



Agenda Date: 2/24/16
Agenda Items: 3A2 & 3A3

STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

OFFICE OF CABLE TELEVISION
AND TELECOMMUNICATIONS

IN THE MATTER OF THE PETITION OF TIME)	ORDER APPROVING
WARNER CABLE, INC., CHARTER)	STIPULATION OF
COMMUNICATIONS, INC. AND TIME WARNER CABLE)	SETTLEMENT
NEW YORK CITY LLC, FOR APPROVAL OF THE)	
TRANSFER OF CONTROL OF TIME WARNER CABLE)	
NEW YORK CITY, LLC AND APPROVAL OF)	
TRANSACTION FINANCING)	DOCKET NO. CM15070770
)	
IN THE MATTER OF THE VERIFIED PETITION OF)	
CHARTER COMMUNICATIONS, INC. AND TIME)	
WARNER CABLE INC., FOR APPROVAL OF THE)	
TRANSFER OF CONTROL OF TIME WARNER CABLE)	
INFORMATION SERVICES (NEW JERSEY), LLC AND)	
APPROVAL OF TRANSACTION FINANCING)	DOCKET NO. TM15070772

Parties of Record:

Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel
Dennis C. Linken, Esq., Scarinci & Hollenbeck LLC, for Petitioners

BY THE BOARD:

By a verified Petition dated July 2, 2015, and filed on July 7, 2015, Charter Communications, Inc. ("Charter"), Time Warner Cable, Inc. ("TWC") and Time Warner Cable New York City, LLC ("TWCNYC") initiated a proceeding before the Board of Public Utilities ("Board"), pursuant to N.J.S.A. 48:5A-38 and N.J.A.C. 14:17-6.18, seeking approval for Charter to acquire control of TWCNYC. (Docket No. CM15070770). Charter, TWC, and Time Warner Cable Information Services (New Jersey), LLC ("TWCIS")¹ also filed a separate verified Petition, pursuant to N.J.S.A. 48:2-51.1 and N.J.A.C. 14:1-5.14 requesting approval of the proposed transfer of control of TWCIS, an indirect subsidiary of TWC, to a subsidiary of Charter, CCHI, LLC ("New Charter"). (Docket No. TM15070772). In both matters referenced above, Charter, TWC,

¹ Charter, TWC, TWCNYC, and TWCIS shall hereinafter be referred to jointly as "Petitioners".

TWCNYC, and TWCIS (together, "Petitioners") also requested approval from the Board, pursuant to N.J.S.A. 48:3-9, N.J.S.A. 48:5A-42, N.J.A.C. 14:1-5.9 and N.J.A.C. 14:17-6.13 for approval for financing related to the proposed transfers of control ("Merger").²

BACKGROUND

Charter, a publicly traded Delaware corporation that is headquartered in Stamford, Connecticut, is the 7th largest Multichannel video programming distributor ("MVPD") in the U.S., operating in 28 states and currently serving approximately 4.2 million residential video subscribers. Currently, Charter provides video, broadband internet, voice and business services to its customer base, totaling 5.8 million residential subscribers, with 386,000 commercial relationships. Charter does not have operations or customers in New Jersey.

TWC, a publicly traded Delaware corporation located in New York City, is the 4th largest MVPD in the United States, with approximately 11 million video subscribers. TWC delivers video, broadband, and voice services to over 15 million residential and business customers across 30 states, including New Jersey. In New Jersey, TWC provides competitive Voice over Internet Protocol (VoIP) services through a non-regulated entity, TWC Digital Phone LLC, d/b/a Time Warner Cable ("TWC Digital Phone").

TWCNYC provides cable television service pursuant to cable television franchises to approximately 35,411 subscribers in fourteen (14) New Jersey municipalities in Bergen and Hudson counties ("TW-Bergen System"). TWCNYC is a wholly owned indirect subsidiary of TWC, also a publicly traded Delaware corporation with headquarters located in New York City.

TWCIS is a wholly owned subsidiary of TWC and a limited liability company formed under the laws of the state of Delaware, with its principal office located in New York City. TWCIS is authorized in New Jersey to provide competitive facilities-based and resold local exchange and interexchange telecommunications services throughout the state, pursuant to the Board's Order dated January 28, 2009, in Docket No. TE04091033. TWCIS does not provide direct end-user voice services, but provides local network interconnection, telephone numbers and other services to enable TWC to provide competitive Voice over Internet Protocol ("VoIP") services in New Jersey through a non-regulated entity, TWC Digital Phone, LLC d/b/a Time Warner Cable ("TWC Digital Phone"). TWCIS also offers to business and commercial customers a variety of other products and services, such as high-capacity transmission services (e.g., Metro Ethernet) and cell tower backhaul. Customers range from small businesses with a single location to medium-sized and enterprise businesses with multiple locations as well as government, education, and non-profit institutions.

MERGER STRUCTURE

TWCNYC and TWCIS are part of a nationwide merger pursuant to Agreements entered into on May 23, 2015 by Charter with each of TWC, Liberty Broadband Corporation ("Liberty Broadband"), Liberty Interactive Corporation (together with Liberty Broadband, "Liberty") and Advance/Newhouse Partnership (A/N), a parent company of Bright House Networks, LLC

² Petitioners also filed with the Board a FCC Form 394 – Application for Franchise Authority Consent to Assignment or Transfer of Control of Cable Television Franchise, setting forth pertinent information concerning the Transaction.

("BHN") (Liberty and A/N are not parties to this Transaction), that together would merge Charter, TWC and BHN into a single company, referred to as "New Charter". According to Petitioners, TWC stockholders would receive a combination of cash and stock that values TWC at approximately \$79.3 billion including acquired debt, and A/N would receive a combination of cash and partnership units that values BHN at approximately \$10.4 billion.

As described below, there are three components to the Transaction, each of which is expected to occur simultaneously upon closing.

First, Charter will utilize an existing subsidiary (CCH I, LLC), which will become New Charter and the ultimate parent, public company of Charter. TWC would become a subsidiary of New Charter through a series of mergers. According to the Petitioners, through these mergers, TWC shareholders would be given the choice to receive, for each share of TWC stock, either (a) a combination of \$100 per share and approximately 0.4891 shares of New Charter Class A common stock, or (b) a combination of \$115 per share and approximately 0.4125 shares of New Charter Class A common stock ("TWC Shareholders' Election").

Second, Charter would merge with a subsidiary of New Charter, becoming a subsidiary of New Charter, and each then outstanding share of Charter Class A common stock would be converted into shares of New Charter. Petitioners state that New Charter would assume the Charter name and its existing NASDAQ Stock Market ticker symbol (CHTR). Additionally, Liberty would contribute \$4.3 billion in cash to New Charter in exchange for shares of New Charter Class A common stock.

Third, subject to separate conditions, New Charter would acquire BHN, with limited exceptions, from A/N for approximately \$10.4 billion, consisting of (a) approximately \$2 billion in cash, (b) one share of New Charter Class B common stock in New Charter, and (c) exchangeable common and convertible preferred units valued at approximately \$8.4 billion, in a partnership that will be a New Charter subsidiary and that will hold all of BHN's assets, as well as assets of Charter and TWC.

Liberty Broadband will contribute an additional \$700 million in cash (for a total of \$5 billion, including the \$4.3 billion noted above) in exchange for shares of New Charter Class A common stock.

Petitioners assert, depending upon the outcome of the TWC Shareholders' Election and the number of shares the TWC shareholders elect, existing TWC shareholders would hold between 41-45% of the new company, A/N would hold between 13-14% of the shares of New Charter, and Liberty will hold an 18-19% equity interest in New Charter; and existing Charter Communications, Inc. public shareholders would hold the remainder not held by either A/N or Liberty. Petitioners state that "approximately" 68% of New Charter will be publicly held and the remaining will be privately owned. Further, Petitioners state that a majority of the 13-person board would not be nominated by either A/N (which would nominate two board members at closing) or Liberty Broadband (which would nominate three board members at closing). In addition, Petitioners state that Tom Rutledge, Charter's current President and CEO, would hold a board seat and be offered the position of Chairman and CEO of New Charter.

Petitioners further state that following the Transaction, New Charter will be the 3rd largest MVPD behind AT&T-DirecTV and Comcast, and would own and/or manage systems serving approximately 19.4 million broadband customers, 17.3 million video customers, and 9.4 million voice customers across 41 states. Both TWCIS and TWCNYC will be wholly-owned indirect

subsidiaries of TWC (to be known as Legacy Time Warner Cable), which in turn will be a wholly-owned indirect subsidiary of New Charter.

