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February 1, 2010

Honorable Jennifer Granholm
Governor of Michigan

Honorable Members of the Senate
Secretary of the Senate

Honorable Members of the House of Representatives
Clerk of the House of Representatives

The enclosed annual report, *Status of Competition for Video Services in Michigan*, is submitted on behalf of the Michigan Public Service Commission in accordance with Section 12(2) of the Uniform Video Services Local Franchise Act (2006 PA 480). This report will be made available on the Commission's Web site at www.michigan.gov/mpsc. The purpose of this report is to describe the status of competition in video services in Michigan. This report also details Commission activities for 2009 and provides an overview of the survey responses from franchise entities and video/cable service providers.

Similar to the past years' reports, there continues to be encouraging signs that competition in the video services market in Michigan is increasing with a two percent growth in the number of cable customers in each of the last two years. Overall, providers are reporting more competition in their franchise areas, with three new companies entering the market in 2009. It is important to understand that video/cable competition and the entrance of new providers will take some time to develop fully. While there continues to be some areas throughout Michigan that do not have a video/cable provider (as indicated by the franchise entities), the information that has been provided for this report continues to present positive signs that competition is developing in communities throughout Michigan. As stated in the previous years' reports, it should be noted that the Video Franchise Act does not cover satellite providers, and this report does not include information on satellite providers, which may be viewed as another competitor to video service. Attempts have been made at obtaining satellite television information, but without much success.

In 2009, there were two legislative initiatives that became law: the dispute resolution process (2009 PA 4) and the extension of the funding provision (2009 PA 191). The Commission provides recommendations for legislative revisions pursuant to Section 12(2) of

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2006 PA 480. These recommendations if implemented will improve the Commission's ability to more effectively implement 2006 PA 480.

The Commission will continue to monitor the status of video services competition in Michigan, which includes receiving and analyzing information from both franchise entities and video/cable service providers throughout Michigan. The Commission will also continue to assist individual customers, franchise entities, and providers with their questions and/or complaints. Finally, the Commission will continue to inform the Governor and Legislature of any future developments and make the appropriate recommendations for needed legislation.

Very truly yours,

Orjiakor N. Isiogu, Chairman
Michigan Public Service Commission

Monica Martinez, Commissioner
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Greg R. White, Commissioner
Michigan Public Service Commission

STATUS OF COMPETITION FOR VIDEO SERVICES IN MICHIGAN

Orjiakor N. Isiogu, Chairman
Monica Martinez, Commissioner
Greg R. White, Commissioner

MICHIGAN PUBLIC SERVICE COMMISSION

Department of Energy, Labor & Economic Growth
In compliance with Public Act 480 of 2006

February 1, 2010

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Introduction

On January 1, 2007, the Uniform Video Services Local Franchise Act (hereinafter referred to as “2006 PA 480” or the “Act”) became effective. Section 12(2) of the Act states:

The commission shall file a report with the governor and legislature by February 1 of each year that shall include information on the status of competition for video services in this state and recommendations for any needed legislation. A video service provider shall submit to the commission any information requested by the commission necessary for the preparation of the annual report required under this subsection. The obligation of a video service provider under this subsection is limited to the submission of information generated or gathered in the normal course of business.

This Act directs the Michigan Public Service Commission (Commission) to provide information regarding the status of competition for video services in Michigan, as well as any recommendations for needed legislation to the Governor and Legislature, by February 1 of each year. For the third year, the Commission has gathered information regarding the status of competition for video services by developing electronic surveys for use by video providers and municipalities throughout Michigan. The surveys, as well as the information collected from those surveys, are explained in further detail within the body of this report.

In addition to the survey information, this report provides a brief description of the Commission’s role as it pertains to the Act, as well as the Commission’s video franchise activities (including complaint handling) over this past year. This report includes a summary of legislative activity during 2009 in the video franchise area, the Commission’s conclusion on the status of video competition for 2009, and lastly, recommendations for legislative changes.

I. Responsibilities and Activities of the Commission

This section provides an overview and analysis of the responsibilities and activities of the Commission since the Act became effective, and more specifically, over the course of this past year. These responsibilities and activities have been divided into the following categories: Statutory Responsibilities, Outreach, and Complaint Handling.

A. Statutory Responsibilities

The Act became effective on January 1, 2007. The Commission established a statewide uniform standardized form to be used by both video/cable service providers (providers) and franchise entities pursuant to Section 2(1) of the Act. The Uniform Video Service Local Franchise Agreement (UVSLFA) was formally approved on January 30, 2007 by the Commission in Case No. U-15169. For purposes of this report, the UVSLFA will be referred to as the “Agreement.” The Agreement can be found on the Video Franchise Web page of the Commission’s Web site.¹

The Act also required the Commission to develop a proposed dispute resolution process which was submitted to the Legislature in compliance with Section 10(3) of the Act. The Commission submitted the Proposed Dispute Resolution Process to the Legislature and Governor on May 31, 2007. On April 2, 2009, Governor Granholm signed into law Senate Bill 190 (Public Act 4), which established the video dispute resolution process.

