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July 20, 2009

Ms. Mary Jo Kunkle
Executive Secretary
Michigan Public Service Commission
6545 Mercantile Way
P.O. Box 30221
Lansing, Michigan 48909-7721

Dear Ms. Kunkle:

Michigan Bell Telephone Company, doing business as AT&T Michigan ("AT&T"), submits its Second Annual Video Report to the Michigan Public Service Commission ("MPSC") and franchising entities in the State of Michigan regarding its deployment progress, as required by Michigan's Uniform Video Services Local Franchise Act (2006 Public Act 480) or "Video Act". AT&T is separately providing a copy to each Clerk in the Michigan Communities where AT&T has launched its U-verseSM TV service.

If you have any questions, please contact me on (517) 334-3704 or Susan Frentz on (313) 223-0725.

Sincerely,

Robin M. Gleason

Digitally signed by Robin M. Gleason
DN: c=US, o=ATT Michigan,
ou=Regulatory, cn=Robin M. Gleason
Date: 2009.07.16 08:42:15 -04'00'

Enclosures

cc: Clerks in Franchised Communities
Ms. Robin Ancona, Michigan Public Service Commission Staff
Mr. Ryan McAnany, Michigan Public Service Commission Staff
Ms. Susan Frentz, AT&T



AT&T Michigan

Annual Video Report

July 20, 2009

STATUS OF AT&T'S VIDEO SERVICE DEPLOYMENT IN MICHIGAN

Michigan Bell Telephone Company, doing business as AT&T Michigan ("AT&T"), submits its Second Annual Video Report to the Michigan Public Service Commission ("MPSC") and franchising entities in the State of Michigan regarding its deployment progress, as required by Michigan's Uniform Video Services Local Franchise Act (2006 Public Act 480) or "Video Act".¹

On January 1, 2007, Michigan's Video Act became effective. On January 31, 2007, as required by the Video Act, the MPSC approved the standardized form for the uniform video service local franchise agreement as developed by the MPSC Staff after soliciting input from all interested parties.²

In March 2007, AT&T began submitting franchise agreements in accordance with the Video Act to local governments, using the form approved by the MPSC. After these initial agreements became effective, AT&T launched its Internet Protocol TV (IPTV) service called U-verseSM on May 21, 2007 in parts of over 50 communities in the Detroit and Ann Arbor areas. AT&T has now obtained franchise agreements and launched its U-verseSM TV in parts of 235 communities, well beyond the Detroit and Ann Arbor areas, and across the state in Grand Rapids, Kalamazoo and Battle Creek to Flint and Saginaw and the Lansing and Jackson areas. The launch dates per area in general were as follows.

- * Detroit and Ann Arbor – May 2007
- * West Michigan – Grand Rapids, Kalamazoo and Battle Creek – April 2008
- * Flint and Saginaw – September 2008
- * Lansing and Jackson – January 2009

AT&T U-verseSM has been well-received by residents and consumers across the country and has received industry acclaim for service excellence and innovation, which echoes the positive feedback from our subscribers.

- * AT&T U-verseSM TV ranked "Highest in Residential Television Service Satisfaction in the North Central Region," according to the J.D. Power and Associates 2008 Residential Television Service Provider Satisfaction StudySM.

¹ See MCL 484.3309.

² On April 16, 2009, the Commission issued an Order that approved the revised standardized form for the uniform video service local franchise agreement to reflect the Video Act dispute resolution legislation enacted via 2009 Public Act 4.

- * Industry analyst firm Frost & Sullivan recognized AT&T with its prestigious 2009 Product of the Year Award in Consumer Communications Services for AT&T U-verseSM.
- * U-verse Total Home DVR was honored with a 2008 TelcoTV Vision Award for service provider innovation.
- * AT&T U-verse was awarded two 2009 IPTV World Series Awards, including Most Innovative New Service for Total Home DVR and Best Subscriber Growth Achievement for U-verse TV in 2008.

As a provider of over 1 million telecommunications access lines in Michigan, AT&T is required under the Video Act to provide access to its video service to a number of households equal to at least 25% of the households in AT&T's telecommunications service area within three years of the date AT&T began offering video service. Additional levels of deployment may become applicable in subsequent years, but only if certain percentages of households with access consistently subscribe to the provider's video service.

