

SUNRUN

Creation Cost Methodology & Notes Applicable for 3Q 2023

November 1, 2023

This memo describes how Sunrun's Creation Cost and its components are calculated for 3Q 2023 using information reported in GAAP financial statements and footnotes plus operating and other data reported by the company.

Creation Cost

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

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

Installation cost per customer is calculated based on installation costs, including both capitalized costs and expenses recognized in 'Cost of Customer Agreements and Incentives' in the period and are divided by the number of Subscriber Additions in the period. These costs exclude depreciation expense, costs associated with servicing the existing fleet of customers, and stock-based compensation expense.

Estimated fleet servicing costs over the full life of the customer agreement and estimated renewal period are already deducted from Subscriber Value and thus not included in Creation Costs. Installation cost excludes costs related to solar energy systems sold directly to customers for cash. The capitalized costs that are included and associated depreciation expense can be found in the notes to our consolidated financial statements and the applicable customer volume and estimated fleet servicing costs can be found in the calculation detail attached to this memo.

Sales and Marketing

Sales and marketing cost per customer is calculated based on (i) sales and marketing expenses incurred in the period and (ii) the increase in gross capitalized cost to obtain contracts. Sales and marketing expenses are adjusted to exclude certain non-cash items such as stock-based compensation expense, amortization of intangibles, and amortization of the capitalized cost to obtain customers. It also excludes certain items the company has deemed to be non-recurring. Expensed sales and marketing costs use total Customer Additions in the period to normalize these costs while capitalized costs are normalized by Subscriber Additions in the period.

General and Administrative

General and administrative cost per customer is calculated based on the general and administrative expenses incurred and are normalized by total Customer Additions in the period. It excludes certain non-cash items related to stock-based compensation expense and amortization of intangibles. It also excludes certain items the company has deemed to be non-recurring.

Platform Services Margin

Platform Services Margin per customer 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 and is normalized by Customer Additions in the period.

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Sunrun Creation Cost Supplemental Calculations

(\$000s, except per customer, per watt and Megawatt)

Note: figures may not sum due to rounding

Net Subscriber Value for 3Q23

	<u>per customer</u>	<u>per watt</u>
Subscriber Value, Contracted Period	\$ 43,387	\$ 5.55
Subscriber Value, Renewal Period	\$ 3,681	\$ 0.47
Subscriber Value	\$ 47,068	\$ 6.02
(-) Creation Cost	\$ (36,038)	\$ (4.63)
Net Subscriber Value	\$ 11,030	\$ 1.40

Creation Cost for 3Q23

	<u>per customer</u>	<u>per watt</u>
Installation	\$ 27,155	\$ 3.48
Sales & Marketing	\$ 8,184	\$ 1.06
General & Administrative	\$ 1,132	\$ 0.15
(-) Platform Services Margin	\$ (433)	\$ (0.06)
Creation Cost	\$ 36,038	\$ 4.63

The calculation of each component is summarized below:

Installation Costs

	<u>3Q23</u>
(+) Capitalized Costs (change in 'Total Solar Energy Systems' & Construction-in-Progress from BS Notes)	\$ 716,127
(+) Cost of Customer Agreements and Incentives Revenue (from IS)	283,742
(-) Depreciation Expense for Solar Energy Systems (from BS Notes)	(124,131)
(-) Fleet Operating & Maintenance costs (expensed and capitalized costs, from Company Books)	(68,601)
(-) Stock Based Compensation expense in Cost of Customer Agreements and Incentives (from IS Notes)	(2,335)
(-) Stock Based Compensation expense capitalized to solar energy systems (from IS Notes)	(3,409)
(-) Amortization of Intangibles in Cost of Customer Agreements and Incentives (Company books)	(181)
(-) Other non-recurring items related to the acquisition of Vivint Solar and restructuring (Company books)	(5,486)
Total Installation Costs	\$ 795,726
/ Subscriber Additions	29,303
= Installation costs (per subscriber)	\$ 27,155
/ Solar Energy Capacity Installed for Subscribers	229.0
= Installation costs (per watt)	\$ 3.48