In addition to the statutory requirements which have already been listed, the Act provides that the Commission shall receive and rule on waiver requests from providers for an extension to

¹ The Agreement, as well as the Act, can be located at: <http://www.michigan.gov/mpsc/0,1607,7-159-49641---,00.html>.

requirements in Section 9 of the Act and monitor the providers' adherence to their progress for compliance through annual reports. Section 9(1) of the Act states: "A video service provider shall not deny access to service to any group of potential residential subscribers because of the race or income of the residents in the local area in which the group resides." Now that it has been three years since the Act became effective, the Commission is able to report information on providers' compliance with Section 9(2)(a) of the Act². Of the information that has been received from providers, 32 providers have reported information indicating that they have exceeded the statutory requirements. These providers have indicated that 100 percent of current and potential customers have access to their video services. All of the companies that have responded have reported that they do not discriminate against race and/or income. Two providers (Pine River Cable and CableMax) failed to provide a response to the requested information and nine other providers have not yet reached the three year benchmark for which to report, pursuant to Section 9(2)(a). Lastly, the Commission is given the authority to order remedies and penalties for violations of the Act.

B. Outreach

Throughout 2009, the Commission has continued to work diligently to educate and raise awareness of this Act and the related Agreement with providers, franchise entities, organizations, and the public. Commission Staff has continued to actively participate in speaking events that provide an opportunity to educate and inform interested parties. In addition, the Commission has also continued to reach out to video/cable customers through its Consumer Forums³ that were held during the months of September and October in communities throughout Michigan.

² Section 9(2)(a) of the Act states. "Within 3 years of the date it began providing video service under this act, at least 25% of households with access to the provider's video service are low-income households."

³ In September and October, 2009 the Commissioners and Staff attended Consumer Forums in Marquette, Detroit, Adrian, East Tawas, Livonia, and Port Huron.

During the first half of 2009, the Commission continued to provide assistance to Michigan residents with regard to the digital television (DTV) transition. The Digital Television Transition and Public Safety Act of 2005 mandated that on June 12, 2009 all full-power broadcast television stations in the United States stop broadcasting on analog airwaves and begin broadcasting only in digital. While the complaint/inquiry numbers on this issue was minimal, the Commission continues to provide the DTV.gov link on its Web site⁴.

Once the video dispute resolution was signed into law, the Commission issued a Consumer Alert informing customers as to how they can resolve any video/cable complaints. The Consumer Alert was issued on April 16, 2009, and a press release announcing this Consumer Alert was issued on the same day.

The Commission continues to update and enhance its video franchise Web page regularly. On May 19, 2009, the Commission launched its online video/cable complaint form. Customers are now able to submit their cable complaints online at any time or day of the week at their convenience.

C. Complaint/Inquiry Handling

The Commission has received over a thousand video/cable complaints and inquiries for the second year in a row. The Commission continues to receive video/cable complaints and inquiries from customers, providers, and franchise entities. The video franchise dispute resolution process also became law in 2009. The following is an overview of the dispute resolution process and informal and formal complaints received by the Commission.

1. Dispute Resolution Process

As mentioned earlier, pursuant to the Act, the Commission developed a proposed dispute resolution process that was submitted to the Legislature on May 31, 2007. On February 4, 2009,

⁴ <http://www.michigan.gov/mpsc/0,1607,7-159-49641---,00.html>

Senate Bill 190, which formally created the dispute resolution process, was introduced. Senate Bill 190 was passed by the legislature on March 19, and signed into law as Public Act 4 on April 2, 2009.

The Commission notified providers of Public Act 4 via letter on May 4, 2009. In addition, the Commission also reached out to communities, and sent letters to 1,775 villages/townships/cities informing them of Public Act 4. The Commission also included in its letter to the municipalities its video contact information to be shared with residents who may have video/cable related complaints and/or concerns. Also, as previously stated, the Commission issued a Consumer Alert for video/cable customers on April 16, 2009 that informs them of the complaint process.

2. Informal Customer Complaints

The number of customer complaints and inquiries continued at the same pace as in 2008. The Commission continues to assist customers on a variety of issues regarding billing problems, service outages, customer service, missed appointments, delayed service, rates/fees, channel line-up concerns, video/cable competition, equipment/cable line problems, Public, Education, and Government (PEG) programming complaints, etc. When handling informal customer complaints, the Commission follows the complaint process established in Public Act 4 of 2009.

At times, the Commission has encountered problems with receiving responses from providers within the 10 business days of the complaint being sent to the provider. In most circumstances, the Commission has been able to informally resolve such problems with the provider. However, there have been some circumstances that were not able to be resolved informally. As a result, the Commission has taken action toward providers who have failed to

comply with Public Act 4 of 2009 and has recently issued Show Cause⁵ orders against two providers: Pine River Cable and CableMax.

The Commission received 1,025 customer complaints and inquiries in the video franchise area from January 1, 2009 to December 31, 2009. When compared to the previous year, this was just a slight decrease of five complaints and inquiries. Figure 1 below shows the number of complaints and inquiries filed at the Commission for the last three years; 2007, 2008 and 2009:

