

101 Innovation Avenue  
Suite 100  
Morrisville, NC 27560

Ref: RATE INFO. Date: 09/30/2004 SHIPPING: 0.00  
Dep: DOC Wgt: 0.3 LBS SPECIAL: 0.00  
*Chapel Hill* DV: 0.00 HANDLING: 0.00  
TOTAL: 0.00

Svcs: PRIORITY OVERNIGHT  
TRCK: 4722 2212 4309



Ref: P. BACCELLIERI Date: 09/30/2004 SHIPPING: 0.00  
Dep: FINANCE Wgt: 0.4 LBS SPECIAL: 0.00  
*Chapel Hill* DV: 0.00 HANDLING: 0.00  
TOTAL: 0.00

Svcs: PRIORITY OVERNIGHT  
TRCK: 4722 2212 5290

September 30, 2004

Mr. Calvin Horton  
Town Manager  
Town of Chapel Hill  
306 N. Columbia Street  
Chapel Hill, NC 27615

Re: FCC Form 1240 and FCC Form 1205

Enclosed are the required FCC Forms used for calculating our Basic Service Tier ("BST") rates, and equipment and installation charges to become effective on January 1, 2005. Please refer to the attached Exhibit 1, which summarizes the components of the BST rate change, as well as a listing of the enclosed forms. These forms are based upon the best information available to us at this time. We reserve the right to update the enclosed forms should better information become available to us.

Please call me at (919) 573-7115, if you have any questions regarding the enclosed forms or would like to discuss our plans for implementing the 2005 forms.

Very truly yours,

Paul Baccellieri  
Vice President, Finance  
Time Warner Cable-Raleigh Division

Enclosures:

FCC Form 1240  
FCC Form 1205

**TIME WARNER CABLE - RALEIGH DIVISION  
SUMMARY OF 2005 BST RATE CHANGES  
EXHIBIT 1**

**SEPTEMBER 30, 2004**

**CUID #: NC-0234  
COMMUNITY: Chapel Hill**

Below is a brief summary of your franchise BST rate as computed using FCC Forms 1240 and 1235 Cost of Service Filing.

<b>MPR PER FCC FORM 1240</b>	<b>COST OF SERVICE FILING (FORM 1235)</b>	<b>TOTAL MAXIMUM BST RATE</b>	<b>TWC 2004 BST RATE SELECTED</b>
\$12.7	\$2.11	\$14.91	\$ 14.50

**ENCLOSURES:**

FCC Form 1240 with Channel Lineups  
520  
NC-0234

*NOTE: Please note that an FCC Form 1235 was previously filed upon completion of the cable system upgrade. The computed rate per the FCC Form 1235 is indicated above and will remain in effect for 2004*

**FCC FORM 1240**  
**UPDATING MAXIMUM PERMITTED RATES FOR REGULATED CABLE SERVICES**

**Cable Operator:**

Name of Cable Operator <b>TIME WARNER CABLE</b>		
Mailing Address of Cable Operator <b>101 Innovation Ave., Suite 100</b>		
City <b>Morrisville</b>	State <b>NC</b>	ZIP Code <b>27560</b>

1. Does this filing involve a single franchise authority and a single community unit?

YES	NO
<b>X</b>	

If yes, complete the franchise authority information below and enter the associated CUID number here:

NC-0234
---------

2. Does this filing involve a single franchise authority but multiple community units?

YES	NO
	<b>X</b>

If yes, enter the associated CUIDs below and complete the franchise authority information at the bottom of this page:

--

3. Does this filing involve multiple franchise authorities?

If yes, attach a separate sheet for each franchise authority and include the following franchise authority information with its associated CUID(s):

**Franchise Authority Information:**

Name of Local Franchising Authority <b>TOWN OF CHAPEL HILL</b>		
Mailing Address of Local Franchising Authority <b>306 N. COLUMBIA STREET</b>		
City <b>CHAPEL HILL</b>	State <b>NC</b>	ZIP Code <b>27516</b>
Telephone number	Fax Number	

4. For what purpose is this Form 1240 being filed? Please put an "X" in the appropriate box.

- a. Original Form 1240 for Basic Tier
- b. Amended Form 1240 for Basic Tier
- c. Original Form 1240 for CPS Tier
- d. Amended Form 1240 for CPS Tier

<b>X</b>

5. Indicate the one year time period for which you are setting rates (the Projected Period).

TO
<b>01/05</b> <b>12/05</b>

(mm/yy)

6. Indicate the time period for which you are performing a true-up.

TO
<b>10/03</b> <b>09/04</b>

(mm/yy)

7. Status of Previous Filing of FCC Form 1240 (enter an "x" in the appropriate box)

- a. Is this the first FCC Form 1240 filed in any jurisdiction?
- b. Has an FCC Form 1240 been filed previously with the FCC?

YES	NO
	<b>X</b>
	<b>X</b>

If yes, enter the date of the most recent filing:

	(mm/dd/yy)
--	------------

Has an FCC Form 1240 been filed previously with the Franchising Authority?

YES	NO
<b>X</b>	

If yes, enter the date of the most recent filing:

<b>09/30/03</b>	(mm/dd/yy)
-----------------	------------

**8. Status of Previous Filing of FCC Form 1210 (enter an "x" in the appropriate box)**

a. Has an FCC Form 1210 been previously filed with the FCC?

YES	NO
	X

If yes, enter the date of the most recent filing:  (mm/dd/yy)

b. Has an FCC Form 1210 been previously filed with the Franchising Authority?

YES	NO
X	

If yes, enter the date of the most recent filing:  (mm/dd/yy)

**9. Status of FCC Form 1200 Filing (enter an "x" in the appropriate box)**

a. Has an FCC Form 1200 been previously filed with the FCC?

YES	NO
	X

If yes, enter the date filed:  (mm/dd/yy)

b. Has an FCC Form 1200 been previously filed with the Franchising Authority?

YES	NO
X	

If yes, enter the date filed:  (mm/dd/yy)

**10. Cable Programming Services Complaint Status (enter an "x" in the appropriate box)**

a. Is this form being filed in response to an FCC Form 329 complaint?

YES	NO
	X

If yes, enter the date of the complaint:  (mm/dd/yy)

**11. Is FCC Form 1205 Being Included With This Filing**

YES	NO
X	

**12. Selection of "Going Forward" Channel Addition Methodology (enter an "x" in the appropriate box)**

- Check here if you are using the original rules [MARKUP METHOD].
- Check here if you are using the new, alternative rules [CAPS METHOD].

If using the CAPS METHOD, have you elected to revise recovery for channels added during the period May 15, 1994 to Dec. 31, 1994?

YES	NO

**13. Headend Upgrade Methodology**

*\*NOTE: Operators must certify to the Commission their eligibility to use this upgrade methodology and attach an equipment list and depreciation schedule.*

- Check here if you are a qualifying small system using the streamlined headend upgrade methodology.