TWCNYC will remain the franchised cable television provider in New Jersey and will continue to operate and serve the TW-Bergen System. According to Charter, there are no plans to change the name of TWCNYC, the legal entity holding the franchises for the TW-Bergen system. Accordingly, Petitioners assert that TWCNYC will continue to operate according to the terms of the current franchise agreements and applicable law. Petitioners also assert that there are no plans to change the terms and conditions of service or operations of the TW-Bergen System, including changes to company policies with respect to finances, operations, accounting, rates, depreciation, operating schedule, maintenance and management, affecting the public interest.

TRANSACTION FINANCING

As described by the Petitions, upon conclusion of the proposed Transaction, certain operating subsidiaries of New Charter, including TWCNYC and TWCIS, will become guarantors of, and with respect to any secured facilities, will pledge their assets for; (1) indebtedness being incurred to finance in part the Transaction, and (2) indebtedness of legacy TWC and its subsidiaries that will become indirect subsidiaries of New Charter.

A. Description of Transaction Financing

Subject to market conditions, Charter expects to finance part of the consideration for the Transaction with additional indebtedness of approximately \$24 billion. This additional indebtedness is expected to be in the form of new senior secured bank loans, senior secured notes and unsecured indebtedness made available to two of Charter's subsidiaries, CCO Holdings, LLC ("CCOH") and Charter Communications Operating, LLC ("Charter Operating"), the immediate holding company for all of Charter's operating subsidiaries.

1. New Bank Loans

On August 24, 2015, Charter Operating incurred \$1.0 billion in senior secured term loans maturing on August 24, 2021, and \$2.8 billion in senior secured term loans maturing on January 24, 2023 (collectively, the "Term Loans").³ Immediately following the incurrence of the Term Loans by Charter Operating, the proceeds of such loans were assigned to CCO Safari III, LLC (the "Escrow Borrower") and placed into escrow. The release of the proceeds to Charter Operating (the "Bank Escrow Release") is subject to the satisfaction of certain conditions, including the closing of the transactions contemplated by the Agreement and Plan of Mergers, dated as of May 23, 2015 (the "Merger Agreement"), by and among Charter, New Charter and TWC. Substantially concurrently with the Bank Escrow Release, the Term Loans will become obligations of Charter Operating and the Escrow Borrower will merge into Charter Operating.

In addition to the Term Loans described above, Charter Operating obtained commitments for an incremental senior secured \$2.0 billion term loan – A (the "Incremental Term Loan – A") which will be funded at the closing of the Transaction.

³ Securities and Exchange Commission ("SEC") Amendment No. 1 to Form S-4 Registration Statement by CCH I, LLC, p. 221, filed July 27, 2015. See also, Response to Discovery OCTV A-50, letter dated November 2, 2015 from Dennis Linken, Esq. on behalf of Petitioners to Christopher Psihoules, Deputy Attorney General.

Following the Bank Escrow Release, the Term Loans and Incremental Term Loan – A will be guaranteed by CCOH, Charter Operating's holding company, and Charter Operating's subsidiaries, including, after giving effect to the Transaction, the subsidiaries of Charter Operating that will hold the operating assets of TWC and BHN. In addition, following the Bank Escrow Release, the Term Loans and Incremental Term Loan - A will be secured by a first priority security interest in substantially all of the assets of Charter Operating and the guarantors, subject to certain customary exceptions. The liens will be (i) *pari passu*⁴ with the liens on the collateral securing the Charter Operating senior secured notes described below and any permitted refinancing thereof, (ii) *pari passu* with the liens on the collateral securing Charter Operating's existing credit facilities and any permitted refinancing thereof and (iii) *pari passu* with the liens on the collateral securing existing TWC indebtedness being assumed as a part of the Transaction, as described below. The *pari passu* ranking of the security interests will be set forth in a customary intercreditor agreement.

2. New Senior Secured Notes

On July 23, 2015, CCO Safari, II, LLC (the "Escrow Issuer") issued \$2.0 billion aggregate principal amount of 3.579% Senior Secured Notes due 2020, \$3.0 billion aggregate principal amount of 4.464% Senior Secured Notes due 2022, \$4.5 billion aggregate principal amount of 4.908% Senior Secured Notes due 2025, \$2.0 billion aggregate principal amount of 6.384% Senior Secured Notes due 2035, \$3.5 billion aggregate principal amount of 6.484% Senior Secured Notes due 2045 and \$500 million aggregate principal amount of 6.834% Senior Notes due 2055 (collectively, the "Notes").⁵ The gross proceeds of the offering and sale of the Notes are being held in escrow. The release of the proceeds to Charter Operating (the "Bond Escrow Release") is subject to the satisfaction of certain conditions, including the closing of the transactions contemplated by the Merger Agreement. Substantially concurrently with the Bond Escrow Release, the Notes will become obligations of Charter Operating and Charter Communications Operating Capital Corp. and the Escrow Issuer will merge into Charter Operating. Following the Bond Escrow Release, the Notes will be guaranteed by CCOH and Charter Operating's subsidiaries, including, after giving effect to the Transaction, the subsidiaries of Charter Operating that will hold the operating assets of TWC and BHN. In addition, the Notes will be secured by a first priority security interest in substantially all of the assets of Charter Operating and the guarantors, subject to certain customary exceptions. The liens will be (i) *pari passu* with the liens on the collateral securing the Term Loans described above and any permitted refinancing thereof, (ii) *pari passu* with the liens on the collateral securing Charter Operating's existing credit facilities and any permitted refinancings thereof and (iii) *pari passu* with the liens on the collateral securing existing TWC indebtedness being assumed as a part of the Transaction, as described below. The *pari passu* ranking of the security interests will be set forth in a customary intercreditor agreement.

The offering and sale of the Notes resulted in net proceeds of approximately \$15.5 billion. The net proceeds of this issuance, together with the proceeds of the Term Loans and Incremental Term Loan – A described above, the new unsecured CCOH notes described below and additional borrowings under the Charter Operating revolving credit facility, will be used to fund the cash portion of the purchase price for the Transaction, to pay related fees and expenses and for general corporate purposes.

⁴ The term *pari passu* is Latin, literally translated as "by equal step". Black's Law Dictionary defines the term as "[p]roportionally; at an equal pace; without preference". Black's Law Dictionary, 7th Ed., 1999.

⁵ SEC Amendment No. 1 to Form S-4 Registration Statement by CCH I, LLC, p. 222, filed July 27, 2015.

3. New CCOH Unsecured Notes

Charter expects to fund part of the purchase price for the Transaction with additional notes issued (or assumed, following the consummation of the Transaction) by CCOH (the "CCOH Unsecured Notes"). The CCOH Unsecured Notes are expected to be general unsecured obligations of CCOH, structurally subordinated to all debt and other liabilities (including trade payables) of CCOH's subsidiaries, including the indebtedness described above. In the event CCOH is unable to issue the CCOH Unsecured Notes in an amount sufficient to fund the necessary portion of the purchase price for the Transaction, Charter Operating is expected to draw on its commitment for up to \$3.2 billion in senior unsecured bridge facilities (the "CCO Unsecured Bridge"). Additionally, in the event TWC shareholders elect to receive an incremental \$15 in cash consideration and a lower number of New Charter shares and CCOH is not able to issue up to \$4.3 billion of unsecured notes on or prior to the closing date, CCOH is expected to draw on its commitment for up to \$4.3 billion in a senior unsecured 364-day loan facility (the "CCOH Unsecured Bridge").⁶

The proceeds of the Term Loans, Incremental Term Loan – A and the Notes will be used to fund a portion of the cash payments required upon consummation of the Transaction. The CCO Unsecured Bridge or CCOH Unsecured Bridge, if used (or additional CCO secured notes or CCOH Unsecured Notes, if issued, or other indebtedness issued in lieu thereof by either CCOH or Charter Operating), may be used to fund additional cash merger consideration to the extent necessary or, in the event the Agreement and Plan of Merger is terminated, to pay any applicable termination fee.

B. Description of Legacy TWC's Indebtedness

In connection with the completion of the Transaction, Charter Operating and its subsidiaries, including TWCNYC, also expect to guarantee approximately \$23 billion in indebtedness of TWC and its subsidiaries that will become New Charter subsidiaries, as described below.

