EX PARTE OR LATE FILED

Voice | Data | Internet | Wireless | Entertainment

EMBARQ™
701 Pennsylvania Ave, NW
Suite 820
Washington, DC 20004
www.EMBARQ.com

September 11, 2007

FILED/ACCEPTED
SEP 1 1 2007
Federal Communications Commission
Office of the Secretary

ORIGINAL

Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, SW
Portals II, Room TW-A325
Washington, DC 20554

***EX PARTE* NOTICE**

Re *Special Access Rates for Price Cap Local Exchange Carriers*, WC Docket No. 05-25. **REDACTED – FOR PUBLIC INSPECTION.**

Dear Ms. Dortch:

On September 10, 2007, Kent Dickerson, Director Cost Support, and I, on behalf of Embarq, met with Donald Stockdale, Randy Clarke, Albert Lewis, Pam Arluk, Margaret Dailey, Richard Kwiatkowski, and William Sharkey of the Wireline Competition Bureau. We discussed the Public Notice issued by the Commission in the above-referenced docket on July 9, 2007 and the substance of the Comments and Reply Comments Embarq filed in connection with that Public Notice. We also discussed confidential materials, copies of which we delivered personally to the meeting participants with a request that they be treated as confidential pursuant to the protective order in this docket. A redacted version of the confidential filing is attached.

Pursuant to Section 1.1206(b) of the Commission's rules and the protective order in the above-referenced docket, two copies of this Redacted Confidential Filing are being filed in the docket. I have also filed the Redacted Confidential Filing electronically in this docket. Please call me if you have any questions.

Sincerely,

Jeffrey S Lanning
Director – Federal Regulatory

cc: Donald Stockdale
Albert Lewis
Randy Clarke
Pam Arluk
Bill Sharkey
Richard Kwiatkowski
Margaret Dailey

