

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **September 30, 2019**
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
Commission File Number: **001-36542**

TerraForm Power, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

200 Liberty Street, 14th Floor New York, New York

(Address of principal executive offices)

46-4780940

(I. R. S. Employer Identification No.)

10281

(Zip Code)

646-992-2400

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Trading Symbol

Name of each exchange on which registered

Common Stock, Class A, par value \$0.01

TERP

Nasdaq Global Select Market

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of October 31, 2019, there were 227,044,072 shares of Class A common stock outstanding.

TerraForm Power, Inc. and Subsidiaries
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CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (the “Quarterly Report”) contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. These statements involve estimates, expectations, projections, goals, assumptions, known and unknown risks, and uncertainties and typically include words or variations of words such as “expect,” “anticipate,” “believe,” “intend,” “plan,” “seek,” “estimate,” “predict,” “project,” “opportunities,” “goal,” “guidance,” “outlook,” “initiatives,” “objective,” “forecast,” “target,” “potential,” “continue,” “would,” “will,” “should,” “could,” or “may” or other comparable terms and phrases. All statements that address operating performance, events, or developments that the Company expects or anticipates will occur in the future are forward-looking statements. They may include estimates of expected cash available for distribution, distributions growth, earnings, revenues, income, loss, capital expenditures, liquidity, capital structure, margin enhancements, cost savings, future growth, financing arrangements and other financial performance items (including future distributions per share), descriptions of management’s plans or objectives for future operations, products, or services, or descriptions of assumptions underlying any of the above. Forward-looking statements provide the Company’s current expectations or predictions of future conditions, events, or results and speak only as of the date they are made. Although the Company believes its expectations and assumptions are reasonable, it can give no assurance that these expectations and assumptions will prove to have been correct and actual results may vary materially.

Important factors that could cause actual results to differ materially from our expectations, or cautionary statements, are listed below and further disclosed under the section entitled *Item 1A. Risk Factors* in this Quarterly Report and in our Annual Report on Form 10-K for the year ended December 31, 2018:

- risks related to weather conditions at our wind and solar assets;
- our ability to enter into contracts to sell power on acceptable prices and terms, including as our offtake agreements expire;
- government regulation, including compliance with regulatory and permit requirements and changes in tax laws, market rules, rates, tariffs, environmental laws and policies affecting renewable energy;
- our ability to compete against traditional utilities and renewable energy companies;
- pending and future litigation;
- our ability to successfully close the acquisitions of, and integrate the projects that we expect to acquire from, third parties, including our ability to successfully integrate our recently acquired portfolio of distributed generation assets;
- our ability to successfully achieve expected synergies and to successfully execute on the funding plan for our recently acquired portfolio of distributed generation assets, including our ability to successfully close any contemplated capital recycling initiatives;
- our ability to realize the anticipated benefits from acquisitions;
- our ability to close, implement and realize the benefit of our cost and performance enhancement initiatives, including long-term service agreements and our ability to realize the anticipated benefits from such initiatives;
- the willingness and ability of counterparties to fulfill their obligations under offtake agreements;
- price fluctuations, termination provisions and buyout provisions in offtake agreements;
- risks related to the ability of our hedging activities to adequately manage our exposure to commodity and financial risk;
- risks related to our operations being located internationally, including our exposure to foreign currency exchange rate fluctuations and political and economic uncertainties;
- the regulated rate of return of renewable energy facilities in our Regulated Solar and Wind segment, a reduction of which could have a material negative impact on our results of operations;
- the condition of the debt and equity capital markets and our ability to borrow additional funds and access capital markets, as well as our substantial indebtedness and the possibility that we may incur additional indebtedness in the future;
- operating and financial restrictions placed on us and our subsidiaries related to agreements governing indebtedness;
- our ability to identify or consummate any future acquisitions, including those identified by Brookfield Asset Management Inc.;
- our ability to grow and make acquisitions with cash on hand, which may be limited by our cash distribution policy;
- risks related to the effectiveness of our internal control over financial reporting; and

- risks related to our relationship with Brookfield Asset Management Inc., including our ability to realize the expected benefits of the sponsorship.

The Company disclaims any obligation to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions, factors, or expectations, new information, data, or methods, future events, or other changes, except as required by law. The foregoing list of factors that might cause results to differ materially from those contemplated in the forward-looking statements should be considered in connection with information regarding risks and uncertainties, which are described in our Annual Report on Form 10-K for the year ended December 31, 2018 and in subsequent Quarterly Reports, as well as additional factors we may describe from time to time in our other filings with the Securities and Exchange Commission (the “SEC”). We operate in a competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and you should understand that it is not possible to predict or identify all such factors and, consequently, you should not consider any such list to be a complete set of all potential risks or uncertainties.

PART I - Financial Information

Item 1. Financial Statements.

TERRAFORM POWER, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Operating revenues, net	\$ 253,808	\$ 246,042	\$ 734,506	\$ 553,477
Operating costs and expenses:				
Cost of operations	75,037	59,027	207,363	146,155
General and administrative expenses	15,397	21,334	60,616	65,483
General and administrative expenses - affiliate	7,764	3,432	19,087	10,929
Acquisition costs	963	1,655	1,438	7,612
Acquisition costs - affiliate	—	335	—	6,965
Impairment of renewable energy facilities	—	—	—	15,240
Depreciation, accretion and amortization expense	114,282	103,593	321,605	239,177
Total operating costs and expenses	213,443	189,376	610,109	491,561
Operating income	40,365	56,666	124,397	61,916
Other expenses (income):				
Interest expense, net	89,393	72,416	246,721	176,862
Loss (gain) on extinguishment of debt, net	1,355	—	(4,188)	1,480
Loss (gain) on foreign currency exchange, net	10,975	(3,070)	(4,217)	(4,257)
Other (income) expenses, net	(557)	358	(1,752)	1,390
Total other expenses, net	101,166	69,704	236,564	175,475
Loss before income tax expense	(60,801)	(13,038)	(112,167)	(113,559)
Income tax expense	1,512	6,013	3,030	9,417
Net loss	(62,313)	(19,051)	(115,197)	(122,976)
Less: Net (loss) income attributable to redeemable non-controlling interests	(7,341)	12,443	(14,241)	15,101
Less: Net (loss) income attributable to non-controlling interests	(135)	2,096	(33,897)	(165,946)
Net (loss) income attributable to Class A common stockholders	\$ (54,837)	\$ (33,590)	\$ (67,059)	\$ 27,869
Weighted average number of shares:				
Class A common stock - Basic	209,155	209,142	209,149	173,173
Class A common stock - Diluted	209,155	209,142	209,149	173,186
(Loss) earnings per share:				
Class A common stock - Basic and diluted	\$ (0.26)	\$ (0.16)	\$ (0.32)	\$ 0.16
Distributions declared per share:				
Class A common stock	\$ 0.2014	\$ 0.19	\$ 0.6042	\$ 0.57

See accompanying notes to unaudited condensed consolidated financial statements.

TERRAFORM POWER, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net loss	\$ (62,313)	\$ (19,051)	\$ (115,197)	\$ (122,976)
Other comprehensive (loss) income, net of tax:				
Foreign currency translation adjustments:				
Net unrealized gain (loss) arising during the period	6,934	446	15,806	(8,229)
Hedging activities:				
Net unrealized (loss) gain arising during the period	(16,653)	10,621	(43,941)	12,528
Reclassification of net realized loss (gain) into earnings	3,389	(5,832)	(2,439)	(6,755)
Other comprehensive (loss) income, net of tax	(6,330)	5,235	(30,574)	(2,456)
Total comprehensive loss	(68,643)	(13,816)	(145,771)	(125,432)
Less comprehensive (loss) income attributable to non-controlling interests:				
Net (loss) income attributable to redeemable non-controlling interests	(7,341)	12,443	(14,241)	15,101
Net (loss) income attributable to non-controlling interests	(135)	2,096	(33,897)	(165,946)
Hedging activities	188	(1,801)	920	(3,038)
Comprehensive (loss) income attributable to non-controlling interests	(7,288)	12,738	(47,218)	(153,883)
Comprehensive (loss) income attributable to Class A common stockholders	\$ (61,355)	\$ (26,554)	\$ (98,553)	\$ 28,451

See accompanying notes to unaudited condensed consolidated financial statements.

TERRAFORM POWER, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

	September 30, 2019	December 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 239,297	\$ 248,524
Restricted cash, current	31,140	27,784
Accounts receivable, net	176,883	145,161
Derivative assets, current	28,908	14,371
Prepaid expenses and other current assets	61,642	65,149
Due from affiliates	265	196
Deposit on acquisitions	114,195	—
Total current assets	652,330	501,185
Renewable energy facilities, net, including consolidated variable interest entities of \$3,238,298 and \$3,064,675 in 2019 and 2018, respectively	6,967,149	6,470,026
Intangible assets, net, including consolidated variable interest entities of \$697,744 and \$751,377 in 2019 and 2018, respectively	1,957,146	1,996,404
Goodwill	145,616	120,553
Restricted cash	73,794	116,501
Derivative assets	97,096	90,984
Other assets	36,060	34,701
Total assets	\$ 9,929,191	\$ 9,330,354
Liabilities, Redeemable Non-controlling Interests and Stockholders' Equity		
Current liabilities:		
Current portion of long-term debt, including consolidated variable interest entities of \$266,423 and \$64,251 in 2019 and 2018, respectively	\$ 635,929	\$ 464,332
Accounts payable, accrued expenses and other current liabilities	186,170	181,400
Due to affiliates	8,878	6,991
Derivative liabilities, current portion	38,729	35,559
Total current liabilities	869,706	688,282
Long-term debt, less current portion, including consolidated variable interest entities of \$640,050 and \$885,760 in 2019 and 2018, respectively	5,624,514	5,297,513
Operating lease obligations, less current portion, including consolidated variable interest entities of \$141,683 in 2019	255,507	—
Asset retirement obligations, including consolidated variable interest entities of \$118,406 and \$86,456 in 2019 and 2018, respectively	286,282	212,657
Derivative liabilities	141,155	93,848
Deferred income taxes	152,948	178,849
Other liabilities	110,651	90,788
Total liabilities	7,440,763	6,561,937
Redeemable non-controlling interests	20,994	33,495
Stockholders' equity:		
Class A common stock, \$0.01 par value per share, 1,200,000,000 shares authorized, 209,663,018 and 209,642,140 shares issued in 2019 and 2018, respectively	2,097	2,096
Additional paid-in capital	2,259,812	2,391,435
Accumulated deficit	(426,662)	(359,603)
Accumulated other comprehensive income	8,744	40,238
Treasury stock, 508,033 and 500,420 shares in 2019 and 2018, respectively	(6,815)	(6,712)
Total TerraForm Power, Inc. stockholders' equity	1,837,176	2,067,454
Non-controlling interests	630,258	667,468
Total stockholders' equity	2,467,434	2,734,922
Total liabilities, redeemable non-controlling interests and stockholders' equity	\$ 9,929,191	\$ 9,330,354

See accompanying notes to unaudited condensed consolidated financial statements.

TERRAFORM POWER, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands)

	Class A Common Stock Issued		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Common Stock Held in Treasury		Non-controlling Interests					Total Equity
						Shares	Amount	Total	Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total	
	Shares	Amount											
Balance as of December 31, 2017	148,586	\$ 1,486	\$ 1,872,125	\$ (387,204)	\$ 48,018	(500)	\$(6,712)	\$ 1,527,713	\$ 1,057,301	\$ (198,196)	\$ 894	\$ 859,999	\$ 2,387,712
Cumulative-effect adjustment	—	—	—	24,578	(4,164)	—	—	20,414	—	(308)	—	(308)	20,106
Net income (loss)	—	—	—	82,796	—	—	—	82,796	—	(157,087)	—	(157,087)	(74,291)
Distributions to Class A common stockholders	—	—	(28,008)	—	—	—	—	(28,008)	—	—	—	—	(28,008)
Other comprehensive loss	—	—	—	—	(13,494)	—	—	(13,494)	—	—	(1,243)	(1,243)	(14,737)
Contributions from non-controlling interests in renewable energy facilities	—	—	—	—	—	—	—	—	7,685	—	—	7,685	7,685
Distributions to non-controlling interests in renewable energy facilities	—	—	—	—	—	—	—	—	(5,204)	—	—	(5,204)	(5,204)
Other	—	—	3,494	—	—	—	—	3,494	—	(500)	—	(500)	2,994
Balance as of March 31, 2018	148,586	1,486	1,847,611	(279,830)	30,360	(500)	(6,712)	1,592,915	1,059,782	(356,091)	(349)	703,342	2,296,257
Issuance of Class A common stock to affiliates	60,976	610	649,390	—	—	—	—	650,000	—	—	—	—	650,000
Stock-based compensation	—	—	73	—	—	—	—	73	—	—	—	—	73
Net loss	—	—	—	(21,337)	—	—	—	(21,337)	—	(10,955)	—	(10,955)	(32,292)
Distributions to Class A common stockholders	—	—	(28,008)	—	—	—	—	(28,008)	—	—	—	—	(28,008)
Other comprehensive income	—	—	—	—	7,040	—	—	7,040	—	—	6	6	7,046
Distributions to non-controlling interests in renewable energy facilities	—	—	—	—	—	—	—	—	(6,185)	—	—	(6,185)	(6,185)
Other	—	—	(295)	—	—	—	—	(295)	102	—	—	102	(193)
Balance as of June 30, 2018	209,562	2,096	2,468,771	(301,167)	37,400	(500)	(6,712)	2,200,388	1,053,699	(367,046)	(343)	686,310	2,886,698
Issuances of Class A common stock to affiliates	80	—	881	—	—	—	—	881	—	—	—	—	881
Stock-based compensation	—	—	88	—	—	—	—	88	—	—	—	—	88
Net income (loss)	—	—	—	(33,590)	—	—	—	(33,590)	—	2,096	—	2,096	(31,494)
Distributions to Class A common stockholders	—	—	(39,609)	—	—	—	—	(39,609)	—	—	—	—	(39,609)
Other comprehensive income (loss)	—	—	—	—	7,036	—	—	7,036	—	—	(1,801)	(1,801)	5,235
Distributions to non-controlling interests in renewable energy facilities	—	—	—	—	—	—	—	—	(6,499)	—	—	(6,499)	(6,499)
Purchase of redeemable non-controlling interests in renewable energy facilities	—	—	(3,065)	—	—	—	—	(3,065)	—	—	—	—	(3,065)
Other	—	—	546	—	—	—	—	546	307	—	—	307	853
Balance as of September 30, 2018	<u>209,642</u>	<u>\$ 2,096</u>	<u>\$ 2,427,612</u>	<u>\$ (334,757)</u>	<u>\$ 44,436</u>	<u>(500)</u>	<u>\$(6,712)</u>	<u>\$ 2,132,675</u>	<u>\$ 1,047,507</u>	<u>\$ (364,950)</u>	<u>\$ (2,144)</u>	<u>\$ 680,413</u>	<u>\$ 2,813,088</u>

See accompanying notes to unaudited condensed consolidated financial statements.

TERRAFORM POWER, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands)

	Class A Common Stock Issued		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Common Stock Held in Treasury		Non-controlling Interests					
								Shares	Amount	Total	Capital	Accumulated Deficit	Accumulated Other Comprehensive Income
	Shares	Amount				Capital	Accumulated Deficit						
Balance as of December 31, 2018	209,642	\$ 2,096	\$2,391,435	\$ (359,603)	\$ 40,238	(500)	\$(6,712)	\$2,067,454	\$1,040,771	\$ (373,420)	\$ 117	\$667,468	\$2,734,922
Stock-based compensation	—	—	160	—	—	—	—	160	—	—	—	—	160
Net loss	—	—	—	(8,627)	—	—	—	(8,627)	—	(18,049)	—	(18,049)	(26,676)
Distributions to Class A common stockholders	—	—	(41,987)	—	—	—	—	(41,987)	—	—	—	—	(41,987)
Other comprehensive (loss) income	—	—	—	—	(7,925)	—	—	(7,925)	—	—	676	676	(7,249)
Contributions from non-controlling interests in renewable energy facilities	—	—	—	—	—	—	—	—	5,562	—	—	5,562	5,562
Distributions to non-controlling interests in renewable energy facilities	—	—	—	—	—	—	—	—	(5,023)	—	—	(5,023)	(5,023)
Purchase of non-controlling interests in renewable energy facilities	—	—	(687)	—	—	—	—	(687)	(393)	—	—	(393)	(1,080)
Non-cash redemption of redeemable non-controlling interests	—	—	(7,345)	—	—	—	—	(7,345)	—	—	—	—	(7,345)
Balance as of March 31, 2019	209,642	2,096	2,341,576	(368,230)	32,313	(500)	(6,712)	2,001,043	1,040,917	(391,469)	793	650,241	2,651,284
Stock-based compensation	—	—	43	—	—	—	—	43	—	—	—	—	43
Net loss	—	—	—	(3,595)	—	—	—	(3,595)	—	(15,713)	—	(15,713)	(19,308)
Distributions to Class A common stockholders	—	—	(41,991)	—	—	—	—	(41,991)	—	—	—	—	(41,991)
Other comprehensive (loss) income	—	—	—	—	(17,051)	—	—	(17,051)	—	—	56	56	(16,995)
Distributions to non-controlling interests in renewable energy facilities	—	—	—	—	—	—	—	—	(4,866)	—	—	(4,866)	(4,866)
Balance as of June 30, 2019	209,642	2,096	2,299,628	(371,825)	15,262	(500)	(6,712)	1,938,449	1,036,051	(407,182)	849	629,718	2,568,167
Stock-based compensation	21	1	265	—	—	(8)	(103)	163	—	—	—	—	163
Net loss	—	—	—	(54,837)	—	—	—	(54,837)	—	(135)	—	(135)	(54,972)
Distributions to Class A common stockholders	—	—	(41,991)	—	—	—	—	(41,991)	—	—	—	—	(41,991)
Other comprehensive (loss) income	—	—	—	—	(6,518)	—	—	(6,518)	—	—	188	188	(6,330)
Distributions to non-controlling interests in renewable energy facilities	—	—	—	—	—	—	—	—	(2,538)	—	—	(2,538)	(2,538)
Purchase of redeemable non-controlling interests in renewable energy facilities	—	—	1,910	—	—	—	—	1,910	—	—	—	—	1,910
Non-controlling interests acquired in business combination	—	—	—	—	—	—	—	—	3,025	—	—	3,025	3,025
Balance as of September 30, 2019	209,663	\$ 2,097	\$2,259,812	\$ (426,662)	\$ 8,744	(508)	\$(6,815)	\$1,837,176	\$1,036,538	\$ (407,317)	\$ 1,037	\$630,258	\$2,467,434

See accompanying notes to unaudited condensed consolidated financial statements.

TERRAFORM POWER, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Nine Months Ended September 30,	
	2019	2018
Cash flows from operating activities:		
Net loss	\$ (115,197)	\$ (122,976)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation, accretion and amortization expense	321,605	239,177
Amortization of favorable and unfavorable rate revenue contracts, net	28,645	29,478
(Reductions) charges to allowance for doubtful accounts, net	(3,299)	846
Impairment of renewable energy facilities	—	15,240
Amortization of deferred financing costs, debt premiums and discounts, net	7,720	7,969
Unrealized loss (gain) on interest rate swaps	23,094	(11,688)
Unrealized gain on commodity contract derivatives, net	(3,840)	(3,845)
Recognition of deferred revenue	(1,987)	(1,344)
Stock-based compensation expense	468	161
(Gain) loss on extinguishment of debt, net	(4,188)	1,480
Loss on disposal of renewable energy facilities	13,293	6,764
Gain on foreign currency exchange, net	(4,649)	(9,643)
Deferred taxes	139	4,888
Other, net	(308)	(393)
Changes in assets and liabilities, excluding the effect of acquisitions:		
Accounts receivable	(32,198)	(18,758)
Prepaid expenses and other current assets	9,278	9,154
Accounts payable, accrued expenses and other current liabilities	5,238	(13,002)
Due to affiliates, net	1,818	4,158
Other, net	22,571	13,361
Net cash provided by operating activities	<u>268,203</u>	<u>151,027</u>
Cash flows from investing activities:		
Capital expenditures	(16,508)	(15,320)
Proceeds from energy rebate and reimbursable interconnection costs	5,123	8,224
Proceeds from the settlement of foreign currency contracts, net	28,063	22,429
Payments to acquire businesses, net of cash and restricted cash acquired	(617,587)	(886,104)
Payments to acquire renewable energy facilities from third parties, net of cash and restricted cash acquired	(18,255)	(4,105)
Payment of deposit on acquisitions	(114,195)	—
Other investing activities	2,476	—
Net cash used in by investing activities	<u>(730,883)</u>	<u>(874,876)</u>

See accompanying notes to unaudited condensed consolidated financial statements.

TERRAFORM POWER, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Continued)

	Nine Months Ended September 30,	
	2019	2018
Cash flows from financing activities:		
Proceeds from issuance of Class A common stock to affiliates	—	650,000
Proceeds from the Sponsor Line - affiliate	—	86,000
Repayment of the Sponsor Line - affiliate	—	(86,000)
Proceeds from Bridge Facility	475,000	—
Revolver draws	409,500	619,000
Revolver repayments	(430,500)	(200,466)
Term Loan principal payments	(2,625)	(2,625)
Borrowings of non-recourse long-term debt	312,053	236,381
Principal payments and prepayments on non-recourse long-term debt	(186,329)	(180,124)
Debt financing fees paid	(15,972)	(7,424)
Sale of membership interests and contributions from non-controlling interests in renewable energy facilities	5,562	7,685
Purchase of membership interests and distributions to non-controlling interests in renewable energy facilities	(17,204)	(21,792)
Proceeds from affiliates	—	4,803
Cash distributions to Class A common stockholders	(125,969)	(95,625)
Recovery of related party short swing profit	—	2,994
Net cash provided by financing activities	<u>423,516</u>	<u>1,012,807</u>
Net (decrease) increase in cash, cash equivalents and restricted cash	(39,164)	288,958
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(9,414)	(3,750)
Cash, cash equivalents and restricted cash at beginning of period	392,809	224,787
Cash, cash equivalents and restricted cash at end of period	<u>\$ 344,231</u>	<u>\$ 509,995</u>
Supplemental Disclosures:		
Cash paid for interest	\$ 211,517	\$ 170,549
Cash paid for income taxes	4,152	667

See accompanying notes to unaudited condensed consolidated financial statements.

TERRAFORM POWER, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands, except per share data, unless otherwise noted)

1. NATURE OF OPERATIONS AND ORGANIZATION

TerraForm Power, Inc. (“TerraForm Power” and, together with its subsidiaries, the “Company”) is a holding company and its primary asset is an equity interest in TerraForm Power, LLC (“Terra LLC”). TerraForm Power is the managing member of Terra LLC and operates, controls and consolidates the business affairs of Terra LLC, which through its subsidiaries owns and operates renewable energy facilities that have long-term contractual arrangements to sell the electricity generated by these facilities to third parties. The related green energy certificates, ancillary services and other environmental attributes generated by these facilities are also sold to third parties. The Company is sponsored by Brookfield Asset Management Inc. (“Brookfield”) and its primary business strategy is to acquire operating solar and wind assets in North America and Western Europe. As of September 30, 2019, affiliates of Brookfield held approximately 65% of TerraForm Power’s Class A common stock (“Common Stock”). As discussed in *Note 21. Subsequent Events*, on October 8, 2019, the Company completed a public offering and a private placement of its Common Stock whereby the combined ownership of affiliates of Brookfield became approximately 61% as of the date of the issuance of this Quarterly Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements include the results of wholly-owned and partially-owned subsidiaries in which the Company has a controlling interest with all significant intercompany accounts and transactions eliminated and have been prepared in accordance with the SEC regulations for interim financial information. Accordingly, they do not include all of the information and notes required by accounting principles generally accepted in the United States of America (“U.S. GAAP”) for complete financial statements. Certain prior period amounts in the condensed consolidated financial statements and accompanying notes have been reclassified to conform to the current period’s presentation. The financial statements should be read in conjunction with the accounting policies and other disclosures as set forth in the notes to the Company’s audited consolidated financial statements for the year ended December 31, 2018 included in the Company’s Annual Report on Form 10-K filed with the SEC on March 15, 2019. Interim results are not necessarily indicative of results for a full year or any subsequent interim period.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all material adjustments consisting of a normal and recurring nature necessary to present fairly the Company’s financial position as of September 30, 2019, results of operations, comprehensive income (loss) for the three and nine months ended September 30, 2019 and 2018 and cash flows for the nine months ended September 30, 2019 and 2018.

Use of Estimates

In preparing the unaudited condensed consolidated financial statements, the Company uses estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements. Such estimates also affect the reported amounts of revenues, expenses and cash flows during the reporting period. To the extent there are material differences between the estimates and actual results, the Company’s future results of operations would be affected.

Recently Adopted Accounting Standards - Guidance Adopted in 2019

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-02, Leases (Topic 842), which primarily changes the lessee’s accounting for operating leases by requiring the recognition of lease right-of-use assets and lease liabilities. The guidance also eliminates previous real estate specific provisions. In July 2018, the FASB issued ASU No. 2018-11, Leases (Topic 842), Targeted Improvements, which amended the standard to give entities another option to apply the requirements of the standard in the period of adoption (January 1, 2019) or Effective Date Method. The Company adopted the new accounting guidance on January 1, 2019 using a modified retrospective approach reflecting the Effective Date Method of adoption in which the Company continued to apply the guidance in ASC 840, Leases to the comparable periods presented in the year of adoption.

The Company made the following elections provided under the standard:

- The package of practical expedients that permits the Company to retain its existing lease assessment and classification;
- The practical expedient that allows the Company to not evaluate existing and expired land easements;
- The practical expedient to not separate non-lease components in power purchase agreements (“PPAs”) in which the Company is the lessor in providing energy, capacity, and incentive products for a bundled fixed rate; and
- The Company elected not to apply the recognition requirements for short-term operating leases, defined as a term of twelve months or shorter, from the commencement date.

The Company evaluated the impact of Topic 842 as it relates to operating leases for land, buildings and equipment for which it is the lessee and reviewed its existing contracts for embedded leases. The adoption of the new standard resulted in the recognition of right-of-use assets and lease liabilities of approximately \$252.7 million and \$245.3 million, respectively, as of January 1, 2019 for operating leases, whereas the Company’s accounting for finance leases remained substantially unchanged. See *Note 7. Leases* for additional details.

A significant portion of the Company’s operating revenues are generated from delivering electricity and related products from owned solar and wind renewable energy facilities under PPAs in which the Company is the lessor. Revenue is recognized when electricity is delivered and is accounted for as rental income under the lease standard. The adoption of ASC 842 did not have an impact on the accounting policy for rental income from the Company’s PPAs in which it is the lessor. The Company elected the package of practical expedients available under ASC 842, which did not require the Company to reassess its lease classification from ASC 840. Additionally, the Company elected the practical expedient to not separate lease and non-lease components for lessors. This election allows energy (lease component) and environmental incentives or renewable energy certificates (non-lease components) under bundled PPAs to be accounted as a singular lease unit of account under ASC 842.

In October 2018, the FASB issued ASU No. 2018-16, Derivatives and Hedging (Topic 815): Inclusion of the Secured Overnight Financing Rate (“SOFR”) Overnight Index Swap (“OIS”) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes. This ASU expands the list of United States (“U.S.”) benchmark interest rates permitted in the application of hedge accounting by adding the SOFR as a permissible U.S. benchmark rate. The Company does not have any derivative instruments indexed to SOFR as a benchmark interest rate, accordingly, the adoption of ASU No. 2018-16 as of January 1, 2019 did not have an impact on the Company’s consolidated financial statements.

Recently Issued Accounting Standards Not Yet Adopted

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326), to provide financial statement users with more useful information about expected credit losses. This ASU changes how entities measure credit losses on financial instruments and the timing of when such losses are recognized. The guidance is effective for fiscal years and interim periods within those years beginning after January 1, 2020, with early adoption permitted for periods beginning after December 15, 2018. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement. This ASU removes some disclosure requirements, modifies others, and adds some new disclosure requirements. The guidance is effective January 1, 2020, with early adoption permitted. The Company is currently evaluating the effect of the new guidance on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-15, Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40) Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract. This ASU amends the definition of a hosting arrangement and requires a customer in a cloud computing arrangement that is a service contract to follow the internal use software guidance in ASC 350-402 to determine which implementation costs to capitalize as assets. Capitalized implementation costs are amortized over the term of the hosting arrangement, beginning when the module or component of the hosting arrangement is ready for its intended use. The guidance is effective January 1, 2020, with early adoption permitted. The Company is currently evaluating the effect of the new guidance on its consolidated financial statements.