TWC has issued notes and debentures (the "TWC Notes and Debentures")⁷ publicly in a number of offerings pursuant to an indenture, dated as of April 9, 2007, as it has been and may be amended from time to time (the "TWC Indenture"),⁸ by and among TWC, Time Warner Cable Enterprises LLC ("TWCE"), a wholly owned subsidiary of TWC, and The Bank of New York Mellon, as trustee, TWC's obligations under the TWC Notes and Debentures are guaranteed by TWCE. The TWC Notes and Debentures are currently unsecured senior obligations of TWC and rank equally with its other unsecured and unsubordinated obligations.

⁶ Whether Charter issues the CCOH Unsecured Notes or the CCOH Unsecured Bridge, or each in combination, the relevant interest rates will be market-based depending upon conditions at the time of issuance, which are not yet known.

⁷ The weighted-average effective interest rate for the TWC Notes and Debentures as of March 31, 2015 was 5.904% and includes the effects of interest rate swaps and cross-currency swaps.

⁸ The TWC Indenture and the Second Supplement thereto can be accessed via the following links:

Indenture: <http://d1lqe852tjgow.cloudfront.net/CIK-0001377013/b5a35515-ffee-436b-a3e9-952729962abc.pdf>;

Second Supplement: <http://d1lqe852tjgow.cloudfront.net/CIK-0001377013/6c10312b-1200-413c-a801-7f9c41a1aa53.pdf>

Pursuant to the TWC Indenture, TWCE fully, unconditionally and irrevocably guarantees the payment of principal and interest on the TWC Notes and Debentures. The guarantees of the TWC Notes and Debentures are currently unsecured senior obligations of TWCE and rank equally in right of payment with all other unsecured and unsubordinated obligations of TWCE. The outstanding balance amounts of the TWC Notes and Debentures as of March 31, 2015 was \$20.5 billion.

During 1992 and 1993, Time Warner Entertainment Company L.P. ("TWE") issued debentures publicly in a number of offerings. As a result of various internal reorganizations at TWC, TWCE has assumed all of the rights and obligations under TWE's previously issued debentures (the "TWCE Debentures").⁹ TWCE's obligations under the TWCE Debentures are guaranteed by TWC. The TWCE Debentures were issued pursuant to an indenture, dated as of April 30, 1992, as it has been and may be amended from time to time (the "TWCE Indenture")¹⁰ by and among TWCE, TWC and The Bank of New York Mellon, as trustee. The TWCE Debentures are currently unsecured senior obligations of TWCE and rank equally with its other unsecured and unsubordinated obligations. Pursuant to the TWCE Indenture, TWC fully, unconditionally and irrevocably guarantees the payment of principal and interest on the TWCE Debentures. The guarantees of the TWCE Debentures are currently unsecured senior obligations of TWC and rank equally in right of payment with all other unsecured and unsubordinated obligations of TWC. The outstanding balance amounts of the TWC Notes and Debentures as of September 30, 2015 was \$2.1 billion.

Upon the closing of the Transaction, Charter Operating and each of the New Charter Guarantors will guarantee and secure the TWC Notes and Debentures and TWCE Debentures.

TRANSACTION BENEFITS

Charter asserts in the Petitions and in a Public Interest Statement filed with the FCC on June 25, 2015 that the proposed Transaction will bring substantial public interest benefits to New Jersey, including but not limited to assertions of: innovative service offerings such as their Worldbox set-top box; Spectrum Guide and Charter TV app; utilization of TWCNJ's all-digital network in New Jersey to provide subscribers with advanced services and capabilities such as offering more advanced video programming options and HD channels as well as faster broadband service. In addition, the Petitioner claims that approval of the Transaction will promote the deployment of advanced voice services and enhance competition by providing voice service customers in New Jersey with a more robust competitor, leading to better service and value.

The Transaction, according to the Petitioners, serves to promote "good corporate citizenship" through the national philanthropic initiative known as Charter our Community; retention and expansion of BHN and TWC's community-friendly corporate practices like TWC's diversity and inclusion initiative in hiring and purchasing; continuing to expand BHN's broadband program for low-income residential customers; and to increase customer care capacity. The goals include

⁹ The weighted-average effective interest rate for the TWCE Debentures as of March 31, 2015 was 7.905% and includes the effects of interest rate swaps and cross-currency swaps.

¹⁰ The most recent supplement to TWCE Indenture can be accessed via the following links:

Twelfth Supplement: <http://d1lqe852tjgqow.cloudfront.net/CIK-0001377013/6c10312b-1200-413c-a801-7f9c41a1aa53.pdf>

bringing overseas TWC jobs back to the United States, adding thousands of jobs to the American economy, many of which will be in-house, where it will provide significant training, benefits and opportunities for advancement for proposed in-house jobs; develop high-skilled, well-paid workforce devoted to delivering improved customer service in New Jersey and across the country; and enhance the scale of the merged entity to foster investment, innovation and new choices for consumers.

Petitioners further contend that Charter has a track record of experienced investing and innovating. Charter can provide leading edge cable and broadband service, is financially robust and technically capable. Accordingly, the Petitioner contends that the Transaction is in the public interest and provides positive benefits.

DISCUSSION

Following submission of the Petitions, discovery commenced in the within matters, promulgated by the New Jersey Division of Rate Counsel ("Rate Counsel") and Board Staff ("Staff"). The Petitioners provided written responses to routine and extended discovery requests regarding the impact of the Transaction on New Jersey consumers, and the ability of TWCNYC and TWCIS to continue to provide safe, adequate and proper service subsequent to the transfer.

Rate Counsel submitted comments to the Board on December 7, 2015 regarding the Transaction. Rate Counsel raised concerns that although the number of New Jersey households directly affected by the merger is relatively small, all New Jersey consumers are indirectly affected by the increasing concentration in broadband Internet access, video, and voice markets because the availability of fewer suppliers present the opportunity and incentive for price and conduct collusion among the remaining suppliers, especially for the now-essential broadband connection to the Internet and fewer suppliers also diminish the prospect for programming diversity. Rate Counsel also noted the importance of upgrading the system, network reliability, public safety, consistent billing and termination periods and programming diversity. Rate Counsel questioned the continuing availability of affordable broadband Internet access, albeit at lower speeds, that TWC now offers. Rate Counsel further noted that Charter Operating had obtained \$23 billion in lender commitments, with Charter to incur \$24 billion of indebtedness for the purchase of TWC and \$2 billion of indebtedness for the purchase of Bright House Networks on the Transaction. Rate Counsel raised a concern that the proposed merger, if left unaddressed, would pose harms to customers as substantial new debt that Charter would incur to acquire TWC and effectuate New Charter to operate in a more highly concentrated broadband Internet access market would likely cause higher prices for broadband service.

With these concerns, Rate Counsel recommended that any approval of the Transaction include: (a) affordable broadband Internet access: 5-year rate cap for standalone broadband Internet access at a monthly price of no more than \$15 per month with no requirement for a term-contract; (b) affordable broadband Internet access: Charter committing to TWC's lower speed offerings (and \$15 prices) at least until it rolls out a subsidized broadband program; (c) no data caps: 5-year commitment by Charter; (d) commitment, indefinite, not to block or throttle Internet traffic and to abide by the FCC's net neutrality rules; (e) commitment to upgrade: all TWC and Bright House service areas to meet or exceed Time Warner Cable's Maxx program level of service within 3 years; (f) unlimited flat rate broadband option upon expiration of a usage cap: Charter will permanently continue to offer unlimited, flat rate Internet service at a reasonable price as an alternative to usage-priced plans; (g) opt-out option for Wi-Fi hotspots: customers to be given to the option of opting out of any leased/provided modem Wi-Fi hotspot plan offering a

wireless connection to outside users without the customer's consent; (h) subsidized broadband service for income-eligible customers: Program to roll-out sooner than 3 years and at a monthly price of no more than \$10/month; (i) network reliability and public safety, including back-up batteries for VoIP service without a mark-up, multi-lingual customer education on battery back-up for network connections during power outages, quarterly public reports to the Board copied to Rate Counsel re answer time for repair and technical assistance, average installation period, outages, the network outage reporting system (NORS) data upon Charter's simultaneous submission of same to the FCC, a commitment to coordinate with local, state and federal officials regarding emergencies; (j) billing and termination procedures: Charter should commit to procedures comparable to TWC, inclusive of warm dial tone capability and a time period for bill processing that is at least as long as that now provided by TWC so consumers are not worse off as a result of the transaction; (k) programming diversity: require existing PEG channel to be maintained and require an additional PEG channel within 3 years to benefit the local school/community; (l) open customer premises equipment: customers to use their own set-top equipment to receive cable television services without compulsory equipment and rental fees and Charter to commit to offering discount alternatives such as DTAs for secondary televisions and to provide an alternative option to accepting new equipment to continue to receive service; (m) lifeline internet subsidy: Charter should retain TWC's Everyday Low Priced \$14.99 Internet plan regardless of other low-income discount programs offered, such as the Lifeline Internet subsidy for eligible participants or if Charter adopts the Bright House program, the program should be broadened to accept applications year-round.

