Embarq's Special Access Facts vs. Fiction

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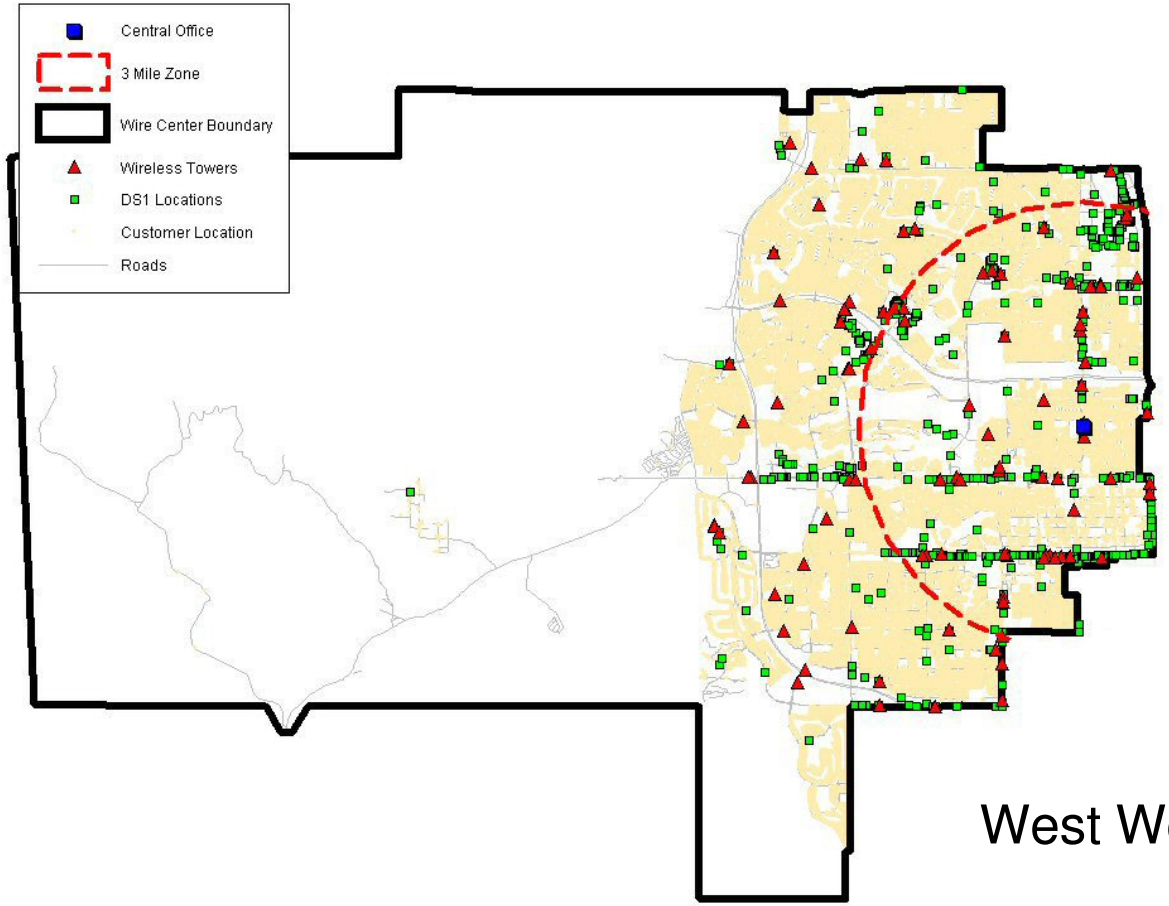
REDACTED – FOR PUBLIC INSPECTION - PAGE 1