In October 2018, the FASB issued ASU No. 2018-17, Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities. The amendments in this ASU require reporting entities to consider indirect interests held through related parties under common control for determining whether fees paid to decision makers and service provider are variable interests. These indirect interests should be considered on a proportional basis rather than as the

equivalent of a direct interest in its entirety (as currently required in U.S. GAAP). The guidance is effective January 1, 2020, with early adoption permitted. Entities are required to apply the amendments in this guidance retrospectively with a cumulative-effect adjustment to retained earnings at the beginning of the earliest period presented. The Company is currently evaluating the effect of the new guidance on its consolidated financial statements.

3. REVENUE

The following table presents the Company's operating revenues, net and disaggregated by revenue source:

(In thousands)	Three Months Ended September 30, 2019				Three Months Ended September 30, 2018			
	Solar	Wind	Regulated Solar and Wind	Total	Solar	Wind	Regulated Solar and Wind	Total
PPA rental income	\$ 73,425	\$ 31,532	\$ —	\$ 104,957	\$ 66,982	\$ 35,084	\$ —	\$ 102,066
Commodity derivatives	—	10,453	—	10,453	—	7,469	—	7,469
PPA and market energy revenue	10,104	17,861	28,807	56,772	14,353	18,846	32,594	65,793
Capacity revenue from remuneration programs ¹	—	—	54,772	54,772	—	—	47,356	47,356
Amortization of favorable and unfavorable rate revenue contracts, net	(2,017)	(7,774)	—	(9,791)	(2,132)	(7,779)	—	(9,911)
Energy revenue	81,512	52,072	83,579	217,163	79,203	53,620	79,950	212,773
Incentive revenue	20,142	2,435	14,068	36,645	15,680	3,343	14,246	33,269
Operating revenues, net	\$ 101,654	\$ 54,507	\$ 97,647	\$ 253,808	\$ 94,883	\$ 56,963	\$ 94,196	\$ 246,042

(In thousands)	Nine Months Ended September 30, 2019				Nine Months Ended September 30, 2018			
	Solar	Wind	Regulated Solar and Wind	Total	Solar	Wind	Regulated Solar and Wind	Total
PPA rental income	\$ 167,397	\$ 135,670	\$ —	\$ 303,067	\$ 159,116	\$ 138,396	\$ —	\$ 297,512
Commodity derivatives	—	42,560	—	42,560	—	39,917	—	39,917
PPA and market energy revenue	24,461	62,583	79,716	166,760	34,318	31,897	38,909	105,124
Capacity revenue from remuneration programs ¹	—	—	154,913	154,913	—	—	59,327	59,327
Amortization of favorable and unfavorable rate revenue contracts, net	(5,330)	(23,315)	—	(28,645)	(6,075)	(23,403)	—	(29,478)
Energy revenue	186,528	217,498	234,629	638,655	187,359	186,807	98,236	472,402
Incentive revenue	55,065	6,484	34,302	95,851	50,568	13,261	17,246	81,075
Operating revenues, net	\$ 241,593	\$ 223,982	\$ 268,931	\$ 734,506	\$ 237,927	\$ 200,068	\$ 115,482	\$ 553,477

(1) Represents the remuneration related on the Company's investments in renewable energy facilities in Spain.

Contract balances and performance obligations

As of September 30, 2019 and December 31, 2018, other liabilities in the unaudited condensed consolidated balance sheets included deferred revenue comprising of \$8.5 million and \$8.8 million, respectively, which primarily consisted of upfront government incentives, and contract liabilities of \$3.2 million and \$4.9 million, respectively, related to performance obligations that have not yet been satisfied. These contract liabilities represented advanced customer receipts primarily related to future renewable energy credits ("REC") deliveries that are recognized into revenue under Topic 606. The amount of revenue recognized during the three and nine months ended September 30, 2019 related to contract liabilities was \$0.4 million and \$1.7 million, respectively.

4. ACQUISITIONS

2019 Acquisitions

(i) WGL Acquisition

On September 26, 2019, TerraForm Arcadia Holdings, LLC, a Delaware limited liability company and a wholly-owned subsidiary of the Company (“TerraForm Arcadia”), completed the acquisition of an approximately 320 megawatt (“MW”) distributed generation portfolio of renewable energy facilities in the United States from subsidiaries of AltaGas Ltd., a Canadian corporation (“AltaGas”), for a purchase price of \$720.0 million, plus \$15.1 million for working capital. The acquisition was pursuant to a membership interest purchase agreement (the “Purchase Agreement”) dated July 19, 2019, entered into by TerraForm Arcadia, WGL Energy Systems, Inc., a Delaware corporation (“WGL”), and WGSW, Inc., a Delaware corporation (“WGSW”, and together with WGL, the “Sellers”), both subsidiaries of AltaGas (the “WGL Acquisition”). Pursuant to the Purchase Agreement, the ownership of certain projects for which the Sellers have not yet received the required third party consents or have not completed construction (the “Delayed Projects”) will be transferred to the Company once such third party consents are received or construction is completed, subject to certain terms and conditions. The Delayed Projects represent 34.8 MW of the combined nameplate capacity of the acquired renewable energy facilities. The purchase price allocated to the Delayed Projects based on the Purchase Agreement was \$114.2 million and is presented as Deposit on acquisitions in the unaudited condensed consolidated balance sheets. In the event that the title to certain Delayed Projects is not transferred to the Company within a certain period of time, the Company is entitled to a full refund of the value of these projects based on the Purchase Agreement. As discussed in *Note 21. Subsequent Events*, the title to 43 Delayed Projects with a purchase value of approximately \$68.8 million and a combined nameplate capacity of 18.0 MW was transferred to the Company on October 31, 2019. The remaining balance of the Delayed Projects as of the date of this Quarterly Report was approximately \$45.4 million.

The Company funded the purchase price and the related initial costs of the WGL Acquisition with the net proceeds of \$475.0 million Bridge Facility and the remainder from draws on the Revolver. See *Note 10. Long-Term Debt* for definitions and additional details.

The Company accounted for the WGL Acquisition under the acquisition method of accounting for business combinations. The final accounting for the WGL Acquisition has not been completed since the evaluation necessary to assess the fair values of acquired assets and assumed liabilities is still in process. The additional information needed by the Company to finalize the measurement of these provisional amounts include the completion of the transfer of the Delayed Projects and the assessment of the incremental borrowing rate for operating leases. The provisional amounts for this business combination are subject to revision until these evaluations are completed.

The preliminary allocation of the acquisition-date fair values of assets, liabilities and non-controlling interests pertaining to this business combination as of September 30, 2019 were as follows:

(In thousands)	As of September 26, 2019
Renewable energy facilities in service ¹	\$ 545,085
Intangible assets	128,725
Accounts receivable	6,886
Prepaid expenses and other assets	7,978
Total assets acquired	688,674
Accounts payable, accrued expenses and other current liabilities	4,671
Asset retirement obligations	35,740
Operating lease liabilities	20,644
Other liabilities	7,007
Total liabilities assumed	68,062
Non-controlling interests ²	3,025
Purchase price, net of cash and restricted cash acquired³	617,587
Deposit on acquisitions	114,195
Total cash paid for the WGL Acquisition, net of cash acquired	\$ 731,782

(1) Includes \$23.3 million operating lease right-of-use assets.

(2) The fair value of the non-controlling interests was determined using an income approach representing the best indicator of fair value and was supported by a discounted cash flow technique.

(3) The Company acquired cash and cash equivalents of \$3.4 million as of the acquisition date.

The acquired non-financial assets primarily represent an estimate of the fair value of the acquired renewable energy facilities and intangible assets from PPAs using the cost and income approach. Key inputs used to estimate fair value included forecasted power pricing, operational data, asset useful lives and a discount rate factor reflecting current market conditions at the time of the acquisition. These significant inputs are not observable in the market and thus represent Level 3 measurements, as defined in *Note 13. Fair Value of Financial Instruments*. Refer below for additional disclosures related to the acquired finite-lived intangible assets.

Intangibles at Acquisition Date

The following table summarizes the estimated fair values and the weighted average amortization periods of the acquired intangible assets and assumed intangible liabilities as of the acquisition date. The Company attributed the intangible asset values to favorable rate revenue contracts and PPAs in-place from renewable energy facilities and the intangible liabilities to unfavorable rate revenue contracts.

	WGL Acquisition	
	Fair Value (In thousands)	Weighted Average Amortization Period¹
Favorable rate revenue contracts	\$ 23,575	16 years
In-place value of market rate revenue contracts	105,150	15 years
Unfavorable rate revenue contracts	7,007	2 years

(1) For the purposes of this disclosure, the weighted average amortization periods are determined based on a weighting of the individual intangible fair values against the total fair value for each major intangible asset class.

Unaudited Pro Forma Supplementary Data

The unaudited pro forma supplementary data presented in the table below gives effect to the WGL Acquisition, as if the transaction had occurred on January 1, 2018. The pro forma net loss includes interest expense related to incremental borrowings used to finance the transaction and adjustments to depreciation, accretion and amortization expense for the valuation of renewable energy facilities and intangible assets, and excludes the impact of acquisition costs disclosed below. The unaudited pro forma supplementary data is provided for informational purposes only and should not be construed to be indicative of the Company's results of operations had the acquisition been consummated on the date assumed or of the Company's results of operations for any future date.

(In thousands)	Nine Months Ended September 30,	
	2019	2018
Total operating revenues, net	\$ 790,403	\$ 559,523
Net loss	(71,099)	31,985

(ii) Acquisition of 10.6 MW Distributed Generation Assets

During the nine months ended September 30, 2019, the Company acquired three distributed generation facilities located in the U.S. with a combined nameplate capacity of 10.6 MW from third parties for a purchase price of \$18.3 million, net of cash acquired. The facilities are contracted under long-term PPAs with municipal offtakers. This transaction was accounted for as an acquisition of assets. As part of this acquisition, the Company is committed to purchase an additional facility with a nameplate capacity of 4.5 MW for a purchase price of \$6.0 million, which is expected to be completed in December 2019.

2018 Acquisitions

(i) Saeta Acquisition

On February 7, 2018, the Company announced that it intended to launch a voluntary tender offer (the “Tender Offer”) to acquire 100% of the outstanding shares of Saeta Yield S.A.U. (“Saeta”), a Spanish renewable power company with then 1,028 MW of wind and solar facilities (approximately 250 MW of solar and 778 MW of wind) located primarily in Spain. The Tender Offer was for €12.20 in cash per share of Saeta. On June 8, 2018, the Company announced that Spain’s National Securities Market Commission confirmed an over 95% acceptance of shares of Saeta in the Tender Offer (the “Tendered Shares”). On June 12, 2018, the Company completed the acquisition of the Tendered Shares for total aggregate consideration of \$1.12 billion and the assumption of \$1.91 billion of project-level debt. Having acquired 95.28% of the shares of Saeta, the Company then pursued a statutory squeeze out procedure under Spanish law to procure the remaining 4.72% of the shares of Saeta on July 2, 2018 for \$54.6 million.

The Company funded the \$1.12 billion purchase price of the Tendered Shares with \$650.0 million of proceeds from a private placement of Common Stock to Orion Holdings and BBHC Orion Holdco L.P. (both affiliates of Brookfield), along with approximately \$471.0 million from its existing liquidity, including (i) the proceeds of a \$30.0 million draw on its Sponsor Line (as defined in *Note 17. Related Parties*), (ii) \$359.0 million as part of a draw on the Company’s Revolver (as defined in *Note 10. Long-term Debt*), and (iii) approximately \$82.0 million of cash on hand. The Company funded the purchase of the remaining 4.72% non-controlling interest in Saeta using \$54.6 million of the total proceeds from an additional draw on the Sponsor Line.

The Company accounted for the acquisition of Saeta under the acquisition method of accounting for business combinations. The purchase accounting for the Saeta acquisition, including assignment of goodwill to reporting units, was finalized as of June 30, 2019. The final allocation of the acquisition-date fair values of assets, liabilities and redeemable non-controlling interests pertaining to this business combination as of June 30, 2019, was as follows:

(In thousands)	As of June 12, 2018, reported at December 31, 2018	Adjustments	As of June 12, 2018, reported at June 30, 2019
Renewable energy facilities in service	\$ 1,993,520	\$ (6,238)	\$ 1,987,282
Accounts receivable	91,343	—	91,343
Intangible Assets	1,034,176	(31,862)	1,002,314
Goodwill	123,106	32,283	155,389
Other assets	43,402	2,845	46,247
Total assets acquired	3,285,547	(2,972)	3,282,575
Accounts payable, accrued expenses and other current liabilities	93,032	(1,761)	91,271
Long-term debt, including current portion	1,906,831	16,139	1,922,970
Deferred income taxes	171,373	(17,256)	154,117
Asset retirement obligations	67,706	(94)	67,612
Derivative liabilities	137,002	—	137,002
Other long-term liabilities	23,002	—	23,002
Total liabilities assumed	2,398,946	(2,972)	2,395,974
Redeemable non-controlling interests	55,117	—	55,117
Purchase price, net of cash acquired	\$ 831,484	\$ —	\$ 831,484

- (1) The excess purchase price over the estimated fair value of net assets acquired of \$155.4 million was recorded as goodwill, with \$117.4 million assigned to the Regulated Solar and Wind segment and \$38.0 million assigned to the Wind segment. See *Note 18. Segment Reporting* for additional details on the Company’s segments.
- (2) The fair value of the non-controlling interests was determined using a market approach using a quoted price for the instrument. As discussed above, the Company acquired the remaining shares of Saeta pursuant to a statutory squeeze out procedure under Spanish law, which closed on July 2, 2018. The quoted price for the purchase of the non-controlling interest was the best indicator of fair value and was supported by a discounted cash flow technique.
- (3) The Company acquired cash and cash equivalents of \$187.2 million and restricted cash of \$95.1 million as of the acquisition date.

The acquired non-financial assets primarily represented the fair value of acquired renewable energy facilities and intangible assets from concession and licensing contracts using the cost and income approach. Key inputs used to estimate fair

value included forecasted power pricing, operational data, asset useful lives, and a discount rate factor reflecting current market conditions at the time of the acquisition. These significant inputs were not observable in the market and thus represent Level 3 measurements (as defined in *Note 13. Fair Value of Financial Instruments*). Refer below for additional disclosures related to the acquired finite-lived intangible assets.

The results of operations of Saeta are included in the Company's consolidated results since the date of acquisition. The operating revenues and net income of Saeta reflected in the unaudited condensed consolidated statements of operations were \$113.1 million and \$7.6 million, respectively, for the three months ended September 30, 2019, and \$318.4 million and \$33.7 million, respectively, for the nine months ended September 30, 2019.

Unaudited Pro Forma Supplementary Data

The unaudited pro forma supplementary data presented in the table below gives effect to the Saeta acquisition, as if the transaction had occurred on January 1, 2018. The pro forma net loss includes interest expense related to incremental borrowings used to finance the transaction and adjustments to depreciation and amortization expense for the valuation of renewable energy facilities and intangible assets. The pro forma net loss for the nine months ended September 30, 2018, excludes the impact of acquisition related costs disclosed below. The unaudited pro forma supplementary data is provided for informational purposes only and should not be construed to be indicative of the Company's results of operations had the acquisition been consummated on the date assumed or of the Company's results of operations for any future date.

(In thousands)	Nine Months Ended September 30, 2018	
Total operating revenues, net	\$	740,066
Net loss		(108,314)

Intangibles at Acquisition Date

The following table summarizes the estimated fair value and weighted average amortization period of the acquired intangible assets as of the acquisition date for Saeta. The Company attributed intangible asset value to concessions and licensing agreements in-place from solar and wind facilities. These intangible assets are amortized on a straight-line basis over the estimated remaining useful lives of the facilities from the Company's acquisition date.

	As of June 12, 2018	
	Fair Value (In thousands)	Weighted Average Amortization Period¹
Intangible assets - concession and licensing contracts	\$ 1,034,176	15 years

(1) For the purposes of this disclosure, the weighted average amortization period is determined based on a weighting of the individual intangible fair values against the total fair value for each major intangible asset and liability class.

(ii) Acquisition of 6.1 MW Distributed Generation Portfolio

During the nine months ended September 30, 2018, the Company acquired six distributed generation facilities located in the U.S. with a combined nameplate capacity of 6.1 MW from third parties for a purchase price of \$4.1 million, net of cash acquired. The facilities are contracted under long-term PPAs with municipal offtakers. This transaction was accounted for as an acquisition of assets.

Acquisition Costs

Acquisition costs, which primarily consisted of professional fees for banking, legal and accounting services, were \$1.0 million for the three months ended September 30, 2019, compared to \$1.7 million in the same period in 2018, and \$1.4 million for the nine months ended September 30, 2019, compared to \$7.6 million in the same period in 2018. Acquisition costs related to affiliates for the three and nine months ended September 30, 2018 were \$0.3 million and \$7.0 million, respectively, and are reflected within Acquisition costs - affiliates in the unaudited consolidated condensed statements of operations. No acquisition costs related to affiliates were incurred for the three and nine months ended September 30, 2019.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include all cash balances and money market funds with original maturity periods of three months or less when purchased. As of September 30, 2019 and December 31, 2018, cash and cash equivalents included \$188.4 million and \$177.6 million, respectively, of unrestricted cash held at project-level subsidiaries, which was available for project expenses but not available for corporate use.

Restricted Cash

Restricted cash consists of cash on deposit in financial institutions that is restricted to satisfy the requirements of certain debt agreements and funds held within certain of the Company's subsidiaries that are restricted for current debt service payments and other purposes in accordance with the applicable debt agreements. These restrictions include: (i) cash on deposit in collateral accounts, debt service reserve accounts and maintenance reserve accounts; and (ii) cash on deposit in operating accounts but subject to distribution restrictions related to debt defaults existing as of the date of the financial statements. Restricted cash that is not expected to become unrestricted within twelve months from the date of the balance sheet is presented within non-current assets in the consolidated balance sheets.

Reconciliation of Cash and Cash Equivalents as Presented in the Unaudited Condensed Consolidated Statement of Cash Flows

The following table provides a reconciliation of cash and cash equivalents and restricted cash reported within the unaudited condensed consolidated balance sheets to the total of the same such amounts shown in the unaudited condensed consolidated statement of cash flows for the nine months ended September 30, 2019:

(In thousands)	September 30, 2019	December 31, 2018
Cash and cash equivalents	\$ 239,297	\$ 248,524
Restricted cash - current	31,140	27,784
Restricted cash - non-current	73,794	116,501
Cash, cash equivalents and restricted cash shown in the unaudited condensed consolidated statement of cash flows	<u>\$ 344,231</u>	<u>\$ 392,809</u>

As discussed in *Note 10. Long-term Debt*, the Company was in default under certain of its non-recourse financing agreements as of the date of the issuance of the financial statements for the nine months ended September 30, 2019, and for the year ended December 31, 2018. As a result, the Company reclassified \$11.2 million of non-current restricted cash to current as of September 30, 2019 and December 31, 2018, consistent with the corresponding debt classification, as the restrictions that required the cash balances to be classified as non-current restricted cash were driven by the financing agreements. As of September 30, 2019 and December 31, 2018, \$2.2 million and \$1.4 million, respectively, of cash and cash equivalents was also reclassified to current restricted cash as the cash balances were subject to distribution restrictions related to debt agreements that existed as of the respective balance sheet date.

6. RENEWABLE ENERGY FACILITIES

Renewable energy facilities, net consisted of the following:

(In thousands)	September 30, 2019	December 31, 2018
Renewable energy facilities in service, at cost ¹	\$ 8,037,096	\$ 7,298,371
Less: accumulated depreciation	(1,080,363)	(833,844)
Renewable energy facilities in service, net	6,956,733	6,464,527
Construction in progress - renewable energy facilities	10,416	5,499
Total renewable energy facilities, net	<u>\$ 6,967,149</u>	<u>\$ 6,470,026</u>

(1) As discussed in *Note 2. Summary of Significant Accounting Policies* and *Note 7. Leases*, on January 1, 2019, the Company recognized \$252.7 million right-of-use of assets related to operating leases as a result of the adoption of Topic 842, which is included within renewable energy facilities. The amount of right-of-use of assets as of September 30, 2019, including the effect of acquisitions, was \$269.3 million.

Depreciation expense related to renewable energy facilities was \$84.1 million and \$240.0 million for the three and nine months ended September 30, 2019, respectively, compared to \$79.2 million and \$194.2 million for the same periods in the prior year.

Impairment Charges

The Company reviews long-lived assets that are held and used for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Company had a REC sales agreement with a customer expiring December 31, 2021 that was significant to a certain operating project within a distributed generation portfolio and, on March 31, 2018, this customer filed for protection under Chapter 11 of the U.S. Bankruptcy Code. The Company's analysis indicated that the bankruptcy filing was a triggering event to perform an impairment evaluation and recognized an impairment charge of \$15.2 million equal to the difference between the carrying amount and the estimated fair value, which is reflected within impairment of renewable energy facilities in the unaudited condensed consolidated statements of operations for the nine months ended September 30, 2018. The Company used an income approach methodology of valuation to determine the fair value by applying a discounted cash flow method to the forecasted cash flows of the operating project, which was categorized as a Level 3 fair value measurement due to the significance of unobservable inputs. Key estimates used in the income approach included forecasted power and incentive prices, customer renewal rates, operating and maintenance costs and the discount rate. No impairment losses were recognized for the three or nine months ended September 30, 2019.

7. LEASES

The Company has operating leases for renewable energy production facilities, land, office space, transmission lines, vehicles and other operating equipment. Leases with an initial term of twelve months or shorter are not recorded on the balance sheet, but are expensed on a straight-line basis over the lease term. During the three and nine months ended September 30, 2019, the Company did not have any leases with an initial term of less than twelve months.

Operating lease right-of-use assets are included within renewable energy facilities, net, whereas right-of-use liabilities are included within accounts payable, accrued expenses and other current liabilities. Right-of-use assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease right-of-use assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As the Company's leases do not provide an implicit rate, the Company calculated an incremental borrowing rate by leveraging external transactions at comparable entities and internally available information to determine the present value of lease payments. The Company's leases have remaining lease terms ranging from 5 to 41 years.

The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise any such options. Lease expense is recognized on a straight-line basis over the expected lease term. Although some of the Company's leases contain lease and non-lease components, the Company applies the practical expedient to account for each lease component and non-lease component as a single lease component. Lease payments include fixed rent and taxes, where applicable, and exclude variable rental payments that include other operating expenses is recognized as incurred. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants. The following tables outline the different components of operating leases and other terms and conditions of the lease agreements where the Company is the lessee. See *Note 10. Long-term Debt* for more details.

The components of lease expense were as follows:

(In thousands)	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019
Fixed operating lease cost	\$ 4,740	\$ 15,936
Variable operating lease cost ¹	834	3,239
Total operating lease cost	\$ 5,574	\$ 19,175

(1) Primarily related to production-based variable inputs and adjustments for inflation.

Supplemental cash flow information related to the Company's leases was as follows:

(In thousands)	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases ¹	\$ 5,472	\$ 11,487

(1) Right-of-use assets, excluding the effect of acquisitions, obtained in exchange for lease obligations for the nine months ended September 30, 2019, were not material.

Supplemental balance sheet information related to the Company's leases was as follows:

(In thousands, except lease term and discount rate)	As of September 30, 2019	
Operating leases:		
Right-of-use assets	\$	269,309
Accounts payable, accrued expenses and other current liabilities	\$	14,980
Operating lease obligations, less current portion		255,507
Total operating lease liabilities	\$	270,487
Weighted Average Remaining Lease Term:		
Operating leases		18 years
Weighted Average Discount Rate:		
Operating leases		4.5%

The maturities of the Company's operating lease liabilities by fiscal year were as follows:

(In thousands)		
Remainder of 2019	\$	10,417
2020		21,280
2021		21,566
2022		21,434
2023		22,073
Thereafter		324,230
Total lease payments		421,000
Less: Imputed interest		(150,513)
Total	\$	270,487

The operating revenues from delivering electricity and the related products from owned solar and wind renewable energy facilities under PPAs in which the Company is the lessor, the majority of which is variable in nature, is recognized when electricity is delivered and is accounted for as rental income under the lease standard. The Company determines if an arrangement is a lease at contract inception, and if so, includes both lease and non-lease components as a single component and accounts for it as a lease. The Company's PPAs do not contain any residual value guarantees or material restrictive covenants. See *Note 3. Revenue* for additional details.

8. INTANGIBLE ASSETS, NET AND GOODWILL

The following table presents the gross carrying amount, accumulated amortization and net book value of intangibles as of September 30, 2019:

(In thousands, except weighted average amortization period)	Weighted Average Amortization Period	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Concession and licensing contracts	14 years	\$ 948,740	\$ (83,182)	\$ 865,558
Favorable rate revenue contracts	13 years	746,126	(184,983)	561,143
In-place value of market rate revenue contracts	17 years	651,239	(120,794)	530,445
Total intangible assets, net		\$ 2,346,105	\$ (388,959)	\$ 1,957,146
Unfavorable rate revenue contracts	6 years	\$ 47,777	\$ (30,304)	\$ 17,473
Unfavorable rate operations and maintenance contracts	3 months	5,000	(4,770)	230
Total intangible liabilities, net ¹		\$ 52,777	\$ (35,074)	\$ 17,703

(1) The Company's intangible liabilities are classified within other long-term liabilities in the unaudited condensed consolidated balance sheets.

The following table presents the gross carrying amount, accumulated amortization and net book value of intangibles as of December 31, 2018:

(In thousands, except weighted average amortization period)	Weighted Average Amortization Period	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Concession and licensing contracts	15 years	\$ 1,015,824	\$ (36,374)	\$ 979,450
Favorable rate revenue contracts	14 years	738,488	(166,507)	571,981
In-place value of market rate revenue contracts	18 years	532,844	(100,543)	432,301
Favorable rate land leases ¹	16 years	15,800	(3,128)	12,672
Total intangible assets, net		\$ 2,302,956	\$ (306,552)	\$ 1,996,404
Unfavorable rate revenue contracts	6 years	\$ 58,508	\$ (41,605)	\$ 16,903
Unfavorable rate operations and maintenance contracts	1 year	5,000	(3,802)	1,198
Unfavorable rate land lease ¹	14 years	1,000	(218)	782
Total intangible liabilities, net ²		\$ 64,508	\$ (45,625)	\$ 18,883

(1) On January 1, 2019, these amounts were reclassified to right-of-use assets in connection with the adoption of Topic 842. See Note 2. *Summary of Significant Accounting Policies* and Note 7. *Leases* for additional details.

(2) The Company's intangible liabilities are classified within other long-term liabilities in the unaudited condensed consolidated balance sheets.

Amortization expense related to concessions and licensing contracts is reflected in the unaudited condensed consolidated statements of operations within depreciation, accretion and amortization expense. During the three and nine months ended September 30, 2019, amortization expense related to concessions and licensing contracts was \$16.9 million and \$50.1 million, respectively. During the three and nine months ended September 30, 2018, amortization expense related to concessions and licensing contracts was \$13.8 million and \$16.7 million, respectively.

Amortization expense related to favorable rate revenue contracts is reflected in the unaudited condensed consolidated statements of operations as a reduction of operating revenues, net. Amortization related to unfavorable rate revenue contracts is reflected in the unaudited condensed consolidated statements of operations as an increase to operating revenues, net. During the three and nine months ended September 30, 2019, net amortization expense related to favorable and unfavorable rate revenue

contracts resulted in a reduction of operating revenues, net of \$9.8 million and \$28.6 million, respectively, compared to a \$9.9 million and \$29.5 million reduction of operating revenues, net for the same periods in 2018.