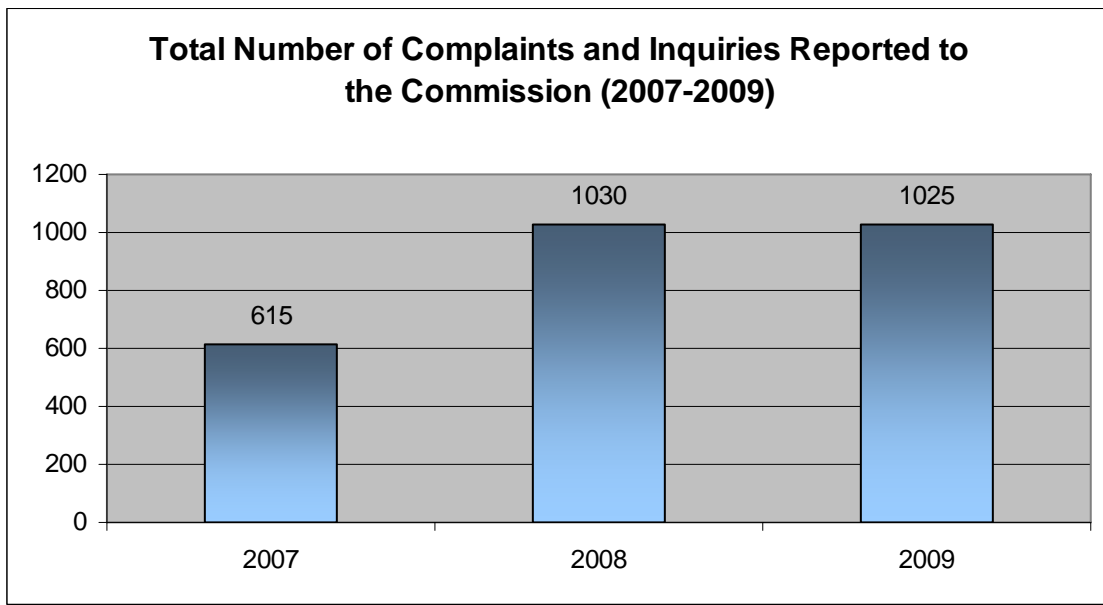


Figure 1
Source: MPSC Complaint Data

The 1,025 complaints and inquiries are those that are fully documented and reported to the Commission and do not include calls where customers were not willing to provide their name and contact information. Also, 2009 was the first year that the formalized dispute resolution process has been used.

⁵ Show Cause orders were issued by the Commission on January 11, 2010 for, in part, problems regarding lack of response to customer complaints that were filed during 2009 pursuant to Public Act 4 of 2009.

As previously stated, the Commission assisted video/cable customers with a number of issues. While most of the complaint categories are self-explanatory, there are two categories that need clarification.

For the second year in a row, channel line-up complaints were one of the top four most common complaints. Customers continue to voice their displeasure in regards to changes made to their channel line-ups. Customers that subscribe to analog service complained that their providers are removing channels from their analog tier, and placing those channels on the digital tier. Customers complained that as channels were removed from their analog tier, they were not being replaced with other channels, and in fact, customers were reporting that their rates were increasing, even though they lost channels. Customers voiced concern that they were being forced to subscribe to digital services in order to maintain their current channel line-up.

The complaint category that is titled “Other” pertains to complaints and inquiries that tend to be random issues that are not consistently being reported every day by customers⁶. Figure 2 provides a listing of the top four most common types of video/cable complaints filed with the Commission in 2009:

⁶ For example, a customer who files a complaint about where a technician parks the company’s utility truck at his/her residence, or a request that the company provide more material goods to a community would be placed into the “Other” category.

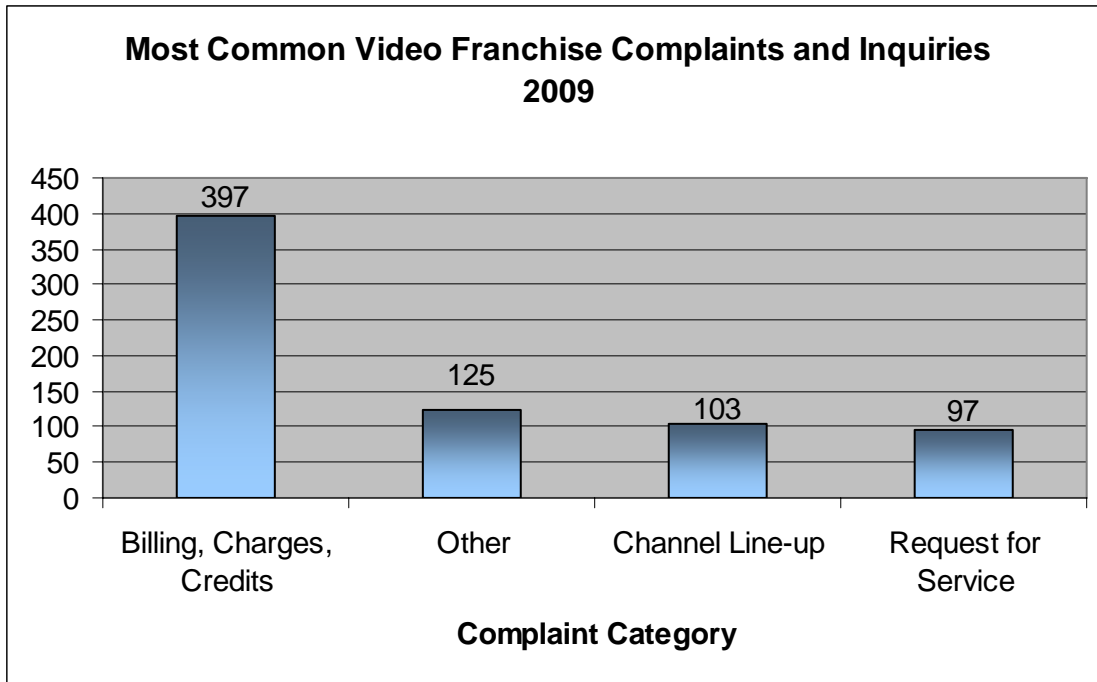


Figure 2
Source: MPSC Complaint Data

When this information is compared with the 2008 data, the top most frequent complaint categories remain the same: Billing, Charges, and Credits.

