

**MOORPARK CITY COUNCIL
AGENDA REPORT**

TO: Honorable City Council

FROM: Joseph Montes, City Attorney

DATE: June 14, 2007 (CC Meeting of 6/20/2007)

SUBJECT: Consider Hearing on Potential Breach by Time Warner of its Customer Service Obligations

BACKGROUND

Procedural History

The following is a partial summary of the relevant timeline:

- July 21, 2004. The City has a first reading of Ordinance 303 to regulate cable franchisees.
- September 1, 2004. The City approves, at second reading, Ordinance 303.
- Effective October 1, 2004. The City entered into a franchise agreement (the "Franchise Agreement") with Century TCI. Century TCI was owned 75% by Adelphia Communications Corporation and 25% by entities associated with Comcast. That Franchise Agreement indicated that compliance with Ordinance 303 was required. Service was provided in Moorpark under the Adelphia name.
- November 2, 2005. Via resolution 2005-2410, Moorpark consented to the transfer of the Franchise Agreement to Time Warner Cable ("Time Warner") affiliated entities. Time Warner did not begin providing service in Moorpark until August 2006.
- November 2005. Regional records indicate that for the month of November 2005, 89.8% of phone calls to customer service were answered within 30 seconds.

- December 2005. Regional records indicate that 93.3% of customer phone calls were answered within 30 seconds. December 2005 was the last date that at least 90% of the calls were answered within 30 seconds.
- January 2006 through July 2006. During this time frame, regional records reflect that calls to customer service were answered within 30 seconds between 70.8% and 84.6% of the time.
- August 2006. Time Warner begins providing service in Moorpark. Time Warner begins integration with the Adelphia system to its own system during the month of August.
- September 2006 through November 2006. During this time frame, based upon regional data, calls were answered within 30 seconds 50.2% of the time.
- December 6, 2006. Due to residents' complaints, the City Council directed staff to implement provisions of the Franchise Agreement and appointed Mayor Pro Tem Millhouse and Councilmember Parvin to an ad hoc committee relating to these issues.
- February 13, 2007. The Bankruptcy Court approves the Adelphia reorganization plan. Initial Public offering for Time Warner Cable.
- February 21, 2007. City Council adopted Resolution No. 2007-2567, requesting that Time Warner "take the necessary steps to acquire and install equipment" which can provide Moorpark-specific call data. The Resolution stated Time Warner should provide such data on a monthly basis. The City Council directed staff to prepare a notification letter to Time Warner regarding the imposition of liquidated damages should Time Warner fail to separately track customer service calls from the City instead of merely tracking calls on a regional basis.
- February 23, 2007. Hugh Riley, Assistant City Manager, sends a letter to Time Warner enclosing Resolution 2007-2567 again reiterating the demand for customer service information specific to Moorpark.
- March 5, 2007. Time Warner writes a letter stating that Time Warner "is able to provide 'system specific' data for technical and outage repair, but at this time we are not able to provide Moorpark specific telephone statistics... We will report back to you once we have determined the feasibility of providing such 'Moorpark Specific' reports."

- March 7, 2007. The City Council continued discussion of Time Warner issues to March 21, 2007.
- March 14, 2007. The Council Ad Hoc Committee met with Time Warner and again requested Moorpark-specific information.
- March 21, 2007. The City Council directed staff to send Time Warner written notice of material default for failure to meet the customer service standards for at least the last three months.
- March 27, 2007. Joseph Montes, City Attorney, via certified mail, sent a letter to Time Warner indicating that the City made a preliminary determination that Time Warner has been in material default of its obligations "for at least the last three months for failure to meet the customer service standards of Moorpark Municipal Code 5.06.810." The City gave Time Warner 30 days to either correct the material violations or provide evidence of non-violation. This letter appears as Exhibit 1 to this staff report.
- April 18, 2007. The City Council directed staff to provide Time Warner with notice of a public hearing to be held at the June 6, 2007 Meeting.
- April 27, 2007. Time Warner sent a letter indicating that it did not believe that the standards of Municipal Code 5.06.810 apply, but rather, that the procedures of Ordinance 133 apply, namely that during normal business hours:

"a minimum of seventy-five percent (75%) of all callers for service will not be required to wait for more than sixty (60) seconds before being connected to a service representative; and further, a minimum of fifty percent (50%) of all callers will not be required to wait more than thirty (30) seconds before being connected to a service representative; in each case as measured over a period of thirty (30) consecutive days."

In that letter, Time Warner admits that for the month of March 2007, that even this more lax standard of 75% of calls being answered within 60 seconds was violated. ["72% were answered within 60 seconds"]. Time Warner acknowledged the customer service difficulties and indicated they were caused by the purchase of the Adelpia assets. Time Warner indicated that it has taken numerous steps to resolve the ongoing issues including hiring more customer service representatives,

and numerous internal organizational and operational changes. This letter appears as Exhibit 2 to this staff report.

