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July 20, 2011

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 Fourth 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. Susan Corbin, Michigan Public Service Commission Staff
Mr. Ryan McAnany, Michigan Public Service Commission Staff
Ms. Susan Frentz, AT&T

4th Annual

AT&T Michigan

Annual Video Report

July 20, 2011

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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 Fourth 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 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 259 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 – 2007
- West Michigan – Grand Rapids, Kalamazoo and Battle Creek – 2008
- Flint and Saginaw – 2008
- Lansing and Jackson – 2009
- Benton Harbor and St. Joseph – 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.

- 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 2010 Residential Television Service Provider Satisfaction Study℠ released in October 2010. Since its premiere on the J.D. Power and Associates rankings in 2008, this is the second time that U-verse TV has received the highest results in all three regions where it is ranked. Customers ranked AT&T highest in overall satisfaction in a study that evaluated 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.

[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 . . .

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

- In November 2010, the TelcoTV Conference and Expo recognized AT&T with TelcoTV Vision Award for AT&T U-verse® Mobile. The TelcoTV Vision Awards honor innovation and vision in new products, services and applications from the communications industry. U-verse Mobile won in the Service Provider Innovation category, and U-verse® TV My Multiview was nominated as a finalist in the same category. U-verse Mobile lets U-verse TV subscribers browse their program guide, manage DVR recordings, and with a qualifying U-verse TV plan, download and watch hit TV shows on their smartphone. "We're proud to be a three-time recipient of a TelcoTV Vision award that recognizes the innovation and integration we're bringing to U-verse customers," said Jeff, Weber, vice president of video services for AT&T Mobility and Consumer Markets. "We continue to enhance the U-verse experience by adding new apps, DVR capabilities and more content across screens. We're improving how and where you watch television, and we're glad to see such a positive reception form the industry and our customers."

- The IP&TV World Forum honored AT&T in March 2011 with and IP&TV Industry Award for AT&T U-verse® TV. The IP&TV Industry Awards honor service providers for their innovation, excellence and achievement in the IPTV industry. AT&T U-verse TV won for Best Multiscreen TV Service, and was also nominated as a finalist in the Best IPTV, Hybrid or Connected TV Service Growth Achievement category. "Our top priority for AT&T U-verse is to deliver the best TV experience, period," said Brian Shay, senior vice president-U-verse for AT&T Mobility and Consumer Markets. "We're proud to receive this award because it reflects our commitment to innovation and matches the positive feedback that we're getting from our U-verse TV customers."

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 fourth 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 43% 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.

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[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.

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

Since its launch in 2007, AT&T collected on behalf of and has paid over $32 million to the local governments made up of over $24.7M in video franchise fees and almost $7.5 million in public, education and government (PEG) fees.

During the past year, no formal video complaint was filed against AT&T Michigan with the MPSC. In its Status of Competition for Video Services in Michigan Report published on February 1, 2011, the Commission stated that it handled 1,074 informal complaints or inquiries for the over 2.3 million video customers statewide, or less than .05%.

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

AT&T has recently expanded the reach of its U-verse TV services in the state – thanks to new technology and network upgrades. One new technology, called pair bonding, allows AT&T to further expand U-verse services to even more customers and improve service to customers. From a customer's standpoint, pair bonding delivers the same U-verse TV services that AT&T offers today. We want customers to know that AT&T continues to expand U-verse TV availability on a regular basis in order to bring them a better alternative to cable. AT&T's U-verse TV deployment is yet another example of AT&T's ongoing efforts to bring our advanced services and choice to more consumers.

Installing AT&T U-verse TV 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 21 other states within 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.

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 benefits of the platform, like Total Home DVR[3] and multi-screen[4] content. In addition, AT&T extends its U-verse TV brand across screens with U-verse® Online.[5]

Over the last three 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:

- Michigan U-verse TV customers can enjoy access to more than 160 HD channels. That's up as many as 30 channels from last year at this time.

- AT&T expanded the list of Spanish-language viewing options available to customers with the addition of 19 new Spanish language channels to its lineup. These include Cine Mexicano, TV Chile, TV Dominican and Vme Kids. With these additions, U-verse TV offers up to 56-Spanish language channels.

- One of the innovative enhancements added in the last year is the introduction of the AT&T U-verse Mobile app that allows customers to browse the U-verse TV program guide, schedule and manage their DVR recordings, and for subscribers with qualifying TV plans, download and watch hit TV shows on qualifying smart phones while they are on the go.

- AT&T extended TV watching with its launch of U-verse TV on Xbox 360, which allows customers to use Xbox 360 as an extra U-verse receiver in the home. AT&T is the first TV provider in the U.S. to offer live TV service through an Xbox 360.

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[3] 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.

[4] 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.

[5] AT&T's entertainment website lets the customer watch streaming more than 100,000 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 launched its U-verse Account Manager, an on-screen app that gives U-verse TV customers quick and easy access to make U-verse TV package upgrades, compare TV packages, view channel lineups, view their account summary, view product overviews and ordering information, and more, all without needing to make a phone call.

- For true tennis fans, AT&T launched its French Open Multiview, an interactive TV app that allowed the customers to view up to four different courts of French Open matches at one time.

- AT&T launched DVR features in U-verse Online, including 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. 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.

- Beginning last November, U-verse TV residential customers who subscribe to HBO and/or Cinemax, received full access to HBOGO.com and MAXGO.com, the online video destinations of HBO and Cinemax featuring more than 1,200 hours of streamed programming including original series, miniseries, documentaries, sports and blockbuster movies. Similarly, since late May of this year, U-verse TV customers have access to Turner content through similar on-line portals including TV shows from Turner networks such as TBS, TNT, truTV and Cartoon Network.

- For Grand Rapids U-verse TV customers, AT&T is expanding the ways they can control and watch TV shows with the new AT&T U-verse TV Total Home DVR features that give customers the ability to pause and rewind live TV on any U-verse receiver in the home. This new capability is rolling out on a market-by-market basis to all AT&T U-verse TV customers and will be available in all markets over the next few months.

- Chicago Cubs fans in Michigan get to choose their own camera angle with AT&T U-verse TV's Chicago Cubs Multiview App. Announced last season for Chicago viewers and offered nationwide in May 2011, the Chicago Cubs Multiview app lets customers view up to four different camera angles of the Chicago Cubs home games at one time, choosing from the main WGN America game broadcast and six alternate camera angles.

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

- 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 49 communities across Michigan, up 12 from the 37 communities last year at this time, who have already implemented their PEG channels on AT&T U-verse TV. These 49 communities provide 63 channels of PEG programming via AT&T, up 25 channels from last year.

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 1st quarter 2011, AT&T had over 3.2 million AT&T U-verse TV customers, with 28 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 259 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, 2011, the Commission issued its 4th 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 Orjiakor Isiogu, "Video and cable competition continues to grow in Michigan, giving more customers more choices. In addition, companies invested hundreds of millions of dollars in the Michigan video/cable market in 2010." 42 providers (up 2%) reported offering video services in Michigan with 2.3 million video/cable customers.

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/