.org/stable/10.1086/670401?seq=1#page_scan_tab_contents.

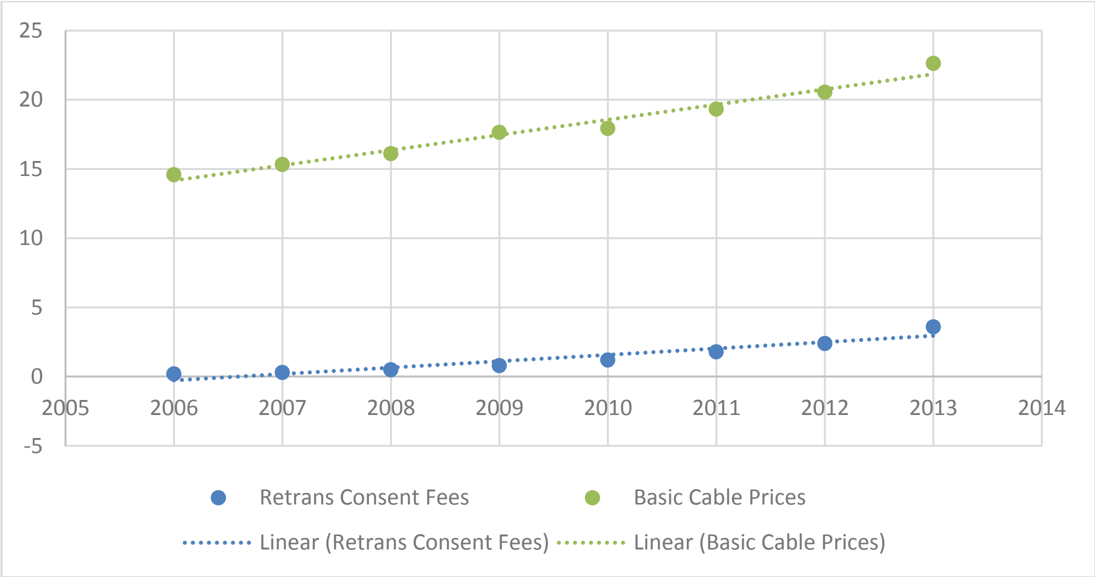
[10] 47 U.S.C. § 543(b)(7).

[11] SNL Kagan, *Economics of Broadcast TV Revenue 2015 Edition*, 4 (July 2015) ("*2015 SNL Kagan Report*") (on file with authors).

[12] *Implementation of Section 3 of the Cable Television Consumer Protection and Competition Act of 1992*, Report on Cable Industry Prices, DA 14-672, MM Docket No. 92-266, at 10 Table 3 (rel. May 16, 2014).

[13] The data show a weaker correlation in individual years, which possibly reflects the timing of MVPD pass through.

Figure 1: Relationship Between Retransmission Consent Rates and Basic Tier Prices



Fourth is the evidence that many MVPDs, especially smaller providers who are members of the American Cable Association, *explicitly* pass through at least some retransmission consent fees using line items.[14] **Exhibit E** contains sample bills from ATVA members Suddenlink and AT&T. ATVA notes, in addition, that it and its members supported "Local Choice" draft legislation in 2014 that, among other things, would have required MVPDs to pass through all retransmission consent fees without markup.[15] Were MVPDs' interest in retransmission consent

[14] Reply Comments of WTA—Advocates for Rural Broadband (filed Jan. 14, 2016) ("If MVPDs are able to stem the rising tide of retransmission consent fees they will no longer be forced to pass along cost . . . by way of . . . broadcast fees added to customer bills."); *see also* Marcia Breen, *Cable and Satellite TV Costs Will Climb Again in 2016*, NBC News (Dec. 22, 2015, 4:19 PM), http://www.nbcnews.com/business/business-news/cable-satellite-tv-costs-will-climb-again-2016-n484531 (noting that "broadcast TV fee" "covers the cost of retransmission fees that over-the-air broadcast TV networks . . . charge cable companies . . . ."); Tricia Duryee, *Why Comcast Just Added a $1.50 "Broadcast TV Fee" to your Monthly Bill*, GeekWire (July 23, 2014, 10:57 AM), http://www.geekwire.com/2014/comcast-just-added-1-50-broadcast-tv-fee-bill/ (noting that "'Broadcast TV Fee,' the new line item" is "due to broadcast 'retransmission costs . . . ."); Time Warner Cable, Business Class FAQ page, https://business.timewarnercable.com/support/resources/billing/taxes_and_fees/general/broadcast-tv-surcharge.html (explaining that "separate line item for Broadcast TV surcharges" is "due to the significant increases broadcasters charge"); AT&T, Your First U-Verse Bill Charges, https://www.att.com/esupport/article.html#!/u-verse-tv/KM1052649 (explaining that "Broadcast TV Surcharge" "helps recover a portion of the amount local broadcasters charge AT&T to carry their channels.").

[15] *See* ATVA Statement on "Local Choice" Proposal, http://www.americantelevisionalliance.org/atva-statement-on-local-choice-proposal/ (stating that "local choice" proposal "would provide consumers with great choice and transparency and would end retrans blackouts once and for all"); ACA

pricing merely about "revenue enhancement,"[16] they presumably would have not supported such an approach.

The Commission, then, has already decided that programmer pricing (and, by extension, broadcaster pricing) affects MVPD subscribers. The economic evidence overwhelmingly supports this conclusion. So too does the Commission's data as well as the explicit billing practices of many MVPDs. In the face of this evidence, the Commission's duty under Section 325 as it relates to the basic service tier pricing is clear. Each of ATVA's proposals would restrict broadcast behavior that ultimately results in higher MVPD prices. By moderating this behavior, the Commission can expect to help moderate those prices.

2. Joint Negotiation.

We also discussed the Commission's authority to restrict out-of-market joint negotiation.[17] Broadcasters claim that the Commission cannot do so because Congress in STELAR prohibited *in-market* joint negotiations.[18] Because Congress included in-market joint negotiation, the argument goes, it must have meant to exclude out-of-market negotiation.

In this instance, however, it is completely clear why the legislation focused on in-market negotiations. Congress was codifying the recently passed Commission rule regarding a single subject: in-market joint negotiation.[19] Nothing about this codification indicates that Congress intended to touch on subjects other than those covered by the Commission's original rule. Rather, Congress left intact the same statutory authority under which the Commission issued the original in-market rule in the first place.

