ne 2

Earthlink-2001

($Thousands)

Revenues	1,244,928
Telecom Service and Equipment Costs	509,514
Operations and Member Support	339,490
Sales and Marketing	395,870
Sales Incentives	
Sales, Marketing and Incentives	395,870
COGs	849,004
Direct Costs	1,244,074
General and Admin	127,849
% Sales	32%
S&M Indirect Costs	40,656
Retail Costs before Acquistion and and Operations/Member Support	**436,526**
Retail Costs plus Acquisition Costs	**654,009**
Retail Costs plus Acquisition Costs and Operations/Member Support	**993,499**
Acquistion Related Costs	217.483
Deprec. And Other Amort	329,210
Amort Goodwill	
Intangible Write Off	11,252
Subscribers	4,843,000
Avg Subscribers	4,766,500

Earthlink-2001

($Thousands)

1 Revenues	$	21.77
2 Telecom Service and Equipment Costs	$	8.91
3 Operations and Member Support	$	5.94
4 Sales and Marketing and Incentives	$	**6.92**
4 Sales, Marketing and Incentives	$	6.92
5 COGs (lines 2 and 3)	$	14.64
6 Direct Costs (lines 4 and 5)	$	21.76
7 General and Admin	$	2.24
8 % Sales (lines 4 / 6)		32%
9 Sales & Mktg. Indirect Costs (line 7 • 8) or Allocated General and Admin.	$	0.71
10 Retail Costs **before** Acquistion and and Operations/Member Support (lines 9 and 4)	$	7.63
11 Retail Costs plus Acquisition Costs (lines 10 and 13)	$	11.43
12 Retail Costs **plus** Acquisition Costs and Operations/Member Support	$	17.37
13 Acquistion Related Costs	$	3.80
14 Deprec. And Other Amort	$	5.76
Amort Goodwill		
Intangible Write Off		
15 Subscribers		4,843,000
16 Avg Subscribers		4,766,500

Attachment 3

line #	COX Cable-2001	
1	Revenues	4,066,969
2	Programming Costs	971,108
3	Sales, General and Admin (SGA)	1,524,703
4	One Time Excite Charges	150,200
5	Depreciation	1,185,793
6	Amortization	353,418
7	Gain on Cable Sales	
8	Total Expenses	4,185,222
9	Operating Income	(118,253
10	SGA per Total Subscribers per Month (line 3 / line 14)	$ 14.18
11	SGA per Basic Subscribers+B16 per Month (line 3 / line.	$ 20.37
12	Basic Subscribers	6.238
13	Subscribers with New Broadband and Telephony Services	2.723
14	Total Subscribers (line 12 and 13)	8,961

AT&T Broadband-ZOO1		
1	Revenues	10,132,000
2	Cost of Services	5,459,000
3	Sales, General and Admin (SGA)	2,582,000
4	Depreciation	2,626,000
5	Amortization Intangibles	2,154,000
6	Restructuring, etc.	1,494,000
7	Total Expenses	14,315,000
8	Operating Loss	(4,183,000)
9	SGA per Subscribers per Month (line 3 / line 14)	$ 13.36
10	SGA per Basic Subscribers per Month (line 3 / line 11)	$ 15.82
11	Basic Subscribers	13,600
12	High Speed internet	1,500
13	Broadband Telephone	1,000
14	Total Subscribers	16,100

	Comcast-ZOO1	
1	Revenues	9,674,200
2	Cost of Goods Sold	2,514,000
3	Operating, SG&A	4,458,400
4	Depreciation	1,141,800
5	Amortization Intangibles	2,306,200
6	Total Expenses	10,420,400
7	Operating LOSS	(746,200)
	Comcast Cable Only	
8	Revenues	5,130,700
9	Video	4,278,200
10	Internet	294,300
11	Advertising Sales	325,300
12	Other	232,900
13	Operating and SGA	3,076,600
14	Sales, General and Admin (SGA)	1,552,600
15	Operating + SGA per Subscriber per Month (line 13 / 20)	$ 22.91
16	SG&A Only per Total Subscriber (line 14 / 20)	
17	SG&A Only per Basic Subscriber (line 14 / 18)	
18	Basic Subscribers	5,720
19	High Speed Internet	142
20	Total Subscribers (lines 18 and 19)	5,862

Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
	)	
Application by	)	
Qwest Communications International, Inc.	)	
For Authorization To Provide	)	WC Docket No. 02-314
In-Region, InterLATA Services in the States	)	
of Colorado, Idaho, Iowa, Montana, Nebraska,	)	
North Dakota, Utah, Washington, and	)	
Wyoming	)	

DECLARATION OF JERRY L. AURIEMMA
AND P. CLARK SANTOS
ON BEHALF OF AT&T CORP.