Amortization expense related to the in-place value of market rate revenue contracts is reflected in the unaudited condensed consolidated statements of operations within depreciation, accretion and amortization expense. During the three and nine months ended September 30, 2019, amortization expense related to the in-place value of market rate revenue contracts was \$6.8 million and \$19.7 million, respectively, compared to \$4.7 million and \$21.6 million for the same periods in the prior year.

Goodwill

Goodwill represents the excess of the consideration transferred and fair value of the non-controlling interests over the fair values of assets acquired and liabilities assumed from business combinations, and reflects the future economic benefits arising from other assets acquired that could not be individually identified and separately recognized. The goodwill balance is not deductible for income tax purposes.

The following table presents the activity of the goodwill balance for the nine months ended September 30, 2019 and the year ended December 31, 2018:

(In thousands)	September 30, 2019	December 31, 2018
Beginning balance	\$ 120,553	\$ —
Goodwill resulting from business combinations ¹	—	115,381
Adjustments during the period ²	32,283	7,726
Foreign exchange differences	(7,220)	(2,554)
Ending balance	<u>\$ 145,616</u>	<u>\$ 120,553</u>

(1) Represents the excess purchase price over the estimated fair value of net assets acquired from Saeta and is primarily attributable to deferred tax liabilities and adjustment to the fair value of certain project long-term debt. See *Note 4. Acquisitions* for additional details.

(2) Represents the adjustments to the goodwill balance arising from the revision of the provisional accounting of Saeta's purchase price allocation.

See *Note 4. Acquisitions* for discussion of goodwill related to the Saeta acquisition.

9. VARIABLE INTEREST ENTITIES

The Company assesses entities for consolidation in accordance with ASC 810. The Company consolidates variable interest entities ("VIEs") in renewable energy facilities when the Company is determined to be the primary beneficiary. VIEs are entities that lack one or more of the characteristics of a voting interest entity ("VOE"). The Company has a controlling financial interest in a VIE when its variable interest(s) provide it with (i) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and (ii) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. The VIEs own and operate renewable energy facilities in order to generate contracted cash flows. The VIEs were funded through a combination of equity contributions from the owners and non-recourse project-level debt.

VOEs are entities in which (i) the total equity investment at risk is sufficient to enable the entity to finance its activities independently and (ii) the equity holders have the power to direct the activities of the entity that most significantly impact its economic performance, the obligation to absorb the losses of the entity and the right to receive the residual returns of the entity. The usual condition for a controlling financial interest in a voting interest entity is ownership of a majority voting interest. If the Company has a majority voting interest in a voting interest entity, the entity is consolidated.

For consolidated VIEs, the Company presented on its consolidated balance sheets, to the extent material, the assets of its consolidated VIEs that can only be used to settle specific obligations of the consolidated VIE, and the liabilities of its consolidated VIEs for which creditors do not have recourse to the Company's general assets outside of the VIE.

The carrying amounts and classification of the consolidated assets and liabilities of the VIEs included in the Company's unaudited condensed consolidated balance sheets were as follows:

(In thousands)	September 30, 2019	December 31, 2018
Current assets	\$ 134,551	\$ 134,057
Non-current assets	4,032,239	3,909,549
Total assets	<u>\$ 4,166,790</u>	<u>\$ 4,043,606</u>
Current liabilities	\$ 319,738	\$ 120,790
Non-current liabilities	949,812	1,014,789
Total liabilities	<u>\$ 1,269,550</u>	<u>\$ 1,135,579</u>

The amounts shown in the table above exclude intercompany balances that were eliminated upon consolidation. All of the assets in the table above are restricted for the settlement of the VIE obligations and all the liabilities in the table above can only be settled by using VIE resources.

10. LONG-TERM DEBT

Long-term debt consists of the following:

(In thousands, except interest rates)	September 30, 2019	December 31, 2018	Interest Type	Interest Rate (%) ¹	Financing Type
<i>Corporate-level long-term debt²:</i>					
Senior Notes due 2023	\$ 500,000	\$ 500,000	Fixed	4.25	Senior notes
Senior Notes due 2025 ³	300,000	300,000	Fixed	6.63	Senior notes
Senior Notes due 2028	700,000	700,000	Fixed	5.00	Senior notes
Revolver ⁴	356,000	377,000	Variable	4.27	Revolving loan
Term Loan ^{3,5}	343,875	346,500	Variable	4.04	Term debt
<i>Non-recourse long-term debt:</i>					
Permanent financing	3,557,646	3,496,370	Blended ⁷	4.55 ⁸	Term debt / Senior notes
Bridge Facility ⁶	475,000	—	Variable	3.09	Term debt
Financing obligations	62,200	77,066	Imputed	5.85 ⁸	Financing lease obligations
Total principal due for long-term debt and financing obligations	6,294,721	5,796,936		4.53 ⁸	
Unamortized premiums and discounts, net	3,758	(15,913)			
Deferred financing costs, net	(38,036)	(19,178)			
Less: current portion of long-term debt and financing lease obligations	(635,929)	(464,332)			
Long-term debt and financing obligations, less current portion	<u>\$ 5,624,514</u>	<u>\$ 5,297,513</u>			

(1) As of September 30, 2019.

(2) Represents the debt issued by TerraForm Power Operating, LLC (“Terra Operating LLC”) and guaranteed by Terra LLC and certain subsidiaries of TerraForm Operating LLC other than non-recourse subsidiaries as defined in the relevant debt agreements (except for certain unencumbered non-recourse subsidiaries).

(3) Subsequent to quarter end, on October 16, 2019, Terra Operating LLC issued \$700.0 million of 4.75% senior notes due on January 15, 2030 at an offering price of 100% of the principal amount. The proceeds from the notes were used to redeem, in full, the Company’s existing Senior Notes due 2025 and Term Loan (as defined below). See *Note 21. Subsequent Events* for additional details.

(4) Represents the amounts outstanding under the Terra Operating LLC senior secured revolving credit facility (the “Revolver”). Subsequent to quarter end, on October 8, 2019, the Company entered into an amendment whereby it, among other things, increased the aggregate lending commitment by \$200.0 million. See *Note 21. Subsequent Events* for additional details. As of October 31, 2019, the Company repaid most the outstanding balance under the Revolver.

(5) Represents the amounts outstanding under Terra Operating LLC’s senior secured term loan facility (the “Term Loan”). Subsequent to quarter end, on October 16, 2019, the Company redeemed the entire outstanding balance. See *Note 21. Subsequent Events* for additional details.

(6) Represents senior secured term debt issued to fund a portion of the consideration paid for the WGL Acquisition. See below for additional details.

(7) Includes fixed and variable rate debt. As of September 30, 2019, 36% of this balance had a fixed interest rate and the remaining 64% of this balance had a variable interest rate. The Company entered into interest rate swap agreements to fix the interest rates of the majority of the variable rate permanent financing non-recourse debt (see *Note 12. Derivatives* for additional details).

(8) Represents the weighted-average interest rate as of September 30, 2019.

Corporate Financing

See *Note 21. Subsequent Events*, for discussion of the corporate financing transactions that were executed subsequent to quarter end.

Non-recourse Project Financing

Indirect subsidiaries of the Company have incurred long-term non-recourse debt obligations with respect to the renewable energy facilities that those subsidiaries own directly or indirectly. The indebtedness of these subsidiaries is typically secured by the projects' assets (mainly the renewable energy facilities) or equity interests in subsidiaries that directly or indirectly hold renewable energy facilities with no recourse to TerraForm Power, Terra LLC or Terra Operating LLC other than limited or capped contingent support obligations, which in aggregate are not considered material to the Company's business and financial condition. In connection with these financings and in the ordinary course of its business, the Company and its subsidiaries observe formalities and operating procedures to maintain each of their separate existence and can readily identify each of their separate assets and liabilities as separate and distinct from each other. As a result, these subsidiaries are legal entities that are separate and distinct from each of TerraForm Power, Terra LLC, Terra Operating LLC and the guarantors under the Senior Notes due 2023, the Senior Notes due 2025, the Senior Notes due 2028, the Revolver, the Sponsor Line and the Term Loan.

United States Project Financing

On August 30, 2019, one of the Company's subsidiaries entered into a new non-recourse debt financing agreement, whereby it issued \$131.0 million of 3.2% senior notes secured by approximately 111 MW of utility-scale wind power plants located in the United States that are owned by certain of the Company's subsidiaries. The proceeds of this financing were used to repay a portion of the balance outstanding under the Revolver. The non-recourse senior notes mature on July 2, 2032 and amortize on an approximately thirteen-year sculpted amortization schedule.

Bridge Facility

On September 25, 2019, one of the Company's subsidiaries entered into a \$475.0 million new non-recourse senior secured term loan ("Bridge Facility") secured by the approximately 320 MW portfolio of distributed generation power plants located in the United States that were acquired from subsidiaries of AltaGas. The proceeds of this financing were used to fund a portion of the WGL Acquisition. See *Note 4. Acquisitions* for additional details. The Bridge Facility matures on September 23, 2020. The Company has a one-year extension option and intends, through its subsidiaries, to complete a refinancing of the balance on a long-term basis prior to maturity. The balance, net of unamortized deferred financing costs, is included within non-current liabilities in the unaudited condensed consolidated balance sheets.

Non-recourse Debt Defaults

As of September 30, 2019 and December 31, 2018, the Company reclassified \$387.8 million and \$186.3 million, respectively, of non-recourse long-term indebtedness, net of unamortized deferred financing costs and debt discounts, to current in the unaudited condensed consolidated balance sheets due to defaults still remaining as of the respective financial statements issuance dates. The defaults as of the December 31, 2018 primarily consisted of indebtedness of the Company's solar renewable energy facility in Chile. The defaults as of September 30, 2019 also included the indebtedness of the Company's California Ridge wind operating project in the United States. The Company continues to amortize deferred financing costs and debt discounts over the maturities of the respective financing agreements as before the violations, since the Company believes there is a reasonable likelihood that it will be, in due course, able to successfully negotiate waivers with the lenders and/or cure the existing defaults. The Company's management based this conclusion on (i) its past history of obtaining waivers and/or forbearance agreements with lenders, (ii) the nature and existence of active negotiations between the Company and the respective lenders to secure waivers, (iii) the Company's timely servicing of these debt instruments and (iv) the fact that no non-recourse financing has been accelerated to date and no project-level lender has notified the Company of such lender's election to enforce project security interests.

Refer to *Note 5. Cash and Cash Equivalents* for discussion of corresponding restricted cash reclassifications to current as a result of these defaults.

Maturities

The aggregate contractual principal payments of long-term debt due after September 30, 2019, excluding the amortization of debt discounts, premiums and deferred financing costs, as stated in the financing agreements, are as follows:

(In thousands)	Remainder of 2019	2020 ²	2021	2022	2023	Thereafter	Total
Maturities of long-term debt ¹	\$ 96,852	\$ 732,185	\$ 269,528	\$ 770,751	\$ 1,220,271	\$ 3,205,134	\$ 6,294,721

- (1) Represents the contractual principal payment due dates for the Company's long-term debt and does not reflect the reclassification of \$387.8 million of long-term debt, net of unamortized deferred financing costs and debt discounts, to current due to debt defaults that existed as of the date of the issuance of the financial statements (see above for additional details).
- (2) Includes the \$475.0 million Bridge Facility maturing on September 23, 2020. The Company has a one-year extension option and intends, through its subsidiaries, to complete a refinancing of the balance on a long-term basis prior to maturity. The balance, net of unamortized deferred financing costs, is included within non-current liabilities in the unaudited condensed consolidated balance sheets.

11. INCOME TAXES

The income tax provision consisted of the following:

(In thousands, except effective tax rate)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Loss before income tax expense	\$ (60,801)	\$ (13,038)	\$ (112,167)	\$ (113,559)
Income tax expense	1,512	6,013	3,030	9,417
Effective tax rate	(2.5)%	(46.1)%	(2.7)%	(8.3)%

The overall effective tax rate for the three and nine months ended September 30, 2019 and 2018 was different than the statutory rate of 21% and was primarily due to the recording of a valuation allowance on certain income tax benefits attributed to the Company, losses allocated to non-controlling interests and the effect of foreign and state taxes.

As of September 30, 2019, and December 31, 2018, the Company had not identified any uncertain tax positions for which a liability was required under ASC 740-10. The Company expects to complete its analysis on tax positions related to the WGL Acquisition within the measurement period.

12. DERIVATIVES

As part of its risk management strategy, the Company has entered into derivative instruments which include interest rate swaps, foreign currency contracts and commodity contracts to mitigate interest rate, foreign currency and commodity price exposures. If the Company elects to do so and if the instrument meets the criteria specified in ASC 815, *Derivatives and Hedging*, the Company designates its derivative instruments as either cash flow hedges or net investment hedges. The Company enters into interest rate swap agreements in order to hedge the variability of the expected future cash interest payments. Foreign currency contracts are used to reduce risks arising from the change in fair value of certain foreign currency denominated assets and liabilities. The objective of these practices is to minimize the impact of foreign currency fluctuations on operating results. The Company also enters into commodity contracts to hedge price variability inherent in energy sales arrangements. The objectives of the commodity contracts are to minimize the impact of variability in spot energy prices and stabilize estimated revenue streams. The Company does not use derivative instruments for trading or speculative purposes.

As of September 30, 2019 and December 31, 2018, the fair values of the following derivative instruments were included in the respective balance sheet captions indicated below:

(In thousands)	Fair Value of Derivative Instruments ¹								
	Derivatives Designated as Hedging Instruments			Derivatives Not Designated as Hedging Instruments			Gross Derivatives	Counterparty Netting ²	Net Derivatives
	Interest Rate Swaps	Foreign Currency Contracts	Commodity Contracts	Interest Rate Swaps	Foreign Currency Contracts	Commodity Contracts			
As of September 30, 2019									
Derivative assets, current	\$ —	\$ 1,217	\$ 365	\$ —	\$ 19,365	\$ 8,069	\$ 29,016	\$ (108)	\$ 28,908
Derivative assets	—	9,831	41,679	—	4,346	42,019	97,875	(779)	97,096
Total assets	\$ —	\$ 11,048	\$ 42,044	\$ —	\$ 23,711	\$ 50,088	\$ 126,891	\$ (887)	\$ 126,004
Derivative liabilities, current portion	\$ 5,717	\$ 108	\$ —	\$ 33,012	\$ —	\$ —	\$ 38,837	\$ (108)	\$ 38,729
Derivative liabilities	35,585	4	—	105,570	775	—	141,934	(779)	141,155
Total liabilities	\$ 41,302	\$ 112	\$ —	\$ 138,582	\$ 775	\$ —	\$ 180,771	\$ (887)	\$ 179,884
As of December 31, 2018									
Derivative assets, current	\$ 1,478	\$ 605	\$ 18	\$ —	\$ 3,344	\$ 9,783	\$ 15,228	\$ (857)	\$ 14,371
Derivative assets	5,818	2,060	42,666	—	647	40,137	91,328	(344)	90,984
Total assets	\$ 7,296	\$ 2,665	\$ 42,684	\$ —	\$ 3,991	\$ 49,920	\$ 106,556	\$ (1,201)	\$ 105,355
Derivative liabilities, current portion	\$ 465	\$ —	\$ —	\$ 34,267	\$ 1,684	\$ —	\$ 36,416	\$ (857)	\$ 35,559
Derivative liabilities	3,334	1,437	—	88,034	1,387	—	94,192	(344)	93,848
Total liabilities	\$ 3,799	\$ 1,437	\$ —	\$ 122,301	\$ 3,071	\$ —	\$ 130,608	\$ (1,201)	\$ 129,407

(1) Fair value amounts are shown before the effect of counterparty netting adjustments.

(2) Represents the netting of derivative exposures covered by qualifying master netting arrangements.

As of September 30, 2019 and December 31, 2018, the Company had posted letters of credit in the amount of \$15.0 million, as collateral related to certain commodity contracts. Certain derivative contracts contain provisions providing the counterparties a lien on specific assets as collateral. There was no cash collateral received or pledged as of September 30, 2019 and December 31, 2018 related to the Company's derivative transactions.

The Company is subject to credit risk related to its derivatives to the extent the hedge counterparties may be unable to meet the terms of the contractual arrangements. The maximum exposure to loss due to credit risk if counterparties fail completely to perform according to the terms of the contracts would generally equal the fair value of derivative assets presented in the above table. The Company seeks to mitigate credit risk by transacting with a group of creditworthy financial institutions and through the use of master netting arrangements.

The Company elected to present all derivative assets and liabilities on a net basis on the balance sheet as a right to set-off exists. The Company enters into International Swaps and Derivatives Association, Inc. ("ISDA") Master Agreements with its counterparties. An ISDA Master Agreement is an agreement that can govern multiple derivative transactions between two counterparties that typically provides for the net settlement of all, or a specified group, of these derivative transactions through a single payment, and in a single currency, as applicable. A right to set-off typically exists when the Company has a legally enforceable ISDA Master Agreement. No amounts were netted for commodity contracts as of September 30, 2019 or December 31, 2018, as each of the commodity contracts were in a gain position.

The following table presents the notional amounts of derivative instruments as of September 30, 2019 and December 31, 2018:

(In thousands)	Notional Amount as of	
	September 30, 2019	December 31, 2018
Derivatives designated as hedging instruments:		
<i>Cash flow hedges:</i>		
Interest rate swaps (USD)	867,184	357,797
Interest rate swaps (CAD)	139,075	147,522
Commodity contracts (MWhs)	5,528	6,030
<i>Net investment hedges:</i>		
Foreign currency contracts (CAD)	94,100	81,600
Foreign currency contracts (EUR)	200,000	320,000
Derivatives not designated as hedging instruments:		
Interest rate swaps (USD)	11,616	12,326
Interest rate swaps (EUR) ¹	991,942	1,044,253
Foreign currency option contracts (EUR) ²	625,200	—
Foreign currency forward contracts (EUR) ²	165,000	640,200
Foreign currency contracts (CAD)	7,800	—
Commodity contracts (MWhs)	7,895	8,707

(1) Represents the notional amount of the interest rate swaps at Saeta to economically hedge the interest payments on non-recourse debt. The Company did not designate these derivatives as hedging instruments under ASC 815 as of September 30, 2019 and December 31, 2018.

(2) Represents the notional amount of foreign currency contracts used to economically hedge a portion of the Company's foreign exchange risk associated with Euro-denominated intercompany loans. The Company did not designate these derivatives as hedging instruments under ASC 815 as of September 30, 2019 and December 31, 2018.

Gains and losses on derivatives not designated as hedging instruments for the three and nine months ended September 30, 2019 and 2018 consisted of the following:

(In thousands)	Location of Loss (Gain) in the Statements of Operations	Three Months Ended September 30,		Nine Months Ended September 30,	
		2019	2018	2019	2018
Interest rate swaps	Interest expense, net	\$ 20,911	\$ 4,737	\$ 50,189	\$ (3,252)
Foreign currency contracts	Loss (gain) on foreign currency exchange, net	(19,667)	(4,348)	(39,596)	(16,914)
Commodity contracts	Operating revenues, net	307	(3,880)	(13,311)	(21,374)

Gains and losses recognized related to interest rate swaps, foreign currency contracts and commodity derivative contracts designated as hedging instruments for the three and nine months ended September 30, 2019 and 2018 consisted of the following:

Three Months Ended September 30,

Derivatives in Cash Flow and Net Investment Hedging Relationships	(Loss) Gain Included in the Assessment of Effectiveness Recognized in OCI, net of taxes ¹		Gain (Loss) Excluded from the Assessment of Effectiveness Recognized in OCI Using an Amortization Approach		Location of Amount Reclassified from AOCI into Income	Loss (Gain) Included in the Assessment of Effectiveness Reclassified from AOCI into Income ²		Gain Excluded from the Assessment of Effectiveness that is Amortized through Earnings	
	2019	2018	2019	2018		2019	2018	2019	2018
(In thousands)									
Interest rate swaps	\$ (14,722)	\$ 4,107	\$ —	\$ —	Interest expense, net	\$ 128	\$ 263	\$ —	\$ —
Foreign currency contracts	11,915	3,549	—	—	Loss on foreign currency exchange, net	—	—	—	—
Commodity contracts	(6,760)	4,645	—	—	Operating revenues, net	4,794	(5,019)	—	(251)
Total	\$ (9,567)	\$ 12,301	\$ —	\$ —		\$ 4,922	\$ (4,756)	\$ —	\$ (251)

(1)Net of \$2,506 tax benefit attributed to interest rate swaps recorded for the three months ended September 30, 2019. No tax expense or benefit was recorded for the three months ended September 30, 2018.

(2)No tax expense or benefit was recorded for the three months ended September 30, 2019 and 2018.

Nine Months Ended September 30,

Derivatives in Cash Flow and Net Investment Hedging Relationships	(Loss) Gain Included in the Assessment of Effectiveness Recognized in OCI, net of taxes ¹		Gain (Loss) Excluded from the Assessment of Effectiveness Recognized in OCI Using an Amortization Approach		Location of Amount Reclassified from AOCI into Income	Loss (Gain) Included in the Assessment of Effectiveness Reclassified from AOCI into Income ²		(Gain) Excluded from the Assessment of Effectiveness that is Amortized through Earnings	
	2019	2018	2019	2018		2019	2018	2019	2018
(In thousands)									
Interest rate swaps	\$ (41,336)	\$ 14,627	\$ —	\$ —	Interest expense, net	\$ (867)	\$ 1,236	\$ —	\$ —
Foreign currency contracts	20,191	3,549	—	—	(Gain) on foreign currency exchange, net	—	—	—	—
Commodity contracts	(2,605)	(2,834)	—	735	Operating revenues, net	4,116	(7,061)	—	(930)
Total	\$ (23,750)	\$ 15,342	\$ —	\$ 735		\$ 3,249	\$ (5,825)	\$ —	\$ (930)

(1)Net of \$2,506 tax benefit attributed to interest rate swaps recorded for the nine months ended September 30, 2019. No tax expense or benefit was recorded for the nine months ended September 30, 2018.

(2)No tax expense or benefit attributed to interest rate swaps was recorded for the nine months ended September 30, 2019 and 2018.

Derivatives Designated as Hedging Instruments

Interest Rate Swaps

The Company has interest rate swap agreements to hedge certain variable rate non-recourse debt and its Term Loan. These interest rate swaps qualify for hedge accounting and were designated as cash flow hedges. Under the interest rate swap agreements, the Company pays a fixed rate and the counterparties to the agreements pay a variable interest rate. The change in the fair value of the components included in the effectiveness assessment of these derivatives is initially reported in AOCI and subsequently reclassified to earnings in the periods when the hedged transactions affect earnings (the payment of interest). The amounts deferred in AOCI and reclassified into earnings during the three and nine months ended September 30, 2019 and 2018 related to these interest rate swaps are provided in the tables above. The loss expected to be reclassified into earnings over the next twelve months is approximately \$5.2 million. The maximum term of outstanding interest rate swaps designated as hedging instruments is 20 years.

Foreign Currency Forward Contracts

The Company uses foreign currency forward contracts to hedge portions of its net investment positions in certain subsidiaries with Euro (“€”) and Canadian dollar (“C\$”) functional currencies and to manage its foreign exchange risk. For instruments that are designated and qualify as hedges of net investment in foreign operations, the effective portion of the net gains or losses attributable to changes in exchange rates are recorded in foreign currency translation adjustments within AOCI. The recognition in earnings of amounts previously recorded in AOCI is limited to circumstances such as complete or substantial liquidation of the net investment in the hedged foreign operation.

Cash flows from derivative instruments designated as net investment hedges are classified as investing activities in the unaudited consolidated condensed statements of cash flows.

As of September 30, 2019, the total notional amount of foreign currency forward contracts designated as net investment hedges was €200 million and approximately C\$94.1 million. The maturity dates of these derivative instruments designated as net investment hedges range from 3 to 18 months. As of December 31, 2018, the total notional amount of foreign currency forward contracts designated as net investment hedges was €320 million and C\$81.6 million. The maturity dates of these derivative instruments designated as net investment hedges range from 3 months to 2 years.

Commodity Contracts

The Company has two long-dated physically delivered commodity contracts that hedge variability in cash flows associated with the sales of power from certain wind renewable energy facilities located in Texas. One of these commodity contract qualifies for hedge accounting and is designated as a cash flow hedge. The change in the fair value of the components included in the effectiveness assessment of this derivative is initially reported in AOCI and subsequently reclassified to earnings in the periods when the hedged transactions affect earnings (the sale of electricity). The amounts deferred in AOCI and reclassified into earnings during the three and nine months ended September 30, 2019 and 2018 related to this commodity contract are provided in the tables above. The gain expected to be reclassified into earnings over the next twelve months is approximately \$2.4 million. The maximum term of the outstanding commodity contract designated as a hedging instrument is 8 years.

Derivatives Not Designated as Hedging Instruments

Interest Rate Swaps

The Company has interest rate swap agreements that economically hedge the cash flows for non-recourse debt. These interest rate swaps pay a fixed rate and the counterparties to the agreements pay a variable interest rate. The changes in fair value are recorded in interest expense, net in the unaudited condensed consolidated statements of operations as these derivatives are not accounted for under hedge accounting.

Foreign Currency Contracts

The Company has foreign currency forward and option contracts that economically hedge its exposure to foreign currency fluctuations. As these hedges are not accounted for under hedge accounting, the changes in fair value are recorded in loss (gain) on foreign currency exchange, net in the unaudited condensed consolidated statements of operations.

Commodity Contracts

The Company has commodity contracts that economically hedge commodity price variability inherent in certain electricity sales arrangements. If the Company sells electricity to an independent system operator market and there is no PPA available, it may enter into a commodity contract to hedge all or a portion of their estimated revenue stream. These commodity contracts require periodic settlements in which the Company receives a fixed-price based on specified quantities of electricity and pays the counterparty a variable market price based on the same specified quantity of electricity. As these derivatives are not accounted for under hedge accounting, the changes in fair value are recorded in operating revenues, net in the unaudited condensed consolidated statements of operations.

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of assets and liabilities are determined using either unadjusted quoted prices in active markets (Level 1) or pricing inputs that are observable (Level 2) whenever that information is available and using unobservable inputs (Level 3) to estimate fair value only when relevant observable inputs are not available. The Company uses valuation techniques that maximize the use of observable inputs. Assets and liabilities are classified in their entirety based on the lowest priority level of input that is significant to the fair value measurement. Where observable inputs are available for substantially the full term of the asset or liability, the instrument is categorized in Level 2. If the inputs into the valuation are not corroborated by market data, in such instances, the valuation for these contracts is established using techniques including the extrapolation from or interpolation between actively traded contracts, as well as the calculation of implied volatilities. When such inputs have a significant impact on the measurement of fair value, the instrument is categorized as Level 3. The Company regularly evaluates and validates the inputs used to determine the fair value of Level 3 contracts by using pricing services to support the underlying market price of the commodity.

The Company uses a discounted cash flow valuation technique to determine the fair value of its derivative assets and liabilities. The primary inputs in the valuation models for commodity contracts are market observable forward commodity curves, risk-free discount rates, volatilities and, to a lesser degree, credit spreads. The primary inputs into the valuation of interest rate swaps and foreign currency contracts are forward interest rates and foreign currency exchange rates and, to a lesser degree, credit spreads.

Recurring Fair Value Measurements

The following table summarizes the financial instruments measured at fair value on a recurring basis classified in the fair value hierarchy (Level 1, 2 or 3) based on the inputs used for valuation in the unaudited condensed consolidated balance sheets:

(In thousands)	As of September 30, 2019				As of December 31, 2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Interest rate swaps	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 7,296	\$ —	\$ 7,296
Commodity contracts	—	7,553	84,579	92,132	—	12,816	79,788	92,604
Foreign currency contracts	—	33,872	—	33,872	—	5,455	—	5,455
Total derivative assets	\$ —	\$ 41,425	\$ 84,579	\$ 126,004	\$ —	\$ 25,567	\$ 79,788	\$ 105,355
Liabilities								
Interest rate swaps	\$ —	\$ 179,884	\$ —	\$ 179,884	\$ —	\$ 126,100	\$ —	\$ 126,100
Foreign currency contracts	—	—	—	—	—	3,307	—	3,307
Total derivative liabilities	\$ —	\$ 179,884	\$ —	\$ 179,884	\$ —	\$ 129,407	\$ —	\$ 129,407

The Company's interest rate swaps, foreign currency contracts and financial commodity contracts are considered Level 2, since all significant inputs are corroborated by market observable data. The Company's long-term physically settled commodity contracts (see *Note 12. Derivatives*) are considered Level 3 as they contain significant unobservable inputs. There were no transfers in or out of Level 1, Level 2 and Level 3 during the nine months ended September 30, 2019 and 2018.

