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Re: Docket No. 980696-TP
Updated Exhibits for John Hirshleifer

Dear Will:

Enclosed are the following documents that the staff requested in connection with the stipulation of Dr. Hirshleifer's testimony:

1. Updated Attachments JH-3, JH-3a, JH-3b, and JH-3c to Dr. Hirshleifer's direct testimony.
2. A statement that Attachment JH-4 to Dr. Hirshleifer's direct testimony cannot be updated at a reasonable cost.

By copy of this letter, copies of these documents are being furnished to parties on the attached service list.

Very truly yours,

Richard D. Melson

ACK _____
 AFA 2 _____
 AFP _____
 CBT _____
 CCI _____
 CTF _____
 EAF _____
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 LFR 5 _____
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Enclosures

cc: Blanca Bayó (for docket file)
Parties of Record

DOCUMENT NUMBER-DATE

12660 NOV 12 88

FFSD RECORDS/REPORTING

Updated Attachment JH-3

**Summary of Cost of Debt
for BellSouth, GTE and Sprint**

as of 8/31/98

BLS	BELLSOUTH	6.42%
GTE	GTE	6.46%
FON	SPRINT	6.03%

Details are presented in Attachments JH-3a through JH-3c.

BELLSOUTH Bond Yields

	S&P DEBT RATING as of 8/31/98	Debt Outstanding at Par (mil \$)	Yield to Maturity as of 8/31/98
<u>BellSouth Capital Funding (Issued under support agreement w/BellSouth)</u>			
Deb 6 04s 2026	AAA	300	5.86%
Deb 7 12s 2097	AAA	500	6.72%
<u>BellSouth Telecommunications</u>			
Deb 5 7/8s 2009	AAA	350	5.84%
Deb 7s 2025	AAA	300	6.54%
Deb 6 3/8s 2028	AAA	500	6.85%
Deb 8 1/4s 2032	AAA	250	7.52%
Deb 7 7/8s 2032	AAA	300	7.39%
Deb 7 1/2s 2033	AAA	300	7.09%
Deb 6 3/4s 2033	AAA	400	6.81%
Deb 7 5/8s 2035	AAA	300	7.16%
Deb 5 85s 2045	AAA	300	5.90%
Deb 7s 2095	AAA	500	6.53%
Nts 6 1/2s 2000	AAA	275	5.66%
Nts 6 1/4s 2003	AAA	450	5.51%
Nts 6 3/8s 2004	AAA	200	6.01%
Nts 7s 2005	AAA	150	6.00%
Nts 6 1/2s 2005	AAA	300	5.95%
<u>Southern Bell Tel. & Tel (Now BellSouth Telecommunications)</u>			
Deb 4 3/4s 2000	AAA	100	5.69%
Deb 4 3/8s 2001	AAA	75	6.12%
Deb 4 3/8s 2003	AAA	70	6.04%
Deb 6s 2004	AAA	100	5.97%
		Weighted Average:	6.42%

Source: Standard & Poor's Bond Guide, September 1998.

GTE Bond Yields

	S&P DEBT RATING as of 8/31/98	Debt Outstanding at Par (mil \$)	Yield to Maturity as of 8/31/98
<u>GTE California</u>			
Deb 'A' 5 5/8s 2001	AA-	300	5.62%
Deb 'B' 6 3/4s 2004	AA-	250	5.81%
Deb 'C' 8.07s 2024	AA-	250	7.28%
Deb 'D' 7s 2008	AA-	100	6.07%
Deb 'E' 6.70s 2009	AA-	300	6.15%
Deb 'F' 6 3/4s 2027	AA-	200	6.61%
<u>GTE Corp.</u>			
Deb. 9 3/8s 2000	A	500	5.65%
Deb. 9.10s 2003	A	500	5.75%
Deb. 6.36s 2006	A	450	6.05%
Deb 6.46s 2008	A	250	6.18%
Deb. 7.51s 2009	A	500	6.13%
Deb. 6.84s 2018	A	600	6.76%
Deb 10 1/4s 2020	A	400	8.92%
Deb 8 3/4s 2021	A	300	6.61%
Deb 7.83s 2023	A	500	7.20%
Deb 7.90s 2027	A	500	7.26%
Deb 6.94s 2028	A	800	6.81%
M-T Nts 'A' 6.39s 2000	A	100	5.79%
M-T Nts 'A' 6.56s 2002	A	105	5.88%
M-T Nts 'A' 6.60s 2005	A	75	6.14%
<u>GTE Florida</u>			
Deb 'A' 6.31s 2002	A+	200	5.81%
Deb 'B' 7.41s 2023	A+	200	6.96%
Deb 'C' 7 1/4s 2025	A+	100	6.94%
Deb 'D' 6 1/4s 2005	A+	100	5.99%
Deb 'E' 6.86s 2028	A+	300	6.52%
<u>General Tel Florida (Now GTE Florida)</u>			
1st BB 8 3/8s 2027	NR	75.0	7.98%
<u>GTE Hawaiian Tel</u>			
1st BB 6 3/4s 2005	A	125	6.02%
Deb 'A' 7s 2006	A	150	6.21%
Deb 7 3/8s 2006	A	150	6.21%
<u>GTE North Inc.</u>			
1st 8 1/2s 2031	AA-	250	7.71%
Deb 'A' 6s 2004	AA-	250	5.81%
Deb 'B' 5 1/2s '99	AA-	200	5.77%
Deb 'C' 7 5/8s 2026	AA-	200	7.05%
Deb 'D' 6.90s 2008	AA-	250	6.19%
Deb 'E' 6.40s 2005	AA-	150	5.90%
Deb 'F' 6 3/8s 2010	AA-	200	6.14%
Deb 'G' 6.73s 2028	AA-	200	6.56%
<u>General Tel. Michigan (Now GTE North)</u>			

