

## Masters of Scale: Rapid Response Transcript – Lynn Jurich

### “Looking beyond Elon Musk, w/Sunrun’s Lynn Jurich”

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**LYNN JURICH:** Because this is called Masters of Scale, I’ll throw out a few scale facts for you all. So one, we already have 500,000 customers, just Sunrun, and we’ve raised capital to install about nine billion dollars worth of solar. No one probably would have expected us to be the market leader. And now here we are more than double the size of Tesla.

You don’t have to be a climate warrior to adopt these products. Independent of your view on climate, we can offer you a better lifestyle and meet carbon emission goals. I think there are a lot of silver linings to COVID – and it’s hard to say that because there’s so much loss.

What really brings everybody together is this shared mission and values where our mission is to create a planet run by the sun.

**BOB SAFIAN:** That’s Lynn Jurich, CEO of Sunrun, a solar power company that’s been going up against Tesla for years – and lately, has been winning.

During 2020, Lynn doubled-down amid the pandemic, spending \$3 billion to buy up one of the other main players in the solar industry.

Now with a Biden administration in place, solar power is poised to be an even bigger part of the economy.

I’m Bob Safian, former editor of Fast Company, founder of the Flux Group, and host of Masters of Scale: Rapid Response.

I wanted to talk to Lynn because she’s shown what it takes for solar to actually catch on in the marketplace. Sunrun’s stock price has been booming, nearly quadrupling over the past year.

But that hope could just as easily fizzle, if she can’t manage both the complexities of operating and growing a new-style energy utility, and the vagaries of politics and policy in the most partisan environment in generations.

Plus of course there’s the looming specter of Elon Musk, trying to beat her to the finish line.

**[THEME MUSIC]**

**SAFIAN:** I'm Bob Safian, and I'm here with Lynn Jurich, CEO and co-founder of Sunrun, the U.S.'s leading residential solar company. Lynn is joining us from Utah as I ask my questions from my home in New York. Lynn, thanks for joining us.

**JURICH:** Happy to be here.

**SAFIAN:** So, the past 12 months have been harrowing for a lot of businesses: health challenges, safety challenges, social and political turmoil, a difficult climate. You were quoted in the New York Times a year ago that your mantra is, "All people and all circumstances are my allies." Given the circumstances of the last year, is that still your mantra?

**JURICH:** Even more so than ever. I think there are a lot of silver linings to COVID – and it's hard to say that because there's so much loss. But one of my philosophies is that if you really want to drive change, there's a formula that is a coefficient on dissatisfaction and a coefficient on vision, and you need a big one, ideally on both. But what I think we faced this year was the coefficient on dissatisfaction massively increased. And that's COVID, that's the political divide, that's the racial issues, and I'm confident that society will emerge stronger from that.

**SAFIAN:** And so this dissatisfaction was a benefit for Sunrun or a benefit for us as a country, as a world?

**JURICH:** Both. When I look at Sunrun, what we did tactically was massively increase our corporate metabolism. We moved everybody digitally, we started to use drones to evaluate the households, we started to push local jurisdictions to do instant permitting. So we really accelerated the digital transformation by a couple of years. We also acquired a company during COVID, a \$3 billion, 4,000-person company. We did this all remotely.

**SAFIAN:** Si, amid all the uncertainty and everything else you decide to acquire one of your biggest competitors, this is Vivint, right?

**JURICH:** Correct.

**SAFIAN:** With that decision born out of the pandemic environment?

**JURICH:** It was a long time in the works. When we look at our industry, residential solar has been fairly fragmented. We had about 12% market share, and there are about 4,000 companies. But there are a lot of dynamics now that are moving the industry to more of a winner take most market. We're seeing residential solar expand to residential solar, plus batteries, plus electric vehicles, and really turning the home into an energy asset and creating really an energy internet where that home is connected to all the other homes, is connected to the grid, and we can create what are called virtual power plants.

And so the evolution of the industry to this more complex system made the logic of the acquisition that much more sound. So really independent from COVID, just the maturation of the industry is what inspired it.