Statement On Local Choice Provisions in Senate Draft STAVRA Bill (Sept. 5, 2014), http://www.americancable.org/node/4956 ("ACA greatly appreciates the fact that Sens. Rockefeller and Thune, working in a bipartisan fashion, have decided that the status quo characterized by too many TV signal blackouts and escalating consumer costs for local TV signals needs to be changed."); Press Release, Charter Communications (Sept. 8, 2014), http://phx.corporate-ir.net/phoenix.zhtml?c=112298&p=irol-newsArticle&ID=1964982 ("We commend Chairman Rockefeller and Ranking Member Thune . . . . The current retransmission consent regime is broken, and the Senators' legislative proposal offers a clear and simple fix.").

16 *See* NAB Reply Comments at 1.

17 ATVA Comments at 48.

18 *E.g.*, Comments of the E.W. Scripps Co. at 17 (filed Dec. 1, 2015).

19 *Amendment of the Commission's Rules Related to Retransmission Consent*, 29 FCC Rcd. 3351 (2014).

The Broadcasters' argument also ignores that under the *Chevron* doctrine,[20] the agency is expected to fill gaps in Congress's scheme—gap-filling is not "excluded," but encouraged.[21] *Chevron* is rooted in a background presumption of congressional intent: namely, "that Congress, when it left ambiguity in a statute" administered by an agency, "understood that the ambiguity would be resolved, first and foremost, by the agency."[22] Here, Congress did not "precisely" limit the FCC's jurisdiction—indeed, it did not adopt any language limiting the Commission at all. To the contrary, it directed the Commission to engage in a "robust examination" of *all* retransmission consent negotiation practices.[23] Where Congress called for such a broad examination, it is plainly "permissible" for the Commission to look at out-of-market joint negotiations.

Indeed, it is far more than "permissible." As the Affiliate Associations themselves point out, it is the "the right and responsibility of [individual stations] to negotiate retransmission consent" under Section 325 of the Communications Act.[24] If the Associations' characterization is correct (as we think it is), preventing stations from delegating this "right and responsibility" to others cannot possibly be an "impermissible" construction of the statute.

3. Marquee Programming.

We briefly discussed ATVA's proposal to restrict blackouts prior to marquee events.[25] Nexstar's recent threat to block Cox Cable's Las Vegas viewers from watching the Super Bowl[26] represents only the latest in a long history of shakedowns involving marquee programming. ATVA believes such conduct should—at a minimum—presumptively violate the good-faith rules.

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[20] *Chevron, U.S.A. Inc. v. Nat. Res. Def. Council, Inc.*, 467 U.S. 837 (1984). Under *Chevron*, a court must first must determine "whether Congress has directly spoken to the precise question at issue." "If the intent of Congress is clear, that is the end of the matter; for the court, as well as the agency, must give effect to the unambiguously expressed intent of Congress." But "if the statute is silent or ambiguous with respect to the specific issue, the question for the court is whether the agency's answer is based on a permissible construction of the statute." *Id.* at 842-43.

[21] *See, e.g., George E. Warren Corp. v. EPA*, 159 F.3d 616, 623 (D.C. Cir. 1998) (where Congress told the EPA to consider air quality in promulgating gasoline regulations, permitting agency to also consider other factors).

[22] *City of Arlington, Tex. v. F.C.C.*, 133 S. Ct. 1863, 1868 (2013) (citing *Smiley v. Citibank (South Dakota), N.A.*, 517 U.S. 735, 740-41 (1996)).

[23] S. Rep. No. 113-322, at 13 (2014) (emphasis added).

[24] Comments of the ABC Television Affiliates Association *et al.* at 45 (filed Dec. 1, 2015) ("Affiliates Comments").

[25] ATVA Comments at 47.

[26] *See* Letter from Mike Chappell to Marlene Dortch (filed Feb. 3, 2016).

At various points in this proceeding, however, broadcasters have suggested both that it is impossible to articulate a definition of "marquee" programming[27] and that ATVA's proposed formulation is too broad.[28] The Affiliate Associations, for example, ask: "[I]f 'marquee event' windows are calculated as broadly as MVPDs propose, what days would be left [for us to black out our signals]?"[29] We consider this a curious question from an organization that assures the Commission how well the market is working. If the market were truly working, broadcasters would not have to worry about when they should be allowed to black out signals.[30]

In any event, ATVA's proposal is quite simple. It would prohibit blackouts seven days before, and one day after, events with a Nielson "Persons 2 +" live and same-day rating of 7.00. It also covers "comparable programming" to anticipate circumstances (like football games) in which one year's event may not be identical to an obviously corresponding event from the previous year.

4. Temporary Importation of Distant Signals.

We briefly discussed ATVA's proposal to permit the temporary importation of distant signals during retransmission consent disputes.[31] In particular, we discussed the mechanics of how such a proposal might work for cable operators and satellite carriers, as described in ATVA's initial comments.[32]

5. CBS's Recent Letter.

We also briefly discussed CBS's recent letter, in which it suggests that MVPDs in this proceeding seek "rescue" from the "rough and tumble of the marketplace."[33] ATVA[34] and its members[35] have already demonstrated that, to the extent a retransmission consent "marketplace" exists at all, it is a unique one in which the government has given broadcasters powerful

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[27] Affiliates Comments at 34-35.

[28] Reply Comments of the ABC Television Affiliates Association *et al.* at 26 (filed Jan 14, 2016).

[29] *Id.* at 27.

[30] *Id.* at iv.

[31] ATVA Comments at 49.

[32] *Id*. at 49-50.

[33] Letter from CBS Corp. to Marlene Dortch (filed Feb. 10, 2016) ("CBS Letter").

[34] ATVA Comments at 4-5.

[35] Comments of Time Warner Cable, Inc. at 1-2 (filed Dec. 1, 2015) ("Time Warner Cable Comments"); *see also* Reply Comments of DIRECTV, Inc. and DISH Network L.L.C., MB Docket No. 10-71 (filed June 3, 2010) (rebutting broadcaster claims that retransmission consent exists in a "free market").

advantages. ATVA has also shown that, when broadcasters seek to protect these regulatory advantages, they use language *very* different from CBS's law-of-the-jungle approach here.[36]

Of most interest to ATVA, however, was CBS's claim that broadcast programming is "never blacked out" because it is always available over-the-air *and online*.[37] CBS, of course, perpetrated the largest online blackout in history—during which CBS's programming was decidedly *not* available online to millions of Time Warner Cable Internet customers.[38] If CBS has decided that it will no longer engage in such behavior, we look forward to its endorsement of ATVA's online blocking proposal.

* * *

ATVA appreciates the opportunity to discuss its proposals with staff and urges the Commission to adopt them as soon as possible.

Respectfully submitted,

/s/
Michael Nilsson
Counsel to the American Television Alliance

cc (by email):

Michelle Carey
Martha Heller
Diana Sokolow

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36 ATVA Reply Comments at 4.

