BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, DC

In re	)	
	)	
Petition to Show Cause	)	CSC No. __________
KJLA, LLC	)	
	)	
Against CCO SoCal I, LLC	)	
	)	
	)	
	)	

To: The Secretary
Attn: Chief, Media Bureau

PETITION FOR ISSUANCE OF ORDER TO SHOW CAUSE

KJLA, LLC ("KJLA"), the licensee of Full-Service Television Station KJLA, Ventura, California ("KJLA" or the "Station"), by its attorneys and pursuant to Section 76.7 of the Commission's Rules, hereby requests that the Media Bureau issue an Order to Show Cause requiring CCO SoCal I, LLC, a subsidiary of Charter Communications, Inc. ("Charter") to demonstrate why Charter should not be ordered to resume carriage of the Station's digital signal to Charter's analog service subscribers in the Los Angeles DMA until such time as Charter provides adequate notice to both KJLA and Charter's subscribers of the removal of KJLA from Charter's analog cable service, and, further, until Charter provides adequate information and affordable equipment enabling Charter's analog service subscribers to access KJLA on Charter's cable service. In support thereof, KJLA states as follows.

In *Carriage of Digital Television Broadcast Signals: Amendment to Part 76 of the Commission's Rules*, Fifth Report and Order (the "2012 Viewability Order"),[1] the Commission revisited its original viewability rule, adopted in 2007, which required cable operators with hybrid systems to carry digital must-carry signals in an analog format for the benefit of analog service subscribers.[2] In the 2012 Viewability Order, the Commission decided to allow the 2007 viewability rule to sunset and it reinterpreted the Communications Act of 1934, as amended, to permit cable operators to rely upon additional equipment, such as Digital Transport Adapters ("DTAs") or similar technological means, to satisfy the must-carry signal viewability requirement set forth in Section 614(b)(7) of the Act.[3] According to the Commission:

> [W]e now find that the most reasonable interpretation of the statute is that an operator of a hybrid system may comply with the viewability mandate by carrying a must-carry signal in a format that is capable of being viewed by analog customers either without the use of additional equipment or alternatively with equipment made available by the cable operator at no cost or at an affordable cost that does not substantially deter use of the equipment.[4]

The Commission supported its decision to abandon the 2007 viewability rule by citing changes in technology and the marketplace as well as the assurances of cable operators that neither must-carry stations nor analog subscribers would be harmed by the Commission's relaxed standards.[5] Specifically, cable operators pledged to the Commission to give affected broadcasters a minimum of 90 days' prior notice before undertaking any carriage changes, to provide affected subscribers with DTAs or similar equipment at little or no additional monthly expense, and to

1 27 FCC Rcd 6529 (2012), *Petition for Review Pending.*

2 *Carriage of Digital Television Broadcast Signals: Amendment to Part 76 of the Commission's Rules*, Third Report and Order and Third Further Notice of Proposed Rulemaking, 22 FCC Rcd 21064 (2007) ("2007 Viewability Order").

3 *See* 47 U.S.C. § 534(b)(7) (stating that broadcast signals subject to mandatory carriage "shall be viewable via cable on all television receivers of a subscriber which are connected to a cable system by a cable operator for which a cable operator provides a connection").

4 2012 Viewability Order at ¶ 11.

5 *See id.* at ¶¶ 15, 17.

provide analog subscribers with "ample" notice of such equipment requirements and offers.[6] In reaching its decision, the Commission also relied upon the following unequivocal assurance from cable operators: "[a]s cable commenters explain, a must-carry signal carried only in digital format would still be included in the basic service tier; analog cable subscribers would not be required to subscribe to an enhanced tier of service to view the digital version of a must-carry channel."[7] The expectations of the Commission and the promises of cable operators could not be clearer. As noted by the Commission, the efficacy of its new statutory interpretation "hinges on a cable operator making equipment available at no cost or an affordable cost," which "will ensure that subscribers on hybrid systems may continue to access [broadcast station] signals at little or no additional expense."[8]

In November 2012, KJLA learned of Charter's intention to convert the Station's signal to digital-only format on Charter's cable systems on or after February 12, 2013. Unfortunately,

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6 *Id. See also* NCTA *Ex Parte* (dated Jun. 8, 2012) in CS Docket No. 98-120 at 2 (stating the commitment of the eight largest cable operators, which includes Charter, to providing at least 90 days' advance notice to must-carry stations whose signals the operators wish to stop carrying in analog format); NCTA *Ex Parte* (dated May 17, 2012) in CS Docket No. 98-120 at 2 (stating cable operators' commitment to making low-cost set-top boxes available to analog-only households and to providing "ample" notice to affected subscribers of set-top box offers).

Beyond cable operators' pledges, the Commission's Rules establish hard deadlines for notices to must-carry stations and cable system subscribers affected by cable system changes. *See, e.g.,* 47 C.F.R. § 76.1601 (requiring cable operators to "provide written notice to any broadcast television station at least 30 days prior to either deleting from carriage or repositioning that station…Such notification shall also be provided to subscribers of the cable system"); 47 C.F.R. § 76.1603(b) (requiring cable operators (i) to notify customers of any changes in rates, programming services or channel positions "as soon as possible in writing," (ii) to give customers notice at least 30 days in advance of any such changes if the change is within the control of the cable operator, and (iii) to notify subscribers 30 days in advance of any significant changes in other information listed in Section 76.1602); 47 C.F.R. § 76.1602(b) (listing customer service-general information to include (1) products and services offered and (2) prices and options for programming services and conditions of subscription to programming and other services).

7 *Id.* at ¶ 15.

8 *Id.*

KJLA did not obtain this information from Charter, as required by law, but from analog subscribers and other affected broadcasters. Charter's failure to provide proper notification to KJLA violates the notice requirements in Section 76.1601 of the Commission's Rules, and marks a clear departure from the commitments cable operators made to the Commission.[9]

Since learning of Charter's plans, KJLA has monitored Charter's efforts to educate affected subscribers of Charter's changes in local market television station carriage. KJLA has also attempted to ascertain the cost of the DTAs or other equipment Charter is offering to analog subscribers. The picture KJLA has uncovered so far bears little resemblance to the many promises made to the Commission by cable operators through their trade association and has caused KJLA to file this request.

Significantly, Charter has apparently chosen to divide its conversion to digital-only cable operations into two stages, transitioning its must-carry stations, such as KJLA, to digital-only now, while postponing the digital-only conversion of other stations, including retransmission consent stations such as the network affiliates, for another year.[10] Thus, for another year, at least, Charter will continue to operate as a hybrid system, bringing many retransmission consent station signals to analog subscribers without the need for additional equipment while requiring a DTA or set-top box for subscribers to view its must-carry stations. The effect of this decision is to deny access to such must-carry stations to any analog subscriber who elects to continue with the cheapest and easiest option: sticking with analog service until the day analog service is no longer an option. In other words, Charter's decision to undertake its migration to digital in two

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9 *See* 47 C.F.R. § 76.1601; n. 6, *infra*.