On January 4, 2015, the Petitioners replied to Rate Counsel's comments, wherein they responded that there is no need for the Board to impose conditions on customer billing and payment practices, since sufficient requirements already exist in the Board's rules. The Petitioners also expressed assurances that adequate emergency preparedness procedures will be in place after the Transaction closes.

The Petitioners further responded that the Transaction will not have any effect on the state of competition in New Jersey, because TWC and Charter do not compete currently in the same areas, as Charter has no presence in New Jersey. New Charter will have ample incentive to provide high-quality customer service due to robust competition across all three lines of services it intends to offer in New Jersey. Further, the Board's current rules offer the most comprehensive cable television customer service regulation. The Board's rules already address a wide range of customer service matters, including without limitation the manner in which cable operators prepare and render bills and the circumstances under which they may charge late fees. Foremost, they referenced New Charter's commitment in its filings to *improve* customer service across the merged entity's footprint. They contend Rate Counsel's proposed conditions on set-top box and customer premises equipment are not necessary and that Rate Counsel's proposed conditions relating to new broadband build-outs are unlawful.

A. Analysis of Statutory Criteria

Various statutes apply to the Transaction and are addressed herein. Cable entities are governed under N.J.S.A. 48:5A-38 which provides "no CATV company shall combine, merge or consolidate with, or acquire control of, another organization without...approval of the [B]oard, which shall be granted only after an investigation and finding that such proposed combination merger, consolidation or acquisition is in the public interest." Petitions for approval of a merger or consolidation must also conform with the requirements found in N.J.A.C. 14:17-6.18.

Telephone utilities are subject to N.J.S.A. 48:2-51.1 which provides, “[n]o person shall acquire or seek to acquire control of a public utility directly or indirectly. . . without requesting and receiving the written approval of the Board of Public Utilities. Any agreement reached, or any other action taken, in violation of this act shall be void.” In considering a request for approval of an acquisition of control, the Board shall evaluate the impact of such an acquisition on competition, on the rates of ratepayers affected by the acquisition of control, on the employees of the affected public utility or utilities and on the provision of safe adequate and proper service at just and reasonable rates. N.J.S.A. 48:2-51.1. In evaluating these Petitions, the Board must be “satisfied that positive benefits will flow to customers and the State of New Jersey and at a minimum, there are no adverse impacts on any of the criteria delineated in N.J.S.A. 48:2-51.1.” N.J.A.C. 14:1-5.14(c). Also, pursuant to N.J.S.A. 48:3-7 and N.J.S.A. 48:3-10, the Board must determine whether the public utility or a wholly-owned subsidiary thereof, may be unable to fulfill its pension obligations to any of its employees. Thus, the current Board merger standard is the positive benefits test. As per N.J.A.C. 14:1-5.14(c), positive benefits must result from the transaction in order for the Board to approve a merger.

B. Settlement

After numerous meetings and extensive negotiations, a Stipulation of Settlement (“Stipulation”) was entered into by the Petitioners, Rate Counsel and Staff (collectively, “the Parties”), addressing issues including matters beyond the terms contained in the Petitions. Elements of the agreement are summarized below:¹¹

1. New Charter commits to the following:
 - a. 2003 Rate Appeal Before Federal Communications Commission (“FCC”): On October 1, 2002, TW Fanch-One Co., d/b/a Time Warner Cable (“Fanch”), TWCNY’s predecessor, filed an FCC Form 1205 before the BPU in Docket No. CR02100723, seeking approval of certain proposed installation charges and equipment rates for the calendar year January 1, 2003 through December 31, 2003. On August 19, 2003, the BPU issued an Order (“Rate Order”) with regard to said rate proceeding disapproving certain of said rates and charges, thereby resulting in refund liability with respect to Fanch’s New Jersey subscribers. In September 2003, Fanch filed an appeal of the Rate Order with the FCC. Said rate appeal is pending before the FCC. Should the Board approve this Stipulation without change in the terms and conditions thereof, or should the Board modify the terms and conditions hereof and the Signatory Parties accept such change(s), New Charter expressly agrees to abide by and honor the final decision with respect to said rate appeal, whether made by the FCC or a court of competent jurisdiction, in the event of an appeal by any party to said rate proceeding.
 - b. Customer Service Office: TWCNY presently maintains a local customer service office within the geographical area of its New Jersey operations. Should the Board approve this Stipulation without change in the terms

¹¹ Although described in the Order at some length, should there be any conflict between this summary and the Stipulation, the terms of the Stipulation control, subject to the findings and conclusions in this Order.

and conditions thereof, or should the Board modify the terms and conditions hereof and the Signatory Parties accept such change(s), New Charter (i) expressly represents its intention to continue to maintain for at least two (2) years its local customer service office within the geographical area of its New Jersey operations, and (ii) further commits that if at any time New Charter desires to close or relocate said customer service office, it will only do so in accordance with New Jersey law, inclusive of BPU regulations.

For four (4) years from the issuance of an Order approving this Stipulation, if there is any net loss of customer-facing jobs in New Jersey, greater than fifteen percent (15%), New Charter shall notify the Board of such change and provide an appropriate explanation.

- c. Everyday Low Price Offering: New Charter will continue to offer to new customers the Time Warner Everyday Low Price \$14.99 service to New Jersey households passed by TWCNY at speeds no less than those being offered at the time of the Order or close of the Transaction (whichever is faster) for two (2) years from the date of the closing and will allow existing Everyday Low Price customers to retain the service for a total of three years from the date of the closing.

New Charter shall be required to allow existing Time Warner customers to retain, without material changes that have the intent to discourage, the standalone and bundled broadband services they subscribe to at the close of the Transaction for three (3) years from the date of the closing.

- d. Customer Service Investments: Within two years following the close of the proposed Transaction, New Charter shall invest a minimum of \$750,000 in customer service improvements, which may include, by way of example, customer-facing training and customer-facing diagnostic systems and tools for the benefit of its New Jersey operations. For purposes of this Stipulation, "customer facing" refers to direct interaction with customers, including but not limited to call center and other walk-in center jobs, and service technicians. Only a portion of the investment needs to be in New Jersey. The customer service investments may include, for example, a proportional share of customer service investments outside of New Jersey, provided such investments also directly support customer service and related functions in New Jersey.
- e. Availability of Maxx Levels of Service: New Charter will ensure, for at least three (3) years after the close of the Transaction, that broadband speeds of at least up to 300 Mbps download offered under the TWC Maxx broadband offering will continue to be available as a service option for all New Jersey households passed by TWCNY's network.
- f. Open Internet Order Commitments: New Charter commits to extending its current practice of no data caps and to providing open Internet protection in the State in accordance with the requirements of the FCC's *Open Internet Order* (FCC 15-24) for at least three (3) years after the close of the Transaction.

- g. Low-Income Broadband Program: Within fifteen (15) months after the close of the Transaction, New Charter will make available to New Jersey households passed by TWCNY's network a low-income broadband service as follows:
- i. Eligibility – New Charter shall offer its low-income broadband service to both (A) households with children that have a student eligible for the National School Lunch Program and (B) senior citizens age 65 and older who are eligible for and receive from the federal government Supplemental Security Income (“SSI”) benefits. It shall not be the responsibility of New Charter to verify or confirm eligibility. Any current or former customers in arrears will not be eligible until those debts have been cleared. Additionally, no credit check will be required for customers to sign up for this service.
 - ii. Program Features - New Charter will initially offer the program: (i) to qualifying customers at a speed up to thirty (30) Mbps download and four (4) Mbps upload; and (ii) at a price not to exceed \$14.99 a month, including a modem.
 - iii. The New York Public Service Commission’s (“PSC”) Order dated January 8, 2016, in Case 15-M-0388 (“PSC Order”), states that there will be a sixty (60) day waiting period to sign up if a customer has previously subscribed to Time Warner or Charter broadband services. This policy will be applied to New Jersey customers in the manner applied to New York customers, in accordance with the PSC Order, as that Order is applied by the PSC.
- h. Public Benefits Report: Within 30 days of implementing transaction related public benefits asserted by Charter in its filings at the Board and the FCC (MB Docket No. 15-49), New Charter will file an initial report with the Board, and shall thereafter provide a status and progress report to the Board annually for four (4) years, or until the completion of the asserted benefit to the extent that the enumerated benefit extends beyond the four (4) year period.
- i. Notice of Credit Downgrade: If, within three (3) years of the close of the Transaction, New Charter receives a credit downgrade below investment grade from any of the major reporting agencies, it shall report such downgrade to the Board.
- j. Compliance: New Charter will abide by applicable customer service standards, performance standards and service metrics as delineated under N.J.A.C. Title 14, inclusive but not limited to Chapters 3, 10 and 18 and N.J.S.A. 48:5A, including, but not limited to, requirements related to billing practices and termination.