The following table reconciles the changes in the fair value of derivative instruments classified as Level 3 in the fair value hierarchy for the nine months ended September 30, 2019 and 2018:

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Beginning balance	\$ 86,079	\$ 81,859	\$ 79,652	\$ 80,268
Realized and unrealized gains (losses):				
Included in other comprehensive (loss) income	(6,760)	418	(2,605)	(10,090)
Included in operating revenues, net	(2,295)	1,324	3,793	16,873
Settlements	7,555	583	3,739	(2,867)
Ending balance	\$ 84,579	\$ 84,184	\$ 84,579	\$ 84,184

The significant unobservable inputs used in the valuation of the Company's commodity contracts classified as Level 3 in the fair value hierarchy as of September 30, 2019 are as follows:

(In thousands, except range)	Fair Value as of September 30, 2019		Valuation Technique	Unobservable Inputs as of September 30, 2019	
	Assets	Liabilities		Range	
Commodity contracts - power	\$ 84,579	\$ —	Option model	Volatilities	14.5%
			Discounted cash flow	Forward price (per MWh)	\$7.15 - \$177.20

The sensitivity of the Company's fair value measurements to increases (decreases) in the significant unobservable inputs is as follows:

Significant Unobservable Input	Position	Impact on Fair Value Measurement
Increase (decrease) in forward price	Forward sale	Decrease (increase)
Increase (decrease) in implied volatilities	Purchase option	Increase (decrease)

The Company measures the sensitivity of the fair value of its Level 3 commodity contracts to potential changes in commodity prices using a mark-to-market analysis based on the current forward commodity prices and estimates of the price volatility. An increase in power forward prices will produce a mark-to-market loss, while a decrease in prices will result in a mark-to-market gain. An increase in the estimates of the price volatility will produce a mark-to-market gain, while a decrease in volatility will result in a mark-to-market loss.

Fair Value of Debt

The carrying amount and estimated fair value of the Company's long-term debt as of September 30, 2019 and December 31, 2018 was follows:

(In thousands)	As of September 30, 2019		As of December 31, 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	\$ 6,260,443	\$ 6,521,099	\$ 5,761,845	\$ 5,789,702

The fair value of the Company's long-term debt, except the corporate-level senior notes, was determined using inputs classified as Level 2 and a discounted cash flow approach using market rates for similar debt instruments. The fair value of the corporate-level senior notes is based on market price information which is classified as a Level 1 input. They are measured using the last available trades at the end of each respective period. The fair values of the Senior Notes due 2023, Senior Notes due 2025 and Senior Notes due 2028 were 102.4%, 104.8% and 106.1% of the face value as of September 30, 2019,

respectively. The fair values of the Senior Notes due 2023, Senior Notes due 2025 and Senior Notes due 2028 were 93.5%, 89.8% and 102.5% of the face value as of December 31, 2018, respectively.

Nonrecurring Fair Value Measurements

Assets and liabilities that are measured at fair value on a nonrecurring basis relate primarily to renewable energy facilities, goodwill and intangibles, which are remeasured when the derived fair value is below the carrying value. For these assets, the Company does not periodically adjust carrying value to fair value except in the event of impairment. When the impairment has occurred, the Company measures the required charges and adjusts the carrying value. For discussion about the impairment testing of assets and liabilities not measured at fair value on a recurring basis, see *Note 6. Renewable Energy Facilities*.

14. STOCKHOLDERS' EQUITY

TerraForm Power, Inc. has 100,000,000 authorized shares of preferred stock of par value \$0.01 per share, and 1,200,000,000 authorized shares of Common Stock of par value \$0.01 per share. There are no other authorized classes of shares and the Company does not have any issued shares of preferred stock.

The following table reflects the changes in the Company's shares of Common Stock outstanding during the nine months ended September 30, 2019 and 2018:

(In thousands)	Nine Months Ended September 30,	
	2019	2018
Balance as of January 1	209,142	148,086
Issuance of Common Stock to affiliates ¹	—	61,056
Net shares issued under equity incentive plan	13	—
Balance as of September 30	209,155	209,142

(1) On June 11, 2018, the Company completed a private placement of 60,975,609 shares of the Company's Common Stock with affiliates of Brookfield at a price of \$10.66 per share for a total consideration of \$650.0 million. The proceeds of the offering were used to pay a portion of the purchase price of the Tendered Shares of Saeta. On August 3, 2018, the Company issued 80,084 shares of Common Stock to an affiliate of Brookfield in connection with the net losses incurred, such as out-of-pocket losses, damages, costs, fees and expenses, in connection with the obtainment of a final resolution of a certain litigation matter.

Public Offering and Private Placement of Common Stock

See *Note 21. Subsequent Events* for a discussion of the public offering and private placement of the Company's Common Stock that took place on October 8, 2019.

Stock-based Compensation

The Company has an equity incentive plan that provides for the award of incentive and nonqualified stock options, restricted stock awards and restricted stock units ("RSUs") to personnel and directors who provide services to the Company. The maximum contractual term of an award is ten years from the date of grant. As of September 30, 2019 and December 31, 2018, an aggregate of 3,725,555 and 3,822,821 shares of Common Stock were available for issuance under this plan, respectively. Upon the vesting of RSUs, the Company issues shares that have been previously authorized to be issued.

During the nine months ended September 30, 2019, the Company awarded 156,550 time-based RSUs to certain employees of the Company. The grant-date fair value of these RSUs was \$1.9 million based on the Company's closing stock price. These RSUs are subject to a three-year vesting schedule based on the date of the Board of Directors' approval and are recognized as compensation cost in accordance with the vesting schedule. The amount of stock-based compensation expense related to the equity awards in the Company's stock during the three and nine months ended September 30, 2019 was \$0.3 million and \$0.5 million, respectively, and is reflected within cost of operations and general and administrative expenses in the unaudited condensed consolidated statement of operations. The amount of stock-based compensation expense related to the

equity awards in the Company's stock was \$0.1 million and \$0.2 million, respectively, during the three and nine months ended September 30, 2018.

The RSUs do not entitle the holders to voting rights and holders of the RSUs do not have any right to receive dividends or distributions. The following table presents information regarding outstanding RSUs as of September 30, 2019 and changes during the nine months ended September 30, 2019:

	Number of RSUs Outstanding	Weighted- Average Exercise Price	Aggregate Intrinsic Value (in thousands)	Weighted Average Remaining Contractual Life (in years)
Balance as of January 1, 2019	103,300	\$ 11.15		
Granted	156,550	12.17		
Vested	(20,878)	11.15		
Forfeited	(38,406)	11.65		
Balance as of September 30, 2019	200,566	\$ 11.85	\$ 3,861.2	1.6 years

The total unrecognized stock-based expense related to the Company's RSUs at September 30, 2019 was \$1.8 million and will be recognized, net of any forfeitures, over a weighted-average amortization period of 1.6 years.

Cash Distributions

The following table presents the cash distributions declared and paid on Common Stock during the nine months ended September 30, 2019 and 2018:

	Distributions per Share	Declaration Date	Record Date	Payment Date
2019:				
First Quarter	\$ 0.2014	March 13, 2019	March 24, 2019	March 29, 2019
Second Quarter	0.2014	May 8, 2019	June 3, 2019	June 17, 2019
Third Quarter	0.2014	August 8, 2019	September 3, 2019	September 17, 2019
2018:				
First Quarter	\$ 0.19	February 6, 2018	February 28, 2018	March 30, 2018
Second Quarter	0.19	April 30, 2018	June 1, 2018	June 15, 2018
Third Quarter	0.19	August 13, 2018	September 1, 2018	September 15, 2018

Share Repurchase Program

On July 25, 2019, the Board of Directors of the Company authorized the renewal of the Company's share repurchase program through August 4, 2020. Under the share repurchase program, the Company may repurchase up to 5% of the Company's Common Stock outstanding as of July 25, 2019. The timing and the amount of any repurchases of Common Stock will be determined by the Company's management based on its evaluation of market conditions and other factors. Repurchases of Common Stock may be made under a Rule 10b5-1 plan, which would permit common stock to be repurchased when the Company might otherwise be precluded from doing so under insider trading laws, open market purchases, privately-negotiated transactions, block purchases or otherwise in accordance with applicable federal securities laws, including Rule 10b-18 under the Exchange Act. The program may be suspended or discontinued at any time and does not obligate the Company to purchase any minimum number of shares. Any repurchased Common Stock will be held by the Company as treasury stock. The Company expects to fund any repurchases from the available liquidity.

No shares have been repurchased by the Company during the nine months ended September 30, 2019.

15. (LOSS) EARNINGS PER SHARE

Basic (loss) earnings per share is computed by dividing net (loss) income attributable to Class A common stockholders by the number of weighted average ordinary shares outstanding during the period, which is the average of shares outstanding and assumed to be outstanding, and includes contingently issuable shares as of the date when the contingent condition has been

met. Diluted (loss) earnings per share is computed by adjusting basic (loss) income per share for the impact of weighted average dilutive common equivalent shares outstanding during the period, unless the impact is anti-dilutive. Common equivalent shares represent the incremental shares issuable for unvested restricted Common Stock and contingently issuable shares in the period the contingency has been met, for the portion of the period prior to the resolution of such contingent condition.

Basic and diluted (loss) earnings per share of the Company's Common Stock for the three and nine months ended September 30, 2019 and 2018 was calculated as follows:

(In thousands, except per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Basic and diluted (loss) earnings per share:				
Net (loss) income attributable to Class A common stockholders	\$ (54,837)	\$ (33,590)	\$ (67,059)	\$ 27,869
Weighted average basic Class A shares outstanding ¹	209,155	209,142	209,149	173,173
Weighted average diluted Class A shares outstanding ²	209,155	209,142	209,149	173,186
Basic and diluted (loss) earnings per share	\$ (0.26)	\$ (0.16)	\$ (0.32)	\$ 0.16

- (1) The weighted-average basic Class A shares outstanding for the nine months ended September 30, 2018 included 66 thousand contingently issuable shares. There were no contingently issuable shares for the three months ended September 30, 2018.
- (2) The computation of diluted earnings per share of the Company's Common Stock for the nine months ended September 30, 2019 excluded 36 thousand of potentially dilutive unvested RSUs, respectively, because the effect would have been anti-dilutive. The computation of diluted loss per share of the Company's Common Stock for the three months ended September 30, 2018, excludes 103 thousand of potentially dilutive unvested RSUs because the effect would have been anti-dilutive. The computation of diluted earnings per share of the Company's Common Stock for the nine months ended September 30, 2018, includes 13 thousand of RSUs considered to be dilutive and calculated using the treasury stock method.

16. COMMITMENTS AND CONTINGENCIES

Letters of Credit

The Company's customers, vendors and regulatory agencies often require the Company to post letters of credit in order to guarantee performance under certain contracts and agreements. The Company is also required to post letters of credit to secure obligations under various swap agreements and leases and may, from time to time, decide to post letters of credit in lieu of cash deposits in reserve accounts under certain financing arrangements. The amount that can be drawn under some of these letters of credit may be increased from time to time subject to the satisfaction of certain conditions. As of September 30, 2019, the Company had outstanding letters of credit drawn under the Revolver of \$112.6 million and outstanding project-level letters of credit of \$257.4 million drawn under certain project level financing agreements, compared to \$99.5 million and \$197.7 million, respectively, as of December 31, 2018.

Guarantee Agreements

The Company and its subsidiaries have entered into guarantee agreements to certain of their institutional tax equity investors and financing parties in connection with their tax equity financing transactions. These agreements do not guarantee the returns targeted by the tax equity investors or financing parties, but rather support any potential indemnity payments payable under the tax equity agreements, including related to management of tax partnerships and recapture of tax credits or renewable energy grants in connection with transfers of the Company's direct or indirect ownership interests in the tax partnerships to entities that are not qualified to receive those tax benefits.

The Company and its subsidiaries have also provided guarantees in connection with acquisitions of third-party assets or to support project-level contractual obligations, including renewable energy credit sales agreements. The Company and its subsidiaries have also provided other capped or limited contingent guarantees and other support obligations with respect to certain project-level indebtedness.

The amounts of the above guarantees often are not explicitly stated and the overall maximum amount of the related obligations cannot be reasonably estimated. Historically, no significant payments have been made with respect to these types of guarantees. The Company believes the probability of payments being demanded under these guarantees is remote and no material amounts have been recognized for the underlying fair value of guarantee obligations.

Long-Term Service Agreements

On August 10, 2018, the Company executed an 11-year framework agreement with affiliates of General Electric (“GE”) that, among other things, provides for the roll out, subject to receipt of third-party consents, of project level, long-term service agreements (“LTSA”) for turbine O&M, as well as other balance of plant services across the Company’s 1.6 GW North American wind fleet. As of September 30, 2019, 15 of 16 project-level LTSAs were in place.

As discussed in *Note 21. Subsequent Events*, on November 1, 2019, the Company executed a 10-year framework agreement with SMA Solar Technology that, among other things, provides for the roll out, subject to receipt of third-party consents, of project level LTSAs for solar O&M, as well as other balance of plant services across the Company’s North American solar fleet.

Legal Proceedings

The Company is not a party to any material legal proceedings other than various administrative and regulatory proceedings arising in the ordinary course of the Company’s business or as described below. While the Company cannot predict with certainty the ultimate resolution of such proceedings or other claims asserted against the Company, certain of the claims, if adversely concluded, could result in substantial damages or other relief.

Claim relating to First Wind Acquisition

On May 27, 2016, D.E. Shaw Composite Holdings, L.L.C. and Madison Dearborn Capital Partners IV, L.P., as the representatives of the sellers (the “First Wind Sellers”) filed an amended complaint for declaratory judgment against TerraForm Power and Terra LLC in the Supreme Court of the State of New York alleging breach of contract with respect to the Purchase and Sale Agreement, dated as of November 17, 2014 (the “FW Purchase Agreement”) between, among others, SunEdison, Inc. (“SunEdison”), TerraForm Power, Terra LLC and the First Wind Sellers. The amended complaint alleges that Terra LLC and SunEdison became jointly obligated to make \$231.0 million in earn-out payments in respect of certain development assets SunEdison acquired from the First Wind Sellers under the FW Purchase Agreement, when those payments were purportedly accelerated by SunEdison’s bankruptcy and by the resignations of two SunEdison employees. The amended complaint further alleges that TerraForm Power, as guarantor of certain Terra LLC obligations under the FW Purchase Agreement, is liable for this sum. The defendants filed a motion to dismiss the amended complaint on July 5, 2016, on the ground that, among other things, SunEdison is a necessary party to this action. On February 6, 2018, the court denied the Company’s motion to dismiss after which document discovery began. In April 2019, Terra LLC filed an amended answer to the amended complaint. The Company cannot predict the impact on this litigation of any information that may become available in discovery. Document discovery and disposition are now substantially completed and new pretrial schedule has been agreed between the parties and approved by the court.

The Company believes the First Wind Sellers’ allegations are without merit and will contest them vigorously. However, the Company cannot predict with certainty the ultimate resolution of any proceedings brought in connection with such a claim.

Whistleblower Complaint by Francisco Perez Gundin

On May 18, 2016, the Company’s former Director and Chief Operating Officer, Francisco Perez Gundin (“Mr. Perez”), filed a complaint against the Company, TerraForm Global, Inc. (“TerraForm Global”) and certain individuals, with the United States Department of Labor. The complaint alleged that the defendants engaged in a retaliatory termination of Mr. Perez’s employment after he allegedly voiced concerns to SunEdison’s Board of Directors about public representations made by SunEdison officers regarding SunEdison’s liquidity position, and after he allegedly voiced his opposition to transactions that he alleged were self-interested and which he alleged SunEdison forced on the Company. He alleged that the Company participated in SunEdison’s retaliatory termination by constructively terminating his position as Chief Operating Officer of the Company in connection with SunEdison’s constructive termination of his employment. He sought lost wages, bonuses, benefits, and other

money that he alleged he would have received if he had not been subjected to the allegedly retaliatory termination. The Company's Position Statement in response to the complaint was filed in October 2016.

On February 21, 2017, Mr. Perez filed *Gundin v. TerraForm Global, Inc. et al.* against TerraForm Power, TerraForm Global and certain individuals as defendants in the United States District Court for the District of Maryland, which was subsequently transferred to the U.S. District Court for the Southern District of New York ("SDNY"). The complaint asserted claims for retaliation, breach of the implied covenant of good faith and fair dealing and promissory estoppel based on the same allegation in Mr. Perez's Department of Labor complaint. On March 8, 2018, Mr. Perez voluntarily dismissed the federal action without prejudice. On December 27, 2018, the proceeding before the Department of Labor was dismissed, which Mr. Perez appealed on January 25, 2019. On August 27, 2019, pursuant to Mr. Perez's offer to settle the dispute, a definitive settlement agreement was executed between the Company and Mr. Perez. The settlement with Mr. Perez was paid entirely from insurance proceeds.

Whistleblower Complaint by Carlos Domenech Zornoza

On May 10, 2016, the Company's former Director and Chief Executive Officer, Carlos Domenech Zornoza ("Mr. Domenech"), filed a complaint against the Company, TerraForm Global and certain individuals, with the United States Department of Labor. The complaint alleges that the defendants engaged in a retaliatory termination of Mr. Domenech's employment on November 20, 2015, after he allegedly voiced concerns to SunEdison's Board of Directors about public representations made by SunEdison officers regarding SunEdison's liquidity position, and after he allegedly voiced his opposition to transactions that he alleges were self-interested and which he alleges SunEdison forced on the Company. He alleges that the Company participated in SunEdison's retaliatory termination by terminating his position as Chief Executive Officer of the Company in connection with SunEdison's termination of his employment. He seeks lost wages, bonuses, benefits, and other money that he alleges that he would have received if he had not been subjected to the allegedly retaliatory termination. The Company's Position Statement in response to the complaint was filed in October 2016.

On February 21, 2017, Mr. Domenech filed *Domenech Zornoza v. TerraForm Global, Inc. et. al* against TerraForm Power, TerraForm Global and certain individuals as defendants in the United States District Court for the District of Maryland. The complaint asserted claims for retaliation, breach of the implied covenant of good faith and fair dealing and promissory estoppel based on the same allegations in Mr. Domenech's Department of Labor complaint. On March 15, 2017, the Company filed notice with the Judicial Panel on Multidistrict Litigation to transfer this action to the SDNY where other cases not involving the Company relating to the SunEdison bankruptcy are being tried. The plaintiff opposed the transfer. However, the transfer was approved by the Judicial Panel on Multidistrict Litigation. On November 6, 2017, TerraForm Power and the other defendants filed a motion to dismiss Mr. Domenech's complaint, and Mr. Domenech filed a response on December 21, 2017. On March 8, 2018, Mr. Domenech voluntarily dismissed the federal action without prejudice, which would permit the action to be refiled.

On August 16, 2018, Mr. Domenech filed a second complaint with the United States District Court for the District of Maryland, with substantially the same allegations. On October 17, 2018, the Company filed notice with the Judicial Panel on Multidistrict Litigation to transfer this action to the SDNY. The Plaintiff opposed the transfer. However, the transfer was approved by the Judicial Panel on Multidistrict Litigation. On March 15, 2019, the Company, TerraForm Global, and several individual defendants filed a joint motion to dismiss Mr. Domenech's complaint. Mr. Domenech filed a response on April 15, 2019, and the Company, TerraForm Global, and the individual defendants filed a reply on April 25, 2019. The motion to dismiss is pending as of the date of this Quarterly Report.

Derivative Class Action

On September 19, 2019, lead plaintiff Martin Rosson filed a derivative and class action lawsuit in the Delaware Court of Chancery on behalf of the Company, himself, and other minority stockholders of the Company against Brookfield and certain of its affiliates (including the Company as a nominal defendant). The complaint alleges that the defendant controlling stockholders breached their fiduciary duty to minority stockholders because the Company undertook a private placement of the Company's stock on terms that the complaint alleges are unfair, instead of pursuing a public offering. The proceeds of the private placement were used to fund the acquisition by the Company of Saeta and had been approved by the Conflicts Committee of the Company's Board of Directors. The complaint seeks the rescission and invalidation of the private placement and payment to the Company of rescissory damages, among other relief. In a related development, on October 15, 2019, the Company received a demand letter (the "220 Demand") for the production of books and records pursuant to 8 Del. C. § 220 to

allow counsel to a purported shareholder of the Company to investigate potential breaches of fiduciary duty by Brookfield and the Company's Board of Directors in connection with the funding of the acquisition of Saeta. The Company believes that these claims are without merit. However, the Company cannot predict with certainty the ultimate resolution of any proceedings brought in connection with these claims.

Chile Project Arbitration

On September 5, 2016, Compañía Minera del Pacífico ("CMP") submitted demands for arbitration against the subsidiary of the Company that owns its solar project located in Chile and against the latter's immediate holding company to the Santiago Chamber of Commerce's Center for Arbitration and Mediation ("CAM"). The demands alleged, among other things, that the Chile project was not built, operated and maintained according to the relevant standards using prudent utility practices as required by the electricity supply agreement (the "Contract for Difference") between the parties, entitling them to terminate the Contract for Difference. CMP further alleged that it is entitled to damages based on alleged breaches of a call option agreement entered into by the parties.

In June 2019, the CAM issued two rulings in which it unanimously rejected the claims made by CMP. CMP indicated that they would not seek to appeal the ruling and the window in which they are permitted to appeal has now closed.

Other Matters

Two of the Company's project level subsidiaries are parties to litigation that is seeking to recover alleged underpayments of tax grants under Section 1603 of the American Recovery and Reinvestment Tax Act from the U.S. Department of Treasury ("U.S. Treasury"). These project level subsidiaries filed complaints at the Court of Federal Claims on March 28, 2014. The U.S. Treasury counterclaimed and both claims went to trial in July 2018. In January 2019, the Court of Federal Claims entered judgments against each of the project level subsidiaries for approximately \$10.0 million in the aggregate. These judgments are being appealed. The project level subsidiaries expect that losses, if any, arising from these claims would be covered pursuant to an indemnity and, accordingly, the Company recognized a corresponding indemnification asset within prepaid expenses and other current assets in the consolidated balance sheets as of September 30, 2019 and December 31, 2018.

Issuance of Shares upon Final Resolution of Certain Litigation Matters

Pursuant to the definitive merger and sponsorship agreement (the "Merger Agreement") entered into with Orion Holdings on March 6, 2017, the Company has agreed to issue additional shares of Common Stock to Orion Holdings for no additional consideration in respect of the Company's net losses, such as out-of-pocket losses, damages, costs, fees and expenses, in connection with the obtainment of a final resolution of certain specified litigation matters (including the litigation brought by the First Wind Sellers, Mr. Perez and Mr. Domenech described above) within a prescribed period following the final resolution of such matters. The number of additional shares of Common Stock to be issued to Orion Holdings is subject to a pre-determined formula as set forth in the Merger Agreement and is described in greater detail in the Company's Definitive Proxy Statement on Schedule 14A filed with the SEC on September 6, 2017. The issuance of additional shares to Orion Holdings would dilute the holdings of the Company's common stockholders and may negatively affect the value of the Company's common stock.

The settlement with Mr. Perez was paid entirely from insurance proceeds and no shares have been issued to Brookfield in connection with the settlement. As of the date hereof, the Company is unable to predict the quantum of any net losses arising from any of the litigation brought by the First Wind Sellers or Mr. Domenech described above or the number of additional shares, if any, that may be required to be issued to Orion Holdings pursuant to the terms of the Merger Agreement in connection with any final resolution of such matters.

Commitment to purchase renewable energy facilities

In connection with the acquisition of three distributed generation facilities in the U.S. with a combined nameplate capacity of 10.6 MW, the Company is also committed to purchase an additional facility with a nameplate capacity of 4.5 MW for a purchase price of \$6.0 million. This acquisition is expected to be completed in December 2019. See *Note 4. Acquisitions* for additional details.

17. RELATED PARTIES

As discussed in *Note 1. Nature of Operations and Organization*, the Company is a controlled affiliate of Brookfield which held 65% of the voting securities of TerraForm Power's Common Stock as of September 30, 2019 and December 31, 2018. Subsequent to quarter end, on October 8, 2019, the Company completed a public offering of its Common Stock. Concurrent with the public offering, the Company completed a private placement with affiliates of Brookfield of 2,981,514 shares of Common Stock pursuant to a stock purchase agreement dated October 8, 2019. The combined ownership of affiliates of Brookfield became approximately 61% as of the date of this Quarterly Report. See *Note 21. Subsequent Events* for additional details.

Brookfield Sponsorship Transaction

The Company entered into a suite of agreements with Brookfield and/or certain of its affiliates providing for sponsorship arrangements, as are more fully described below.

Brookfield Master Services Agreement

The Company entered into a master services agreement (the "Brookfield MSA") with Brookfield and certain affiliates of Brookfield (collectively, the "MSA Providers") pursuant to which the MSA Providers provide certain management and administrative services to the Company, including the provision of strategic and investment management services. As consideration for the services provided or arranged for by Brookfield and certain of its affiliates pursuant to the Brookfield MSA, the Company pays a base management fee on a quarterly basis that is paid in arrears and calculated as follows:

- for each of the first four quarters following the closing date of the Merger contemplated by the Merger Agreement (the "Merger"), a fixed component of \$2.5 million per quarter (subject to proration for the quarter including the closing date of the Merger) plus 0.3125% of the market capitalization value increase for such quarter;
- for each of the next four quarters, a fixed component of \$3.0 million per quarter adjusted annually for inflation plus 0.3125% of the market capitalization value increase for such quarter; and
- thereafter, a fixed component of \$3.75 million per quarter adjusted annually for inflation plus 0.3125% of the market capitalization value increase for such quarter.

For purposes of calculating the quarterly payment of the base management fee, the term market capitalization value increase means, for any quarter, the increase in value of the Company's market capitalization for such quarter, calculated by multiplying the number of outstanding shares of Common Stock as of the last trading day of such quarter by the difference between (x) the volume-weighted average trading price of a share of Common Stock for the trading days in such quarter and (y) \$9.52. If the difference between (x) and (y) in the market capitalization value increase calculation for a quarter is a negative number, then the market capitalization value increase is deemed to be zero.

Pursuant to the Brookfield MSA, the Company recorded charges of \$7.5 million and \$18.3 million within general and administrative expenses - affiliate in the consolidated statements of operations for the three and nine months ended September 30, 2019, respectively, compared to \$3.6 million and \$10.5 million for the same periods in 2018, respectively. The balance payable under the Brookfield MSA was \$7.5 million and \$4.2 million in the consolidated balance sheets as of September 30, 2019 and December 31, 2018, respectively.

Relationship Agreement

The Company entered into a relationship agreement (the “Relationship Agreement”) with Brookfield, which governs certain aspects of the relationship between Brookfield and the Company. Pursuant to the Relationship Agreement, Brookfield agrees that the Company will serve as the primary vehicle through which Brookfield and certain of its affiliates will own operating wind and solar assets in North America and Western Europe and that Brookfield will provide, subject to certain terms and conditions, the Company with a right of first offer on certain operating wind and solar assets that are located in such countries and developed by persons sponsored by or under the control of Brookfield. The rights of the Company under the Relationship Agreement are subject to certain exceptions and consent rights set out therein. The Company did not acquire any renewable energy facilities from Brookfield during the nine months ended September 30, 2019 and 2018.

Terra LLC Agreement

BRE Delaware, Inc. (the “Brookfield IDR Holder”), an indirect, wholly-owned subsidiary of Brookfield, holds all of the outstanding incentive distribution rights (“IDRs”) of Terra LLC. The Company, Brookfield IDR Holder and TerraForm Power Holdings, Inc. are party to the limited liability company agreement of Terra LLC (as amended from time to time, the “Terra LLC Agreement”). Under the Terra LLC Agreement, IDRs are payable when distributions on Common Stock reach a certain threshold. The IDR threshold for a first distribution is \$0.93 per share of Common Stock and for a second distribution is \$1.05 per share of Common Stock. There were no IDR payments made by the Company pursuant to the Terra LLC Agreement during the nine months ended September 30, 2019 and 2018.

