



November 25, 2013

Marjorie Williams, Program Director
Office of Cable and Communications Services
100 Maryland Avenue, Suite 250
Rockville, MD 20850

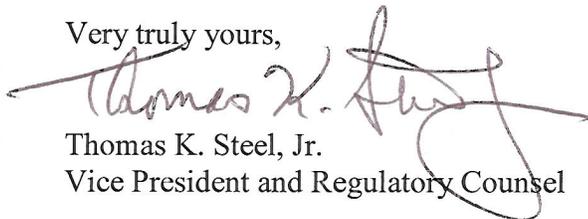
Dear Ms. Williams,

Pursuant to the notice provisions of the Cable Television Franchise Agreement between RCN and Montgomery County please be advised that, effective January 1, 2014, RCN will be increasing its Signature Basic Cable rate by \$3.00. Promotional pricing will expire and certain of our subscribers will see an increase in their bills for cable television service. These increases will be calculated on an individualized basis. All increases are subject to further promotional and our own rate cap considerations.

It is important to note that on January 1, 2014 all RCN cable television subscribers will see two new monthly surcharges on their bills. There will be a Broadcast TV Surcharge of \$3.98 and a Sports Surcharge of \$1.97. Our notice to subscribers will include a reference to a link to our website where there is a detailed explanation of the circumstances resulting in these surcharges. It is www.rcn.com/broadcast-sports-FAQs. For your ease of reference I have enclosed a printed copy of the FAQs. As these cost categories continue to climb more and more cable companies are similarly identifying these costs for our customers. These monies collected go straight to broadcasters and sports programmers and represent only a part of the whole cost.

Please do not hesitate to contact me with any questions at 617-797-7788 or by e-mail at tom.steel@rcn.net.

Very truly yours,

A handwritten signature in dark ink, appearing to read "Thomas K. Steel, Jr.", is written over the typed name and title. The signature is fluid and cursive, with a large loop at the end.

Thomas K. Steel, Jr.
Vice President and Regulatory Counsel

FAQs - Broadcast TV Surcharge

What is the Broadcast TV Surcharge?

Programming costs and retransmission fees from local broadcasters comprise the largest cost in our business. These fees are growing at four times the rate of inflation - faster than RCN and other distributors can absorb. The Broadcast TV Surcharge reflects a portion of the rapidly escalating charges levied by the owners of broadcast TV stations such as NBC, ABC, CBS, Fox and others.

Is this cost new and different from what I have been paying for in the past?

These broadcast signals were historically made available to RCN at low cost to no cost. Recent increases in fees imposed by broadcast stations has necessitated that we introduce an additional surcharge to customers to help cover a portion of these rapidly increasing costs.

Is this a government tax or fee?

This surcharge is not imposed by the government. This is separate from cable television franchise fees and taxes incurred by local, state, and federal governments. It is a measure taken by RCN to recover a portion of the dramatically increasing costs for local broadcast TV programming.

Are other cable companies charging these same fees, or just RCN?

The majority of cable companies are now passing along whole or partial surcharges to their cable customers to cover the retransmission costs from local broadcast TV stations. And those who are not will probably begin doing so in the future as retransmission consent rates continue to rise.

How much have you invested in RCN?

In 2013 we invested over \$75 million into our products, network and customer service. We expect to invest just as much in 2014.

Are all local broadcast or network-affiliated TV stations charging RCN?

At this time, the majority of all local TV stations require significant payment from any cable service provider to retransmit their programming and it is a portion of their charges that are reflected in the Broadcast TV Surcharge.

What was I paying for previously?

Basic cable is defined as a grouping of free to low cost TV channels including broadcast television networks (e.g., ABC, CBS, CW, FOX, NBC, PBS, etc.), Local Access channels, free or low-cost public service channels such as C-SPAN and select channels devoted to home shopping.

The monthly rate for "basic" cable is based on the cost of operating and maintaining the cable TV system so that our signals can reach subscribers' homes. The cost also included some fees for certain individual channels.

In recent years, a number of broadcasters have become very aggressive, pressing for increasingly larger payments for carriage of their network when historically most channels were available at low cost to no cost to consumers and the cable operator. The rapid increase in fees imposed by broadcast stations has necessitated that we introduce an additional surcharge to customers to help cover a portion of these rapidly increasing costs.