- k. **Adverse Impact:** If FCC conditions adversely impact those contained in the Board Order approving the Transaction, New Charter shall notify the Board of the impact that such conditions will have on its commitments in New Jersey and will work with the Board and Staff to ensure that New Jersey also obtains its commensurate benefit.

FINDINGS AND CONCLUSIONS

Based upon the Stipulation and the Board's independent review of the record in this matter, as well as consideration of the applicable statutes and regulations, cited above, the Board **HEREBY ACCEPTS** the Stipulation as filed with the Board.

Regarding the rate impact, based upon the Stipulation and the Board's independent review of the record in this matter, the Board concludes that there will be no negative impact on rates or service quality as a result of the Transaction.¹²

On the impact on service quality, the stipulated benefits include requiring that TWC maintain its existing customer service office in Palisades Park for a minimum of 2 years and that they must request Board approval for any request to relocate the office, as well as requiring Charter to invest a minimum of \$750,000 in customer service improvements for the benefit of New Jersey operations.

On the impact on employees, the stipulated benefits include requiring Charter to report to the Board should they experience net loss of employees greater than 15 percent. The Board is persuaded that the Petitioners will endeavor to minimize any potential adverse impact to employees in New Jersey.

On the impact on competition, the stipulated benefits include requiring Charter to continue to offer its Everyday Low Price broadband service to new customers for two years and allowing existing customers to retain that service for 3 years, requiring Charter to continue to offer its Maxx broadband offering for 3 years, requiring Charter to continue its practice with no data caps and providing open Internet protections for FCC requirements for 3 years, and requiring Charter to establish a low income broadband program within 15 months including modem speeds of a certain megabit download for households with National School Lunch Program eligible children and households with senior citizens age 65 and older who qualify and receive SSI. Charter has further agreed to pay TWC's liability for potential refunds to customers for equipment rates under a 2003 rate order on appeal with the Federal Communications Commission. By the stipulated terms, New Jersey consumers will benefit from the Transaction and are not harmed by the increasing market concentration/lack of competition. The Board is, therefore, satisfied that positive benefits will flow to customers and that the Transaction will strengthen the Petitioners' competitive posture in the telecommunications market due to their access to additional resources. The Stipulation executed on February 22, 2016 resolves the issues raised.

¹² Rates for basic cable service in TW-Bergen System are deregulated. Thus, TW-Bergen System prices and rates for basic service or potential changes thereto, were not considered in the Board's determination.

Accordingly, the Board **HEREBY FINDS** the Transaction as asserted in the Stipulation is in accordance with law, is in the public interest, has a likelihood of creating positive benefits, and that there will be no adverse impact on the financial integrity of the affected New Jersey companies. The Board **FURTHER FINDS** that Charter has demonstrated that it possesses the financial resources and technical qualifications which ensure the Board of Charter's ability to provide safe, adequate and proper service. After review, the Board **FURTHER FINDS** that the proposed Transaction Financing is consistent with the applicable law and is in the public interest.

Moreover, the Board has continuing authority to regulate the TWCNYC's cable television franchises and customer service obligations. The Petitioners have asserted that, following the Transaction, TWCNYC will continue to hold the required Certificates of Approval ("COAs") for the TW-Bergen System's 14 municipalities, thereby obviating the need to transfer the COAs. Therefore, based on the structure of the Transaction, the Board **FINDS** that no new COAs are required.

Therefore, the Board **ADOPTS** the Stipulation, attached hereto, including all attachments and schedules, in its entirety, incorporating by reference the terms and conditions of the Stipulation as if fully set forth herein. In view of the foregoing, the Board **HEREBY ORDERS** that Petitioners be and are **HEREBY AUTHORIZED** to transfer the equity interests of TWCNYC and TWCIS to Charter, engage in the Transaction Financing and to execute all documents related thereto.

This Order is subject to the following:

- 1) This Order shall not affect or in any way limit the exercise of the authority of the Board, the Office of Cable Television or the State of New Jersey in any future petition or in any proceeding regarding franchises, service, financing, accounting, capitalization, depreciation or any other matters affecting the Petitioners.
- 2) Notwithstanding anything to the contrary in the documents executed pursuant to the financing transactions or other supporting documents, a default or assignment under such agreement does not constitute an automatic transfer of Petitioners' assets. Board approval must be sought pursuant to N.J.S.A. 48:1-1 et seq. where applicable.
- 3) This Order shall not be construed as directly or indirectly fixing, for any purpose whatsoever, any value of tangible or intangible assets now owned or hereinafter to be owned by Petitioners.
- 4) This Order shall not be construed as superseding pending rate proceedings involving TWC.
- 5) Petitioners shall notify the Board, within five business days, of any material changes in the proposed financing, and shall provide complete details of such transactions including any anticipated effects upon service in New Jersey.
- 6) Petitioners shall notify the Board of any material default on the terms of the notes within five business days of such occurrence.

- 7) The Petitioners shall notify the Board, in writing, within five (5) days of the date on which each of the Transactions is consummated.
- 8) Consummation of the above referenced transactions must take place no later than one-hundred-eighty (180) days from the date of this Order unless otherwise extended by the Board.
- 9) Petitioners shall file a Certification with the Board within thirty (30) days of the closing attesting to the lack of material deviation in the executed closing documents or final terms from those terms and conditions described herein and /or submitted to the Board with the petition. Any such material deviation in the executed closing documents shall render this Order voidable by the Board.
- 10) Petitioners shall file journal entries with the Board to record the transactions approved herein within forty-five (45) days of final closing, including but not limited to the transfer of the assets and liabilities from TWCE to NewCo.
- 11) Charter shall provide copies of the corporate resolutions of the stockholders, members or other authorizing person(s) of each of the corporation, Limited Liability company or other entity or group (e.g. shareholder approvals) authorizing the Transaction pursuant to N.J.A.C. 14:17-6.18(a) (2) within 10 days of such authorizations.
- 12) Charter shall provide proof of compliance with rules, regulations and statutes requiring approval from other State and Federal regulatory agencies having jurisdiction in the matter, pursuant to N.J.A.C. 14:17-6.18(a) (13) within 10 days after all approvals have been received.
- 13) Charter shall file a final statement of the fees and expenses incurred in connection with the merger and the accounting disposition to be made thereof, on the books of the surviving corporation, within 30 days of such filing with the Securities and Exchange Commission, pursuant to N.J.A.C. 14:17-6.18(a) (14).
- 14) Charter and/or TWC and/or TWCNYC shall be liable for the State assessment, pursuant to N.J.S.A. 48:5A-32, and municipal franchise fees, pursuant to N.J.S.A. 48:5A-30, due and owing as of the statutory payment dates for the preceding calendar year relating to the CATV System being acquired pursuant to the Transaction approved herein.
- 15) Charter and/or TWC and/or TWCIS shall be liable for the State assessment, pursuant to N.J.S.A. 48:2-59, and any additional fees due and owing as of the statutory payment dates for the preceding calendar year relating to TWCIS being acquired pursuant to the Transaction approved herein.
- 16) Charter and/or TWC and/or TWCNYC shall be liable for any prior State Assessment and municipal franchise fee ("Fees") amounts becoming due and owing as a result of any Board or OCTV audit (Audit) or review performed on TWCNYC with respect to such Fees and shall be liable for any potential refunds to TWCNYC customers and municipalities arising out of such Audit.