**Part I: Preliminary Information**

**Module A: Maximum Permitted Rate From Previous Filing**

Line	Line Description	a Basic	b Tier 2	c Tier 3	d Tier 4	e Tier 5
A1	Current Maximum Permitted Rate	\$12.8833				

**Module B: Subscribership**

Line	Line Description	a Basic	b Tier 2	c Tier 3	d Tier 4	e Tier 5
B1	Average Subscribership For True-Up Period 1	369				
B2	Average Subscribership For True-Up Period 2					
B3	Estimated Average Subscribership For Projected Period	374				

**Module C: Inflation Information**

e	Line Description	
C1	Unclaimed Inflation: Operator Switching From 1210 To 1240	1.0000
C2	Unclaimed Inflation: Unregulated Operator Responding to Rate Complaint	1.0000
C3	Inflation Factor For True-Up Period 1 [Wks 1]	1.0251
C4	Inflation Factor For True-Up Period 2 [Wks 1]	
C5	Current FCC Inflation Factor	1.0284

**Module D: Calculating the Base Rate**

Line	Line Description	a Basic	b Tier 2	c Tier 3	d Tier 4	e Tier 5
D1	Current Headend Upgrade Segment					
D2	Current External Costs Segment	\$1.7722				
D3	Current Caps Method Segment					
D4	Current Markup Method Segment					
D5	Current Channel Movement and Deletion Segment					
D6	Current True-Up Segment	\$0.3750				
D7	Current Inflation Segment	\$0.2506				
D8	Base Rate [A1-D1-D2-D3-D4-D5-D6-D7]	\$10.4855				

**Part II: True-Up Period**

**Module E: Timing Information**

Line	Line Description	
	What Type of True-Up Is Being Performed? (Answer "1", "2", or "3". See Instructions for a description of these types.) If "1", go to Module I. If "2", answer E2 and E3. If "3", answer E2, E3, E4, and E5.	2
E2	Number of Months in the True-Up Period 1	12
E3	Number of Months between the end of True-Up Period 1 and the end of the most recent Projected Period	3
E4	Number of Months in True-Up Period 2 Eligible for Interest	
E5	Number of Months True-Up Period 2 Ineligible for Interest	

**Module F: Maximum Permitted Rate For True-Up Period 1**

Line	Line Description	a Basic	b Tier 2	c Tier 3	d Tier 4	e Tier 5
F1	Caps Method Segment For True-Up Period 1 [Wks 2]					
F2	Markup Method Segment For True-Up Period 1 [Wks 3]					
F3	Chan Mvmnt Deletn Segment For True-Up Period 1 [Wks' 4/5]					
F4	True-Up Period 1 Rate Eligible For Inflation [D8+F1+F2+F3]	\$10.4855				
F5	Inflation Segment for True-Up Period 1 [(F4*C3)-F4]	\$0.2627				
F6	Headend Upgrade Segment For True-Up Period 1 [Wks 6]					
F7	External Costs Segment For True-Up Period 1 [Wks 7]	\$1.5539				
F8	True-Up Segment For True-Up Period 1	\$0.3737				
F9	Max Perm Rate for True-Up Period 1 [F4+F5+F6+F7+F8]	\$12.6758				

**Module G: Maximum Permitted Rate For True-Up Period 2**

e	Line Description	a Basic	b Tier 2	c Tier 3	d Tier 4	e Tier 5
G1	Caps Method Segment For True-Up Period 2 [Wks 2]					
G2	Markup Method Segment For True-Up Period 2 [Wks 3]					
G3	Chan Mvmnt Deletn Segment For True-Up Period 2 [Wks' 4/5]					
G4	TU Period 2 Rate Eligible For Inflation [D8+F5+G1+G2+G3]					
G5	Inflation Segment for True-Up Period 2 [(G4*C4)-G4]					
G6	Headend Upgrade Segment For True-Up Period 2 [Wks 6]					
G7	External Costs Segment For True-Up Period 2 [Wks 7]					
G8	True-Up Segment For True-Up Period 2					
G9	Max Perm Rate for True-Up Period 2 [G4+G5+G6+G7+G8]					

**Module H: True-Up Adjustment Calculation**

Line	Line Description	a Basic	b Tier 2	c Tier 3	d Tier 4	e Tier 5
<b>Adjustment For True-Up Period 1</b>						
H1	Revenue From Period 1	\$53,907.7501				
H2	Revenue From Max Permitted Rate for Period 1	\$56,113.637				
H3	True-Up Period 1 Adjustment [H2-H1]	\$2,205.8869				
H4	Interest on Period 1 Adjustment	\$189.6115				
<b>Adjustment For True-Up Period 2</b>						
	Revenue From Period 2 Eligible for Interest					
	Revenue From Max Perm Rate for Period 2 Eligible For Interest					
H7	Period 2 Adjustment Eligible For Interest [H6-H5]					
H8	Interest on Period 2 Adjustment (See instructions for formula)					
H9	Revenue From Period 2 Ineligible for Interest					
H10	Revenue From Max Perm Rate for Period 2 Ineligible for Interest					
H11	Period 2 Adjustment Ineligible For Interest [H10-H9]					
<b>Total True-Up Adjustment</b>						
H12	Previous Remaining True-Up Adjustment					
H13	Total True-Up Adjustment [H3+H4+H7+H8+H11+H12]	\$2,395.4984				
H14	Amount of True-Up Claimed For This Projected Period	\$2,395.4984				
H15	Remaining True-Up Adjustment [H13-H14]	\$0.0000				

## Part III: Projected Period Module I: New Maximum Permitted Rate


Line	Line Description	a Basic	b Tier 2	c Tier 3	d Tier 4	e Tier 5
I1	Caps Method Segment For Projected Period [Wks 2]					
I2	Markup Method Segment For Projected Period [Wks 3]					
I3	Chan Mvmnt Deletn Segment For Projected Period [Wks 4/5]					
I4	Proj. Period Rate Eligible For Inflation [D8+F5+G5+I1+I2+I3]	\$10.7482				
I5	Inflation Segment for Projected Period [(I4*C5)-I4]	\$0.3052				
I6	Headend Upgrade Segment For Projected Period [Wks 6]					
I7	External Costs Segment For Projected Period [Wks 7]	\$1.2099				
I8	True-Up Segment For Projected Period	\$0.5331				
I9	Max Permitted Rate for Projected Period [I4+I5+I6+I7+I8]	\$12.7965				
I10	Operator Selected Rate For Projected Period	\$12.39				

*Note: The maximum permitted rate figures do not take into account any refund liability you may have. If you have previously been ordered by the Commission or your local franchising authority to make refunds, you are not relieved of your obligation to make such refunds even if the permitted rate is higher than the contested rate or your current rate.*

### Certification Statement

WILLFUL FALSE STATEMENTS MADE ON THIS FORM ARE PUNISHABLE BY FINE AND/OR IMPRISONMENT (U.S. CODE TITLE 18, SECTION 1001), AND/OR FORFEITURE (U.S. CODE, TITLE 47, SECTION 503).

I certify that the statements made in this form are true and correct to the best of my knowledge and belief, and are made in good faith.

Signature 	Date 9/30/05
Name and Title of Person Completing this Form: Paul Baccellieri, Raleigh Division Vice President of Finance	
Telephone number (919) 573-7115	Fax Number (919) 573-7042

## Worksheet 1 - True-Up Period Inflation

For instructions, see Appendix A of Instructions For FCC Form 1240

Line	Period	FCC Inflation Factor
101	Month 1	1.50%
102	Month 2	1.50%
103	Month 3	1.50%
104	Month 4	2.84%
105	Month 5	2.84%
106	Month 6	2.84%
107	Month 7	2.84%
108	Month 8	2.84%
109	Month 9	2.84%
110	Month 10	2.84%
111	Month 11	2.84%
112	Month 12	2.84%
113	Average Inflation Factor for True-Up Period 1	1.0251
114	Month 13	
115	Month 14	
116	Month 15	
117	Month 16	
118	Month 17	
119	Month 18	
120	Month 19	
121	Month 20	
122	Month 21	
123	Month 22	
124	Month 23	
125	Month 24	
126	Average Inflation Factor for True-Up Period 2	



## Worksheet 7 - External Costs True-Up Period

For instructions, see Appendix A of Instructions For FCC Form 1240

True-Up Period	Projected Period
X	
	12

Question 1. For which time period are you filling out this worksheet? [Put an "X" in the appropriate box.]