- May 17, 2007. Via letter, the City Attorney informed Time Warner that a public hearing would occur on June 20, 2007. The City Attorney further explained that the Franchise Agreement expressly incorporated Ordinance 303, which adopted the 90% standard which can currently be found in Municipal Code 5.06.810, and therefore Time Warner incorrectly asserted that the 75% standard applies. This letter appears as Exhibit 3 to this staff report.
- June 6, 2007. The City continued this public hearing to June 20.
- June 13, 2007. The Council Ad Hoc Committee met with Time Warner Cable.

Legal Standards

The Franchise Agreement expressly indicated that the terms of Ordinance 303 apply to the franchisee, in this case Time Warner. Therefore, to determine whether there has been a violation of customer service standards, the City Council must apply the following portions of Ordinance 303 (which standards also appear in Municipal Code §5.06.810, and which standards parallel federal law):

“5.06.810 Operational Standards.

(a) Except as otherwise provided in the Franchise Agreement, Grantee shall meet or exceed the following Consumer protection and service standards under Normal Operating Conditions:

(1) Sufficient toll-free telephone line capacity during normal business hours to assure that telephone answer time by a customer service representative, including wait time, shall not exceed thirty (30) seconds; and callers needing to be transferred shall not be required to wait more than thirty (30) seconds before being connected to a service representative. Under Normal Operating Conditions, a caller shall receive a busy signal less than three percent (3%) of the time.

* * *

(b) Under Normal Operating Conditions, the standards of paragraphs (a)(1) - (a)(2) above shall be met not less than

ninety percent (90%) of the time measured on a quarterly basis. For the purposes of this Section, “quarterly” shall mean any consecutive three (3) calendar month period, and is not necessarily coincident with a calendar quarter. . . .”

These standards are patterned after the federal standards set forth at 47 C.F.R. 76.309(c)(1)(ii),(iii), which provide:

“(ii) Under normal operating conditions, telephone answer time by a customer representative, including wait time, shall not exceed thirty (30) seconds when the connection is made. If the call needs to be transferred, transfer time shall not exceed thirty (30) seconds. These standards shall be met no less than ninety (90) percent of the time under normal operating conditions, measured on a quarterly basis.

(iii) The operator will not be required to acquire equipment or perform surveys to measure compliance with the telephone answering standards above unless an historical record of complaints indicates a clear failure to comply.¹”

Section 5.06.528 of Ordinance 303 and the Municipal Code provide:

“Normal Operating Conditions. “Normal Operating Conditions” means those service conditions which are within the control of the Grantee. Those conditions which are not within the control of the Grantee include, but are not limited to, natural disasters, civil disturbances, power outages, telephone network outages, and severe or unusual weather conditions. Those conditions which are ordinarily within the control of the cable operator include, but are not limited to, special promotions, pay-per-view events, rate increases, regular peak or seasonal demand periods, and scheduled maintenance or upgrade of the Cable System.”

¹ See 47 CFR 76.309(c)(1)(iii).

DISCUSSION

One interpretation is that Time Warner was operating under “normal operating conditions” as soon as it took over operational control of the local franchise in August 2006 because it had since November 2005 to complete its due diligence regarding the customer service issues that could be reasonably anticipated relating to the upgrades and maintenance that they were making to their cable system as a result of the Adelphia acquisition. If the City Council agrees that these actions constituted service conditions which are in the control of Time Warner, then the City Council may then determine whether Time Warner has breached its obligations under the Franchise Agreement.

1. First Possible Finding: Conclude that Time Warner has Materially Breached the Franchise Agreement For Failure to Comply With Customer Service Requirements.

The City Council may conclude that the standards set forth above have been violated, and that this constitutes a material breach of the Franchise Agreement.

Since January 2006, the 90% Standard Has Never Been Met.

Attached to this report as Exhibit 4 is a chart which, among other things, tracks the percentage of phone calls which are answered by customer service representatives within 30 seconds. The data show that for every month since January 2006 for which there are data, the cable company (whether Adelphia or Time Warner) failed to meet the 90% threshold provided in Ordinance 303 (which also appears at Municipal Code § 5.06.810). To date, for 2007, the City only has data for the months of January and February. While Time Warner has made representations that service performance has improved, the company does claim that the 90% standard has not been met to date. The table below summarizes the attached chart (Exhibit 4) showing the telephone answering performance data for customer phone calls answered within 30 seconds:

Dec 2005 – Feb 2006	82.3%
March 2006 – May 2006	77.2%
June 2006 – Aug 2006	69.0%
Sep 2006 – Nov 2006	50.2%
Dec 2006 – Feb 2007	55.8%

Preliminary records indicate that May 2007 improved to 71.9% of calls answered in thirty seconds.