37 CBS Letter at 2 ("[Broadcast] content is never 'blacked out' completely to any American consumer and is always available through other distribution platforms, including broadcast *and OTT*.") (emphasis added).

38 Time Warner Cable Comments at 23 (describing CBS's online blackout of Time Warner Cable Internet customers).

EXHIBIT A

AN ECONOMIC ASSESSMENT OF AT&T'S PROPOSED ACQUISITION OF DIRECTV

Reply Declaration of Michael L. Katz

October 15, 2014

deployment of FTTP broadband profitable, further benefiting consumers. This would be a significant consumer benefit because content costs are the biggest component of an MVPD's marginal cost.[35]

19. Although there is general agreement that the merger will allow AT&T to achieve lower content costs, some petitioners claim this cost reduction will not benefit consumers because: (a) the cost savings will not be passed on to consumers; (b) AT&T's savings will cause other programmers to pay higher costs for content; or (c) the proposed transaction will lead to reduced output and lower programming quality due to the exercise of monopsony power. As I now discuss, these claims are not supported by evidence or economic logic.

1. Content cost savings will be passed on to consumers.

20. Consider first the argument that the cost savings will not be passed through to consumers in the form of lower prices.[36] Petitioners make several versions of this argument, each of which is fatally flawed.

21. DISH and Free Press claim that the level of competition in the industry is insufficient for pass through of cost savings to occur.[37] The claim that a supplier with market power will not pass through cost reductions in the form of lower quality-adjusted prices lacks any support in economic theory. Content costs, which are contractually structured on a per-subscriber, per-

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35 AT&T's content costs accounted for **[BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION]** **[END AT&T HIGHLY CONFIDENTIAL INFORMATION]** of its variable recurring video costs in 2013. (*Lee Declaration*, ¶ 18.)

36 *DISH Petition* at 12; *Free Press Petition* at 25-28; *Cox Petition* at 6-7; *WGAW Petition* at 14.

37 *DISH Petition* at 12-13; *Free Press Petition* at 2, 24, and 28.

month basis, are marginal costs. It is a well-established principle taught in freshman economics courses that even a monopolist—which the merged entity manifestly would not be—has incentives to pass through marginal cost decreases to consumers in whole or in part.[38] In fact, economic theory does not generally predict that a firm competing in a concentrated market will likely pass through less of the cost savings than a firm in a more competitive market. Indeed, a perfectly competitive firm facing a highly elastic demand curve will pass through essentially none of its firm-specific cost savings, while a monopolist typically will find it profitable to lower its price in response to a decline in marginal cost, passing through at least some of the cost reduction.[39, 40]

22. Free Press cites statistics indicating that Comcast earns higher operating margins than either Time Warner Cable or Charter and argues that, because Comcast is generally believed to

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38 *See*, *e.g.*, Jeremy I. Bulow and Paul Pfleiderer (1983) "A Note on the Effect of Cost Changes on Prices," *Journal of Political Economy*, **91**(1): 182-85.

39 *See*, *e.g.*, Paul L. Yde and Michael G. Vita (1996), "Merger Efficiencies: Reconsidering the 'Passing-On' Requirement," *Antitrust Law Journal*, **64**(3): 735-47, or virtually any microeconomics textbook.

40 It should be observed that the conclusion that marginal cost savings will be passed through to consumers is based on the same logic that finds upward pricing pressure from a merger. Under that theory, the upward pricing pressure from a merger is equivalent to that associated with an increase in marginal cost, namely, the "cannibalization cost" associated with sales diverted from the merger partner. (*See*, *e.g.*, Joseph Farrell and Carl Shapiro (2010), "Antitrust Evaluation of Horizontal Mergers: An Economic Alternative to Market Definition," *The B.E. Journal of Theoretical Economics*, **10**(1): 1-39.) Hence, any argument that marginal cost changes are not passed-through also logically implies that the upward pricing pressure from the merger will not lead to higher prices.

Attempts to construct a theory under which a firm passes through cost increases but not cost decreases would not salvage a misguided attempt to claim that upward pricing pressures arise but that cost savings are not passed on to consumers—content costs are likely to rise over time with or without the merger. The relevant factor for economic welfare is how the proposed transaction would affect the paths of price and cost changes over time. The merger can be expected to slow the rise in marginal costs and, thus, slow the rise in retail prices.

V. CONCLUSION

79. For the reasons described above, the comments and petitions to deny or modify the proposed transaction that I have reviewed (along with the relevant economic literature, economic theory, and empirical evidence) do not change the conclusions described in my initial declaration, including my overall conclusion that the proposed transaction will generate substantial consumer benefits and does not pose a significant threat of harm to competition.

I declare, under penalty of perjury, that the foregoing is true and correct.

Michael L. Katz
October 15, 2014

EXHIBIT B

REDACTED - FOR PUBLIC INSPECTION

CONTENT COST SAVINGS WILL RESULT IN BOTH IMPROVED PROFITABILITY AND PASS THROUGH TO CONSUMERS

Submitted by

AT&T Inc. and DIRECTV

November 12, 2014

I.
<u>Overview</u>

This paper explains how content cost savings from the transaction will result in lower prices for consumers *and* improved profit and margins for AT&T.

Section II.A below explains that AT&T analyzes the profitability of its products and services, including U-verse video and broadband, using standard financial methods, including fully allocated cost accounting consistent with Generally Accepted Accounting Principles (GAAP). As discussed in Section II.B, AT&T financial documents, prepared in the ordinary course of business, consistently confirm that, using these standard methodologies, the revenues from the stand-alone U-verse video service do not cover its costs. Finally, Section II.C identifies internal reports and studies showing that video sales lead to increased broadband sales.

Section III explains that downward pricing pressure and increased margin are not mutually exclusive. Fundamental principles of economics teach that decreases in marginal cost will result in *both* reduced prices for the consumer *and* higher profits for the supplier. As Section III.A explains, this is because, when marginal costs decline, there is not only downward pressure on prices, but the supplier's profit-maximizing output level increases. In fact, as demonstrated in Section III.B, the merger simulations in this matter confirm this outcome. Professors Berry and Haile have concluded that, at **[BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION]** **[END AT&T HIGHLY CONFIDENTIAL INFORMATION]** in cost savings per subscriber per month, the combined AT&T/DIRECTV will pass through more than **[BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION]** **[END AT&T HIGHLY CONFIDENTIAL INFORMATION]** of those savings, while

AT&T's overall video margins and total video profits would increase. This is all in addition to other transaction-specific consumer benefits, which are discussed in Section III.C.

