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July 28, 2014

VIA ECFS

Marlene H. Dortch, Esq.
Secretary
Federal Communications Commission
445 Twelfth Street, SW
Washington, D.C. 20554

Re: *Applications of AT&T Inc. and DIRECTV for Consent to Assign or Transfer Control of Licenses and Authorizations*, MB Docket No. 14-90
REDACTED - FOR PUBLIC INSPECTION

Dear Ms. Dortch:

Pursuant to the *Joint Protective Order* in the above-referenced proceeding,¹ AT&T Inc. (“AT&T”) is submitting (1) a DVD-ROM containing the *unredacted*, Highly Confidential paper entitled “Overview of AT&T FTTP Investment Model”; and (2) a DVD-ROM containing the *unredacted*, Highly Confidential files pertaining to the paper. AT&T is filing herewith, via ECFS, a *redacted* public version of this submission.

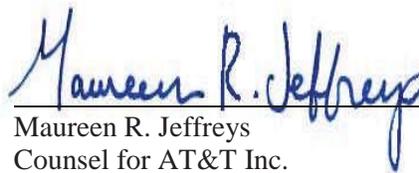
An unredacted Stamped Highly Confidential copy of this submission is being hand delivered to your office. Additional copies of the unredacted submission are being delivered to the Commission staff under separate cover.

¹*Applications of AT&T Inc. and DIRECTV for Consent to Assign or Transfer Control of Licenses and Authorizations*, Joint Protective Order, DA 14-804 (MB rel. June 11, 2014), Appendix A (“*Joint Protective Order*”).

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Please contact me at (202) 942-6608 or Maureen.Jeffreys@aporter.com if you have any questions. Thank you for your assistance.

Respectfully submitted,


Maureen R. Jeffreys
Counsel for AT&T Inc.

Enclosure

Overview of AT&T FTTP Investment Model

July 28, 2014

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[END AT&T HIGHLY CONFIDENTIAL INFORMATION]

1. Introduction

This document describes AT&T's fiber-to-the-premise ("FTTP") investment model.¹ AT&T uses the investment model in its ordinary course of business to evaluate the profitability of investments in FTTP. In particular, AT&T uses the investment model to determine which distribution areas ("DAs") within the AT&T wireline footprint meet certain financial thresholds for deployment of FTTP wireline network technology.² The FTTP model is derived from a model that the company developed in 2005 for purposes of assessing the deployment of fiber-to-the-node ("FTTN") technology. Over the years, updates have been made to that model, yielding the model that is discussed in this paper. In the ordinary course of business, AT&T continues to modify its FTTP investment model to reflect its actual experience in deploying FTTP and to account for marketplace changes and additional information that becomes available.

The FTTP investment model has two main components:

1. *First-stage DA model*: The first component of the model³ calculates an internal rate of return ("IRR") and other financial metrics (e.g., net present value) for each DA. The first-stage DA model estimates projected profits from the deployment of FTTP—referred to as the future mode of operation ("FMO")—relative to projected profits that AT&T would earn on the network technologies that are currently available (such as FTTN and Internet Protocol Digital Subscriber Line ("IPDSL")) if AT&T did not deploy FTTP—referred to as the present mode of operation ("PMO").⁴

¹ The FTTP investment model consists of six Microsoft Excel files. Original versions of four of the Excel files [BEGIN AT&T CONFIDENTIAL INFORMATION]

[END AT&T CONFIDENTIAL INFORMATION] are being submitted on a DVD-ROM with this document. Original versions of the other two Excel files were produced to the Commission on June 25, 2014, on a DVD-ROM as [BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION]

[END AT&T HIGHLY CONFIDENTIAL INFORMATION] (Bates number ATT-FCC-000000033) and [BEGIN AT&T CONFIDENTIAL INFORMATION] [END AT&T CONFIDENTIAL INFORMATION] (Bates number ATT-FCC-000000034).

² A distribution area is a predefined geographic area within AT&T's wireline footprint that is considered for investment purposes. On average, a DA consists of about [BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION] [END AT&T HIGHLY CONFIDENTIAL INFORMATION] customer locations.

