EXHIBIT 3

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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 $1,263,595 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 ("Program") that the Company received or accrued in 2017, the Company's total net regulated revenue decreased by $356,573 (-32%) from 2011 through 2017. The Company has looked for ways to lower expenses. However, much of the Company's operating expenses are fixed obligations. The Company is part of a major holding company which results in efficiencies and economies of scale that are not available to most Rural LECs and there are on-going efforts to find more ways to cut costs while improving broadband service and continuing to provide high-quality basic telecommunications services.

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 494 (-38%) 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 was exacerbated by the Federal Communications Commission's requirement that the Company increase its rates to remain eligible for full federal USF support[1]. 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. In addition, those rate increases have tended to stimulate disconnection of service by customers.

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 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 $58,546 per year if its participation in the Program is not renewed.

[1] The FCC has temporarily suspended the increases in the federal rate floor until further notice.

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.[2] 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 introduced 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 year ending June 30, 2019, including reductions that will occur July 1, 2018, the Company has seen a reduction in support from the base line revenue of $67,103.

On top of all this, during the six-year period ended December 31, 2017, the Company saw its total federal high cost loop support undergo a significant reduction, declining from $146,851 in 2011 to $2 in 2017.

Effective January 1, 2017, TDS Telecom began receiving A-CAM support and no longer receives ICLS or federal high cost loop support. When TDS Telecom opted into A-CAM, it committed to bringing faster broadband services deeper into the most rural parts of its serving area. A-CAM revenues are calculated on a “total state” basis and not by individual operating company. TDS Telecom allocates A-CAM revenues among the separate companies based on the estimated under-lying costs in the A-CAM model. For the state of Washington, TDS Telecom committed to bringing 25/3 service to 2,335 locations, 10/1 service to 779 locations, 4/1 service to 236 locations and upon reasonable request to the remaining 237 locations in exchange for $1,464,344 per year for 10 years. While the federal high cost loop support received historically by the Company supported voice services, the A-CAM revenue supports only the model-based cost to add or improve broadband services for the required number of locations. Furthermore, while the A-CAM revenues will be received equally each year for ten years, the added investment and expenses will vary each year and expenses will extend beyond the ten year period of revenues. For these reasons, the Company has removed the A-CAM revenues recorded during 2017 as a proforma adjustment in Schedule 4, tab “OutofPeriodAdj”. Since there were no A-CAM related projects closed into service during 2017, there is no adjustment necessary to rate base or expenses.

[2] *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*).

As explained in the June 29, 2018 report filed in Docket No. UT-170842, TDS Telecom continues to invest capital as follows:

> *During the first six months of 2018 major projects include: 1) Installation of the Metaswitch gateway (project began in 2017 and is scheduled for completion in July 2018; total projected cost $181,000), 2) DSL card additions ($6,500), 3) the purchase of a new cable locate set ($4,400) and 4) share of TDS software improvements ($18,700). The Company plans to begin Phase 1 of A-CAM in 2019 with an estimated cost of $2,600,000 to be invested during 2019-20. The major projects described above will continue throughout 2018 in addition to routine maintenance, cable additions and other projects as needed. The funds received from the universal service communications program can be viewed as contributing to the Company's ability to perform these projects.*

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 Program, the Company may be faced with a choice of increasing rates significantly 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.