

February 15, 2017

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Via Hand Delivery

State of Hawai'i Department of
Commerce and Consumer Affairs
335 Merchant Street
Honolulu, Hawai'i 96813

Attn: Ms. Catherine P. Awakuni Colón, Director
Ms. Ji Sook "Lisa" Kim, Cable Television Administrator

**Re: Charter Communications, Inc.'s and Oceanic Time Warner Cable LLC's
Application for Renewal of Cable Television Franchise for the Island of
Kauai**

**Response to Department of Commerce and Consumer Affairs, Cable
Television Division's ("DCCA"), Request for Clarification of Application
Issued January 26, 2017**

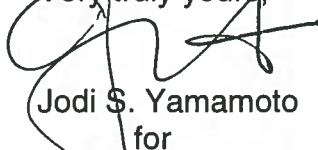
Dear Ms. Colón and Ms. Kim:

Charter Communications, Inc. ("Charter") and Oceanic Time Warner Cable LLC ("OTWC") hereby submit their Response to DCCA's Request for Clarification of Application issued January 26, 2017 ("Request for Clarification"), in connection with the DCCA's review of Charter and OTWC's Application for Renewal of the cable television franchise for the island of Kauai.

Charter and OTWC note that certain of the requests pertain to non-jurisdictional products, services and subjects. Moreover, certain of the requests seek information about subject matter that falls outside of the scope of review permitted under federal and state law for the types of transactions at issue in this proceeding. Charter and OTWC respectfully object to all such requests. In responding to the Request for Clarification, Charter and OTWC respectfully reserve all rights under federal and state law, and nothing in the submitted responses should be construed as a waiver of any right or objections that may otherwise be available to the parties.

If you have any questions, please let us know.

Very truly yours,



Jodi S. Yamamoto

for

YAMAMOTO CALIBOSO
A Limited Liability Law Company

Attorneys for Charter Communications, Inc.

Enclosures

**APPLICATION FOR RENEWAL OF THE KAUAI COUNTY CABLE TELEVISION
FRANCHISE BY OCEANIC TIME WARNER CABLE LLC**

**APPLICANT OCEANIC TIME WARNER CABLE LLC'S RESPONSE TO
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
REQUEST FOR CLARIFICATION OF APPLICATION
DATED JANUARY 26, 2017**

February 15, 2017

1. State the length of the new franchise term requested by Applicant.

Response: Oceanic Time Warner Cable LLC ("Oceanic") seeks a renewed franchise term of twenty (20) years.

2. Refer to II.E. Technology Change and Kauai County Cable System Infrastructure (pages 6-7 of the Application). Explain how Applicant will upgrade and maintain services for the Kauai franchise on par with services available on Oahu.

Response: In today's hypercompetitive multichannel video programming distributor ("MVPD") marketplace, Oceanic's business depends on the satisfaction of its customers. Oceanic's investment in its cable system on Kauai has delivered dependable, high-quality and innovative cable television services to the residents of the island. Oceanic anticipates maintaining that commitment over the term of the renewed franchise in order to deliver the best services to our customers. Should consumer demand, changes in technology, and the competitive landscape demonstrate to Charter that its services should be further upgraded over the life of the franchise, Charter will do so consistent with sound economic justifications for such investment and technical feasibility.

3. Refer to II.F. Franchise Compliance Review (page 7 of the Application).

Applicant has from time to time missed deadlines for the submission of required reports to the Department of Commerce and Consumer Affairs ("DCCA"), and DCCA has to remind Applicant to submit timely reports. Applicant states that "[w]ith [Charter Communications, Inc.'s ("Charter") oversight, Oceanic will strive to submit reports on a timely basis." State the specific steps Applicant will take to ensure that all reports required by the Hawaii Revised Statutes, Hawaii Administrative Rules, and Decision and Orders are submitted on a timely basis.

Response: Oceanic has recently revised and automated its master reporting calendar and reminder system for all reports required by the Hawaii Revised Statutes ("HRS"), Hawaii Administrative Rules ("HAR"), and Decision and Orders, which Oceanic expects will improve the timeliness of required reports. As Charter Communications, Inc. ("Charter") continues its integration with Time Warner Cable, Inc., Charter, the ultimate parent corporation of Oceanic, will evaluate how best to implement and operationalize its commitment to prompt and

accurate reporting. In connection with the renewal process, Oceanic looks forward to discussing with the DCCA the utility and continued necessity of certain currently required reports, including appropriate alternative approaches that will allow Oceanic to focus its resources on delivering advanced and reliable services and customer support on Kauai.