10 *See* Charter Customer Bill, dated Dec. 23, 2012, attached hereto as **Exhibit A**. The Bill lists the following stations as slated for digital-only carriage on or after February 12, 2013: KDOC, KTBN, KPXN, KSCI, KRCA, KWHY, KLCS, KJLA, KXLA, KVMD, KBEH and KAZA. It is KJLA's understanding that Charter will not transition the remaining analog stations to digital for another year.

phases essentially creates two classes of broadcast stations (those available in digital-only and those available in hybrid analog and digital) and two classes of subscribers (digital subscribers with access to all must-carry stations and analog subscribers with access to retransmission consent stations but not must-carry stations). This situation violates the requirement in Section 614(b)(7) of the Act that each must-carry signal "shall be provided to every subscriber to a cable system."[11]

Further, as far as KJLA can tell, Charter is doing little to help reluctant or uninformed analog subscribers overcome inertia. The underwhelming notices Charter is currently providing to analog subscribers will do little to encourage or help these subscribers make the move to digital. In a small box entitled "Charter News," on the right side of the Charter Customer Bill attached hereto as **Exhibit A**, Charter offers the following:

> Important Notice – Effective on or after February 12, 2013, Charter will offer the following channels exclusively in digital format. This change will require digital equipment in order to view these channels on all of your television sets. Please call us at 877-817-0294 to acquire a digital receiver or for more information.[12]

Given its experience with the DTV Transition, the Commission is well aware that effective consumer education requires more than a small block notice on a subscriber bill, a document most subscribers set aside once they have found the amount listed in the 'Total Due' box. Again, to the best of KJLA's knowledge, Charter has not engaged in any more extensive efforts to educate analog subscribers of the steps that need to be taken to transition to digital service to retain the programming of must-carry stations such as KJLA.

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11 47 U.S.C. § 534(b)(7). As the Commission has noted, "this provision requires that every class of subscriber must receive all must carry signals." 2012 Viewability Order at ¶ 9 (citation omitted).

12 Charter Bill, **Exhibit A** at 1.

Even more alarming, rather than offering a free or low-cost DTA or similar low cost equipment to analog subscribers to allow them to access newly converted digital-only station signals without undertaking an expensive equipment or programming upgrade, Charter appears to be steering analog subscribers toward a digital package including a number of additional channels at a significantly higher cost. Based upon KJLA's representatives' conversations with Charter customer service representatives, analog subscribers are being led to believe that a digital package priced at $59.99 – a $30 increase over the current analog basic tier cost of $29.99 – is their only option. Whether this is the only option, or Charter has another, less expensive option that its customer service representatives have been coached to steer customers away from, Charter's go-to digital offering is a far cry from the little-to-no-cost difference envisioned by the Commission in allowing the viewability rules to sunset.

Unfortunately, the conditions on the ground encountered by KJLA are perfectly in keeping with statements coming from the very top of Charter's chain of command. In a recent earnings call, Charter Chief Executive Officer Thomas Rutledge detailed the company's plan to boost its competitive advantage by going all digital by the end of 2014, and, in the interim, by no longer marketing analog service and by rolling out superior high-capacity infrastructure such as fully functioning set-top boxes rather than DTAs.[13] As stated by Mr. Rutledge, in the middle of 2012 Charter "quit selling analog and so on the increment, we're only selling digital… And there are places where we've gotten fairly high penetration already, to the point where we're going to

[13] *See Charter Management Discusses Q4 2012 Results – Earnings Call Transcript* ("Charter Earnings Call Transcript"), attached hereto as **Exhibit B**, at 2-3. Of course, the Commission touted DTAs as one of the technological advances justifying abandonment of the 2007 viewability rule: "[t]he cable industry has encouraged the development of small, low-cost set-top boxes, called 'Digital Transport Adapters' (DTAs), to enable customers to view digital signals, without having to obtain full-featured digital set-top boxes." 2012 Viewability Order at ¶ 14. Such technological advances cannot serve the public if they are passed over in favor of more profitable devices, i.e., devices that are more expensive for consumers.

go ahead and turn off the analog signal and sell-in the rest of the digital product in a very short timeframe."[14] This approach is part and parcel of Charter's effort to target a new kind of customer open to expanded service: "we're essentially selling a different product today than we sold previously, and it's a richer product… so as we drive that into the market, we're being very disciplined about the kinds of customers that we're connecting, so that the life of the subscriber and the value of the subscriber has increased."[15] While this plan and its deployment on the ground may have satisfied analysts on the earnings call, it does not bode well for Charter's analog subscribers without the means to purchase enhanced digital service, and it should raise red flags at the Commission.

For now, Charter continues to operate as a hybrid system as it migrates must-carry stations to digital-only carriage while maintaining analog subscriber service for retransmission consent stations. As such, Charter falls squarely among those cable operators upon whose good faith and honest dealing the Commission expressly relied in crafting the 2012 Viewability Order. Yet, Charter has failed to provide analog service subscribers with adequate notices, or with viable low-cost options that would allow analog service subscribers to continue accessing the signals of many local must-carry stations. Accordingly, Charter's actions fall woefully short of cable operators' promises and the Commission's expectations, thereby undercutting the entire rationale upon which the Commission's 2012 Viewability Order was built.

In the concluding paragraphs of the 2012 Viewability Order, the Commission states as follows: "[i]f we receive a significant number of well-founded consumer complaints that an operator is not effectively making affordable set-top boxes available to customers in lieu of analog carriage of a channel, one of the possible remedies would be to require the operator to

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14 *Id.* at 8-9.

15 *Id.* at 6.

resume analog carriage of the channel."[16] Commissioner Clyburn strongly echoed these sentiments in her Statement.[17] Based on Charter's evident failure to live up to the cable operator commitments upon which the Commission relied in revising its 2007 viewability rule, KJLA submits that the time has already come for the Commission to step in and order Charter to renew its carriage of the Station's signal for the benefit of Charter's analog service subscribers.

WHEREFORE, for the foregoing reasons, KJLA, LLC respectfully requests that the Media Bureau issue a show cause order against Charter Communications, Inc. and require Charter to provide Charter's analog subscribers with continued access to the signal of Full Service Television Station KJLA, Ventura, California.

Verification

The undersigned certifies that he has read the submission and to the best of his knowledge, information, and belief formed after reasonable inquiry, it is well grounded in fact and is warranted by existing law; and that it is not interposed for any improper purpose.

Respectfully submitted,

KJLA, LLC

Barry A. Friedman
Thompson Hine LLP
1919 M Street, N.W.
Washington, D.C. 20036
(202) 331-8800

Counsel for KJLA, LLC

March 5, 2013

16 2012 Viewability Order at ¶ 18.
17 *See id.* at Statement of Commissioner Mignon L. Clyburn.

