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December 20, 2007

Ms. Marlene Dortch  
Secretary  
Federal Communications Commission  
445 Twelfth Street, SW  
Washington, DC 20554

Re: WC Docket No. 06-74, In the Matter of AT&T Inc. and BellSouth Corporation  
Application for Transfer of Control – **Statement of Video Roll-Out Intentions**

Dear Ms. Dortch:

In accordance with the voluntary commitments set forth in Appendix F of the Commission's Memorandum Opinion and Order in WC Docket No. 06-74, In the Matter of AT&T Inc. and BellSouth Corporation Application for Transfer of Control ("AT&T/BellSouth Merger Order"), attached please find AT&T's report describing progress made in obtaining necessary authorizations to roll-out, and the actual roll-out of, advanced video services in its former BellSouth in-region territory.

If you have any questions regarding the attached, please contact me at (202) 457-3032.

Sincerely,

A handwritten signature in black ink that reads "Jacquelyne Flemming". The signature is written in a cursive, flowing style.

Attachment

cc: The Honorable Kevin J. Martin  
The Honorable Jonathan S. Adelstein  
The Honorable Michael J. Copps  
The Honorable Robert M. McDowell  
The Honorable Deborah Taylor Tate

# **AT&T's Progress in Obtaining Necessary Authorizations to Roll-Out, and the Actual Roll-Out of, Advanced Video Services in its former BellSouth In-Region Territory**

**December 20, 2007**

## **Introduction**

In June 2004, SBC Communications Inc., now AT&T Inc. ("AT&T"), announced it would develop a network capable of delivering a new generation of integrated digital television, high-speed broadband, and VoIP services to its residential and small-business customers.<sup>1</sup> In December 2005, AT&T launched U-verse, a state-of-the-art, IP-based video service, in San Antonio, and in 2006 AT&T began deploying the service in other markets throughout its 13-state in-region territory. In 2007, AT&T ramped up its deployment of U-verse in its 13-state region dramatically, while also making substantial progress in bringing U-verse to its new customers in the former BellSouth in-region territory (hereinafter "AT&T Southeast" or "Southeast").

## **U-verse Products**

Today, AT&T U-verse features more than 300 channels, crystal-clear video quality, a growing video-on-demand library, picture-in-picture channel guide, and fast channel change. Among the newest U-verse features are:

- AT&T U-bar, which brings Internet-like content to the television screen in the form of local weather, stock, sports, and traffic information. Customers who also subscribe to AT&T Yahoo! High Speed Internet U-verse have the option to customize the U-bar from their AT&T Yahoo! broadband account to display weather at a specified location, their personal stock portfolio, and scores for their favorite sports teams.
- YELLOWPAGES.COM TV, an intuitive new way to search for local businesses and other information via U-verse TV.
- AT&T Yahoo! Games, available over the television screen, including Sudoku, Solitaire, JT's Blocks, Mah-jongg Tiles, and Chess.

## **Continued Expansion of U-verse Availability**

During 2007, AT&T substantially expanded the availability of U-verse. At the beginning of 2007, AT&T had passed approximately 2.1 million living units in AT&T's 13-state territory with its U-verse network, and had approximately 3,000 U-verse customers in service. By the end of third quarter of 2007, these numbers had grown to 5.5 million and 126,000 respectively. As of the date of this report, AT&T was providing U-verse service in 35 markets in its 13-state in-region territory, and U-verse installations were exceeding 10,000 per week.

By the end of 2008, AT&T expects to have passed approximately 17 million living units in its 22 state in-region territory with its U-verse network, have more than 1 million

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<sup>1</sup> Please see the cautionary language regarding forward-looking statements attached as Exhibit A to this report.

U-verse customers in service, and be completing more than 40,000 installations per week. AT&T estimates it will pass approximately 30 million living units in its 22 state in-region territory with its U-verse network by the end of 2010.

