

MARTY ROSENBERG
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Grid Talk #314

JACKIE SARGENT INTERVIEW

Hi, welcome to Grid Talk. Today we're very pleased to have a special guest, Jackie Sargent, who's General Manager of the Austin Energy Utility down in Austin.

Q: Hi, Jackie.

A: Good morning, Marty. Thank you for the opportunity to be with you today.

Q: Great. Let's jump right in because we have a lot to talk about. I'm very intrigued that like a lot of utilities, you're aiming to be carbon-free by 2035 with two-thirds of your energy coming from carbon-free sources by 2027 yet a review of Austin demographics shows you have a considerable population that's economically challenged with one in ten households, low income. How do we square the circle or round this circle here of getting to where you need to be in terms of the energy mix and making sure everyone can afford to use your energy?

A: Well, when we are at looking moving forward and reaching those carbon-free goals, affordability is part of that equation and it's really important for us that we address the customers

who are most vulnerable within our community and I'm proud to say that Austin Energy has one of the most robust customer-assistance programs in the country. Not only do we provide utility bill subsidies and savings for those customers, but we have a whole slate of wrap-around services. We actually work with 56 partners in our community to support these customers because you could help them with their utility bill but they have a lot more needs than just paying for their electricity and so, that's all part of the equation and we are really proud of what we've been able to do in our community.

Q: So, when you say you help them with more than just your bill, give us a flavor of what other things you're helping them with.

A: It could be rental assistance. It could be food access. It could be help with childcare. It could be a situation where they have someone who's medically vulnerable and we connect them with those services and then we create a plan for them so that in the event that there's a power outage, that we have a contact to reach out to and make sure that they have the services that they need in those circumstances.

Q: Do you think you're defining your mission more broadly than say an investor-owned utility because you're an arm of city government and the city provides many of those services as well?

A: Yes, we are. Public power is very focused on being part of the community and so for us to be able to provide these services in addition to the services that the city provides is something that I think is notable.

Q: So, you mentioned your assistance program. In 2021, you had customer assistance program extending to 35,000 customers. Talk about the scale of operation you need to do that and how do you gear up for it and what do you think are some of your hallmarks of successes?

A: Well Marty, we have a team of dedicated people both within our Utility Contact Center and our Customer Energy Solutions workforce that reach out, and I don't have the total numbers on all of that staff but they work really well and really hard to include these partner agencies, and it could be churches, it could be other volunteer organizations, it could be the central food bank; all of those people coming together, and we have events. We just recently had one where we bring all of those people together and we provide them with training of how they can have access to our services and then they share what they do with the other partners, and it becomes a very collaborative effort that streams throughout the community.

Q: So, I understand three terms are central to your mission: diversity, equity, and inclusion. Can you tell us a little bit

about what each term means to you and how that's being pursued in Austin under your utility?

A: You know Marty, addressing diversity, equity, and inclusion is long overdue. Historically as a nation, we have marginalized our black and brown communities and we have to change this dynamic. We owe it to our employees. We owe it to our customers and as a public power utility, we owe it to the communities that we serve. Additionally, as you look at census data, we are seeing our communities diversifying in race, ethnicity, household type, family makeup, social economic background, primary language, and culture identity and that's just a few of the things. So, if we're going to attract and retain a workforce that mirrors our customer base, we have to embrace diversity. We have to look like them. We have to make sure that our programs are equitable and everyone has access to them. And then we have to make sure that we address inclusion so that people are not left out or left behind, so the time really to act is now. A lot of times, people want to wait to get programs just right and at Austin Energy, we've already begun the conversations and we're taking steps to address diversity, equity, inclusion, both internally with our employee groups and externally with our customers and our community. And I just have to say that people have to look at this as a journey and it's a journey to create a cultural shift

and it can't be just a "check-the-box" exercise. And if we're going to truly, to truly effect change with regard to diversity, equity, inclusion, it has to become part of our DNA of who we are.

Q: So, talk about how you exercise inclusion when it comes to your customer base. Does it mean it's as simple as treating your customer differently or are there some proactive steps that you take?

