EXHIBIT 3

DEMONSTRATION OF RISK OF RATE INSTABILITY OR SERVICE INTERRUPTION OR CESSATION

The operating environment in which the Company finds itself has created a climate of great financial uncertainty. The Company has been working over the past few years to address growing competition. The Company has recently made investments to serve new customers and added capacity. In addition, during 2014 the Company was added to the TDS gigE network which increased the reliability of broadband speeds to customers. The Company's serving area is very spread-out covering 415 square miles including the bottom of the Grand Ronde Canyon therefore repair calls for one or two customers can take all day and cost thousands of dollars each. Continued support from the State Universal Communications Services Program is necessary in order to sustain the current local technical support staff levels thereby avoiding delayed repairs and maintenance. Further, these network improvements have resulted in the Company making additional investments in regulated plant of approximately $633,000 during the period 2011 through 2014.

The overall financial condition of the Company is detailed in other Exhibits to this Petition. What this information demonstrates is that, when adjusted to eliminate the support from the State Universal Communications Services Program that the Company received or accrued in 2014, the Company's total regulated revenue decreased by approximately 9 percent from 2011 through 2014. The Company continuously looks for ways to lower expenses. However, much of the Company's operating expenses are already low and further cuts would negatively impact service.

At the same time, the Company is seeing increased competition. For example, the Company has seen some migration of customers "cutting the cord" to move to wireless or other service as their sole method of telecommunications. Based on FCC 477 data, the Company has lost 28 percent of its access lines since 2011. A loss of customers equates to a loss of revenue without a corresponding reduction in expenses or corresponding increase in rates. This trend of access line loss is exacerbated by the Federal Communications Commission's requirement that the Company increase its rates to remain eligible for full federal USF support. Since 2012, the Company has increased its local exchange service rates in order to be in compliance with the national urban rate floor prescribed by the Federal Communications Commission. However, those increases have been insufficient to fully replace the revenues that have been lost due to the reduction in access lines.

As an example of why state Program support is needed, the Company's receipt of revenue from the traditional Washington intrastate universal service access rate element and related pooling fund were terminated effective July 1, 2014. Since then, the loss of revenues derived from the traditional universal service access rate element has been offset by revenues received by the Company as a result of its participation in the Program. Using 2012 as a base line, the Company is facing a loss of traditional universal service fund revenues of approximately $58,546 per year if its participation in the Program is not renewed.

As another example, some of the financial uncertainty that the Company faces stems from the USF/ICC Transformation Order issued by the Federal Communications Commission.[1] The USF/ICC Transformation Order has built in an automatic decline in the Company's intrastate and interstate access revenues. The intercarrier compensation portion of the Transformation Order introduces a concept of a base line year for calculating terminating access and reciprocal compensation revenues and provides support from the Connect America Fund ("CAF") based on the base line year. However, the base line year revenues (from which the level of CAF support is derived) are reduced iteratively by five percent each year. The CAF support reduction began in July 2012. Projecting through the calendar year 2016, including additional reductions that will occur July 1, 2016, the Company will see a reduction in support from the base line revenue amount of approximately $45,791 for 2016.

On top of all this, during the four-year period ended December 31, 2014, the Company has seen its Federal high cost loop support undergo a significant reduction, declining from $146,851 in 2011 to $61,401 in 2014. This loss has not been made up by increases in other federal USF support programs.

These factors, among others, have led to the strained financial condition of the Company as reflected in the financial reports that are part of the Petition.

The combination of factors noted above creates a situation in which, without support from the State Universal Communications Services Program, the Company may be faced with a choice of increasing rates further or reducing service in order to be able to match expenses to revenues. Neither choice presents a viable path for providing continued high quality service to customers. The dilemma presented by these choices reflects the risk of rate instability or service interruption or cessation to which the Company is subject.

[1] *In the Matter of Connect America Fund, A National Broadband Plan for Our Future, Establishing Just and Reasonable Rates for Local Exchange Carriers, High-Cost Universal Service Support, Developing an Unified Intercarrier Compensation Regime, Federal-State Joint Board on Universal Service, Lifeline and Link-Up, Universal Service Reform - Mobility Fun,* WC Docket No. 10-90, GN Docket No. 09-51, WC Docket No. 07-135, WC Docket No. 05-337, CC Docket No. 01-92, CC Docket No. 96-45, WC Docket No. 03-109, WT Docket No. 10-208, Report and Order and Further Notice of Proposed Rulemaking, FCC 11-161 (rel. Nov. 18, 2011)(*USF/ICC Transformation Order*).