Customer Density and Distance Drive Channel Termination Cost



Tower Demand

<3 miles 55%

>3 Miles 45%

DS1 Demand

<3 miles 66%

>3 Miles 34%

Unit Investment

<3 miles
$**[REDACTED]**

>3 miles
$**[REDACTED]**

West West - Las Vegas, Nevada

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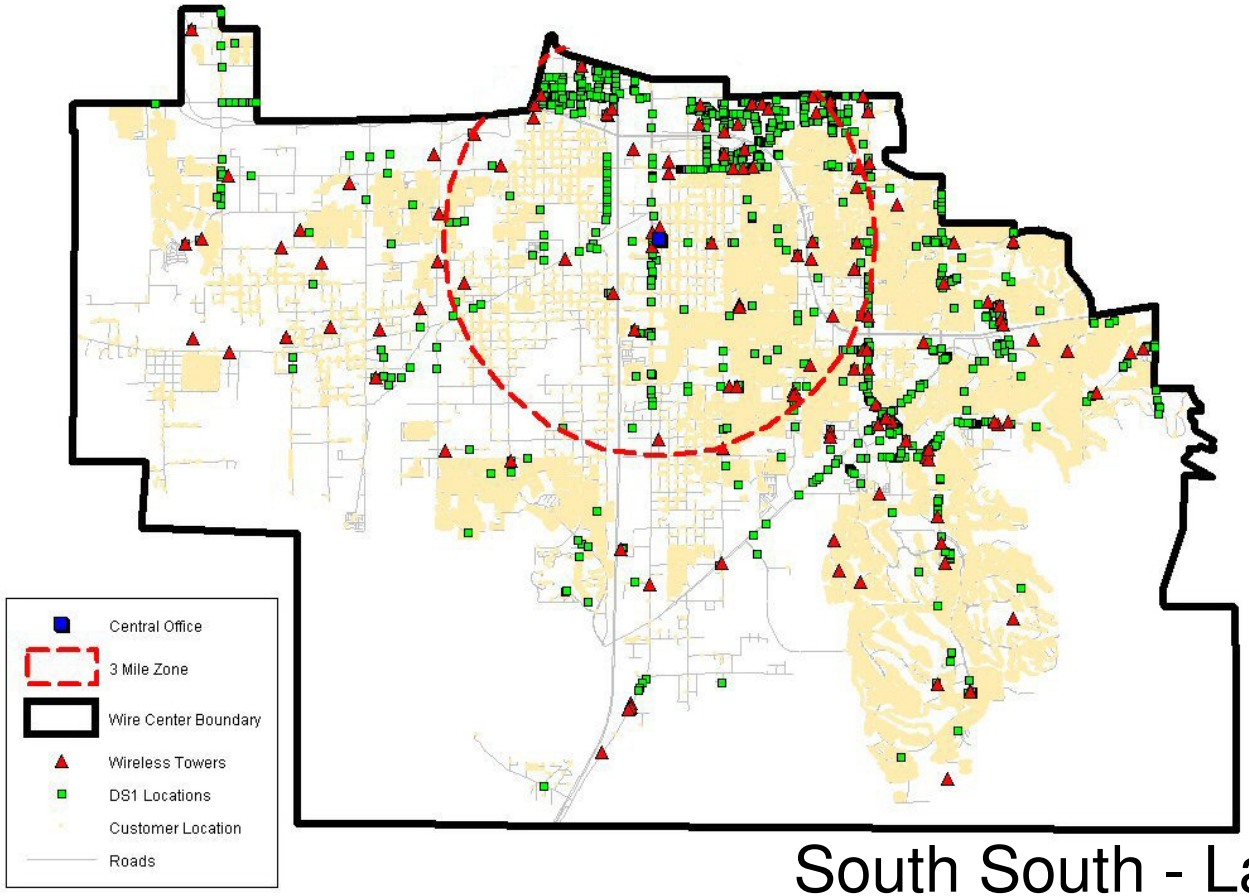
Customer Density are Lower and Cell Tower Distances are Longer for Greater Than 3 Miles