4. **Refer to II.F. Franchise Compliance Review (page 7 of the Application).** The Application states that bulk services are "provided at significant discounts from the standard subscriber rate to all bulk [multiple dwelling unit ("MDU")] customers, included those serving senior citizens, when bulk agreements are negotiated."

- a. If any, provide information on the number of senior citizen MDUs not receiving discounts on Kauai and the status of the negotiations for those MDUs.

Response: As stated in its Application, Oceanic offers significant bulk service discounts to all bulk MDU customers, including those serving senior citizens, when bulk agreements are negotiated. These discounts are associated with the bulk services, not the presence or absence of senior citizens. Our initial response was simply indicating that in certain circumstances, where bulk agreements are negotiated with a senior citizen MDU facility, this will result in senior citizens obtaining such bulk discount. Oceanic does not track information related to the number of MDUs, senior citizen or otherwise, not receiving bulk MDU discounts.

- b. Describe any current or future plans for senior citizen cable service discounts for individual (non-bulk) cable subscribers.

Response: Charter is currently planning to launch its Spectrum products and pricing for new residential customers in Hawaii, including on Kauai, subject to any unforeseen technical or operational issues, by the end of the second quarter of 2017. Charter's current Spectrum offering includes a variety of customer-friendly pricing and packages, including offerings that are likely to appeal to or meet the needs of senior citizens.

5. **Refer to IV.A.1. (page 17 of the Application) and IV.A.3.c. (page 19 of the Application).** Applicant does not list any officers or directors for Oceanic. However, Applicant states that "Oceanic's officers and directors will be responsible for directing Oceanic's operations. . . ." Please identify Oceanic's officers and directors.

Response: Oceanic is a manager-managed limited liability company and does not have any directors. It is managed by Charter and its members are ultimately

directed by the directors of Charter. Charter's officers serve as the officers of Oceanic, as identified on page 17 of Oceanic's Application, and are responsible for directing Oceanic's operations. Charter's local officers include: Gregg Fujimoto, Senior VP, Field Operations; Steve Hattrup, VP, Finance; Marcia Taira, VP, Human Resources; Kirk Izawa, VP, Technical Operations; Norman Santos, VP, Engineering; Mitzi Lehano, VP, Production and Community Relations; Sandy Davis, VP, Customer Care.

6. Refer to IV.C.1. Financial Qualifications (pages 24-25 of the Application). Applicant states that Oceanic does not have audited financial statements and that Charter's unaudited SEC Form 10-Q for the period ending September 30, 2016, attached as Exhibit A to the Application, would be the most applicable financial statement.

- a. Please provide Oceanic's unaudited financial statement for the Kauai franchise as of September 30, 2016 and for the nine (9) months ended September 30, 2016.

Response: Oceanic does not have financial statements (audited or unaudited) for the Kauai franchise separate from Charter's financial statements. As stated in the Application, Charter's SEC Form 10-Q for the period ending September 30, 2016, attached as Exhibit A to the Application, remains the most responsive applicable financial statement. However, Charter will issue its annual SEC Form 10-K within the next few weeks, which will provide updated financial statements. It will be posted on Charter's website. Additionally, Charter's corporate accounting is preparing an audited consolidated financial statement for the Hawaii franchises for the year ended December 31, 2016. This financial statement is expected to be completed at the end of April 2017.

- b. For the Kauai franchise, confirm that there have been no significant changes in Applicant's liabilities, member's capital, revenues and expenses, obligations to its parent company, and statements of cash flows since the last reviewed financial statement.

Response: It is not clear what would constitute "significant changes" for purposes of responding to this request. Charter's most recent annual SEC Form 10-K will be released in the next few weeks, and the audited consolidated financial statement for the Hawaii franchises for the year ended December 31, 2016 should be available at the end of April.