A: Well, I already talked about our very robust Customer Assistance Programs to meet the needs of those that are most vulnerable in our community. But we're also reaching out to our community to the high schools and to community colleges so that we can create an apprentice program for say our field craft, and then we're working collaboratively with other City of Austin departments on community resiliency hubs to provide resources for our residents that are hardest hit by disaster so, yes, there are differences. And then we've also brought on a consultant to create a Customer Journey Map to help us understand what our customers experience when they're requesting and they're receiving services from us, and we'll use that to help us to better direct those services to those or the people that most need them and create the best customer experience for all of our customers.

Q: When we talked...one more question about equity when we talk about the fact that well a 116,000 folks in your city are below the poverty level, 12.2% of the population, what is your city's approach to that and how might it differ from other cities both within Texas and nationally, and how is that shaping what you do as a utility?

A: There's a lot in that Marty, so let me start with what we are doing within our city. We have a Planet Protection Plan that we recently updated and it's now a Climate Equity Plan and so that we're looking at as we reshape and reform our future that we are making sure that we are meeting our customers where they are and that we're meeting the citizens of the community where they are and that's why things like the Resilience Hubs are so important. And then also, when we reach out to our community, we are engaging them. We took a very different approach when we created this Climate Equity Plan in that we actually were able to pay people from our community so that we could get a diverse representation across the community to serve in a capacity to advise us as we were developing that Plan. And I think those are the types of things that when we do the outreach that maybe sets us apart. We have an Equity Officer at the city and then Austin Energy, we hired recently an Equity Program Manager so that we

continue to make sure that we're leading with equity and that we're addressing those issues appropriately.

Q: So, you mention Resilience Hub. What do you mean by Resilience Hub?

A: A Resilience Hub is a location that can be transformed to meet the needs of the community at different times so for example, if there's a disaster that's going on, that it can house those vulnerable in our community and provide services for them and make sure that it has things like food and water and areas to sleep and that it has facilities for bathing and that it has backup power to make sure that it remains resilient in the time of those types of crises that may occur. And at other times it can serve other needs of the community.

Q: So, Jackie, let's talk more specifically about resilience and I'll take you back not too long ago; a year and a half ago in February 2021, Texas was hit with three major storms and sustained its worst energy infrastructure collapse in the state's history. Four and a half million people lost and businesses lost access to power. Estimates from 250 to more than 700 people lost their lives. How did that story play out in Austin? First, how badly were you affected by that winter outage and then let's talk about how you responded to it?

A: We are participants in the ERCOT Wholesale Market and ERCOT manages the grid and when ERCOT sees that there is not enough supply to meet the demand, they have to make adjustments, and they call on all the utilities within the ERCOT footprint to take measures to support the needs of the grid and at that time they called for load shed and so we had to respond to that. It's not a choice; it's a requirement because if people don't respond then the grid could have collapsed. And what ERCOT did was they were able to keep that from a total blackout because had the grid gone black, the situation would have been much more dire.

Q: So, I'm very interested as you move towards zero carbon emissions, what kinds of strains will that put upon your ability to maintain resilience in your service territory? And what kind of new opportunities does it create to heighten resilience?

A: Well one of the things that it does to heighten resilience is it allows us to work with our customers for them to do things so that they have options for being more resilient on their own. For example, grocery stores installing backup generation that they can then use to maintain their facilities and so we're working, we're partnering with those customers to allow that to happen. And as we look at understanding our grid and what grid resilience means for us, it's really about making our grid more secure, more reliable, more resilient, and how that will be

making those investments and improvements, how that will directly impact and enhance what our customers experience.

Q: You talked a minute ago about how you're affected by the demands and the situation in ERCOT which is the area in which you operate. To what extent can you mitigate your dependence on ERCOT and its demands on your load shed for example, to the extent that you have more solar deployed, more energy storage, maybe new kinds of fuel cells? Are there things that you could take independent of the rest of the state that heightens resilience for your customers?

A: Well, when we operate within the ERCOT Wholesale Market and we have generation resources, they're dispatched into the Wholesale Market. They don't serve our load.

Q: But...