Tower Demand

<3 miles 45%

>3 Miles 55%

DS1 Demand

<3 miles 62%

>3 Miles 38%

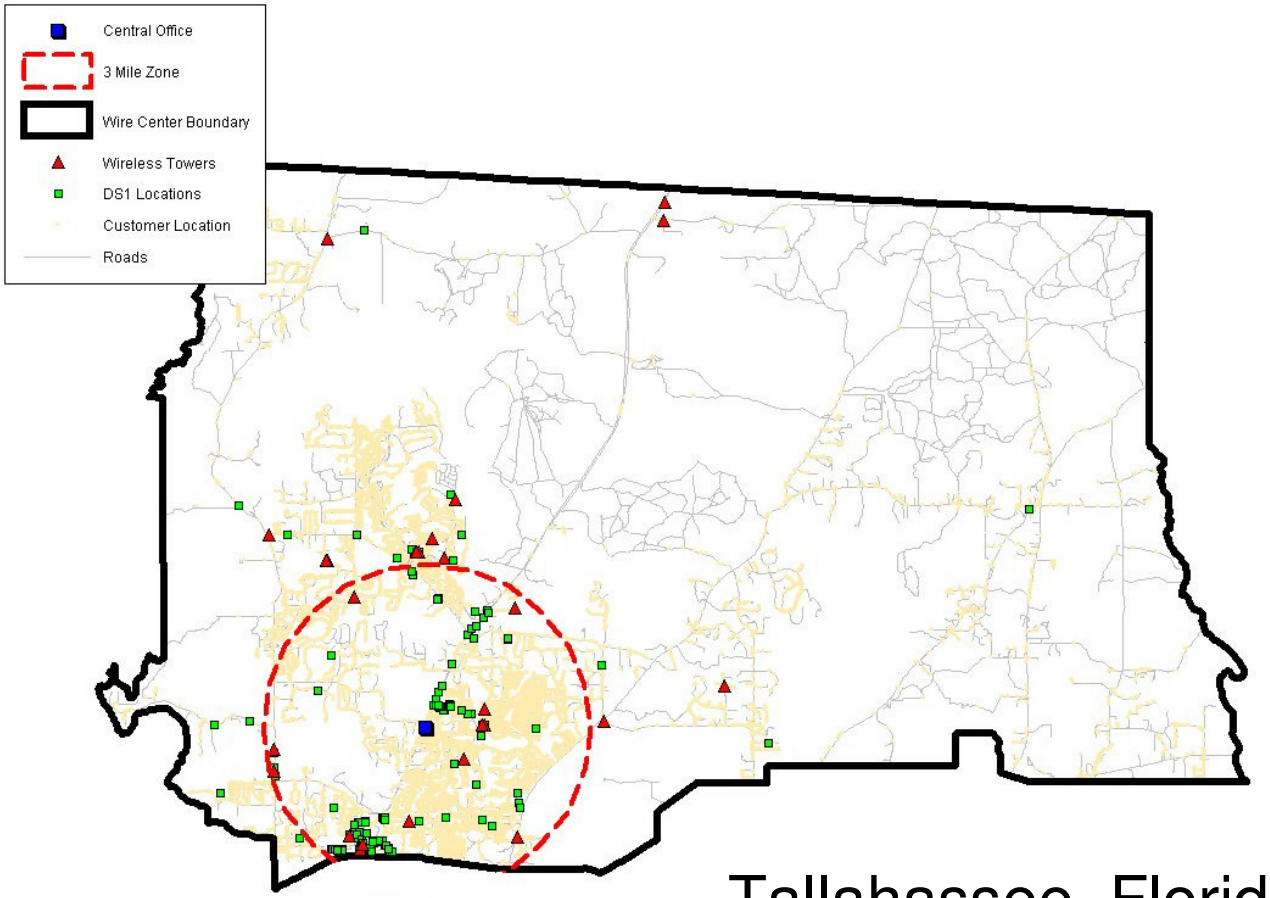
Unit Investment

<3 miles
$**[REDACTED]**

>3 miles
$**[REDACTED]**

South South - Las Vegas, Nevada

Cell Tower Locations are Disproportionately Skewed Toward Greater Than 3 Miles



Tower Demand

<3 miles 55%

>3 Miles 45%

DS1s Demand

<3 miles 75%

>3 Miles 25%

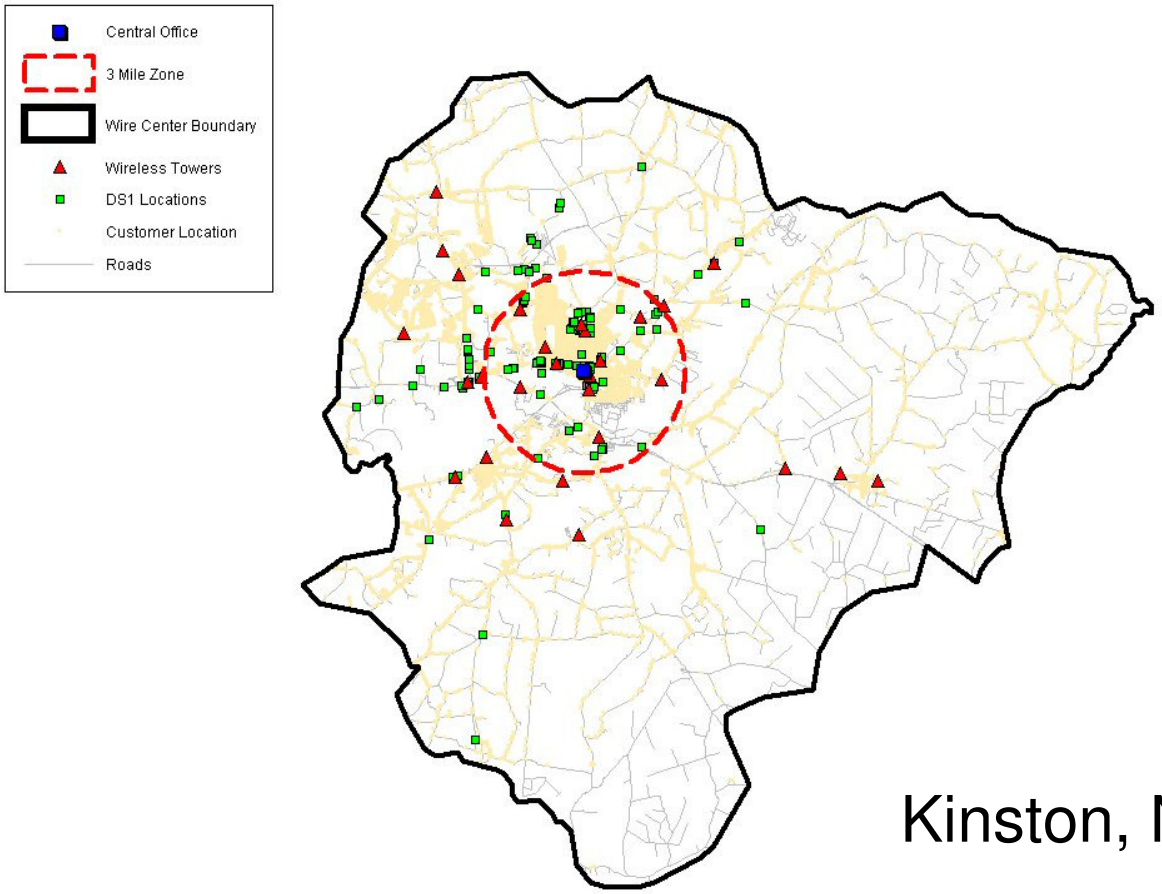
Unit Investment

<3 miles
$**[REDACTED]**

>3 miles
$**[REDACTED]**

Tallahassee, Florida

Channel Termination's Greater Than 3 Miles Including Cell Towers are Sold Below Cost



Tower Demand

<3 miles 44%

>3 Miles 56%

DS1 Demand

<3 miles 62%

>3 Miles 38%

Unit Investment

<3 miles
$**[REDACTED]**

>3 miles
$**[REDACTED]**

Kinston, North Carolina

Embarq's Special Access Channel Terminations are Not Recovering their Cost

EMBARQ™

FINANCIAL COST AND REVENUE INFORMATION REDACTED

State	Price Cap / Price Flex	Element	Earning Status
FL&NC	Cap	DS1 Chan. Term. Less Than 3 Miles	Earning Approximate Economic Cost
FL&NC	Cap	DS1 Chan. Term. Greater Than 3 Miles	Negative Earnings
FL&NC	Cap	DS1 Chan. Term. Weighted Average	Negative Earnings
FL, NC, & NV	Flex	DS1 Chan. Term. Less Than 3 Miles	Earning Approximate Economic Cost
FL, NC, & NV	Flex	DS1 Chan. Term. Greater Than 3 Miles	Negative Earnings
FL, NC, & NV	Flex	DS1 Chan. Term. Weighted Average	Earning Less Than Economic Cost
FL, NC, & NV	Cap&Flex	DS1 Chan. Term. Less Than 3 Miles	Earning Approximate Economic Cost
FL, NC, & NV	Cap&Flex	DS1 Chan. Term. Greater Than 3 Miles	Negative Earnings
FL, NC, & NV	Cap&Flex	DS1 Chan. Term. Weighted Average	Negative Earnings