II.
<u>AT&T's Video Business Is Unprofitable</u>

A. How AT&T Measures Profitability and Allocates Costs and Revenues

AT&T tracks the profitability of U-verse video, U-verse broadband, and bundles including those services in terms of earnings before interest, taxes, depreciation, and amortization ("EBITDA") and operating income (EBITDA less depreciation and amortization).[1] To determine earnings for purposes of these profitability calculations, AT&T must determine its revenue and costs.

AT&T attributes revenue to each element of a bundle separately, rather than recording revenue for the bundle as a whole.[2] Consistent with GAAP, the revenue, net of discounts, is allocated based on each product's relative list price. Thus, revenue for each product is recognized as the list price minus the product's share of the discount.[3] **[BEGIN AT&T CONFIDENTIAL INFORMATION]**

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1 *See, e.g.*, ATT-FCC-01445197, *U-verse Product Margins* (2014) **[BEGIN AT&T CONFIDENTIAL INFORMATION]**

[END AT&T CONFIDENTIAL INFORMATION]

2 U-verse video revenue consists of both customer subscription fees and AdWorks advertising sales revenue, which is wholly allocated to the video product but is not broken down by customer, as AdWorks revenue comes from advertisers rather than U-verse customers.

3 *See, e.g.*, Financial Accounting Standards Board Accounting Standards Update No. 2009-13—Revenue Recognition (Topic 605) ("The amendments in this update . . . require that arrangement consideration be allocated at the inception of the arrangement to all deliverables using the relative selling price method. The relative selling price method allocates any discount in the arrangement proportionately to each deliverable on the basis of each deliverable's selling price.")

[END AT&T CONFIDENTIAL INFORMATION]

In determining costs, AT&T uses fully allocated cost accounting to measure and manage the U-verse business. That methodology allocates all of the costs associated with the product or service, including both variable costs, such as direct labor and materials, and fixed costs, such as corporate overhead.

Certain costs are directly allocable to a single product. For instance, content acquisition costs are fully allocable to U-verse video because that is the only service that uses the content. Other costs such as those of the common network used for U-verse video, broadband, and VoIP must be apportioned among those products. AT&T also allocates support service costs, such as those of the AT&T human resources and legal departments, among the various U-verse products.

Under AT&T's standard accounting protocols, there are different allocation formulas and methodologies that apply to different common costs in the ordinary course. Those allocation formulas and methodologies are reviewed regularly by the Finance Department with the various businesses to ensure costs are allocated in a principled and economically rational way.

In most cases, AT&T business units allocate common costs to products using one of three methods as it determines makes the most sense in the ordinary course of business, *i.e.*, consistent with how AT&T manages that business on a day-to-day basis. First, costs may be divided proportionally among products based on the relative revenue of each product to the enterprise. Second, allocation may be based on the number of customers using each product. Third, costs may be divided based on estimates and studies of the time spent by shared services employees supporting each product.

For example, common variable network costs—such as costs associated with customer-initiated technician repair or an installation technician's time installing U-verse video and broadband equipment at a customer location—are allocated using the methods described above. Customer-initiated technician repair is allocated based on the second method described above. The overall number of repair hours for U-verse broadband, video, and voice products are disaggregated according to the count of customers for each product. Installation technician time is allocated based on the third method described above. The costs of a technician's time installing a bundle of products is allocated to each product by applying the ratio of the installation times required for each product to the total installation time.

Common fixed network costs are similarly allocated by the number of customers using the product. To determine how fixed costs should be allocated, AT&T divides its network both geographically (a maintenance depot with a defined service area) and by the components of the network, *e.g.*, fiber and copper. AT&T treats each subscriber and service equally as a single unit, without weighting. **[BEGIN AT&T CONFIDENTIAL INFORMATION]**

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B. AT&T Documents Confirm U-verse Video Is Not Profitable

Internal AT&T data, using the standard methodologies described above, confirm that U-verse video is not, **[BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION]** **[END AT&T HIGHLY CONFIDENTIAL INFORMATION]** a profitable service.[4] These product-level profit and loss statements are prepared monthly as backup for reports to management on the U-verse business.

The reports show that **[BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION]**

[END AT&T HIGHLY CONFIDENTIAL INFORMATION]

Of course, AT&T managers, like many businesses, sometimes use other measures to get particular views of certain aspects of their operations. **[BEGIN AT&T CONFIDENTIAL INFORMATION]**

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4 *See, e.g.*, ATT-FCC-01445197, *U-verse Product Margins*.

5 *Id.*

6 *Id*.

[END AT&T CONFIDENTIAL INFORMATION]

C. AT&T Sells Video To Sell Broadband

AT&T has studied the impact of sales of AT&T products, such as U-verse video, on the sales or profitability of other products, such as U-verse broadband. AT&T has produced numerous reports and studies addressing that issue to the Commission.[7] Those studies show that **[BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION]**

[END AT&T HIGHLY CONFIDENTIAL INFORMATION]— and, therefore, most valuable to AT&T—as a complement to broadband service as part of a bundle.[8] FCC Chairman Tom Wheeler recently commented on the same correlation, stating:

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[7] *See, e.g.*, ATT-FCC-00739712, *Consumer Research: Part I, Bundling Strategy* at 15 (Feb. 2011) **[BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION]** **[END AT&T HIGHLY CONFIDENTIAL INFORMATION]** *See also, e.g.*, ATT-FCC-00414403, *AT&T Video Strategy* at 10 (Apr. 3, 2013) **[BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION]** **[END AT&T HIGHLY CONFIDENTIAL INFORMATION]** (parentheses in original); ATT-FCC-00541257, *Video Strategy: U-verse Evolution* at 2 (May 17, 2013) **[BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION]** **[END AT&T HIGHLY CONFIDENTIAL INFORMATION]** Declaration of Lori M. Lee, Senior Executive Vice President–Home Solutions, AT&T Inc. ¶15 (June 10, 2014) (stating that offering bundles allows for the recovery of high content costs for video services from a larger revenue base).

[8] *See generally* discussion in *Additional Evidence That Video and Broadband Are Economic Complements*, AT&T Inc., MB Dkt No. 14-90 (filed Nov. 12, 2014).

> Those seeking to deploy new competitive broadband networks tell us that it's hard to provide new high-speed Internet access without also being able to offer a competitive video package as well.[9]

III.