A: Customers can install solar. They can install battery backup, but if you get to a certain size that you need for a load of our size, then that has to be provided into the ERCOT Market, so these things that we're working at resiliency, we're calling RAAS or Resiliency As A Service for our customers so that we can make them more resilient; that's going to help us with that and there are ways with solar, with batteries, with backup generation to potentially make that happen, so we're looking at all of those things but there is no silver bullet and at this point the

technology that we need to become carbon-free has not yet been developed, but there is so much going on in that space and that's why it's important for us to collaborate with industry partners, to be members of industry associations to look at what's happening in different spaces. For example, in California, because all of this stuff is evolving and there's a lot of attention that's being given to it and it's very important for us to be at the table and to be participating in those conversations and looking for opportunities for collaboration. For example, we partnered several years ago with the Department of Energy and created a project called SHINES which actually took grid scale solar, grid scale battery, combine into a system connected to distribution where we had commercial customers that had solar and energy storage and we had residential customers and we actually got Nissan to allow us to use a vehicle to grid application of a LEAF, one of their vehicles, and we did many tests and we were trying to find the best use cases of how that could be a path forward in terms of adding resiliency. And I'll have to tell you that the time the economics for that weren't working out, but as we continue to see things like battery costs come down and we see better grid interoperability, those challenges will be overcome and so it's important that we stay in the conversations, that we

stay involved in what's happening and continue to seek out opportunities for collaboration.

Q: Let me ask just...I'm just curious; everybody knows Austin is a fairly liberal place and you have a city council that's all but one member is Democratic, and they govern your policies and what your investments and everything you do as a utility, and you sit in a state in your very city has a state government that looks very different. Is that something that affects you or is it something that you can learn, I mean, that contrast there; does it limit your ability to seek an energy destiny or does it create new opportunities? How do you negotiate that?

A: Well, you know it is an opportunity and I think that's one of the great things about being a public power utility is that our governance is our city council and our city council is really plugged into our community, and so the policies that our city council develops are really reflective of the community that they serve. And if they're not then they won't get reelected to office, and so we are then working with them and we're serving that same community. We're serving those same people that are establishing and reaching out and participating in that policy development. And so, we're very well aligned with that. From a state perspective, we are operating within the ERCOT Wholesale Market; we're supporting the ERCOT Wholesale Market and I would

say that we have a very good relationship and that we're working to serve our community and reflect, truly reflect the values of our community.

Q: Um-hum. I'd like to switch gears a little bit and talk about how we're coming out of COVID and COVID has changed everybody's work patterns. A lot of people are no longer seem to want to stay at jobs that they were previously happy to hold. How is that changing, shifting attitude at work affected Austin Energy and how are you addressing those changing patterns?

A: Well first let me say that Austin Energy has one of the most remarkable and dedicated employees of any organization that I've worked for. They're talented, they're committed, they're customer driven, they're community focused and it's really a rewarding opportunity to be able to serve as general manager for this wonderful organization. We reacted to COVID much like everyone else did around the globe in terms of making sure that we were protecting our employees and of course, we had employees that weren't able to work remotely during that time. You have your frontline staff. You have your people that are in the field. You have the people that are operating power plants. We have our folks that have to be in certain situations to manage our market operations and so we were able to balance getting people to work remotely that were able to with working with our teams of people

that didn't have that opportunity. We found things like customer service representatives, they could handle calls and we could measure their performance because we knew how many calls they took. We know how many times they're able to get first-call resolution and there were just a number of other metrics. And we find that being flexible and offering that hybrid work model is something for those folks and others in our organization works remarkably well and we're going to continue to do that because we know that's important for people and as long as they are able to do their jobs and they are able to have access to the things that they need then we need to be flexible enough to support that. We have kind of a mix, right? We have people that are coming in fulltime like myself and others. We have people that are coming in three days a week or two days a week and so figuring out how to balance all of that, making sure that our employees have a great employee experience. Make sure that we're continuing development opportunities and those sorts of things. Now with that said the labor market here in Austin and in our service territory is very tight. Right now, we currently have a vacancy rate of 14%, the highest that we've had, and it's been a very robust and busy year for us in terms of hiring. We've already filled 268 positions and I'd probably say 175 of those positions were filled by internal candidates which means we're promoting

from within the organization and that creates opportunities. But when you fill one vacancy with an internal candidate, that creates another vacancy for you to manage so we still have a number of vacancies to fill and there's a lot of work involved in that. But we're working to make sure that we're reaching out to the community and that we're trying to find ways like the apprenticeship program where we're partnering with high schools and our community college to bring people into the workforce. We've hired a recruiter, someone that's fulltime looking at recruitment and they are helping us to host special events and activities to get people interested in our organization. There is what people call "the great resignation." People are looking at things differently and they're seeing opportunities that hadn't presented themselves before so that's a challenge that I think most employers across the globe are probably faced with and I would say that as we continue to work and develop and look at new ways to get work done, that we'll be able to meet those needs. And one of our coworkers said that, "Work is what you do; it's not where you do it" and I think that's really appropriate.