- 17) All franchise obligations, commitments and agreements for the existing TWC-Bergen System shall continue in force in all respects following the Transaction under Charter's ownership.
- 18) Charter shall file within 45 days of the closing of the Transaction a revised tariff for cable television service reflecting the new ownership and listing all charges as required by the Board, the Office of Cable Television and/or the Federal Communications Commission.
- 19) TWCNYC shall provide, within 45 days of the date of closing, revised Office of Cable Television Forms CATV-1 and CATV-2, which shall reflect gross revenue, as defined by the applicable statutes, for the periods January 1, 2015 through closing, for the CATV System transferred.
- 20) All of the obligations imposed upon TWCNYC under the Certificates of Approval issued by the Board for the municipalities served by TWCNYC, or by any and all Offers of Settlement involving the TW-Bergen System, shall be assumed by Charter upon consummation of the Transaction.
- 21) All representations and Commitments made by TWCNYC to the municipalities serviced by the CATV System and the Board are fully enforceable as if set forth at length herein and shall also be assumed by Charter.
- 22) Approval of the transfer of the CATV System approved herein shall not constitute automatic approval of any business contract referenced in the Merger Agreement or supporting documents, if Board approval, pursuant to N.J.S.A 48:5A-1 *et seq.* would otherwise be required.
- 23) Within ninety (90) days from the date of closing of the proposed Transaction, Petitioners shall certify, for each system under their control, as well as each system to be acquired as part of this Docket the following items:
 - a) That all New Jersey cable television systems under their respective ownership and/or control, are in full compliance with Article 820 of the National Electrical Code as previously certified.
 - b) That all Board Ordered requirements or conditions arising out of any and all Offers of Settlement and Certificates of Approval have been or are being satisfied within the time frame set forth therein.
 - c) That sufficient funds will be available to fund all outstanding network extensions, rebuilds, upgrades, or other construction commitments arising from a system's primary Service Area (PSA), Certificate of Approval, Municipal Consent, Letters of Intent or other Orders or agreements, including but not limited to the Board Order in Docket No. CO15091102 and documentation provided subsequent thereto.
 - d) That billing records are available for all customers in New Jersey cable television systems under their respective ownership and/or control and to provide the Board and its OCTV with copies of such records for three (3) years in accordance with N.J.A.C. 14:18-3.7.
 - e) That within 90 days from the date of closing of the Transaction, Charter will

provide certification that the TW-Bergen System is and will remain fully compliant with Emergency Alert System (EAS) obligations imposed by the FCC on digital programming services, effective December 31, 2013, and will retain the current levels of EAS functionality as currently being provided under the State Operational Plan.

Should Petitioners be unable to complete their review of their respective systems within 90 days of closing, each petitioner shall file a certified report with the OCTV prior to the expiration of the 90 day period setting forth its progress on the requirements set forth above in paragraphs a through d. Petitioners will at that time have the option of requesting an extension of time of up to 90 days to finalize the review of their systems and certify to same with regard to the provisions of paragraphs a through d set forth above.

The conditions set forth by Stipulation and in this Order are binding and enforceable by the Board and failure to comply will result in an enforcement action.

The effective date of this order is April 1, 2016.

DATED: *March 31, 2016*

BOARD OF PUBLIC UTILITIES
BY:




RICHARD S. MROZ
PRESIDENT




JOSEPH L. FIORDALISO
COMMISSIONER



MARY-ANNA HOLDEN
COMMISSIONER

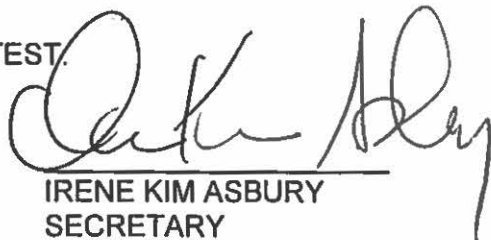


DIANNE SOLOMON
COMMISSIONER



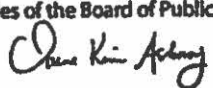
UPENDRA J. CHIVUKULA
COMMISSIONER

ATTEST.



IRENE KIM ASBURY
SECRETARY

I HEREBY CERTIFY that the within document is a true copy of the original in the files of the Board of Public Utilities



**IN THE MATTER OF THE PETITION OF TIME WARNER CABLE, INC., CHARTER
COMMUNICATIONS, INC. AND TIME WARNER CABLE NEW YORK CITY, LLC, FOR
APPROVAL OF THE TRANSFER OF CONTROL OF TIME WARNER CABLE NEW YORK
CITY, LLC AND APPROVAL OF TRANSACTION FINANCING
Docket No. CM15070770**

**IN THE MATTER OF THE VERIFIED PETITION OF CHARTER COMMUNICATIONS, INC.
AND TIME WARNER CABLE INC., FOR APPROVAL OF THE TRANSFER OF CONTROL OF
TIME WARNER CABLE INFORMATION SERVICES (NEW JERSEY), LLC AND APPROVAL
OF TRANSACTION FINANCING
Docket No. TM15070772**

SERVICE LIST

Dennis C. Linken, Esq.
Scarinci & Hollenbeck
Post Office Box 790
Lyndhurst, NJ 07071-0790
DLinken@scarincihollenbeck.com

Stefanie A. Brand, Esq., Director
Division of Rate Counsel
140 East Front Street, 4th Floor
Post Office Box 003
Trenton, NJ 08625-0003
sbrand@rpa.state.nj.us

Maria Novas-Ruiz, Esq.
Division of Rate Counsel
140 East Front Street, 4th Floor
Post Office Box 003
Trenton, NJ 08625-0003
mnovas-ruiz@rpa.state.nj.us

Veronica Beke, Esq.
Deputy Attorneys General
Department of Law & Public Safety
Division of Law
124 Halsey Street
Post Office Box 45029
Newark, NJ 07101-45029
Veronica.Beke@dol.lps.state.nj.us

Irene Kim Asbury, Esq.
Secretary of the Board
Board of Public Utilities
Office of the Secretary
44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 350
Trenton, NJ 08625-0350
Irene.asbury@bpu.state.nj.us

Lawanda R. Gilbert, Esq., Director
Board of Public Utilities
Office of Cable Television and
Telecommunications
44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 350
Trenton, NJ 08625-0350
Lawanda.Gilbert@bpu.state.nj.us

William Furlong, Chief
Board of Public Utilities
Office of Cable Television and
Telecommunications
Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 350
Trenton, NJ 08625-0350
William.Furlong@bpu.state.nj.us

Patricia Krogman, Esq.
Deputy Attorneys General
Department of Law & Public Safety
Division of Law
124 Halsey Street
Post Office Box 45029
Newark, NJ 07101-45029
Patricia.Krogman@dol.lps.state.nj.us

Carol Artale, Esq.
Counsel's Office
Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 350
Trenton, NJ 08625-0350
Carol.Artale@bpu.state.nj.us

Rocco Della Serra
Board of Public Utilities
Office of Cable Television and
Telecommunications
44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 350
Trenton, NJ 08625-0350
Rocco.Della-Serra@bpu.state.nj.us

Nueva Elma, Chief
Board of Public Utilities
Office of Cable Television and
Telecommunications
44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 350
Trenton, NJ 08625-0350
Nueva.Elma@bpu.state.nj.us

Jeffrey Kaufman
Board of Public Utilities
Office of Cable Television and
Telecommunications
44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 350
Trenton, NJ 08625-0350
Jeffrey.Kaufman@bpu.state.nj.us

Harold Bond, Chief
Board of Public Utilities
Office of Cable Television and
Telecommunications
Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 350
Trenton, NJ 08625-0350
Harold.Bond@bpu.state.nj.us

STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

IN THE MATTER OF THE PETITION OF)
TIME WARNER CABLE INC., CHARTER)
COMMUNICATIONS, INC. AND TIME)
WARNER CABLE NEW YORK CITY LLC,)
FOR APPROVAL OF THE TRANSFER OF)
CONTROL OF TIME WARNER CABLE)
NEW YORK CITY LLC AND APPROVAL)
OF TRANSACTION FINANCING)
_____)

BPU DOCKET NO. CM15070770

IN THE MATTER OF THE VERIFIED)
PETITION OF CHARTER)
COMMUNICATIONS, INC. AND TIME)
WARNER CABLE INC., FOR APPROVAL)
OF THE TRANSFER OF CONTROL OF)
TIME WARNER CABLE INFORMATION)
SERVICES (NEW JERSEY), LLC AND)
APPROVAL OF TRANSACTION)
FINANCING)
_____)

BPU DOCKET NO. TM15070772

STIPULATION OF SETTLEMENT

APPEARANCES

Dennis C. Linken, Esq., of Scarinci & Hollenbeck, LLC, on behalf of Joint Petitioners Charter Communications, Inc., Time Warner Cable Inc., Time Warner Cable New York City LLC, and Time Warner Cable Information Services (New Jersey), LLC

Christopher Psiboules, Deputy Attorney General (John J. Hoffman, Acting Attorney General of New Jersey), on behalf of the Staff of the Board of Public Utilities

Stefanie A. Brand, Esq., Director, and Maria T. Novas-Ruiz, Assistant Deputy Rate Counsel, on behalf of the Division of Rate Counsel

TO THE HONORABLE BOARD OF PUBLIC UTILITIES:

The parties to this proceeding are Charter Communications, Inc. ("Charter"), Time Warner Cable Inc. ("TWC"), Time Warner Cable New York City LLC ("TWCNY"), and Time Warner Cable Information Services (New Jersey), LLC ("TWCIS" and, collectively with Charter, TWC and TWCNY, the "Joint Petitioners"); the Division of Rate Counsel ("Rate Counsel"); and the Staff of

the New Jersey Board of Public Utilities ("Board Staff" or "Staff"). The New Jersey Board of Public Utilities shall be referred to in this Stipulation of Settlement ("Stipulation") as the "Board" or "BPU".