EXHIBIT A

Charter

[redacted]

December 23, 2012
Account: [redacted]
Phone Number: [redacted]
Security Code: [redacted]
Service At [redacted]

Contact Us
visit us at **www.charter.com** or call
1-888-GET-CHARTER (1-888-438-2427)

Summary

Previous Balance	[redacted]
Payments Received -Thank You!	[redacted]
Remaining Balance	[redacted]
Charter TV®	[redacted]
Charter Internet®	[redacted]
Partial Month Charges	[redacted]
Taxes, Fees and Charges	[redacted]
Current Charges	[redacted]
Total Due by 01/13/13	[redacted]

Thank you for choosing Charter.
We appreciate your prompt payment and value you as a customer.

Charter News

Important Notice - Effective February 8, 2013, the Change of Service Computerized Fee will increase from $1.99 to $2.99, for an increase of $1.00.

Important Notice - Effective on or after February 12, 2013, Charter will offer the following channels exclusively in a digital format. This change will require digital equipment in order to view these channels on all of your television sets. Please call us at 877-617-0294 to acquire a digital receiver or for more information.

Channel No. & Name

10 - KDOC - IND	24 - KJLA - IND
12 - KTBN - TBN	28 - KXLA - IND
17 - KPXN - ION	29 - KVMD - IND
18 - KSCI - IND	31 - KBEH - IND
19 - KRCA - IND	32 - KAZA - Azteca America
22 - KWHY - MundoFox	40 - Speed Channel
23 - KLCS - PBS	

Charter

1265 JOHN Q HAMMONS 100 MADISON WI 53717-1936
8634 0030 NO RP 23 12242012 YNNNNYNN 01 005387 0022

[redacted]

December 23, 2012

[redacted]

Account: [redacted]
Phone Number: [redacted]
Service at [redacted]

Total Due by 01/13/13 [redacted]
Amount you are enclosing $

CHARTER COMMUNICATIONS
PO BOX 60229
LOS ANGELES CA 90060-0229

[redacted]

EXHIBIT B

Charter Communications Management Discusses Q4 2012 Results - Earnings Call Transcript

Executives

Robin Gutzler

Thomas M. Rutledge - Chief Executive Officer, President and Director

Christopher L. Winfrey - Chief Financial Officer and Executive Vice President

Analysts

John C. Hodulik - UBS Investment Bank, Research Division

Jeffrey Duncan Wlodarczak - Pivotal Research Group LLC

Brian Russo - Deutsche Bank AG, Research Division

Benjamin Swinburne - Morgan Stanley, Research Division

Jason B. Bazinet - Citigroup Inc, Research Division

Philip Cusick - JP Morgan Chase & Co, Research Division

Vijay A. Jayant - ISI Group Inc., Research Division

Frank G. Louthan - Raymond James & Associates, Inc., Research Division

Amy Yong - Macquarie Research

Bryan D. Kraft - Evercore Partners Inc., Research Division

Lance W. Vitanza - CRT Capital Group LLC, Research Division

Charter Communications (CHTR) Q4 2012 Earnings Call February 22, 2013 10:00 AM ET

Operator

Hello. My name is Dawn, and I will be your conference operator. At this time, I would like to welcome everyone to Charter's Fourth Quarter 2012 Earnings Conference Call. [Operator Instructions] Thank you. I will now turn the call over to Robin Gutzler. You may begin your conference.

Robin Gutzler

Thank you, Dawn. Good morning, everyone, and welcome to Charter's 2012 Fourth Quarter Earnings Call. This morning, we issued a press release over PRNewswire at 8:00 a.m. Eastern Time detailing our results.

Before we proceed, I would like to remind you that there are a number of risk factors and other cautionary statements contained in our SEC filings, including our most recent Form 10-K. We will not review those risk factors and other cautionary statements on this call. However, we do encourage you to read them carefully.

Various remarks that we make on this call concerning expectations, predictions, plans and prospects constitute forward-looking statements. These forward-looking statements are subject to risks and uncertainties that may cause actual results to differ from historical or anticipated results. Any forward-looking statements reflect management's current view only, and Charter undertakes no obligation to revise or update such statements or to make additional forward-looking statements in the future.

During the course of today's call, we will be referring to non-GAAP measures as defined and reconciled in this morning's earnings release. These non-GAAP measures, as defined by Charter, may not be comparable to measures with similar titles used by other companies.

In today's release, we reported results in accordance with GAAP, as well as pro forma results for 2011. The pro forma results reflect the acquisition of certain cable systems in 2011 as if they had occurred on January 1, 2011, unless otherwise noted. The year-over-year growth rates we will be referring to this morning are on a pro forma basis.

Joining me on today's call are Tom Rutledge, President and CEO; and Chris Winfrey, our CFO.

The presentation that accompanies their comments can be found on our website, charter.com, under Financial Information. The press release and trending schedules are also posted on our website under Investor & News Center.

With that, I'll turn the call over to Tom.

Thomas M. Rutledge

Thank you, Robin. Over the past year, we implemented a new strategy for Charter in terms of providing a superior product, reorganizing the business and how we price and package our product. We have made significant progress. We accelerated our underlying subscription revenue growth and grew revenue over 4% in the fourth quarter of 2012 and our growth rate was increasing during the quarter. We also added 20,000 residential customer relationships compared to 5,000 in the prior year, our best fourth quarter performance in 10 years. And we gained nearly 110,000 residential customer relationships over the past 12 months.

While our video subscription units declined in the quarter, we lost fewer units than we did a year ago and the quality of our video customer base and the video packages we're selling are significantly better. In fact, if you include limited basic video customer losses -- if you exclude video limited video customer losses, our video losses were just 12,000 for all of 2012. Our triple play connect rate in the quarter was 36% of video connects, which is a significant improvement, and we've seen sell-in in the past few weeks get as high as 50%, which is where we'd like to be consistently.

Triple play ARPU at acquisition during Q4, was $120, despite our $90 promotional price, indicating a higher sell-in rate of ancillary services. In just 6 months, 30% of our total customer base is now on our new pricing and packaging, which means these customers are receiving a truly competitive product, are less likely to drive transactions and less likely to churn or either migrated in the old pricing or will be stepping up after the promotional period. Fundamentally, we're getting a better return on our investment for newly acquired customers.

On the commercial side, we continue to drive revenue growth for the year by over 20%. Even with all of the operating changes and investment, we grew adjusted EBITDA by 1.7% in the quarter. The objective is to do much more over time now that we've completed our organizational changes.

On our last call, I outlined the many changes we're making in our business, but we're also making the appropriate investments to take better care of our customers and our key strategic asset, our 2-way plant. Not only will these investments normalize over time, but they position us for faster residential top line growth, which we're starting to see.

