

POWER TRIP

Holyoke G&E Raises the Bar for Municipal Utilities



By JACLYN C. STEVENSON

Holyoke Gas and Electric began simply enough; a utility company that provided gas and electric services to Holyoke businesses and residents. The name hasn't changed, but the city has, and the department has evolved accordingly.

In the late 1890s, the gaslights of Holyoke were snuffed out in favor of newfangled electric lamps.

Over a century later, Holyoke Gas and Electric (HG&E) is still honing its skills to stay ahead of the game it entered in 1902 in response to those emerging electric lights and motors. But the whirl of industrial machines that once beckoned major players to the Pioneer Valley has since been replaced by the hum of environmentally friendly hydroelectricity, the hiss of cost-efficient steam power, and the barely audible buzz of 16-miles of fiber optic cabling.

Indeed, HG&E has grown beyond the confines of its name, no longer offering just the utilities listed on the front of its corporate offices in downtown Holyoke, and certainly not the same gas and electric services that so impressed manufacturers during the city's early industrial boom.

Now serving a changing city working to regain its designation as a manufacturing hub of the Northeast, HG&E offers gas, electric, steam, hydroelectric, and telecommunication services, and continues to look for ways to fine-tune and diversify its many services.

And the outlook is bright; HG&E Manager Jim Lavelle said that the gradual move away from offering just standard gas and electric is contributing to a rise in overall operating revenues – 2003 saw a 9.2% spike over the previous year, with \$63 million. The additions also allow the department to maintain the lowest industrial electric rate in the state while also offering environmentally friendly and cost-effective energy options and state-of-the-art communication services to customers, all attractive elements for existing clients and businesses that may choose to set up shop in Holyoke

in the future.


A recent marketing push to tout the benefits of HG&E's newer and, in some cases, lesser known services is a reflection of the department's growing faith in its mission, according to Lavelle, and also marks not the arrival, but the survival of the largest culture change in HG&E's history to date.

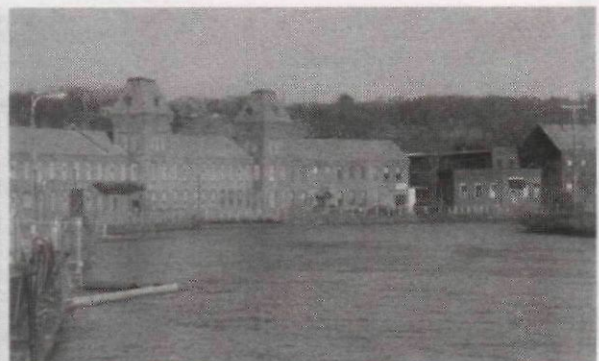
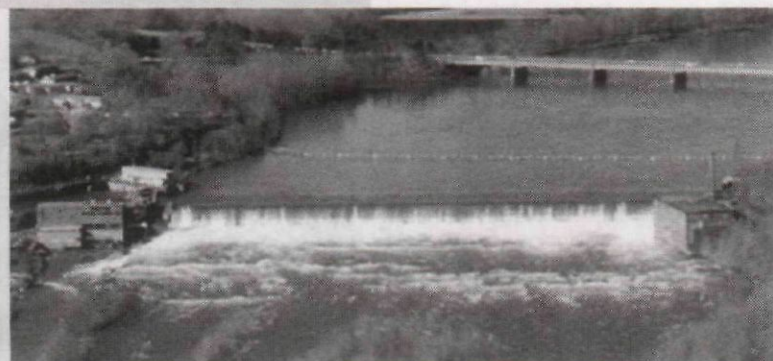
A Thousand Points of Light

When promoting the company at public events, HG&E representatives hand out fiber optic wands, which resemble small Cat-O-Nine-Tails with hundreds of multi-colored glowing points. The wands catch the eye of the young at heart, but serve a greater purpose than looking cool on a display table; they go a long way toward explaining an atypical business venture.

In order to expand its scope of services

and to address a pressing need within the city, HG&E added telecommunication services – high-speed Internet access for businesses and homes – in 1998. HG&E built a 16-mile fiber optic ring that was used to provide Holyoke-based users with reliable Internet access; currently, about 60 commercial and industrial clients take advantage of the service, in addition to Holyoke Public Schools and nearly all of the city's municipal buildings. In 2003, the department further extended its fiber optic presence to Springfield, servicing Monarch Place and Tower Square.

The move toward telecom services is somewhat unique for a gas and electric department, but Lavelle said the expansion made sense to HG&E because, ultimately, it was in keeping with the steady growth and attention to the specific needs of the city the department has historically excelled in. 