**SAFIAN:** You just didn't get knocked off of a plan by the things that were going on with COVID?

**JURICH:** It certainly made us hesitate a bit, it made the diligence more intense. There were certainly business actions we had to take initially as we didn't know how long this would persist with furloughs, with sales dropping. But what happened was the industry really ended up recovering faster than any of us expected because people were at home so they're using more electricity.

They don't feel safe so the idea that they can create their own power, store that power in a battery really started to actually accelerate the adoption and really the conviction, so in that way, I think COVID did help.

**SAFIAN:** Can you give us an example of how you managed to bring these businesses together when you're remote?

**JURICH:** First, we really looked at the respective cultures of the company and did some significant surveying. And so we were able to map where the two companies were consistent and where there may be inconsistencies. That enabled us to do a series of cultural workshops and learn from each other, bridge any sort of potential conflict.

And then one of the other things I instituted was a software called Threads, which is a Slack-like system and really pushing people to document more. And this is going to serve the company very well because as we grew up as a startup, fast-growing startup, the information was in people's heads, it wasn't documented as much. And so now it's forced us to have more discipline when we scale to have that information where new employees can get up to speed faster, where the information is more available cross-functionally to avoid silos.

**SAFIAN:** For some places the remote work environment forced them to reboot their culture entirely. Did that help put everyone on the same level or was the culture you already have a benefit as you went to remote in persisting?

**JURICH:** Mm-hmm (affirmative). We have a very distributed workforce. We offer our product across 22 states, and we have a huge diversity of roles as well, from your frontline installer and sales person to a structured finance person. And what really brings everybody together is this shared mission and values where our mission is to create a planet run by the sun.

We benefit because we're an essential service. We have people out selling and installing solar every day and really putting the safety front and center has also been, I believe, a very good lasting focus for us.

**SAFIAN:** A lot of your selling, at least historically, was done face-to-face in-person. Was that a shift that required rethinking?

**JURICH:** Absolutely. Within a week, we moved a huge sales force to completely digital and remote, and frankly saw productivity increase by one and a half times.

**SAFIAN:** It's interesting. There are some people who you might hire as talent because they're particularly good in person, and the digital interface you might hire a different kind of person. Did you see the skills transition over?

**JURICH:** It was absolutely training, training, training, training, and we find that these salespeople are so adaptable. They know how to connect, and they know how to connect even over a video call.

**SAFIAN:** You mentioned climate change. With health concerns rising over the last year, it sometimes felt like climate's become, I don't want to say a secondary priority, but it's been pushed down. Sustainability now certainly includes health in a way that maybe it didn't a year ago. What do you think the long term implications of that will be?

**JURICH:** I think that we're seeing more impact from extreme weather than maybe the question appreciates. If you think about California as an example, with people at home, working from home, schooling at home, and the fact that the power is getting turned off because of fire risk, that is a very visceral experience for people, and we'll see more of this.

Puerto Rico is another example where the energy system is just frail. I think 70% of the energy assets are old, and extreme weather is only making it worse. So I do believe that it is and will increasingly become visceral for people. And back to that change formula, I think that dissatisfaction is, and that pain will drive awareness and attention to it.

We're taking a different approach, which is, independent of your view on climate, we can offer you a better lifestyle and meet carbon emission goals. If you look at the home, there are about four big choices you can make around energy that lead to your carbon footprint: your car, how you power your home, your heating, and your cooking. An electric vehicle is less expensive. An induction stove is superior. An electric hot water heater can save you money, and solar saves you money. So if you look at what we can create for a household, it's an average of \$1,000 to \$2,000 of savings. So you don't have to be a climate warrior to adopt these products.

The challenge is really social and political and financing, because many of these green assets, they're more expensive upfront, but they're less costly over time. And that was the innovation of starting Sunrun was we saw solar as a technology that would clearly be the future.

What was so breakthrough about solar is that it can be distributed. You can site it locally where the power is actually going to be used. In the U.S., two-thirds of your power bill is transmission and distribution. From a first principle standpoint, if you're able to use existing infrastructure and put the solar on there, it will be a more affordable solution. We just needed to eliminate the upfront cost, and so we invented the business model of solar as a service where we paid to install the solar system and the homeowner just buys the electricity, just like they would from the utility, only it's cheaper and it's green.