In 2013, we'll focus on 4 key areas to further our objectives and deliver more for our customers. First, we're going to continue to leverage our 2-way interactive high-capacity plant, which is competitively superior to the vast majority of our footprint. This includes maintaining superiority on our Internet speed and reliability and continued catch-up plant maintenance so we can deliver a superior product that increases the inherent architectural advantage of our 2-way plant. This allows us to differentiate ourselves from satellite and telco and take share. The other way to increase our competitive advantage is to go all-digital by the end of 2014. In essence, we've already gone all-digital from a go-to-market perspective as we stopped actively marketing analog service in the middle of last year. And we'll continue to go all-digital in a variety of ways, including continued analog channel reductions, prioritization of specific regions for full digitization now, where the benefits already outweigh the costs.

Through digitization, we unburden the plant for more HD and DOCSIS 3.0 channels and make ourselves even more competitive with a superior high-capacity infrastructure, and we're going to do that predominantly with fully functioning set-top boxes rather than DTAs in order to offer a better user interface, use our 2-way advantage and generate more revenue with a better ROI, particularly as we buy new boxes at lower cost.

A second key objective is to spend more time on our product and feature development. We're working on developing a cloud-based user interface and search service that will move key product and service functionality out of the set-top box and into the network. The goal is to enable high-quality, low-cost 2-way set-top box purchases and extend the life of our set-top boxes already deployed. We also put the building blocks in place to take more control of our customer interfaces across varying devices and platforms. An early example of that would be streaming to smart devices and a companion remote application, and we've procured content rights to stream both inside and outside the home.

While we'll develop new products, interfaces and applications, the key thing to remember is the largest value driver at Charter is our operating strategy. Execution on fundamentals and getting our video, Internet and phone products into the roughly 7 million passings we have in front of us. And finally, we'll continue to capitalize on the $9.5 billion commercial market within our footprint, a business that remains in its early stages and has a significant room for additional growth.

Before I wrap up and turn the call over to Chris to give fourth quarter details, I'd like to mention the deal we recently announced to acquire the former Bresnan properties from Cablevision. These markets are similar to Charter in terms of demographic profile and competitive overlap. The operations have been structured the same as what we are implementing today at Charter, pricing and packaging, product improvements, organizational design and network configuration, only the Bresnan properties are 2 years ahead of Charter in terms of implementation.

The capital to position Bresnan has been spent over the past 2 years and is now declining. And the asset is growing at a faster rate than almost any cable system in the United States. So we're getting an asset that's accretive to free cash flow and well positioned to grow, all of which means that this acquisition is a good fit and we're looking forward to incorporating the team and its operations into Charter.

After a year at Charter, we are where I expected us to be at this stage, offering a fully competitive product and service suite, focusing on the fundamentals, taking care of our customers, all of which increasingly puts us in a position to grow faster.

Now I'll turn the call over to Chris Winfrey.

Christopher L. Winfrey

Thanks, Tom. Before I get into the financial results, I'd like to mention a few reporting changes we've made. We changed our homes passed and penetration disclosure to include commercial establishments in addition to residential to be more consistent with our peers. We've made some changes to our expense reporting categories in order to more closely mirror how we organize and manage the business. We hope you'll find those helpful. We've reflected both of these changes in prior periods for ease of comparison.

And now turning to Slide 5, looking at customer trends. We improved our video performance in the fourth quarter. We lost 36,000 video customers, down from 44,000 a year ago. Despite no longer actively selling analog, we saw a year-on-year improvement in video customer trends, evidence that the new approach and improved product offering is gaining traction.

As Tom mentioned, our full year spend to basic customer trends significantly improved, and we're continuing to make progress on retooling many of our sales channels, now growing those in a substantially new form. We added 54,000 Internet customers during the quarter, in line with our strategy of taking a more bundled approach. You recall that in the fourth quarter 2011, we had a $20 stand-alone Internet offer in 2011 and a low-priced 2-play Internet and phone offer in the market, which drove Internet volume. In the fourth quarter of 2012, we grew our phone customers by 34,000, better than last year, which had the low-priced 2-play offer, but phone still has room to grow.

Under the new offer strategy, customers are buying more of our product and that leads to a higher-quality relationship.

You can see that higher quality in the product taken and the increased triple play penetration. While we're acquiring new customers at introductory rates, we're doing so without reducing our average revenue per customer, which totaled just under $106 in Q4. We already see benefits in non-pay and competitive churn.

Looking at Slide 6, we grew revenue by 4.3%, which is both a sequential and a year-on-year improvement. Our video revenue grew 2.8% over the prior year, the largest quarterly gain in more than 4 years, driven really by 4 factors: The quality of our subscriber development, increasing the expanded basic and digital; second, increased sale of advanced services with a higher number of boxes, all of which has revenue attached; also, promotional rates step-up discipline in early 2012 price increases; and finally, a higher amount of bundled sell-in, which results in the allocation of more revenue out of phone than in the past.

Internet revenues grew 9%, driven by the addition of nearly 300,000 Internet customers over the past year, and our phone revenues declined 14%, with the increase of phone customers more than offset by revenue allocation within the bundle.

Not including advertising, commercial and other revenue, our residential cable revenue rose 2.2% year-on-year. That compares to 1.1% in Q4 of last year, so very good early progress.

As we look to 2013, we'll continue to focus on adding new customers at introductory rates with lower upfront fees, but recurring monthly rates should start to step up. We've also implemented a rate increase effective for the end of the first quarter, which equates to about a 2.3% increase across our 5 million customer base.

Turning to commercial. For our commercial business, we again generated over 20% revenue growth. And excluding video, our commercial revenues increased by 26%. In addition in the fourth quarter, our advertising sales rose 18.5% due to a strong political quarter, as we also increased sales from the automotive sector. Excluding the election year impact, our advertising revenue would've risen by roughly 8% in the quarter and for the full year.

Moving to Slide 7. Our EBITDA was up 1.7% compared to 2011, which demonstrates solid performance given the amount of change. We have realigned our organization and restructured field operations. We're migrating to more in-house versus outsourced labor. We've revised our product and selling tactics and are redirecting various sales channels. We've revamped our sales commission structure, and we're improving the way we maintain our plant.

Total operating costs in the quarter increased 5.8% on prior year with the key cost drivers being programming and maintenance. Programming cost rose $26 million or 5.5% year-over-year. We think we can keep that growth rate in the mid- to high-single digits on a per-sub basis this year.

Maintenance expense increased $19 million in the quarter. As I mentioned last quarter, we've significantly stepped up our preventive maintenance of the plant and in doing so have identified specific regional areas which need improvement and which have an outsized impact on Charter's service rate and on the company as a whole.

We also added a fair amount of personnel in the quarter, including in-house service techs, quality control personnel and direct sales reps. The operating strategies have also driven a significant further improvement in bad debt, which declined to more than 20% on a year-on-year basis.