Although Time Warner has not provided Moorpark specific data, staff believes the City may rely on these data.

It should be noted that these data are not specific to the City of Moorpark, but are specific only to the general region of which Moorpark is a part. That stated, as described above, on at least three different occasions between February 2007 and March 2007, Moorpark has requested that Time Warner provide such information, and even passed a resolution to that effect. In response, on March 5, 2007, Time Warner wrote "we are not able to provide Moorpark specific telephone statistics."

2. Second Possible Finding: Instruct Staff to Provide Notice to Time Warner that the City Will Consider Imposing Liquidated Damages for Failure to Acquire and Install Equipment for Moorpark Specific Data.

Section 5.06.840 of Ordinance 303 and of the Moorpark Municipal Code requires Time Warner to provide "sufficient documentation to permit [the City] to verify Grantee's compliance" with the customer service standards. The only data provided by Time Warner is regional data. Time Warner has failed to provide data specific to Moorpark, despite repeated requests for such information, including the passage of Resolution 2007-2567. To date, Time Warner has not provided any data to suggest that the call service performance in Moorpark is any different from that experienced by the region. Accordingly, City staff has concluded that Time Warner has failed to meet the performance standards of Ordinance 303.

Federal law and Sections 5.06.810(c) of Ordinance 303 and the Municipal Code allow Moorpark to require Time Warner to "acquire equipment or perform surveys to measure compliance with the telephone answering standards [if] an historical record of complaints indicates a clear failure to comply." Staff believes that the timeline shown above demonstrates a "clear failure to comply" with the customer service requirements.

The City Council may find that there is a historical record of complaints which indicates a clear failure to comply with the customer service standards. The City Council would authorize staff to send notice that Time Warner Cable must provide this equipment within 30 days or provide evidence of non-violation, or face a finding that Time Warner is in material default of the agreement, which may include imposition of additional liquidated damages.

3 Third Possible Finding: Determine that a Breach of the Franchise Agreement and/or Violations of the Moorpark Municipal Code Have Occurred.

After considering this written staff report, the staff presentation, Time Warner's comments, any public testimony, and all other relevant information provided at the public hearing, the City Council may find the following:

- Normal Operating Conditions. Time Warner's actions were part of "normal operating conditions" as defined in the Franchise Agreement and federal law, because compliance with these customer service standards were within the control of Time Warner. If the City Council determines that these actions were not within the control of Time Warner, then there cannot have been a material breach.
- Material Breach. There has been a material breach of the Franchise Agreement for failure to comply with the customer service requirements of section 5.06.810(a)(1) and (b) of Ordinance 303; and
- Violation of Moorpark Municipal Code. Time Warner violated sections 5.06.810.A.1 and 5.06.810.B, and 5.06.810.C of the Municipal Code for failure to comply with the customer service standards and provide sufficient customer service data.
- Violation of Federal Law. Time Warner violated 47 CFR § 76.309 (c)(1)(ii) for failure to comply with the customer service standards.

Options After Determinations

1. No Breach or Violation.

Section 2.7(e) of the Franchise Agreement provides:

"In the event the City Council finds that no material violation exists, the proceedings shall terminate and no penalty or other sanction shall be imposed. In determining whether a violation is material, Grantor shall take into consideration the reliability of the evidence of the violation, the nature of the violation and the damage (if any), caused by the Grantor thereby, whether the violation was chronic, and any justifying or mitigating circumstances and such other matters as the Grantor may deem appropriate."

If the City concludes that Time Warner's failures were not part of "normal operating conditions" as defined in the Franchise Agreement and federal law, then there would be no material breach.

2. Determine that there was a Material Breach.

If the City determines that there has been a material breach of the 90% standard, the City Council may consider the following courses of action:

- a. Conclude Time Warner Has "Commenced Corrective Action Since March 28, 2007 and Diligently Remedied Such Violation Thereafter." As described above, consistent with 2.7(a) of the Franchise Agreement, on March 27, 2007, the City sent notice that a preliminary determination has been made that Time Warner was in material breach of the Franchise Agreement, and that it "must either correct these material violations within 30 days or provide evidence of non violation in 30 days. Time Warner received that notice on March 28, 2007. Therefore, Time Warner had until April 27, 2007 to either correct the violation, or provide evidence of non-violation. As described above, Time Warner's April 27, 2007 response is attached as Exhibit 4 to this Staff Report. The City may determine that Time Warner has "commence[d] corrective action within the time prescribed [prior to April 27, 2007] and diligently remed[ied] such violation thereafter." If the City makes this determination, then the City could not impose liquidated damages.
 - b. Conclude that Time Warner Has Not Commenced Corrective Action. The City Council could conclude that Time Warner has not commence[d] corrective action [prior to April 27] and diligently remedied such violation thereafter." If the City makes this determination, it can impose liquidated damages.
3. Impose Liquidated Damages. Consistent with section 2.7(b) of the Franchise Agreement, the City Manager would request that the City Council consider imposing liquidated damages, assessable from the Security Fund, of up to Two Hundred Dollars (\$200) per day or per incident for all violations. Section 2.7(c) of the Franchise Agreement explains that if the City Council elects to assess liquidated damages, then such election will constitute the City's exclusive remedy for a period of one hundred twenty days. Thereafter, if Time Warner remains in non-compliance with the requirements of the Franchise Agreement, the City may pursue additional remedies (such as revocation of the franchise).