Q: Interesting. We're beginning to run out of time but there are a couple of topics that I'd like a quick response from you on. One is talk about EVs; how is the rate of EV pickup in your territory and how's that being matched by your services?

A: You know we have very robust electric vehicle program and we see it as an opportunity for us in that we want to make it easier for our customers to own electric vehicles and so, whether that's shopping for them with the buyer's guide, whether that's educating starting at the school level; we have EVs for schools, a program that we offer, and we are seeing that it's interesting that most of the charging that's done within our service territory is done at night and it's just regular charging, it's not fast charging, and so we haven't seen at this point any significant impacts for our distribution system but we're continuing to evaluate that and as we do our planning, we take that into consideration and we're also trying to make sure that access to EVs is, has an equity component it as well by reaching out and making sure that they're charging infrastructure at multifamily complexes. Making sure that we offer mobility options such as electric bicycles which is a much more affordable alternative for folks and then also promoting how do you get access to used electric vehicles and we're also looking at a shared electric vehicle program and something that would be implemented at our multifamily complexes and so we're really trying to tie in that equity component to electric vehicle in that transformation of transportation.

Q: So, to come full circle from our last question for you, Jackie, I'd like to ask you, you're going through a rate case now; let's back to equity there, and how are you addressing equity in a unique way that other utilities may be not only publicly-owned but investor-owned utilities might want to take a look at?

A: Well one of the things that we do, we have a really robust process and we had opportunities to engage stakeholders and we had a focus on language access and we translated all our materials into seven different languages including Spanish, Vietnamese, simplified Chinese, Korean, Arabic, French, and Hindi and we hosted a number of meetings, and we did those at different locations throughout the community but we also had a virtual option and we made to try to reach as many people as we could and have them included. When we looked at our rate structures one of the things that we found was that we were using an outdated structure. It was based on how our customers were using electricity back in 2009. Well, it's 2022 today and we have been with our robust energy efficiency programs new building codes, appliance efficiency improvements and things that our customers, our residential customers average consumption has been significantly coming down over time but when we look at those that are most vulnerable and our customers that need customer

assistance, they're not the low consumers. And we looked into well why is our consumers of electricity and why is that? It's because they're living in older housing stock. Often times there are multigenerational families living together so people are home more, and they have more people living in the homes and so their consumption is actually higher. And our rate structure was so that the more electricity you use, you would get penalized for that and have to pay a higher rate, and so as the people that could afford to reduce their consumption did and they're being down in these lower tiers and they're being subsidized by people using more electricity than actually some of our people that we're assisting on our customer assistance program. That doesn't work. So, we in our customer assistance program, we waive our customer charge and we're looking at; we have different components of our rates. We have our base rate; we have our power supply adjustment. We have our community benefits charge; we have a regulatory charge. And when you just look at base rates, what are you trying to pay for? You're making your house payment, right? You're paying for your insurance. You're paying for the maintenance of your house. Those are fixed costs. It doesn't matter, like a vehicle, how many...if you have a car payment, it doesn't matter how many miles you drive, you still have to make that car payment and we're trying to recover most of those costs

to variable charges, kilowatt hour charges. And so, what we are proposing in our rate process is that we increase that customer charge to more accurately reflect what it costs us to have you connected to the system and provide you those basic services, whether you use one kilowatt hour a month or not, and then flatten those tiers to make those more inline with how consumption is being used and then making sure that we're financial stable by not depending on those kilowatt hour charges to collect those fixed costs that we need. And then when we looked at our Customer Assistance Program, we waive that customer charge so any increase in the customer charge does not affect them, but by reducing the number of tiers and flattening those tiers those customers that use more electricity such as our vulnerable customers or our customers enrolled in our Customer Assistance Program, they're not hit with those increased charges so dramatically and so, we feel that is a very equitable approach and that when we looked at that and understood that, that this is the right thing to do.

Q: Very interesting. Thank you for talking with us today, Jackie.

A: You bet, Marty. Have a wonderful day.

We've been talking to Jackie Sargent, who's the General Manager of the Austin Energy in Texas.

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