7. Refer to IV.C.7.b. Projected Growth of Other Services (pages 27-28 of the Application). In the Application, Applicant provides the projected growth of

Oceanic's parent company Charter. Please provide the projected growth of Oceanic as it pertains to the Kauai franchise.

Response: Given the hypercompetitive and dynamic nature of the MVPD market, evolving technologies, and the inherent risks, uncertainties, and assumptions contemplated by this request, Charter is not in a position to reliably project the growth of Oceanic as it pertains to the Kauai franchise over the next franchise term. However, as discussed in the Application, Oceanic anticipates reallocating network capacity and adding significantly more HD and VOD options during the next franchise term. Further, in addition to launching Spectrum products and pricing on Kauai, as discussed in Charter's response to Request No. 4, Charter intends over time to transition Oceanic to a virtually all-digital network as described in Charter and Oceanic's All-Digital Network Transition Plan for Hawaii filed with DCCA on November 16, 2016. Charter is continuing to evaluate additional improvements to Oceanic's products and services, as well as investments in infrastructure. Charter believes these improvements and investments will allow Oceanic to continue offering superior and reliable services and position it to grow in Kauai.

8. **Refer to II.C. History and Experience (page 5 of the Application) and IV.D.2.b. Equitable Extension of Service policy (page 30 of the Application).**

- a. Applicant has stated that its current policy for extension of service to underserved and underdeveloped areas will remain the same (i.e., extension of service to all areas where a minimum of 25 homes per mile of strand or conduit is developed). Provide either the number of homes, or the percentage of homes, on Kauai that are not served due to Applicant's 25 homes per mile line extension policy. Additionally, identify which areas are especially challenging to meet the 25 homes per mile criteria and why.

Response: Oceanic has taken steps over the term of the current franchise to extend plant to areas that meet the minimum 25 homes per mile requirement. While there remain areas on Kauai that have not yet met these requirements, Oceanic does not possess information related to the number of homes, or the percentage of homes, that does not meet Oceanic's line extension policy. Generally, areas on Kauai that do not receive service are remote and, for some areas, practically inaccessible. As stated in its Application, Oceanic will monitor requests from underdeveloped areas annually to determine if any new construction of homes has occurred to meet the criteria for minimum extensions of plant.

- b. The DCCA has received periodic inquiries from consumers concerning the high cost of construction fees to connect outlying residential subdivisions on Kauai to Applicant's cable system. What efforts, if any, is Applicant willing to offer to assist consumers in undeveloped and unserved areas/subdivisions to help pay for construction costs to connect up these residents?

Response: Extending Oceanic's cable system requires extensive capital investment. As stated in the Application, and consistent with HAR § 16-131-7 and -9, Oceanic will extend a service drop without charge to a resident for up to 200' and will provide an estimate for a service drop installation only for the actual additional cost beyond the 200' limit.

- c. Applicant states that "Oceanic currently passes over 38,000 homes on Kauai." Please describe any plans to increase/extend the passings on Kauai during the next proposed franchise period. Also, describe any plans to extend infrastructure in unserved areas such as Waena.

Response: Charter is continuing to evaluate additional investments in Oceanic's infrastructure, including on Kauai. As noted above and in Charter's November 17, 2016 Post-Transaction Report, Charter is continuing to develop plans to meet its commitment of investing a minimum of \$10 million to build out its network beyond where it currently operates. Charter will provide further updates to DCCA on its planned initiatives once those plans are finalized, and as part of its general reporting.

- d. Explain why the annual monitoring of requests from underdeveloped areas cannot occur more frequently.

Response: Oceanic relies on available information to identify the number of homes passed per mile in underdeveloped areas, primarily from U.S. Census Bureau updates and reports voluntarily submitted by housing developers. Oceanic's experience indicates that significant changes to underdeveloped areas, such that they become eligible under the minimum 25 homes per mile requirement, typically do not occur within a year, in part because of the time required to construct new homes. If Oceanic obtains information confirming that a previously underdeveloped area meets the minimum requirement for service, it will take appropriate steps to extend its plant to that area consistent with its extension of service policy.