The amount of the liquidated damages would differ, depending upon how the City wishes to calculate the damages. Here are two permissible methods:

- a. \$200 a Day Since September 2006. The City could determine that since the first day that Time Warner Cable began providing service in Moorpark on September 1, 2006, until the present, (293 days) Time Warner has violated the 90% standard. At \$200 a day, to date, the fine would be \$58,600.00.
- b. \$200 a day per day since December 28, 2006. Alternatively, the City could determine that, for every day since December 27, 2006, Time Warner has violated the 90% standard. Recall that on March 28, 2007, Time Warner received a letter from the City Attorney dated March 27, 2007 which informed Time Warner that "the City has made a preliminary determination that Time Warner is in material default for at least the last three months." December 27, 2006 is three months prior to the date the notice was received by Time Warner. Because 175 days will have passed between December 28, 2006 and the hearing on June 20, 2007, the fine would be 175 days at \$200/day or \$35,000.

The City could impose liquidated damages in different time frames. For example, the City Council might find different first and last dates of violation. It might also opt to impose liquidated damages at a lower rate (e.g. \$100 per day). Last, because the Franchise Agreement indicates that the violation is "up to two hundred dollars (\$200) per day or *per incident*", depending upon how the City defines "per incident", the total liquidated damages could be higher or lower.

\$25,000 Security Fund. If liquidated damages are authorized, the City Council may instruct staff to take all actions necessary to assess liquidated damages from the \$25,000 Security Fund should Time Warner fail to timely pay all liquidated damages imposed by the City Council. After the Security Fund is depleted, Time Warner Cable would then have to replenish the Security Fund to maintain a balance of \$25,000 in order to remain in compliance with the City Cable TV Franchise Agreement. However, Time Warner Cable is eligible to set aside its Franchise Agreement with the City and continue operating in Moorpark as a State Video Franchisee after January 1, 2008, provided that another video provider commences operations in the City. State Video Franchisee AT&T has begun the process of obtaining Encroachment Permits to construct and install the necessary equipment so it can provide video service in Moorpark in competition with Time Warner Cable. Moorpark will have to refund the Security Fund when the City Cable Franchise is terminated. There is no provision for a Security Fund under a State Video Franchise.

4. Provide Notice To Require Equipment. The City Council may authorize staff to notify Time Warner that if it fails to provide Moorpark-specific tracking equipment within 30 days or provide evidence of non-violation, it may face a finding that Time Warner is in material default of the agreement, which would allow the City to impose additional liquidated damages. It is recommended that if the City Council follows this option, that the City Council find that there is a historical record of complaints which indicates a clear failure to comply with the customer service standards.
5. Continue the Hearing. The City Council could opt to continue the hearing to allow the City to determine with more certainty the full extent of the customer service violations, and to determine whether Time Warner has cured such violations. Although it is unclear, it appears that at the subsequent hearing, even if Time Warner subsequently fixes the current violations, the City could still opt to impose liquidated damages based upon the extant violations and failures to sufficiently remedy the violations. (See 5.06.1510.A).

STAFF RECOMMENDATION

- 1) Open the public hearing, accept public testimony, and close the public hearing.
- 2) Direct staff as deemed appropriate.

Attachments: 1) Exhibit 1: City Attorney letter to Time Warner dated 3/27/2007
 2) Exhibit 2: Time Warner response letter dated 4/27/2007
 3) Exhibit 3: City Attorney letter to Time Warner dated 5/17/2007
 4) Exhibit 4: Time Warner Chart – Telephone Log

Exhibit "1"

BURKE, WILLIAMS & SORENSEN, LLP

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Los Angeles, California 90071-2953
voice 213.236.0600 - fax 213.236.2700
www.bwslaw.com

RECEIVED

MAR 29 2007

CITY CLERK'S DIVISION
CITY OF MOORPARK

Writer's Direct Dial:
213-236-2736
Our File No:
01359-0001
jmontes@bwslaw.com

March 27, 2007

VIA CERTIFIED MAIL

Mr. Stephen Pagano
Executive Vice President
Los Angeles Region
Time Warner Cable Inc.
550 North Continental Blvd., Suite 250
El Segundo, CA 90245

Gary Matz, General Counsel
Time Warner Cable, Inc.
290 Harbor Drive
Stamford, CT 06904-2210

Re: Notice of Material Default of Moorpark Cable Franchise Obligations

Gentlemen:

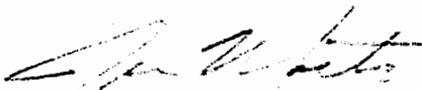
This office serves as the City Attorney for the City of Moorpark ("Moorpark") and writes on its behalf.

