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 several years to address growing competition. The Company has taken steps to increase the availability and attributes of advanced services offered by the Company, including broadband. This has resulted in the Company making additional investments in regulated plant of approximately $4,398,013 during the period January 1, 2011 through December 31, 2017.

The overall financial condition of the Company is detailed on 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 2017, the Company's total regulated revenue decreased by approximately $1,353,500 from 2011 through 2017. This revenue decline represents a 33.0 percent decrease in total regulated revenue. The Company has looked for ways to lower expenses. However, much of the Company's operating expenses are fixed obligations. As a result of the decrease in regulated revenue and the high operating costs associated with providing service in a rural area, the company has experienced an operating loss from regulated operations and a net loss from total company operation in 11 of the 12 most recent years.

Since the company has been experiencing an operating loss and the company projects that it will continue to operate with a net loss, the benefit of a lower federal income tax rate contained in the Tax Cuts and Jobs Act of 2017 will not be recognized until the company is able to improve operations resulting in a taxable net income.

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. Since 2011, the Company has lost 622 access lines. 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 has been exacerbated by the Federal Communications Commission's requirement that the Company increase its rates to remain eligible for full federal Universal Service Fund 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. Those rate increases have tended to stimulate a surge in disconnection of service by customers.

As an example of why state Universal Communications Services 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 off-set 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 $76,250 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.[2] 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 fiscal year ending June 30, 2019, including reductions that occurred July 1, 2018, the Company has seen a reduction in support from the base line revenue of approximately $219,800.

On top of all this, during the six-year period ended December 31, 2017, the Company has seen its total federal high cost support undergo a significant reduction, declining from $1,405,782 in 2011 to $940,231 in 2017. Additional uncertainty has been introduced to this source of funding by the 2016 Federal Communications Commission order restructuring support for rate-of-return local exchange carriers. In this order, the Federal Communications Commission implemented a reduction in the authorized rate of return from 11.25% to 9.75% for Broadband Loop Support ("BLS") (formerly, in part, Interstate Common Line Support), special access and High Cost Loop Support ("HCLS"). This reduction is being phased in over a 6-year period. For 2018-2019 the allowed rate of return for BLS, special access and HCLS will be 10.375%. In addition, in this order the Federal Communications Commission introduced a budget control mechanism, which can reduce the Company's support in order to keep the total federal support budget in balance. Nationally, the support reduction for July 1, 2018- June 30, 2019, as required by the budget control mechanism, is projected by the Universal Service Administration Corporation ("USAC)" to average 15.51%, but USAC's projected reduction for the Company for that same period is 20.2%. The order also introduced, but the FCC has not yet fully implemented, a possible reduction in Company support due to competitive carrier presence or overlap within any census block served by the Company.

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.

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[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*).

[2] "*2011 ROR Carrier Base Period Revenue" of the CAF ICC Data Collection Report for the period of July 1, 2017 through June 30, 2018 has not changed from prior filings.*

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. The Company projects that if it were required to recover from end users the 2018-2019 support potentially available to it from the state Universal Communications Services Program, the Company would need to raise local voice service rates by approximately $10.50 per month or broadband rates by approximately $17.60 per month. The other option would be to drastically reduce service in order to be able to match expenses to revenues. Neither choice of raising rates or lowering service 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.