1. My name is Jerry L. Auriemma. My current title is Division Manager, Integrated Services Marketing. In that role, I am responsible for developing and implementing sales and marketing programs for AT&T's combined local and long distance offerings.

2. My name is P. Clark Santos. My current title is Division Manager, Integrated Services Product Management. In that role, I am responsible for managing processes associated with delivering AT&T's local service to ensure that quality and financial commitments are met

3. This declaration discusses the customer acquisition and customer care costs[1] that AT&T incurs as a second or alternative provider of residential local service and

[1] This discussion relates solely to internal costs and does not include any of the set-up costs incurred to create an infrastructure to provide local service. These staft-up costs include, among other things, the development of systems to interconnect with the ILEC's OSS, external billing mechanisms, the training of customer care representatives, and systems readiness testing.

supports the reasonableness of the $10 "target benchmark" set forth in the declarations of Steve Bickley in this docket by providing detail on these cost categories incurred by AT&T in offering local service. We have been actively involved in AT&T's entry into local service, and base this declaration on AT&T's experience in providing local service to two million customers in New York, Texas, Michigan, Georgia, Illinois, Ohio, New Jersey, and California.

4. As described below, and in the Bickley Declarations, as the second or alternative local service provider, AT&T incurs significant internal costs for sales and marketing and customer care. AT&T must make its potential customers aware that competitive choices now exist in local service and convince those potential customers to switch from their existing service provider. As a result, AT&T incurs significant sales and marketing costs on a per customer basis, particularly for mass media advertising, telephone solicitation, and direct mail. AT&T also incurs expenses for order management to resolve order rejections by ILEC operating support systems ("OSS"). Additionally, because a sizable proportion of AT&T's local customers are new customers who are likely to have questions about services and bill formats, AT&T incurs significant costs for customer care. In addition, AT&T experiences customer churn that increases both sales and marketing and *customer* care costs on a per subscriber basis.

A. Sales and Marketing *Costs*

5. If AT&T were to offer local service in Idaho, Iowa, Montana, and Washington, it would have to make significant expenditures for marketing and sales. As a second or alternative provider of local service in these states, AT&T must build its

customer base by marketing its services broadly to make AT&T's potential customers aware that they have competitive choices in local services and to create awareness of AT&T's local service among those potential customers. Thus, AT&T incurs large marketing costs for advertising, telemarketing, direct mail marketing, and incentives and promotions in an effort to build such a customer base. AT&T must persuade every new customer to switch from another carrier (usually an ILEC). The following are the sales and marketing activities that AT&T would have to undertake.

6. A significant portion of sales and marketing costs are mass media expenses for TV, radio, and newspaper advertising. These expensive mass media campaigns are necessary to establish customer awareness of AT&T's local services and to convince customers to switch to AT&T.

7. AT&T also uses telemarketing to sign up local customers. Indeed, out-bound telemarketing solicitation is one of AT&T's most expensive activities in the customer acquisition process. These telemarketing costs are high because of the expense of recruitment and training of telemarketing representatives to make them familiar with all AT&T's offerings and to prepare them to satisfy customer inquiries about AT&T service. The costs are also high because a telemarketing call (whether in-bound or out-bound) with an interested potential local customer is a lengthy call, as the telemarketing representative generally must spend a substantial amount of time on the telephone with the customer. The representatives must describe the various offerings, and assist the customer to choose the appropriate service plan and any features or options. If the call is successful, the representative next must perform the order entry work and then ask the customer to participate in the third-party verification process.

8. Direct mail is another significant portion of AT&T's sales and marketing expense. AT&T relies heavily on direct market mailing to reach consumers and sends out hundreds of thousands of pieces of direct mail to generate positive responses.

9. As another sales and marketing tool, AT&T spends significant amounts on promotions in the form of bill credits, free minutes, and prepaid cards. Because they are not used to having a choice of local service carriers, many customers are reluctant to switch to a different carrier. These promotions are used to incent customers to try AT&T local service.