When we think about climate, we don't think it needs to be this ethereal thing. It's about everyday savings, a better lifestyle, and job creation.

**SAFIAN:** Now, when you describe all that, it raises the question of why residential solar isn't more ubiquitous. It's still a small proportion of residential homes have solar. So what is that about?

**JURICH:** First, because this is called Masters of Scale, I'll throw out a few scale facts for you all, so one, we already have 500,000 customers, just Sunrun, and we've raised capital to install about nine billion dollars worth of solar. Sunrun is the second largest owner of solar in the U.S. behind NextEra, the huge utility. Residential does have scale now and will increase.

If you look at a market like Hawaii, where the value proposition was strongest first, it's about 30 to 35% of households have solar power. California is about 12%, the rest of the country is about 1 to 2%. It will all get there. The amount of power you can get off of a rooftop with solar would serve 75% of California's energy needs, it would serve 40% of the U.S. energy needs, so it is a scale technology. What's holding us back is inertia. It's why do I want to do it now? 90% of Americans are in favor of solar. The interest is there. It's just the challenge of friction in the process.

## **[AD BREAK]**

**SAFIAN:** Public policy obviously is a significant factor in the energy business, for traditional fossil fuels as well as for solar. How has your approach to public policy evolved in working with the Trump administration and now in approaching a Biden administration?

**JURICH:** Well, the interesting thing about solar and energy is that it's very much regulated at the state level, which brings complications, but also opportunities. We're pushing the boundaries of the current market structures in order to move the energy system to more renewables and to a more distributed system.

The electricity industry is one of the lowest utilization industries out there. I think there's a huge amount of power plants that run only five percent of the time, and we can more cost-effectively both give consumers the reliable, resilient, clean power and make the system more cost-effective.

The problem is many of the market structures aren't set up to value that asset, that electricity going two ways, so the biggest innovation that we're bringing to the country is opening up these markets, convincing the grid operators, convincing the regulators that these assets can be firm, they will deliver. That's the story at the state level.

Federally, the industry is subsidized through a tax credit, and we were able to just extend that tax credit recently. The Biden administration has also put aggressive goals out there about retrofitting businesses and buildings, and that's where I think the real opportunity is.

We do believe that the United States can cut 70 to 80% of our emissions by 2035, if we can effectively retrofit our business and make them all electric, as I described. One of the challenges is that in the U.S. we have so many different jurisdictions and so many different local building codes and electrical codes. And this gets back to the friction of why isn't it adopted more. The department of energy actually had funding to help eliminate this, what we call soft costs and help standardize the installation of solar and batteries, and that's been held up in the previous administration. We are very optimistic that will get released in the current administration.

Another opportunity is Puerto Rico. Puerto Rico, as we know, was destroyed by hurricane Maria. There is an opportunity to completely rebuild that energy system with a distributed renewable system, and the will is there locally, and the funding has been held up, and we're also optimistic that the administration can release that, and that Puerto Rico can be a perfect example of how we can rebuild our energy system to be more reliable and renewables based.

**SAFIAN:** So Puerto Rico could become, basically a proof of concept for how an entire more integrated system could work because they're forced to be starting from scratch, so why not start with this more progressive view of it.

**JURICH:** Correct. Islands in many cases will be the place where we'll see these case studies evolve first. As I mentioned, Hawaii has a huge population of residential solar. We're also building one of these virtual power plants there with the electric utility. The United Kingdoms will be a great market. Japan will be a great market. There's just a lot of reasons why islands because you have to transmit the power usually around the edges of the island and those are most at risk of extreme weather. There's a lot of specific reasons why those will be the places where we'll adopt a distributed system first.

**SAFIAN:** As you're talking I'm mindful how tricky it has always been and seems even more for CEOs now, about delving into politics and the partisan nature of politics. Is this a struggle that you operate in? There may be one party that's more philosophically aligned with you.