AT&T expects to spend between \$4.5 to \$5.0 billion on U-verse network-related deployment costs and capital expenditures from January 2007 through the end of 2008. These expenditures have increased over earlier projections because of expansion of the programming and features of the video offering and additional network enhancements. AT&T continues to work with its vendors to improve the hardware and software technology necessary to provide its U-verse customers with a state-of-the-art entertainment experience.

### **Progress in Deploying U-verse in the Southeast**

At the time of its merger with BellSouth, AT&T announced its intention to bring advanced video services to its new Southeast in-region territory in a manner consistent with its roll-out of advanced video services in its 13-state in-region territory. Since the close of the merger on December 29, 2006, AT&T has directed a significant portion of its U-verse start-up capital to the expansion of U-verse into the Southeast. AT&T has engaged in extensive internal development and planning, engaged numerous vendors, worked to complete necessary agreements with programming owners, and otherwise made substantial progress in completing the complex IT, network infrastructure, and other integration work necessary to deploy U-verse in the former BellSouth territory.

By May 2007, AT&T had completed its initial plan for its Southeast U-verse network build, as well as its initial plan for its Southeast market launch. AT&T selected the Atlanta area for its initial Southeast deployment, and initiated a controlled launch of U-verse in that area on December 10, 2007. Consistent with its approach in the 13-state region, AT&T's deployment strategy in the Atlanta area, as well as the rest of its Southeast region, is to enter each market on a limited basis in order to ensure that all operating and back-office systems are functioning properly, and then expand within each market as AT&T personnel continue to monitor these systems.

AT&T will be launching U-verse in more Southeast markets throughout 2008. For competitive reasons, however, AT&T is not disclosing where these launches will be, or exactly when they will occur.

### **Progress in Obtaining Authorizations to Provide Advanced Video Services in the Southeast**

AT&T has also made substantial progress in obtaining the necessary authorizations to provide advanced video services in the Southeast region. Statewide video franchise laws have been enacted in Georgia, Florida, North Carolina, and South Carolina. In Florida, the state commission has granted AT&T a statewide Certificate of Franchise Authority.<sup>2</sup> In Mississippi, the Attorney General has clarified that AT&T has the right to use its facilities to provide video service in that state without further authorization. In Alabama,

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<sup>2</sup> The Georgia law does not permit applications for a statewide franchise to be filed until January 1, 2008. AT&T has, however, executed interim agreements with eight local governments to allow AT&T to pursue controlled launches of the service in Georgia prior to obtaining a statewide franchise.

AT&T has executed several agreements with local governments pursuant to which AT&T may deploy video service.

AT&T plans to continue to pursue the necessary authorizations to deploy its U-verse service, whether through legislation or through local agreements, throughout the Southeast.

### **Fiber-Based Facilities**

During 2007, AT&T continued deployment of fiber-based facilities in its Southeast in-region territory to facilitate its ability to provide advanced video and other services. As of October 2007, AT&T had the capability to reach more than 1.5 million homes in its Southeast in-region territory with fiber-based facilities.

### **AT&T Homezone**

AT&T Homezone is a next-generation service integrating satellite TV and broadband services, which is currently available in AT&T's 13-state in-region territory. With Homezone, customers can access TV and movies via AT&T | DISH Network, download movies, listen to music and view photos from the Internet via AT&T Yahoo!® High Speed Internet, and see caller ID on their TV screen. AT&T is continuing to evaluate the deployment of either AT&T Homezone or another service similarly integrating advanced broadband and satellite services in its Southeast in-region territory.

## **EXHIBIT A**

### **Cautionary Language Concerning Forward-Looking Statements**

Information set forth in this report contains financial estimates and other forward-looking statements that are subject to risks and uncertainties, and actual results may differ materially. A discussion of factors that may affect future results is contained in AT&T's filings with the Securities and Exchange Commission. AT&T disclaims any obligation to update or revise statements contained in this report for investors or potential investors based on new information or otherwise. This report may contain certain non-GAAP financial measures. Reconciliations between the non-GAAP financial measures and the GAAP financial measures are available on the company's Web site at [www.att.com/investor.relations](http://www.att.com/investor.relations).