F O C U S O N H O L Y O K E

"The move was similar to one the department made a little over 100 years ago when the city realized that electricity was an essential service," he said. "The city wanted to take control of the supply and the cost of electricity so it established a municipal utility. Our migration into telecom has been a little bit like that; telecom services are essential services and we realized that early on."

Taking control of the supply and cost of telecom services also meant municipal departments, schools, and businesses within Holyoke would benefit from telecom services much sooner than if they sat in wait for the arrival of other larger service providers.

"We're not a large community, so the big players would not be here for some time," he said. "And of course, another element we considered was that a careful and successful move toward telecom services would benefit our core business."

Lavelle said it's no secret that providing telecom services under the name 'Holyoke Gas and Electric' has created some stumbling blocks. People were confused at first, and some of that confusion has persisted; fiber optic toys and increased attention to telecom services in the company's advertisements and literature have helped.

But Lavelle said it simply wasn't a primary goal to sell the public on the concept when the service was first rolled out.

Resources were instead allocated to staffing additions and for upgrading the system in its fledgling years. New positions were created and the network was strengthened to reduce lapses in service. The current push for public awareness is a direct result of HG&E's faith in the net-

work since those changes were made, Lavelle explained, and the added belief that its strength will only grow.

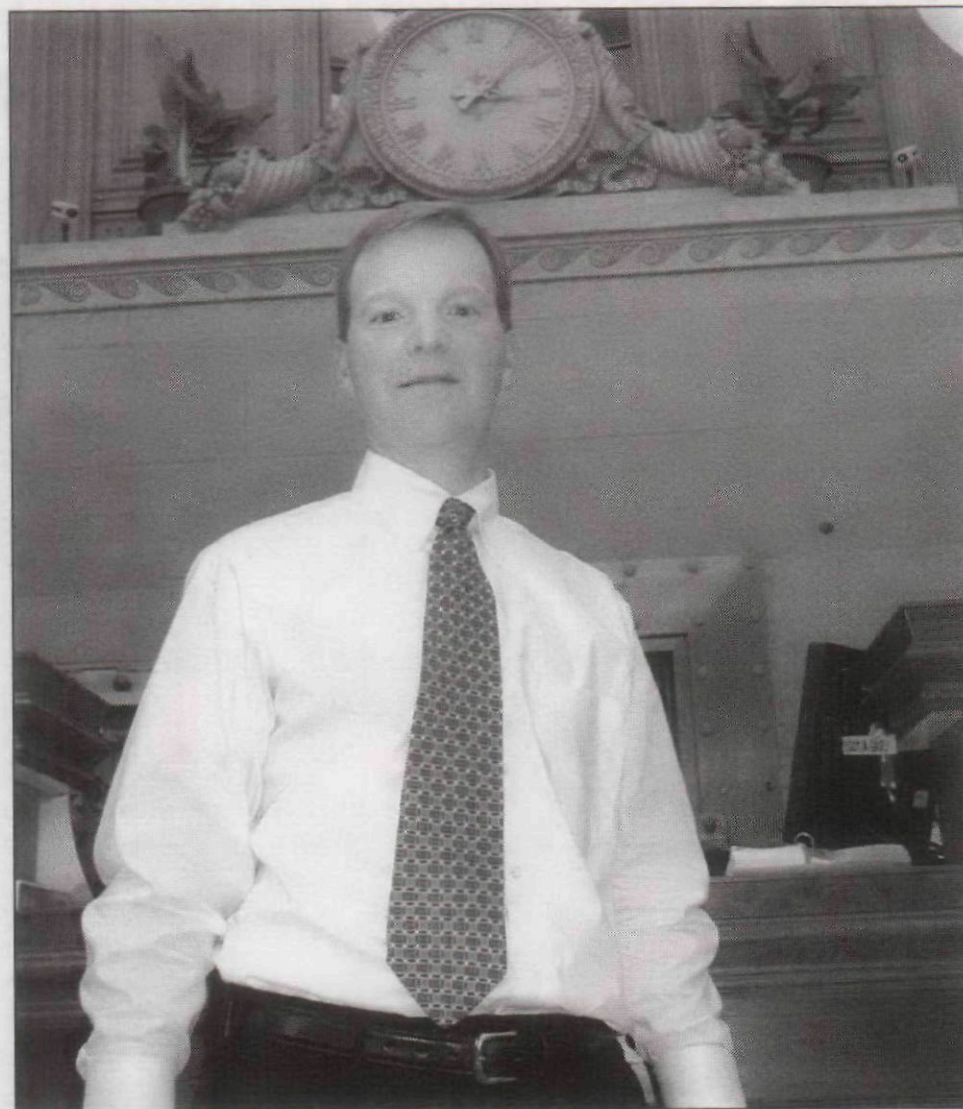
"We were very slow and very deliberate in laying out the telecom services," he said. "We made a strong investment in staffing and upgrading the network to the point where ours could be the best network in the Valley. That has created greater confidence in the system and in our staff, and our marketing push is a reflection of that. We were careful first to ensure quality of service and careful not to compromise reliability."