This letter serves as notice that the City has made a preliminary determination that Time Warner Cable ("Time Warner") is in material default of its obligations under the Municipal Code and Franchise Agreement for at least the last three months for failure to meet the customer service standards of Moorpark Municipal Code § 5.06.810.

By law, you must either correct these material violations within 30 days or provide evidence of nonviolation within 30 days. Notwithstanding that time frame, it is respectfully requested that you provide any evidence of compliance or correction of violations to the City on or before April 11. That will allow the City time to review your comments prior to April 18, the date on which the Moorpark City Council will next consider any steps taken by Time Warner to cure the material default or any provided evidence of non-violation.

Very truly yours,

BURKE, WILLIAMS & SORENSEN, LLP



Joseph M. Montes

000132

Mr. Stephen Pagano
Gary Matz, General Counsel
March 27, 2007
Page 2

cc: Debi Picciolo, President, North Division, Time Warner Cable
Patricia Fregoso-Cox, Vice President, North Division, Time Warner Cable
Honorable City Council
Steven Kueny, City Manager
John Brand, Senior Management Analyst
Scott Porter, Assistant City Attorney



April 27, 2007

Mr. Joseph M. Montes
Burke, Williams & Sorensen, LLP
444 South Flower Street, Suite 2400
Los Angeles, CA 90071-2953

Re: City of Moorpark

Dear Mr. Montes:

This letter is a response to your letter of March 27, 2007, advising that the City of Moorpark has made a preliminary determination that Time Warner Cable is in material default of Moorpark Municipal Code §5.06.810. Although your letter does not specify the substance of the alleged default, based on discussions with representatives of the City and as advised to you in my letter of April 11, 2007, it appears the City's concerns are specific to the telephone answer time.

In order to assess whether Time Warner is in violation of the Code and Franchise with respect to telephone answer time, it is, of course, necessary to identify the standard which the Code and Franchise establish. In your letter dated March 27, 2007 you reference Moorpark Municipal Code §5.06.810. We do not believe that is the applicable standard. That section of the Code was adopted by the City in a June 2005 Ordinance, subsequent to the October 1, 2004 effective date of our Moorpark Franchise. The June 2005 Ordinance itself provides at §5.06.100 that (as we believe the law requires) it does not apply to franchises in force prior to the enactment of the Ordinance and that the prior Ordinance applies to such franchises.

The phone answer standard in the prior Ordinance is set at §5.06.602(B) and requires that Time Warner Cable provide as follows:

Sufficient toll-free telephone line capacity such that, during normal business hours and excluding major service outages, a minimum of seventy-five percent (75%) of all callers for service will not be required to wait more than sixty (60) seconds before being connected to a service representative; and further, a minimum of fifty percent (50%) of all callers will not be required to wait more than thirty (30) seconds before

being connected to a service representative; in each case as measured over a period of thirty (30) consecutive days.

In reviewing the call answering statistics, please be aware that they include calls from many other franchise areas that are served by the same call centers. These statistics also include calls regarding services other than the cable video service which is regulated under the franchise.

With this proviso, we can report that during normal business hours in the month of March, 2007 roughly 69% of the calls were answered within 30 seconds and 72% were answered within 60 seconds.

As outlined below, we are taking steps to improve phone response time and anticipate that future statistics will reflect these efforts.

We fully recognize that we have had significant challenges in answering our phones in as timely a manner as both we and our customers expect. Be assured, we will not be satisfied to simply meet the standard set in the franchise, but are determined to exceed them.

To place this entire situation in context, it should be borne in mind that the Time Warner Cable acquisition of both Adelphia and Comcast systems in Southern California and their integration into Time Warner Cable's LA Region is a merger of technical platforms, operational processes and company cultures which is of a truly unprecedented scope in the cable industry. The transaction, which closed on August 1, 2006, is widely considered to be the most complex cable transaction in the history of the industry. As you are aware, the Moorpark system was previously operated by Adelphia, a company that had been in bankruptcy for several years prior to the transfer of the system to Time Warner Cable. Due to the uncertainties and limitations inherent in operating a system in such circumstances, there was an inevitable deferral of certain decisions and improvements during the period in which Adelphia operated the system as a bankrupt company. The fact that this transfer was from a bankrupt entity has created even greater challenges than normal in an ownership transition. As such, consequent operating conditions as we have transitioned from an Adelphia to a Time Warner Cable operation have been far from normal.

