

May 21, 2009

**BY ECFS**

Marlene H. Dortch, Esq.  
Secretary  
Federal Communications Commission  
445 Twelfth St., S.W.  
Washington, D.C. 20554

Re: Supplement to Request for Second Protective Order  
*In re AT&T Inc. and Centennial Communications Corp. Applications for Consent to the Transfer of Control of Commission Licenses, Authorizations, and Spectrum Leasing Arrangements*, WT Dkt No. 08-246 before the Federal Communications Commission

Dear Ms. Dortch:

AT&T Inc. (“AT&T”) and Centennial Communications Corp. (“Centennial”); collectively, the “Applicants”) hereby supplement their May 18, 2009 request for second protective order protection for certain information they intend to submit in their response to the Commission’s General Information Request dated April 30, 2009.<sup>1</sup> In a May 19 meeting, the FCC Staff asked for further explanation of the sensitivity of the information the Applicants plan to provide in their response to: (a) Request III.10, where the Applicants plan to list the number of businesses and mobile subscriber lines Centennial serves in Puerto Rico, the number of business customers in Puerto Rico to which Centennial provides switched voice services, private line services, and data services, and the number of businesses and access lines AT&T serves in Puerto Rico; and (b) Request III.14.a, where AT&T plans to disclose the net present value of the expected decrease in costs of the combined entity.<sup>2</sup> We discuss each of these below.

**Puerto Rico Business Services**

As described above, the Applicants seek second level protection in order to provide granular figures related to business customers in Puerto Rico that will enjoy the benefits of the transaction following the merger. At the Staff’s request, the Applicants have confirmed that these figures are not reported to analysts. The Staff also asked whether these data are reported to the Puerto Rico Telecommunications Board (“PRTB”). AT&T and Centennial periodically

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<sup>1</sup> See Letter from Peter J. Schildkraut, Counsel for AT&T Inc., and Jonathan V. Cohen, Counsel for Centennial Communications Corp., to Marlene H. Dortch, Esq., WT Dkt No. 08-246 (dated May 18, 2009) (requesting Second Protective Order).

<sup>2</sup> See Ex Parte Letter from Jeanine Poltronieri, AT&T Inc., and Jonathan Cohen, Counsel for Centennial Communications Corp., to Marlene H. Dortch, Esq., WT Dkt No. 08-246 (dated May 19, 2009).

report information on business wireline services and subscribers in Puerto Rico to the PRTB on a confidential basis. These data are collected so that the PRTB can generate aggregate industry statistics,<sup>3</sup> and PRTB is required by law to keep the reported information confidential.<sup>4</sup> Moreover, in prior merger proceedings, the Commission has recognized that this type of data is highly confidential and has afforded it second level protection.<sup>5</sup>

### **Net Present Value of the Decrease in Costs of the Combined Entity**

The Commission's April 30, 2009 General Information Request asks that the Applicants "[e]stimate the expected decrease in costs of the combined entity in net present value." The overall cost synergy number the Commission requests is one of a subset of valuations AT&T used to calculate the overall synergy valuation of the transaction. Thus, this cost number is the type of granular information the Commission traditionally has made subject to a second protective order.<sup>6</sup>

Moreover, because of the small size of the transaction, AT&T has not publicly disclosed in SEC filings or elsewhere the cost information the Commission seeks, nor the overall synergy valuation of the AT&T/Centennial transaction.<sup>7</sup>

The release of this granular cost information that has never been publicly disclosed would put the combined entity at a significant disadvantage in the highly competitive market for CMRS services for the following reasons:

- Competitors trying to project AT&T's overall costs may use the synergy number in order to make pricing and other competitive decisions. Such cost information may give

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<sup>3</sup> Instructions for the Reporting of Puerto Rico Telecommunications Services (TRB Form 200) at 1.

<sup>4</sup> 27 L.P.R.A. § 267f(b)(2).

<sup>5</sup> *In re AT&T Inc. and BellSouth Corp. Applications for Approval of Transfer of Control*, Second Protective Order, 21 FCC Rcd. 7282, 7283, ¶ 5 (WCB 2006) (defining highly confidential to include "revenues and numbers of customers disaggregated by customer type and a market area smaller than the nation (such as the MSA for in-region areas and franchise area for out-of-state areas)"); *In re SBC Commc'ns Inc. and AT&T Corp. Applications for Approval of Transfer of Control*, Second Protective Order, 20 FCC Rcd. 8876, 8877, ¶ 4 (WCB 2005) (treating as highly confidential "revenues and numbers of customers broken down by customer type and market area (the MSA for in-region areas, the state for out-of-region areas.)"); *In re Verizon Commc'ns Inc. and MCI, Inc. Applications for Approval of Transfer of Control*, Second Protective Order, 20 FCC Rcd. 10,420, 10,421, ¶ 4 (WCB 2005) (same).

<sup>6</sup> While not the subject of this letter, the Applicants asked in their May 18, 2009 request for a second protective order that the Commission also treat as highly confidential the following categories of costs used to compute the overall cost synergy number: network savings; general and administrative costs; capital expenditures; billing and customer care expenses; bad debt expenses; sales and marketing costs; advertising expenditures; and other expenses.

<sup>7</sup> *See, e.g.*, AT&T Inc., Current Report (Form 8-K), at 4 (Nov. 10, 2008).

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competitors an idea of the size of AT&T's margin and, thus, how successful their various pricing or other competitive actions might be. For example, if they know that AT&T expects to reduce the combined entity's costs by a certain percentage, that gives them very useful information in regard to those types of strategic decisions.

- The disclosure of the cost synergy number for a small transaction like this would enable competitive bidders in future transactions to better assess how aggressively AT&T will bid.
- Without some assurance that neither the FCC nor DOJ will require the divestiture of any CMA, the Applicants need to maintain the highest level of confidentiality of the overall cost synergy number in the unlikely, though possible, event that a CMA will need to be divested. If a divestiture of a CMA is required, the disclosure of the total cost synergy number could compromise the competitive bidding, and negotiations with any prospective purchasers, for such property.

These concerns are heightened by the relative small size of the transaction and the number of CMAs. Such small size reduces the ability to mask synergies across a broad spectrum of varied operations, as in the case of most of AT&T's prior large transactions where overall synergy valuations were identified.

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Please let us know if you have any questions about the information in this letter or our request for the issuance of a second protective order.

Respectfully submitted,

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