Registration Rights Agreement

The Company entered into a registration rights agreement (the “Registration Rights Agreement”) on October 16, 2017 with Orion Holdings. On June 11, 2018, Orion Holdings, Brookfield BRP Holdings (Canada) Inc. and the Company entered into a Joinder Agreement pursuant to which Brookfield BRP Holdings (Canada) Inc. became a party to the Registration Rights Agreement. On June 29, 2018, a second Joinder Agreement was entered into among Orion Holdings, Brookfield BRP Holdings (Canada) Inc., BBHC Orion Holdco L.P. and the Company pursuant to which BBHC Orion Holdco L.P. became a party to the Registration Rights Agreement. The Registration Rights Agreement governs the rights and obligations of the parties thereto with respect to the registration for resale of all or a part of the Class A shares held by Orion Holdings, BBHC Orion Holdco L.P. and such other affiliates of Brookfield from time to time to the Registrations Rights Agreement.

Sponsor Line Agreement

On October 16, 2017, the Company entered into a credit agreement (the “Sponsor Line”) with Brookfield and one of its affiliates. The Sponsor Line establishes a \$500.0 million secured revolving credit facility and provides for the lenders to commit to make LIBOR loans to the Company during a period not to exceed three years from the effective date of the Sponsor Line (subject to acceleration for certain specified events). The Company may only use the revolving Sponsor Line to fund all or a portion of certain funded acquisitions or growth capital expenditures. The Sponsor Line will terminate, and all obligations thereunder will become payable, no later than October 16, 2022. Borrowings under the Sponsor Line bear interest at a rate per annum equal to a LIBOR rate determined by reference to the costs of funds for U.S. dollar deposits for the interest period relevant to such borrowing adjusted for certain additional costs, in each case plus 3.00% per annum. In addition to paying interest on outstanding principal under the Sponsor Line, the Company is required to pay a standby fee of 0.50% per annum in respect of the unutilized commitments thereunder, payable quarterly in arrears. The Company is permitted to voluntarily reduce the unutilized portion of the commitment amount and repay outstanding loans under the Sponsor Line at any time without premium or penalty, other than customary “breakage” costs. TerraForm Power’s obligations under the Sponsor Line are secured by first-priority security interests in substantially all assets of TerraForm Power, including 100% of the capital stock of Terra LLC, in each case subject to certain exclusions set forth in the credit documentation governing the Sponsor Line. Under certain circumstances, the Company may be required to prepay amounts outstanding under the Sponsor Line. Total interest expense recognized on the Sponsor Line for the three and nine months ended September 30, 2019 amounted to \$1.0 million and \$3.1 million, respectively, compared to \$1.9 million and \$4.1 million for the same periods in 2018.

Governance Agreement

In connection with the consummation of the Merger, the Company entered into a governance agreement (the “Governance Agreement”) with Orion Holdings and any controlled affiliate of Brookfield (other than the Company and its

controlled affiliates) that by the terms of the Governance Agreement from time to time becomes a party thereto. The Governance Agreement establishes certain rights and obligations of the Company and controlled affiliates of Brookfield that own voting securities of the Company relating to the governance of the Company and the relationship between such affiliates of Brookfield and the Company and its controlled affiliates. On June 11, 2018, Orion Holdings, Brookfield BRP Holdings (Canada) Inc. and the Company entered into a Joinder Agreement pursuant to which Brookfield BRP Holdings (Canada) Inc. became a party to the Governance Agreement. On June 29, 2018, a second Joinder Agreement was entered into among Orion Holdings, Brookfield BRP Holdings (Canada) Inc., BBHC Orion Holdco L.P. and the Company pursuant to which BBHC Orion Holdco L.P. became a party to the Governance Agreement.

New York Office Lease & Co-tenancy Agreement

In May 2018, in connection with the relocation of the Company's corporate headquarters to New York City, the Company entered into a lease for office space and related arrangements with affiliates of Brookfield for a ten-year term. The Company recorded \$0.3 million and \$0.7 million of charges within general and administrative expenses - affiliate in the unaudited condensed consolidated statements of operations for the three and nine months ended September 30, 2019, respectively compared to \$0.2 million for the three and nine months ended September 30, 2018.

Due from Affiliates

The \$0.3 million due from affiliates amount reported in the unaudited condensed consolidated balance sheets as of September 30, 2019 primarily represented a receivable for office space rent and related expenses and other charges paid by the Company on behalf of an affiliate of Brookfield under the New York Office Lease and Co-Tenancy Agreement referred to above. During the nine months ended September 30, 2019, the Company collected the \$0.2 million receivable that was outstanding at December 31, 2018 from TerraForm Global, a controlled affiliate of Brookfield, for payments made by the Company on its behalf regarding rent for its shared former corporate headquarters, compensation for certain employees that provided services to both companies and certain information technology services.

Due to Affiliates

The \$8.9 million due to affiliates amount reported in the unaudited condensed consolidated balance sheets as of September 30, 2019 represented payables to affiliates of Brookfield of \$7.5 million for the Brookfield MSA base management fee for the third quarter of 2019 and \$1.4 million payables related to rent, office charges and other services. The \$7.0 million due to affiliates amount reported in the consolidated balance sheets as of December 31, 2018 represented payables to affiliates of Brookfield of \$4.2 million for the Brookfield MSA quarterly base management fee for the fourth quarter of 2018 and \$2.8 million for leasehold improvements, rent, office charges and other services during 2018.

During the three and nine months ended September 30, 2019, the Company paid to affiliates of Brookfield \$5.9 million and \$15.0 million, respectively, for the Brookfield MSA base management fee and \$2.1 million and \$5.3 million, respectively, representing standby fee interest payable to a Brookfield affiliate under the Sponsor Line and for leasehold improvements, rent, office charges and other services with affiliates of Brookfield. During the three and nine months ended September 30, 2018, the Company paid to affiliates of Brookfield \$3.6 million and \$10.3 million, respectively for the Brookfield MSA base management fee and \$2.4 million and \$4.2 million, respectively, representing standby fee and interest payable to a Brookfield affiliate under the Sponsor Line.

18. SEGMENT REPORTING

The Company has three reportable segments: Solar, Wind, and Regulated Solar and Wind. These segments, which represent the Company's entire portfolio of renewable energy facilities, have been determined based on the management approach. The management approach designates the internal reporting used by management for making decisions and assessing performance as the source of the reportable segments. Each of the Company's reportable segments represent an aggregation of operating segments. An operating segment is defined as a component of an enterprise that engages in business activities from which it may earn revenues and incur expenses, and that has discrete financial information that is regularly reviewed by the chief operating decision maker ("CODM") in deciding how to allocate resources. The Company's Chief Executive Officer and Chief Financial Officer have been identified as the CODMs. The Company's operating segments consist of: (i) Distributed Generation, North America Solar Utility, International Solar Utility, which are aggregated into the Solar reportable segment; (ii) Northeast Wind, Central Wind, Texas Wind, Hawaii Wind, Portugal Wind and Uruguay Wind operating segments, which are

aggregated into the Wind reportable segment; and (iii) the Spanish Regulated Solar and Spanish Regulated Wind operating segments that are aggregated within the Regulated Solar and Wind reportable segment. Portugal Wind, Uruguay Wind, and the Spanish Regulated Solar and Wind segments were added during the second quarter of 2018 upon the acquisition of Saeta and represent its entire operations (see *Note 4. Acquisitions* for additional details). The operating segments have been aggregated as they have similar economic characteristics and meet the aggregation criteria. The CODMs evaluate the performance of the Company's operating segments principally based on operating income or loss. Corporate expenses include general and administrative expenses, acquisition costs, interest expense on corporate-level indebtedness, stock-based compensation and depreciation expense. All net operating revenues for the three and nine months ended September 30, 2019 and 2018 were earned by the Company's reportable segments from external customers in the United States (including Puerto Rico), Canada, Spain, Portugal, the United Kingdom, Uruguay and Chile.

The following table reflects summarized financial information regarding the Company's reportable segments for the three and nine months ended September 30, 2019 and 2018:

(In thousands)	Three Months Ended September 30, 2019					Three Months Ended September 30, 2018				
	Solar ¹	Wind	Regulated Solar and Wind	Corporate	Total	Solar	Wind	Regulated Solar and Wind	Corporate	Total
Operating revenues, net	\$ 101,654	\$ 54,507	\$ 97,647	\$ —	\$ 253,808	\$ 94,883	\$ 56,963	\$ 94,196	\$ —	\$ 246,042
Depreciation, accretion and amortization expense	29,753	49,052	34,957	520	114,282	28,299	40,992	33,954	348	103,593
Other operating costs and expenses	9,912	38,120	28,085	23,044	99,161	11,109	31,302	24,971	18,401	85,783
Operating income (loss)	61,989	(32,665)	34,605	(23,564)	40,365	55,475	(15,331)	35,271	(18,749)	56,666
Interest expense, net	17,302	16,220	27,073	28,798	89,393	15,992	14,367	9,632	32,425	72,416
Other non-operating expenses (income), net	428	(132)	599	10,878	11,773	632	(347)	(727)	(2,270)	(2,712)
Income tax expense	3,653	401	(2,543)	1	1,512	749	927	2,268	2,069	6,013
Net income (loss)	\$ 40,606	\$ (49,154)	\$ 9,476	\$ (63,241)	\$ (62,313)	\$ 38,102	\$ (30,278)	\$ 24,098	\$ (50,973)	\$ (19,051)

(In thousands)	Nine Months Ended September 30, 2019					Nine Months Ended September 30, 2018				
	Solar	Wind	Regulated Solar and Wind ¹	Corporate	Total	Solar ³	Wind	Regulated Solar and Wind ¹	Corporate	Total
Operating revenues, net	\$ 241,593	\$ 223,982	\$ 268,931	\$ —	\$ 734,506	\$ 237,927	\$ 200,068	\$ 115,482	\$ —	\$ 553,477
Depreciation, accretion and amortization expense	84,829	132,694	102,955	1,127	321,605	83,041	113,926	41,148	1,062	239,177
Impairment of renewable energy facilities	—	—	—	—	—	15,240	—	—	—	15,240
Other operating costs and expenses	41,274	113,585	66,791	66,854	288,504	39,792	89,834	30,012	77,506	237,144
Operating income (loss)	115,490	(22,297)	99,185	(67,981)	124,397	99,854	(3,692)	44,322	(78,568)	61,916
Interest expense, net	46,693	45,173	65,539	89,316	246,721	46,248	36,382	4,879	89,353	176,862
Other non-operating (income) expenses, net	(6,391)	(550)	449	(3,665)	(10,157)	(1,926)	538	(617)	618	(1,387)
Income tax expense	1,532	830	553	115	3,030	749	1,291	4,442	2,935	9,417
Net income (loss)	\$ 73,656	\$ (67,750)	\$ 32,644	\$ (153,747)	\$ (115,197)	\$ 54,783	\$ (41,903)	\$ 35,618	\$ (171,474)	\$ (122,976)
Balance Sheet										
Total assets ^{2,3}	3,587,474	3,762,649	2,496,186	82,882	\$ 9,929,191	2,762,977	3,733,049	2,748,126	86,202	\$9,330,354

- (1) The Company's Regulated Solar and Wind segment and wind operations in Portugal and Uruguay were added in the second quarter of 2018 upon acquiring a controlling interest in Saeta. See *Note 4. Acquisitions* for additional details.
- (2) Total assets within the Solar reporting segment as of September 30, 2019 include \$693.9 million of assets from the WGL Acquisition that was completed on September 26, 2019. See *Note 4. Acquisitions* for additional details.
- (3) Represents total assets as of September 30, 2019 and December 31, 2018, respectively.

19. ACCUMULATED OTHER COMPREHENSIVE INCOME

The following tables present the changes in each component of accumulated other comprehensive income (loss), net of tax:

(In thousands)	Foreign Currency Translation Adjustments	Hedging Activities ¹	Accumulated Other Comprehensive Income
Balance as of December 31, 2017	\$ (13,412)	\$ 61,430	\$ 48,018
Cumulative-effect adjustment (net of tax expense of \$1,579) ²	—	(4,164)	(4,164)
Other comprehensive (loss) income:			
Net unrealized (loss) gain arising during the period (net of zero tax impact)	(8,229)	12,528	4,299
Reclassification of net realized gain into earnings (net of zero tax impact)	—	(6,755)	(6,755)
Other comprehensive (loss) income	(8,229)	5,773	(2,456)
Accumulated other comprehensive (loss) income	(21,641)	63,039	41,398
Less: Other comprehensive loss attributable to non-controlling interests	—	(3,038)	(3,038)
Balance as of September 30, 2018	\$ (21,641)	\$ 66,077	\$ 44,436

(In thousands)	Foreign Currency Translation Adjustments	Hedging Activities ¹	Accumulated Other Comprehensive Income
Balance as of December 31, 2018	\$ (8,405)	\$ 48,643	\$ 40,238
Other comprehensive (loss) income:			
Net unrealized gain (loss) arising during the period (net of zero and \$2,506 tax benefit, respectively)	15,806	(43,941)	(28,135)
Reclassification of net realized gain into earnings (net of zero tax impact)	—	(2,439)	(2,439)
Other comprehensive income (loss)	15,806	(46,380)	(30,574)
Accumulated other comprehensive income	7,401	2,263	9,664
Less: Other comprehensive income attributable to non-controlling interests	—	920	920
Balance as of September 30, 2019	\$ 7,401	\$ 1,343	\$ 8,744

- (1) See Note 12. *Derivatives* for additional breakout of hedging gains and losses for interest rate swaps and commodity contracts in a cash flow hedge relationship and the foreign currency contracts designated as hedges of net investments in foreign operations.
- (2) Represents the impact of the adoption of ASU No. 2017-12 as of January 1, 2018.

20. NON-CONTROLLING INTERESTS

Non-controlling interests represent the portion of net assets in consolidated entities that are not owned by the Company and are reported as a component of equity in the unaudited condensed consolidated balance sheets. Non-controlling interests in subsidiaries that are redeemable either at the option of the holder or at fixed and determinable prices at certain dates in the future are classified as redeemable non-controlling interests in subsidiaries between liabilities and stockholders' equity in the unaudited condensed consolidated balance sheets. Redeemable non-controlling interests that are currently redeemable or redeemable after the passage of time are adjusted to their redemption value as changes occur. However, the non-controlling interests balance cannot be less than the estimated redemption value.

The following table presents the activity of the redeemable non-controlling interests balance for the nine months ended September 30, 2019 and 2018:

(In thousands)	Nine Months Ended September 30,	
	2019	2018
Balance as of January 1	\$ 33,495	\$ 34,660
Cumulative-effect adjustment ¹	—	(4,485)
Net loss	(14,241)	15,101
Distributions	(852)	(1,993)
Repurchases of redeemable non-controlling interests, net ²	(4,753)	617
Non-cash redemption of redeemable non-controlling interests	7,345	—
Balance as of September 30	<u>\$ 20,994</u>	<u>\$ 43,900</u>

(1) Represents the effect from the adoption of ASU No. 2014-09 and ASU No. 2016-08 as of January 1, 2018.

(2) See below for additional details.

Repurchases of non-controlling interests

During the nine months ended September 30, 2019, the Company purchased the tax equity investors' interests in certain distributed generation projects in the United States for a combined consideration of \$3.9 million, which resulted in increasing the Company's ownership interest in the related projects to 100%. The difference between the consideration paid and the carrying amounts of the non-controlling interests was recorded as an adjustment to additional paid-in capital within Purchase of (redeemable) non-controlling interests in renewable energy facilities in the unaudited condensed consolidated statement of stockholders' equity.

Non-controlling Interests - Impact of the Tax Cuts and Jobs Act Enactment

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"), which enacted major changes to the U.S. tax code, including a reduction in the U.S. federal corporate income tax rate from 35% to 21%, effective January 1, 2018. Since the 21% rate enacted in December 2017 went into effect on January 1, 2018, the hypothetical liquidation at book value ("HLBV") methodology utilized by the Company to determine the value of its non-controlling interests began to use the new rate on that date. The HLBV method is a point in time estimate that utilizes inputs and assumptions in effect at each balance sheet date based on the liquidation provisions of the respective operating partnership agreements. For the nine months ended September 30, 2018, \$151.2 million of the decline in the non-controlling interests balance and a corresponding allocation of net loss attributable to non-controlling interests was driven by this reduction in the tax rate used in the HLBV methodology used by the Company. In the calculation of the carrying values through HLBV, the Company allocated significantly lower amounts to certain non-controlling interests (i.e., tax equity investors) in order to achieve their contracted after-tax rate of return as a result of the reduction of the federal income tax rate from 35% to 21% as specified in the Tax Act.

21. SUBSEQUENT EVENTS

Public Offering and Private Placement of Common Stock

On October 8, 2019, the Company completed an underwritten registered public offering of 14,907,573 shares of Common Stock at a price of \$16.77 per share (the "Public Offering"), for a total consideration of \$250.0 million, not including transaction costs. In connection with the Public Offering, the Company entered into an underwriting agreement, dated October 3, 2019 (the "Underwriting Agreement"), among the Company, Terra LLC and RBC Capital Markets, LLC, as the underwriter (the "Underwriter").

Concurrent with the Public Offering, the Company completed a private placement of 2,981,514 shares of Common Stock at a price of \$16.77 per share (the "Private Placement"), to BBHC Orion Holdco L.P., an affiliate of Brookfield (the "Purchaser"), for a total consideration of \$50.0 million, not including transaction costs. In connection with the Private Placement, the Company entered into a stock purchase agreement, dated October 8, 2019, with the Purchaser. The Common Stock issued in the Private Placement were not registered with the SEC, in reliance on Section 4(a)(2) of the Securities Act and the acknowledgment of the Purchaser that it is an "accredited investor" within the meaning of Rule 501(a) of Regulation D of

the Securities Act or a “qualified institutional buyer” under Rule 144A of the Securities Act. Following the Public Offering and the Private Placement, and as of the date of the issuance of this Quarterly Report, affiliates of Brookfield held approximately 61% of the Company’s Common Stock.

The proceeds of the Public Offering and Private Placement were used to pay down the amounts due under the Revolver and for general corporate purposes.

Amendment to the Revolver

On October 8, 2019, Terra Operating LLC entered into an amendment to the Revolver agreement (the “Upsize Amendment”) whereby (i) the aggregate size of the commitments to make revolving loans (“Revolving Loans”) under the Revolver was increased by \$200.0 million to \$800.00 million shared ratably among the existing lenders under the Revolver and three new incoming lenders as of October 8, 2019, (ii) the aggregate size of the letter of credit facility under the Revolver was increased by \$50.0 million to \$300.0 million and (iii) the accordion feature of the Revolver, which allows for further increases to the commitments to make Revolving Loans, was set at \$150.0 million. Additionally, the Upsize Amendment extended the maturity date of the Revolver by one year to October 5, 2024.

Private Offering of Corporate Senior Notes

On October 16, 2019, Terra Operating LLC issued \$700.0 million aggregate principal amount of 4.75% senior notes due on January 15, 2030 (the “Senior Notes due 2030”) in an unregistered offering pursuant to Rule 144A under the Securities Act. The Senior Notes due 2030 were sold at an offering price of 100% of the principal amount. The proceeds from the Senior Notes due 2030 were used (i) to redeem, in full, the Company’s existing Senior Notes due 2025, of which \$300.0 million remained outstanding, at a redemption price that included a make-whole premium plus accrued and unpaid interest of \$25.5 million, (ii) to redeem, in full, the Company’s Term Loan, of which \$343.9 million remained outstanding plus accrued and unpaid interest and \$8.8 million for derivative liabilities related to interest rate swaps signed with the hedge counterparties and (iii) pay for the fees and expenses related to the issuance. The remaining proceeds were used for general corporate purposes.

Solar LTSA

On November 1, 2019, the Company executed a 10-year framework agreement with SMA Solar Technology that, among other things, provides for the roll out, subject to receipt of third-party consents, of project level, long-term service agreements for solar O&M, as well as other balance of plant services across the Company’s North American solar fleet.

Transfer of Title of Delayed Projects

In connection with the WGL Acquisition, the title to 43 Delayed Projects with a purchase value of approximately \$68.8 million and a combined nameplate capacity of 18.0 MW was transferred to the Company on October 31, 2019. The remaining balance of the Delayed Projects as of the date of the issuance of this Quarterly Report was approximately \$45.4 million. See *Note 4. Acquisitions* for additional details.

Fourth Quarter Cash Distribution

On November 6, 2019, the Company’s Board of Directors declared a cash distribution with respect to Common Stock of \$0.2014 per share. The distribution is payable on December 16, 2019 to stockholders of record as of December 2, 2019.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis should be read in conjunction with our audited consolidated financial statements and related notes thereto included as part of our Annual Report on Form 10-K for the year ended December 31, 2018 and our unaudited condensed consolidated financial statements for the three and nine months ended September 30, 2019 and other disclosures included in this Quarterly Report on Form 10-Q (the “Quarterly Report”). References in this section to “we,” “our,” “us,” or the “Company” refer to TerraForm Power, Inc. and its consolidated subsidiaries. The results shown herein are not necessarily indicative of the results to be expected in any future period.

Overview

TerraForm Power, Inc. (“TerraForm Power” and, together with its subsidiaries, the “Company”) acquires, owns and operates solar and wind assets in North America and Western Europe. We are the owner and operator of a 4,065.8 megawatts (“MW”) diversified portfolio of high-quality solar and wind assets underpinned by long-term contracts. Significant diversity across technologies and locations coupled with contracts across a large, diverse group of creditworthy counterparties significantly reduces the impact of resource variability on cash available for distribution and limits our exposure to any individual counterparty. We are sponsored by Brookfield Asset Management Inc. (“Brookfield”), a leading global alternative asset manager with over \$500 billion in assets under management. Affiliates of Brookfield held approximately 65% of TerraForm Power’s Class A common stock (“Common Stock”) as of September 30, 2019. As discussed in *Note 21. Subsequent Events* to our unaudited condensed consolidated financial statements, on October 8, 2019 we completed a public offering and a private placement of its Common Stock whereby the combined ownership of affiliates of Brookfield became approximately 61% as of the date of the issuance of this Quarterly Report.

TerraForm Power’s objective is to deliver an attractive risk-adjusted return to its stockholders. We expect to generate this total return with regular distributions, which we intend to grow at 5 to 8% per annum, that is backed by stable cash flows.

TerraForm Power is a holding company and its primary asset is an equity interest in TerraForm Power, LLC (“Terra LLC”). TerraForm Power is the managing member of Terra LLC and operates, controls and consolidates the business affairs of Terra LLC.

Recent Developments

Acquisition of Approximately 320 MW Distributed Generation Portfolio

On September 26, 2019, we completed the acquisition of an approximately 320 MW distributed generation portfolio in the United States from subsidiaries of AltaGas Ltd., a Canadian corporation (“AltaGas”) for a purchase price of \$720.0 million, plus \$15.1 million for working capital. Pursuant to the purchase agreement, the ownership of certain projects for which the sellers have not yet received required third party consents or have not completed construction (the “Delayed Projects”) will be transferred to us once such third party consents are received or construction is completed, subject to certain terms and conditions. The Delayed Projects represent \$114.2 million of the purchase price and 34.8 MW of the combined nameplate capacity of the acquired renewable energy facilities. As described in *Note 21. Subsequent Events*, to our unaudited condensed consolidated financial statements, the title of 43 projects with a purchase value of approximately \$68.8 million and a combined nameplate capacity of 18.0 MW were transferred to us on October 31, 2019.

Public Offering and Private Placement of Common Stock

On October 8, 2019, we completed a public offering of 14,907,573 shares of our Common Stock for gross proceeds of approximately \$250.0 million. Concurrently, an affiliate of Brookfield purchased 2,981,514 shares of our common stock in a private placement at the same price per share paid in the public offering for gross proceeds of \$50.0 million.

Amendment to the Revolver

On October 8, 2019, TerraForm Power Operating, LLC entered into an amendment (the “Upsize Amendment”) to the Company’s senior secured revolving credit facility agreement (the “Revolver”) whereby (i) the aggregate size of the commitments to make revolving loans (“Revolving Loans”) under the Revolver was increased by \$200.0 million to \$800.00 million shared ratably among the existing lenders under the Revolver and three new incoming lenders as of October 8, 2019, (ii) the aggregate size of the letter of credit facility under the Revolver was increased by \$50.0 million to \$300.0 million and (iii) the accordion feature of the Revolver, which allows for further increases to the commitments to make Revolving Loans, was set at \$150.0 million. Additionally, the Upsize Amendment extended the maturity date of the Revolver by one year to October 5, 2024.

Private Offering of Corporate Senior Notes

On October 16, 2019, we issued \$700.0 million of 4.75% senior notes due on January 15, 2030 at an offering price of 100% of the principal amount. The proceeds from the notes were used to redeem in full our existing Senior Notes due 2025, to repay in full amounts outstanding under our senior secured term loan (the “Term Loan”) and for general corporate purposes.

United States Project Financing

On August 30, 2019, one of our subsidiaries entered into a new non-recourse debt financing agreement, whereby we issued \$131.0 million of 3.2% senior notes maturing on July 2, 2032 and secured by approximately 111 MW of utility-scale wind power plants located in the United States. The proceeds of this financing were used to repay a portion of the balance outstanding under the Revolver.

Bridge Facility Financing

On September 25, 2019, one of our subsidiaries entered into a \$475.0 million non-recourse senior secured term loan (“Bridge Facility”) secured by the approximately 320 MW portfolio of distributed generation power plants located in the United States that we acquired by the way of the WGL acquisition. The proceeds of this financing were used to fund a portion of the WGL Acquisition. The Bridge Facility matures on September 23, 2020. We have a one-year extension option and intend to complete a refinancing of the balance on a long-term basis prior to maturity.

Solar Long-Term Service Agreement

On November 1, 2019, we executed a 10-year framework agreement with SMA Solar Technology that, among other things, provides for the roll out, subject to receipt of third-party consents, of project level, long-term service agreements for solar operations and maintenance (“O&M”), as well as other balance of plant services across our North American solar fleet.

Changes within Our Portfolio

The following table provides an overview of the changes within our portfolio from December 31, 2018 through September 30, 2019:

Description	Facility Type	Nameplate Capacity (MW) ¹	Number of Sites	Weighted Average Remaining Duration of PPA (Years) ²
Total Portfolio as of December 31, 2018		3,737.7	575	13
Acquisition of TEG assets	Solar	10.6	3	14
Acquisition of WGL Portfolio ^{3,4}	Solar	317.5	4,360	17
Total Portfolio as of September 30, 2019		4,065.8	4,938	13

- (1) Nameplate capacity represents the maximum generating capacity of a facility as expressed in direct current (“DC”) for all facilities within our Solar reportable segment and alternating current (“AC”) for all facilities within our Wind and Regulated Solar and Wind reportable segments.
- (2) Represents the weighted-average remaining term of power purchase agreements (“PPAs”) and is calculated as of December 31, 2018 and September 30, 2019, respectively.
- (3) On September 26, 2019 we acquired an approximately 320 MW distributed generation portfolio in the United States. This portfolio comprised 283 commercial and industrial sites with a total nameplate capacity of 287 MW, 4,068 sites of solar rooftop residential assets with a total nameplate capacity of 21 MW and 9 sites of fuel cells with a total nameplate capacity of 10 MW.
- (4) In connection with the WGL Acquisition and as required by the purchase agreement, the ownership of Delayed Projects for which the Sellers have not yet received required third party consents or have not completed construction will be transferred to us once such third party consents are received or construction is completed, subject to certain terms and conditions. The Delayed Projects have an aggregate nameplate capacity of 34.8 MW.

Our Portfolio

Our current portfolio consists of renewable energy facilities located in the United States (including Puerto Rico) (the “U.S.”), Canada, Spain, Portugal, the United Kingdom (the “U.K.”), Chile and Uruguay with a combined nameplate capacity of 4,066 MW as of September 30, 2019. These renewable energy facilities generally have long-term PPAs with creditworthy counterparties. As of September 30, 2019, on a weighted-average basis (based on MW), our PPAs had a weighted-average remaining life of 13 years and our counterparties to our PPAs had, on average, an investment grade credit rating.