GTE Bond Yields

	S&P DEBT RATING as of 8/31/98	Debt Outstanding at Par (mil \$)	Yield to Maturity as of 8/31/98
1st 8 1/2s 2006	AA-	25.0	8.05%
<u>General Tel. Midwest (Now GTE North)</u>			
1st 1 8 1/8s 2007	NR	20.0	7.69%
<u>GTE Northwest</u>			
1st FF 6 1/8s '99	AA-	125	5.83%
Deb A 7 3/8s 2001	A+	200	5.63%
Deb B 7 7/8s 2026	A+	175	7.19%
Deb 'C' 6.30s 2010	A+	175	6.10%
<u>General Tel. Northwest (Now GTE Northwest)</u>			
1st BB 8 3/4s 2016	NR	75	8.38%
<u>GTE South Inc.</u>			
Deb 7 1/4s 2002	AA-	150	5.80%
Deb 'C' 6s 2008	AA-	125	6.12%
Deb 'D' 7 1/2s 2026	AA-	250	6.99%
Deb 'E' 6 1/8s 2007	AA-	225	6.14%
<u>General Tel. South (Now GTE South Inc.)</u>			
1st U 7 5/8s 2002	NR	21.0	7.28%
<u>GTE Southwest</u>			
1st 8 1/2s 2031	AA-	100.0	6.58%
Deb 'A' 5.82s '99	AA-	250.0	5.71%
Deb 'B' 6.54s 2005	AA-	250.0	6.00%
Deb 'C' 6s 2006	AA-	150.0	5.94%
Deb 6.23s 2007	AA-	150.0	6.04%
Weighted Average:			6.46%

Source: Standard & Poor's Bond Guide, September 1998.

Sprint Bond Yields

	S&P DEBT RATING as of 8/31/98	Debt Outstanding at Par (mil \$)	Yield to Maturity as of 8/31/98
<u>Sprint Corp</u>			
Deb 9 1/4s 2022	A-	200	6.50%
Nts 8 1/8s 2002	A-	150	5.58%
<u>United Telecommunications (Now Sprint Corp)</u>			
Nts 9 3/4s 2000	A-	250	5.65%
Nts 9 1/2s 2003	A-	200	5.62%
<u>United Tel Co (Florida)</u>			
1st DD 7 1/4s 2004	A	50	5.83%
1st EE 6 1/4s 2003	A	70	5.67%
1st FF 6 7/8s 2013	A	60	6.27%
1st GG 7 1/8s 2023	A	75	6.44%
<u>United Tel Co (Ohio)</u>			
1st BB 6 5/8s 2002	A+	60	6.34%
1st DD 5 7/8s 2000	A+	30	5.64%
1st EE 6 1/2s 2005	A+	35	5.86%
<u>United Tel Co (Penna)</u>			
1st Y 7 3/8s 2002	NR	55	5.73%
<u>Centel Capital (Gtd by Sprint Corp)</u>			
Deb 9s 2019	A-	150	6.53%
<u>Carolina Tel & Tel</u>			
Deb 5 3/4s 2000	A+	50	5.54%
Deb 6 1/8s 2003	A+	50	5.66%
Deb 7 1/4s 2004	A+	50	5.74%
Deb 6 3/4s 2013	A+	50	6.22%
Deb 9s 2016	A+	50	8.55%
Weighted Average:			6.03%

Source: Standard & Poor's Bond Guide, September 1998

Hirshleifer Cost of Equity Exhibit (JH-4)

ATT and MCI have not asked cost of capital expert John Hirshleifer to update Hirshleifer Exhibit JH-4 regarding the cost of equity to August 31, 1998 because this analysis would require the purchase of additional data from at least three different data sources and would cost several thousand dollars. However, interest rates have declined significantly since December 31, 1997, the date at which Mr. Hirshleifer's cost of equity was calculated. For example, 30-year treasury bond yields were 5.93% at 12/31/97 and such yields fell to 5.30% at 8/31/98 (at 10/9/98 the 30-year treasury bond yield was 5.12%). Given that the costs of equity are generally expected to move in concert with movements in interest rates, Mr. Hirshleifer would anticipate that the costs of equity from 12/31/97 to 8/31/98 would be approximately 60 basis points lower for the telephone holding companies.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a copy of the foregoing was furnished to the following parties by U.S. mail or hand delivery(*) this 14th day of October, 1998.

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