The initial integration phase of the Adelphia and Comcast systems into the Time Warner Cable operation has not begun as smoothly as we had planned. Outlined below are a few of the contributing factors.

CHALLENGES

Standardization of Products and Services - When Time Warner Cable took ownership of the Adelphia and Comcast systems in Southern California, our goal was to make available to our new customers the same advanced services that had previously been available to Time Warner Cable subscribers in our former, much smaller service area. This included standardizing our channel lineups and

introducing digital cable, high-definition television, digital video recorders, video on demand, high-speed online and digital telephone service.

In retrospect, we moved too rapidly. Our goal was to bring these new services to our new customers as quickly as possible. Despite rigorous due diligence prior to the acquisition, we discovered, as we rolled out these new products and services which included dozens of digital and high-definition channels, that we had underestimated our inherited cable plant's ability to handle the pace of that change. The cable infrastructure we had acquired from Adelphia was neither robust nor reliable enough to support these services. Failure of that plant and the services provided over it created considerable customer dissatisfaction and resulted in unusually high call volumes and call durations beyond those we had predicted.

E-mail Migration - Due to the nature of the transaction, we were required to migrate a large number of customers from the Adelphia and Comcast mail server to the Time Warner Cable Road Runner service. This migration disrupted the customer experience and generated far greater than normal volume of calls to our call centers.

Customer Service Performance - We were prohibited by the terms of the transaction from contacting or training our soon-to-be new employees prior to the completion of the transaction. As a result, customer service and product training for existing Adelphia and Comcast employees could not take place until after Time Warner Cable began operating the system.

Additionally, this staffing challenge coupled with dramatically high call volumes and call times stretched our call center capabilities beyond their limits, resulting in customers experiencing unanswered calls, unacceptable hold times, and admittedly unacceptable service. This service has not met our own high standards and has not been consistent with the high level of service for which Time Warner Cable has been recognized by our customers and the industry-at-large.

STEPS TAKEN TO SOLVE THE PROBLEMS

Slowing the Pace of Change - We have taken aggressive steps to slow the pace of customer-facing change and are focused on the core of our businesses operation - physical plant integration, call center performance and first-call resolution of customer requests.

We have dedicated significant resources to conduct a thorough rework of the plant throughout Southern California. We have dedicated a team of engineering, construction and field technicians to ensure that our infrastructure and cable drops to households are of the quality necessary to support our services. We have increased the number of field technicians by 10% to meet the increased demand for our services.

Organizationally, we are breaking our operation into smaller, neighborhood work areas that will bring field service employees closer to the communities they serve. As we have seen in other Time Warner Cable divisions, this community-based structure will enhance our responsiveness to our customers from both a service and an installation perspective, thus resulting in higher customer satisfaction.

In the field, we are moving from a contractor-based service model previously employed in the newly acquired systems to Time Warner Cable employee-based field technician model to further ensure quality control.

E-mail Migration - The Comcast e-mail migration is behind us and will not be a recurring problem.

Customer Service Improvements - Since the transition, we have been aggressively hiring and training call center representatives to address our customers' needs.

When we took over operation of the consolidated system, there were approximately 1,350 call center agents working in six local call centers to address our subscribers' needs. There were no layoffs or downsizing. At end of 2006, we grew our customer service ranks to more than 1,650 customer service agents and today, we have approximately 2,000 call center professionals trained and on the job to serve our subscribers. In addition to hiring more field technicians and customer service agents, Time Warner Cable has added staffing in our lobbies, thereby bringing significant employment opportunities to the Greater Los Angeles Area.

These new employees receive Time Warner Cable's full compliment of 160 hours of classroom training as well as 80 hours of supervised on-the-job training to ensure the highest quality of customer service. Our ongoing education and training of our existing call center agents continues.

Of course, it takes most new employees some initial time in the job even after training to become acclimated. We believe our newer employees are now adapting and their efforts are reflected in the improvements in phone answering over the past few months.

New Management Team - As you may be aware, we have recently put in place a new senior management team in Los Angeles with a combined 50 years of experience in operating a cable system in an urban environment.

Our newly appointed Executive Vice President, Barry Rosenblum has overseen the New York City system and successfully executed the integration of multiple systems there. Mr. Rosenblum's responsibilities will be our two major urban systems in Southern California and New York, exclusively, with the majority of

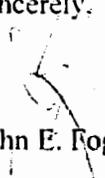
his time spent in Los Angeles. He will serve as a direct interface with our corporate offices.