<i>Financial Statements Notes: Solar Energy Systems, net</i>	<u>3Q23</u>	<u>2Q23</u>	<u>Change</u>
Solar energy system equipment costs	\$ 12,068,415	\$ 11,408,910	
Inverters (and inverters + batteries in later periods, see filings)	1,683,328	1,535,189	
Total solar energy systems (gross)	13,751,743	12,944,099	807,644
Less: accumulated depreciation and amortization	(2,036,742)	(1,912,611)	(124,131)
Add: construction-in-progress	813,616	905,133	(91,517)
Total solar energy systems, net	12,528,617	11,936,621	

<i>Financial Statements Notes: Stock-Based Compensation Expense</i>	<u>3Q23</u>
Cost of customer agreements and incentives	\$ 2,335
Cost of solar energy systems and product sales	1,153
Sales & marketing	14,096
Research & development	405
General & administrative	9,734
Total	27,723
Stock-based compensation expense capitalized to solar energy systems	3,409

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Sales and Marketing Costs

	<u>3Q23</u>	
Sales & Marketing Expense (from IS)	\$ 176,349	
(-) Stock Based Compensation in S&M (from IS Notes)	(14,096)	
(-) Amortization of Intangibles in S&M (Company Books)	(762)	
(-) Amortization of Costs to obtain contracts - customer agreements (Company Books)	(13,483)	
(-) Other non-recurring items: related to the acquisition of Vivint Solar & restructuring (Company books)	(598)	
Sales & Marketing Operating Expenses	\$ 147,410	
/ Customer Additions	33,806	
= Sales & Marketing operating expense (per customer)	\$ 4,360	
/ Solar Energy Capacity Installed	258.2	
= Sales & Marketing operating expense (per watt)	\$ 0.57	
	<u>3Q23</u>	<u>2Q23</u>
Cost to Obtain Customer Agreements (BS note for Other Assets)	1,447,418	1,335,379
Sales & Marketing Capitalized Costs related to new Subscribers	112,039	Change
	<u>3Q23</u>	
/ Subscriber Additions	29,303	
= Sales & Marketing capitalized costs (per customer)	\$ 3,823	
/ Solar Energy Capacity Installed for Subscribers	229.0	
Sales & Marketing capitalized costs (per watt)	\$ 0.49	
Sales & Marketing cost (per customer)	\$ 8,184	
Sales & Marketing cost (per watt)	\$ 1.06	

General & Administrative Costs

	<u>3Q23</u>	
General & Administrative Expenses (from IS)	\$ 48,452	
(-) Stock Based Compensation in G&A Expenses (from IS Notes)	(9,734)	
(-) Amortization of Intangibles in G&A Expenses (Company Books)	(20)	
(-) Other non-recurring items: acquisition related and restructuring expenses	(440)	
General & Administrative Costs	\$ 38,258	
/ Customer Additions	33,806	
= General & Administrative costs (per customer)	\$ 1,132	
/ Solar Energy Capacity Installed	258.2	
= General & Administrative costs (per watt)	\$ 0.15	

Platform Services Margin

	<u>3Q23</u>	
Solar energy systems and product sales revenue (from IS)	\$ 246,653	
(-) Cost of solar energy systems and product sales (from IS)	(234,274)	
(+) Stock Based Compensation in Cost of solar energy system and product sales (from IS Notes)	1,153	
(+) Other non-recurring items: related to the acquisition of Vivint Solar & restructuring (Company books)	1,108	
Platform Services Margin	\$ 14,640	
/ Customer Additions	33,806	
= Platform Services Margin (per customer)	\$ 433	
/ Solar Energy Capacity Installed	258.2	
= Platform Services Margin (per watt)	\$ 0.06	