10. On an overall per customer basis, the cost of compliance with federal and state regulations requiring verification of any change in a subscriber's telecommunications service provider also adds to the costs incurred by AT&T. Absent a letter of agreement, AT&T generally satisfies this Rule 64.1120 requirement by using a third-party verification ("TPV") process in which the AT&T representative forwards the customer to an independent third-party who audio-records the verification of the customer's desire to migrate to AT&T service. AT&T incurs these TPV costs as a result of the fact that AT&T obtains a large proportion of its customers from migrations.

11. Based on its local experience in other states, AT&T also incurs substantial order management costs associated with the processing of AT&T orders. AT&T must use and rely on the ILEC's OSS when submitting customer migration and other orders. Currently, a substantial percentage of CLEC orders are rejected by the ILEC's OSS, and AT&T will incur the expense to rework the customer's desired order until it is accepted by the ILEC'SOSS. AT&T must also comply with ILEC written and unwritten business

rules, which can be quite complex, and any problem with interpretation or implementation of those rules causes additional work and corresponding costs for AT&T. For example, if the customer service address provided by the CLEC in submitting the order to the ILEC does not match exactly the customer service address in the ILEC's records, then that order may be rejected.

12. AT&T also incurs order management costs in those jurisdictions in which an ILEC administers a local "freeze" program. Local freeze programs enable the customer to place a freeze on their local service with the ILEC. If customers want to change their local service provider, they must call the ILEC first to lift the freeze, or the ILEC will reject a local service order submitted by AT&T or any other CLEC. However, a customer interested in migrating service to AT&T has often forgotten or is otherwise unaware of the local freeze, and in such a case, AT&T does not learn about the freeze until the ILEC rejects the order. AT&T must then incur costs to recontact the customer and arrange a three-way call among AT&T, the customer, and the ILEC, to remove the freeze prior to the resubmission of the order.

13. It is also AT&T's experience in local markets that ILECs often refuse to process AT&T migration orders when the customer has DSL service from an ILEC affiliate over the same telephone line. In such a case, the ILEC affiliate will not continue to provide DSL service if the customer migrates to AT&T service, which requires AT&T to incur the cost of recontacting the customer to determine whether the customer wishes to migrate service without the DSL service.

14. Resolving problems with rejected orders is a substantial expense that AT&T must absorb. The problems with these order rejections are so significant that AT&T has established a dedicated group to resolve orders rejected by ILECs. These order rejections can occur multiple times, thereby further increasing AT&T's costs.

B. Customer Care Costs

15. In providing local service, AT&T incurs significant customer care costs. AT&T has found that new customers often have questions about their services and bill formats. As a second or alternative provider of local service, AT&T's local services customers will include a large proportion of such new customers, and AT&T incurs the customer care costs to handle their customer inquiries. Also, the mere fact that a customer is changing local service can generate calls about the status of the migration and its timing, which all cause AT&T to incur customer care costs. Accordingly, AT&T's local service customers generate a large volume of inquiries, on a per customer basis, and cause AT&T to incur significant customer care costs. Moreover, AT&T must handle such inquiries from its new local customers quickly and efficiently or risk losing the customer to an ILEC or another CLEC.

16. As a second or alternative provider of local service, AT&T also experiences customer churn because AT&T has a new customer base. Some customers use a new service as an experiment and then may return to their prior service provider or try another new service provider.[2] Such chum is an inevitable part of the competitive

[2] As is often the case with a second or alternative provider in a market, AT&T will likely experience uncollectible expense because a number of new customers may use AT&T's service as an experiment and then switch providers without paying for that service.

market as customers consider their alternatives and make short-term choices about service. This customer churn and the loss of customers, whether the result of ILEC "win-back" **offers or** simply roaming customers, increases AT&T's internal costs because AT&T is not able to amortize its customer acquisition and customer care costs over the life of that departed customer and thus increases AT&T's sales and marketing and customer care cost per subscriber

17. This concludes our declaration on behalf of AT&T.

VERIFICATION PAGE

I, Jerry L Auriemma, declare under penalty of perjury that the foregoing is true and correct.

/s/ Jerry L. Auriemma
Jerry L. Auriemma

November 11,2002

I, P. Clark Santos, declare under penalty of perjury that the foregoing is true and correct.

/s/ P. Clark Santos
P. Clark Santos

November 11,2002