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July 20, 2012

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 Fifth 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<sup>SM</sup> TV service.

If you have any questions, please contact me on (517) 334-3704 or Yvette Collins on (517) 334-3708.

Sincerely,

A handwritten signature in cursive script that reads "Robin M. Gleason".

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



# **AT&T Michigan**

## **Annual Video Report**

July 20, 2012

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

Michigan Bell Telephone Company, doing business as AT&T Michigan ("AT&T"), submits its Fifth 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".<sup>1</sup>

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 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 launched its U-verse TV in parts of 262 communities, well beyond the Detroit and Ann Arbor areas, and across the state in Grand Rapids, Kalamazoo and Battle Creek to Flint and Saginaw, Lansing and Jackson and Benton Harbor and St. Joseph areas.

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.

- \* AT&T U-verse TV outperformed competitors in customer satisfaction in the North Central, South and West regions, according to the J.D. Power and Associates 2011 Residential Television Service Provider Satisfaction Study<sup>SM</sup> released in October 2011. Since its premiere on the J.D. Power and Associates rankings in 2008, this is the third time that U-verse TV has received the highest results in all three regions where it is ranked and the fourth consecutive year that AT&T U-Verse topped the South and West regions. Customers ranked AT&T highest in overall satisfaction in a study that evaluated performance and reliability, customer service, cost of service, billing, programming and offerings and promotions. The annual study measured customer satisfaction with residential TV providers, including IPTV, cable and satellite services.
  
- \* The IP&TV World Forum once again recognized AT&T in March 2012, this time with two IPTV Industry Awards for AT&T U-verse® TV. The service won IP&TV Industry Awards for "Best TV App" for the U-verse App for Tablet and "Best Consumer Device" for the Wireless Receiver. These awards honor service providers for their innovation, excellence and achievement in the IPTV industry. "We're thrilled to receive this recognition in innovation and excellence for Wireless Receiver and the U-verse app for tablet," said Jeff Weber, vice president of U-verse video services, AT&T Home Solutions. "These two awards reflect our ongoing commitment to delivering the best entertainment experience for customers, virtually anywhere they are, on any device. We look forward to bringing even more advanced apps and services to our customers this year."

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<sup>1</sup> 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."

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

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.<sup>2</sup>

AT&T recently completed its fifth 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 45% of the households in its telecommunications service area. Of these households with access to AT&T's video service in Michigan, over 30% are low-income households as defined by the Video Act. AT&T does not deny access to services to any potential residential subscribers because of race, income, or other factors that service providers should not use for determining service eligibility.

Since its launch in 2007 through the end of the 1<sup>st</sup> quarter of 2012, AT&T collected on behalf of and has paid over \$50 million to the local governments made up of over \$38.7 million in video franchise fees and almost \$11.6 million in public, education and government (PEG) fees.

During the past year, no formal video complaint was filed against AT&T with the MPSC. In its Status of Competition for Video Services in Michigan Report published on February 1, 2012, the Commission reported that 757 informal complaints and inquiries were filed at the Commission in 2011, a 30% decrease from the number of complaints and inquiries filed in 2010.

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<sup>2</sup> 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 2009 through 2011, AT&T invested more than \$1.5 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 2008 through 2011, AT&T and its employees contributed approximately \$17.4 million through corporate, employee and AT&T Foundation giving programs.

Installing AT&T U-verse TV is labor intensive and requires highly-skilled workers. 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 U-verse TV is Internet Protocol TV (IPTV), which is based on the common language of the Internet. AT&T is the only nationwide provider to offer a 100% IP-based television service, giving 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 DVR<sup>3</sup> and multi-screen<sup>4</sup> content. In addition, AT&T extends its U-verse TV brand across screens with U-verse® Online.<sup>5</sup>

Over the last four 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 several recent updates to U-verse TV innovative features and offerings, including:

- \* Michigan U-verse TV customers can enjoy access to more than 155 HD channels. All U-verse customers received HD-ready equipment, and most packages include an HD-ready DVR.
  
- \* One of the innovative enhancements added in the last year is the introduction of the AT&T U-verse TV Wireless Receiver. The wireless receiver is the first fully integrated wireless receiver available from any TV provider, and gives U-verse TV customers even more freedom to watch TV when and where they want, including rooms without an existing U-verse outlet.
  
- \* The U-verse App for smartphones and tablets allows customers to schedule DVR recordings and, with qualifying U-verse TV packages, watch hit TV shows on more than 20 devices and four major operating systems. With IP, AT&T can rollout apps easily to its customers overnight.

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<sup>3</sup> 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 may 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.