Lavelle noted that the obvious branding issue has not become so problematic that it has necessitated discussions on possible name changes to the department or other measures to allay confusion. On the contrary, telecom may be receiving an added boost from the strength of the HG&E name. As more customers become aware that the department is offering telecom, he found that having an already well-known name and central location is an added boon.

"While many players spin off to form subsidiaries when they add new services, we don't envision having to do that," he said. "It is a great help that we have been around for more than 100 years. It adds a comfort level to our customers that we're going to be around tomorrow and that we will stand by our service. Having longevity and commitment already a hallmark of our department is a great asset when unveiling a new aspect of the business."

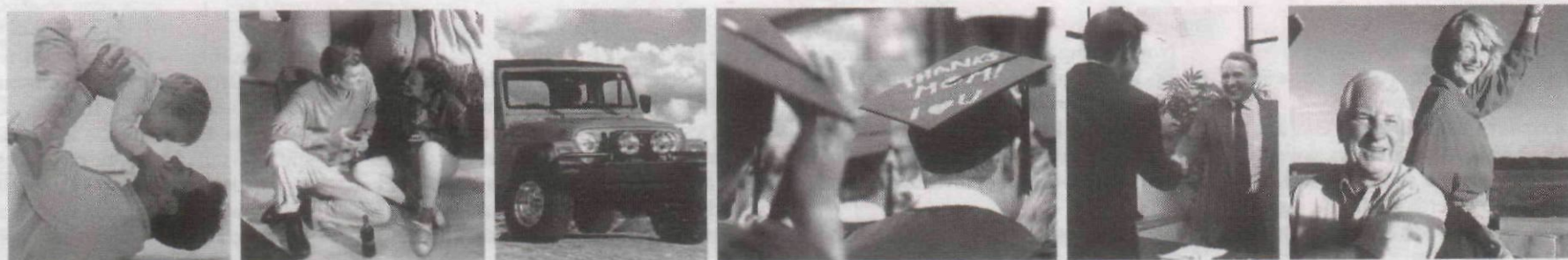
Customers also benefit from having HG&E literally right around the corner.

"Convenience has played a strong role in the success of telecom," said Lavelle. "Customers want to be able to get their



Jim Lavelle, seen in HG&E's corporate office, says the department's goals for the coming years are to fine-tune the areas in which advances have been made recently, including telecom, hydroelectricity, and steam power.

Staff Photo




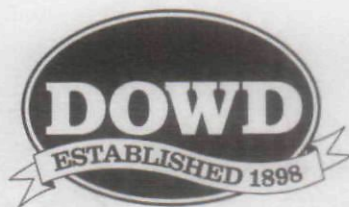
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hands on the people who can restore service right away should the system go down.

"We've all dealt with the Verizons and the other large providers, and the waiting that is often involved," he added. "We pride ourselves on having same-day response. That's one of the strong focuses of our service."

Lavelle said the telecom division still represents a small portion of HG&E's revenue, but is the fastest growing component of the department's business plan.

"We are seeing double-digit growth in that division," he said. "We are also serving some of the bigger players in the Valley in the financial, health care, banking, and manufacturing sectors; we are really being careful about taking care of those businesses and focusing on the quality and reliability of services."

"We're also probably the only player serving the entire business sector that owns the network and provides content - internet service, data service, etc.— so because

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And that has helped in the overall mission of providing opportunities for growth and economic development within the

said the department is invested in the ongoing efforts to develop the city and capitalize on its assets, and that idea will be pervasive in HG&E's upcoming marketing initiatives.

Telecom isn't the only profitable venture the department wants to promote; two other burgeoning services, hydroelectricity and steam power, are high on Lavelle's list of opportunities for Holyoke's industrial future.

The department's hydroelectric capabilities received some press very early on, when HG&E purchased the Holyoke Dam, the canal system, and the Holyoke Water Power Company's retail franchise and customer base in 2001. Lavelle said it's a hard story to tell simply - Holyoke Water

"We are serving some of the bigger players in the Valley, in the financial, health care, banking, and manufacturing sectors."

of that we avoid markup on the network; we're able to invest more, and we can still be competitive, because we own it front to back."