The Commission received video/cable complaints from customers of numerous providers. In comparison to the previous year, the top three providers with the most complaints and inquiries filed against them remained unchanged with the companies being Comcast (49 percent of all complaints and inquiries), Charter (22 percent of all complaints and inquiries), and AT&T Michigan (11 percent of all complaints and inquiries). It is expected that Comcast and Charter will have a large number of the complaints and inquiries since both of these companies have the largest number of customers in Michigan. When the complaints and inquiries are itemized individually by company, the following are the results: Comcast (95 percent complaints, five percent inquiries), Charter (95 percent complaints, five percent inquiries), and AT&T Michigan (69 percent complaints, 31 percent inquiries). AT&T Michigan's inquiries are

higher than Comcast and Charter because calls were received from several potential customers inquiring whether AT&T U-verse was available in their area.

3. Formal Complaints

During 2009, there were three formal complaints at the Commission still pending from the previous year due to legal questions regarding the absence of a formal dispute resolution process. No new formal complaints were filed at the Commission during 2009. Of the three complaints, U-15683⁷ was dismissed before the dispute resolution process was signed into law. Action on U-15329⁸ and U-15427⁹ took place after the dispute resolution process was in place, and were the first to use the legislatively mandated dispute resolution process.

The following is a list of formal complaints in 2009:

Formal Complaints

Case No.	Parties Involved	Date of Action	Type of Action
U-15683	<i>AT&T Michigan v City of Clawson</i>	02/20/09	Dismissed
U-15329	<i>City of Detroit v Comcast</i>	07/01/09	Dismissed without prejudice
U-15427	<i>City of Adrian v Comcast</i>	10/13/09	Accepted mediator's decision

⁷ MPSC Case No. U-15683 - *AT&T Michigan v City of Clawson* was dismissed on February 20, 2009. On February 4, 2009, AT&T Michigan and the City of Clawson filed a joint stipulation to dismiss the proceeding with prejudice and without assessing costs, fines, attorney fees, or other sanctions.

⁸ MPSC Case No. U-15329 - The Commission found that the City of Detroit's complaint should be dismissed without prejudice because of lack of action by the City. If the City determines to re-file its dispute, it may do so by following the procedures now set forth in MCL 484.3310(6).

⁹ MPSC Case No. U-15427 Both parties (City of Adrian and Comcast) accepted the mediator's recommended settlement. Ultimately, the Commission adopted the mediator's recommendation and found that the proceeding should be closed.

II. 2009 Commission Survey to Franchise Entities and Providers

Similar to the previous years, the Commission developed a survey to be completed by franchise entities, as well as a survey to be completed by providers. Both surveys were titled the “Status of Competition for Video Services in Michigan,” and they were specific to each party (franchise entities and providers). This section is divided into two categories: “Franchise Entities’ Responses to the Commission’s Survey” and “Providers’ Responses to the Commission’s Survey.” Information that was collected via the surveys is summarized in each of these two categories.

A. Franchise Entities’ Responses to the Commission Survey

Once again, the Commission made available on its Web site¹⁰ the online survey form for municipalities. The online survey was available November 1 – November 30, 2009. While the franchise entity survey is not mandatory, the Commission believes that it is important to continue to collect information from municipalities from all across Michigan on the video/cable environment in their communities. Notification letters were sent to over 1,700 municipalities throughout Michigan, making them aware of the location and availability of the survey, and also encouraged the communities to respond to the survey. Of the more than 1,700 municipalities that the surveys were sent to, 330 communities responded. The following information provides insight as to what is occurring in some communities throughout Michigan in regard to video/cable service and competition. Essentially, the responses are itemized into five main categories: Provider Information, Complaints, Impact of the Video Franchise Act on Communities, Changes in Quality of Service and/or Service Offerings of Providers, and the Franchise Entities’ Suggestions for Legislative Changes. The following information comes from

¹⁰ <http://www.michigan.gov/mpsc/0,1607,7-159-49641---,00.html>

the communities' responses and only reflects the comments of those particular communities. While the Commission believes that it is important to include this information in this report, the responses do not necessarily reflect the opinion of the Commission.

1. Provider Information

Prior to 2006 PA 480 taking effect on January 1, 2007, the community respondents indicated that they had the following number of providers offering video/cable service in their area:

Prior to 2006 PA 480

Number of Providers	Number of Communities
0	6
1	260
2	47
3	5

During 2009, 174 municipalities indicated that they had one new provider file for a franchise Agreement. In addition, there were 22 municipalities that indicated they had at least two new providers file for a franchise Agreement in their area, and there were four municipalities that had three new providers file for a franchise Agreement. One municipality indicated that they had four new providers file for a franchise Agreement. In 2009, municipalities have indicated a slight increase (since the Act took effect) in the number of providers currently offering television services in some of their communities, as well as a slight decrease in others¹¹. According to the municipalities, the total video/cable providers that currently offer service in their community is indicated on the following chart:

¹¹ It is important to note that the communities that responded this year are not necessarily the same communities that responded in previous years. Therefore, it is difficult to do a yearly comparison when inconsistencies exist among the municipality responses. In addition, only 330 communities responded to the survey. This response rate represents approximately 19 percent of all of Michigan's municipalities.

Providers Offering Video/Cable Service - 2009

Number of Providers	Number of Communities
0	22
1	212
2	65
3	28
4	3

The number of providers in municipalities has increased slightly overall since the Act took effect; however, the mix of communities with a greater number of providers shows that competitive choices are becoming more available.