Question 2. How long is the first period, in months, for which rates are being set with this worksheet?

Question 3. How long is the second period, in months, for which rates are being set with this worksheet?

Line	Line Description	a Basic	b Tier 2	c Tier 3	d Tier 4	e Tier 5
<b>Period 1</b>						
<b>External Costs Eligible for Markup</b>						
701	Cost of Programming For Channels Added Prior to 5/15/94 or After 5/15/94 Using Markup Method For Period	\$5,917.16				
702	Retransmission Consent Fees For Period					
703	Copyright Fees For Period	\$481.89				
704	External Costs Eligible For 7.5% Markup	\$6,399.05				
705	Marked Up External Costs	\$6,878.9780				
<b>External Costs Not Eligible for Markup</b>						
706	Cable Specific Taxes For Period					
707	Franchise Related Costs For Period					
	Commission Regulatory Fees For Period					
	<b>Total External Costs For Period</b>	<b>\$6,878.9780</b>				
710	Monthly, Per-Subscriber External Costs For Period 1	\$1.5539				

### Period 2

<b>External Costs Eligible for Markup</b>						
711	Cost of Programming For Channels Added Prior to 5/15/94 or After 5/15/94 Using Markup Method For Period					
712	Retransmission Consent Fees For Period					
713	Copyright Fees For Period					
714	External Costs Eligible For 7.5% Markup					
715	Marked Up External Costs					
<b>External Costs Not Eligible for Markup</b>						
716	Cable Specific Taxes For Period					
717	Franchise Related Costs For Period					
718	Commission Regulatory Fees For Period					
719	<b>Total External Costs For Period</b>					
720	Monthly, Per-Subscriber External Costs For Period 2					

## Worksheet 7 - External Costs Projected Period

For instructions, see Appendix A of Instructions For FCC Form 1240

True-Up Period	Projected Period
	X
	12
	0

Question 1. For which time period are you filling out this worksheet? [Put an "X" in the appropriate box.]

Question 2. How long is the first period, in months, for which rates are being set with this worksheet?

Question 3. How long is the second period, in months, for which rates are being set with this worksheet?

Line	Line Description	a Basic	b Tier 2	c Tier 3	d Tier 4	e Tier 5
<b>Period 1</b>						
<b>External Costs Eligible for Markup</b>						
701	Cost of Programming For Channels Added Prior to 5/15/94 or After 5/15/94 Using Markup Method For Period	\$4,567.82				
702	Retransmission Consent Fees For Period					
703	Copyright Fees For Period	\$489.12				
704	External Costs Eligible For 7.5% Markup	<b>\$5,056.94</b>				
705	Marked Up External Costs	<b>\$5,436.2104</b>				
<b>External Costs Not Eligible for Markup</b>						
706	Cable Specific Taxes For Period					
707	Franchise Related Costs For Period					
	Commission Regulatory Fees For Period					
	Total External Costs For Period	<b>\$5,436.2104</b>				
710	Monthly, Per-Subscriber External Costs For Period 1	<b>\$1.2099</b>				

## Worksheet 8 - True-Up Rate Charged

For instructions, see Appendix A of Instructions For FCC Form 1240

Question 1. How long is the True-Up Period 1, in months?

12

Question 2. How long is the True-Up Period 2, in months?

Line	Line Description	a Basic	b Tier 2	c Tier 3	d Tier 4	e Tier 5
801	Month 1	\$12.1400				
802	Month 2	\$12.1400				
803	Month 3	\$12.1400				
804	Month 4	\$12.1900				
805	Month 5	\$12.1900				
806	Month 6	\$12.1900				
807	Month 7	\$12.1900				
808	Month 8	\$12.1900				
809	Month 9	\$12.1900				
810	Month 10	\$12.1900				
811	Month 11	\$12.1900				
812	Month 12	\$12.1900				
813	Period 1 Average Rate	\$12.1775				

814	Month 13					
815	Month 14					
816	Month 15					
817	Month 16					
818	Month 17					
819	Month 18					
820	Month 19					
821	Month 20					
822	Month 21					
823	Month 22					
824	Month 23					
825	Month 24					
826	Period 2 Average Rate					

**Time Warner Cable - Raleigh Division**

**FCC 1240 - Basic Tier Service (BST) Lineup**

**System: Chapel Hill, Orange Cnty, Granville Cnty, Durham Cnty, Chatham County, Pittsboro, Carrboro, Hillsborough**

**2004 True-up  
Channel Lineups  
per 2005 FCC 1240**

**10/03 - 11/03**

0 TV Guide Channel  
2 WNCN-TV(NBC)  
3 WRAL-TV (CBS)  
4 Educational Programming  
5 WRAY-TV (IND)  
6 WTVD-TV (ABC)  
7 Home Buyers Channel  
8 Community Programming  
9 WUNC-TV (PBS)  
10 WLFL-TV (WB)  
11 WUVC-TV (UNI)  
12 WRDC-TV (UPN)  
13 WRAZ-TV (FOX)  
14 NEWS-14  
18 Gov. Access/C-SPAN2  
19 BET  
21 WGN  
22 WRPX-TV (PAX)  
23 TBS  
24 Triangle TV

**12/03 - 12/04**

0 TV Guide Channel  
2 WNCN-TV(NBC)  
3 WRAL-TV (CBS)  
4 Educational Programming  
5 WRAY-TV (IND)  
6 WTVD-TV (ABC)  
7 Home Buyers Channel  
8 Community Programming  
9 WUNC-TV (PBS)  
10 WLFL-TV (WB)  
11 WUVC-TV (UNI)  
12 WRDC-TV (UPN)  
13 WRAZ-TV (FOX)  
14 NEWS-14  
15 HSN  
16 QVC  
18 Gov. Access/C-SPAN2  
19 BET  
21 WGN  
22 WRPX-TV (PAX)  
24 Triangle TV

**2005 Projected  
Channel Lineups  
per 2005 FCC 1240**

**1/05 - 09/05**

0 TV Guide Channel  
2 WNCN-TV(NBC)  
3 WRAL-TV (CBS)  
4 Educational Programming  
5 WRAY-TV (IND)  
6 WTVD-TV (ABC)  
7 Home Buyers Channel  
8 Community Programming  
9 WUNC-TV (PBS)  
10 WLFL-TV (WB)  
11 WUVC-TV (UNI)  
12 WRDC-TV (UPN)  
13 WRAZ-TV (FOX)  
14 NEWS-14  
15 HSN  
16 QVC  
18 Gov. Access/C-SPAN2  
19 BET  
21 WGN  
22 WRPX-TV (PAX)  
24 Triangle TV

**TIME WARNER CABLE - RALEIGH DIVISION  
SUMMARY OF 2005 BST RATE CHANGES  
EXHIBIT 1**

**SEPTEMBER 30, 2004**

**CUID #: NC-0234  
COMMUNITY: Chapel Hill**

Below is a brief summary of your franchise BST rate as computed using FCC Forms 1240 and 1235 Cost of Service Filing.