<u>The Merger Will Result in Pass Through of Efficiencies to Consumers</u>

AT&T will pass through content cost savings from the merger to consumers *and* will use those savings to improve video's profitability. The conclusion that both consumers and AT&T will benefit from those savings is compelled by basic economic principles recognized by the Commission and the antitrust agencies. Here, moreover, that result is strongly confirmed by sophisticated econometric analysis. In particular, Professors Berry and Haile have shown that, in addition to downward pricing pressure created by the combination of complementary products and assets, content cost savings will create additional strong downward pricing pressure. The result is that, at **[BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION] [END AT&T HIGHLY CONFIDENTIAL INFORMATION]** of content cost savings per subscriber per month, more than **[BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION] [END AT&T HIGHLY CONFIDENTIAL INFORMATION]** of those cost savings would be passed on to consumers, while AT&T's overall video margins and total video profits would increase.[10] In other words, the prices paid by consumers will fall at the same time that AT&T's

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[9] Tom Wheeler, FCC Chairman, *Tech Transitions, Video, and the Future*, Official FCC Blog (Oct. 28, 2014), *available at* http://www.fcc.gov/blog/tech-transitions-video-and-future.

[10] *Quantitative Analysis of an AT&T-DIRECTV Merger*, Presentation of Steve Berry and Phil Haile at 14-18 (filed July 17, 2014) ("Berry-Haile July 15 Quantitative Analysis Presentation"); *Quantitative Analysis of an AT&T-DIRECTV Merger: Additional Discussion of Modeling Choices, Data, and Results,* Steven T. Berry and Philip A. Haile at 8 (filed Sept. 23, 2014) ("Berry-Haile Quantitative Analysis"); *Quantitative Analysis of an AT&T-DIRECTV Merger: Updated Results*, Presentation of Steve Berry and Phil Haile at 16-18 (filed Sept. 23,
(Continued...)

margin rises. Both consumers and AT&T will benefit from the content cost savings.

A. Fundamental Economics Teaches That Marginal Cost Savings Derived from Efficiencies Are Passed Through to Consumers

It is a foundational principle of economics that marginal cost savings benefit consumers.[11] When marginal costs decrease, each additional unit of output that a firm can supply is less costly, creating an opportunity for the firm to increase its profits by expanding output. All else equal, when supply increases, prices fall and consumer surplus increases.[12] That is why the Commission has stated that "reductions in marginal cost are more likely to result in lower prices to consumers."[13] Similarly, the Antitrust Division of the Department of Justice and the FTC have recognized that "[e]conomic analysis teaches that price reductions are expected when efficiencies reduce the merged firm's marginal costs."[14] Thus, some pass through of cost

2014) ("Berry-Haile Sept. 19 Quantitative Analysis Update Presentation"); Reply Declaration of Michael L. Katz ¶ 24 & n.46 (Oct. 15, 2014) ("Katz Reply Decl."); *see also* Declaration of Michael L. Katz ¶¶ 85-92 (June 11, 2014) ("Katz Decl.") (describing the positive effects of the transaction on consumer welfare).

[11] *See, e.g.*, Dennis W. Carlton & Jeffrey M. Perloff, *Modern Industrial Organization* at 571 (4th ed. 2005).

[12] *See, e.g.*, Robert S. Pindyck & Daniel L. Rubinfeld, *Microeconomics* at 26-27 (7th ed. 2009).

[13] *AT&T and BellSouth Corporation, Application for Transfer of Control*, Memorandum Opinion and Order, 22 FCC Rcd 5662, 5761 ¶ 202 (2007). *See also*, *e.g.*, *Applications of AT&T Inc. and Atlantic Tele-Network, Inc., for Consent to Transfer Control of and Assign Licenses and Authorizations*, Memorandum Opinion and Order, 28 FCC Rcd 13,670, 13,706 ¶ 66 (WTB/IB 2013).

[14] U.S. Department of Justice & Federal Trade Commission, *Commentary on the Horizontal Merger Guidelines* at 57 (2006). Indeed this basic principle underlies the theory that a merger of firms selling substitute products leads to upward pricing pressure ("UPP"). UPP following a merger derives from an increase in the marginal cost of selling an additional unit of output. *See* Katz Reply Decl. ¶ 21 n.40. In particular, the marginal cost effectively increases when sales are (Continued...)

savings in the form of lower prices is entirely consistent with increased firm profit.

Moreover, the pass through rate is not positively correlated with how competitive the industry is.[15] As Professor Katz explains:

> It is a well-established principle taught in freshman economics courses that even a monopolist–which the merged entity manifestly would not be–has incentives to pass through marginal cost decreases to consumers in whole or in part. In fact, economic theory does not generally predict that a firm competing in a concentrated market will likely pass through less of the cost savings than a firm in a more competitive market.[16]

Thus, regardless of the level of competition in the industry, marginal cost savings from a merger will put downward pressure on prices.

Consistent with these basic tenets of economics, the Horizontal Merger Guidelines recognize that "incremental cost reductions may reduce or reverse any increases in the merged firm's incentive to elevate price" and that "[e]fficiencies also may lead to new or improved products, even if they do not immediately and directly affect price."[17] Here, the Katz and Berry-Haile merger simulations demonstrate that, even before cost savings are taken into account, there

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diverted from the merger partner. By the same reasoning, a marginal cost decrease creates downward pricing pressure.

[15] Phillip E. Areeda & Herbert Hovenkamp, *Antitrust Law* ¶ 971b ("In virtually all circumstances a firm with market power pockets some of the gains resulting from efficiencies and passes some on . . . .").

[16] Katz Reply Decl. ¶ 21. *See also generally* Jeremy I. Bulow & Paul Pfleiderer, *A Note on the Effect of Cost Changes on Prices*, 91 J. Pol. Econ. 182 (1983); Paul L. Yde & Michael G. Vita, *Merger Efficiencies: Reconsidering the "Passing-On" Requirement*, 64 Antitrust L.J. 735 (1996); Nathan H. Miller, Matthew Osborne & Gloria Sheu, *Pass Through in a Concentrated Industry: Empirical Evidence and Policy Implications*, Mimeo (Oct. 6, 2014).

[17] U.S. Department of Justice & the Federal Trade Commission, *Horizontal Merger Guidelines* at 29 (2010).

is *no* consumer harm to offset.[18] The pass through of content cost savings to customers is over and above the benefits that will accrue because of complementarities in the products supplied by the combined firms.[19]

B. The Berry-Haile Analysis Predicts That Consumer Prices Will Fall and AT&T's Video Profits Will Improve

The Berry-Haile merger simulation demonstrates that the pass through of savings to consumers is likely to be quite significant. The simulation does not *assume* pass through, but demonstrates it through the demand estimations driven by industry data. To derive the simulation's implied pass through rate, Professors Berry and Haile compared the post-merger change in the price of the AT&T video and broadband bundle assuming a **[BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION] [END AT&T HIGHLY CONFIDENTIAL INFORMATION]** per subscriber per month reduction in content costs with the price of the same bundle assuming no change in those costs. That analysis found that, for a **[BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION] [END AT&T HIGHLY CONFIDENTIAL INFORMATION]** reduction in video costs, AT&T would pass on **[BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION] [END AT&T**

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18 *See generally* Berry-Haile July 15 Quantitative Analysis Presentation; Berry-Haile Sept. 19 Quantitative Analysis Update Presentation; Katz Reply Decl. ¶¶ 2, 56-58.