On Slide 8, our CapEx increased $122 million in Q4 compared to the prior year. $47 million of that increase was related to higher CPE. Fourth quarter CPE spend totaled $162 million in the following categories: About 1/2 for capitalized installed labor for new connects; 1/4 of that CPE spend for equipment for new customer acquisition and upgrades; and the remainder for additional equipment in existing video customers' homes.

In addition to CPE, our upgrade and rebuild capital increased $35 million over the prior year, primarily due to plant replacement in conjunction with the preventive maintenance we noted earlier. As we completed more frequent plant sweeps and increased preventative maintenance and find issues, we're incurring onetime capital, which will bring down trouble calls and churn rates.

Similar to the maintenance expense in the P&L, which identifies that capital need, there's a clear ROI attached to the spend which comes via improved operating metrics, customer satisfaction and lower churn. We expect some of this spend to continue through 2013 as we finish up the remainder of these projects. And support capital increased $13 million in the quarter driven by investment in vehicles and real estate, particularly as we in-source more of our work force.

Our fourth quarter commercial CapEx was up $13 million, and for the full year, increased $74 million to $269 million to support growth in the commercial business.

In 2013, we expect our capital investments, excluding acquisitions, to be approximately $1.7 billion, meaning that at least as a percentage of revenue, 2012 should be the peak for Charter, with the caveat being the timing, how fast we migrate to all-digital, and growth generally.

Turning to cash flow on Slide 9. We generated free cash flow of $33 million, down from last year's fourth quarter due to the higher capital investment. From a balance sheet perspective, over 80% of our debt matures beyond 2016.

We ended the year with a weighted average interest cost of 6%, with a run rate interest expense of approximately $780 million. Our leverage was 4.8x adjusted EBITDA, and our leverage target remains 4x to 4.5x, plus or minus a half turn either way, to enable strategic activity.

A good example of that strategic activity is the recently announced Bresnan transaction, where we believe our leverage at closing should be about 5x.

And finally, on Slide 10, we've updated our tax asset information. As of 12/31, we had an outsized tax basis totaling $8.9 billion, as well as NOLs of $7.7 billion. The key point about our tax assets is enhanced free cash flow conversion through at least 2017 and continuing tax benefits through 2024.

Before we open it up to Q&A, I'd like to introduce our new VP of Investor Relations, Stefan Anninger. Many of you know him well. As we moved our headquarters to Connecticut, he joined us from Crédit Suisse in January. Robin has done a great job, not only in managing that transition, but representing Charter with this group of stakeholders, as many of you know firsthand.

And with that, we'll open it up to Q&A. Operator?

Question-and-Answer Session

Operator

[Operator Instructions] Your first question comes from the line of John Hodulik with UBS.

John C. Hodulik - UBS Investment Bank, Research Division

Maybe some questions around margins. Obviously, programming cost growth has been one of the focuses of the quarter, and your 9.6% was solid. Can you give us an update on where you think that's trending in '13 and then your -- the ability of the company to maintain the strong margins, even with that cost growth that you've been able to post this quarter?

Thomas M. Rutledge

Well, John, clearly, programming is a driver of cost in the business. We do think that our margins will improve as a result of our performance operationally by taking transactions out of the business. And so the second biggest cost driver in the cable business, I think, is unnecessary physical transactions, and the way we're going to reduce those is by improving the customer proposition, therefore, improving the customer life and reducing the amount of service calls over the life of the subscriber. And that's how we take cost out of the business, and that's how margins improve.

John C. Hodulik - UBS Investment Bank, Research Division

Do you expect similar type of programming cost growth? Or should that accelerate? And I guess, in looking into '13, is flat margins a good place? Or do you think you can see improvement year-over-year?

Thomas M. Rutledge

Chris, do you want to answer that?

Christopher L. Winfrey

Yes. So we're not going to give margin guidance, but as I mentioned in the prepared remarks, we do expect that for programming for 2013, that we should be in the mid- to high-single digits on programming cost on a per-subscriber basis.

Operator

Your next question comes from the line of Jeff Wlodarczak with Pivotal Research.

Jeffrey Duncan Wlodarczak - Pivotal Research Group LLC

It's Jeff Wlodarczak. I had a question about data additions. You talked about the fact that you had very aggressive data and double play promotions last year. What I wonder is, was there also a churn hit as those folks that were paying the $19.99 price last year churned off this year as they were repriced materially higher? And then I have a follow-up.

Thomas M. Rutledge

The way I would describe it is -- I mean, there is a churn effect from those kinds of offers, and we're essentially selling a different product today than we sold previously, and it's a richer product. And so as we drive that into the market, we're being very disciplined about the kinds of customers that we're connecting, so that the life of the subscriber and the value of the subscriber has increased. But we're putting a much different product in the hands of new customers. And in the process of changing our operation and changing essentially every reporting relationship in the company, we are gradually building back our sales capability at the same time. So you have 2 things going on. You've got old offers expiring and a different customer base essentially being transformed into a new customer base with a new product set and an operational change simultaneously that has to realize the full benefit of its implementation, and that has yet to occur.

Jeffrey Duncan Wlodarczak - Pivotal Research Group LLC

Got it. And then if you could provide any additional color, it sounded like the first quarter trends sounded good, but any more color you can provide on how the first quarter's going? And then last year, you actually had positive sub growth there. Are you prepared to say that you could have positive sub growth in the first quarter of this year as well?

Thomas M. Rutledge

Well, I don't want to give any more guidance than we've already given, but we did say that we were -- our triple play sell-in continues to climb to 50%, and we've been seeing that kind of result as a result of the organizational changes we've made. So our organizational efficiency continues to improve.

Operator

And your next question comes from the line of Doug Mitchelson with Deutsche Bank.

Brian Russo - Deutsche Bank AG, Research Division

Brian Russo for Doug. As you've made the service more competitive, have you noticed any response from your -- any noteworthy response from your competitors?

Thomas M. Rutledge

I haven't seen a significant change that I can articulate from any of our competitors. I mean, our national competitors, the satellite companies, I'm not sure are specifically focused on our activities. And I haven't seen AT&T, which is our primary phone competitor, change its go-to-market strategy with regard to us either.

Brian Russo - Deutsche Bank AG, Research Division

As a quick follow-up, what kind of further innovation do you think would be most impactful from a competitive standpoint for you guys to do?

Thomas M. Rutledge

Well, I think our biggest opportunity is to just be a better cable operator. We have a superior infrastructure, relatively speaking, to all of our competitors. And we need to use it effectively. And our biggest effort is in putting our organization in shape, putting our plant in shape so that we can actually take advantage of our inherent strengths. And there's a lot of execution around that strategy, and we're continuing to improve in our operating metrics every day. But that's where the biggest single opportunity is, in just operating our strategic advantage effectively. Beyond that, we've started to use cloud-based guides and cloud-based searches to take advantage of a change in the world. The fact that people now have tablets and smartphones and the fact that those devices can interact with our cable system in a way that makes the video experience much better than it could be otherwise. There's inherent disadvantages to remote control devices on TVs for navigation purposes. We've found a way to take navigation from the TV and put it onto your smart device and essentially, get a whole new experience without having to recapitalize our entire set-top box universe. So it's capitally efficient and it's consumer friendly, and we're develop -- we're spending our precious development dollars in that area specifically.

