



Price Waterhouse

March 30, 1990

The Chesapeake and Potomac
Telephone Companies

We have examined the accompanying Combined Statement of Cost Allocation System Compliance of The Chesapeake and Potomac Telephone Companies (the Companies) for the year ended December 31, 1989. Our examination was made in accordance with standards established by the American Institute of Certified Public Accountants and, accordingly, included such procedures as we considered necessary in the circumstances.

Our examination included the following procedures. We:

- Obtained an understanding of Bell Atlantic Telephone Companies Cost Allocation Manual, as amended through December 31, 1989, and including an amendment filed March 30, 1990 that was made retroactive to January 1, 1989 (the Manual);
- Reviewed the Companies' policies and procedures for implementation of the Manual;
- Determined the consistency of the cost allocation methods with the Manual;
- Evaluated the materiality and criticality of data sources utilized;
- Evaluated the reasonableness of data sources utilized in providing costing information for selected cost allocation methodologies;
- Obtained an understanding of the Companies policies and procedures relating to incidental activities and transactions with affiliates and determined that such transactions were accounted for in conformity with the Manual; and



March 30, 1990

- Determined that the data reported in columns (b) through (j) in the attached FCC Report 43-03 for the year ended December 31, 1989 agrees with the information produced by the cost allocation system.

In our opinion, the accompanying Combined Statement of Cost Allocation System Compliance of The Chesapeake and Potomac Telephone Companies presents, in all material respects, the operation of the cost allocation system for the year ended December 31, 1989, in conformity with the criteria set forth in the Manual.

This report is intended for the information of the Companies and the Federal Communications Commission, which established the criteria under which the Combined Statement of Cost Allocation System Compliance was evaluated. Accordingly, this report should not be used by those who did not participate in establishing the criteria.

The Bell Atlantic Corporation on Behalf of
The Chesapeake & Potomac Telephone Companies
Combined Statement of Cost Allocation System Compliance
for the Year Ended December 31, 1989

Bell Atlantic Telephone Companies' Cost Allocation Manual, as amended through December 29, 1989, and including an amendment filed March 30, 1990 was made retroactive to January 1, 1989 (the Manual), has been filed with the Federal Communications Commission (FCC). The Manual provides criteria against which the Companies' cost allocation system can be evaluated. The system is supported by cost allocation methods which are consistent with the Manual and utilizes methods which permit preparation of the attached FCC Report 43-03 in accordance with the Manual. The attached FCC Report 43-03 includes the combined revenues and costs of the Companies. The actual cost allocation methods and procedures implemented and performed conform with the objectives, approach and procedures described in the Manual.

The Bell Atlantic Corporation, on behalf of The Chesapeake & Potomac Telephone Companies, believes that, for the year ended December 31, 1989, the cost allocation system, as implemented, conforms with the criteria set forth in the Manual and the report referred to above has been prepared in accordance with these criteria.

Name

Name

Title Vice President - Regulatory
and Industry Affairs

Title Vice President-Finance and
Controller

Date March 30, 1990