On the ground, our new operating executive, Regional President Stephen Pagano, brings a record of operating excellence that is unmatched in our company. His divisions have perennially ranked as the top performing units in Time Warner Cable in customer service, cable penetration and bundled services. Mr. Pagano brings a "nuts and bolts" expertise with a focus on the successful deployment of reliable technologies like our digital phone product and a customer-first philosophy with a commitment to minimizing customer-facing changes that could serve as a disruption to the customer experience.

This is the right leadership to successfully bring our Los Angeles Region (including the North Division) operations into the next phase of our integration efforts. By focusing the skills and expertise of two top executives on the challenges we face in Los Angeles Region, the company has demonstrated its commitment to return to the fundamental hallmarks of our company that made us the top performer in the past - excellent customer service, reliable technology and the reasoned deployment of new innovative products and services, managed in business units as close to the consumer as possible.

Our local Time Warner Cable team remains available to respond to any other questions or concerns the City may have as we work to provide our customers with the level of service they deserve. We believe that the steps outlined above are already having a positive impact on the customer experience. While disputing allegations of non-compliance and reserving all rights, we remain steadfast in our commitment to our customers. We look forward to a cooperative relationship with the City as our integration efforts continue.

Sincerely,


John E. Fogarty

JEF/srt

Exhibit "3"

Writer's Direct Dial
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Our File No
04303-0001
montes@bwsllaw.com

May 17, 2007

John E. Fogarty
Vice President and Asst. Chief Counsel
Time Warner Cable
290 Harbor Drive
Stamford, CT 06902

Re: Notice of Public Hearing on Violations of Cable Franchise Obligations

Dear Time Warner Cable:

This office serves as the City Attorney for the City of Moorpark ("Moorpark") and writes on its behalf. This letter provides notice of a public hearing and responds to your letter dated April 27, 2007.

Notice of Hearing

With regards to the public hearing, please be advised that the Moorpark City Council will have a public hearing at its regularly scheduled City Council meeting of June 20, 2007 at 7 p.m., or as soon thereafter as the item may be heard, to consider whether Time Warner Cable ("Time Warner") is in material default of its obligations under the Franchise Agreement and the standards which are set forth in Moorpark Municipal Code § 5.06.810.

At the public hearing, Time Warner will have the opportunity to address the City Council and provide evidence that no material violation has occurred, that Time Warner has corrected the alleged violations; or that Time Warner has diligently commenced correction of such alleged violation and is diligently proceeding to fully remedy such alleged violations.

The Standards Set Forth in Moorpark Municipal Code § 5.06.810 Apply.

With regards to your letter dated April 27, 2007, you assert that the standards in Moorpark Municipal Code §5.06.810 do not apply because they were adopted in a June 2005 ordinance. Actually, those standards were adopted in 2004, prior to the effective date of your franchise.

Recital 7 of the franchise agreement provides:

"The City, on July 21, 2004, amended Chapter 5.06 of the Moorpark Municipal Code, which amendment applies to all Cable System Franchises granted or renewed after the Effective Date of the amendment."

The franchise agreement further provides in Section 1.5:

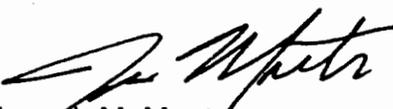
"(a) The provisions of Chapter 5.06 of the Moorpark Municipal Code are hereby incorporated herein by reference as if set out in full, and form part of the terms and conditions of this Agreement."

Because Time Warner's franchise did not become effective until after the 2004 amendments to Chapter 5.06 (via Ordinance 303, a copy of which is enclosed for your reference), Time Warner is subject to the standards set forth in Ordinance 303--under normal operating conditions, at least 90% of the time telephones must be answered by a customer representative within 30 seconds.

Accordingly, at the June 20, 2007 meeting, the City will be evaluating Time Warner's performance under the standards set forth in § 5.06.810.

Sincerely,

BURKE, WILLIAMS & SORENSEN, LLP



Joseph M. Montes

Enc: Ordinance 303.

cc: Mr. Stephen Pagano, Executive Vice President, Los Angeles Region
Debi Picciolo, President, North Division, Time Warner Cable
Patricia Fregoso-Cox, Vice President, North Division, Time Warner Cable
Honorable City Council
Steven Kueny, City Manager
John Brand, Senior Management Analyst ✓
Scott Porter, Assistant City Attorney