Operator

Your next question comes from the line of Ben Swinburne with Morgan Stanley.

Benjamin Swinburne - Morgan Stanley, Research Division

Tom, for the last, I guess, 2 quarters now, you've been putting in a lot of changes to how you sell, how the organization sells and positions the products. Would you say that now, by end of Q4, you're sort of at where you want to be? And part of the reason I ask the question is if you look at your bundled penetration trends, they're a little surprising in that single play went up, triple play went up a little bit, double play went down. I didn't know if there were still some more, maybe noise, in the numbers and you hadn't kind of hit your full stride until Q1. You did mention that your bundled penetration -- your triple play sell-in rates continue to climb. So I wanted to ask if you could comment on sort of timing there.

Thomas M. Rutledge

Yes, I think that's -- we have said that we continue to improve into Q1, and Q3 and Q4 were very significant in terms of structural changes we made to the company. We essentially changed every reporting relationship and changed the way we sold and priced our products, changed every commission structure we had and moved our headquarters. So all of that was quite disruptive, and we've seen -- but it's finished, and all of our people are in place and our management structures are in place, and our organization now is performing better every day than it did the prior day. And that means that we're getting a higher triple play sell-in rate and we expect continued success in improving our operations. But it's a big company and there are a lot of people involved. And it's a big job, but it's getting better consistently.

Benjamin Swinburne - Morgan Stanley, Research Division

And if I could just ask Chris, if you could follow up on some of your -- 2 numbers you gave on your prepared remarks. Well, I guess one number, then a question on the quarter. You said 2.3% benefit from a rate hike. Was that -- are you speaking to the customer -- revenue per customer number, the $105 you did in '12? Is that the...

Christopher L. Winfrey

What I'm speaking to, yes, effectively. We're talking -- that's the same relative metric, the 2.3% increase on average across the 5 million customer base, including video and non-video subscribers.

Benjamin Swinburne - Morgan Stanley, Research Division

Got it. And Chris, any comment on the sequential decline in expenses? I know marketing was down a little bit. Other costs were down. Just given how much you were doing at the sales force and pushing your new product strategy it was a little bit of a surprise on the expense front. Any comments there?

Christopher L. Winfrey

Yes, look, you typically see some seasonality. I think the biggest driver on the expense side was obviously programming on a year-over-year basis, but the other one, it was on the maintenance side. So I think you're picking up more on seasonality than anything else.

Operator

Your next question comes from the line of Jason Bazinet with Citi.

Jason B. Bazinet - Citigroup Inc, Research Division

Just had a question for Mr. Rutledge. It's very kind of you to include Slide 4, which shows the Optimum West trajectory and I think a lot of investors are probably wondering sort of the timing to sort of see if there is a material inflection up on revenue, what a reasonable timing is. So I just want to check some dates and make sure I have this right. The investments, when Bresnan was part of Cablevision, you began to make those investments in the first quarter of '11, and it looks like the inflection happened about a year later, when you joined Charter, I think, in the first quarter of '12 and maybe made the investments in the second quarter of '12. Is that reasonable? And so we should sort of think of a 2Q '13 as maybe the point when it becomes obvious if there is an inflection up on the top line? Is that reasonable?

Thomas M. Rutledge

Your timing is slightly off. I would say it was more Q3 that changes were implemented. They were implemented in Q2 in the Bresnan acquisition for Cablevision.

Jason B. Bazinet - Citigroup Inc, Research Division

2Q of '11 and 3Q of '12 for Charter?

Thomas M. Rutledge

Yes. So other than that, everything you said is correct from a fact basis. We included that because we think that the Bresnan success is indicative of what Charter can do. And it's not a 1:1 correlation. Charter is a different circumstance, but it's much larger, obviously. And therefore, it has a bigger execution concern, but we have the team and we're executing against it, and we expect that we'll have good results.

Operator

Your next question comes from the line of Phil Cusick with JPMorgan.

Philip Cusick - JP Morgan Chase & Co, Research Division

I mean, we've danced around this a little bit, but can you help us think about the sales process and the gross add momentum over the last, call it, 6 months? How do you see that sort of sales process? At what point is it normalized and up to sort of full speed? And then can you talk a little bit about the digital rollout as well -- or the all-digital rollout? Are there markets you expect to attack first there?

Thomas M. Rutledge

Yes. So no, I wouldn't say we're at full speed yet. Q3 and Q4 were transitional quarters in terms of our capability of executing a strategy. We had to recreate our sales forces even where they are physically, how our inbound sales work, how our direct sales work, and there were a lot of people moving around in that process. As a result of that, we had achievements and additional sell-in and at higher sell-in, but we can do much better because at the same time that we were making those achievements, we were creating our own noise as a result of all of the activity and change that we created. And as I said earlier in the call, our triple play sell-in continues to improve, and I expect it to get better over time as well in other areas. The subscriber life indicators continue to improve, too, like churn continues to go down. So we think that the effect of our strategy is visible, but it hasn't been fully realized by any means. So I have higher expectations than we've already achieved there. With regard to digitization, we're going all-digital so that we can take advantage of our 2-way plant and create more value for our customers. And as part of that, we're selling our way in. And in the middle of last year, in 2012, we quit selling analog and so on the increment, we're only selling digital. And there are places where we've gotten fairly high penetration already, to the point where we're going to go ahead and turn off the analog signal and sell-in the rest of the digital product in a very short timeframe. And we're going to start doing that in places where we have the highest penetration and where we think we'll get the biggest uplift from a value proposition and where we can learn the logistical issues that we have to deal with as we go all-digital faster throughout the country. So that's our strategy. We're going to continue to sell our way in. And the higher that sell-in is, the less disruptive the all-digitization process is. In places where we've already achieved that or where we think that going all-digital faster will produce immediate results, we're going to do that. So we'll be opportunistic.

Operator

Your next question comes from the line of Vijay Jayant.

Vijay A. Jayant - ISI Group Inc., Research Division

I have 2 questions. First, I have in our numbers an expectation that ARPU will accelerate in the second half of the year because you started with your new promotion in the middle of last year. And as those promotional prices come off, we should get a lift. That's part of the thinking there. And so we've been hearing some of the other folks talking about how, when that happens, there's a high risk of churn and people want their promotional pricing. Can you sort of talk about how confident you are that you'll be able to get that ARPU lift at that point? And the second question is on -- your programming cost in 2013 look at least below where everybody else seems to be talking about programming rates, and obviously, these things are lumpy. Can you sort of talk about what is the longer-term programming rate increase per sub in your business model based on what you've seen in your contracts?