**JURICH:** Back to the company values around win for all, that's how we think. The benefit of solar is that it's popular across the board. As I mentioned, it's 85% to 95% of U.S. citizens want more solar power and would be interested in exploring it for their homes. It's also a very big job creator. Because the electricity is free, the sun is free, most of the cost is in labor. Per kilowatt hour, it's the biggest job creator there is, and it's local jobs. It's jobs that can't be exported, and that of course, appeals to both sides of the aisle.

**SAFIAN:** So I have to ask you, your biggest competitor is Tesla, which took over SolarCity a while back. What's it like to compete against Elon Musk?

**JURICH:** Well, you never underestimate him, that's for sure. I think we're still in the adoption phase where a rising tide lifts all boats. So I'm very pleased with their brand being well-known, well-liked because it just increases the awareness of solar energy. As we mentioned, it's only 1, 2% penetrated right now, so that'll help lift us. Recently when I looked at the data in the markets where we're both competing, we have a higher close rate, effectively. Again, it's this normalization of solar that's a benefit. It's the awareness, it's the trust in their brand, and I aspire to, over the years, have the Sunrun brand be better known in terms of turning your home into an electric energy asset.

**SAFIAN:** How do you think about managing your brand when you've got someone on the other side who is clearly very adept at that piece of it?

**JURICH:** I think the proof is in the market share. So if you look at where we are today, I think we're probably two-to-three times larger in the residential segment. The adoption is very much about your people and the education that they can bring and so I think that's why we're successful because it's a new technology, because utility rate structures are complicated, because there's variation in terms of how much power you'll get off of your roof and how your local permitting office operates. It's really a people-based business, and I think we've been very effective at inspiring our people to bring that passion to customers.

Secondly, we are leading in opening up these virtual power plant type programs and so the customers who decide to choose Sunrun, they can benefit from an additional revenue stream off their solar and their battery. It's just like the sharing economy and Airbnb. You're not using one of your rooms, you rent it. You're not using your battery unless the power is out, so you sell that power back to the grid. Which gets back to my point of why this is moving to a winner take most market and really to call us a residential solar company is missing the bigger picture. These are increasingly advantages that I think we're winning at.

**SAFIAN:** Traditionally, you guys haven't been manufacturing your panels and your batteries. You're installing, selling, integrating them. How do you make sure that the solar technology is evolving and improving rapidly enough, if you're not pushing that part of it?

**JURICH:** Well, we've always looked at our business model as, let's build the pieces that scale, that we have a competitive advantage in, and let's partner with the other side. The innovation is happening so quickly on solar because it's really global. It's a global market. That's not our expertise. Our expertise is really in business model innovation, in project finance, in customer acquisition. When we started the business, we quote things in watts, but it was \$4 a watt for a solar panel, and it is now 30 cents. That's how much it's improved.

The solar panel's not really all that differentiated. You want higher efficiency and lower costs. When you get into the battery, that starts to change matters and so what we're doing is we're working closely with the OEMs to meet our specific end market needs, but relying on very good global, low cost manufacturing to deliver it.

**SSAFIAN:** Did you have any trouble this year getting things you needed with a global supply chain?

**JURICH:** It has not been an issue. Again, another benefit of being the market leader is that you're first in line, typically, for the product and so we haven't seen challenges.

**SAFIAN:** With Sunrun stock prices way up, almost quadrupled or so over the last year, while many businesses are struggling, bankruptcies even. Do you have any survivor's guilt about that?

**JURICH:** No, we should have been there many years ago. I think people are finally recognizing the value of the model, the long term, the size of the market. If you look at the top 20 utilities in the U.S., it's probably \$500 billion of market cap.

There's no reason why we shouldn't be one of the largest utilities going forward. So I think people are starting to recognize that we're generating a lot of cashflow, so the business is profitable. And again, I think that people are seeing the model evolve to more than just solar and really having a bigger wallet share of the entire homes' energy wallet. We're day one, as Jeff Bezos would say.

**SAFIAN:** What's at stake in this moment for you guys?

**JURICH:** It's just execution. It's drilling holes in people's rooftops. It's inspiring people through a remote workforce. I'm pleased that the tailwinds are very much there. What we compete with is utility electricity. That's increasing three to 4% every year. And utilities are spending about a hundred billion dollars annually in CapEx and that's really driving up prices, which enables us. And at the same time, our costs are continuing to decline.

