Cost per Watt Methodology

May 12, 2016

This memo describes how Sunrun's creation cost and its components are calculated for Q4 2015 and Q1 2016 using information reported in GAAP financial statements and footnotes plus operating and other data reported by the company.

Creation Cost per watt is equal to the per watt amounts described below for Installation plus Sales and Marketing plus General and Administrative less Platform Services Margin.

Installation (Blended, includes both Sunrun and Partner Built Systems)

Installation cost per watt is calculated based on capitalized installation costs and megawatts related to solar energy systems for which we have (i) confirmation that the systems are installed on the roof, subject to final inspection or (ii) in the case of certain system installations by our partners, accrued at least 80% of the expected project cost, and are under lease or PPA agreements in the period. It excludes costs and MW related to solar energy systems sold directly to customers for cash, and also costs and MW associated with solar energy systems that were cancelled before completion, and other period charges expensed in cost of operating leases and incentives in the consolidated statement of operations. The capitalized costs included can be found in the notes to our consolidated financial statements and the applicable MW can be found in the calculation detail attached to this memo.

Sales and Marketing

Sales and marketing cost per watt is calculated based on sales and marketing expenses incurred and total MW booked in the period, plus other sales costs capitalized along with solar energy systems that have have been deployed under lease or PPA agreements in the period. The calculation uses a mixed denominator because the majority of capitalized sales costs are incurred and capitalized at deployment rather than at booking of the contract. It excludes certain non-cash items such as stock-based compensation expense, amortization of intangibles, and contingent consideration related to an acquisition.

General and Administrative

General and administrative cost per watt is calculated based on the general and administrative expenses incurred and the total MW deployed in the period. It excludes certain non-cash items related to stock-based compensation expense and amortization of intangibles.

Platform Services Margin

Platform Services Margin per watt is the gross margin contribution from Sunrun's platform businesses including AEE, SnapNrack, and CEE plus gross margin earned on cash solar system sales. It excludes certain non-cash items related to stock-based compensation expense.

Sunrun Creation Cost Supplemental Calculations
May 12, 2016
($000s, except per watt and MW)

	Q1 '16 Actuals				Pro forma Adjustments	Q1 '16 Pro Forma	
Solar Energy Systems, net footnote disclosure	**Q4 2015**	**Change**	**Q1 2016**	**Change**		**Q1 2016**	**Change**
Solar energy system equipment costs (gross)	$1,846,103	$122,498	$1,994,193	$148,090			
Inverters (gross)	177,202	14,999	197,145	19,943			
Solar energy systems under construction	113,107	26,338	98,712	(14,395)			
Solar energy systems capitalized costs	$2,136,412	$163,835	$2,290,050	$153,638			
/ Total MW Deployed under leases and PPAs		58.3		51.7			
= **Installation cost per watt**		**$2.81**		**$2.97**			

	Q4 2015		Q1 2016			Q1 2016	
Sales and marketing operating expense	$41,193		$43,188			$43,188	
(-) Sales and marketing stock-based compensation expense	1,950		1,618			1,618	
(-) Sales and marketing intangibles amortization and contingent purchase consideration	1,603		1,575			1,575	
(-) Adjustment for one-time severance and other costs due to Nevada exit					1,584	1,584	
(-) Non-cash charge for discontinued capitalized software for internal use	–		541			541	
Sales and marketing expense, excluding non-cash and other non-sales related items	$37,640		$39,454			$37,870	
/ MW Booked	79.6		43.4				
(+) Adjustment for MW cancelled due to Nevada exit					12.8	56.2	
= **Sales and marketing operating expense per watt**	**$0.47**		**$0.91**			**$0.67**	

	Q4 2015	Change	Q1 2016	Change		Q1 2016	Change
Initial direct costs (from Solar Energy Systems, net footnote disclosure)	$68,280	$10,034	$79,904	$11,624			
/ MW Deployed under leases and PPAs		58.3		51.7			
= **Capitalized sales costs related to PPAs and leases deployed per watt**		**$0.17**		**$0.23**			

	Q4 2015	Q1 2016			Q1 2016
Sales and marketing operating expense per watt	$0.47	$0.91			$0.67
(+) Capitalized sales cost per watt	$0.17	$0.23			$0.23
= **Sales and marketing cost per watt**	**$0.64**	**$1.13**			**$0.90**

	Q4 2015	Q1 2016			Q1 2016
General and administrative operating expense	$22,973	$23,248			
(-) General and administrative stock-based compensation expense	2,498	1,806			
(-) General and administrative intangibles amortization	310	300			
General and administrative expense, excluding non-cash items	$20,165	$21,142			
/ MW Deployed	68.1	59.9			
= **General and administrative cost per watt**	**$0.30**	**$0.35**			

	Q4 2015	Q1 2016			Q1 2016
Solar energy systems and product sales	$70,051	$64,203			$64,203
(-) Cost of solar energy systems and product sales	62,329	57,512			57,512
(+) Adjustment for one-time cancellation costs due to Nevada exit				268	268
(+) Solar energy systems and product sales stock-based compensation expense	63	81			81
Gross margin from solar energy systems and product sales, excluding non-cash items	$7,785	$6,772			$7,040
/ MW Deployed	68.1	59.9			59.9
= **Platform Services Margin per watt**	**$0.11**	**$0.11**			**$0.12**

	Q4 2015	Q1 2016			Q1 2016
Installation	$2.81	$2.97			$2.97
Sales and marketing	$0.64	$1.13			$0.90
General and administrative	$0.30	$0.35			$0.35
	$3.75	**$4.46**			**$4.23**
(-) Platform Services Margin	($0.11)	($0.11)			($0.12)
= **Creation Cost per watt**	**$3.64**	**$4.35**			**$4.11**

Amounts may not add due to rounding