Thomas M. Rutledge

Yes. So to your first question, yes, you're right. We started our promotional pricing in July of '12, and as a result of that, in July of '13, those promotions will start to roll off and they roll off over a multi-year period and there'll be a step-up in price. We think that because of the way we've added value to the product, that the churn will not be significant and that the net economic effect of all that will be very positive. And so that's based on our experience and it's based on our understanding of what you need to do to create a valuable product, and what our competitors' products are and how we relate to them. So these are fully featured, really good video products with lots of HD and 2-way interactivity and lots of Video On Demand, the highest, fastest speed Internet service you can buy in almost any part of our footprint and a fully provisioned voice product. And when you put it all together, it's sold at a price, even with the step-up, that's lower than you can build with going to the individual component pieces of other providers. And so we think that the value's there, that the product is superior, and that we'll be able to manage our customer relationships through Q3 and Q4 and going forward. So with regard to programming expenses, you know if you look at Charter's programming expenses as a percentage of revenue versus, say, Time Warner's and Comcast and other companies, it's higher. And so we actually think that there's some compression in the differences in prices between the big MSOs and us, and that we can actually have a lower rate of increase than other companies. But we're still already paying higher programming cost than other companies and that's how -- why we think we can get that compression to occur.

Operator

Your next question comes from the line of Frank Louthan with Raymond James.

Frank G. Louthan - Raymond James & Associates, Inc., Research Division

So looking forward after all-digital rollout, do you have a marketing plan that will sort of be next, anything you're going to do to sort of wrap that product around? You mentioned being able to upsell the customer and so forth and we see a lot of concepts there. We've seen some of your larger peers be pretty successful, post digital rollout, with some improved product packaging. Do you -- can you give us some idea on some plans there?

Thomas M. Rutledge

In changing our product packaging?

Frank G. Louthan - Raymond James & Associates, Inc., Research Division

Well, once you have an all-digital product, do you have a plan to -- for another branding strategy? Any sort of other push to sell products to customers, once you've kind of gotten all-digital? Because digital is not necessarily an end unto itself, there's other ways to sell beyond that. Just to -- is there a marketing plan there?

Thomas M. Rutledge

Yes, well, good point. We -- some people think we should change the Charter brand and that we should add a tracker brand like XFINITY or Optimum, and we don't have anything to announce today on that. We think that we can be successful with where we are today, and incrementally, we already are selling all-digital. But the all-digital strategy is really designed to take advantage of our infrastructure. And in terms of our go-to-market product strategy, we've already implemented an all-digital strategy. In terms of additional marketing tactics, I think our biggest opportunity is to continue to develop our Internet portal, sales portal and to take advantage of Internet marketing in ways that we haven't historically as a cable company, and we've already begun to do some of that. One of the issues with Charter is its dominance, or lack thereof, of any DMA. And it's interesting that the Internet now allows us to sell in ways that we historically couldn't, and we don't necessarily need the same mass media tools that we've historically used. So we think there's some opportunity there.

Frank G. Louthan - Raymond James & Associates, Inc., Research Division

Okay. And one just quick follow-up. On -- with the Optimum West properties, where were they as far as SMB penetration relative to the rest of your base?

Thomas M. Rutledge

Small business penetration?

Frank G. Louthan - Raymond James & Associates, Inc., Research Division

Yes.

Thomas M. Rutledge

I actually don't know off the top of my head.

Operator

Your next question comes from the line of Amy Yong with Macquarie.

Amy Yong - Macquarie Research

When you think -- in 2012, you talked about success-based CapEx. Does that impact your guidance for 2013 as well? If you add more video customers, is there a risk that, that goes higher? And then I guess, second question is, post-present, can you just update us on how you're thinking about acquisitions and managing your footprint versus capital returns and deleveraging?

Christopher L. Winfrey

So I'll take the capital question, Amy. You call it a risk, that if we were to grow faster than what we have as a plan. I would call that an opportunity. I mean, we have growth expectations and we have a CapEx estimate on that basis. If we're more successful, we'll spend more capital and I think all of us should be fairly pleased with that.

Thomas M. Rutledge

That's right. If we doubled our customers, it would definitely cost more.

Christopher L. Winfrey

Yes, and none of us here would be apologizing for it. The second question is related to the recent acquisition and how that impacts our thoughts on return of capital, and I would say it's exactly in line with everything that we've always said about our use of free cash flow strategy, which is that we have a target leverage range. We think that's the optimal place to be in terms of 4x to 4.5x, and whether it's stock buybacks, which we did in 2011, or whether it's investing significantly inside the business at a level that's not dissimilar from an acquisition, which we did in 2012, and in 2013, now investing in the Optimum West transaction. But those are what we believe the highest ROI projects at the time that we could do to use our free cash flow and we'll continue to do so, and we're comfortable up to 5x. We're also comfortable as low as 3.5x to enable some of those strategic opportunities in the future. So I think we've been very, very consistent in terms of how we've articulated our target leverage and our use of capital based on the opportunities that are in front of us. And I think we're all very comfortable where we're at from a leverage standpoint today, and that the projects that we've done so far, including the buybacks, as well as the spend that we had last year inside the business in 2012, have been highly accretive, and we have high hopes for the same with Optimum West.

Operator

Your next question comes from the line of Bryan Kraft with Evercore Partners.

Bryan D. Kraft - Evercore Partners Inc., Research Division

I just have 2 questions. Tom, you mentioned that Bresnan's 2 years ahead of Charter and CapEx is now declining. So you seem to be, I guess, indicating in some way that Charter's CapEx will decline, perhaps in 2015, as you finish the digital transition and some of the other initiatives. Just wanted to ask you if that's a reasonable interpretation of your comments. And then also, I wanted to ask on the digital conversion, are you charging for each of the set-top boxes, digital boxes, that you require the customers to take on the additional outlets as part of the conversion? And how are you executing that conversion today? Are you requiring all new customers and upgrade customers to take a box for every TV? Or are you just requiring at least one box per home? Just wanted to get a little more color on that, if you don't mind.

Thomas M. Rutledge

Okay. Well, with regard to capital and Bresnan, absent -- or including what Chris just said about success-based capital, the answer to your question is, all other things being equal, yes. It means that capital intensity goes down in the business going forward. And there is a capital expenditure necessary to get the ship moving, so to speak, and then there is success-based capital on the increment. But in general, I expect capital intensity to decline over time. With regard to set-top boxes, the answer is yes, we are charging for the additional outlets and we're charging for the set-top boxes through the conversion, which is why you want to market your way in as effectively as possible before you start try and do it en masse.

Bryan D. Kraft - Evercore Partners Inc., Research Division

Is there a promotion where you get it, kind of like Cablevision did, where you get it for free for a year and then you start paying? Or do people have to start paying from day 1?