PROCEDURAL HISTORY

On July 2, 2015, Charter, TWC and TWCNY initiated a proceeding bearing Docket No. CM15070770 with the filing of a Joint Petition to obtain the approval of the Board, pursuant to N.J.S.A. 48:5A-38 and related BPU regulations, for a transfer of control of TWC's indirect subsidiary, TWCNY, to a subsidiary of Charter, CCH I, LLC ("New Charter"). The change of control as to which approval is sought is part of a planned transaction through which Charter, TWC and a third entity, Bright House Networks LLC, which is not a party to the Petition, will merge into New Charter (the "Transaction"). Upon completion of the Transaction, New Charter will assume the name "Charter Communications, Inc." TWCNY will therefore become an indirect, wholly-owned subsidiary of New Charter. TWCNY is a cable television company subject to the jurisdiction of the Board and the Office of Cable Television ("OCTV"), within the Board, pursuant to N.J.S.A. 48:5A-1 et seq.

Further under the Petition in Docket No. CM15070770, approval was sought, pursuant to N.J.S.A. 48:5A-42 and related BPU regulations, for TWCNY to assume certain financial guarantees associated with the Transaction.

Also on July 2, 2015, Charter, TWC and TWCIS filed a Petition in Docket No. TM15070772, seeking approval of the Board pursuant to N.J.S.A. 48:2-51.1, and related BPU regulations, for a change of control of TWCIS, a wholly-owned indirect subsidiary of TWC. The change of control of TWCIS is also to be effectuated by the Transaction. Thus, following consummation of the Transaction, TWCIS will become a wholly-owned indirect subsidiary of New Charter. TWCIS is authorized in New Jersey to provide competitive facilities-based and resold local exchange and interexchange telecommunications services throughout the State, as set forth in a BPU Order dated January 28, 2009, in Docket No. TE04091033.

Further under the Petition in Docket No. TM15070772, approval was sought, pursuant to N.J.S.A. 48:3-9 and related BPU regulations, for TWCIS to assume certain financial guarantees associated with the Transaction.

Extensive discovery, promulgated by both Staff and Rate Counsel, was conducted with regard to both Docket No. CM15070770 and Docket No. TM15070772. In addition, discussions were held with both Staff and Rate Counsel with regard to the benefits to be provided by Charter and TWC as a result of the proposed Transaction. The Joint Petitioners, Rate Counsel and Board Staff (collectively, the "Signatory Parties") have come to an agreement on all factual and legal issues arising in this matter.

AGREEMENT

THEREFORE, the Signatory Parties hereto agree and stipulate as follows:

1. The statutory criteria for approval of petitions involving acquisitions of control of a New Jersey cable television company, as set forth in N.J.S.A. 48:5A-38, governing Docket No. CM15070770, have been satisfied. More particularly, the Company asserts that the record herein, coupled with the conditions set forth herein, supports findings and conclusions by the Board that the Transaction is in the public interest.

2. The statutory criteria for approval of petitions involving financing transactions of a New Jersey cable television company, as set forth in N.J.S.A. 48:5A-42, governing Docket No. CM15070770, have been satisfied. More particularly, the Company asserts that the record herein, coupled with the conditions set forth herein, supports findings and conclusions by the Board that the financing with respect to TWCNY in connection with the Transaction is in the public interest.

3. The statutory criteria for approval of petitions involving acquisitions of control of a New Jersey public utility, as set forth in N.J.S.A. 48:2.51, governing Docket No. TM15070772, have been satisfied. More particularly, the Company asserts that the record herein, coupled with the conditions set forth herein, supports findings and conclusions by the Board that the Transaction will not have an adverse impact on competition, on the rates of affected ratepayers, on the employees of TWCIS, or on the provision of safe and adequate service at just and reasonable rates. The Company further asserts that the Board should find that consummation of the Transaction, consistent with the conditions set forth in this Stipulation, is in the public interest and will result in positive benefits to customers and the State of New Jersey.

4. The statutory criteria for approval of petitions involving financing transactions of a New Jersey public utility, as set forth in N.J.S.A. 48:3-9, governing Docket No. TM15070772, have been satisfied. More particularly, the Company asserts that the record herein, coupled with the conditions set forth herein, supports findings and conclusions by the Board that the financing with respect to TWCIS in connection with the Transaction is in the public interest.

5. The parties agree to extend, through March 5, 2016, the 120-day period for which the Board has to grant a transfer of control request under 47 CFR 76.502(c).

6. With the conditions set forth below, Rate Counsel and Board Staff do not object to the Board making findings set forth in paragraphs 1-4 above.

7. Once the Board makes the findings set forth in paragraphs 1-4 above, the Joint Petitioners should be authorized to take all actions necessary in order for the Transaction to be lawfully consummated. Following the closing of the Transaction,

- a. TWCNY may become an indirect wholly-owned subsidiary of New Charter, as described in the Petition in Docket No. CM15070770;

- b. TWCNY may assume the financial obligations imposed upon it in connection with the Transaction, as described in discovery responses and the proposed Order in Docket No. CM15070770;
 - c. TWCIS may become an indirect wholly-owned subsidiary of New Charter, as described in the Petition in Docket No. TM15070772; and
 - d. TWCIS may assume the financial obligations imposed upon it in connection with the Transaction, as described in discovery responses and the proposed Order in Docket No. TM15070772, without further approval by the Board.
8. New Charter commits to the following:
- a. 2003 Rate Appeal Before Federal Communications Commission ("FCC"): On October 1, 2002, TW Fanch-One Co., d/b/a Time Warner Cable ("Fanch"), TWCNY's predecessor, filed an FCC Form 1205 before the BPU in Docket No. CR02100723, seeking approval of certain proposed installation charges and equipment rates for the calendar year January 1, 2003 through December 31, 2003. On August 19, 2003, the BPU issued an Order ("Rate Order") with regard to said rate proceeding disapproving certain of said rates and charges, thereby resulting in refund liability with respect to Fanch's New Jersey subscribers. In September 2003, Fanch filed an appeal of the Rate Order with the FCC. Said rate appeal is pending before the FCC. Should the Board approve this Stipulation without change in the terms and conditions thereof, or should the Board modify the terms and conditions hereof and the Signatory Parties accept such change(s), New Charter expressly agrees to abide by and honor the final decision with respect to said rate appeal, whether made by the FCC or a court of competent jurisdiction, in the event of an appeal by any party to said rate proceeding.
 - b. Customer Service Office: TWCNY presently maintains a local customer service office within the geographical area of its New Jersey operations. Should the Board approve this Stipulation without change in the terms and conditions thereof, or should the Board modify the terms and conditions hereof and the Signatory Parties accept such change(s), New Charter (i) expressly represents its intention to continue to maintain for at least two (2) years its local customer service office within the geographical area of its New Jersey operations, and (ii) further commits that if at any time New Charter desires to close or relocate said customer service office, it will only do so in accordance with New Jersey law, inclusive of BPU regulations.

For four (4) years from the issuance of an Order approving this Stipulation, if there is any net loss of customer-facing jobs in New Jersey, greater than fifteen percent (15%), New Charter shall notify the Board of such change and provide an appropriate explanation.

- c. Everyday Low Price Offering: New Charter will continue to offer to new customers the Time Warner Everyday Low Price \$14.99 service to New Jersey households passed by TWCNY at speeds no less than those being offered at the time of the Order or close of the Transaction (whichever is faster) for two (2) years from the date of the closing and will allow existing Everyday Low Price customers to retain the service for a total of three years from the date of the closing.

New Charter shall be required to allow existing Time Warner customers to retain, without material changes that have the intent to discourage, the standalone and bundled broadband services they subscribe to at the close of the Transaction for three (3) years from the date of the closing.