No. of Copies rec'd 0
List ABCDE

EMBARQ™

Embarq's Special Access Facts vs. Fiction

Kent Dickerson

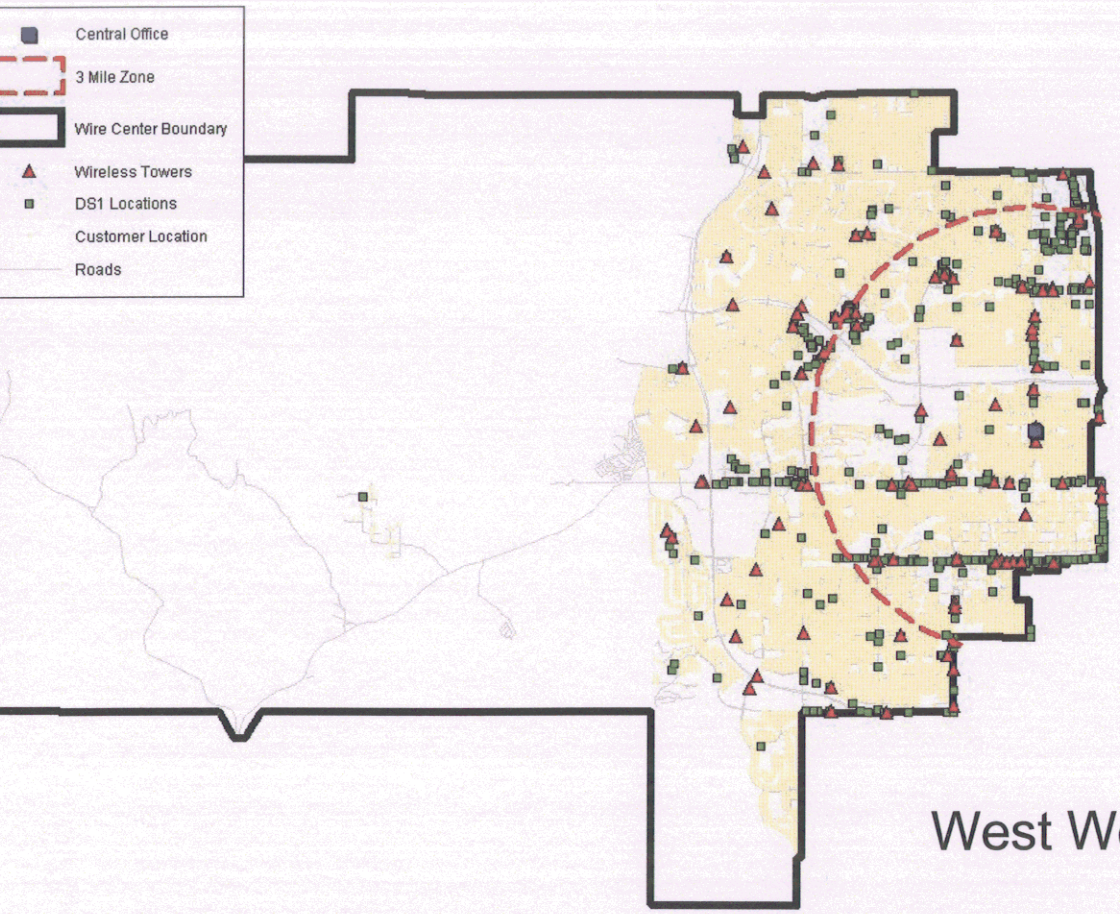
September 10, 2007

REDACTED - FOR PUBLIC INSPECTION - PAGE 1

Voice | Data | Internet | Wireless | Entertainment

Customer Density and Distance Drive Channel Termination Cost

EMBAR



Tower De

<3 miles 5

>3 Miles 4

DS1 Dem

<3 miles 6

>3 Miles 3

Unit Inves

<3 miles
$[REDAC

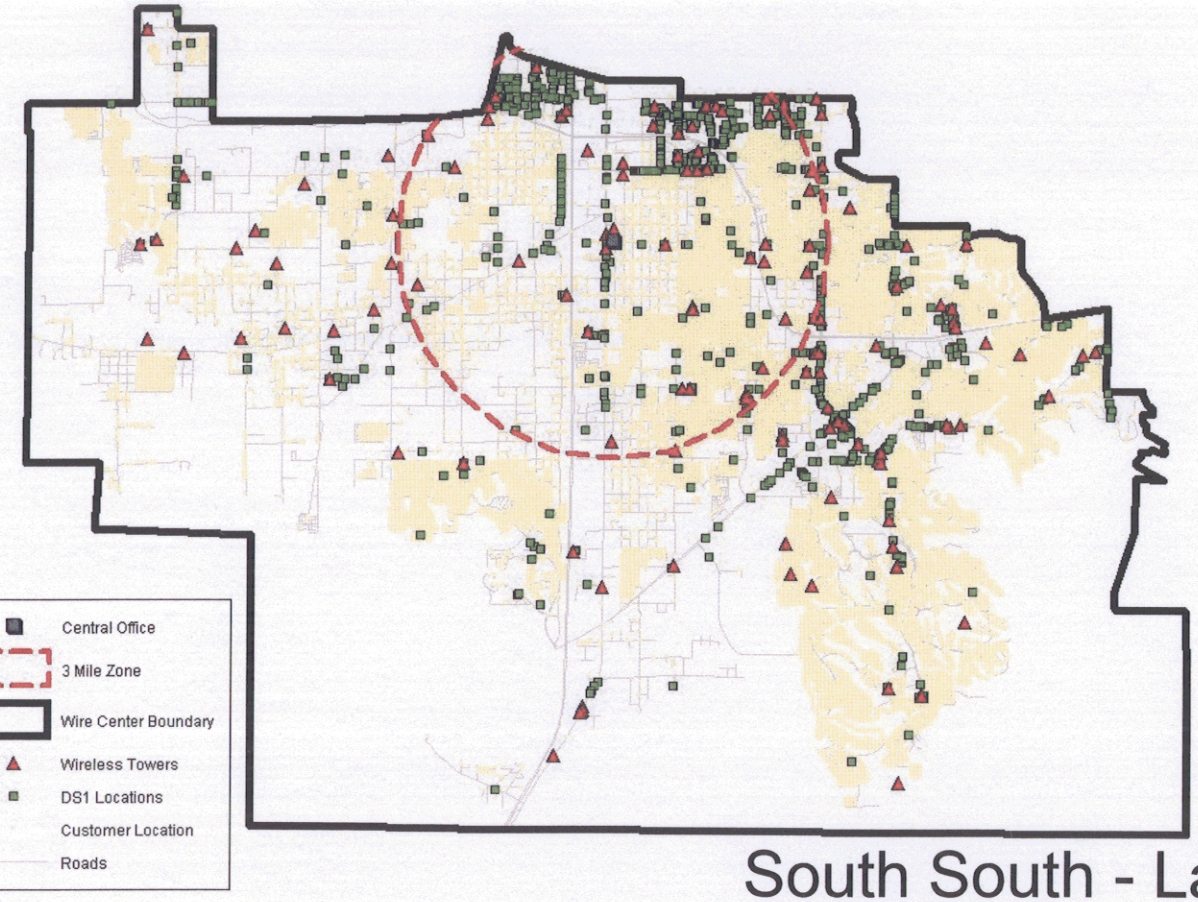
>3 miles
$[REDAC

West West - Las Vegas, Neva

REDACTED - FOR PUBLIC INSPECTION - PAGE 2

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

EMBAR



Tower De

<3 miles 4

>3 Miles 5

DS1 Dema

<3 miles 6

>3 Miles 3

Unit Inves

<3 miles
$[REDAC

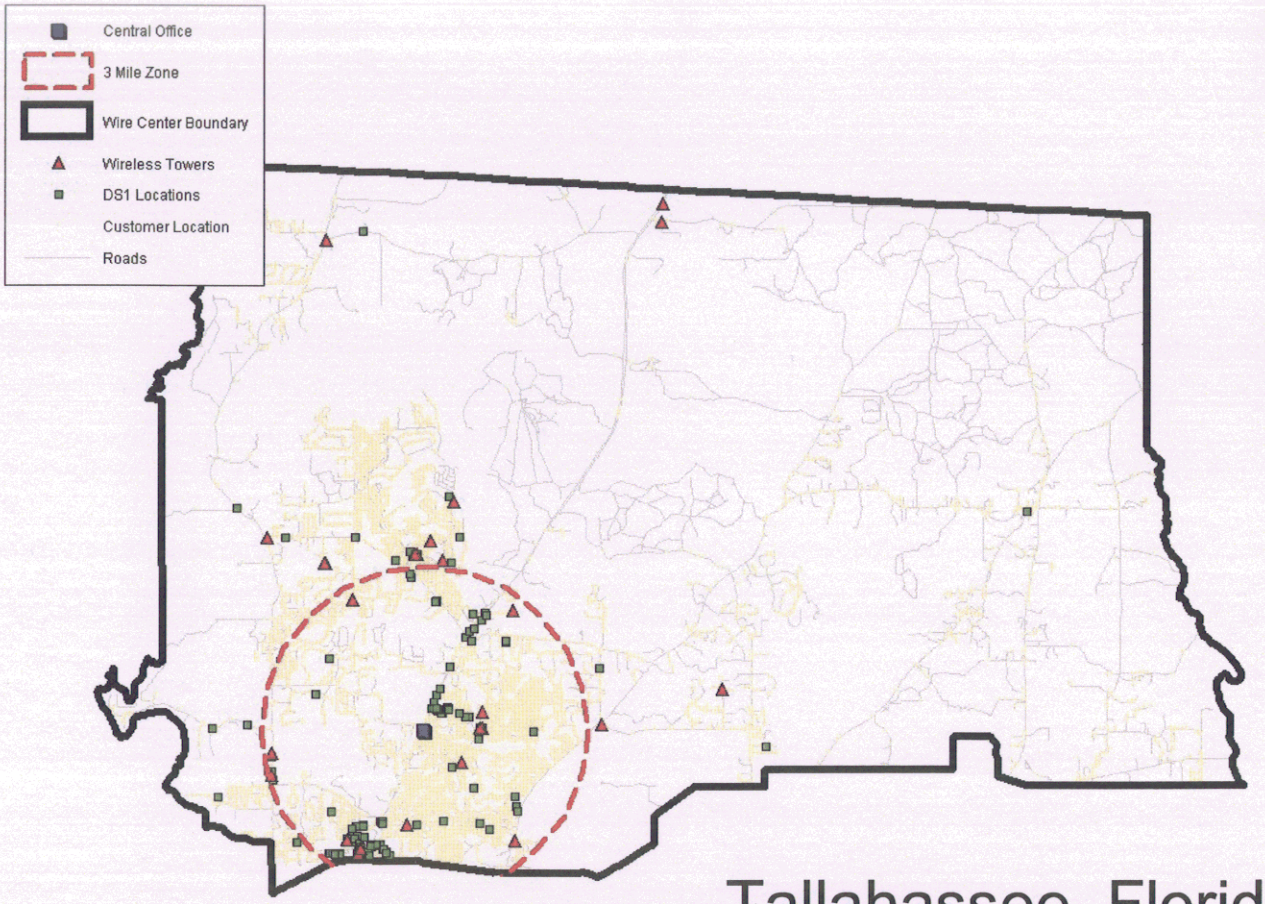