19 Berry-Haile Quantitative Analysis at 7-8 ("[A]n unusual feature of this merger is the presence of complementarities that work against the usual pricing pressures that can result from a merger. As a consequence, even before consideration of merger efficiencies, the sign of the effect on consumer welfare is ambiguous from theory alone. The results in [our modeling] indicate that with no cost efficiencies the merger would still be beneficial (or at least neutral) for consumers.").

HIGHLY CONFIDENTIAL INFORMATION] to consumers in the form of lower prices.[20] AT&T would retain only the remaining **[BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION]** **[END AT&T HIGHLY CONFIDENTIAL INFORMATION]** of cost savings as increased profits and margin.

The simulation also estimates the combined company's increase in output and the amount of total incremental profit earned on existing and incremental subscribers. It indicates that **[BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION]** **[END AT&T HIGHLY CONFIDENTIAL INFORMATION]** in cost savings would produce nearly **[BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION]** **[END AT&T HIGHLY CONFIDENTIAL INFORMATION]** additional subscriptions and approximately **[BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION]** **[END AT&T HIGHLY CONFIDENTIAL INFORMATION]** in total incremental profit. Thus, the analysis bears out economic theory that the combined company will split the cost savings between lower consumer prices and improved video profits and margins.

The lower price and higher profit effects hold across a range of content cost decreases. While the degree of pass through will vary at different levels of cost savings based on the shape of the demand curve, at any amount there will be some pass through as well as some profit improvement. To illustrate this point, we examined the annual content cost savings modeled by AT&T in its valuation of the transaction, and used the merger simulation model to calculate the associated pass through rates. AT&T's internal synergies model **[BEGIN AT&T HIGHLY**

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[20] Berry-Haile Sept. 19 Quantitative Analysis Update Presentation at 100c, 102, 111; *see also* Katz Reply Decl. ¶ 24 & n.46.

CONFIDENTIAL INFORMATION]

[END AT&T HIGHLY CONFIDENTIAL INFORMATION] Table 1 depicts the corresponding effect that savings at these levels would have on prices, shares, output, profit margins, and total incremental profit implied by the Berry-Haile merger simulation.[22]

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[END AT&T HIGHLY CONFIDENTIAL INFORMATION]

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21 *See* ATT-FCC-01640438; ATT-FCC-01645622 at Tab "Content Costs".

22 The calculations were run using the Berry-Haile simulation with three nesting parameters. The price, share, output, profit margin, and total incremental profit margin are reported based on the merger simulation's output at a projected level of cost savings. The simulation does not account for dynamic changes over time. Thus, projections are based on the associated level of pass through assuming the given cost savings were achieved today.

23 Incremental profit has two components. First, for each unit it sells, the company earns an additional profit (measured by the profit margin effect times the total units sold). Second, because the company lowered prices and increased output, it sells more units and earns a profit on each unit (measured by the output effect times the total profit).

The data thus confirm that each year prices will go down while profits increase and margins improve.

C. The Transaction Will Lead to Increased Output and Improved Quality

Consumers will also benefit from the cost savings through broadband infrastructure expansion.[24] As a result of the cost savings created by the merger, AT&T will expand Fiber to the Premises wireline broadband service to at least 2 million more customer locations than it would absent the merger. Those same cost savings will lead the combined company to deploy fixed wireless local loop technology to bring high-speed broadband to approximately 13 million largely rural customer locations. This, in turn, will lead to lower quality-adjusted prices in addition to those predicted by the merger simulation, which will stimulate even greater demand.

AT&T also will have increased incentives to invest in improved video services. For example, by combining DIRECTV's engineering expertise, experience in video packaging, and set-top box technology with AT&T's broadband networks and experience, the merged company will be better positioned to provide an improved video product, including more sophisticated interactive services, OTT services, and user interfaces. AT&T expects these improvements will be attractive to consumers and as a result, more consumers will buy bundles of integrated services.

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[24] These benefits have been described extensively in AT&T's prior submissions to the Commission. *See, e.g.*, Description of the Transaction, Public Interest Showing, and Related Demonstrations at 39-45 (June 11, 2014); Declaration of John T. Stankey, Group President and Chief Strategy Officer AT&T Inc. ¶¶ 33-55 (June 10, 2014); Katz Decl. ¶¶ 125-35; Joint Opposition of AT&T Inc. and DIRECTV to Petitions to Deny and Condition Reply to Comments at 19-27 (Oct. 16, 2014); Katz Reply Decl. ¶¶ 34-45.

IV.
<u>Conclusion</u>

For the foregoing reasons, this merger will make AT&T's unprofitable video service more profitable and will also result in lower prices, enhanced quality, and expanded output.

EXHIBIT C

Pass-Through as an Economic Tool: Principles of Incidence under Imperfect Competition

E. Glen Weyl

University of Chicago

Michal Fabinger

University of Tokyo

We extend five principles of tax incidence under perfect competition to a general model of imperfect competition. The principles cover (1) the independence of physical and economic incidence, the (2) qualitative and (3) quantitative manner in which taxes are split between consumers and producers, (4) the determinants of tax pass-through, and (5) the integration of local incidence to determine the overall division of surplus. We show how these principles can be used to simplify and generalize the analysis of a range of economic questions such as the optimal

procurement of new markets and the welfare effects of third-degree price discrimination.

The working paper version of this article went, for a period, under the name "A Restatement of the Theory of Monopoly." While many colleagues have provided valuable and in some cases detailed comments, special debts are due to Kevin Murphy (who originally inspired the work), Tony Atkinson and Faruk Gul (for suggesting the subtitle and title of the article, respectively), Luciano de Castro and Michael Salinger (for excellent formal conference discussions), Mark Armstrong, David Atkin and Dave Donaldson (for suggesting new results), Jesse Shapiro (for suggesting ways of reframing the paper), and above all Jeremy Bulow (for more things than can be listed here). Weyl is grateful to the Milton Fund, the Harvard Real Estate Academic Initiative, and the Marion Ewing Kauffman Foundation for their financial support, which made possible the excellent research assistance provided by Miguel Espinosa, Ahmed Jaber, Rosen Kralev, Andrew Kramer, Stephanie Lo, Yali Miao, Toan Phan, Daichi Ueda, and William Weingarten. All errors are our own.