Thomas M. Rutledge

Yes. There are various -- depending on the scenario, there are promotions necessary sometimes to make it go as fast as you want it to go, and we'll manage those through time as we need to. But the plan is to charge for the outlets.

Operator

And your next question comes from the line of Lance Vitanza with CRT Capital Group.

Lance W. Vitanza - CRT Capital Group LLC, Research Division

I have 2 questions, if I may. First, on the video side, I was happy to see the price increases and some discipline on the promotions. Could you discuss the competitive outlook there, how aggressive are you seeing the satellite guys in particular? And then on the programming side, I'm pleased to hear that you expect the pricing pressure to moderate somewhat in '13. My question is, is that due to the timing of contract renewals? Or are you seeing an opportunity, taking advantage of an opportunity, to push back a bit on some of the also-ran channels when they ask for more money?

Thomas M. Rutledge

So we are disciplined in our pricing and video promotion products. And with regard to programming, yes, we push as hard as we can push. We think that we've done a reasonably good job in negotiating contracts. Timing does matter, and different programmers have different levels of expectation and leverage. But historically, Charter has paid a higher rate for its programming than I think it should, and we're trying to get that to be more in line with other companies.

Operator

And there are no further questions in queue.

Christopher L. Winfrey

Well, thank you, everybody, for joining the call today, and we look forward to speaking to you again on the first quarter call.

Thomas M. Rutledge

Thank you.

Operator

Thank you for participating in today's conference call. You may disconnect at this time.

Charter Communications (CHTR) Q4 2012 Earnings Call February 22, 2013 10:00 AM ET

Operator

Hello. My name is Dawn, and I will be your conference operator. At this time, I would like to welcome everyone to Charter's Fourth Quarter 2012 Earnings Conference Call. [Operator Instructions] Thank you. I will now turn the call over to Robin Gutzler. You may begin your conference.

Robin Gutzler

Thank you, Dawn. Good morning, everyone, and welcome to Charter's 2012 Fourth Quarter Earnings Call. This morning, we issued a press release over PRNewswire at 8:00 a.m. Eastern Time detailing our results.

Before we proceed, I would like to remind you that there are a number of risk factors and other cautionary statements contained in our SEC filings, including our most recent Form 10-K. We will not review those risk factors and other cautionary statements on this call. However, we do encourage you to read them carefully.

Various remarks that we make on this call concerning expectations, predictions, plans and prospects constitute forward-looking statements. These forward-looking statements are subject to risks and uncertainties that may cause actual results to differ from historical or anticipated results. Any forward-looking statements reflect management's current view only, and Charter undertakes no obligation to revise or update such statements or to make additional forward-looking statements in the future.

During the course of today's call, we will be referring to non-GAAP measures as defined and reconciled in this morning's earnings release. These non-GAAP measures, as defined by Charter, may not be comparable to measures with similar titles used by other companies.

In today's release, we reported results in accordance with GAAP, as well as pro forma results for 2011. The pro forma results reflect the acquisition of certain cable systems in 2011 as if they had occurred on January 1, 2011, unless otherwise noted. The year-over-year growth rates we will be referring to this morning are on a pro forma basis.

Joining me on today's call are Tom Rutledge, President and CEO; and Chris Winfrey, our CFO.

The presentation that accompanies their comments can be found on our website, charter.com, under Financial Information. The press release and trending schedules are also posted on our website under Investor & News Center.

With that, I'll turn the call over to Tom.

Thomas M. Rutledge - Chief Executive Officer, President and Director

Thank you, Robin. Over the past year, we implemented a new strategy for Charter in terms of providing a superior product, reorganizing the business and how we price and package our product. We have made significant progress. We accelerated our underlying subscription revenue growth and grew revenue over 4% in the fourth quarter of 2012 and our growth rate was increasing during the quarter. We also added 20,000 residential customer relationships compared to 5,000 in the prior year, our best fourth quarter performance in 10 years. And we gained nearly 110,000 residential customer relationships over the past 12 months.

While our video subscription units declined in the quarter, we lost fewer units than we did a year ago and the quality of our video customer base and the video packages we're selling are significantly better. In fact, if you include limited basic video customer losses -- if you exclude video limited video customer losses, our video losses were just 12,000 for all of 2012. Our triple play connect rate in the quarter was 36% of video connects, which is a significant improvement, and we've seen sell-in in the past few weeks get as high as 50%, which is where we'd like to be consistently.

DECLARATION

I, Francis X. Wilkinson, declare under penalty of perjury that the following is true and correct:

1. I am the Vice President and General Manager of KJLA, LLC, the licensee of Full Service Television Station KJLA, Ventura, California.

2. KJLA did not receive notice from Charter Communications, Inc. of Charter's plans to convert the Station's signal to digital-only format on Charter's cable system on or after February 12, 2013. KJLA learned of Charter's plans through other affected broadcasters in the Los Angeles DMA.

3. Based on contacts between KJLA representatives and representatives of Charter Communications, Inc., it is my understanding that Charter will not transition its Los Angeles DMA retransmission consent stations to digital-only format until February 2014. Charter has already transitioned its Los Angeles DMA must-carry stations, such as KJLA, to digital-only. Thus, for another year, Charter will deliver the signals of Los Angeles DMA retransmission consent stations to Charter's analog-service subscribers and its digital-service subscribers while the signals of Los Angeles DMA must-carry stations will be available to Charter's digital-service subscribers but not its analog-service subscribers.

4. Other than the small notice included in Charter subscribers' bills, I am unaware of efforts undertaken by Charter to educate its analog-service subscribers concerning the conversion of Charter's must-carry stations to digital-only availability, including steps analog subscribers must take and equipment they must obtain to continue accessing must-carry stations on Charter's cable system.

5. Based upon KJLA's representatives' conversations with Charter customer service representatives, it appears that Charter is steering analog-service subscribers seeking to maintain access to those must-carry stations, such as KJLA, that Charter recently converted to digital-only, toward a digital package priced at $59.99 – a $30 increase over the current analog basic tier cost of $29.99. KJLA's representatives were unable to determine if Charter has a lower-cost option, such as a Digital Transport Adapter, available for analog-service subscribers.

I have read the instant Petition for Issuance of Order to Show Cause, and, to the best of my knowledge, information and belief formed after reasonable inquiry, it is grounded in fact, is warranted by existing law and is not interposed for any improper purpose.

Executed at Los Angeles, California, on this 5th day of March, 2013.

Francis X. Wilkinson

CERTIFICATE OF SERVICE

I, Barry A. Friedman, hereby certify that I have served on this 5th day of March, 2013, a copy of the foregoing **Petition for Issuance of Order to Show Cause** upon the following parties by first-class mail, postage pre-paid:

Mr. David Oldani
Charter Communications, Inc.
12405 Powerscourt Drive
Saint Louis, Missouri 63131

Barry A. Friedman