Are all local broadcast or network-affiliated TV stations charging RCN?

Yes. The Broadcast TV Surcharge reflects a portion of those carriage fees.

Can you tell me what one TV station costs?

Our contracts prohibit us from providing information by individual TV station.

Why can broadcast TV stations charge for carriage of their signals?

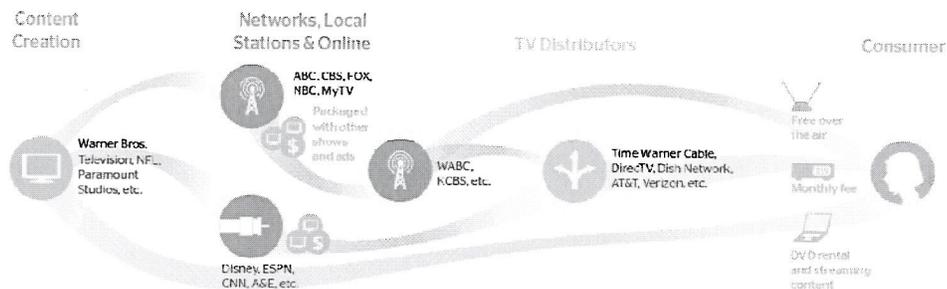
Broadcast TV stations distribute their signals over the air, using free spectrum granted to them by the federal government. In effect, taxpayers are subsidizing the distribution of broadcast, or "network-affiliated," TV signals. These same broadcast TV stations are then allowed by the government to charge cable and satellite companies for their signals — and if we (the cable operator) don't agree to pay, broadcasters can force us to drop their channels, thereby adversely impacting our customers. We are in favor of changes to the law that created this situation.

How is the price for cable TV determined? Why do I pay for channels I don't watch?

The price that a consumer pays each month for a video package is driven largely by the fees that cable companies like RCN must pay to carry the networks to the companies that create or package the programming—the TV channels and networks.

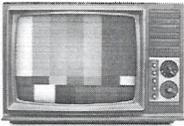
That's right—cable companies pay a fee for every household who receives that channel, regardless of whether anyone in that household even watches the channel.

Those content creators and TV networks can set certain rules or guidelines for how their shows and channels can be sold to customers, including what networks must be sold together, where the channels are positioned and which cable packages can contain their channels. This often means carrying less popular and less viewed networks on the more popular cable packages. Both this and escalating fees, drive up your costs.



What is the history behind it?

Over the past 65 years, Cable TV has gone through a series of transitions, technologically and legally:

1948		Cable television first became available in the US in 1948, with subscription services to relay over-the-air commercial broadcasting television channels.
1948 -1972		Cable Television extends the geographic reach of over-the-air television stations and provides for consistently good quality reception not available with a rooftop antenna or rabbit ears.
1972		The FCC implements the "Must Carry Rule". The Must-Carry rule mandates that cable companies carry the signals of all local broadcasters within a 60-mile area.
1992		The FCC passes the Retransmission Act of 1992, gave stations a choice of requiring cable companies to carry them under the must-carry rules or negotiating with cable companies for compensation if they want to carry their broadcast signals.
1992 - 2005		Cable operators generally resisted broadcaster demands for cash compensation on the grounds that the programming was available "off-air" for free.
2005 - 2010		Broadcasters increase demands for cash compensation for programming carriage. Cable companies and other operators begin to agree to cash payments. Occasionally, broadcasters remove a channel from cable operators when fees are in dispute.
2011 - present		Broadcasters ask for gigantic fee increases from distributors – as much as 300%! Broadcasters and operators engage in several public disputes resulting in customer blackouts.

What is "Retransmission Consent"?

Retransmission consent refers to a provision of the 1992 United States Cable Television Protection and Competition Act that requires cable operators and other multi-channel video programming distributors to obtain permission from broadcasters before carrying their programming. In exchange, a broadcaster may propose that the cable operator pay cash to carry the station or ask for other forms of consideration. The cable operator may refuse the broadcaster's proposal and the broadcaster can withhold permission for the cable operator to carry the programming. It boils down to a negotiation to arrive at an equitable agreement for all parties.

