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July 20, 2010

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 Third 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) 334-3704 or Susan Frentz on (313) 223-0725.

Sincerely,

Robin M. Gleason

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

3rd Annual

# AT&T Michigan

# Annual Video Report

# July 20, 2010

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

Michigan Bell Telephone Company, doing business as AT&T Michigan ("AT&T"), submits its Third 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".[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-verse℠ 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 258 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. The launch dates per area 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
* Benton Harbor and St. Joseph – January 2010

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.

* Industry analyst firm Frost & Sullivan recognized AT&T with its prestigious 2009 Video Company of the Year Award. AT&T was selected to receive the award based on the successful customer growth, innovation and value for its AT&T U-verse℠ TV service. According to Frost & Sullivan, AT&T consistently ranked as the market leader in growth strategy and implementation, degree of innovation in products and technologies, and leadership in customer value and market penetration.

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[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.

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

* AT&T U-verse℠ TV outscored competitors in the South and West regions and ranked second in the North Central region in customer satisfaction, according to the J.D. Power and Associates 2009 Residential Television Service Provider Satisfaction Study℠. Customers have rated AT&T highest in overall satisfaction in a study that looked at performance and reliability, customer service, cost of service, billing, and offerings and promotions. The annual study measured customer satisfaction with residential TV providers, including IPTV, cable and satellite services.

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 third 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 40% of the households in its telecommunications service area. Of these households with access to AT&T's video service in Michigan, over 31% 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 February 25, 2010 that between 2007 through 2009, AT&T's total capital investment in its Michigan wireless and wireline networks was nearly $1.9 billion. This investment helped facilitate the roll out of AT&T U-verse℠ 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-verse℠).

Installing AT&T U-verse℠ 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. In addition, AT&T hosts a large U-verse dispatch center in Michigan that serves the State along with 12 other states within AT&T.

## AT&T'S U-VERSE℠ PRODUCT

AT&T's U-verse℠ network architecture and technology is 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 provider to offer a 100% IP-based television service, giving AT&T 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. 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 unique benefits of the platform, like Total Home DVR[3] and exclusive multi-screen content.

Over the last two 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 new U-verse℠ TV innovative features and offerings, including:

* On June 9, 2010, in time for the 2010 FIFA World Cup™, AT&T and ESPN announced the addition of ESPN 3D to the U-verse TV channel lineup. AT&T U-verse TV customers will be able to enjoy the industry's first 3D sports television network that will deliver twenty five (25) 2010 FIFA World Cup™ matches and nearly 100 live sporting events in the next year. The first ESPN 3D 2010 FIFA World Cup™ match aired on June 11, featuring South Africa vs. Mexico. Other events to be delivered in 3D include the 2010 State Farm Home Run Derby, college basketball and football games and the 2011 BCS National Championship Game. U-verse customers are able to see it all in dynamic 3D on ESPN 3D.

  3D programming is supported on all customers' existing U-verse DVRs and receivers, without any additional set up or U-verse equipment upgrades. Customers also need a 3D-ready TV set and 3D glasses.

* On May 5, 2010, AT&T extended its U-verse℠ brand across screens with introduction of U-verse℠ Online. This newly rebranded and expanded AT&T Entertainment website lets the customer watch streaming TV shows, movies and video clips on a personal computer. U-verse℠ Online is open to any online user at:

  att.net/uverseonline

  U-verse℠ Online offers additional features and account integration for AT&T U-verse℠ TV customers. So for example, if a customer missed seeing Betty White on the Saturday Night Live show on May 7, 2010, the customer may click on the U-verse Online link and the show is readily available for viewing.

  U-verse℠ Online is now also home to a wide range of U-verse℠ TV information giving U-verse℠ TV customers a one-stop online destination for details about U-verse℠ TV programming and television events, including channel lineups, On Demand titles, Pay-Per-View events, interactive U-verse℠ TV applications (or "apps") and more. U-verse℠ customers may also schedule and manage DVR recordings directly from U-verse℠ Online with U-verse Web Remote Access.

[3] Total Home DVR (Digital Video Recorder). See: http://www.att.com/u-verse/explore/total-home-dvr.jsp for more details.

**AT&T'S U-VERSE℠ PRODUCT - continued**

* Beginning on March 26, 2010, AT&T customers with U-verse℠ and Voice in the Detroit Metro area could use Caller ID on TV at no extra charge. The new Caller ID on TV app lets the customer view the U-verse℠ Voice Caller ID and voicemail notifications on the U-verse℠ TV screen. Without interrupting the program, a small message appears on the TV screen for 10 seconds when a new call comes in or when a voice mail message arrives.

* Effective 7/30/09, customers will 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/

* Several apps have been added at no extra charge, including the Film Awards Interactive app, Fantasy Football app and professional golf tournament app. Of particular interest this past year was the College Basketball app, that allowed the customer to track a personalized bracket and view tournament results on the U-verse℠ TV screen.

* Michigan U-verse℠ TV customers can enjoy access to more than 130 HD channels.

* To the delight of sports fans, AT&T added U-verse TV Multiview, allowing the customer to watch four channels at one time and select which channel is the main picture with audio. The customer chooses from a variety of channels by sports, news and kids programming genres. To see details of the multiview and how it works:

  http://www.att.com/u-verse/explore/multiview-landing.jsp

  The multiview feature was also available with the 2010 Olympics and the 2010 FIFA World Cup™.

* 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. To date, 70 communities have requested carriage of their PEG channels from AT&T. Communities have partnered with AT&T such that there are 37 communities across Michigan, up 17 from the 20 communities last year at this time, who have already implemented their PEG channels on AT&T U-verse℠.

**AT&T'S U-VERSE℠ PRODUCT - continued**

AT&T 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-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, the YELLOWPAGES.COM search and the U-bar.[4] For a summary of the interactive applications, go to:

http://www.att.com/u-verse/explore/uverse-applications.jsp#app6

Professional installation is included with most packages. AT&T does not require customers to sign a contract or agree to a term commitment. A customer may terminate their U-verse℠ services at any time by calling 1-800-ATT-2020 and must pay service fees and other charges incurred through the termination date. No cancellation or disconnect fee will apply, but AT&T may charge the value of any equipment that is not returned in accordance with the Terms of Service. Finally, AT&T also offers a 30-day money back guarantee.

Nationally, at the close of the 1st quarter 2010, AT&T had over 2.2 million AT&T U-verse℠ customers, with 24 million living units passed by AT&T's advanced fiber networks and continued expansion.

For additional information on AT&T U-verse℠, to see a demonstration of how it works or to see the popular bundles, visit:

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

Customers may also call 800-ATT-2020 or visit a local AT&T location in Michigan. Below are a couple of AT&T websites for further information:

* AT&T U-verse℠ channel line up:
  http://www.att.com/u-verse/explore/channel-lineup.jsp

* AT&T U-verse℠ availability:
  http://www.att.com/u-verse/availability/

[4] 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 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℠ 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 258 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.

On February 1, 2010, the Commission issued its 3rd annual report, Status of Competition for Video Services in Michigan to the Governor and the Legislature in accordance with the Video Act, stating that competition continues to grow and new providers continue to enter the Michigan market. In addition, the Commission said that 41 providers reported offering video services in Michigan in 2009 with 2.4 million video/cable customers, up 42.7 thousand from 2008 and 93.0 thousand since the enactment of the Video Act on January 1, 2007. This is a true measure that the Video Act is working.