AT&T recently completed its second year of providing video service in the state, and the progress of the deployment of the service to date has been significant. In Michigan, AT&T currently provides access to its video service to almost 31% of the households in its telecommunications service area. Of these households with access to AT&T's video service in Michigan, over 29% are low-income households as defined by the Video Act. AT&T does not deny access to services to any group of potential residential subscribers because of race or income.

AT&T'S INVESTMENT IN MICHIGAN'S WORKFORCE AND INFRASTRUCTURE

AT&T's investment in network and human capital in Michigan is substantial. AT&T recently announced on May 21, 2009 that between 2006 and 2008, AT&T invested more than \$2 billion in its entire Michigan network, which facilitated the roll out of AT&T U-verseSM services across the state. With more fiber in the ground that is closer to customers, it will be possible for AT&T to provide a groundbreaking suite of IP-based services:

- * Broadband Internet access.
- * IP telephony (VoIP).
- * IPTV (U-verseSM).

Installing AT&T U-verseSM is labor intensive and requires highly-skilled workers. Since the passage of Michigan's Video Act, the Company has filled hundreds of new high-tech positions across the State.

AT&T'S U-VERSESM PRODUCT

AT&T's U-verseSM network architecture and technology is new and fundamentally different from a legacy cable TV system. AT&T U-verseSM is Internet Protocol TV (IPTV), which is based on the common language of the Internet. AT&T is the only provider to offer a 100% IP-based television service, giving AT&T a significant advantage over older, cable-based platforms. AT&T is utilizing U-verseSM's IP technology to deliver more integration, more convenience and more value to its customers. Since the issuance of last year's Annual Video Report, AT&T announced several new U-verseSM TV innovative features and offerings, including:

- * U-verseSM TV Mobile Remote Access Application or App for iPhone and iPod touch — just announced on June 25, 2009, this app allows customers to use a free application from the Apple App Store to make scheduling and managing recordings on their DVR even easier when they are away from home. This capability allows users to easily search U-verseSM TV program listings from the full program guide, view descriptions of selected programs, schedule program or series recordings, manage or edit scheduled recordings, and delete stored DVR content.
- * Total Home DVR — allows viewers to watch their recorded programs on any connected TV in the home. A customer may pause a recorded show and pick up where he or she left off in another room, and play back multiple recorded shows at once. This is in addition to last year's announcement that customers have the ability to record up to four programs at once using the DVR.
- * Exclusive new AT&T U-verseSM Total Home DVR feature — just announced on June 16, AT&T will roll-out the ability to schedule and manage recordings from *any* U-verseSM receiver — a feature exclusive to AT&T among multi-room DVRs. The feature adds even more convenience and control over recorded shows by allowing customers to set or delete recordings from any room in their home, instead of from the DVR receiver room only.
- * Free speed increase for AT&T U-verseSM Internet Max customers — these customers have been given increased downstream speeds from up to 12 Mbps — a 20 percent increase in speed at no extra cost. The faster downstream speed is available to all new and existing U-verseSM Internet residential and business customers who subscribe to the Max service.
- * Web Remote Access to DVR enhancements — U-verseSM TV customers now have a new interface to schedule and manage their DVR recordings from any web-connected PC. Powered by Yahoo!, the enhanced functionality enables: faster browsing of the program guide; sorting the program guide by genre, favorites or High Definition (HD) channels; easily referencing recently recorded shows and upcoming scheduled shows on a side panel; targeted searching by title, actor, and channel; and personalizing favorite channels.