<sup>4</sup> See: <http://www.att.com/u-verse/explore/multiview-landing.jsp#fbid=xR4vb9Z0oxH> 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.

<sup>5</sup> AT&T's entertainment website lets the customer watch and stream more than 170,000 titles of TV shows, movies and video clips on a personal computer. U-verse Online is available at: <http://uverseonline.att.net/home>.

**AT&T'S U-verse® TV PRODUCT - continued**

- \* AT&T extended TV watching with its launch of the U-verse app for the iPad which is available to all U-verse TV customers at no extra charge. It is possible to link the iPad to any U-verse TV receiver in the home to access several interactive features, including: the ability to access extra content and information on TV shows while they are being viewed, a full-featured, intuitive U-verse remote control, recommendations about what to watch based on ratings and the ability to share information about what the viewer is watching with friends on Facebook. The AT&T U-verse for iPad app is available for free from the App Store.
  
- \* AT&T introduced a service we call the U-verse video bill to new U-verse Voice®, TV and Internet customers, as well as existing customers who change or upgrade their service. This is an automatically-generated, customized video with computer animation and voice narration that explains the elements of a customer's bill. The video bill is not merely a generic overview, but a line-by-line visual and audio tour of the customer's actual bill, emailed directly to the customer also provided upon logon to the customer's myAT&T account online. The positive feedback AT&T has received via customer surveys shows this was a positive change, since about 90 percent said in a survey that they find the videos helpful.
  
- \* For true golf fans, AT&T provided coverage of the 2011 Masters tournaments through its Masters Multiview by allowing customers the ability to browse four channels at once and get lots of tournament extras. The U-verse Multiview option is also offered for subscribers of ESPN GamePlan and ESPN Full Court and will be available for seasonal events like the Summer and Winter Olympics.
  
- \* AT&T enhanced its AT&T U-verse Online, which includes the ability to schedule DVR recordings directly from the website and to easily see which of the DVR recordings are also available to view on U-verse Online, by making more than 170,000 videos available for viewing for free. Customers logged into the site can browse titles and instantly schedule recordings for any TV shows or movies that are available for recording on their U-verse DVR at home.
  
- \* 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. Communities have partnered with AT&T such that there are 61 communities across Michigan, up 12 from the 49 communities last year at this time, who have already implemented their PEG channels on AT&T U-verse TV. These 61 communities provide 77 channels of PEG programming via AT&T, up 14 channels from last year.

**AT&T'S U-verse® TV PRODUCT - continued**

AT&T U-verse TV 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-100, U-200, U-200 Latino, U-300 and U-450 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 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. In addition, customers may use the voice mail viewer, weather on demand, caller id and message waiting indicator, YP.COM or YELLOWPAGES.COM search and the U-bar. For a summary of all of the interactive applications, go to:

<http://www.att.com/u-verse/explore/uverse-applications.jsp?wtSlotClick=1-0047WP-0-4#fbid=xR4vb9Z0oxH>

Professional standard installation is included with most packages. Most customers may terminate his or her U-verse TV services at any time by calling 1-800-ATT-2020 and paying service fees and other charges incurred through the termination date. No cancellation or disconnect fee will apply to most customers, but AT&T may charge the value of any equipment that is not returned in accordance with the Terms of Service. Finally, AT&T offers a 30-day money back guarantee.

Nationally, at the close of the 1<sup>st</sup> quarter 2012, AT&T had over 4.0 million AT&T U-verse TV customers, with 30 million living units passed by AT&T's advanced fiber networks and continued expansion.



**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. We are expanding U-verse TV services on an ongoing basis 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-verse TV in parts of 262 communities across the state, helping to develop competition much faster than many critics anticipated. With the enactment of the dispute resolution legislation, disputes may be handled more expeditiously, allowing competition to thrive even more.

On February 1, 2012, the Commission issued its 5<sup>th</sup> annual report, Status of Competition for Video Services in Michigan to the Governor and the Legislature in accordance with the Video Act. The Press Release accompanying the report quoted MPSC Chairman John D. Quackenbush, as follows: "Statewide, Michigan's video/cable market showed positive signs of growth. This is noteworthy since eight out of nine cable providers on a national level reported subscriber losses." Additionally as the report highlights, "During 2011, providers reported 2,314,081 video/cable customers in Michigan, an increase of 7,698 over what was reported the previous year. Providers reported investing \$400 million in the video/cable market in Michigan in 2011. Since the Act became effective on Jan. 1, 2007, providers report having invested over \$2.2 billion in the Michigan video/cable market."

**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 called, "Where's My Tech" at:  
<http://www.att.com/u-verse/appointmentstatus/>