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Jim Murray
President
AT&T Michigan
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Lansing, MI 49833
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July 18, 2014

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 Seventh 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, as amended) or "Video Act". AT&T is separately providing a copy to each Clerk in the Michigan Communities where AT&T has launched its U-verse[®] TV service.

If you have any questions, please contact me on (517) 334-3400 or Yvette Collins on (517) 334-3708.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Murray".

Enclosures

cc: Clerks in Franchised Communities
Ms. Susan Corbin, Michigan Public Service Commission Staff
Ms. Christina Forist, Michigan Public Service Commission Staff
Ms. Yvette Collins, AT&T

7th Annual



AT&T Michigan
Annual Video Report

July 18, 2014

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

Michigan Bell Telephone Company, doing business as AT&T Michigan ("AT&T"), submits its Seventh Annual Video Report to the Michigan Public Service Commission ("MPSC" or "Commission") 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, as amended) 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.

In March of 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 AT&T U-verse® TV 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 has launched its U-verse TV in 302 communities.

AT&T U-verse 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.

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 within 6 years, but only if certain percentages of households with access consistently subscribe to the provider's video service.²

AT&T recently completed its seventh 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 over 49% of the households in its telecommunications service area (however, AT&T's subscription rate is less than 30%). Of these households with access to AT&T's video service in Michigan, over 36% are low-income households as defined by the Video Act. AT&T does not deny access to service to any group of potential residential subscribers because of race or income.

Since its launch in 2007 through the end of the 1st quarter of 2014, AT&T has paid nearly \$93 million to the local governments, made up of 72 million in video franchise fees and 21 million in public, education and government (PEG) fees.

¹ See Section 9(4) of the Video Act: "Each provider shall file an annual report with the franchising entity and the commission regarding the progress that has been made toward compliance..."

² See Section 9. (3) of the Video Act: "If a video service provider is using telecommunication facilities to provide video services and has more than 1,000,000 telecommunication access lines in this state, the provider shall provide access to its video service to a number of households equal to at least 25% of the households in the provider's telecommunication service area in the state within 3 years of the date it began providing video service under this act and to a number not less than 50% of these households within 6 years. A video service provider is not required to meet the 50% requirement in this subsection until 2 years after at least 30% of the households with access to the provider's video service subscribe to the service for 6 consecutive months."

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

AT&T invests billions to build the advanced networks that create jobs and fuel economic growth. From 2011 through 2013, AT&T invested more than \$1.7 billion in its Michigan wireless and wireline networks.

AT&T invests significant resources to advance education, strengthen communities and improve lives. Through philanthropic initiatives and collaboration, AT&T and the AT&T Foundation support projects that create opportunities and address the needs of the communities it serves. In Michigan from 2009 through 2013, AT&T and its employees contributed approximately \$12.8 million. Additionally, from 2009 through 2013, more than 262,000 hours of personal time were given by AT&T employees and retirees in Michigan to community outreach activities - worth more than \$5.7 million.³

As of June 2014, AT&T operated 59 company-owned retail locations throughout the state, in addition to providing products and services through many other authorized dealerships and national retail stores. In 2012, AT&T's operations in Michigan generated more than \$297 million in local and state taxes.

Since the passage of Michigan's Video Act, the Company continues to fill high-tech positions across the State. In addition, Michigan is the home to a large AT&T U-verse dispatch center that serves 21 additional states within the footprint of AT&T.

AT&T'S U-verse® TV PRODUCT

AT&T's U-verse TV network architecture and technology is fundamentally different from a legacy cable TV system. AT&T's U-verse TV is Internet Protocol TV (IPTV), which is based on the common language of the Internet. IP gives U-verse a significant advantage over older, cable-based platforms. AT&T is utilizing the U-verse IP technology to deliver more integration, more convenience and more value to its customers. AT&T's U-verse is building a network for the future, bringing fiber closer to customers' homes using fiber-to-the-node and fiber-to-the-premises technologies.

Today, U-verse is positioned to deliver the ideal combination of real-time, high-quality content and the on-demand and interactive content that IPTV makes possible. Customers are enjoying many benefits of the platform, like Total Home DVR⁴ and multi-screen⁵ content. In addition, AT&T extends its U-verse TV brand across screens with U-verse.com and the U-verse App for smartphones and tablets.