Unlike cable TV networks, broadcast TV stations distribute their signals over the air, using free spectrum granted to them by the federal government. In effect, taxpayers subsidize the distribution of broadcast TV signals. These same broadcast TV stations are then allowed by the government to charge cable and satellite distributors for their signals — and if we don't agree to pay, broadcasters can force us to drop their channels. It's all part of a process known as "retransmission consent negotiations."

Without the written consent of the local broadcast station ownership, cable and satellite companies are not allowed by law to carry those signals.

Twenty years later, the competitive environment for video distributors has changed dramatically. Companies that own the local broadcast TV stations are increasingly imposing huge demands for cash that drive up a cable, satellite, or telephone company's costs of doing business, and this pricing ultimately affects customers. Cable operators cannot absorb these rapidly escalating fees paid to networks and sports channels, plus retransmission fees from local broadcasters. These fees comprise the largest costs in our business and are growing the fastest.

What can I do?

Broadcasters, politicians and other viewers need to hear your opinion. Most importantly, you can write to your US Congressman and US Senator and let them know your views. They created these regulations and they can change them.

Global news on Retransmission

Congress returns to retransmission consent law

9/17/13, Politico

<http://www.politico.com/story/2013/09/cbs-time-warner-retransmission-consent-law-96874.html>

Retransmission fee race poses questions for TV viewer

8/2/2013, USA Today

<http://www.usatoday.com/story/money/business/2013/07/14/tv-retrans-fees/2512233/>

FAQs - Sports Surcharge

What is the Sports Surcharge?

Programming costs comprise the largest cost in our business. These fees are growing at four times the rate of inflation - faster than RCN and other distributors can absorb. The Sports Surcharge reflects a portion of the rapidly escalating charges levied by the owners of sports related stations and networks. This monthly fee helps RCN cover only a portion of the rapidly rising cost of delivering collegiate and professional sports programming to our customers. The fee is assessed only to customers who have subscribed to programming packages that include sports programming.

Is this a government tax or fee?

This surcharge is not imposed by the government. This is separate from cable television franchise fees and taxes incurred by local, state, and federal governments. It is a measure taken by RCN to recover a portion of the dramatically increasing costs of delivering collegiate and professional sports programming to our customers.

I don't watch sports. Why must I pay this Sports Surcharge?

Sporting events are not limited to sports networks such as ESPN, MLB Network, NHL Network or other sports-centric channels. The rates we pay for non-sports networks are also affected by sports programming. General entertainment channels such as TBS, TNT and USA, carry live sports in addition to non-sports entertainment programming. In total, more than 30 channels on your lineup carry live sports – and their rates are all affected by the increasing cost of sports programming.

Why and how is this cost new and different from what I have been paying for in the past?

The fees now demanded for sports programming have escalated rapidly. RCN can no longer absorb these costs at the rate they are increasing, so we must introduce this additional surcharge to help recover a portion of these rapidly increasing costs. This surcharge applies to customers who subscribe to packages containing sports networks.

Are other television providers charging a Sports Surcharge?

Yes, RCN's position is not unique. In fact, many other cable and satellite providers have already introduced similar sports surcharges to their customers since the beginning of 2013.

How much have you invested in RCN?

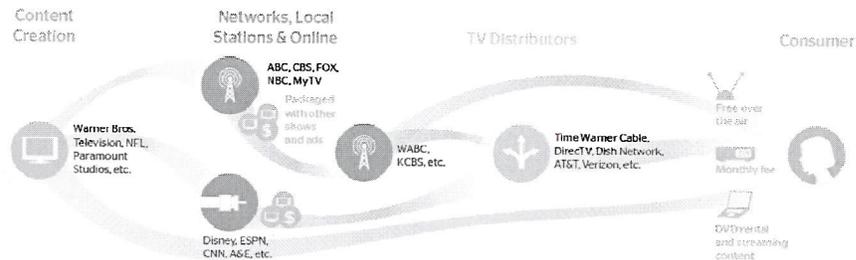
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<http://www.nytimes.com/2011/12/16/business/media/for-pay-tv-clients-a-steady-diet-of-sports.html?pagewanted=all& r=2&>