³ The first-stage DA model is contained in the file [BEGIN AT&T CONFIDENTIAL INFORMATION] [END AT&T CONFIDENTIAL INFORMATION]

⁴ [BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION]

2. *Second-stage wire center roll-up model:* The second part of the model⁵ compares the IRR estimated in the first-stage model for each DA against an IRR hurdle rate of [BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION] [END AT&T HIGHLY CONFIDENTIAL INFORMATION] percent, which is a primary financial threshold relied on by AT&T for assessing wireline broadband investment projects.⁶ It then “rolls up” the DAs that meet or exceed the IRR hurdle rate into their respective wire centers, and projects cash flows for the wire center, which include additional capital costs. The second-stage model then calculates an IRR for each wire center,⁷ and compares this IRR against the [BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION] [END AT&T HIGHLY CONFIDENTIAL INFORMATION] percent IRR hurdle rate.

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[END AT&T CONFIDENTIAL INFORMATION].⁸

⁵ The second-stage wire center roll-up model is contained in the file [BEGIN AT&T CONFIDENTIAL INFORMATION] [END AT&T CONFIDENTIAL INFORMATION]

⁶ [BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION]

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⁷ A wire center—also referred to as a central office—is a designated facility from which wireline services are deployed to living units connected to the wire center. On average, there are approximately [BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION] [END AT&T HIGHLY CONFIDENTIAL INFORMATION] DAs per wire center.

⁸ [BEGIN AT&T CONFIDENTIAL INFORMATION]

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2. Overview of Model Mechanics

The first-stage DA model can be divided into two primary sets of worksheets. The first set of worksheets contains: (1) DA-specific data (*Model Input*); (2) individual DA data pulled from *Model Input* and used in the analysis (*Run Model*); and (3) the final output resulting from the model (*Model Output*). The second set, which contains 22 worksheets, utilizes the individual DA data in *Model Input*, along with data on [BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION] [END AT&T HIGHLY CONFIDENTIAL INFORMATION], to project cash flows and calculate an IRR for each DA.

Mechanically, the first-stage Excel file utilizes macro code to produce the results for [BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION] [END AT&T HIGHLY CONFIDENTIAL INFORMATION] individual DAs. Each of the DAs is identified by its corresponding “Sort” number (1 through [BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION] [END AT&T HIGHLY CONFIDENTIAL INFORMATION]) in **column A** of worksheet *Model Input*. To begin running the model, click the “Run Model” user button at the top of the worksheet *Run Model*.⁹ Once the program is running, the macro code will cycle through all DAs via the identification number. The worksheet *Run Model* pulls the relevant data for each DA from *Model Input* and places it in **row 9**. The remaining worksheets in the model will use the data in this row and produce the results in **row 15**. The Excel macro script will copy the output for a particular DA and paste it into *Model Output*. This process iterates over each of the [BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION] [END AT&T HIGHLY CONFIDENTIAL INFORMATION] DAs, and can take several hours to complete.

After the first-stage file produces results for all DAs, the output (specifically, the first 32 columns of *Model Output*) must be manually copied and pasted by the user into the worksheet *FTTP Model Output* in the second-stage wire center roll-up file. After this transfer to the wire center roll-up file, the calculations will update, and the final profitability review and counts of customer locations will be summarized in the worksheet *Comparison*.

In the sections of this paper that follow, the mechanics and the components of the FTTP investment model are explained. Sections 3-12 address the first-stage DA model, and Section 13 addresses the second-stage wire center roll-up model. Because IRR is the primary financial metric employed in the FTTP model, the discussion below starts with IRR and the cash flows on which it is based and then works backward to trace out the various inputs and calculations that ultimately factor into the IRR.

⁹ The Excel macro code must be examined and adjusted in order to run the model successfully. Within the script “Run_Simulation_CopyPaste” the value for “startDA” must be 1 and for “endDA” [BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION] [END AT&T HIGHLY CONFIDENTIAL INFORMATION]. Lines 43 and 49 of the code save a copy of the Excel file, initially at specific intervals and finally after completion. The file path must be adjusted to match directories accessible by the computer running the model. Finally, the output copied from *Run Model* to *Model Output* can be adjusted to decrease the amount of data saved. Within the “Formulas” menu, select “Name Manager,” and adjust the range assigned to “Output.” This range is what the macro script will copy from *Run Model* and paste to *Model Output*.

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Pages 7-53 are redacted.

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Attachments Redacted in Their Entirety