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July 18, 2008

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 first annual report to the Michigan Public Service Commission.

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: 2008.07.10 09:58:30 -04'00'

Enclosures

cc: Franchising Entities  
Ms. Robin Ancona, Michigan Public Service Commission Staff  
Mr. Ryan McAnany, Michigan Public Service Commission Staff  
Ms. Susan Frentz, AT&T

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# **AT&T Michigan**

## **Annual Video Report**

**July 18, 2008**

# AT&T Michigan Annual Video Report

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

Michigan Bell Telephone Company, doing business as AT&T Michigan ("AT&T"), submits its first annual video report to the Michigan Public Service Commission ("MPSC") and franchising entities in the State of Michigan regarding its deployment progress.

On January 1, 2007, Michigan's "Uniform Video Services Local Franchise Act" or "Video Act" became effective (2006 Public Act 480). 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 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 agreements became effective, AT&T initially launched its Internet Protocol TV (IPTV) service called U-verse on May 21, 2007 in over 50 communities in the Detroit and Ann Arbor areas. AT&T has now obtained franchise agreements and launched video service in over 170 communities in not only Southeastern Michigan but in West Michigan as well.

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 3 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 first year of providing video service in the state, and the progress of the deployment of the service here to date has been significant. In Michigan, AT&T currently provides access to its video service to over 17% of the households in its telecommunications service area. Of these households with access to AT&T's video service in Michigan, over 27% are low-income households as defined by the Video Act.

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

AT&T's investment in network and human capital in Michigan is substantial. In Michigan, AT&T has committed to spend an additional \$620 million by the end of 2009 to upgrade its fiber-optic network and install its next-generation video products in consumers' homes. With more fiber to the ground that is closer to customers, it will make it possible for AT&T to provide a groundbreaking suite of IP-based services:

- \* Broadband Internet access,
- \* IP telephony (VoIP), and,
- \* IPTV (U-verse).

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Installing U-verse is labor intensive and requires highly-skilled employees. The Company has committed to filling 2,000 new high-tech positions across Michigan by end of 2009. To date, AT&T Michigan has filled approximately 1,300 jobs.

### AT&T'S U-VERSE PRODUCT

AT&T's U-verse network architecture and technology is new and fundamentally different from a legacy cable TV system. AT&T U-verse is Internet Protocol TV (IPTV), which is based on the common language of the Internet. AT&T is the only national service provider to offer a 100% IP-based television service, giving AT&T a significant advantage over older, cable-based platforms. U-verse TV offers innovative features, including:

- \* More than 40 HD channels in every U-verse service territory with HD service subscription. That's more channels than the local cable providers in most of the areas that AT&T serves.
- \* The ability to record up to four programs at once using a digital video recorder (DVR). AT&T is in the process of deploying the ability to watch or record 2 HD programs at once in all markets, and the Company is in the process of completing the deployment of this capability to all existing customers.
- \* Web and Mobile Remote Access to DVR – which allows our TV and Internet customers to schedule and manage recordings from any PC or compatible wireless device using their AT&T U-verse High Speed Internet account.
- \* Easy-to-use parental controls to block live programs, recorded programs or videos by specific channel or ratings.
- \* AT&T Online Photos from Flickr, an integrated online photos channel, that lets a customer simply and conveniently watch slideshows and browse online photos right from the comfort of the couch, on the U-verse TV screen.
- \* Built-in picture-in-picture (PIP) to “channel surf” without leaving the current program and preview shows in the program guide. With U-verse TV, PIP works on any television, regardless of the television capability.
- \* Specially designed U-verse receivers. All U-verse receivers are HD-capable and include universal remote controls with backlit buttons and one-touch access to VOD, recorded TV and other popular U-verse features.
- \* AT&T's U-bar - Access to customizable weather, sports, traffic and stock information on the TV screen, without interrupting the current program. AT&T High Speed Internet subscribers can personalize the U-bar from the AT&T portal to display weather at specific locations, personal stock portfolio and scores for favorite sports teams.

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- \* A growing Video On Demand (VOD) library with one-touch access to movies and events. There is an advanced search feature too, to find upcoming linear or VOD programs by using the title or an actor's name.
- \* AT&T Yahoo! Games (sudoku, solitaire, JT's blocks, mah-jongg, chess), using the remote control.
- \* YELLOWPAGES.COM TV – search directory, which lets customers search for local business information from the TV screen.

AT&T U-verse offers multiple combinations of TV, Internet and Voice packages to customize the customer's experience. U-verse TV offers five programming packages — U100, U200, the popular U300 and U400 packages, plus U-family, a market-leading family-friendly programming option. Current AT&T U-verse TV pricing starts at \$44 a month, depending on the selected programming package. The customer may choose from a variety of subscription options that feature up to 320 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). None of our rates are “introductory” rates, e.g., limited to a 6-month introductory period.

There's more ahead – all powered by IP: greater personalization, more interactive games and “whole home” DVR, so a customer can watch recorded content from any TV in the home. Our AT&T U-verse product is in its infancy and we expect the IP technology to allow further product development in the future.

Nationally, AT&T announced at the end of 1<sup>st</sup> Quarter 2008 that it offers U-verse service to more than 9 million living units, and AT&T has announced plans to pass 30 million living units by the end of 2010. AT&T has committed to spend \$5 billion nationwide to upgrade its telecommunications network and bring fiber closer to AT&T customers' homes. More fiber in the ground, closer to customers, will make it possible for AT&T to provide a groundbreaking suite of IP-based services over its existing network. This is the largest rollout of IPTV technology in the world.

Competition is here. AT&T is building its IPTV network to serve more and more customers. There is better service, better products and competitive pricing, all welcomed by consumers.

Attached to this report, please find the AT&T U-verse channel directory. To view the AT&T U-verse guide on the web, click on <http://global.synapsegroup.com/att/uverse/>. For more information on U-verse, customers may view AT&T's website at <http://uverse.att.com> or call (800) ATT-2020.