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April 30, 2012

**EX PARTE COMMUNICATION  
VIA ELECTRONIC FILING**

Ms. Marlene H. Dortch  
Secretary  
Federal Communications Commission  
445 12th Street, SW  
Washington, DC 20554

Re: *Developing a Unified Intercarrier Compensation Regime et al*, CC Docket No. 01-92; WC Docket No. 05-337; WC Docket No. 07-135; WC Docket No. 10-90; GN Docket No. 09-51; CC Docket No. 96-45; and WC Docket No. 03-109 Notice of *Ex Parte* Filing.

Dear Ms. Dortch:

The Alaska Rural Coalition<sup>1</sup> ("ARC") submits this letter to urge the Federal Communications Commission ("FCC" or "Commission") to take action on its Petition for Reconsideration filed on December 29, 2012. The ARC appreciates that many parties are competing for the Commission's attention, but the discrete issues raised in its Petition deserve timely consideration.

The ARC would like to clarify the record regarding capital credits. Several ARC companies are member-owned cooperatives. Those companies allocate "margins" to their members in the form of capital credits. The funds belong to the members, but they are retained by the cooperative as working capital and equity. Capital credits may be periodically distributed, in whole or more likely in part, by a vote of the cooperative's board of directors. The funds that are distributed to members as capital credits are de minimus compared to traditional profits paid to stockholders of a public company. Cooperatives invest most of their resources into rural infrastructure investment and customer service and do not have making a profit their primary

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<sup>1</sup> The ARC is composed of Arctic Slope Telephone Association Cooperative, Inc., Bettles Telephone, Inc., Bristol Bay Telephone Cooperative, Inc., Bush-Tell, Inc., Circle Telephone & Electric, LLC, Cordova Telephone Cooperative, Inc., Copper Valley Telephone Cooperative, Inc., City of Ketchikan, Ketchikan Public Utilities, Matanuska Telephone Association, Inc., OTZ Telephone Cooperative, Inc., Interior Telephone Company, Mukluk Telephone Company, Inc., Alaska Telephone Company, North Country Telephone Inc., Nushagak Electric and Telephone Company, Inc., The Summit Telephone and Telegraph Company, Inc., and Yukon Telephone Company, Inc.

Marlene H. Dortch  
April 30, 2012  
Page 2

driver. Capital credits are an appropriate mechanism to evidence member ownership in a cooperative and have long been recognized as a valuable tool.

A final issue in the record that the ARC would like to clarify is its desire to compete. The small, rural companies that comprise the ARC all desire to bring the best and most technologically advanced services to their customers. The ARC companies do not shy away from competition, but it remains important to maintain an equitable competitive marketplace. A situation where one competitor must abide by benchmarks while the other offers below cost or free local phone service creates an unsustainable dynamic. Historically, market power has been a helpful tool to evaluate regulatory prudence. The ARC asks the Commission to evaluate the requests for reconsideration and clarification contained in the Petition and consider the relative market power of the affected carriers. Modest revisions in the Commission's approach could provide the competitive equilibrium sought by the ARC.

Thank you for your continued work on Alaska issues. We appreciate the time and effort it takes to consider the implications of the *Transformation Order* on markets distant in geography and development.

Sincerely,



Shannon M. Heim

cc: Michael Steffen  
Amy Bender  
Ted Burmeister  
Angela Kronenberg  
Christine Kurth