So we have that as a tailwind. We have certainly the new administration and focus on climate as a tailwind. We have the addition of the electric vehicle and the battery, which makes solar that much more appealing to people. There's a lot of things coming together for us, and now it's about operating well.

**SAFIAN:** You almost sound giddy about all this. I know you say it's day one, but it kind of sounds like you've been working to this day for a long time.

**JURICH:** Absolutely. We started this company, my co-founder and I, at Stanford business school. I remember, like a good student, I looked through the entire database of Stanford alum that work at utilities and energy companies, pitched the idea to them. And 100% of people said, "No, you can't do this. There's a lot of sophisticated people working on this. Don't do it." So, we started it despite that. We went from very prestigious financing jobs to selling solar at the farmer's market. We started the company before the financial crisis. So we had to survive the financial crisis while raising hundreds of millions of dollars for a consumer asset class.

I think part of the founding story that I think is interesting is that we were pursuing the solar as a service model on homes. Typically, all of energy is developed with big projects where you can underwrite a single developer or single power plant. What we had to do was get enough homes together to then be able to go raise the capital. We funded the company ourselves. We raised \$12 million and had to spend through the equity capital buying systems, \$50,000 at a time, to get to a pool big enough to then go bring to a bank. And they didn't want to see it unless it could be a \$40 million investment.

So we were spending all this money, which is quite scary. Then the financial crisis hit and we hadn't raised the bank financing yet. Thanks in huge part to my co-founder, who's just really incredible at the legal risk tax financing and just a bulldog in terms of closing the deals, we closed a \$40 million funding from U.S. Bank the day Lehman Brothers went bankrupt.

We've been through a lot.

**SAFIAN:** Your company also is very well rated on all the best companies to work for lists. I know you've been cited on a bunch of these for your leadership. I was trying to think of an analogy to ask you about for being a leader in this moment. I read that you're a bird watcher, that you and your daughter go birding together. It's something I do with my son as well. I'm curious whether, is birdwatching instructive as applied to business right now?

**JURICH:** Absolutely. There's so many analogies to the values and the space I want to create at work. Just the presence in the moment, the awareness from all senses. One of the things I talk about at my company is there's a lot of scientific research here that there's so much knowledge in the body and so, we have sayings like, "Do you have a whole body yes to that?" We watch people squirm around in a meeting because they

either don't agree with you or they're not going to follow through. So I think that the physicality, the presencing that you get through birdwatching is what helps us just both have more fun at work and be more effective.

**SAFIAN:** And I guess you're observing and patient, but at the same time you don't just sit still.

**JURICH:** Absolutely.

**SAFIAN:** There are a lot of entrepreneurs who are listening to this podcast. And if I listened to your story, both from the start in the midst of the financial crisis to the success you've had over the last year, it almost sounds like the external environment doesn't matter in your business, or isn't necessarily an impediment if you're part of, and I'm not even sure how to end that sentence. If you're part of what? If you have a longer term stream that you're taking advantage of? What made those difficult times into opportunities for this kind of a venture?

**JURICH:** I've always had a very long-term orientation. I went to Stanford undergrad, and I was there during the first tech boom. And I really rejected a lot of this short term thinking and the entrepreneurs who really flipped companies. And was attracted to infrastructure, to the physicality of it, the fact that this is our natural world, and I really love nature. In infrastructure, you're making 20, 30 year decisions. It's a long-term industry. That's always the approach we've taken, which is, it'll come. There was a period of time where we were being outgrown by some competitors, by SolarCity. They went public a couple years ahead of us and were able to have the capital to scale really quickly.

Now our philosophy was let's grow. Let's be aggressive, but let's also be sustainable because we're in a trillion dollar market with tailwinds coming our way. There will be a time. When many of our competitors really failed or flamed out, we grew through that entire period because of that discipline and that has served us very well. I think back in 2015, no one probably would have expected us to be the market leader. And now here we are more than double the size of Tesla.

**SAFIAN:** Well, Lynn, this has been great, and I thank you so much for sharing your experiences and your time and your insights with us.

**JURICH:** Thank you very much. My pleasure.