[*Journal of Political Economy*, 2013, vol. 121, no. 3]

EXHIBIT D

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

In the Matter of	)	
	)	
Implementation of Section 3 of the Cable Television Consumer Protection and Competition Act of 1992	)	MM Docket No. 92-266
	)	
Statistical Report on Average Rates for Basic Service, Cable Programming Service, and Equipment	)	

REPORT ON CABLE INDUSTRY PRICES

Adopted: May 16, 2014 **Released: May 16, 2014**

By the Chief, Media Bureau:

TABLE OF CONTENTS

Table 3
Historical Averages
1995-2013

Year	Basic Svc. Price	Expanded Basic Service					Next Most Popular Service and Equipment	CPI	
		Price	Channels		Price per Channel			All Items	Cable
			No.	Index	Dollars	Index			
1995	---	$22.35	44.0	100.0	0.600	100.0	---	100.0	100.0
1996	---	$24.28	47.0	106.8	0.610	101.7	---	103.0	106.9
1997	---	$26.31	49.4	112.3	0.630	105.0	---	105.2	114.9
1998	$12.06	$27.88	50.1	113.9	0.650	108.3	$38.58	107.0	122.6
1999	$12.58	$28.94	51.1	116.1	0.650	108.3	$38.43	109.3	127.0
2000	$12.84	$31.22	54.8	124.5	0.660	110.0	$39.64	113.3	132.9
2001	$12.84	$33.75	59.4	135.0	0.600	100.0	$45.33	116.4	139.1
2002	$14.45	$36.47	62.7	142.5	0.660	110.0	$46.59	118.1	147.8
2003	$13.45	$38.95	67.5	153.4	0.650	108.3	$49.03	121.2	157.1
2004	$13.80	$41.04	70.3	159.8	0.660	110.0	$51.76	123.5	163.1
2005	$14.30	$43.04	70.5	160.2	0.620	103.3	$56.03	127.2	169.6
2006	$14.59	$45.26	71.0	161.4	0.650	108.3	$59.09	132.2	174.4
2007	$15.33	$47.27	72.6	165.0	0.670	111.7	$60.27	135.0	179.0
2008	$16.11	$49.65	72.8	165.5	0.680	113.3	$63.66	140.8	183.9
2009	$17.65	$52.37	78.2	177.7	0.710	118.3	$67.92	140.8	186.5
2010	$17.93	$54.44	117.0	204.7	0.560	110.3	$71.39	144.5	191.9
2011	$19.33	$57.46	124.2	217.3	0.569	112.0	$75.37	146.9	192.0
2012	$20.55	$61.63	149.9	262.2	0.505	99.4	$78.91	151.2	199.8
2013	$22.63	$64.41	159.6	279.2	0.484	95.3	$81.64	153.6	206.5
1995-2013 Total and Compound Average Annual Rate of Change									
Total	---	188%	---	179%	---	-5%	---	54%	107%
Average	4.3%	6.1%	---	5.9%	---	-0.3%	5.1%	2.4%	4.1%

Source: Attachment 7.

18. The survey collects data on a "family-friendly" package of channels specifically marketed as a substitute for expanded basic. A number of operators offer such a programming service as an alternative targeted toward subscribers who may object to some of the programming on expanded basic. Survey responses show that the typical family package offers fewer channels than expanded basic and requires a converter or other digital gateway. Some operators bundle the digital equipment with the family-friendly package, while in other cases it is leased separately. Typically, the family-friendly package includes basic service and some, but not all, of the channels included in expanded basic service. It also includes some channels included in the next most popular service or other programming service package. Operators offered an average of 76 channels in a family-friendly package, compared to 54 channels for basic service and 160 channels for expanded basic service. While 51 percent of subscribers had the option to elect a family-friendly package, fewer than one percent subscribed, the others electing basic or expanded basic service. While this low percentage likely reflects a number of factors, the data indicate that family-friendly packages generally lack sports programming (*e.g.* ESPN) and thus many

ECONOMICS OF BROADCAST TV RETRANSMISSION REVENUE

2015 EDITION

SNL Kagan

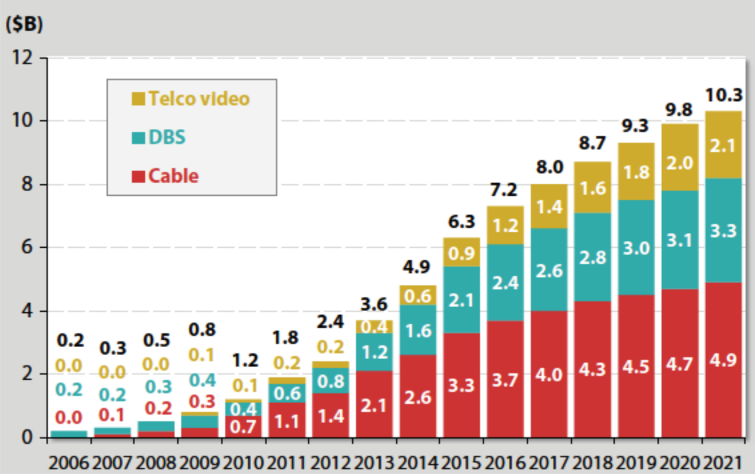
One SNL Plaza, Charlottesville, VA 22902 | Phone: 866 296.3743 | www snlkagan.com

Published July 2015 | ISBN: 978-1-939835-468

However, that is not stopping the broadcast station groups from distributing their own content online. On June 9, it was announced that Disney's ABC Owned Television Station Group, Cox Media Group, Hearst Television, Media General and Raycom Media have created a new venture named NewsON. The service is expected to launch to the public in the fall of 2015 and will offer free, ad-supported live and same-day local TV newscasts on demand to consumers' mobile and selected connected TV devices across 112 participating news stations in 84 U.S. markets.

Sinclair's station group, which is notably absent from the CBS All Access platform, is working on its own OTT strategy, which it plans to announce sometime in the third quarter of 2015. Sinclair's Faber said at the company's investor day that OTT is developing differently from retrans in that the networks are first talking directly to the OTT players. However, the networks have no ability to give them access to the linear feed of the affiliate stations without the stations being involved in the negotiations. Faber added that in the case of Sony, it wants the whole linear programming stream including news and syndicated content, which will include a payment for the local station. Apple's rumored OTT service faces similar challenges in its hopes to add linear feeds of broadcast TV programming across the country.

Broadcast retransmission fee projections through 2021



As of June 2015.

Our updated projections call for retrans revenues to rise from $4.86 billion in 2014 to $6.30 billion in 2015 and $7.21 billion in 2016. By the end of the projection period in 2021, our forecast for retrans revenues is $10.29 billion, representing 31.0% of total TV station revenues, up from 23.0% in 2015.