The following table lists the renewable energy facilities that comprise our portfolio as of September 30, 2019:

Description	Nameplate Capacity (MW) ¹	Number of Sites	Weighted Average Remaining Duration of PPA (Years) ²
<i>Distributed Generation:</i>			
U.S. Solar ³	709.5	762	14
U.S. Residential Rooftops ⁴	21.2	4,068	14
U.S. Fuel Cells ^{3,4}	10.0	9	17
Canada Solar	8.5	20	14
<i>Total Distributed Generation</i>	749.2	4,859	15
<i>Solar Utility:</i>			
U.S.	498.6	20	18
Canada	59.4	4	15
U.K.	11.1	1	10
Chile	101.6	1	14
<i>Total Solar Utility</i>	670.7	26	17
<i>Regulated Solar and Wind:</i>			
Spain	792.4	24	13
<i>Wind Utility:</i>			
U.S.	1,536.4	17	10
Canada	78.0	1	11
Portugal	143.8	9	9
Uruguay	95.3	2	18
<i>Total Wind Utility</i>	1,853.5	29	11
Total Renewable Energy Facilities	4,065.8	4,938	13

(1) Nameplate capacity represents the maximum generating capacity of a facility as expressed in DC for all facilities within our Solar reportable segment and AC for all facilities within our Wind and Regulated Solar and Wind reportable segments.

(2) Represents the weighted-average term of remaining PPA and calculated as of September 30, 2019.

(3) Includes Delayed Projects with an aggregate nameplate capacity of 34.8 MW. See *Note 4. Acquisitions* to our unaudited condensed consolidated financial statements.

(4) Our residential solar rooftops and fuel cells projects were added to our portfolio on September 26, 2019 as part of the WGL Acquisition.

Key Metrics

Operating Metrics

Nameplate capacity

We measure the electricity-generating production capacity of our renewable energy facilities in nameplate capacity. Rated capacity is the expected maximum output a power generation system can produce without exceeding its design limits. We express nameplate capacity in (i) DC, for all facilities within our Solar reportable segment and (ii) AC, for all facilities within our Wind and Regulated Solar and Wind reportable segments. The size of our renewable energy facilities varies significantly among the assets comprising our portfolio. We believe the combined nameplate capacity of our portfolio is indicative of our overall production capacity and period to period comparisons of our nameplate capacity are indicative of the growth rate of our business. Our renewable energy facilities had a combined nameplate capacity of 4,066 MW and 3,738 MW as of September 30, 2019 and December 31, 2018, respectively.

Gigawatt hours sold

Gigawatt hours (“GWh”) sold refers to the actual volume of electricity sold by our renewable energy facilities during a particular period. We track GWh sold as an indicator of our ability to realize cash flows from the generation of electricity at our renewable energy facilities. Our GWh sold for renewable energy facilities for the three and nine months ended September 30, 2019 and 2018 were as follows:

Operating Metrics (In GWh)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Solar segment	532	528	1,448	1,468
Wind segment	1,048	1,051	4,076	3,891
Regulated Solar and Wind segment ¹	483	488	1,388	578
Total	2,063	2,067	6,912	5,937

(1) Our Regulated Solar and Wind segment was added upon the acquisition of a controlling interest in Saeta that was completed on June 12, 2018. See *Note 4. Acquisitions* to our unaudited condensed consolidated financial statements for additional details.

Consolidated Results of Operations

The amounts shown below represent the results of TerraForm Power’s wholly-owned and partially-owned subsidiaries in which we have a controlling interest, with all significant intercompany accounts and transactions eliminated.

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Operating revenues, net	\$ 253,808	\$ 246,042	\$ 734,506	\$ 553,477
Operating costs and expenses:				
Cost of operations	75,037	59,027	207,363	146,155
General and administrative expenses	15,397	21,334	60,616	65,483
General and administrative expenses - affiliate	7,764	3,432	19,087	10,929
Acquisition costs	963	1,655	1,438	7,612
Acquisition costs - affiliate	—	335	—	6,965
Impairment of renewable energy facilities	—	—	—	15,240
Depreciation, accretion and amortization expense	114,282	103,593	321,605	239,177
Total operating costs and expenses	213,443	189,376	610,109	491,561
Operating income	40,365	56,666	124,397	61,916
Other expenses (income):				
Interest expense, net	89,393	72,416	246,721	176,862
Loss (gain) on extinguishment of debt, net	1,355	—	(4,188)	1,480
Loss (gain) on foreign currency exchange, net	10,975	(3,070)	(4,217)	(4,257)
Other (income) expenses, net	(557)	358	(1,752)	1,390
Total other expenses, net	101,166	69,704	236,564	175,475
Loss before income tax expense	(60,801)	(13,038)	(112,167)	(113,559)
Income tax expense	1,512	6,013	3,030	9,417
Net loss	(62,313)	(19,051)	(115,197)	(122,976)
Less: Net (loss) income attributable to redeemable non-controlling interests	(7,341)	12,443	(14,241)	15,101
Less: Net (loss) income attributable to non-controlling interests	(135)	2,096	(33,897)	(165,946)
Net (loss) income attributable to Class A common stockholders	\$ (54,837)	\$ (33,590)	\$ (67,059)	\$ 27,869

Factors Affecting the Comparability of our Financial Results

The comparability of our results of operations among the periods presented is impacted by the acquisitions we make. Accordingly, our historical results of operations may not be comparable or indicative of future results. As discussed in *Note 4*.

Acquisitions to our unaudited condensed consolidated financial statements, we acquired over 95% controlling interest in Saeta Yield S.A.U. (“Saeta” or “European Platform”, as the context may require) on June 12, 2018 (“the Saeta Acquisition Date”) and completed a squeeze-out procedure of the non-controlling interests on July 2, 2018. The consolidated results for the nine months ended September 30, 2019 include the results of Saeta for the full period, whereas the comparable consolidated results for the nine months ended September 30, 2018 include the results effective from the Saeta Acquisition Date.

Three Months Ended September 30, 2019 Compared to Three Months Ended September 30, 2018

Operating Revenues, net

Operating revenues, net and GWh sold for the three months ended September 30, 2019 and 2018 and nameplate capacity as of September 30, 2019 and December 31, 2018, were as follows:

(In thousands, except for GWh sold)	Three Months Ended September 30,		Change
	2019	2018	
Energy:			
Solar	\$ 81,512	\$ 79,203	\$ 2,309
Wind	52,072	53,620	(1,548)
Regulated Solar and Wind	83,579	79,950	3,629
Incentives, including affiliates:			
Solar	20,142	15,680	4,462
Wind	2,435	3,343	(908)
Regulated Solar and Wind	14,068	14,246	(178)
Total operating revenues, net	\$ 253,808	\$ 246,042	\$ 7,766
GWh sold:			
	2019	2018	Change
Solar	532	528	4
Wind	1,048	1,051	(3)
Regulated Solar and Wind	483	488	(5)
Total GWh sold	2,063	2,067	(4)
(In MW)			
	September 30, 2019	December 31, 2018	Change
Solar	1,420	1,092	328
Wind	1,854	1,854	—
Regulated Solar and Wind	792	792	—
Total nameplate capacity (MW)	4,066	3,738	328

Total energy revenue during the three months ended September 30, 2019 compared to the same period in 2018 increased by \$4.4 million. Energy revenue at our Solar segment increased by \$2.3 million primarily due to an increase of \$1.9 million at renewable energy facilities that were acquired in the U.S. during the second quarter of 2019. Energy revenue at our Wind segment decreased by \$1.5 million primarily due to negative pricing of \$3.5 million at Texas that was partially offset by a net increase of \$1.4 million at our international plants primarily due to higher generation at Portugal. Energy revenue at our Regulated Solar and Wind segments increased by \$3.6 million for the three months ended September 30, 2019 compared to the same period in 2018, primarily due to an increase of \$1.2 million at renewable energy facilities that were acquired in Spain during the fourth quarter of 2018 and the recognition of \$2.9 million revenue from the sale of excess capacity of transmission lines.

Total incentive revenue for our Solar and Wind segments during the three months ended September 30, 2019 increased by \$3.6 million compared to the same period in 2018 primarily due to the timing of contracting incentives in the United States.

Costs of Operations

Costs of operations for the three months ended September 30, 2019 and 2018 were as follows:

(In thousands)	Three Months Ended September 30,		
	2019	2018	Change
Cost of operations:			
Solar	\$ 10,637	\$ 9,775	\$ 862
Wind	37,423	27,684	9,739
Regulated Solar and Wind	26,977	21,568	5,409
Total cost of operations	<u>\$ 75,037</u>	<u>\$ 59,027</u>	<u>\$ 16,010</u>

Total cost of operations increased by \$16.0 million for the three months ended September 30, 2019 compared to the same period in 2018 representing increases at all of our segments. The increase of \$9.7 million at our Wind segment is primarily attributable to (i) an increase of \$7.3 million in repairs and maintenance and losses on disposal of certain components of renewable energy facilities at our North American fleet primarily as part of the transition of our plants to General Electric ("GE") under the LTSA (see *Note 16. Commitments and Contingencies* to our unaudited condensed consolidated financial statements for additional details); (ii) one-off payments totaling \$1.0 million to a previous O&M provider resulting from the transition to GE and (iii) an increase of \$1.1 million in costs related to repowering initiatives. Cost of operations at our Regulated Solar and Wind segments increased by \$5.4 million, during the nine months ended September 30, 2019 compared to the same period in 2018 primarily due to higher O&M costs.

General and Administrative Expenses

General and administrative expenses for the three months ended September 30, 2019 and 2018 were as follows:

(In thousands)	Three Months Ended September 30,		
	2019	2018	Change
General and administrative expenses:			
Solar	\$ (725)	\$ 1,334	\$ (2,059)
Wind	697	3,618	(2,921)
Regulated Solar and Wind	1,108	3,403	(2,295)
Corporate	14,317	12,979	1,338
Total general and administrative expenses	<u>\$ 15,397</u>	<u>\$ 21,334</u>	<u>\$ (5,937)</u>
General and administrative expenses - affiliate:			
Corporate	<u>\$ 7,764</u>	<u>\$ 3,432</u>	<u>\$ 4,332</u>

Total general and administrative expenses decreased by \$1.6 million during the three months ended September 30, 2019, compared to the same period in 2018, including an increase of \$4.3 million in expenses related to affiliates described below. General and administrative expenses at our Solar, Wind and Regulated Solar and Wind segments decreased by \$2.1 million, \$2.9 million and \$2.3 million, respectively, during the three months ended September 30, 2019, compared to the same period in 2018. The decrease of \$2.1 million at our Solar segment for three months ended September 30, 2019 primarily comprises reversals of \$1.6 million for allowance for bad debt and professional fees accruals recorded in prior periods. The decrease of \$2.9 million at our Wind segment was primarily attributable to \$3.3 million decrease of professional fees for legal, audit and other services. The decrease of \$2.3 million at Regulated Solar and Wind primarily due to decreases in salaries and professional fees. These decreases were partially offset by a \$1.3 million increase at our Corporate segment primarily due to higher professional fees for tax compliance.

General and administrative expenses - affiliate for the three months ended September 30, 2019 were \$7.8 million and consisted of a \$7.5 million quarterly base management fee under the Brookfield MSA, pursuant to which Brookfield and certain of its affiliates provide us with certain management and administrative services, and \$0.3 million of rent, office and other charges related to our New York office lease and co-tenancy agreement. General and administrative expenses - affiliate for the

three months ended September 30, 2018 were \$3.4 million and primarily consisted of a \$3.7 million charge for the Brookfield MSA quarterly base management fee and \$0.3 million related to the co-tenancy agreement. The increase in the base management fee for the three months ended September 30, 2019 compared to the same period in 2018 is primarily driven by an increase in our market capitalization. See *Note 17. Related Parties* to our unaudited condensed consolidated financial statements for additional details.

Acquisition Costs

Total acquisition costs were \$1.0 million for the three months ended September 30, 2019, compared to \$2.0 million in the same period in 2018, which primarily consisted of professional fees for legal and accounting services. There were no costs related to affiliates for the three months ended September 30, 2019 compared to \$0.3 million for the same period in 2018, representing reimbursements to affiliates of Brookfield for fees and expenses incurred on behalf of us. The decrease in acquisition costs for the three months ended September 30, 2019 compared to the same period in 2018 is due to the completion of the accounting of the 2018 acquisition of our European Platform. See *Note 4. Acquisitions* to our unaudited condensed consolidated financial statements for additional details.

Depreciation, Accretion and Amortization Expense

Depreciation, accretion and amortization expense increased by \$10.7 million during the three months ended September 30, 2019, compared to the same period in 2018. This increase was primarily the result of the acquisition of renewable energy facilities primarily at our European Platform and capital additions placed in service during 2019.

Interest Expense, Net

Interest expense, net for the three months ended September 30, 2019 and 2018 were as follows:

(In thousands)	Three Months Ended September 30,		Change
	2019	2018	
Corporate-level	\$ 28,798	\$ 32,425	\$ (3,627)
Non-recourse:			
Solar	17,302	15,992	1,310
Wind	16,220	14,367	1,853
Regulated Solar and Wind	27,073	9,632	17,441
Total interest expense, net	\$ 89,393	\$ 72,416	\$ 16,977

Interest expense, net increased by \$17.0 million during the three months ended September 30, 2019, compared to the same period in 2018, primarily due to increases of \$1.3 million, \$1.9 million and \$17.4 million at our Corporate, Wind and Regulated Solar and Wind segments, respectively. These increases were partially offset by a \$3.6 million decrease at our Corporate segment. Interest expense at our Regulated Solar and Wind segments increased by \$17.4 million during the three months ended September 30, 2019, compared to the same period in 2018, primarily due to \$15.4 million unrealized losses on interest rate swap liabilities not designated as hedging instruments and \$2.0 million increase in realized losses from the settlement of interest rate swaps with the hedge counterparties driven by the decline in the Euribor rates. See *Note 12. Derivatives* to our unaudited consolidated condensed financial statements for additional details. The increases of \$1.3 million and \$1.9 million at our Solar and Wind segments, respectively, were primarily due to increased outstanding borrowings on project financing in the current period compared to the prior period. Our corporate interest expense decreased by \$3.6 million for the three months ended September 30, 2019 compared to the same period in 2018, primarily due to reduced borrowings on our Revolver and Sponsor Line that were primarily used to fund the acquisition of our European Platform.

Loss on Extinguishment of Debt

We recognized a net loss on extinguishment of debt of \$1.4 million for the three months ended September 30, 2019 due to the redemption of certain financing lease obligations within our distributed generation Solar portfolio. The difference between the cash paid to redeem the obligations and the carrying amount as of the date of extinguishment was recognized as a loss on extinguishment of debt in our unaudited condensed consolidated statements of operations. We had no extinguishment of debt for the three months ended September 30, 2018.

Loss (Gain) on Foreign Currency Exchange, net

We recognized a net loss on foreign currency exchange of \$11.0 million for the three months ended September 30, 2019 primarily due to loss of \$30.2 million on the remeasurement of intercompany loans, which are primarily denominated in Euros was partially offset by a net realized and unrealized gain of \$19.7 million on foreign currency derivative contracts. We recognized a net gain on foreign currency exchange of \$3.1 million for the three months ended September 30, 2018, primarily due to \$8.1 million of realized and unrealized net gains on foreign currency contracts, which were partially offset by \$5.8 million on the remeasurement of intercompany loans, the majority of which are denominated in Euro and Canadian dollars.

Other (Income) Expenses, net

We recognized \$0.6 million of other income, net for the three months ended September 30, 2019, compared to \$0.4 million of other expenses, net for the three months ended September 30, 2018. The balance primarily comprised non-operating expenses and losses net of recoveries and reimbursements.

Income Tax Expense

Income tax expense was \$1.5 million for the three months ended September 30, 2019, compared to \$6.0 million during the same period in 2018 and is primarily driven by the profits generated by certain foreign subsidiaries. For the three months ended September 30, 2019 and 2018, the overall effective tax rate was different than the statutory rate of 21% due to the recording of a valuation allowance on tax in certain jurisdictions, loss allocated to non-controlling interests and the effect of foreign and state taxes.

Net Loss Attributable to Non-Controlling Interests

Net loss attributable to non-controlling interests, including redeemable non-controlling interests, was \$7.5 million for the three months ended September 30, 2019, compared to an income of \$14.5 million for the three months ended September 30, 2018, and was attributable to project-level tax equity partnerships and non-controlling interests in our partially owned subsidiaries in which we have a controlling interest.

Nine Months Ended September 30, 2019 Compared to Nine Months Ended September 30, 2018

Operating Revenues, net

Operating revenues, net and GWh sold for the nine months ended September 30, 2019 and 2018 and nameplate capacity as of September 30, 2019 and December 31, 2018, were as follows:

(In thousands, except for GWh sold and MW data)	Nine Months Ended September 30,		Change
	2019	2018	
Energy:			
Solar	186,528	187,359	(831)
Wind	217,498	186,807	30,691
Regulated Solar and Wind	234,629	98,236	136,393
Incentives, including affiliates:			
Solar	55,065	50,568	4,497
Wind	6,484	13,261	(6,777)
Regulated Solar and Wind	34,302	17,246	17,056
Total operating revenues, net	734,506	553,477	181,029
GWh sold:			
	2019	2018	Change
Solar	1,448	1,468	(20)
Wind	4,076	3,891	185
Regulated Solar and Wind	1,388	578	810
Total GWh sold	6,912	5,937	975
(In MW)			
	September 30, 2019	December 31, 2018	Change
Solar	1,420	1,092	328
Wind	1,854	1,854	—
Regulated Solar and Wind	792	792	—
Total nameplate capacity (MW)	4,066	3,738	328

Total energy revenue during the nine months ended September 30, 2019, increased by \$166.3 million compared to the same period in 2018 primarily due to increases at our Wind and Regulated Solar and Wind segments of \$167.1 million. The increases at our Wind and Regulated Solar and Wind segments for the nine months ended September 30, 2019 compared to the same period in 2018 were primarily driven by contributions from our European Platform and wind plants in Uruguay, which are reflected in the results of the comparable period only effective from the Saeta Acquisition Date.

Total incentive revenue for our Solar and Wind segments during the nine months ended September 30, 2019, decreased by \$2.3 million compared to the same period in 2018 primarily due to the timing of contracting incentives in the United States. Incentive revenue at our Regulated Solar and Wind segment, representing the revenues earned on operating our solar power plants in Spain, increased by \$17.1 million during the nine months ended September 30, 2019 compared to the same period in 2018, which reflects the results effective from the Saeta Acquisition Date.

Costs of Operations

Costs of operations for the nine months ended September 30, 2019 and 2018 were as follows:

(In thousands)	Nine Months Ended September 30,		
	2019	2018	Change
Cost of operations:			
Solar	\$ 38,797	\$ 36,259	\$ 2,538
Wind	107,246	83,963	23,283
Regulated Solar and Wind	61,320	25,933	35,387
Total cost of operations	<u>\$ 207,363</u>	<u>\$ 146,155</u>	<u>\$ 61,208</u>

Total cost of operations increased by \$61.2 million for the nine months ended September 30, 2019, compared to the same period in 2018 representing increases at all segments. The increase of \$23.3 million at our Wind segment was primarily due to: (i) write-offs of \$8.8 million of renewable energy facilities related to expected repowering of certain plants in the United States; (ii) an increase of \$5.4 million at our plants in Portugal and Uruguay primarily due to the acquisition of Saeta that took place in June of 2018, and (iii) an increase of \$8.9 million in repairs and maintenance costs at our North American Wind fleet resulting from our blades inspection program. Cost of operations at our Regulated Solar and Wind segment increased by \$35.4 million during the nine months ended September 30, 2019 compared to the same period in 2018, which reflects the results only effective from the Saeta Acquisition Date. Total costs at our Solar segment increased by \$2.5 million primarily due to higher lease expenses.

General and Administrative Expenses

General and administrative expenses for the nine months ended September 30, 2019 and 2018 were as follows:

(In thousands)	Nine Months Ended September 30,		
	2019	2018	Change
General and administrative expenses:			
Solar	\$ 2,477	\$ 3,533	\$ (1,056)
Wind	6,339	5,871	468
Regulated Solar and Wind	5,471	4,079	1,392
Corporate	46,329	52,000	(5,671)
Total general and administrative expenses	<u>\$ 60,616</u>	<u>\$ 65,483</u>	<u>\$ (4,867)</u>
General and administrative expenses - affiliate:			
Corporate	<u>\$ 19,087</u>	<u>\$ 10,929</u>	<u>\$ 8,158</u>

Total general and administrative expenses increased by \$3.3 million during the nine months ended September 30, 2019, compared to the same period in 2018 driven by a \$8.2 million increase in general and administrative expenses related to affiliates, described below, and \$0.5 million and \$1.4 million increases at our Wind and Regulated Solar and Wind segments, respectively. These increases were partially offset by \$5.7 million and \$1.1 million decreases at our Corporate and Solar segments, respectively. General and administrative expenses at our Regulated Solar and Wind segment increased by \$1.4 million during the nine months ended September 30, 2019 compared to the same period in 2018, which reflects the results only effective from the Saeta Acquisition Date. Our Corporate general and administrative expenses decreased by \$5.7 million primarily due to decreases in professional fees for accounting and other consulting services. The decreases at our Solar segment was primarily due to lower fees for audit services.

General and administrative expenses - affiliate for the nine months ended September 30, 2019 were \$19.1 million and consisted of a \$18.3 million base management fee under the Brookfield MSA, pursuant to which Brookfield and certain of its affiliates provide us with certain management and administrative services, and \$0.8 million of rent, office and other charges related to our New York office lease and co-tenancy agreement. General and administrative expenses - affiliate for the nine months ended September 30, 2018 were \$10.9 million and primarily consisted of a \$10.5 million charge for the Brookfield

MSA quarterly base management fee. The increase in the base management fee for the nine months ended September 30, 2019 compared to the same period in 2018 is primarily driven by an increase in our market capitalization. See *Note 17. Related Parties* to our unaudited condensed consolidated financial statements for additional details.

Acquisition Costs

Total acquisition costs were \$1.4 million for the nine months ended September 30, 2019, compared to \$7.6 million in the same period in 2018, and consisted of professional fees for banking, legal and accounting services. There were no costs related to affiliates for the nine months ended September 30, 2019, compared to \$7.0 million for the nine months ended September 30, 2018, which included reimbursements to affiliates of Brookfield for fees and expenses incurred on behalf of us. These costs are reflected within acquisition costs and acquisition costs - affiliate. The decrease in acquisition costs for the nine months ended September 30, 2019 compared to the same period in 2018 is primarily due to the completion of the accounting for the 2018 acquisition of our European platform. See *Notes 4. Acquisitions* to our unaudited condensed consolidated financial statements for additional details.

Impairment of Renewable Energy Facilities

We had a renewable energy certificate sales agreement with a customer expiring December 31, 2021 that was significant to an operating project within a certain distributed generation portfolio, and on March 31, 2018, this customer filed for protection under Chapter 11 of the U.S. Bankruptcy Code. The potential replacement of this contract resulted in a significant decrease in expected revenues for this operating project. Our analysis indicated that the bankruptcy filing was a triggering event to perform an impairment evaluation, and we recognized an impairment charge of \$15.2 million equal to the difference between the carrying amount and the estimated fair value for nine months ended September 30, 2018. No impairment losses were recognized for the nine months ended September 30, 2019.

Depreciation, Accretion and Amortization Expense

Depreciation, accretion and amortization expense increased by \$82.4 million during the nine months ended September 30, 2019, compared to the same period in 2018. This increase was primarily the result of the acquisition of renewable energy assets in Europe and capital additions placed in service during 2019.

Interest Expense, Net

Interest expense, net for the nine months ended September 30, 2019 and 2018 were as follows:

(In thousands)	Nine Months Ended September 30,		Change
	2019	2018	
Corporate-level	\$ 89,316	\$ 89,353	\$ (37)
Non-recourse:			
Solar	46,693	46,248	445
Wind	45,173	36,382	8,791
Regulated Solar and Wind	65,539	4,879	60,660
Total interest expense, net	\$ 246,721	\$ 176,862	\$ 69,859

Interest expense, net increased by \$69.9 million during the nine months ended September 30, 2019, compared to the same period in 2018, primarily due to increases in our Wind and Regulated Solar and Wind segments. The increase in Interest expense at our Wind and Regulated Solar and Wind segments increased, primarily at our European Platform and Wind plants in Uruguay, by \$8.8 million and \$60.7 million, respectively, during the nine months ended September 30, 2019 compared to the same period in 2018 which reflects the results only effective from the Saeta Acquisition Date.

(Gain) Loss on Extinguishment of Debt

We recognized a net gain on extinguishment of debt of \$4.2 million for the nine months ended September 30, 2019 due to the redemption of certain financing lease obligations within our distributed generation Solar portfolio. The difference between the cash paid to redeem the obligations and the carrying amount as of the date of extinguishment was recognized as a

gain on extinguishment of debt in our unaudited condensed consolidated statements of operations. We incurred a net loss on extinguishment of debt of \$1.5 million for the nine months ended September 30, 2018 representing the deferred financing costs written off and other charges incurred related to the period of out term loan.

Gain on Foreign Currency Exchange, net

We recognized a net gain on foreign currency exchange of \$4.2 million for the nine months ended September 30, 2019, primarily due to a total \$39.6 million net realized and unrealized gain on foreign currency derivative contracts that were partially offset by a loss of \$35.5 million on the remeasurement of intercompany loans, which are primarily denominated in Euro. We recognized a net gain on foreign currency exchange of \$4.3 million for the nine months ended September 30, 2018, primarily due to a total \$16.8 million net realized and unrealized gain on foreign currency derivative contracts that were partially offset by a loss of \$13.5 million on the remeasurement of intercompany loans, which are primarily denominated in Euros.

Other (Income) Expenses, net

We recognized \$1.8 million of other income, net for the nine months ended September 30, 2019, compared to \$1.4 million of other expenses, net for the nine months ended September 30, 2018. The balance primarily comprised net miscellaneous losses, write-offs, reimbursements and recoveries received for damages and other losses.

Income Tax Expense

Income tax expense was \$3.0 million for the nine months ended September 30, 2019, compared to \$9.4 million during the same period in 2018 and is primarily driven by the profits generated by certain foreign subsidiaries. For the nine months ended September 30, 2019 and 2018, the overall effective tax rate was different than the statutory rate of 21% due to the recording of a valuation allowance on tax in certain jurisdictions, loss allocated to non-controlling interests and the effect of foreign and state taxes. The recognition of an income tax expense of \$3.0 million for the nine months ended September 30, 2019 was mostly driven by the profits generated by certain of our foreign subsidiaries.

Net Loss Attributable to Non-Controlling Interests

Net loss attributable to non-controlling interests, including redeemable non-controlling interests was \$48.1 million for the nine months ended September 30, 2019, compared to \$150.8 million for the nine months ended September 30, 2018. The balance for the prior period included \$151.2 million loss allocated to non-controlling interests related to a reduction in the tax rate used to in our hypothetical liquidation valuation at book value methodology as a result of the Tax Cuts and Jobs Act, which enacted major changes to the U.S. tax code effect the year 2018. See *Note 20. Non-Controlling Interests* to our unaudited condensed consolidated financial statements for additional details.

Liquidity and Capital Resources

Capitalization

A key element to our financing strategy is to raise the majority of our debt in the form of project specific non-recourse borrowings at our subsidiaries with investment grade metrics. Going forward, we intend to primarily finance acquisitions or growth capital expenditures using long-term non-recourse debt that fully amortizes within the asset's contracted life at investment grade metrics, as well as retained cash flows from operations, issuance of equity securities through public markets and opportunistic sales of projects, portfolios of projects, or of non-controlling interests in projects or portfolios of projects.

Subsequent to quarter end, on October 8, 2019, we completed an underwritten registered public offering of 14,907,573 shares of our Common Stock for gross proceeds of approximately \$250.0 million. Concurrently with the public offering, on October 8, 2019, an affiliate of Brookfield purchased 2,981,514 shares in a private placement at the same price per share paid in the public offering representing gross proceeds of \$50.0 million. The proceeds of these offerings were used to pay down the amounts due under the Revolver and for general corporate purposes. See *Note 21. Subsequent events* to our unaudited condensed consolidated financial statements for additional details.

