

Sterling Municipal Light Department

50 Main Street

Sterling, Massachusetts 01564-2135

Tel: (978) 422-8267

Fax: (978) 422-8054

www.energysterling.com

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SMLD to Discontinue Pursuit of Natural Gas Franchise Rights in Sterling

Many residents have inquired about the status of the Sterling Municipal Light Department (SMLD) bringing natural gas into the Town of Sterling. At two town meetings in 2014, the SMLD received the town's support to pursue the franchise rights for the natural gas in Sterling.

After the town meetings, SMLD requested the Department of Public Utilities (DPU) grant exclusive rights to the SMLD to provide natural gas service to the Town of Sterling. The DPU performed a detailed search to determine if any franchise rights were previously granted in the town of Sterling. The DPU's search revealed that on September 20, 1929 an order for exclusive rights, including Sterling, was granted to the Worcester Gas and Light, now called Eversource.

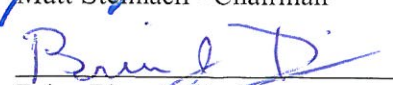
For over 80 years, Worcester Gas, now called Eversource, took no action in providing natural gas service to the town, except for the pipeline installed in 2013 in the southern corner of Sterling. This pipeline serves one industrial customer and homes along Bean Road, Boutelle Road, Muddy Pond Road, and Jewett Road. The SMLD took the position that Eversource's inaction in serving the Town of Sterling caused them to abandon their franchise rights, however to obtain the franchise rights from Eversource, the SMLD would have to initiate litigation against Eversource which could be a lengthy and expensive process.

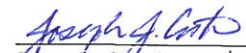
Simultaneous to the DPU's review, the SMLD engaged Tri-Mont Engineering to design a preliminary natural gas distribution system with estimated construction costs. Deficiencies in the existing natural gas supply and transmission system were also reviewed and examined. During two public presentations it was demonstrated how the first phase of construction would provide service to approximately 52% of our projected load, including the industrial customers. The cost to complete the first phase was estimated by Tri-Mont Engineering to cost \$25.2 million dollars that would be assumed by the new natural gas customers only.

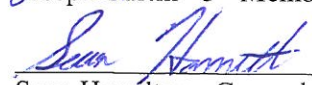
At the time of the study, the cost of heating oil was \$4.00/gallon and natural gas was substantially lower. Since the study was conducted, oil has dropped to \$2.00/gallon and natural gas has risen eliminating the previous attractive cost savings. Due to the spacious rural character of Sterling the existing homes and business are separated by large tracts of undeveloped land. This rural character that attracted many of you to move here makes the creation of an underground gas distribution system expensive and cost prohibitive.

Therefore, after extensive study and legal review it has been determined that the prohibitive construction costs for a gas distribution system and the uncertainty of litigation costs would not be a logical or practical investment at this time. The SMLD expended \$68,000 for the legal, engineering and design work costs associated with the investigation of the franchise rights. Should conditions in the future change that would make natural gas a viable option for our rate payers, the SMLD would revisit the issue at that time. The SMLD has and continues to strive to be a progressive, customer focused service provider to our rate payers.


Matt Stelmach - Chairman


Brian Pierce - Clerk


Joseph Curtin - 3rd Member


Sean Hamilton - General Manager