Dear Sir/Madam:

Time Warner Cable Inc. ("TWC") is pleased to offer comments on the Financial Accounting Standards Board’s ("FASB") draft standard on derivative novations, which is presented in the Proposed Accounting Standards Update, Derivatives and Hedging (Topic 815), Effect of Derivative Novations on Existing Hedge Accounting Relationships (the “Exposure Draft”). TWC is among the largest providers of video, high-speed data and voice services in the U.S., with technologically advanced, well-clustered cable systems located mainly in five geographic areas – New York State (including New York City), the Carolinas, the Midwest (including Ohio, Kentucky and Wisconsin), Southern California (including Los Angeles) and Texas. As of June 30, 2015, TWC served approximately 15.4 million customers who subscribed to one or more of its video, high-speed data and voice services and had total revenues of $22.8 billion for the latest fiscal year ended December 31, 2014. TWC is a public registrant whose common stock is listed for trading on the New York Stock Exchange under the symbol: TWC.

As a party to numerous derivative instruments, we strongly support the proposed clarification in the Exposure Draft that a change in the counterparty to a derivative instrument that has been designated as a hedging instrument in an existing hedge accounting relationship should not, in and of itself, require designation of the hedge accounting relationship. We do not believe that a novation of a derivative instrument should represent a termination of that instrument as that term is used in Topic 815 because, in our experience, in the case of such a novation, the “termination” is in legal form only and the hedging relationship is largely unaffected. Additionally, we do not believe that the counterparty in and of itself represents a critical term of the instrument and agree with the Task Force’s observation that the critical terms match method of hedge accounting described in Topic 815 does not cite the counterparty as a critical term. Further, we also agree with the Task Force’s observation that such treatment is inconsistent with the treatment of the underlying debt of many novated hedges as described in paragraph 470-50-40-7 of Topic 470, Debt which states that “Transactions among debt holders do not result in a modification of the original debt’s terms or an exchange of debt instruments between the debtor and the debt holders and do not impact the accounting by the debtor.”

Based on our experience with this issue, we believe that adoption of the Exposure Draft will result in a significant decrease in the cost and complexity of accounting for novated derivative instruments. For example, last year we received notification that two of our cross-currency swap instruments were novated from one bank to another. Our economic purpose for entering into these instruments was to effectively convert our foreign currency denominated debt into US dollar denominated debt and prior to the novation we were applying the simplified “critical terms match” accounting treatment described in ASC 815-20-35-9 through 13 to determine ongoing effectiveness. However, as a result of the novation the Company was required to de-designate, and subsequently re-designate, the novated swaps, which were no longer at zero fair value on the novation date. Because the swaps were no longer at zero fair value, we were required to quantitatively determine expected effectiveness using regression analysis and we are now required to measure ineffectiveness on an ongoing basis using the long-haul method outlined in the Hypothetical Derivative Method under ASC 815-30-35-25 through 30. This has significantly increased the complexity and expense of our ongoing accounting and required us to incur incremental costs through the use of valuation specialists, which will continue through 2042, when the last hedging relationship is expected to end. As a result of this increase in accounting complexity we have determined it necessary to implement numerous additional
internal controls over the measurement processes. We believe that TWC is experiencing this increased cost and complexity on an ongoing basis despite the fact that the novation had no impact on the underlying economics of the swaps. Specifically, the novated instruments continue to have the identical terms and conditions as the previous instruments and the critical terms (notional amount, cash flow dates and interest rates) continue to be identical to the hedged debt. The only change is in the counterparty, whose creditworthiness is already required to be assessed in the counterparty default guidance of paragraphs 815-20-35-14 through 35-18.

We believe that question 3 of the Exposure Draft addresses our fact pattern described above and we strongly believe that we should be permitted to apply the Exposure Draft retrospectively. Doing so will eliminate an unnecessarily complex process and allow us to save costs and time for many years without any reduction in the quality of our accounting treatment. With respect to question 5 of the Exposure Draft, we do not foresee the adoption of the Exposure Draft to take a significant amount of time to implement in our circumstance because the data to move from the “long-haul” method to the “critical terms match” method is readily available. However, we note that other entities may have more complex fact patterns and significantly more instruments to analyze. Therefore, we believe that the guidance should become effective at a reasonable date following issuance while allowing the option for early adoption upon issuance, which will immediately reduce costs and complexity for entities that are in our similar situation. Additionally, we believe the transition disclosures required by the Exposure Draft are reasonable.

We appreciate the opportunity to provide comments on the Exposure Draft.

Sincerely,

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William F. Osbourn, Jr.
Senior Vice President, Chief Accounting Officer and Controller
& Acting Co-Chief Financial Officer
Time Warner Cable Inc.