- d. Customer Service Investments: Within two years following the close of the proposed Transaction, New Charter shall invest a minimum of \$750,000 in customer service improvements, which may include, by way of example, customer-facing training and customer-facing diagnostic systems and tools for the benefit of its New Jersey operations. For purposes of this Stipulation, "customer facing" refers to direct interaction with customers, including but not limited to call center and other walk-in center jobs, and service technicians. Only a portion of the investment needs to be in New Jersey. The customer service investments may include, for example, a proportional share of customer service investments outside of New Jersey, provided such investments also directly support customer service and related functions in New Jersey.
- e. Availability of Maxx Levels of Service: New Charter will ensure, for at least three (3) years after the close of the Transaction, that broadband speeds of at least up to 300 Mbps download offered under the TWC Maxx broadband offering will continue to be available as a service option for all New Jersey households passed by TWCNY's network.
- f. Open Internet Order Commitments: New Charter commits to extending its current practice of no data caps and to providing open Internet protection in the State in accordance with the requirements of the FCC's *Open Internet Order* (FCC 15-24) for at least three (3) years after the close of the Transaction.
- g. Low-Income Broadband Program: Within fifteen (15) months after the close of the Transaction, New Charter will make available to New Jersey households passed by TWCNY's network a low-income broadband service as follows:
- i. Eligibility – New Charter shall offer its low-income broadband service to both (A) households with children that have a student eligible for the National School Lunch Program and (B) senior

citizens age 65 and older who are eligible for and receive from the federal government Supplemental Security Income benefits. It shall not be the responsibility of New Charter to verify or confirm eligibility. Any current or former customers in arrears will not be eligible until those debts have been cleared. Additionally, no credit check will be required for customers to sign up for this service.

- ii. Program Features - New Charter will initially offer the program: (i) to qualifying customers at a speed up to thirty (30) Mbps download and four (4) Mbps upload; and (ii) at a price not to exceed \$14.99 a month, including a modem.
- iii. The New York Public Service Commission's ("PSC") Order dated January 8, 2016, in Case 15-M-0388 ("PSC Order"), states that there will be a sixty (60) day waiting period to sign up if a customer has previously subscribed to Time Warner or Charter broadband services. This policy will be applied to New Jersey customers in the manner applied to New York customers, in accordance with the PSC Order, as that Order is applied by the PSC.
- h. Public Benefits Report: Within 30 days of implementing transaction related public benefits asserted by Charter in its filings at the Board and the FCC (MB Docket No. 15-49), New Charter will file an initial report with the Board, and shall thereafter provide a status and progress report to the Board annually for four (4) years, or until the completion of the asserted benefit to the extent that the enumerated benefit extends beyond the four (4) year period.
- i. Notice of Credit Downgrade: If, within three (3) years of the close of the Transaction, New Charter receives a credit downgrade below investment grade from any of the major reporting agencies, it shall report such downgrade to the Board.
- j. Compliance: New Charter will abide by applicable customer service standards, performance standards and service metrics as delineated under N.J.A.C. Title 14, inclusive but not limited to Chapters 3, 10 and 18 and N.J.S.A. 48:5A, including, but not limited to, requirements related to billing practices and termination.
- k. Adverse Impact: If FCC conditions adversely impact those contained in the Board Order approving the Transaction, New Charter shall notify the Board of the impact that such conditions will have on its commitments in New Jersey and will work with the Board and Staff to ensure that New Jersey also obtains its commensurate benefit. Notwithstanding the foregoing, the

conditions here shall be provided in addition to any benefit that results from any federal action regarding this transaction.

9. a. On October 25, 2013, Time Warner Cable Business LLC ("TWCB"), an indirect subsidiary of TWC, filed a Petition with the Board, and on August 19, 2014, TWCB filed an Amended Petition with the Board, in Docket No. TE13100988 (the "TWCB Petition"). Pursuant to the TWCB Petition, TWCB has requested authorization to provide facilities-based non-voice interexchange telecommunications services in the State of New Jersey. Staff agrees to recommend that TWCB be authorized to provide facilities-based non-voice interexchange telecommunications services, consisting of High Capacity Transmission Services to commercial customers, in the State of New Jersey, as more particularly set forth in that certain Offer of Settlement submitted by TWCIS to the Board in Docket No. TE04091033.

b. Upon closing of the Transaction, TWCB will become an indirect wholly-owned subsidiary of New Charter. The Signatory Parties agree that, upon closing, and without further approval by the Board, TWCB may assume the same financial obligations to be imposed upon TWCIS in connection with the Transaction, as described in discovery responses and the proposed Order in Docket No. TM15070772.

10. Each Signatory Party agrees to use its best efforts to ensure that this Stipulation shall be submitted to the Board for approval as soon as possible.

11. The Signatory Parties agree that this Stipulation represents the entirety of the agreement between the Signatory Parties. This Stipulation includes proposals and conditions above and beyond the terms contained in the Petitions in Docket Nos. CM15070770 and TM15070772. Notwithstanding statements made in the Petitions, discovery, materials or any information provided by the Joint Petitioners, only those commitments stated in this Stipulation shall apply.

12. The Signatory Parties agree to support approval of the Transaction upon the terms set forth in this Stipulation in any proceedings before the Board regarding approval of the Transaction. The Signatory Parties further agree to defend this Stipulation in the event of opposition to approval of the Transaction from non-signatory parties before the Board.

13. Notwithstanding anything to the contrary set forth herein, upon the occurrence of any of the following events this Stipulation shall terminate, and shall be deemed null and void and of no force or effect:

(a) if by March 18, 2016, the Board fails to adopt a final Order approving the Transaction and this Stipulation or issues a decision disapproving this Stipulation; or

(b) if for any reason the Transaction is not consummated; or

(c) if the Board issues a written order approving this Stipulation subject to any condition or modification of the terms set forth herein which an adversely affected Signatory Party, in its discretion, finds unacceptable. Such Signatory Party shall serve notice of unacceptability on the other Parties within three (3) business days following receipt of such Board order. Absent such

notification, the Signatory Parties shall be deemed to have waived their respective rights to object to the acceptability of such conditions or modifications contained in the Board Order, which shall thereupon become binding on all Signatory Parties.

14. This Stipulation shall be binding on the Signatory Parties upon approval by the Board, without any change of its terms, or in the event of change, upon acceptance of such change (whether affirmatively accepted or by the passage of time). This Stipulation contains terms and conditions above and beyond the terms contained in the Petitions, each of which is interdependent with the others and essential in its own right to the signing of this Stipulation. Each term is vital to the agreement as a whole, since the Signatory Parties expressly and jointly state that they would not have signed the Stipulation had any term been modified in any way. None of the Signatory Parties shall be prohibited from or prejudiced in arguing a different policy or position before the Board in any other proceeding, as this agreement pertains only to these matters and to no other matter.

15. This Stipulation represents the full scope of the agreement between the Signatory Parties. This Stipulation may only be modified by a further written agreement executed by all the Signatory Parties to this Stipulation.


16. This Stipulation is submitted to the Board for approval as a whole. If a Signatory Party is adversely affected by a modification or condition to the Stipulation and provides timely notice in accordance with Paragraph 13, then the Stipulation shall be ineffective and void.

17. This Stipulation may be executed in as many counterparts as there are Signatory Parties to this Stipulation, each of which counterparts shall be an original, but all of which together shall constitute one and the same instrument.

CHARTER COMMUNICATIONS, INC.;
TIME WARNER CABLE INC.;
TIME WARNER CABLE NEW YORK CITY LLC;
TIME WARNER CABLE INFORMATION SERVICES
(NEW JERSEY), LLC;
TIME WARNER CABLE BUSINESS LLC

2/18/16

Date

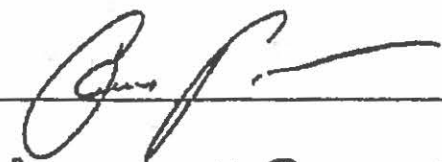
By: 

Dennis C. Linken, Esq.
Scarinci & Hollenbeck, LLC

JOHN J. HOFFMAN
ACTING ATTORNEY GENERAL OF NEW JERSEY

2/22/16

DATE

By: 

CHRISTOPHER M. PSIHOULES, DAG

Date

Christopher Psihoules, Deputy Attorney General
Attorneys for the Staff of the Board of Public Utilities

STEFANIE A. BRAND, DIRECTOR
NEW JERSEY DIVISION OF RATE COUNSEL

2/22/16
Date

By: Stefanie A. Brand
Stefanie A. Brand,
Attorney for the New Jersey Division of Rate Counsel