Grand Total	Cap&Flex	DS1 Chan. Term. Weighted Average	Negative Earnings

Embarq's Forward Looking Economic Cost

TABLE REDACTED

- Forward Looking Economic Cost (FLEC) or Total Service Long Run Incremental Cost (TSLRIC) are the more meaningful gauge of relative earnings.

Proponents of re-regulation use flawed data to allege over earnings

Jurisdictional ARMIS data is broken and grossly misleading

1. Assumes a high-capacity broadband line costs the same to build and maintain as a basic residential voice line;
2. Counts all DSL revenues vs. but only a small portion of costs;
3. Relies on frozen traffic measurement factors and doesn't count VoIP traffic;
4. Doesn't count expensive upgrades for fiber and SONET infrastructure.

Pro-forma adjustments for only items 1 & 2 reduce returns to approximately 1/10th of that implied by misleading ARMIS data.

Special Access Prices are Not a Deterrent for Cell Tower Deployment

- Special Access is a small fraction (2-7%) of the total monthly cost of a Cell Tower location.
- Average Investment per Cell Site is in excess of $350,000
- Embarq Offers De-averaged Channel Termination Pricing Structure
  - Less Than 3 miles
  - Over 3 miles
- Cell Tower Special Access Channel Termination Locations are more costly in many cases, especially in the greater than 3 miles.
- Embarq is not recovering its cost of DS1 Special Access Channel Terminations.

Appendix A

Special Access Channel Terminations are only 2.8% of Wireless Cell Tower Cost

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Appendix B

Special Access vs. Wireless Cell Tower Cost

TABLE REDACTED