<b>MPR PER FCC FORM 1240</b>	<b>COST OF SERVICE FILING (FORM 1235)</b>	<b>TOTAL MAXIMUM BST RATE</b>	<b>TWC 2004 BST RATE SELECTED</b>
\$8.8	\$1.81	\$10.61	\$ 10.60

**ENCLOSURES:**

FCC Form 1240 with Channel Lineups  
710  
NC-0234

*NOTE: Please note that an FCC Form 1235 was previously filed upon completion of the cable system upgrade. The computed rate per the FCC Form 1235 is indicated above and will remain in effect for 2004*

**FCC FORM 1240  
UPDATING MAXIMUM PERMITTED RATES FOR REGULATED CABLE SERVICES**

**Cable Operator:**

Name of Cable Operator <b>TIME WARNER CABLE</b>		
Mailing Address of Cable Operator <b>101 Innovation Ave., Suite 100</b>		
City <b>Morrisville</b>	State <b>NC</b>	ZIP Code <b>27560</b>

1. Does this filing involve a single franchise authority and a single community unit? YES NO

<input checked="" type="checkbox"/>	<input type="checkbox"/>
-------------------------------------	--------------------------

If yes, complete the franchise authority information below and enter the associated CUID number here:

NC-0234
---------

2. Does this filing involve a single franchise authority but multiple community units? YES NO

<input type="checkbox"/>	<input checked="" type="checkbox"/>
--------------------------	-------------------------------------

If yes, enter the associated CUIDs below and complete the franchise authority information at the bottom of this page:

--

3. Does this filing involve multiple franchise authorities?

If yes, attach a separate sheet for each franchise authority and include the following franchise authority information with its associated CUID(s):

**Franchise Authority Information:**

Name of Local Franchising Authority <b>TOWN OF CHAPEL HILL</b>		
Mailing Address of Local Franchising Authority <b>306 N. COLUMBIA STREET</b>		
City <b>CHAPEL HILL</b>	State <b>NC</b>	ZIP Code <b>27516</b>
Telephone number	Fax Number	

4. For what purpose is this Form 1240 being filed? Please put an "X" in the appropriate box.

a. Original Form 1240 for Basic Tier	<input checked="" type="checkbox"/>
b. Amended Form 1240 for Basic Tier	<input type="checkbox"/>
c. Original Form 1240 for CPS Tier	<input type="checkbox"/>
d. Amended Form 1240 for CPS Tier	<input type="checkbox"/>

5. Indicate the one year time period for which you are setting rates (the Projected Period).

TO		
<b>01/05</b>	<b>12/05</b>	(mm/yy)

6. Indicate the time period for which you are performing a true-up.

TO		
<b>10/03</b>	<b>09/04</b>	(mm/yy)

7. Status of Previous Filing of FCC Form 1240 (enter an "x" in the appropriate box)

	YES	NO
a. Is this the first FCC Form 1240 filed in any jurisdiction?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b. Has an FCC Form 1240 been filed previously with the FCC?	<input type="checkbox"/>	<input checked="" type="checkbox"/>

If yes, enter the date of the most recent filing: (mm/dd/yy)

c. Has an FCC Form 1240 been filed previously with the Franchising Authority?

YES	NO
<input checked="" type="checkbox"/>	<input type="checkbox"/>

If yes, enter the date of the most recent filing: (mm/dd/yy)

<b>09/30/03</b>	(mm/dd/yy)
-----------------	------------

**8. Status of Previous Filing of FCC Form 1210 (enter an "x" in the appropriate box)**

a. Has an FCC Form 1210 been previously filed with the FCC?

YES	NO
X	

If yes, enter the date of the most recent filing:

05/25/95	(mm/dd/yy)
----------	------------

b. Has an FCC Form 1210 been previously filed with the Franchising Authority?

YES	NO
X	

If yes, enter the date of the most recent filing:

05/25/95	(mm/dd/yy)
----------	------------

**9. Status of FCC Form 1200 Filing (enter an "x" in the appropriate box)**

a. Has an FCC Form 1200 been previously filed with the FCC?

YES	NO
X	

If yes, enter the date filed:

08/11/94	(mm/dd/yy)
----------	------------

b. Has an FCC Form 1200 been previously filed with the Franchising Authority?

YES	NO
X	

If yes, enter the date filed:

08/11/94	(mm/dd/yy)
----------	------------

**10. Cable Programming Services Complaint Status (enter an "x" in the appropriate box)**

a. Is this form being filed in response to an FCC Form 329 complaint?

YES	NO
	X

If yes, enter the date of the complaint:

	(mm/dd/yy)
--	------------

**11. Is FCC Form 1205 Being Included With This Filing**

YES	NO
X	

**12. Selection of "Going Forward" Channel Addition Methodology (enter an "x" in the appropriate box)**

Check here if you are using the original rules [MARKUP METHOD].

Check here if you are using the new, alternative rules [CAPS METHOD].

If using the CAPS METHOD, have you elected to revise recovery for channels added during the period May 15, 1994 to Dec. 31, 1994?

YES	NO

**13. Headend Upgrade Methodology**

*\*NOTE: Operators must certify to the Commission their eligibility to use this upgrade methodology and attach an equipment list and depreciation schedule.*

Check here if you are a qualifying small system using the streamlined headend upgrade methodology.

**Part I: Preliminary Information**

**Module A: Maximum Permitted Rate From Previous Filing**

Line	Line Description	a Basic	b Tier 2	c Tier 3	d Tier 4	e Tier 5
A1	Current Maximum Permitted Rate	\$9.6266				

**Module B: Subscribership**

Line	Line Description	a Basic	b Tier 2	c Tier 3	d Tier 4	e Tier 5
B1	Average Subscribership For True-Up Period 1	12,992				
B2	Average Subscribership For True-Up Period 2					
B3	Estimated Average Subscribership For Projected Period	13,187				

**Module C: Inflation Information**

Line Description		
C1	Unclaimed Inflation: Operator Switching From 1210 To 1240	1.0000
C2	Unclaimed Inflation: Unregulated Operator Responding to Rate Complaint	1.0000
C3	Inflation Factor For True-Up Period 1 [Wks 1]	1.0251
C4	Inflation Factor For True-Up Period 2 [Wks 1]	
C5	Current FCC Inflation Factor	1.0284

**Module D: Calculating the Base Rate**

Line	Line Description	a Basic	b Tier 2	c Tier 3	d Tier 4	e Tier 5
D1	Current Headend Upgrade Segment					
D2	Current External Costs Segment	\$1.7438				
D3	Current Caps Method Segment					
D4	Current Markup Method Segment					
D5	Current Channel Movement and Deletion Segment					
D6	Current True-Up Segment	\$0.5280				
D7	Current Inflation Segment	\$0.1717				
D8	Base Rate [A1-D1-D2-D3-D4-D5-D6-D7]	\$7.1831				

**Part II: True-Up Period  
Module E: Timing Information**

Line	Line Description	
	What Type of True-Up Is Being Performed? (Answer "1", "2", or "3". See Instructions for a description of these types.) If "1", go to Module I. If "2", answer E2 and E3. If "3", answer E2, E3, E4, and E5.	2
E2	Number of Months in the True-Up Period 1	12
E3	Number of Months between the end of True-Up Period 1 and the end of the most recent Projected Period	3
E4	Number of Months in True-Up Period 2 Eligible for Interest	
E5	Number of Months True-Up Period 2 Ineligible for Interest	

