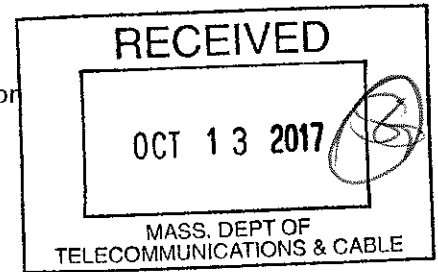


Green, Shonda (DTC)

From: Carroll, Sean M (TAC) <sean.m.carroll@massmail.state.ma.us>
Sent: Friday, October 13, 2017 2:52 PM
To: Efilng, DTC
Cc: Merrick, Sandra (DTC)
Subject: Fwd: Supplemental Response for RR-1: Town of Charlton



Shonda, please enter this into the 16-4 docket. Thanks!

Begin forwarded message:

From: "Williams, Denise J" <Denise.Williams3@charter.com>
Date: October 13, 2017 at 2:47:44 PM EDT
To: "sean.m.carroll@state.ma.us" <sean.m.carroll@massmail.state.ma.us>, "Mael, Michael (TAC)" <michael.mael@massmail.state.ma.us>
Cc: "Horvitz, Steven" <SteveHorvitz@dwt.com>, "Robinson, Melissa A" <melissa.robinson@charter.com>, "Merante, Mark (DTC)" <mark.merante@massmail.state.ma.us>
Subject: Supplemental Response for RR-1: Town of Charlton

See supplemental response below regarding the Town of Charlton. Please let us know if there are any further issues/questions.

Thank you,
Denise

Massachusetts
Department of
Telecommunications and Cable

Cable Television Division
Record Requests
Charter Communications Docket No. DTC 16-4

FCC Form 1240

D.T.C. – RR - 1-1

Given Charter's change of methodology for calculating franchise-related costs in the middle of license terms, please provide two representative examples of Charter's accounting of franchise-related-cost payments made early in such a license term, prior to the methodological change.

10/13/17 Supplemental
Response 2:

Based on the alternative calculations filed on 10/2/17, the alternative Franchise Related Cost calculation methodology for the Town of Charlton produced an MPR that is lower than the current pass-through. As this is a unique situation, Charter requests a special true-up be undertaken within the Form 1240 at the next rate cycle (Feb 2018) to implement the pass-through "refund" for Charlton. Utilizing the Form 1240 true-up mechanism at the next rate cycle will simplify the administrative process for both Charter and the Department. Most importantly, it will benefit customers by reversing the relatively small, inadvertent over-collection, while avoiding disruptive price adjustments.

10/2/17 Supplemental
Response 1:

Charter is submitting herewith an alternative calculation of Franchise-Related Costs ("FRCs") for its regulated Massachusetts communities. In the two earlier versions Charter submitted in connection with this Docket, Charter made adjustments to its FRC

recovery to include rate of return ("ROR") and time value of money ("TVM") factors encompassing the entire duration of current regulated franchises. In this version, which is submitted in response to a request by DTC staff, Charter is submitting an alternative calculation, which is intended to consider the ROR and TVM prospectively only from February 1, 2017 -- the "Rate Adjustment Date" and the "Initial FRC Calculation Date" for the pending rate review. In light of potential concerns regarding Charter's two earlier versions, Charter is prepared to establish FRC rates in its current and future rate filings consistent with this third FRC calculation methodology. See attached amended franchise related cost maximum permitted rate calculations, for the Feb 2017 rate year, for all applicable MA regulated areas.

9/8/17 Response:

Person providing the response: Melissa Robinson, Senior Regulatory Analyst

The attached examples provide additional insight into Charter's proposed FRC recovery.

As originally filed, we assumed that the entire historic pass-through recovery occurred at the exact same time as Charter's FRC payment. (That calculation is reflected in the "Original as Filed" presentation at the bottom of the attached spreadsheets.)

In fact, in preparing a response to this Record Request, we recognized that the historic pass-through recovery from subscribers actually occurred gradually on a monthly basis. When that fact is incorporated into the model, it reduces the "Principal Value at Initial Calculation Date" of the historic pass-through recovery. This leads to an increase the projected FRC recovery figure. (See "Example Based on Further Review" at the top of the attached spreadsheets.)

Overall, there is an increase in the proposed approach from Charter's historic FRC recovery figure to reflect the inclusion of: (1) the ROR factor; and (2) the recovery of prior FRC under-collections over the remaining life of the franchise (see column P). The magnitude of the second factor varies depending on when during the franchise term the new FRC calculation approach is implemented. If the new approach is implemented relatively late in the franchise term, the relative magnitude of the second factor is larger. But the mathematics of the approach ensures that this variation does nothing more than properly reflect the time value of money and the permissible ROR. When these two factors are properly considered, the timing impact of the new approach is economically neutral for subscribers and the Company, regardless of whether the new FRC calculation is implemented at the beginning of the franchise or sometime during the franchise term.

In light of the adjustments between the "Original as filed" and the "Example Based on Further Review," we would like the opportunity, after the DTC staff have reviewed this Record Response, to discuss the available options for going-forward in all of the regulated communities.

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