2. Complaints

Of those municipalities that responded to the survey regarding customer complaints, 63 percent indicated that they no longer take video/cable complaints in their offices. When asked about their knowledge of Public Act 4 of 2009 (the video dispute resolution process), 40 percent of the municipalities reported that they were aware of the process.¹² For those communities that continued to take complaints in 2009, 63 percent reported that they were still attempting to resolve those complaints. A majority (58 percent) of municipalities are aware that the Commission can assist customers, franchise entities, and providers who have video/cable questions and/or problems.

In addition, the most frequent complaints received by municipalities are as follows (from most to least):

1. Rates
2. Customer Service
3. Billing Issues
4. Service/Equipment Problems & Outages
5. Other

¹² The Commission sent a letter on May 19, 2009 to 1,775 villages/townships/cities informing them of Public Act 4 of 2009 and the Commission contact information. The Commission will continue to reach out to communities to make them aware of the video dispute resolution process.

With regard to informal or formal disputes regarding municipalities' franchise Agreements that have been filed with the video/cable providers, 92% of respondents indicated that they have not had any form of dispute with their provider. Of those municipalities that have had a dispute, only 2% have contacted the Commission regarding the dispute. The top three reasons for disputes were issues regarding: 1) PEG Fee 2) Agreement language, and 3) Franchise fee.

3. Impact of the Video Franchise Act on Communities

Communities were surveyed on the impact that they have witnessed within their communities since the Act took effect. The impacts that were evaluated are: Video/Cable Competition, Franchise Fee Payments, PEG Fee Payments, Video/Cable Complaints, and Other. The communities provided the following information on the impact of the Act in their communities (Figure 4):

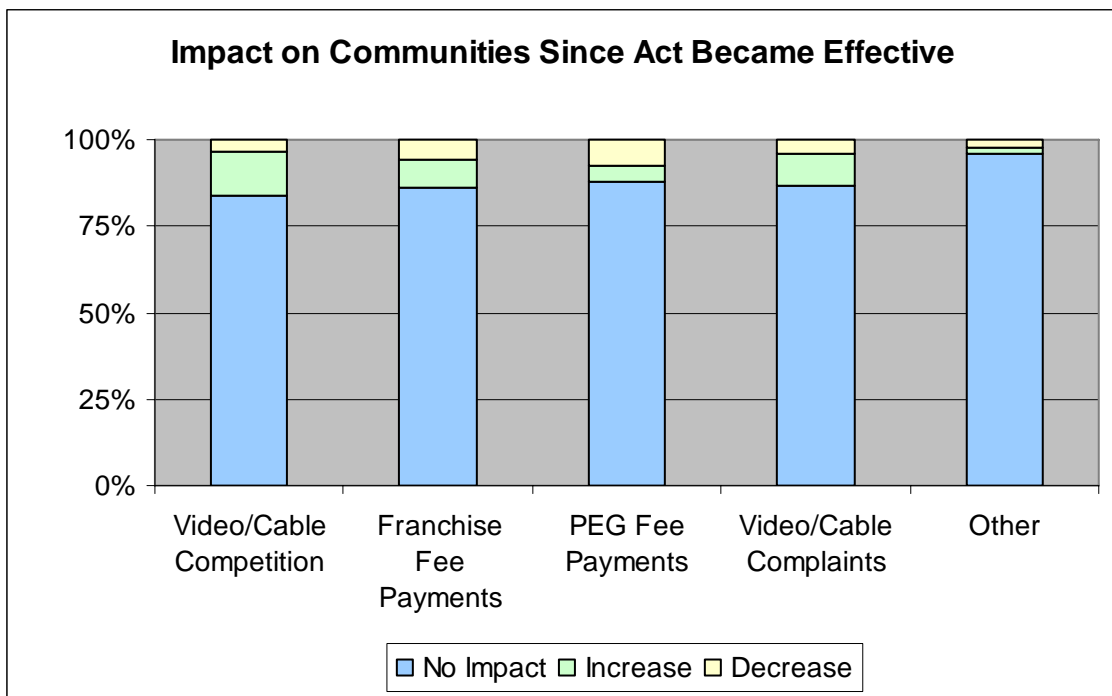


Figure 4
Source: MPSC Franchise Entity Survey

For example, 84 percent of the reporting communities noted that the Act had no impact on competition, while approximately 13 percent indicated that they experienced an increase in competition and about three percent reported that they experienced a decrease.

4. Changes in Quality of Service and/or Service Offerings of Providers

Municipalities reported on changes occurring in their communities in regard to: Customer Service Quality, PEG Studio and Equipment, Service Offered by the Provider, and the Number of Customer Service Centers. Figure 5 below reflects those responses from the municipalities:

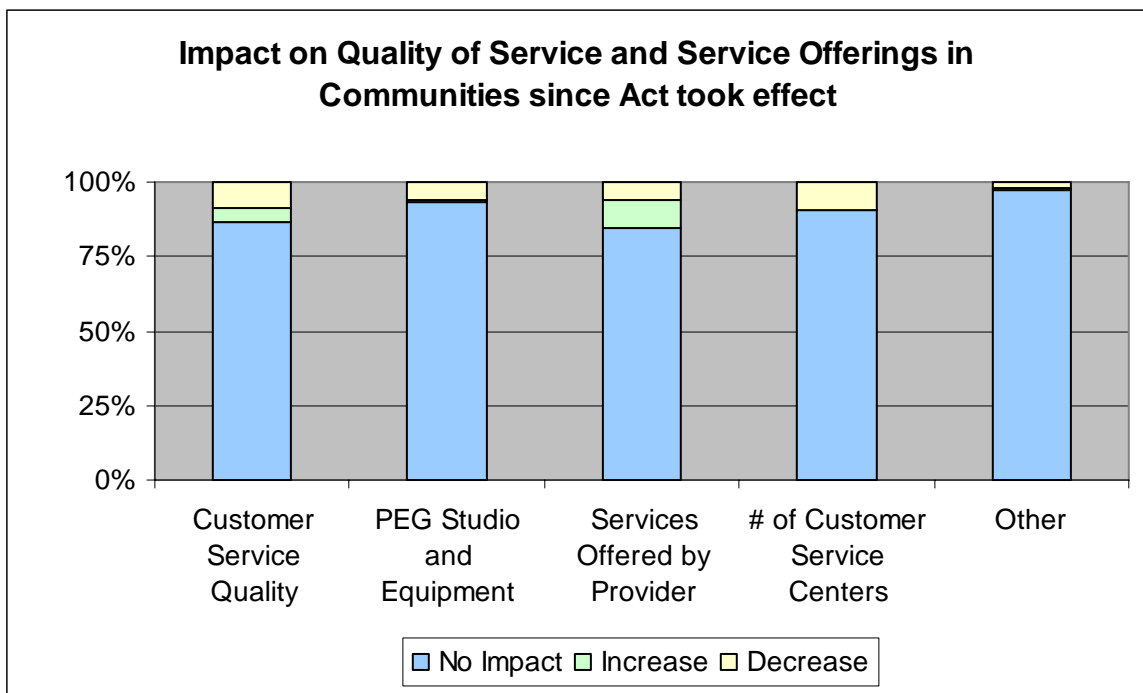


Figure 5
Source: MPSC Franchise Entity Survey

On this chart for example, 86 percent of communities that responded reported the Act had no impact on customer service quality, while five percent reported an increase and nine percent reported a decrease.

Overall, the vast majority of respondents have not seen any evident changes in the quality of service and/or service offerings in their communities since the Act took effect. The category that saw the largest increase was regarding services offered by the provider.

5. Franchise Entities' Suggestions for Legislative Changes

Municipalities were provided the opportunity to offer any recommendations/suggestions that they may have for possible changes to the Act¹³. The municipalities' comments are categorized as follows:

- Changes with PEG
 - Require AT&T U-verse to carry PEG
 - Create language that better protects PEG
 - Carry PEG at no cost (don't charge for PEG equipment)
 - Include specific language regarding PEG channel placement (keep on basic tier)
 - Make the PEG fee uniform and ensure 2% PEG fees for all communities
 - Amend the Act so that PEG is separated into three items (public, education, and government) instead of having it combined as one as it is now
- Requirements for Providers
 - Require providers to service entire communities (not just parts), as well as require service in rural communities
 - Require at least one provider to provide service to small rural communities
 - Require providers to increase service to rural communities
 - Require providers to offer subscriber count information to local communities
 - Require providers to provide status reports, as well as franchise fee payment reports
 - Require providers to display their local telephone number on their bill for live representatives
 - Require the providers to provide detailed maps of their routes to the franchise entity
 - Require providers to cut rates if they eliminate channels
- Repeal the Act and return control and authority back to the local governments
- Give authority back to the local communities
- State should create incentives for new providers
- Eliminate the Public Service Commission's role
- Strengthen the dispute resolution process
- Better protect the Public Right of Way

B. Providers' Responses to the Commission Survey

In 2009, the Commission developed an electronic survey for providers that was used for the first time. The survey notification letter was sent on December 1, 2009 to providers of

¹³ Again, these recommendations represent suggestions from the franchise entities and do not necessarily reflect the views of the Commission.

video/cable service in Michigan. A total of 43 providers were sent the notification letter, and 41 providers completed the survey. Pine River Cable and CableMax failed to complete and provide responses to the survey. The survey was also included on the Commission's Web site.¹⁴ The total number of companies that responded to the 2009 survey this year was an increase of two providers over 2008.

1. Cable/Video Subscribers

During 2009, 2,365,147¹⁵ video/cable customers were reported for Michigan. This is a net increase of 42,676 video/cable customers compared to what was reported in 2008. Since 2007 (the first year of the Commission's annual report), the number of video/cable subscribers have increased each year. The cable industry continues to see growth as shown in Figure 6.