**Module F: Maximum Permitted Rate For True-Up Period 1**

Line	Line Description	a Basic	b Tier 2	c Tier 3	d Tier 4	e Tier 5
F1	Caps Method Segment For True-Up Period 1 [Wks 2]					
F2	Markup Method Segment For True-Up Period 1 [Wks 3]					
F3	Chan Mvmnt Deletn Segment For True-Up Period 1 [Wks' 4/5]					
F4	True-Up Period 1 Rate Eligible For Inflation [D8+F1+F2+F3]	\$7.1831				
F5	Inflation Segment for True-Up Period 1 [(F4*C3)-F4]	\$0.1799				
F6	Headend Upgrade Segment For True-Up Period 1 [Wks 6]					
F7	External Costs Segment For True-Up Period 1 [Wks 7]	\$1.5275				
F8	True-Up Segment For True-Up Period 1	\$0.5312				
F9	Max Perm Rate for True-Up Period 1 [F4+F5+F6+F7+F8]	\$9.4218				



**Module G: Maximum Permitted Rate For True-Up Period 2**

Line Description		a Basic	b Tier 2	c Tier 3	d Tier 4	e Tier 5
G1	Caps Method Segment For True-Up Period 2 [Wks 2]					
G2	Markup Method Segment For True-Up Period 2 [Wks 3]					
G3	Chan Mvmnt Deletn Segment For True-Up Period 2 [Wks' 4/5]					
G4	TU Period 2 Rate Eligible For Inflation [D8+F5+G1+G2+G3]					
G5	Inflation Segment for True-Up Period 2 [(G4*C4)-G4]					
G6	Headend Upgrade Segment For True-Up Period 2 [Wks 6]					
G7	External Costs Segment For True-Up Period 2 [Wks 7]					
G8	True-Up Segment For True-Up Period 2					
G9	Max Perm Rate for True-Up Period 2 [G4+G5+G6+G7+G8]					

**Module H: True-Up Adjustment Calculation**

Line	Line Description	a Basic	b Tier 2	c Tier 3	d Tier 4	e Tier 5
<b>Adjustment For True-Up Period 1</b>						
H1	Revenue From Period 1	\$1,462,014.3052				
H2	Revenue From Max Permitted Rate for Period 1	\$1,468,917.017				
H3	True-Up Period 1 Adjustment [H2-H1]	\$6,902.7118				
H4	Interest on Period 1 Adjustment	\$593.3366				
<b>Adjustment For True-Up Period 2</b>						
	Revenue From Period 2 Eligible for Interest					
	Revenue From Max Perm Rate for Period 2 Eligible For Interest					
H7	Period 2 Adjustment Eligible For Interest [H6-H5]					
H8	Interest on Period 2 Adjustment (See instructions for formula)					
H9	Revenue From Period 2 Ineligible for Interest					
H10	Revenue From Max Perm Rate for Period 2 Ineligible for Interest					
H11	Period 2 Adjustment Ineligible For Interest [H10-H9]					
<b>Total True-Up Adjustment</b>						
H12	Previous Remaining True-Up Adjustment					
H13	Total True-Up Adjustment [H3+H4+H7+H8+H11+H12]	\$7,496.0484				
H14	Amount of True-Up Claimed For This Projected Period	\$7,496.0484				
H15	Remaining True-Up Adjustment [H13-H14]	\$0.0000				

## Part III: Projected Period

### Module I: New Maximum Permitted Rate


Line	Line Description	a Basic	b Tier 2	c Tier 3	d Tier 4	e Tier 5
I1	Caps Method Segment For Projected Period [Wks 2]					
I2	Markup Method Segment For Projected Period [Wks 3]					
I3	Chan Mvmnt Deletn Segment For Projected Period [Wks 4/5]					
I4	Proj. Period Rate Eligible For Inflation [D8+F5+G5+I1+I2+I3]	\$7.363				
I5	Inflation Segment for Projected Period [(I4*C5)-I4]	\$0.2091				
I6	Headend Upgrade Segment For Projected Period [Wks 6]					
I7	External Costs Segment For Projected Period [Wks 7]	\$1.1835				
I8	True-Up Segment For Projected Period	\$0.0474				
I9	Max Permitted Rate for Projected Period [I4+I5+I6+I7+I8]	\$8.803				
I10	Operator Selected Rate For Projected Period	\$8.793				

*Note: The maximum permitted rate figures do not take into account any refund liability you may have. If you have previously been ordered by the Commission or your local franchising authority to make refunds, you are not relieved of your obligation to make such refunds even if the permitted rate is higher than the contested rate or your current rate.*

#### Certification Statement

WILLFUL FALSE STATEMENTS MADE ON THIS FORM ARE PUNISHABLE BY FINE AND/OR IMPRISONMENT (U.S. CODE TITLE 18, SECTION 1001), AND/OR FORFEITURE (U.S. CODE, TITLE 47, SECTION 503).

I certify that the statements made in this form are true and correct to the best of my knowledge and belief, and are made in good faith.

Signature 	Date 9/30/01
Name and Title of Person Completing this Form: Paul Baccellieri, Raleigh Division Vice President of Finance	
Telephone number (919) 573-7115	Fax Number (919) 573-7042

## Worksheet 1 - True-Up Period Inflation

For instructions, see Appendix A of Instructions For FCC Form 1240-

Line	Period	FCC Inflation Factor
101	Month 1	1.50%
102	Month 2	1.50%
103	Month 3	1.50%
104	Month 4	2.84%
105	Month 5	2.84%
106	Month 6	2.84%
107	Month 7	2.84%
108	Month 8	2.84%
109	Month 9	2.84%
110	Month 10	2.84%
111	Month 11	2.84%
112	Month 12	2.84%
113	Average Inflation Factor for True-Up Period 1	1.0251
114	Month 13	
115	Month 14	
116	Month 15	
117	Month 16	
118	Month 17	
119	Month 18	
120	Month 19	
121	Month 20	
122	Month 21	
123	Month 22	
124	Month 23	
125	Month 24	
126	Average Inflation Factor for True-Up Period 2	

## Worksheet 7 - External Costs True-Up Period

For instructions, see Appendix A of Instructions For FCC Form 1240

True-Up Period	Projected Period
X	
	12

Question 1. For which time period are you filling out this worksheet? [Put an "X" in the appropriate box.]

Question 2. How long is the first period, in months, for which rates are being set with this worksheet?

Question 3. How long is the second period, in months, for which rates are being set with this worksheet?

Line	Line Description	a Basic	b Tier 2	c Tier 3	d Tier 4	e Tier 5
<b>Period 1</b>						
<b>External Costs Eligible for Markup</b>						
701	Cost of Programming For Channels Added Prior to 5/15/94 or After 5/15/94 Using Markup Method For Period	\$208,393.76				
702	Retransmission Consent Fees For Period					
703	Copyright Fees For Period	\$13,142.80				
704	External Costs Eligible For 7.5% Markup	\$221,536.57				
705	Marked Up External Costs	\$238,151.8088				
<b>External Costs Not Eligible for Markup</b>						
706	Cable Specific Taxes For Period					
707	Franchise Related Costs For Period					
708	Commission Regulatory Fees For Period					
	<b>Total External Costs For Period</b>	<b>\$238,151.8088</b>				
710	Monthly, Per-Subscriber External Costs For Period 1	\$1.5275				

### Period 2

<b>External Costs Eligible for Markup</b>						
711	Cost of Programming For Channels Added Prior to 5/15/94 or After 5/15/94 Using Markup Method For Period					
712	Retransmission Consent Fees For Period					
713	Copyright Fees For Period					
714	External Costs Eligible For 7.5% Markup					
715	Marked Up External Costs					
<b>External Costs Not Eligible for Markup</b>						
716	Cable Specific Taxes For Period					
717	Franchise Related Costs For Period					
718	Commission Regulatory Fees For Period					
719	<b>Total External Costs For Period</b>					
720	Monthly, Per-Subscriber External Costs For Period 2					

## Worksheet 7 - External Costs Projected Period

For instructions, see Appendix A of Instructions For FCC Form 1240

True-Up Period	Projected Period
	X
	12
	0

Question 1. For which time period are you filling out this worksheet? [Put an "X" in the appropriate box.]