>3 miles
$[REDAC

South South - Las Vegas, Neva

REDACTED - FOR PUBLIC INSPECTION - PAGE 3

Cell Tower Locations are Disproportionately Skewed Toward Greater Than 3 Miles

EMBAR



Tallahassee, Florida

Tower De

<3 miles 5

>3 Miles 4

DS1s Den

<3 miles 7

>3 Miles 2

Unit Inves

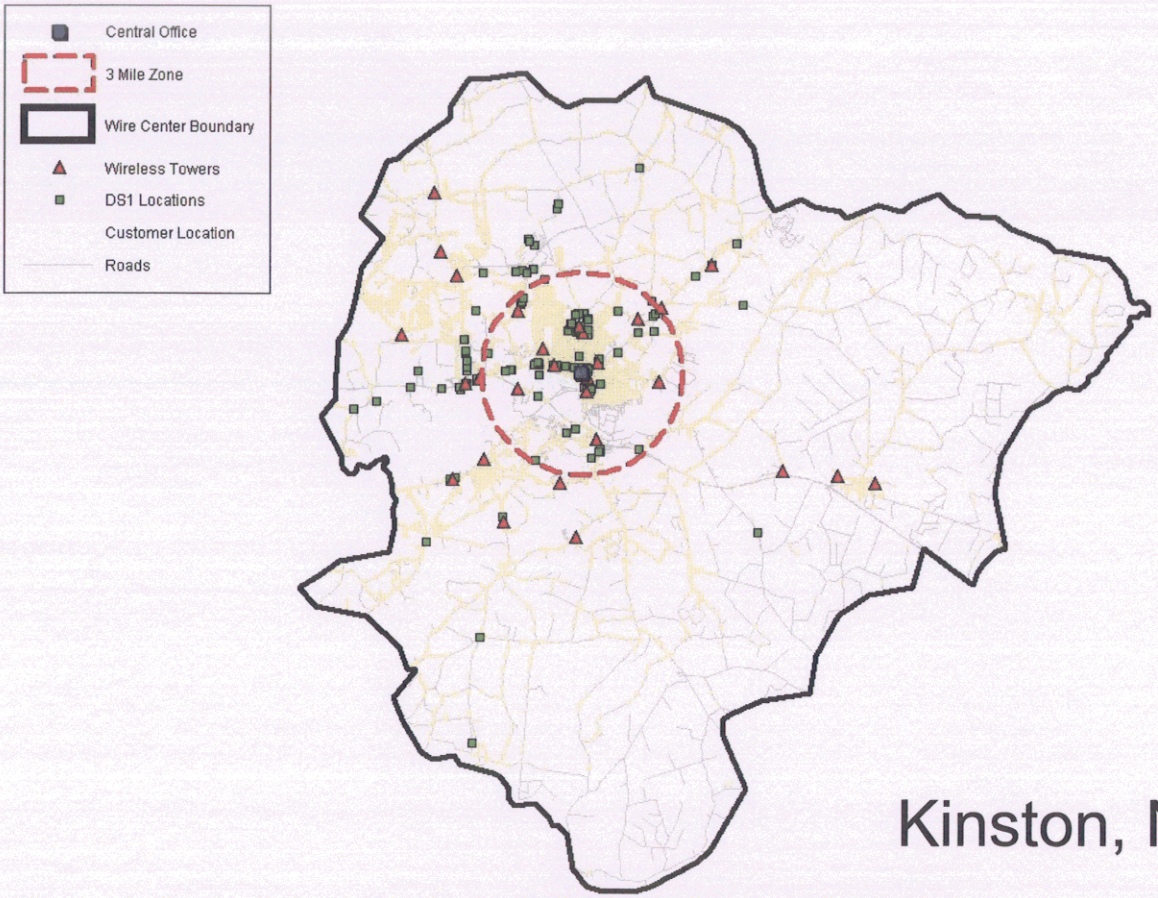
<3 miles
$[REDAC

>3 miles
$[REDAC

REDACTED - FOR PUBLIC INSPECTION - PAGE 4

hannel Termination's Greater Than 3 Miles
ncluding Cell Towers are Sold Below Cost

EMBAR



Tower De

<3 miles 4

>3 Miles 5

DS1 Dem

<3 miles 6

>3 Miles 3

Unit Inves

<3 miles
$[REDAC

>3 miles
$[REDAC

Kinston, North Carol

nbarq's Special Access Channel
erminations are Not Recovering their Cost

EMBAR

FINANCIAL COST AND REVENUE INFORMATION REDACTED

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

mbarq's Forward Looking Economic Cost

EMBAR

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

EMBAR

Jurisdictional ARMIS data is broken and grossly misleadin

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

EMBAR

- Special Access is a small fraction (2-7%) of the total monthly cost 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 mor costly in many cases, especially in the greater than 3 miles.
- Embarq is not recovering its cost of DS1 Special Access Channel Terminations.

pendix A

pecial Access Channel Terminations are nly 2.8% of Wireless Cell Tower Cost

EMBAR

TABLE REDACTED

endix B

ecial Access vs. Wireless Cell Tower Cost

EMBAR

TABLE REDACTED