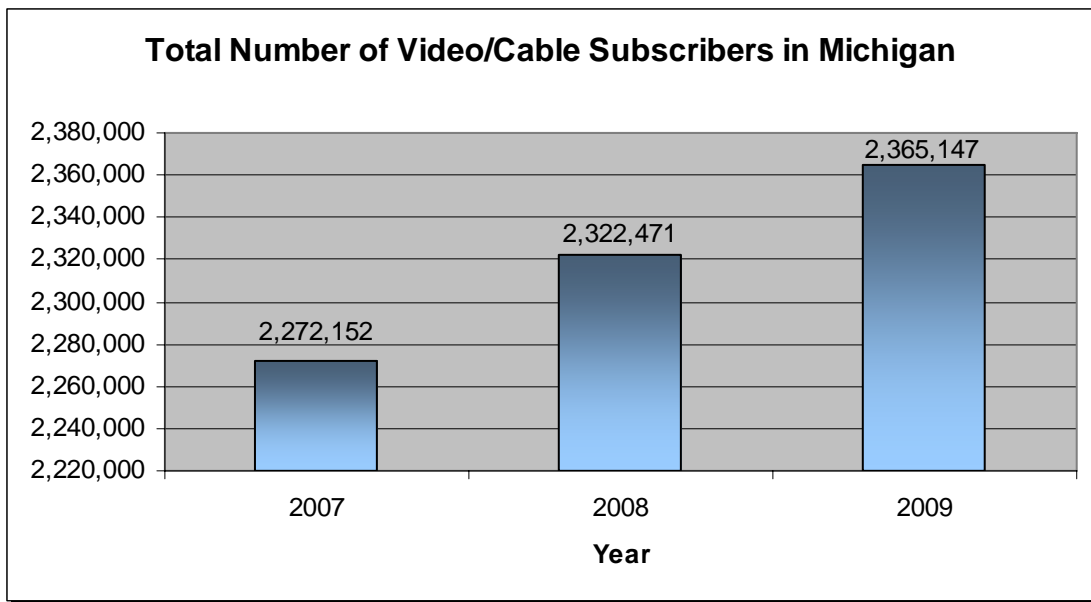


Figure 6
Source: MPSC Provider Survey

¹⁴ <http://www.michigan.gov/mpsc/0,1607,7-159-49641---,00.html>

¹⁵ This number does not include satellite providers. Satellite providers are not required to have franchise agreements with franchise entities and are not required to report to the Commission. The Commission has attempted to obtain satellite subscriber information in Michigan without much success.

The top three companies providing video/cable service in Michigan remain the same as previous years: Comcast, Charter Communications, and Wideopenwest Michigan (WOW). In 2009, there were three new companies¹⁶ that began offering video/cable services to Michigan's residents. Since January 1, 2007 (the day that the Act became effective), a total of nine¹⁷ video/cable providers are reported to have entered Michigan's market.

While overall there was a net increase of video/cable customers in Michigan in 2009, several providers continued to report a decrease in the number of customers in their service areas since 2006 PA 480 took effect. Figure 7¹⁸ shows the customer impact on providers since the Act took effect.

Impact on Provider's Customer Base for 2009

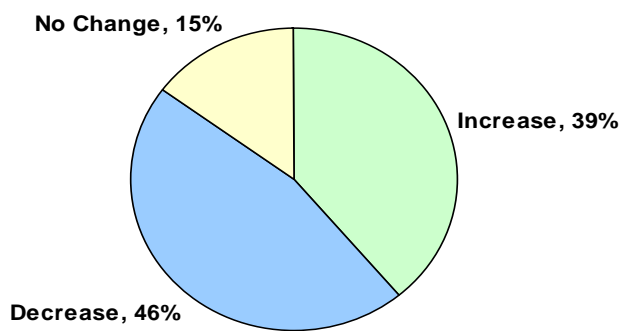


Figure 7
Source: MPSC Provider Survey

¹⁶ Drenthe Telephone Company, Michigan Cable Partners (MICOM), and Ace Communications Group.

¹⁷ The following companies reported offering video service in Michigan *after* January 1, 2007: Packerland Broadband, Northside TV Corporation, Drenthe Telephone Company, MICOM (Michigan Cable Partners), Sunrise Communications, AT&T Michigan, Southwest Michigan Communications, Ace Communications Group, and Sister Lakes Cable TV

¹⁸ This decrease could be attributable to customers switching to satellite services or to a different video/cable provider, or due to the current economic environment in Michigan. However, while almost half of the providers have reported a decrease in subscriber numbers, fewer providers reported a decrease in 2009 than they reported in 2008.

2. Video/Cable Competition

The Commission asked providers to submit information regarding the competition they are encountering in their franchise areas. Providers submitted information on the number of competing providers they encountered in their specific franchise areas before the Act took effect, and since the Act took effect. According to providers, since the Act has taken effect, there has been a noticeable increase in competitors entering their franchise areas. Figure 8 shows this comparison:

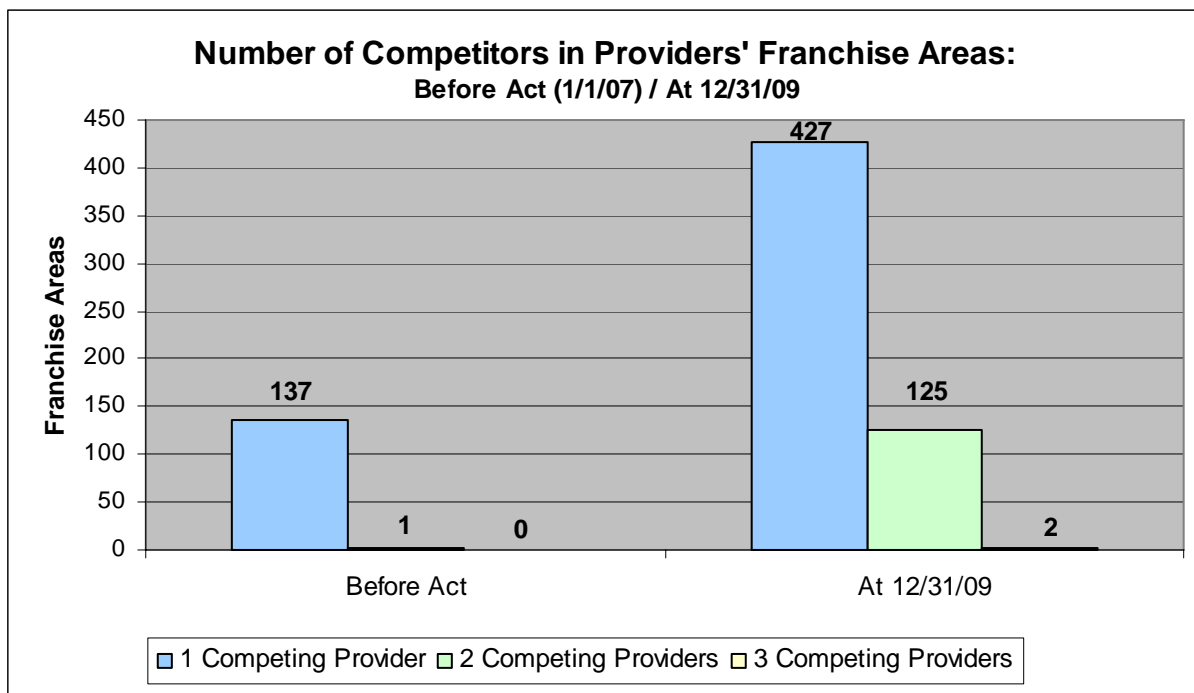


Figure 8
Source: MPSC Provider Survey

Overall, there are currently 1,629 franchise agreements (includes both individual franchise agreements that were entered into before the Act that have not expired yet, as well as the Uniform Video Service Local Franchise Agreements as required by the Act) in existence in Michigan. When compared to last year, there was a net decrease of 256 total franchise agreements. Of the 1,629 currently existing franchise agreements, 1,024 are classified as the Uniform Video Service Local Franchise Agreement, an increase of 218 from the previous year.

3. Disputes

Only five of the 41 providers reported having an informal or formal dispute with a municipality regarding the Uniform Video Service Local Franchise Agreement. A total of 48 disputes with municipalities were noted by the providers. The types of disputes that providers encountered involved:

- Franchise Fees
- PEG Fees
- Completeness of the Agreement
- PEG Interconnection
- Movement of channels to other locations in the line-up
- Attachment 3 submission

This year the Commission requested information from providers regarding how much money they have invested in their Michigan markets. From the information that has been provided to the Commission, providers report that they have invested a total of \$894,207,814 into their Michigan video/cable markets since the Act became effective on January 1, 2007. During last year alone, providers reported investing a total of \$269,780,173 into their Michigan video/cable markets.

4. Providers' Suggestions for Legislative Changes

Providers were also given the opportunity to offer recommendations/suggestions that they may have for changing the Act to improve the efficiency of its implementation. Of the 41 providers that responded to the Commission's survey, only three had suggestions for possibly making a change to the Act. Those suggestions are:

- Require PEG interconnections with incumbent providers
- Change language in Attachment 1 to not have the franchise entity on it

III. 2009 Legislative Activity

During 2009, two public acts¹⁹ became effective that directly impact Public Act 480 of 2006. The video dispute resolution process (PA 4 of 2009) now provides the Commission with the authority to assist with complaints, and at the same time provides customers, providers, and franchise entities with a dispute resolution process. Second, the Act's funding mechanism's sunset date was extended to December 31, 2015 pursuant to PA 191 of 2009.

IV. Conclusion

In conclusion, the Commission, adhering to its responsibilities as set forth in Section 12(2) of the Act, provides the Legislature and Governor with valuable information in this report that ranges from the Commission's role, activities, and responsibilities, to summarizing the information that has been collected from franchise entities and providers, legislative activity, and includes the Commission's recommendations.

It is expected that the complaint levels will either remain steady or increase as new providers continue to build-out systems and as competition continues to grow. Also, as more customers and communities learn of PA 4 of 2009, it is expected that complaints will increase.

The information that has been submitted by both franchise entities and providers indicates that video/cable competition is continuing its growth in Michigan. While some information from both communities and providers had shown mixed information, overall the information that is being reported by providers is that there has been a steady increase in the growth of competition in their franchise areas. It is also reported that providers have invested

¹⁹ Public Act 4 of 2009 (video dispute resolution process) – was signed into law on April 2, 2009. Public Act 191 of 2009 (video assessment sunset extension) – was signed into law on December 21, 2009.

hundreds of millions of dollars into the Michigan video/cable industry. The Act is entering its fourth year of existence. While the growth of competition has not increased significantly, competition does continue to grow and new providers continue to enter the Michigan market. The Commission will continue to monitor video service competition as it develops and take appropriate action as provided by the Act.

V. Recommendations

This section provides the Commission's recommendations for legislative action pursuant to Section 12 (2) of the Act. The Commission is pleased with the legislative initiatives approved in 2009 for dispute resolution and extension of funding. The Commission offers the following two areas for consideration.

First, the Commission continues to recommend that the Legislature extend the due date of the Commission's Annual Report from February 1 of each year, to March 1 of each year. The current due date makes it difficult for respondents to provide timely and accurate year-end information to the Commission. The year end data must be collected, analyzed and summarized in this report in 30 days which is a very short timeframe. Extending the reporting date would give the Commission an additional 30 days with which to do its work.

Second, the Commission continues to recommend that language be added to the Act that is similar to the language that is currently found in Section 211(a) of 2005 PA 235, the Michigan Telecommunications Act, which requires the provider to register the following information with the Commission: the name of the provider, a description of the services provided, the address and telephone number of the provider's principal office, the address and telephone number of the provider's registered agent authorized to receive service in this state, and any other information the Commission determines is necessary. This contact information is vital so that the

Commission has accurate contact information available to it for complaints, as well as for future information and data collection. Also, the Commission recommends that if a company changes its name, goes out of business, or is merged into another company it be required to notify the Commission of this change. Currently, providers do not submit their franchise Agreements to the Commission, the franchise Agreements continue to be submitted to the individual franchise entities. As such this information is not available to the Commission.

The Commission will continue to monitor the status of video services competition in Michigan and inform the Legislature of any further recommendations for needed legislation.