Question 2. How long is the first period, in months, for which rates are being set with this worksheet?

Question 3. How long is the second period, in months, for which rates are being set with this worksheet?

Line	Line Description	a Basic	b Tier 2	c Tier 3	d Tier 4	e Tier 5
<b>Period 1</b>						
<b>External Costs Eligible for Markup</b>						
701	Cost of Programming For Channels Added Prior to 5/15/94 or After 5/15/94 Using Markup Method For Period	\$160,872.04				
702	Retransmission Consent Fees For Period					
703	Copyright Fees For Period	\$13,339.95				
704	External Costs Eligible For 7.5% Markup	<b>\$174,211.99</b>				
705	Marked Up External Costs	<b>\$187,277.8885</b>				
<b>External Costs Not Eligible for Markup</b>						
706	Cable Specific Taxes For Period					
707	Franchise Related Costs For Period					
708	Commission Regulatory Fees For Period					
	Total External Costs For Period	<b>\$187,277.8885</b>				
710	Monthly, Per-Subscriber External Costs For Period 1	<b>\$1.1835</b>				

## Worksheet 8 - True-Up Rate Charged

For instructions, see Appendix A of Instructions For FCC Form 1240

Question 1. How long is the True-Up Period 1, in months?

12

Question 2. How long is the True-Up Period 2, in months?

Line	Line Description	a Basic	b Tier 2	c Tier 3	d Tier 4	e Tier 5
801	Month 1	\$9.1900				
802	Month 2	\$9.1900				
803	Month 3	\$9.1900				
804	Month 4	\$9.4400				
805	Month 5	\$9.4400				
806	Month 6	\$9.4400				
807	Month 7	\$9.4400				
808	Month 8	\$9.4400				
809	Month 9	\$9.4400				
810	Month 10	\$9.4400				
811	Month 11	\$9.4400				
812	Month 12	\$9.4400				
813	Period 1 Average Rate	\$9.3775				

814	Month 13					
815	Month 14					
816	Month 15					
817	Month 16					
818	Month 17					
819	Month 18					
820	Month 19					
821	Month 20					
822	Month 21					
823	Month 22					
824	Month 23					
825	Month 24					
826	Period 2 Average Rate					

**Time Warner Cable - Raleigh Division**

**FCC 1240 - Basic Tier Service (BST) Lineup**

**System: Chapel Hill, Orange Cnty, Granville Cnty, Durham Cnty,  
Chatham County, Pittsboro, Carrboro, Hillsborough**

**2004 True-up  
Channel Lineups  
per 2005 FCC 1240**

**10/03 - 11/03**

- 0 TV Guide Channel
- 2 WNCN-TV(NBC)
- 3 WRAL-TV (CBS)
- 4 Educational Programming
- 5 WRAY-TV (IND)
- 6 WTV-D-TV (ABC)
- 7 Home Buyers Channel
- 8 Community Programming
- 9 WUNC-TV (PBS)
- 10 WFL-TV (WB)
- 11 WUVC-TV (UNI)
- 12 WRDC-TV (UPN)
- 13 WRAZ-TV (FOX)
- 14 NEWS-14
- 18 Gov. Access/C-SPAN2
- 19 BET
- 21 WGN
- 22 WRPX-TV (PAX)
- 23 TBS
- 24 Triangle TV

**12/03 - 12/04**

- 0 TV Guide Channel
- 2 WNCN-TV(NBC)
- 3 WRAL-TV (CBS)
- 4 Educational Programming
- 5 WRAY-TV (IND)
- 6 WTV-D-TV (ABC)
- 7 Home Buyers Channel
- 8 Community Programming
- 9 WUNC-TV (PBS)
- 10 WFL-TV (WB)
- 11 WUVC-TV (UNI)
- 12 WRDC-TV (UPN)
- 13 WRAZ-TV (FOX)
- 14 NEWS-14
- 15 HSN
- 16 QVC
- 18 Gov. Access/C-SPAN2
- 19 BET
- 21 WGN
- 22 WRPX-TV (PAX)
- 24 Triangle TV

**2005 Projected  
Channel Lineups  
per 2005 FCC 1240**

**1/05 - 09/05**

- 0 TV Guide Channel
- 2 WNCN-TV(NBC)
- 3 WRAL-TV (CBS)
- 4 Educational Programming
- 5 WRAY-TV (IND)
- 6 WTV-D-TV (ABC)
- 7 Home Buyers Channel
- 8 Community Programming
- 9 WUNC-TV (PBS)
- 10 WFL-TV (WB)
- 11 WUVC-TV (UNI)
- 12 WRDC-TV (UPN)
- 13 WRAZ-TV (FOX)
- 14 NEWS-14
- 15 HSN
- 16 QVC
- 18 Gov. Access/C-SPAN2
- 19 BET
- 21 WGN
- 22 WRPX-TV (PAX)
- 24 Triangle TV

REPORT REGARDING REVIEW OF  
TWO FCC FORMS 1240, WHICH ARE DATED SEPTEMBER 30, 2004,  
AND ONE FCC FORM 1205, WHICH IS DATED SEPTEMBER 30, 2004,  
AND RELATED FORMS AND WORKSHEETS  
SUBMITTED BY TIME WARNER CABLE  
TO THE TOWN OF CHAPEL HILL, NORTH CAROLINA

PREPARED FOR:  
THE TOWN OF CHAPEL HILL, NORTH CAROLINA

OCTOBER 15, 2004 working draft

PREPARED BY:  
Charles Gramlich  
of  
CHARLES GRAMLICH & ASSOCIATES  
8105 Chardonnay Cove  
Austin, Texas 78750  
512-342-7848



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## I. FINDINGS

1. Based upon my review of the information supplied by Time Warner Cable, ("TWC"), it is my opinion that the rates for Basic Cable Service as computed by TWC on the two Federal Communications Commission ("FCC") Form 1240s (dated September 30, 2004), for certain regulated equipment and installation cost as computed by TWC on FCC Form 1205 (dated September 30, 2004) and for the Cable CARD as computed by TWC on FCC Form 1205, Determining Regulated Equipment and Installation Costs (dated July 21, 2004), are accurately calculated according to FCC rules and regulations.

## II. OVERVIEW OF FCC RATE REGULATIONS

In 1992, Congress passed the Cable Television Consumer Protection and Competition Act. The 1992 Cable Act included significant provisions regarding the regulation of cable rates, and directed the FCC to adopt rules prescribing rate regulation. Local franchising authorities that desire to regulate rates are permitted to do so by (1) filing FCC Form 328, (2) adopting the FCC's rate rules and (3) notifying the cable operator of its intent to regulate rates. The FCC has retained the obligation to oversee the regulatory process. A cable operator's basic service tier, certain in-home equipment charges, and certain installation charges are subject to rate regulation by local franchising authorities. Other cable television services and other services, which are provided by cable television operators, are not currently subject to regulation by either local franchising authorities or the FCC.