³ The financial equivalent is based on the annual industry standards from Independent Sector

⁴ Total Home DVR (Digital Video Recorder). See: <http://www.att.com/u-verse/explore/total-home-dvr.jsp> for more details. An AT&T U-verse customer can record 4 shows at once on a single DVR, record and play back shows from any room in the home, pause a recorded show in one room and pick it up in another and program the DVR remotely from the computer or wireless phone.

⁵ See: <http://www.att.com/u-verse/explore/multiview-landing.jsp#fbid=xR4yb9ZQoxH> for more details. This innovative feature allows the viewer to track four shows all at one time, on one screen. A customer may access Multiviews for Sports, News and Kids, etc., depending upon the programming purchased.

Over the years AT&T has highlighted in this Annual Video Report the many enhancements made to the U-verse TV service. Since the issuance of last year's Annual Video Report, AT&T announced various updates to U-verse TV innovative features and offerings, including:

- Michigan U-verse TV customers can enjoy access to more than 200 HD channels. All U-verse customers receive HD-ready equipment, and most packages include an HD-ready DVR.
- U-verse is mobilizing everything about the TV experience by making U-verse available on more than 30 select devices at no extra charge. TV shows can be viewed and scheduled from smartphones, and with Uverse.com and the U-verse App, customers can watch TV shows, movies, sports and more live or On Demand at no extra charge. Customers can also set DVR recordings right from their local TV listings, find out what's new on U-verse TV, and even watch LIVE news, sports, and family networks online.
- AT&T's deployment of Public, Educational, and Government (PEG) continues. We work closely with all communities who have requested AT&T to carry their PEG programming. There are 65 communities across Michigan that have partnered with AT&T for PEG implementation. These 65 communities provide 82 channels of PEG programming via AT&T.

AT&T's U-verse offers multiple combinations of TV, Internet and Voice packages to customize the customer's experience. U-verse TV offers several programming packages including U-basic, U-200, U-200 Latino, U-300, U-300 Latino, U-450, and U-450 Latino packages, plus U-family, a family-friendly programming option. The customer may choose from a variety of subscription options that feature a wide variety of channels, including music, local, movie and sports programming, as well as premium Spanish-language and international packages.

All packages include high definition or 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, games like sudoku and solitaire. For a summary of all of the interactive applications, go to:

uverse.com/apps

COMPETITION CONTINUES TO GROW

Video competition is vibrant as a result of the Michigan Video Act that opened 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 even more customers. AT&T is expanding U-verse TV services on an ongoing basis and will continue to take advantage of our IP platform by rolling out new enhancements to customers.

There is better service, better products and competitive pricing, all welcomed by consumers. Nationally, at the close of the 1st quarter 2014, AT&T had 5.7 million AT&T U-verse TV customers.

On January 31, 2014, the Commission issued its 7th annual report, Status of Competition for Video Services in Michigan, to the Governor and the Legislature in accordance with the Video Act. In the report, it is noted that the video market in Michigan saw an increase in subscribership, and two new providers entered the market in 2013.

Overall, 44 providers offer video services in Michigan, with more than 2.3 million video/cable customers. Twenty-six of the providers reported investing a total of over \$420 million in the Michigan market in 2013.

ADDITIONAL AT&T U-verse® TV INFORMATION

For additional information on AT&T U-verse TV, to see a demonstration of how it works or to see the popular bundles, visit the website below. Customers may also call 800-ATT-2020 or visit a local AT&T location in Michigan.

<http://www.att.com/u-verse/>

Customers may find the following AT&T websites helpful for further information regarding channel line up, availability of AT&T U-verse TV or to check the status of their installation or repair order:

- AT&T U-verse TV channel line up:

<http://www.att.com/u-verse/shop/channel-lineup.jsp>

- AT&T U-verse TV availability:

<http://www.att.com/u-verse/availability/>

- U-verse TV Customers have the ability to check status of their installation or repair order via an online tool at:

<http://www.att.com/u-verse/appointmentstatus>