- * U-verseSM TV navigation improvements — customers will have a more simple and streamlined way to navigate and find programming with enhancements rolling out market-by-market along with the Total Home DVR upgrade. From within the U-verseSM programming guide, users will be able to select Enter to pull up a panel of options to jump to another channel, time or day to find the desired programming.
- * Free movie month - as an added bonus, all U-verseSM TV customers received even more options for their summer entertainment with unlimited access to Starz at no extra charge during July 2009.
- * Several interactive applications have been added at no extra charge, including the ability to check the current weather conditions and forecasts in any U.S. city with Weather On Demand, an interactive feature powered by AccuWeather.com that allows U-verseSM TV customers to find the weather information they want, in the city they want, at the time they want.
- * Continued expansion of the U-verseSM TV channel lineup, including adding six High Definition (HD) channels in early May 2009 (MTV, VH1, CMT, Nickelodeon and Comedy Central). Michigan U-verseSM TV customers can enjoy access to more than 100 HD channels – exceeding the HD channel lineups offered by the major local cable providers.
- * To the delight of hockey fans in the Detroit area, AT&T added CBET (Canadian Broadcasting) to its channel line up in March 2009.
- * AT&T also expanded its U-verseSM offers with the introduction of AT&T U-verseSM Voice in Michigan. U-verseSM Voice is a managed IP-based digital voice service that is delivered over the AT&T's fiber-rich network. This allows U-verseSM Voice customers to enjoy great sound quality and reliability, as well as unmatched calling features that combine with the AT&T U-verseSM TV, broadband and wireless services.
- * AT&T's deployment of Public, Educational, and Government (PEG) continues. We work closely with all communities who have requested PEG. To date, 69 communities have requested carriage of their PEG channels from AT&T. Communities have partnered with AT&T such that there are 20 communities across Michigan who have already implemented their PEG channels on AT&T U-verseSM. In fact, all four of AT&T's video hub offices (VHOs) across the State of Michigan have at least one activated PEG channel.

AT&T U-verseSM offers multiple combinations of TV, Internet and Voice packages to customize the customer's experience. U-verseSM TV offers several programming packages including U100, U200, U300 and U450 packages, plus U-family, a market-leading family-friendly programming option. The customer may choose from a variety of subscription options that feature a wide variety of channels, including digital music, local, movie and sports programming, as well as premium Spanish-language and international packages.

All packages include HD-capable equipment, and most packages include an HD digital video recorder (DVR), easy to use parental controls, built-in picture-in-picture, video on demand, FLICKR on-line photos, games like sudoku and solitaire, the YELLOWPAGES.COM search and the U-bar.³ Professional installation is included. Finally, AT&T does not require a term commitment.

Nationally, at the close of the 1st quarter 2009, AT&T had over 1.3 million AT&T U-verseSM customers, with 16.7 million living units passed by AT&T's advanced fiber networks and continued expansion. AT&T expects to spend more than \$8 billion from 2005-2011 to build the infrastructure to enable U-verseSM TV service. It has embarked upon a technologically ambitious program to offer truly "next generation" video capabilities that will evolve over many years. This is the largest rollout of IPTV technology in the world.

Attached to this report, please find the AT&T U-verseSM channel directory. For additional information on AT&T U-verseSM – visit <http://uverse.att.com>, call 800-ATT-2020 or visit a local AT&T location in Michigan. Below are a few websites for further information:

- * AT&T U-verseSM guide:
<http://global.synapsegroup.com/att/uverse/>
- * AT&T U-verseSM availability:
https://uverse1.att.com/un/launchAMSS.do?GUID=0FDB944C-9350-45A9-95C1-1E87A9DE08DE&target_action=serviceabilityCheck

³ U-bar allows a customer with just one-touch, to view stock quotes, weather forecasts, traffic information and sports scores on the TV screen in an area below the program currently being watched, without interrupting the program.

COMPETITION IS HERE

Video competition is here as a result of the Michigan Video Act that opens the doors to video choice for consumers and encourages investment in communities and jobs for the state. AT&T is building its IPTV network to serve more and more customers. We are expanding U-verseSM services on an ongoing basis as quickly as we can, and we continue to take advantage of our IP platform by rolling out new enhancements to our customers. There is better service, better products and competitive pricing, all welcomed by consumers.

AT&T has launched its U-verseSM TV in parts of 235 communities, helping to develop competition much faster than many critics anticipated. With the enactment of the new dispute resolution legislation, disputes may be handled more expeditiously, allowing competition to thrive even more.

In its 1/30/09 Press Release accompanying the 2008 Commission Report, *Status of Competition for Video Services in Michigan*, to the Governor and the Legislature, the Commission quoted its Chairman Orjiakor Isiogu, "Video and cable competition is continuing to grow in Michigan, and more communities have a choice when it comes to a video/cable provider." Per the Commission's Report, in 2008 there are approximately 1,885 franchise agreements (up 74 from 2007) in place across Michigan, with 806 or 42% (up 323 from 2007) of them using the Uniform Video Service Local Franchise Agreement. The Report states that it is evident that competition is continuing to grow and a larger number of communities are beginning to have a choice when it comes to a video/cable provider. This is a true measure that the Video Act is working.