9. **Refer to IV.H.2. Public, Educational, and Government ("PEG") Access — Operating Funding and Capital Payments (page 37 of the Application).**

State Applicant's proposed plans and schedule for access operating funding and capital funding for facilities and equipment and include the following:

- a. The amount Applicant proposes for the annual access operating fee payments to the Director or the Director's designee for PEG access purposes. If this proposed payment is based on a percentage of revenue, explain how the percentage will be calculated; and

Response: Oceanic proposes to provide adequate PEG operating support within, and subject to, the five percent (5%) franchise fee cap under federal law, to reasonably meet specific community cable-related needs and interests identified and justified by the Director, while taking into account the costs of doing so. Oceanic reserves the right to discuss this issue with DCCA in connection with the renewal process, and looks forward to doing so.

- b. The amount Applicant proposes for the annual capital fund payments to the Director or the Director's designee for PEG access purposes. Explain how Applicant proposes to calculate this amount.

Response: As noted in the Application, Oceanic looks forward to discussing a reasonable and appropriate amount of PEG capital funding on Kauai for the next franchise period. The reasonable and appropriate level of PEG capital funding must relate to demonstrated PEG-related community needs, and be evaluated in light of the cost of meeting those demonstrated needs. The Ascertainment Report did not identify or justify compelling community needs and interests related to PEG. Accordingly, the appropriate PEG capital funding for the next franchise term requires additional information from Hoike regarding any specific requests for facilities and equipment, the justification for those needs, and the level of its existing resources (including any cash reserves) to meet those needs. The appropriate amount of PEG capital funding must also account for (i) the dramatic changes in the video programming market in recent years, (ii) the ubiquity of alternate sources of video production and distribution (including via smartphones and online), (iii) the public benefit of PEG capital expenditures, (iv) the impact of PEG capital funding on Kauai subscribers, and (v) the competitive burdens on Oceanic imposed by PEG capital funding requirements that are not borne by other participants in the MVPD market such as satellite and over-the-top providers. Oceanic also looks forward to discussing terms for its collection and remittance of PEG capital funding that ensure those amounts are not used on operational costs or expenditures that are not considered capital expenditures under GAAP, on equipment purchased to stream programming over the Internet

or deliver PEG content to individuals who are not Oceanic customers, for operational costs, or on PEG transport costs.

10. **Refer to IV.I. Customer Service Operations (page 40 of the Application).**

- a. Provide the specific process Applicant will follow regarding resolution of complaints and inquires referred by the DCCA.

Response: Currently all complaints and inquires referred by the DCCA are logged and calendared and assigned to relevant personnel for follow-up and appropriate action. Oceanic also employs a process for status checks and follow-up inquiries to confirm the complaint has been resolved or the inquiry answered. Kauai's General Manager supervises the resolution of complaints and inquiries referred by the DCCA. As Charter integrates with Time Warner Cable, Inc., it will continue to evaluate Oceanic's procedures and consider implementing additional procedures to ensure the timely resolution of complaints and inquiries referred by the DCCA to Oceanic.

- b. Once a complaint escalates, state the procedures the Applicant will follow to resolve the issue and timeframe objectives for resolution.

Response: As Charter continues its integration, it will evaluate whether and how to modify Oceanic's procedures to resolve escalated complaints effectively and quickly. Charter utilizes a proven process and specialized team to handle escalated complaints in a timely and efficient manner. In addition to resolving escalated complaints, Charter's specialized team also evaluates the steps necessary to prevent future escalations from occurring.

11. State Applicant's proposed plans and schedule of expenditures for and in support of the Hawaii Public Television Foundation, dba PBS Hawaii.

Response: Historically, Oceanic has contributed 1% of the gross revenue for its Kauai franchise to Hawaii Public Television Foundation, dba PBS Hawaii ("HPTF"), in the form of an HPTF Fee. This fee is payable annually to HPTF as designated by the Director in accordance Section 2.7 of the Terms and Conditions attached to Decision and Order No. 291 issued on July 12, 2002 (the "D&O 291 Terms"). As set forth in Section 2.3(b) of the D&O 291 Terms, this HPTF Fee represents a portion of Oceanic's Kauai Franchise Fee. During the renewal term, Oceanic proposes to pay any Franchise Fees that may be assessed by the Director, to the Director or its designee(s), subject to the limits set forth in federal law, including 47 U.S.C. § 542.