But despite the revenue stream's growth, by 2018 the projected $8.66 billion in retrans fees should equate to 15.5% of the $56.05 billion we project multichannel operators will pay to basic cable networks and regional sports nets that year, despite the much higher ratings for broadcast content.

EXHIBIT E

CONTACT US: 1-866-659-2861 | suddenlink.com

Service Period	Due Date	Total Due
12/28 - 01/27	01/17/2016	$146.74

Access Code - 2010
Account Number: [redacted]

Service Address:
[redacted]
SYLVESTER WV 25193-0000

PREVIOUS STATEMENT BALANCE	$305.68
TOTAL PAYMENTS	-305.68
MONTHLY CHARGES	133.66
TAXES AND FEES	13.08
TOTAL BALANCE DUE	**$146.74**

By bundling, you saved $101.80 this month!
Includes promotional savings and package discounts.

Thank you for being a VIPperks customer.
Priority # 866-659-2861
VIP=Video, Internet & Phone

Please detach and enclose this coupon with your payment

PO BOX 1220
SCOTT DEPOT, WV 25560

Account Number	Payment Due Date	Total Amount Due	Amount Paid
[redacted]	01/17/2016	$146.74	

Please allow up to 3 days to process your payment once it is received. Payment of this bill confirms your acceptance of the Residential Services Agreement, viewable at suddenlink.com

6040 0400 NO RP 28 12222015 YNNNNNNY 01 001055 0003
[redacted]

0202000140004743770216001 4674

SUDDENLINK
PO BOX 742535
CINCINNATI, OH 45274-2535

suddenlink

CONTACT US: 1-866-659-2861 | suddenlink.com
Account Number: [redacted]

Charge detail for billing period Dec 28 - Jan 27

PREVIOUS ACTIVITY			
	Previous Statement Balance		305.68
11/30/15	Payment - Thank You		-146.28
12/20/15	Payment - Thank You		-159.40
MONTHLY CHARGES			**133.66**
		Qty	
	Triple Play Includes: SL200 With HD Receiver, Showtime/The Movie Channel, Digital Service, Internet Access, Broadband Internet 50mbps, Home Phone Unlimited		111.00
	Sports & Info Package	1	9.00
	Sports Plus Package	1	3.00
	SL DigitaLink	1	0.00
	Broadcast Station Surcharge	1	7.66
	Sports Programming Surcharge	1	3.00
TAXES AND FEES			**13.08**
Video			
	Franchise Fee		4.36
	State Sales Tax		5.29
	FCC Fee		0.08
	Public Service Commission		0.01
Telephone			
	State Sales Tax		0.87
	Federal Universal Service Fee		0.42
	911 Fee		2.00
	FCC Regulatory Fee		0.01
	Federal Cost Recovery Fee		0.04
TOTAL DUE			**146.74**

Share the love! Tell all your family and friends how much you love Suddenlink and we'll reward you BOTH with $25 in service credit for each service they sign up for. Go to suddenlink.com/referral for eligibility and program rules and to refer those friends. It's easy.

Please note that there has been a change to some taxes and fees, so your total balance may be different from your previous month's bill.

VIDEO CLOSED CAPTION - Please call 844-271-8300 to report a Video Closed Caption issue. You may also fax your issue to 866-721-7595, email it to closedcaption@suddenlink.com, or send it to Customer Experience Manager, 520 Maryville Center Drive, Suite 300, St. Louis, MO 63141.

If your check is returned for insufficient funds, you expressly authorize your account to be electronically debited or bank drafted for the amount of the check plus an insufficient funds fee of $25.00. The use of a check for payment is your acknowledgement and acceptance of this policy and its terms and conditions.

Payments not received by the due date on this statement may be treated as delinquent and assessed a late fee of up tp $5.00 and/or disconnected. If disconnected, additional fees and a deposit may be required to reconnect.

U-verse TV

AT&T U-verse TV U300 all included - Monthly plan includes up to 4 receivers, HD and DVR services.

Monthly Charges - Aug 17 thru Sep 16

1. AT&T U-verse TV U300 all included (12 Month Promotional Price) (Expires 08/16/2016)	75.00

Other Charges and Credits

Plan Changes
Added 08/16

2. AT&T U-verse TV U300 all included (12 Month Promotional Price) (Expires 08/16/2016) *This plan with promotional offer(s) is $75.00 per month. You added this plan on 08/16. You are charged at the new plan rate from 08/16 - 08/16.*	2.50

One-Time Charges

Date	Description	
3. 08/16	Service Activation Fee	49.00

Surcharges and Other Fees

4. Broadcast TV Surcharge	3.99
5. Regulatory Video Cost Recovery Charge	0.08
Total Surcharges and Other Fees	4.07

Government Fees and Taxes

6. FL Gross Receipts Tax	3.10
7. FL Local Communications Tax	7.61
8. FL State Communications Tax	6.63
Total Government Fees and Taxes	17.34

Total Other Charges & Credits	**72.91**
Total U-verse TV	**147.91**

U-verse Internet

AT&T High Speed Internet Max Plus - provides speed and reliability; and includes built-in wireless home networking capability, access to the entire national AT&T Wi-Fi network, 11 email accounts, photo storage, AT&T Security Suite powered by McAfee*, pop-up blocker, and parental controls.

Reward Card Reminder - Thanks for being a U-verse member. Please visit att.com/rewardinfo to learn about the Visa® Reward Card process and to find answers to frequently asked questions.

Monthly Charges - Aug 17 thru Sep 16

1. AT&T U-verse Internet Max Plus	57.00
2. AT&T U-verse Internet Max Plus (Bundle Discount with $50 Reward or Amazon Prime) (Expires 08/16/2016)	32.00CR
Total Monthly Charges	**25.00**

Other Charges and Credits

Plan Changes
Added 08/16

3. AT&T U-verse Internet Max Plus *This plan is $57.00 per month. You added this plan on 08/16. You are charged at the new plan rate from 08/16 - 08/16.*	1.90
4. AT&T U-verse Internet Max Plus (Bundle Discount with $50 Reward or Amazon Prime) (Expires 08/16/2016) *This promotional offer is a $32.00 discount per month. You added this promotion on 08/16. You are credited the discount amount from 08/16 - 08/16.*	1.07CR
Total Plan Changes	0.83

Total Other Charges & Credits	**0.83**
Total U-verse Internet	**25.83**

News You Can Use

WIRELESS GATEWAY
The Wireless Gateway is the central component for AT&T U-verse services. Make sure the Wireless Gateway air vents are not blocked and keep liquids away.

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