The following table summarizes the total capitalization and debt to capitalization percentage as of September 30, 2019 and December 31, 2018:

(In thousands)	September 30, 2019	December 31, 2018
Revolving Credit Facilities ¹	\$ 356,000	\$ 377,000
Senior Notes ²	1,500,000	1,500,000
Term Loan ³	343,875	346,500
Non-recourse long-term debt, including current portion ⁴	4,094,846	3,573,436
Long-term indebtedness, including current portion ⁵	\$ 6,294,721	\$ 5,796,936
Total stockholders' equity and redeemable non-controlling interests	2,488,428	2,768,417
Total capitalization	\$ 8,783,149	\$ 8,565,353
Debt to total capitalization	72%	68%

- (1) Represents the amounts drawn under our Revolver, and does not include the \$112.6 million of outstanding project-level letters of credit. Subsequent to quarter end, on October 8, 2019, we entered into an amendment agreement to (i) increase aggregate the lending commitments from up to \$600 million to up to \$800 million (ii) extend the maturity date by one year to October 5, 2024 and (iii) provide for the ability to further increase the lending commitments by an additional \$150 million.
- (2) Represents corporate senior notes. Subsequent to quarter end, on October 16, 2019, TerraForm Power Operating, LLC issued 700.0 million of 4.75% senior notes due on January 15, 2030 at an offering price of 100% of the principal amount. The proceeds from these notes were used to redeem, in full, our existing Senior Notes due 2025 and Term Loan.
- (3) Represents senior secured term loan facility. As discussed above, the balance was redeemed in full on October 16, 2019.
- (4) Represents asset-specific, non-recourse borrowings and financing lease obligations secured against the assets of certain project companies.
- (5) Represents the total principal due for long-term debt and financing lease obligations, including the current portion, which excludes \$34.3 million and \$35.1 million of net unamortized debt premiums, discounts and deferred financing costs as of September 30, 2019 and December 31, 2018, respectively.

Liquidity Position

We operate with sufficient liquidity to enable us to fund cash distributions, growth initiatives, capital expenditures and withstand sudden adverse changes in economic circumstances or short-term fluctuations in resources. Principal sources of funding are cash flows from operations, revolving credit facilities (including our Revolver and Sponsor Line as discussed and defined below), unused debt capacity at our projects, non-core asset sales and proceeds from the issuance of debt or equity securities through public markets.

As of September 30, 2019, our current liabilities exceeded our current assets by approximately \$217.4 million. We do not believe this deficit in working capital had an adverse impact on our cash flows, liquidity or operations given that our current liabilities include \$387.8 million of long-term non-recourse debt classified as current due to defaults that existed as of the date of the issuance of this Quarterly Report. We believe there is a reasonable likelihood that we will be, in due course, able to successfully negotiate waivers with the lenders and/or cure the existing defaults. We do not expect any of our financing agreements to be accelerated and we were not notified by any of our lenders to elect to enforce project security interests. See *Note 10. Long-term Debt* to our unaudited condensed consolidated financial statements for additional details.

The following table summarizes corporate liquidity and available capital as of September 30, 2019 and December 31, 2018:

(In thousands)	September 30, 2019	December 31, 2018
Unrestricted corporate cash	\$ 19,383	\$ 52,506
Project-level distributable cash	31,496	18,414
Cash available to corporate	50,879	70,920
Credit facilities:		
Committed revolving credit facility ¹	600,000	600,000
Drawn portion of revolving credit facilities ²	(356,000)	(377,000)
Revolving line of credit commitments	(112,554)	(99,487)
Undrawn portion of Sponsor Line ³	500,000	500,000
Available portion of credit facilities	631,446	623,513
Corporate liquidity	\$ 682,325	\$ 694,433
Other project-level unrestricted cash	188,418	177,604
Project-level restricted cash ⁴	104,934	144,285
Available capital	\$ 975,677	\$ 1,016,322

- (1) Subsequent to quarter end, on October 8, 2019, we entered into an amendment agreement to (i) increase aggregate lending commitments limit from \$600.0 million to \$800.0 million, (ii) extend the maturity date by one year to October 5, 2024 and (iii) provide for the ability to further increase the lending commitments by an additional \$150.0 million.
- (2) As of October 31, 2019, we repaid most of the outstanding balance on the Revolver.
- (3) Represents a \$500.0 million secured revolving credit facility we entered into pursuant to a credit agreement (the "Sponsor Line") with Brookfield and one of its affiliates that may only be used to fund all or a portion of certain funded acquisitions or growth capital expenditures.
- (4) Represents short-term and long-term restricted cash and includes \$2.2 million and \$2.3 million of cash trapped at our project-level subsidiaries as of September 30, 2019 and December 31, 2018, respectively, which is presented as current restricted cash as the cash balances were subject to distribution restrictions related to debt defaults that existed as of the date of the balance sheet (see Note 2. Summary of Significant Accounting Policies to our unaudited condensed consolidated financial statements for additional details).

Corporate-level Finance

Private Offering of Corporate Senior Notes

On October 16, 2019, we issued \$700.0 million of 4.75% senior notes due on January 15, 2030 at an offering price of 100% of the principal amount. The proceeds from the notes were used to redeem in full our existing Senior Notes due 2025, to repay in full amounts outstanding under the Term Loan and fund general liquidity requirements.

Amendment to the Revolver

On October 8, 2019, we entered into an amendment agreement to the Revolver whereby (i) the aggregate size of the commitments to make revolving loans ("Revolving Loans") was increased by \$200.0 million to \$800.00 million shared ratably among the existing lenders and three new incoming lenders, (ii) the aggregate size of the letter of credit facility under the Revolver was increased by \$50.0 million to \$300.0 million and (iii) the accordion feature, which allows for further increases to the commitments to make Revolving Loans, was set at \$150.0 million. Additionally, the amendment extended the maturity date by one year to October 5, 2024.

Non-recourse Project Finance

United States Project Financing

On August 30, 2019, one of our subsidiaries entered into a new non-recourse debt financing agreement whereby it issued \$131.0 million of 3.2% senior notes secured by approximately 111 MW of our utility-scale wind power plants located in the United States. The proceeds of this financing were used to repay a portion of the balance outstanding under the Revolver.

These non-recourse senior notes mature on July 2, 2032 and amortize on an approximately thirteen-year sculpted amortization schedule.

Bridge Facility Financing

On September 25, 2019, one of our subsidiaries entered into a \$475.0 million Bridge Facility secured by approximately 320 MW of distributed generation power plants located in the United States that we acquired by the way of the WGL acquisition. The proceeds of this financing were used to fund a portion of the WGL Acquisition. The proceeds of this financing were used to fund a portion of the WGL Acquisition. The Bridge Facility matures on September 23, 2020. We have a one-year extension option and intend to complete a refinancing of the balance on a long-term basis prior to maturity.

Debt Service Obligations

We remain focused on refinancing near-term facilities on acceptable terms and maintaining a manageable maturity ladder. We do not anticipate material issues in addressing our borrowings through 2023 on acceptable terms and will do so opportunistically based on the prevailing interest rate environment.

The aggregate contractual principal payments of long-term debt due after September 30, 2019, including financing lease obligations and excluding amortization of debt discounts, premiums and deferred financing costs, as stated in the financing agreements, are as follows:

(In thousands)	Remainder of 2019	2020 ²	2021	2022	2023	Thereafter	Total
Maturities of long-term debt ¹	\$ 96,852	\$ 732,185	\$ 269,528	\$ 770,751	\$ 1,220,271	\$ 3,205,134	\$ 6,294,721

- (1) Represents the contractual principal payment due dates for our long-term debt and does not reflect the reclassification of \$387.8 million of long-term debt to current as a result of debt defaults under certain of our non-recourse financing arrangements. See *Note 10. Long-term Debt* to our unaudited condensed consolidated financial statements for additional details.
- (2) Includes the \$475.0 million Bridge Facility we entered into on September 25, 2019, which matures on September 23, 2020. We have a one-year extension option and intend to complete a refinancing of the balance on a long-term basis prior to maturity. The balance, net of unamortized deferred financing costs, is included within non-current liabilities in the unaudited condensed consolidated balance sheets. The balance, net of unamortized deferred financing costs, is included within non-current liabilities in the unaudited condensed consolidated balance sheets. See *Note 10. Long-term Debt* to our unaudited condensed consolidated financial statements for additional details.

Commitment to Purchase Renewable Energy Facilities

We are committed to purchase a 4.5 MW distributed generation facility located in Massachusetts for a purchase price of \$6.0 million. This acquisition is expected to be completed in December 2019.

Cash Distributions to Investors

The following table presents cash distributions declared and paid on Common Stock during the nine months ended September 30, 2019 and 2018:

	Distributions per Share	Declaration Date	Record Date	Payment Date
2019:				
First Quarter	\$ 0.2014	March 13, 2019	March 24, 2019	March 29, 2019
Second Quarter	\$ 0.2014	May 8, 2019	June 3, 2019	June 17, 2019
Third Quarter	\$ 0.2014	August 8, 2019	September 3, 2019	September 17, 2019
2018:				
First Quarter	\$ 0.1900	February 6, 2018	February 28, 2018	March 30, 2018
Second Quarter	\$ 0.1900	April 30, 2018	June 1, 2018	June 15, 2018
Third Quarter	\$ 0.1900	August 13, 2018	September 1, 2018	September 15, 2018

On November 6, 2019, our Board of Directors declared a cash distribution with respect to our Common Stock of \$0.2014 per share. The distribution is payable on December 16, 2019 to stockholders of record as of December 2, 2019. The fourth quarter of 2019 distribution will be our eighth consecutive quarterly distribution payment under the Brookfield sponsorship.

Share Repurchase Program

On July 25, 2019, our Board of Directors authorized the renewal of our share repurchase program through August 4, 2020. Under the share repurchase program, we repurchase up to 5% of our Common Stock outstanding as of July 25, 2019. The timing and the amount of any repurchases of common stock will be determined by us based on its evaluation of market conditions and other factors. Repurchases of common stock may be made under a Rule 10b5-1 plan, which would permit common stock to be repurchased when we might otherwise be precluded from doing so under insider trading laws, open market purchases, privately-negotiated transactions, block purchases or otherwise in accordance with applicable federal securities laws, including Rule 10b-18 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). The program may be suspended or discontinued at any time and does not obligate us to purchase any minimum number of shares. Any repurchased common stock will be held by us as treasury stock. We expect to fund any repurchases from available liquidity.

No shares have been repurchased by us during the nine months ended September 30, 2019.

Incentive Distribution Rights

BRE Delaware, Inc. (the “Brookfield IDR Holder”), an indirect, wholly-owned subsidiary of Brookfield, holds all of the outstanding incentive distribution rights (“IDRs”) of Terra LLC. Under Terra LLC’s limited liability company agreement (as amended from time to time, the “Terra LLC Agreement”), the IDR threshold for a first distribution is \$0.93 per share of Common Stock and for a second distribution is \$1.05 per share of Common Stock. Under the Terra LLC Agreement, amounts distributed from Terra LLC are to be distributed on a quarterly basis as follows:

- first, to the Company in an amount equal to the Company’s outlays and expenses for such quarter;
- second, to holders of Class A units, until an amount has been distributed to such holders of Class A units that would result, after taking account of all taxes payable by the Company in respect of the taxable income attributable to such distribution, in a distribution to holders of shares of Common Stock of \$0.93 per share (subject to adjustment for distributions, combinations or subdivisions of shares of Common Stock) if such amount were distributed to all holders of shares of Common Stock;
- third, 15% to the holders of the IDRs and 85% to the holders of Class A units until a further amount has been distributed to holders of Class A units in such quarter that would result, after taking account of all taxes payable by the Company in respect of the taxable income attributable to such distribution, in a distribution to holders of shares of Common Stock of an additional \$0.12 per share (subject to adjustment for distributions, combinations or subdivisions of shares of Common Stock) if such amount were distributed to all holders of shares of Common Stock; and
- thereafter, 75% to holders of Class A units and 25% to holders of the IDRs.

There were no IDR payments made by us during the nine months ended September 30, 2019 and 2018.

Cash Flow Discussion

We use measures of cash flow, including net cash flows from operating activities, investing activities and financing activities, to evaluate our periodic cash flow results.

Nine Months Ended September 30, 2019 Compared to Nine Months Ended September 30, 2018

The following table reflects the changes in cash flows for the comparative periods:

(In thousands)	Nine Months Ended September 30,		
	2019	2018	Change
Net cash provided by operating activities	\$ 268,203	\$ 151,027	\$ 117,176
Net cash used in by investing activities	(730,883)	(874,876)	143,993
Net cash provided by financing activities	423,516	1,012,807	(589,291)

Net Cash Provided By Operating Activities

Net cash provided by operating activities was \$268.2 million for the nine months ended September 30, 2019, compared to \$151.0 million for the same period in the prior year, primarily driven by cash earnings of our European Platform, which was acquired in June of 2018. The consolidated cash flows for the nine months ended September 30, 2018, include the results of Saeta effective from the Saeta Acquisition Date, whereas the comparable consolidated cash flows for the nine months ended September 30, 2019 include the results of our European Platform for the full period.

Net Cash Used In Investing Activities

Net cash used in investing activities for the nine months ended September 30, 2019, was \$730.9 million, which consisted of (i) \$731.8 million payments to acquire an approximately 320 MW distributed generation portfolio in the U.S., net of cash and restricted cash acquired, (ii) \$18.3 million payments to acquire renewable energy facilities from third parties in the U.S., net of cash and restricted cash acquired and (iii) \$16.5 million payments for capital expenditures. These payments were partially offset by (i) \$28.1 million proceeds from the settlement of foreign currency contracts used to hedge the exposure associated with foreign subsidiaries, (ii) \$5.1 million proceeds received from a government rebate for certain costs previously incurred for capital expenditures and (iii) \$2.5 million received from other investing activities. Net cash used in investing activities for the nine months ended September 30, 2018, was \$874.9 million, which was due to: (i) \$886.1 million payments to acquire our European Platform, net of cash and restricted cash acquired; (ii) \$4.1 million payments to acquire solar facilities from third parties in the U.S., net of cash and restricted cash acquired; (iii) \$15.3 million payments for for capital expenditures; (iv) \$22.4 million proceeds from the settlement of foreign currency contracts used to hedge the exposure associated with foreign subsidiaries and (v) \$8.2 million proceeds received from a government rebate for certain costs previously incurred for capital expenditures.

Net Cash Provided By Financing Activities

Net cash provided by financing activities for the nine months ended September 30, 2019, was \$423.5 million, which consisted of \$296.1 million proceeds from non-recourse debt financing net of deferred financing fees that were partially offset by (i) \$189.0 million principal payments on non-recourse debt, (ii) \$126.0 million payments of cash distributions to our Class A common stockholders, (iii) net payments of \$11.6 million to non-controlling interests and (iv) net repayments of \$21.0 million on our Revolver. Net cash provided by financing activities for the nine months ended September 30, 2018, was \$1,012.8 million, primarily due to \$650.0 million in proceeds received from the private placement to affiliates of Brookfield, net draws of \$418.5 million on our revolving credit facilities and net issuances of \$56.3 million of non-recourse long-term debt, which were partially offset by \$95.6 million payments of cash distributions to our Class A common stockholders.

Off-Balance Sheet Arrangements

We enter into guarantee arrangements in the normal course of business to facilitate commercial transactions with third parties. See *Note 16. Commitments and Contingencies* to our unaudited condensed consolidated financial statements included in this Report for additional discussion.

Critical Accounting Policies and Estimates

The accompanying unaudited condensed consolidated financial statements provided herein were prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). In preparing the accompanying financial statements, we have applied accounting policies and made certain estimates and assumptions that affect the reported amounts of assets, liabilities, stockholders' equity, revenues and expenses, and the disclosures thereof. While we believe that these policies and estimates used are appropriate, actual future events can and often do result in outcomes that can differ from these estimates. The accounting policies and related risks described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018, are those that depend most heavily on these judgments and estimates. As of September 30, 2019, the only notable changes to the significant accounting policies described in our Annual Report on Form 10-K are with respect to our adoption of the new accounting pronouncements described in *Note 2. Summary of Significant Accounting Policies* to our unaudited condensed consolidated financial statements.

Recently Issued Accounting Standards

See Note 2. *Summary of Significant Accounting Policies* to our unaudited condensed consolidated financial statements included in this Report for disclosures concerning recently issued accounting standards. These disclosures are incorporated herein by reference.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to several market risks in our normal business activities. Market risk is the potential loss that may result from market changes associated with our business or with an existing or forecasted financial or commodity transaction. The types of market risks we are exposed to are interest rate risk, foreign currency risk and commodity risk. We do not use derivative financial instruments for speculative purposes.

Interest Rate Risk

As of September 30, 2019, the estimated fair value of our debt was \$6,521.1 million and the carrying value of our debt was \$6,260 million. We estimate that a hypothetical 100 basis points, or 1%, increase or decrease in market interest rates would have decreased or increased the fair value of our long-term debt by \$86 million and \$94 million, respectively.

As of September 30, 2019, our corporate-level debt consisted of the Senior Notes due 2023 (fixed rate), the Senior Notes due 2025 (fixed rate), the Senior Notes due 2028 (fixed rate), the Revolver (variable rate) and the Term Loan (variable rate). Additionally, we had an undrawn balance of \$500.0 million available under the Sponsor Line (variable rate). On March 8, 2019, we entered into interest rate swap agreements with counterparties to hedge the variable Eurodollar base rate associated with the interest payments on the entire principal of our Term Loan, paying an average fixed rate of 2.54%. In return, the counterparties agreed to pay us the variable Eurodollar base rate payments due to the lenders until maturity. A hypothetical increase or decrease in interest rates by 1% would have increased or decreased interest expense related to our Revolver and Term Loan by \$4.9 million for the nine months ended September 30, 2019.

As of September 30, 2019, our non-recourse permanent financing debt was at both fixed and variable rates. 64% of the \$3,557.6 million balance had a variable interest rate and the remaining 36% of the balance had a fixed interest rate. We have entered into interest rate derivatives to swap the majority of our variable rate non-recourse debt to a fixed rate. Although we intend to use hedging strategies to mitigate our exposure to interest rate fluctuations, we may not hedge all of our interest rate risk and, to the extent we enter into interest rate hedges, our hedges may not necessarily have the same duration as the associated indebtedness. Our exposure to interest rate fluctuations will depend on the amount of indebtedness that bears interest at variable rates, the time at which the interest rate is adjusted, the amount of the adjustment, our ability to prepay or refinance variable rate indebtedness when fixed rate debt matures and needs to be refinanced and hedging strategies we may use to reduce the impact of any increases in rates. We estimate that a hypothetical 100 basis points, or 1%, increase or decrease in our variable interest rates pertaining to interest rate swaps not designated as hedges would have increased or decreased our earnings by \$54.2 million or \$54.2 million for the nine months ended September 30, 2019, respectively.

Foreign Currency Risk

During the nine months ended September 30, 2019 and 2018, we generated operating revenues in the United States (including Puerto Rico), Canada, Spain, Portugal, the United Kingdom, Chile and Uruguay, with our revenues being denominated in U.S. dollars, Euro, Canadian dollars and British pounds. The PPAs, operating and maintenance agreements, financing arrangements and other contractual arrangements relating to our current portfolio are generally denominated in the same currencies.

We use currency forward and option contracts in certain instances to mitigate the financial market risks of fluctuations in foreign currency exchange rates. We manage our foreign currency exposures through the use of these currency forward and option contracts to reduce risks arising from the change in fair value of certain assets and liabilities, including intercompany loans denominated in Euro.

We use foreign currency forward and option contracts to hedge portions of our net investment positions in certain subsidiaries with Euro and Canadian dollar functional currencies and to manage our overall foreign exchange risk. For instruments that are designated and qualify as hedges of net investments in foreign operations, the effective portion of the net gains or losses attributable to changes in exchange rates are recorded in foreign currency translation adjustments in accumulated other comprehensive income ("AOCI"). Recognition in earnings of amounts previously recorded in AOCI is limited to

circumstances such as complete or substantial liquidation of the net investment in the hedged foreign operation. The change in fair value of derivative contracts intended to serve as economic hedges that are not designated as hedging instruments is reported as a component of earnings in the consolidated statements of operations. The objective of these practices is to minimize the impact of foreign currency fluctuations on our operating results. We estimate that a hypothetical 100 basis points, or 1%, increase or decrease in Euros would have increased or decreased our earnings by \$4.4 million and \$4.9 million, respectively, for the nine months ended September 30, 2019. Cash flows from derivative instruments designated as net investment hedges and non-designated derivatives used to manage foreign currency risks associated with intercompany loans are classified as investing activities in the consolidated statements of cash flows. Cash flows from all other derivative instruments are classified as operating activities in the consolidated statements of cash flows.

Commodity Risk

For certain of our wind power plants, we may use long-term cash-settled swap agreements to economically hedge commodity price variability inherent in wind electricity sales arrangements. If we sell electricity generated by our wind power plants to an independent system operator market and there is no PPA available, then we may enter into a commodity swap to hedge all or a portion of the estimated revenue stream. These price swap agreements require periodic settlements, in which we receive a fixed-price based on specified quantities of electricity and we pay the counterparty a variable market price based on the same specified quantity of electricity. We estimate that a hypothetical 10% increase or decrease in electricity sales prices pertaining to commodity swaps not designated as hedges would have increased or decreased our earnings by \$11.5 million or \$12.1 million for the nine months ended September 30, 2019, respectively.

Liquidity Risk

Our principal liquidity requirements are to finance current operations, service debt and to fund cash distributions to investors. Changes in operating plans, lower than anticipated electricity sales, increased expenses, acquisitions or other events may cause management to seek additional debt or equity financing in future periods. There can be no guarantee that financing will be available on acceptable terms or at all. Debt financing, if available, could impose additional cash payment obligations and additional covenants and operating restrictions. Our ability to meet our debt service obligations and other capital requirements, including capital expenditures, as well as make acquisitions, will depend on our future operating performance which, in turn, will be subject to general economic, financial, business, competitive, legislative, regulatory and other conditions, many of which are beyond management's control.

Counterparty Credit Risk

Credit risk relates to the risk of loss resulting from non-performance or non-payment by offtake counterparties under the terms of their contractual obligations, thereby impacting the amount and timing of expected cash flows. We monitor and manage credit risk through credit policies that include a credit approval process and the use of credit mitigation measures such as having a diversified portfolio of creditworthy offtake counterparties. As of September 30, 2019, on a weighted-average basis (based on MW), our PPA counterparties had an investment grade credit rating. However, there are a limited number of offtake counterparties under offtake agreements in each region that we operate, and this concentration may impact the overall exposure to credit risk, either positively or negatively, in that the offtake counterparties may be similarly affected by changes in economic, industry or other conditions.

Our derivative instruments also expose us to credit risk to the extent counterparties may be unable to meet the terms of the contractual arrangements. Our maximum exposure to loss due to credit risk if counterparties fail completely to perform according to the terms of the contracts would generally equal the fair value of our derivative assets presented in *Note 12. Derivatives* to our unaudited consolidated financial statements. We seek to mitigate such risk by transacting with a group of creditworthy financial institutions and through the use of master netting arrangements.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

As disclosed in our Annual Report on Form 10-K for the year ended December 31, 2018, we identified certain material weaknesses in the Company's internal control over financial reporting. We carried out an evaluation as of September 30, 2019 under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were ineffective as of September 30, 2019 due to the previously identified material weaknesses, which continued to exist as of September 30, 2019.

We performed additional analyses and other procedures in order to prepare the unaudited condensed consolidated financial information in accordance with U.S. GAAP. Notwithstanding such material weaknesses in internal control over financial reporting, we concluded that our unaudited condensed consolidated financial information presents fairly, in all material respects, the Company's financial position, results of operations and cash flows as of the dates, and for the periods presented, in conformity with U.S. GAAP.

Changes in Internal Control Over Financial Reporting

There have been no changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during the three months ended September 30, 2019, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting, other than the remediation actions discussed below. We continue to implement our remediation plan as described in *Item 9A. Controls and Procedures* in our Annual Report on Form 10-K for the year ended December 31, 2018. We are continuing to work to remediate all such material weaknesses as soon as reasonably possible.

During the third quarter of 2019, we executed the following actions:

- We continued to enhance the capabilities of the new consolidation and treasury related financial systems deployed earlier in the year, each expected to increase the efficiency of processing transactions, produce accurate and timely information to address various operational and compliance needs, and reduce our reliance on manual controls and end-user computing spreadsheets;
- We have commenced the implementation of an automated account reconciliation and task management financial system;
- We completed the implementation of a lease accounting software application, which is expected to produce accurate and timely information following the Company's adoption of ASC No. 2018-11, Leases (Topic 842);
- We continue to enhance the review controls over tax processes and have commenced the implementation of a tax basis system to reduce reliance on manual controls and end-user computing spreadsheets related to year-end tax controls;
- We are continuing to enhance revenue controls that have been implemented, including enhanced capabilities of a revenue application to further support invoicing and the sourcing of certain revenue data to reduce the reliance on manual controls; we have also commenced implementation of "smart" automation processes to further reduce reliance on manual controls; and
- We began to enhance the review controls over the application of U.S. GAAP and accounting measurements for significant accounts, transactions and related financial statement disclosures by adding incremental resources and providing specialized and technical training to strengthen our skills to support our controllership function.

PART II - Other Information

Item 1. Legal Proceedings.

For a description of our legal proceedings, see *Item 1. Note 16. Commitments and Contingencies* to our unaudited condensed consolidated financial statements.

Item 1A. Risk Factors.

In addition to the information set forth elsewhere in this Report, you should carefully consider the factors under “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2018, which was filed on March 15, 2019. These risks could materially and adversely affect our business, financial condition and results of operations. There have been no material changes in the Company’s risk factors from those described in our Annual Report on Form 10-K for the year ended December 31, 2018, other than the following:

We may not be able to successfully integrate the projects that we acquire from third parties, including the distributed generation portfolio that we acquired from subsidiaries of AltaGas.

To realize the anticipated benefits of our acquisition of the approximately 320 MW portfolio of distributed generation facilities in the United States (the “Portfolio”) from subsidiaries of AltaGas (the “Sellers”), the Portfolio must be successfully combined with our existing North American business. We may fail to realize the anticipated benefits of this acquisition as a result of our inability to successfully integrate the operations, technologies and personnel of the Portfolio into our business for a variety of reasons, including the following:

- the inability of the Sellers to obtain certain transfer consents from third parties with respect to certain projects under the Portfolio;
- failure to successfully manage relationships with existing Portfolio counterparties;
- failure to quickly and effectively leverage the increased scale of the combined company;
- the loss of key portfolio employees; and
- potential difficulties integrating and harmonizing financial reporting systems and establishing appropriate accounting controls, reporting procedures and regulatory compliance procedures.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

As described in *Note 21. Subsequent Events*, to our unaudited Condensed Consolidated financial statements on October 8, 2019, we completed a private placement of 2,981,514 unregistered shares of our Common Stock. The proceeds of these offerings were used to pay down the amounts due under the Revolver and for general corporate purposes.

For a description of our share repurchase program, see *Note 14. Stockholders’ Equity* to our unaudited condensed consolidated financial statements.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Amendment to Bylaws

On November 6, 2019, the Company amended its Bylaws to align the provision regarding record dates for distributions in ARTICLE VI, Section 4 with the applicable requirement under Delaware law. The foregoing description of the Company’s Third Amended and Restated Bylaws contained herein does not purport to be complete and is subject to, and qualified in its entirety by, the full text of the Third Amended and Restated Bylaws of the Company attached hereto as Exhibit 3.1 and incorporated herein by reference.

Item 6. Exhibits.