In implementing its rate regulations, the FCC adopted a uniform rate scheme that is applicable to both the rates for basic cable service and cable programming service tiers in areas where there is no effective competition. The 1992 Cable Act permits local franchising authorities to regulate the rates charged for basic cable service and certain installation and certain in-home equipment rates. The FCC had the sole authority to regulate the rates for cable programming service tiers. Over the last few years the FCC has adopted several modifications to the rules and regulations regarding cable television rates. On September 15, 1995, the FCC adopted rules giving regulated cable operators the option of filing for rate adjustments on an annual basis instead of the then existing quarterly system.

On February 8, 1996 President Clinton signed the Telecommunications Act of 1996 into law. The new law made sweeping changes to federal telecommunications law and policy. Under the new law, regulation of cable programming and some basic service tier rates will be lifted or gradually phased out, depending on the size of the cable system and presence of effective competition. In addition, the new law allows telephone and cable companies to compete in each other's business, and creates a new statutory entity known as an "open video system" to govern certain video programming. Many areas of cable regulation are not affected by the 1996 act. For example, local franchising authorities can continue to regulate rates charged for basic cable service and certain installation and certain in-home equipment rates, unless effective competition exists.

### **FCC Form 1240**

Pursuant to the FCC rules FCC Form 1240 may be used to adjust the maximum permitted rate for the Basic Cable Service (which was determined either by Form 1200, a previously filed Form 1210 or Form 1240, a cost-of-service showing, or election of a streamlined rate reduction for qualified systems) for the following reasons: increases or decreases in external costs; the addition and deletion of channels from regulated tiers; and inflation. The FCC Order establishing the annual system calls for a series of calculations, involving both the projection of

future events and an accounting of events that are known to have happened.

FCC Form 1240 is used to adjust rates annually, instead of quarterly, to reflect changes in external costs, inflation, and the number of regulated channels that are projected for the 12 months following the rate change. A cable operator has the burden of proving that projected changes in external costs, inflation or the number of channels are reasonably certain and quantifiable. (The FCC rules recognize seven categories of external costs: retransmission consent fees, copyright fees, programming costs, certain cable specific taxes, franchise-related costs, franchise fees and FCC regulatory fees.) FCC Form 1240 is not used to compute franchise fees or FCC regulatory fees. An operator whose actual cost exceed its projections during a rate year may at the time of its next annual rate filing adjust or "true up" its rates. Generally, the FCC rules require a cable operator opting for annual adjustments to file a basic rate adjustment request with its local franchising authority 90 days prior to the effective date of the proposed change. After the 90 days, the operator may change the rate, unless the local franchising authority has rejected the change as unreasonable. A cable operator may ask whether the local franchising authority intends to issue a rate order after the 90-day review period, and if it does not respond within 15 days, the local franchising authority will lose its ability to order a refund or a prospective rate reduction.

#### **FCC Form 1205**

For cable operators using the annual rate method, changes to equipment and installation rates must be filed on FCC Form 1205 concurrently with FCC Form 1240. An operator must base proposed annual adjustments to certain in-home equipment and certain installation rates on past costs. The Hourly Service Charge is used to set all regulated installation rates.

#### **FCC Form 1235**

The Form 1235 provides for the recovery of system upgrade costs when the upgrade meets certain minimum technical specifications. The Form 1235 is filed in conjunction with Form 1240 and is an "add-on" to the Form 1240 maximum permitted rate. The Form 1235 "add-on" portion should only be charged to subscribers receiving benefits of the system upgrade.

### III. OVERVIEW OF REPORT PREPARATION

Autumn 2003 marked the adoption of rules implementing the December, 2002 agreement between major cable operators and major consumer electronics companies setting the stage for the release of the first wave of Digital Cable Ready television sets (DCRs). These DCRs allow cable subscribers to receive one-way digital cable services without the use of a set-top box. A security device called a CableCARD will allow cable customers to view encrypted digital programming after it is authorized to do so by the cable operator. The CableCARD plugs into a slot built into the digital television. Cable Television Laboratories ("CableLabs") and the cable industry have been developing CableCARD technology for some time, and the advent of DCRs will mark the first major deployment of devices that will use those security cards. In addition to television sets, it is anticipated that there will soon be other consumer electronic devices available at retail that will take advantage of this technology.

Because the DCRs being sold now are one-way devices, they do not have the capability to access cable's two-way services such as video-on-demand or interactive program guides. To access these services, customers will need to continue to use a digital cable set-top box. Cable operators and consumer electronics manufacturers are currently in discussions to develop requirements for digital TV sets that can receive cable's two-way services without a set-top box. See [www.timewarnercable.com/nc/products/cable/cablecard.html](http://www.timewarnercable.com/nc/products/cable/cablecard.html) for more information regarding this matter.

With a letter dated July 21, 2004, TWC submitted a FCC Form 1205, Determining Regulated Equipment and Installation Costs, (dated July 21, 2004). In the letter of July 21, 2004, TWC stated: "While it is not clear that the rates and charges for the CableCARD are subject to regulation under the FCC rules, we have prepared the attached Form 1205 for your information. As you will note, the attached Form 1205 establishes a maximum permitted rate for the Cable CARD of \$2.02. At this time we plan to charge \$1.75 for the Cable CARD."

With a letter dated September 30, 2004, TWC filed two FCC Form 1240s, Updating Maximum Permitted Rates For Regulated Cable Services (dated September 30, 2004), and one FCC Form 1205, Determining Regulated Equipment and Installation Costs (dated September 30, 2004), with the Town of Chapel Hill, North Carolina (the "Town"). Apparently, the Town received the letter on October 1, 2004. In the letter of September 30, 2004, TWC indicated its intention to implement the new rates on January 1, 2005.

One of the FCC Form 1240's is for the headend that is located in the vicinity of the Town of Chapel Hill and provides cable television service in the Town of Chapel Hill. The other FCC Form 1240 is for the headend that is located in the vicinity of the City of Durham and provides cable television service in the Town of Chapel Hill.

Pursuant to a request from Adrian E. Herbst, representing the Town, Charles Gramlich of

Charles Gramlich & Associates reviewed the information provided by the Town and TWC concerning the above mentioned FCC Forms 1240 and 1205 and related forms and worksheets.

The review included:

1. Communications with representatives of TWC, including Paul Baccellieri, Vice President Finance, Raleigh Division of TWC and Claudia T. Pileggi, Financial Manager, Raleigh Division of TWC, regarding the rate filings for the Town and related exchanges of information.
2. Mathematical verification of all steps and assumptions necessary to complete the forms, worksheets and accompanying schedules.

Please note, however, that Charles Gramlich & Associates has not undertaken an "on-site audit" of TWC's books and records to determine whether the information included in the Forms and worksheets or the accompanying schedules has been accurately identified. Such an on-site audit would require physical presence by employees of Charles Gramlich & Associates, or a qualified accounting subcontractor, at the premises of TWC to review the books and records and verify that entries have been accurately recorded and assumptions properly calculated. In completing the worksheets and schedules of the FCC Forms and related worksheets, cable operators are required to make certain assumptions and report information to the best of their ability. In some cases, it may be appropriate for local franchising authorities to verify the accuracy of the information reported by a cable operator by conducting an on-site audit of the operator's books and records. Currently, I do not believe that such an on-site audit is necessary, based on the information I have reviewed in TWC's FCC Forms and related worksheets and the other relevant information I have reviewed. However, I make no representation with respect to the accuracy of the information reported by TWC on its FCC Forms and related worksheets but simply base my conclusions and analysis on the information TWC has provided.