	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06
Repair Log*								
Headend	3	2	0	0	0	2	0	0
Transportation	1	3	0	0	0	0	0	2
Distribution	0	0	7	0	5	0	0	0
Drop	21	23	22	14	22	28	28	20
Customer Premise	199	231	189	183	147	178	155	192
Administrative	0	0	0	0	0	0	0	0
Total Service Calls	224	259	218	197	174	208	183	214
Less Customer Calls	-199	-231	-189	-183	-147	-178	-155	-192
% Calls/Customers	88.8%	89.2%	86.7%	92.9%	84.5%	85.6%	84.7%	89.7%
Total Repair Calls	25	28	29	14	27	30	28	22
% Calls/Repair	11.2%	10.8%	13.3%	7.1%	15.5%	14.4%	15.3%	10.3%
Outage Log								
Total Outages	1	2	1	0	1	2	1	3
Total Minutes	70	125	330	0	60	135	110	498
Telephone Log*								
Total Calls	841,283	852,755	866,654	883,991	809,838	847,218	848,625	902,279
% Busy Signals Received	0.5%	1.1%	3.2%	2.4%	2.3%	2.4%	2.4%	2.4%
% Calls Answered in 30 Sec	89.8%	93.3%	78.0%	75.6%	75.6%	81.1%	75.0%	84.6%
Total Calls Abandoned	10,389	6,098	23,673	21,758	19,114	12,152	20,898	13,089
% calls Abandoned	1.2%	0.7%	2.7%	2.5%	2.4%	1.4%	2.5%	1.5%

**This was a major outage due to damaged fiber optic lines that had to be respliced.
 ***This was due to a burned fuse. Replaced fuse system retored.

*NOTE: Due to the integration of Adelphia and Time Warner's call centers, the August 2006 telephone log reflects only partial information.

Jul-06 Aug-06 Sep-06 Oct-06 Nov-06 Dec-06 Jan-07 Feb-07

Repair Log*

	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07
Headend	0	0	1	0	0	0	0	1
Transportion	2	0	0	0	4	0	0	0
Distribution	2	0	2	0	0	2	2	0
Drop	16	18	7	15	16	14	14	15
Customer Premise	146	155	171	180	199	236	236	216
Administrative	0	0	0	0	0	0	0	0
Total Service Calls	166	173	181	195	219	252	252	232
Less Customer Calls	-146	-155	-171	-180	-199	-236	-236	-216
% Calls/Customers	88.0%	89.6%	94.5%	0.0%	90.9%	93.7%	93.7%	93.1%
Total Repair Calls	20	18	10	15	20	16	16	16
% Calls/Repair	12.0%	10.4%	5.5%	0.0%	9.1%	6.3%	6.3%	6.9%

Outage Log

Total Outages	1	0	0	0	2	1	3	2
Total Minutes	55	0	0	0	95150**	565	250	10350***

Telephone Log*

Total Calls	862,554	956,157	1,683,023	2,154,234	1,748,276	1,404,961	1,641,720	1,385,937
% Busy Signals Received	2.4%	2.6%	4.0%	2.6%	2.3%	1.5%	2.6%	0.3%
% Calls Answered in 30 Sec	70.8%	51.5%	57.6%	44.2%	48.8%	60.7%	50.8%	56.0%
Total Calls Abandoned	24,406	70,346	60,568	236,825	466,718	298,393	427,302	301,958
% calls Abandoned	2.8%	7.4%	3.6%	11.0%	26.7%	21.2%	26.0%	21.8%

**This was a major outage due to
***This was due to a burned fuse.

*NOTE: Due to the integration of

Report Summary	Dec-06 - Feb-07	Sep-06 - Nov-06	June-06 - Aug-06	Mar-06 - May-06	Dec-05 - Feb-06
Repair Log					
Headend	1	1	0	2	2
Transportation	0	4	4	0	3
Distribution	4	2	2	5	7
Drop	43	38	54	78	59
Customer Premise	688	550	493	480	603
Administrative	0	0	0	0	0

Total Service Calls	736	595	553	565	674
Less Customer Calls	-688	-550	-493	-480	-603
% Calls/Customers	93.5%	92.4%	89.1%	84.9%	89.6%
Total Repair Calls	48	45	60	85	71
% Calls/Repair	6.5%	7.6%	10.9%	15.1%	10.4%

Outage Log	Dec-06 - Feb-07	Sep-06 - Nov-06	June-06 - Aug-06	Mar-06 - May-06	Dec-05 - Feb-06
Total Outages	6	2	1	0	1
Total Minutes	815	95,150	330	0	60

Telephone Log	Dec-06 - Feb-07	Sep-06 - Nov-06	June-06 - Aug-06	Mar-06 - May-06	Dec-05 - Feb-06
Total Calls	4,432,618	5,585,533	2,720,990	2,505,681	2,603,400
% Busy Signals Received	1.5%	3.0%	2.5%	2.4%	2.2%
% Calls Answered in 30 Sec	55.8%	50.2%	69.0%	77.2%	82.3%
Total Calls Abandoned	1,027,653	764,111	107,841	52,164	51,529
% calls Abandoned	23.2%	13.8%	3.9%	2.1%	2.0%