City of Holyoke, Lavelle said. HG&E has long been a supporter of the city, providing upwards of \$100,000 in grants, gifts, and service to the community annually. Lavelle

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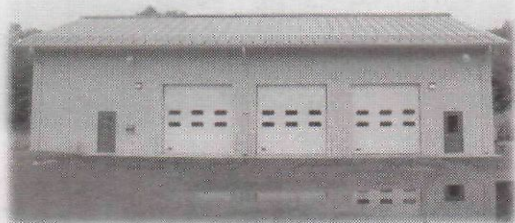


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Holyoke Chamber

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education for staff members, including those in food service, environmental, and housekeeping positions.

Webb said a growing trend among long-term care facilities is to train all employees, including non-clinical staff, to be first responders able to provide assistance in the event of a potentially life-threatening emergency. She added that the BEST grant was awarded at a time when most clinical staff had already received first-responder training, and broadening the skills of the remaining staff was a logical progression.

"It has given us the opportunity to stay current with training initiatives in long-term care across the country," she said. "It will also empower our employees; they will feel prepared to help in the event of an emergency, and that also improves our patient care."

"We're very excited about this," added Ira Schoenberger, senior administrator for Heritage Hall East, noting that the facility will use the grant funds for similar training

of non-clinical staff, as well as for a computer education program and mentorship programs for all employees.

In addition, Heritage Hall's training programs, such as the computer education classes, will be open to employees at the other participating companies.

"It's an excellent example of area businesses sharing our best practices to create greater opportunities," said Schoenberger.

Proof of Progress

Ransford echoed the excitement of program facilitators within the participating companies, calling BayState Works the latest in a series of programs the city of Holyoke has spearheaded in order to address the pervasive problems facing the city and the region. She tempers her excitement with a note of caution, however; there is still a long road ahead, she says, but the signs of progress are slowly being seen within area businesses such as the six training partners.

"This is another drop in the bucket," she said. "We have some serious work ahead, but this grant has enabled us to keep chipping away at the issues we face." ♦

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Power Trip

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Power and HG&E had a long history of debate regarding hydropower and hydro-assets.

"We looked at it as providing us with a good local source of generation and resolving outside matters subject to litigation," Lavelle said of the purchase. "There were 100 years of back and forth between the two utilities and we came to a settlement that benefited both parties."

HG&E now operates the Hadley Falls hydroelectric dam and several hydro units throughout the Holyoke Canal, equating to 40% of the energy used by HG&E cus-

he said. "Steam is something that has not been marketed to a great extent on our part because of the limited geographic area that we serve, but there are several good sites available along the steam line."

Lavelle said those locations could be ideal for companies that have outgrown their manufacturing processes, are looking to move, or to reduce operating costs. It's also one of his favorite aspects of the business.

"The steam system is an excellent alternative for businesses to save up to 30% or more on energy bills," he said, quick to point out the steam division's selling points. "And it also allows companies to avoid the headache of managing their fuel. Those are opportunities that are sometimes difficult to identify, and we'll be working on that."

Lighting the Way

"HG&E's new services fit in extremely well with the city's goals from an economic development standpoint," Lavelle said. "It's absolutely necessary for communities like Holyoke to be able to offer these services. It contributes a significant amount."

He also mused that in the past five years, there has been a stronger push toward municipalization of utility companies than ever before, and many cities and towns are embarking on similar ventures as HG&E's, branching out into telecommunications or other related fields.

As those new enterprises begin for many communities in the coming years, HG&E will be settling more comfortably into its own business. Lavelle said there are no plans to add another major prong to HG&E's repertoire, but in the years ahead the utility will instead be focused on fine-tuning, promoting, and expanding the business units that have become standard.

"There's nowhere exactly like Holyoke," he said.

The lamplighters of 1890 would agree. ♦

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"HG&E's new services fit in extremely well with the city's goals from an economic development standpoint."

tomers. The power generated by hydroelectricity is environmentally friendly and efficient, Lavelle said, and serves more than 30 industrial customers. A second environmentally sound and cost-effective energy source that HG&E offers, however, is that of steam power; a service he said often slips under the radar.

The steam division has been in operation since the 1950s, but was recently revamped to expand the service. Currently, 38 clients are served by steam power in the downtown area, and Lavelle hopes to promote steam power to industrial clients.

"We are working to identify where our customers can benefit from the service,"

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