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 $4,495,206 during the period January 1, 2011 through December 31, 2018.

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 2018, the Company's total net regulated revenue decreased by $1,336,831 (-32%) from 2011 through 2018. 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 1,072 (-20%) 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 $4,720 per year if its participation in the Program is not renewed.

[1] The FCC has eliminated the federal rate floor in April 2019.

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 occurred July 1, 2018, the Company has seen a reduction in support from the base line revenue of $177,270.

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 initial A-CAM offer in 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 through December 31, 2026. There have been two additional offers accepted since that time. The latest authorized on April 29, 2019, increases A-CAM revenues to $1,719,634 per year through December 31, 2028, and requires TDS Telecom to bring 25/3 service to 2,872 locations, 10/1 service to 507 locations, 4/1 service to 104 locations and upon reasonable request to the remaining 104 locations. 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 through December 31, 2028 the added investment and expenses will vary each year and expenses will extend beyond the end of the A-CAM revenue stream.

As explained in the June 28, 2019 report filed in Docket No. UT-180645, the Company continues to invest capital as follows:

> *During the first six months of 2019 the Company worked on major projects to: 1) Provide service to several new subdivisions including FTTH Kays ($5,000), FTTH Riverside Estates ($400,000), FTTH Sargents ($10,000), FTTH Highland Terrace ($122,000), FTTH*

[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*).

Waliezer ($37,000); 2) Capacity upgrades at Elliot and Swift Dam ($92,000); 3) Cable reinforcement at 186th ($10,000); 4) Upgrade cards at DSA 41600 in LaCenter ($22,000); and 5) Purchase 2 new ¾ Ton Chevy trucks ($105,000). In addition, the Company has budgeted $422,000 for A-CAM improvements for 2019. The funds received from the universal communications services program can be viewed as contributing to the Company's ability to perform these projects plus cover normal operating expenses. The Company opens all major projects that are budgeted early in the year thus those described above will continue throughout 2019 in addition to routine maintenance, cable additions and other projects that will be done as needed.

These factors, among others, have led to the strained financial condition on the consolidated operations 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.