Based upon my review of the information supplied by TWC, it is my opinion that the rates for Basic Cable Service as computed by TWC on the two FCC Form 1240s (dated September 30, 2004) and for certain regulated equipment and installation cost as computed by TWC on the two FCC Form 1205s (dated July 21, 2004 and September 30, 2004) are accurately calculated according to FCC rules and regulations.

The Basic Cable Service is regulated by the Town. The Basic Cable Service includes the lowest level of cable television service offered by TWC in the Town. Other cable television services and other services, which are provided by cable television operators, are not currently subject to regulation by either local franchising authorities or the FCC.

According to TWC:

1. The Basic Cable Service, currently, consists of approximately 22 channels of

mainly broadcast stations that are received off the air and public, educational & governmental access channels.

2. Tier 2, currently, consists of approximately 51 channels for both the Durham headend and the Chapel Hill headend.
3. The Digital Tier, currently, consists of an additional approximately 72 video channels.
4. TWC last increased the monthly rate for Basic Cable Service on January 1, 2004.

Please correct the info above and other places in this draft, where necessary. Done CTP

CGA asked specific questions of TWC regarding the inflation segment of the computations. In response, TWC stated: "Our practice is to use the most currently published FCC inflation factors at the time of the filing. At the time of our filing at about, the last published FCC inflation factor was for the first qtr of 2004. Hence, we assumed that factor for the rest of this year, as well as 2005. We will always make the appropriate adjustment to the inflation factors within the true up mechanisms allowed in the subsequent year's filing."

Since TWC has selected monthly rates for Basic Service, which are less than the MPR, the use of a later inflation factor would not lower the rates paid by subscribers during the next year. In any case, the appropriate adjustment is made during the subsequent year's true up segment.

Outlined on the following Rate Change Checklist are the current and the proposed Maximum Permitted Rates ("MPR") and the current and proposed Operator Selected Rates ("OSR"). The MPR is the maximum rate that TWC can charge as calculated by TWC using the FCC's rules and regulations. The OSR is the rate that TWC has indicated that it will charge subscribers. The OSR cannot exceed the MPR.

The new proposed rates for Basic Cable Service, certain regulated in-home equipment and installation can become effective 90 days after the Town actually received the completed FCC Forms 1240 and 1205.

#### IV – Chapel Hill - Rate Change Checklist - 2004

<u>TYPE OF SERVICE</u>	<u>Current</u>	<u>Proposed</u>	
<b>Basic Cable Service (Durham headend):</b>			
Maximum Permitted Rate	\$14.99	\$14.91	Note 1
Operator Selected Rate	\$14.30	\$14.50	

The following table summarizes the changes to the maximum permitted rate for the Basic Cable Service (Durham headend) as per the different elements in the FCC Form 1240:

Prior maximum permitted Basic Cable Service Rate	\$14.99	
Remove Prior Period		
External Cost	\$1.77	
Markup Method	\$0.00	
True-up Segment	\$0.37	
Inflation Segment	<u>\$0.25</u>	
Portion Subject to Inflation		
Inflation True Up Periods	\$0.26	
Projected Periods-		
External Cost	\$1.21	
Markup Method	\$0.00	
True-up Segment	\$0.53	
Inflation Segment	<u>\$0.31</u>	
Proposed Maximum Permitted Rate	\$14.91	Note 1

<b>Basic Cable Service (Chapel Hill headend):</b>	<u>Current</u>	<u>Proposed</u>	
Maximum Permitted Rate	\$11.44	\$10.61	Note 2
Operator Selected Rate	\$11.25	\$10.60	

The following table summarizes the changes to the maximum permitted rate for the Basic Cable Service (Chapel Hill headend) as per the different elements in the FCC Form 1240:

Prior maximum permitted Basic Cable Service Rate	\$11.44	
Remove Prior Period		
External Cost	\$1.74	
Markup Method	\$0.00	
True-up Segment	\$0.53	
Inflation Segment	<u>\$0.17</u>	
Portion Subject to Inflation		
Inflation True Up Periods	\$0.18	



Projected Periods-			
	External Cost		\$1.18
	Markup Method		\$0.00
	True-up Segment		\$0.04
	Inflation Segment		<u>\$0.21</u>
	Proposed Maximum Permitted Rate		\$10.61
			Note 2

<b>Hourly Service Charge:</b>	<b>Current</b>	<b>Proposed</b>	
Maximum Permitted Rate	\$37.50	\$37.81	Note 3
Operator Selected Rate	\$37.50	\$37.50	

<b>Remote Control (All Types):</b>			
Maximum Permitted Rate	\$0.34	\$0.33	
Operator Selected Rate	\$0.34	\$0.33	

<b>Converter Box (Addressable):</b>			
Maximum Permitted Rate	\$7.99	\$8.82	
Operator Selected Rate	\$7.61	\$7.62	

<b>Converter Box (Non-Addressable):</b>			
Maximum Permitted Rate	\$0.68	\$0.76	
Operator Selected Rate	\$0.68	\$0.68	

<b>CableCARD</b>			
Maximum Permitted Rate	\$2.02	\$2.02	
Operator Selected Rate	\$1.75	\$1.75	

According to TWC, all rates exclude FCC fee, sales tax, if any, and franchise fee. All rates are monthly, except for the Hourly Service Charge.

Note 1 – Includes \$2.11 from an FCC Form 1235 that was filed approximately five years ago upon the completion of the cable system upgrade. CGA has not reviewed the FCC Form 1235.

Note 2 – Includes \$1.81 from an FCC Form 1235 that was filed approximately five years ago upon the completion of the cable system upgrade. CGA has not reviewed the FCC Form 1235.

Note 3 - Hourly Service Charge is used to calculate certain installation fees, for unwired & prewired homes, additional outlets and other regulated installations.

Please correct the info above and other places in this draft, where necessary. – Done. CTP

The following charts outlines the current monthly rates for the Basic Cable Service, Tier 2 and the Digital Tier, and the operator selected monthly rates for each.

Current (Durham headend)      Proposed

Basic Cable Service	\$14.30	\$14.50
Tier 2	\$29.80	\$31.75 – not regulated
Digital Tier	<u>\$13.50</u>	<u>\$14.80</u> – not regulated
Total	\$57.60	\$61.05

**Current (Chapel Hill headend) Proposed**

Basic Cable Service	\$11.25	\$10.60
Tier 2	\$29.80	\$32.90 – not regulated
Digital Tier	<u>\$13.50</u>	<u>\$14.80</u> – not regulated
Total	\$54.55	\$58.30

Please provide the info above or in the alternative a statement saying that the new rates for the unregulated services have not been set. Done CTP 11/4/04

According to representatives of TWC, the monthly rates for additional outlets will not change from the current rates of \$1.00 for the Digital Tier and \$0 for the Premium Service additional outlets. Rates for additional outlets are not regulated.

Is this still correct? Yes

Has any franchising authority challenge any of the assumptions, information or rates that are contained in the FCC Forms and related documents that are the subject of this rate review? If yes, please provide me with specifics.

If any franchising authority does challenge any of the assumptions, information or rates that are contained in the FCC Forms and related documents that are the subject of this rate review, please inform me immediately.