Exhibit Number	Description
1.1	<u>Underwriting Agreement, dated October 3, 2019, among TerraForm Power, Inc., TerraForm Power, LLC and RBC Capital Markets, LLC. (incorporated by reference to Exhibit 1.1 to the Registrant's Current Report on Form 8-K filed on October 8, 2019).</u>
3.1*	<u>Third Amended and Restated Bylaws of TerraForm Power, Inc.</u>
4.1	<u>Indenture, dated as of October 16, 2019, among TerraForm Power Operating, LLC, the guarantors party thereto and U.S. Bank National Association, as trustee, relating to the 4.75% senior notes due 2030. (incorporated by reference to Exhibit 4.1 to the Registrant's Form Current Report on Form 8-K filed on October 16, 2019).</u>
4.2	<u>Form of 4.75% senior notes due 2030 (included as Exhibit A to the Indenture filed as Exhibit 4.1 to the Registrant's Form Current Report on Form 8-K filed on October 16, 2019).</u>
10.1	<u>Membership Interest Purchase Agreement, dated July 19, 2019, entered into by TerraForm Arcadia Holdings, LLC and WGL Energy Systems, Inc., a Delaware corporation, and WGSW, Inc., a Delaware corporation, both subsidiaries of AltaGas, Ltd. (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on July 22, 2019).</u>
10.2	<u>Class A Common Stock Purchase Agreement, dated October 8, 2019, between TerraForm Power, Inc. and BBHC Orion Holdco L.P. (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on October 8, 2019).</u>
10.3	<u>Amendment No. 4 to Credit and Guaranty Agreement, dated as of October 8, 2019, among TerraForm Power Operating, LLC as borrower, TerraForm Power, LLC as a guarantor, certain subsidiaries of TerraForm Power Operating, LLC as guarantors, the lenders party thereto from time to time, and HSBC Bank USA, National Association, as administrative and collateral agent (incorporated by reference to Exhibit 10.2 to the Registrant's Form Current Report on Form 8-K filed on October 8, 2019).</u>
31.1*	<u>Certification by the Chief Executive Officer of TerraForm Power, Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
31.2*	<u>Certification by the Chief Financial Officer of TerraForm Power, Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
32**	<u>Certification by the Chief Executive Officer and the Chief Financial Officer of TerraForm Power, Inc. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**</u>
101	The following materials from the TerraForm Power, Inc. Quarterly Report on Form 10-Q for the three and nine months ended September 30, 2019, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2019 and 2018; (ii) Condensed Consolidated Statements of Comprehensive Income (Loss) for the three and nine months ended September 30, 2019 and 2018; (iii) Condensed Consolidated Balance Sheets as of September 30, 2019 and December 31, 2018; (iv) Condensed Consolidated Statements of Stockholders' Equity for the three and nine months ended September 30, 2019 and 2018; (v) Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2019 and 2018; and (vi) notes to condensed consolidated financial statements
104	Cover Page Interactive Data File, formatted in iXBRL and contained in Exhibit 101

* Filed as an exhibit to this Quarterly Report on Form 10-Q.

** This information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933, as amended, and Section 18 of the Exchange Act.

SIGNATURES

Pursuant to the requirements of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TERRAFORM POWER, INC.

By: /s/ MICHAEL TEBBUTT

Name: Michael Tebbutt

Title: Chief Financial Officer (principal financial officer and principal accounting officer)

Date: November 12, 2019

**THIRD AMENDED AND RESTATED
BYLAWS
OF TERRAFORM POWER, INC.**

A Delaware Corporation

(Amended and Restated as of November 6, 2019)

**ARTICLE I
OFFICES**

Section 1. Registered Office. The registered office of TerraForm Power, Inc. (the “Corporation”) in the State of Delaware shall be located at 251 Little Falls Drive, City of Wilmington, County of New Castle, Delaware 19808. The name of the Corporation’s registered agent at such address shall be Corporation Service Company. The registered office and/or registered agent of the Corporation may be changed from time to time by action of the board of directors of the Corporation (the “Board of Directors”).

Section 2. Other Offices. The Corporation may also have offices at such other places, both within and without the State of Delaware, as the Board of Directors may from time to time determine or the business of the Corporation may require.

**ARTICLE II
MEETINGS OF STOCKHOLDERS**

Section 1. Annual Meeting. An annual meeting of the stockholders shall be held at such date and time specified by the Board of Directors for the purpose of electing directors and conducting such other proper business as may come before the annual meeting. At the annual meeting, stockholders shall elect directors and transact such other business as properly may be brought before the annual meeting pursuant to Section 10 of this ARTICLE II.

Section 2. Special Meetings. Subject to the rights of the holders of any class or series of preferred stock of the Corporation, special meetings of the stockholders may only be called in the manner provided in the certificate of incorporation of the Corporation, as amended and restated from time to time (the “Certificate of Incorporation”).

Section 3. Place of Meetings. The Board of Directors may designate any place, either within or without the State of Delaware, as the place of meeting for any annual meeting or for any special meeting. The Board of Directors may, in its sole discretion, determine that any annual meeting or special meeting shall not be held at any place, but may instead be held solely by means of remote communications as provided under the Delaware General Corporation Law (the “DGCL”). If no designation is made, or if a special meeting be otherwise called, the place of meeting shall be the principal executive office of the Corporation. If for any reason any annual meeting shall not be held during any year, the business thereof may be transacted at any special meeting of the stockholders.

Section 4. Notice. Whenever stockholders are required or permitted to take action at a meeting, written, printed or electronic notice stating the place, date, time and, in the case of special meetings, the purpose or purposes, of such meeting, shall be given to each stockholder entitled to vote on the record date, determined in accordance with the provisions of Section 3 of ARTICLE VI hereof. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, postage prepaid, addressed to the stockholder at his, her or its address as the same appears on the records of the Corporation. An affidavit of the secretary or an assistant secretary or of the transfer agent of the Corporation that the notice required by this Section 4 has been given shall, in the absence of fraud, be *prima facie* evidence of the facts stated therein. Whenever the giving of any notice to stockholders is required by applicable law, the Certificate of Incorporation or these Bylaws, a waiver thereof, given by the person entitled to said notice, whether before or after the event as to which such notice is required, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends for the express purpose of objecting at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened, and thereafter does not vote or otherwise participate in the meeting. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders need be specified in any waiver of notice unless so required by applicable law, the Certificate of Incorporation or these Bylaws.

Section 5. Stockholders List. The officer having charge of the stock ledger of the Corporation shall make, at least ten (10) days before every meeting of the stockholders, a complete list of the stockholders entitled to vote at such meeting arranged in alphabetical order, showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, the stockholder’s agent or attorney, at the stockholder’s expense, for any purpose germane to the meeting for a period of at least ten (10) days prior to the meeting, (i) on a reasonably accessible electronic network, provided that the information required to gain access to such list shall be provided with the notice of the meeting or (ii) during ordinary business hours, at the principal place of business of the Corporation. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present. Except as provided by applicable law, the stock ledger shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, the list of stockholders or the books of the Corporation, or to vote in person or by proxy at any meeting of stockholders.

Section 6. Quorum. The holders of a majority in voting power of the outstanding shares of capital stock entitled to vote at the meeting of stockholders, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders, except as otherwise provided by the DGCL or by the Certificate of Incorporation. If a quorum is not present, (i) the holders of a majority in voting power of the shares present in person or represented by proxy at the meeting, and entitled to vote at the meeting, may adjourn the meeting to another time and/or place (or to be held by means of remote communications, if applicable) or (ii) the chairperson of the Board of Directors may, on his or her own motion, adjourn the meeting to another time and/or place (or to be held by means of remote communications, if applicable) until a quorum is present, without the approval of any stockholder present. When a specified item of business requires a vote by the holders of a class or series of shares of capital stock (if the Corporation shall then have outstanding shares of more than one class or series) voting as a class or series, the holders of a majority of the shares of such class or series shall constitute a quorum (as to such class or series) for the transaction of such item of business, except as otherwise provided by the DGCL or by the Certificate of Incorporation.

Section 7. Adjourned Meetings. Subject to the last sentence of this Section 7, when a meeting is adjourned to another time and place (or to be held by means of remote communications, if applicable), notice need not be given of the adjourned meeting if the time and place thereof (or the means of remote communications, if applicable, by which stockholders and proxy holders may be deemed to be present in person and vote at such adjourned meeting) are announced at the meeting at which the adjournment is taken. At the adjourned meeting, the Corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty (30) days, or if after the adjournment, a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 8. Vote Required. When a quorum is present, the affirmative vote of the majority in voting power of shares of capital stock present in person or represented by proxy at the meeting and entitled to vote on the subject matter shall be the act of the stockholders, unless (i) by express provisions of any applicable law, the rules and regulations of any stock exchange applicable to the Corporation, or of the Certificate of Incorporation, a different vote is required, in which case, such express provision shall govern and control the decision of such question, or (ii) the subject matter is the election of directors, in which case, the Certificate of Incorporation shall govern and control the approval of such subject matter.

Section 9. Proxies. Each stockholder entitled to vote at a meeting of stockholders may authorize another person or persons to act for such stockholder by proxy, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. A duly executed proxy shall be irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A proxy may be made irrevocable regardless of whether the interest with which it is coupled is an interest in the stock itself or an interest in the Corporation generally. Any proxy is suspended when the person executing the proxy is present at a meeting of stockholders and elects to vote, except that when such proxy is coupled with an interest and the fact of the interest appears on the face of the proxy, the agent named in the proxy shall have all voting and other rights referred to in the proxy, notwithstanding the presence of the person executing the proxy. At each meeting of the stockholders, and before any voting commences, all proxies filed at or before the meeting shall be submitted to and examined by the secretary or a person designated by the secretary, and no shares may be represented or voted under a proxy that has been found to be invalid or irregular.

Section 10. Business Brought Before a Meeting of the Stockholders.

(A) Annual Meetings.

(1) At an annual meeting of the stockholders, only such nominations of persons for election to the Board of Directors shall be considered and only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, nominations and other business must be (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (b) brought before the meeting by or at the direction of the Board of Directors or (c) otherwise properly brought before the meeting by a stockholder who (i) is a stockholder of record of the Corporation (and, with respect to any beneficial owner, if different, on whose behalf such business is proposed or such nomination or nominations are made, only if such beneficial owner is the beneficial owner of shares of the Corporation) both at the time the notice provided for in paragraph (A) of this Section 10 is delivered to the secretary of the Corporation and on the record date for the determination of stockholders entitled to vote at the annual meeting of stockholders, (ii) is entitled to vote at the meeting, and (iii) complies with the notice procedures set forth in paragraphs (A) and (C) of this Section 10. For nominations or other business to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing and in proper form to the secretary of the Corporation. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation, not later than the close of business on the ninetieth (90th) day nor earlier than the close of business on the one hundred twentieth (120th) day prior to the first anniversary of the preceding year's annual meeting (provided, however, that in the event that the date of the annual meeting is advanced more than thirty (30) days before or delayed more than seventy (70) days after such anniversary date, notice by the stockholder must be so delivered not earlier than the close of business on the one hundred twentieth (120th) day prior to such annual meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such annual meeting or the tenth (10th) day following the day on which public announcement of the date of such meeting is first made by the Corporation). In no event shall the public announcement of an adjournment or postponement of an annual meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above. Notwithstanding anything in this paragraph to the contrary, in the event that the number of directors to be elected to the Board of Directors at an annual meeting is increased and there is no public announcement by the Corporation naming the nominees for the additional directorships at least one hundred (100) days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this paragraph (A) of this Section 10 shall also be considered timely, but only with respect to nominees for the additional directorships, if it shall be delivered to the secretary at the principal executive offices of the Corporation not later than the close of business on the tenth (10th) day following the day on which such public announcement is first made by the Corporation.

(2) Notwithstanding anything in these Bylaws to the contrary, only such persons who are nominated in accordance with the procedures set forth in paragraph (A) of this Section 10 shall be eligible to be elected at an annual meeting to serve as directors and no business shall be conducted at an annual meeting except in accordance with the procedures set forth in this Section 10. The presiding officer of an annual meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not properly made or any business was not properly brought before the meeting, as the case may be, in accordance with the provisions of this Section 10; if he or she should so determine, he or she shall so declare to the meeting and any such nomination not properly made or any business not properly brought before the meeting, as the case may be, shall not be transacted.

(B) Special Meetings of Stockholders. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting. Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to the Corporation's notice of meeting (1) by or at the direction of the Board of Directors or (2) provided that the Board of Directors has determined that directors shall be elected at such meeting, by any stockholder of the Corporation who (a) is a stockholder of record of the Corporation (and, with respect to any beneficial owner, if different, on whose behalf such nomination or nominations are made, only if such beneficial owner is the beneficial owner of shares of the Corporation) both at the time the notice provided for in paragraph (B) of this Section 10 is delivered to the Corporation's secretary and on the record date for the determination of stockholders entitled to vote at the special meeting, (b) is entitled to vote at the meeting and upon such election, and (c) complies with the notice procedures set forth in the third sentence of paragraph (B) of this Section 10. In the event the Corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the Board of Directors, any such stockholder entitled to vote in such election of directors may nominate a person or persons (as the case may be) for election to such position(s) as specified in the Corporation's notice of meeting, if the stockholder's notice required by paragraph (C)(1) of this Section 10 shall be delivered to the Corporation's secretary at the principal executive offices of the Corporation not earlier than the close of business on the one hundred twentieth (120th) day prior to such special meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such special meeting or the tenth (10th) day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. In no event shall the public announcement of an adjournment or postponement of a special meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above.

(C) Stockholder's Notices.

(1) A stockholder's notice providing for the nomination of a person or persons for election as a director or directors of the Corporation shall set forth (a) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination is made (and for purposes of clauses (ii) through (ix) below,

including any interests described therein held by any affiliates or associates (each within the meaning of Rule 12b-2 (or any successor rule) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) for purposes of these Bylaws) of such stockholder or beneficial owner or by any member of such stockholder’s or beneficial owner’s immediate family sharing the same household, in each case as of the date of such stockholder’s notice, which information shall be confirmed or updated, if necessary, by such stockholder and beneficial owner (x) not later than ten (10) days after the record date for the notice of the meeting to disclose such ownership as of the record date for the notice of the meeting, and (y) not later than eight (8) business days before the meeting or any adjournment or postponement thereof to disclose such ownership as of the date that is ten (10) business days before the meeting or any adjournment or postponement thereof (or if not practicable to provide such updated information not later than eight (8) business days before any adjournment or postponement, on the first practicable date before any such adjournment or postponement)) (i) the name and address of such stockholder, as they appear on the Corporation’s books, and of such beneficial owner, (ii) the class or series and number of shares of capital stock of the Corporation which are, directly or indirectly, beneficially owned (within the meaning of Rules 13d-3 and 13d-5 under the Exchange Act) (provided that a person shall in all events be deemed to beneficially own any shares of any class or series and number of shares of capital stock of the Corporation as to which such person has a right to acquire beneficial ownership at any time in the future) and owned of record by such stockholder or beneficial owner, (iii) the class or series, if any, and number of options, warrants, puts, calls, convertible securities, stock appreciation rights, or similar rights, obligations or commitments with an exercise or conversion privilege or a settlement payment or mechanism at a price related to any class or series of shares or other securities of the Corporation or with a value derived in whole or in part from the value of any class or series of shares or other securities of the Corporation, whether or not such instrument, right, obligation or commitment shall be subject to in the underlying class or series of shares or other securities of the Corporation (each, a “Derivative Security”), which are, directly or indirectly, beneficially owned by such stockholder or beneficial owner, (iv) any agreement, arrangement, understanding, or relationship, including any repurchase or similar so-called “stock borrowing” agreement or arrangement, engaged in, directly or indirectly, by such stockholder or beneficial owner, the purpose or effect of which is to mitigate loss to, reduce the economic risk (of ownership or otherwise) of any class or series of capital stock or other securities of the Corporation by, manage the risk of share price changes for, or increase or decrease the voting power of, such stockholder or beneficial owner with respect to any class or series of capital stock or other securities of the Corporation, or that provides, directly or indirectly, the opportunity to profit from any decrease in the price or value of any class or series of capital stock or other securities of the Corporation, (v) a description of any other direct or indirect opportunity to profit or share in any profit (including any performance-based fees) derived from any increase or decrease in the value of shares or other securities of the Corporation, (vi) any proxy, contract, arrangement, understanding or relationship pursuant to which such stockholder or beneficial owner has a right to vote any shares or other securities of the Corporation, (vii) any rights to dividends on the shares of the Corporation owned beneficially by such stockholder or such beneficial owner that are separated or separable from the underlying shares of the Corporation, (viii) any proportionate interest in shares of the Corporation or Derivative Securities held, directly or indirectly, by a general or limited partnership in which such stockholder or beneficial owner is a general partner or, directly or indirectly, beneficially owns an interest in a general partner, if any, (ix) a description of all agreements, arrangements, and understandings between such stockholder or beneficial owner and any other person(s) (including their name(s)) in connection with or related to the ownership or voting of capital stock of the Corporation or Derivative Securities, (x) any other information relating to such stockholder or beneficial owner that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for the election of directors in a contested election pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder, (xi) a statement as to whether either such stockholder or beneficial owner intends to deliver a proxy statement and form of proxy to holders of at least the percentage of the Corporation’s voting shares required under applicable law to elect such stockholder’s nominees and/or otherwise to solicit proxies from the stockholders in support of such nomination and (xii) a representation that the stockholder is a holder of record of shares of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such nomination, and (b) as to each person whom the stockholder proposes to nominate for election or reelection as a director, (i) all information relating to such person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to the Exchange Act and the rules and regulations promulgated thereunder (including such person’s written consent to being named in the proxy statement as a nominee and to serving as a director if elected), (ii) a description of all direct and indirect compensation and other material agreements, arrangements and understandings during the past three years, and any other material relationships, between or among such stockholder or beneficial owner, if any, and their respective affiliates and associates, or others acting in concert therewith, on the one hand, and each proposed nominee and his or her respective affiliates and associates, or others acting in concert therewith, on the other hand, including all information that would be required to be disclosed pursuant to Rule 404 promulgated under Regulation S-K if the stockholder making the nomination and any beneficial owner on whose behalf the nomination is made, or any affiliate or associate thereof or person acting in concert therewith, were the “registrant” for purposes of such rule and the nominee were a director or executive officer of such registrant, (iii) a completed and signed questionnaire regarding the background and qualifications of such person to serve as a director, a copy of which may be obtained upon request to the secretary of the Corporation, (iv) all information with respect to such person that would be required to be set forth in a stockholder’s notice pursuant to this Section 10 if such person were a stockholder or beneficial owner, on whose behalf the nomination was made, submitting a notice providing for the nomination of a person or persons for election as a director or directors of the Corporation in accordance with this Section 10, and (v) such additional information that the Corporation may reasonably request to determine the eligibility or qualifications of such person to serve as a director or an Independent director of the Corporation, or that could be material to a reasonable stockholder’s understanding of the qualifications and/or independence, or lack thereof, of such nominee as a director.

(2) A stockholder’s notice regarding business proposed to be brought before a meeting of stockholders other than the nomination of persons for election to the Board of Directors shall set forth (a) as to the stockholder giving notice and the beneficial owner, if any, on whose behalf the proposal is made, the information called for by clauses (a)(ii) through (a)(ix) of the immediately preceding paragraph (2) (including any interests described therein held by any affiliates or associates of such stockholder or beneficial owner or by any member of such stockholder’s or beneficial owner’s immediate family sharing the same household, in each case as of the date of such stockholder’s notice, which information shall be confirmed or updated, if necessary, by such stockholder and beneficial owner (x) not later than ten (10) days after the record date for the notice of the meeting to disclose such ownership as of the record date for the notice of the meeting, and (y) not later than eight (8) business days before the meeting or any adjournment or postponement thereof to disclose such ownership as of the date that is ten (10) business days before the meeting or any adjournment or postponement thereof (or if not practicable to provide such updated information not later than eight (8) business days before any adjournment or postponement, on the first practicable date before any such adjournment or postponement)), (b) a brief description of (i) the business desired to be brought before such meeting, (ii) the reasons for conducting such business at the meeting and (iii) any material interest of such stockholder or beneficial owner in such business, including a description of all agreements, arrangements and understandings between such stockholder or beneficial owner and any other person(s) (including the name(s) of such other person(s)) in connection with or related to the proposal of such business by the stockholder, (c) as to the stockholder giving notice and the beneficial owner, if any, on whose behalf the nomination is made, (i) a statement as to whether either such stockholder or beneficial owner intends to deliver a proxy statement and form of proxy to holders of at least the percentage of the Corporation’s voting shares required under applicable law to approve the proposal and/or otherwise to solicit proxies from stockholders in support of such proposal and (ii) any other information relating to such stockholder or beneficial owner that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for the election of directors in a contested election pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder, (d) if the matter such stockholder proposes to bring before any meeting of stockholders involves an amendment to the Corporation’s Bylaws, the specific wording of such proposed amendment, (e) a representation that the stockholder is a holder of record of shares of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such business and (f) such additional information that the Corporation may reasonably request regarding such stockholder or beneficial owner, if any, and/or the business that such stockholder proposes to bring before the meeting. The foregoing notice requirements shall be deemed satisfied by a stockholder if the stockholder has notified the Corporation of his or her intention to present a proposal at an annual meeting in compliance with Rule 14a-8 (or any successor thereof) promulgated under the Exchange Act and such stockholder’s proposal has been included in a proxy statement that has been prepared by the Corporation to solicit proxies for such annual meeting.

(1) Only such persons who are nominated in accordance with the procedures set forth in this Section 10 shall be eligible to be elected at an annual or special meeting of stockholders of the Corporation to serve as directors, and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 10. Notwithstanding the foregoing provisions of this Section 10, if the stockholder (or a qualified representative of the stockholder) does not appear at the annual or special meeting of stockholders of the Corporation to present a nomination or business, such nomination shall be disregarded and such proposed business shall not be transacted, notwithstanding that proxies in respect of such vote may have been received by the Corporation.

(2) For purposes of this Section 10, “public announcement” shall mean disclosure in a press release reported by GlobeNewswire, Associated Press or a comparable national news service or in a document publicly filed or furnished by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(3) Notwithstanding the foregoing provisions of this Section 10, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 10.

(4) Nothing in this Section 10 shall be deemed to (a) affect any rights of stockholders to request inclusion of proposals in the Corporation’s proxy statement pursuant to Rule 14a-8 (or any successor thereof) promulgated under the Exchange Act, (b) confer upon any stockholder a right to have a nominee or any proposed business included in the Corporation’s proxy statement, (c) affect the rights of the holders of any series of preferred stock or (d) affect the rights of the Sponsor Parties (as defined in the Governance Agreement) under the Certificate of Incorporation and the Governance Agreement, dated as of October 16, 2017 (as amended from time to time with the consent of the committee of the Board of Directors designated as the “Conflicts Committee” and comprised solely of Non-Sponsor Independent Directors (as defined in the Certificate of Incorporation) (the “Conflicts Committee”), among the Corporation, Orion US Holdings 1 L.P. (together with any successor or permitted assign designated as such (“Sponsor”)) and each other person that becomes party thereto from time to time in accordance with its terms (the “Governance Agreement”).

(5) The person presiding over the meeting of the stockholders shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the procedures prescribed by this section, and if he or she should so determine, he or she shall so declare to the meeting and the defective nomination shall be disregarded.

Section 11. Voting Procedures and Inspectors of Election at Meetings of Stockholders. The Board of Directors, in advance of any meeting of stockholders, may, and shall if required by applicable law, appoint one or more inspectors, who may be employees of the Corporation, to act at the meeting and make a written report thereof. The Board of Directors may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting, the person presiding at the meeting may, and shall if required by applicable law, appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability. The inspectors shall (a) ascertain the number of shares outstanding and the voting power of each, (b) determine the shares represented at the meeting and the validity of proxies and ballots, (c) count all votes and ballots, (d) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors, and (e) certify their determination of the number of shares represented at the meeting and their count of all votes and ballots. The inspectors may appoint or retain other persons or entities to assist the inspectors in the performance of their duties. Unless otherwise provided by the Board of Directors, the date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting shall be determined by the person presiding at the meeting and shall be announced at the meeting. No ballot, proxies or votes, or any revocation thereof or change thereto, shall be accepted by the inspectors after the closing of the polls unless the Court of Chancery of the State of Delaware upon application by a stockholder shall determine otherwise. In determining the validity and counting of proxies and ballots cast at any meeting of stockholders, the inspectors may consider such information as is permitted by applicable law. No person who is a candidate for office at an election may serve as an inspector at such election.

Section 12. Conduct of Meetings; Organization. The Board of Directors may adopt by resolution such rules and regulations for the conduct of the meeting of stockholders as it shall deem appropriate. The chairperson of the Board of Directors shall preside at all meetings of the stockholders. If the chairperson of the Board of Directors is not present at a meeting of the stockholders, the vice chairperson shall preside at such meeting. If neither the chairperson nor the vice chairperson of the Board of Directors is present at a meeting of the stockholders, the chief executive officer or the president (if the president is a director and is not also the chairperson of the Board of Directors) shall preside at such meeting, and, if the chief executive officer or the president is not present at such meeting, a majority of the directors present at such meeting shall elect one of their members to so preside. Except to the extent inconsistent with these Bylaws or such rules and regulations as adopted by the Board of Directors, the person presiding over any meeting of stockholders shall have the right and authority to convene and to adjourn the meeting, to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such person, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board of Directors or prescribed by the presiding officer of the meeting, may include, without limitation, the following: (i) the establishment of an agenda or order of business for the meeting; (ii) rules and procedures for maintaining order at the meeting and the safety of those present; (iii) limitations on attendance at or participation in the meeting to stockholders of record of the Corporation, their duly authorized and constituted proxies or such other persons as the person presiding over the meeting shall determine; (iv) restrictions on entry to the meeting after the time fixed for the commencement thereof; and (v) limitations on the time allotted to questions or comments by participants. The presiding officer at any meeting of stockholders, in addition to making any other determinations that may be appropriate to the conduct of the meeting, shall, if the facts warrant, determine and declare to the meeting that a matter or business was not properly brought before the meeting and if such presiding officer should so determine, such person shall so declare to the meeting and any such matter or business not properly brought before the meeting shall not be transacted or considered. Unless and to the extent determined by the Board of Directors or the person presiding over the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure. The secretary, or in his or her absence, one of the assistant secretaries, shall act as secretary of the meeting. In case none of the officers above designated to act as the person presiding over the meeting or as secretary of the meeting, respectively, shall be present, a person presiding over the meeting or a secretary of the meeting, as the case may be, shall be designated by the Board of Directors, and in case the Board of Directors has not so acted, in the case of the designation of a person to act as secretary of the meeting, designated by the person presiding over the meeting.

Section 13. Order of Business. The order of business at all meetings of stockholders shall be as determined by the person presiding over the meeting.

Section 1. General Powers and Qualification. Except as provided in the Certificate of Incorporation, the business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors. In addition to such powers as are herein and in the Certificate of Incorporation expressly conferred upon it, the Board of Directors shall have and may exercise all the powers of the Corporation, subject to the provisions of the laws of Delaware, the Certificate of Incorporation and these Bylaws. Each Director shall, at the time of nomination and at all times thereafter until such individual's service on the Board of Directors ceases, meet any applicable requirements or qualifications under applicable law and the applicable Stock Exchange Rules.

Section 2. Number, Election and Term of Office. As of the date of these Bylaws, the number of directors which constitute the entire Board of Directors shall be seven (7) and thereafter shall be fixed from time to time by resolution of the Board of Directors with the approval of the Conflicts Committee. Directors shall be elected and shall hold office only in the manner provided in the Certificate of Incorporation and these Bylaws.

Section 3. Resignation. Any director may resign at any time upon oral, written or electronic notice to the Corporation. Such resignation shall take effect at the time therein specified, and, unless otherwise specified in such resignation, the acceptance of such resignation shall not be necessary to make it effective.

Section 4. Vacancies. Except as set forth in the Governance Agreement while it remains in effect, vacancies and newly created directorships resulting from any increase in the total number of directors may be filled only in the manner provided in the Certificate of Incorporation.

Section 5. Director Independence. For purposes of these Bylaws, being Independent ("Independent") means, with respect to any person that serves as a director or is nominated or designated to serve as a director at any time, the satisfaction by such person of the requirements to be "independent" under the rules and regulations of The NASDAQ Stock Market LLC or, if the shares of Class A Common Stock are listed on another primary security exchange, of the securities exchange on which shares of Class A Common Stock of the Corporation are listed at such time (the "Stock Exchange Rules") and the applicable rules and regulations of the Securities and Exchange Commission (or any successor agency).

Section 6. Chairperson of the Board and Vice Chairperson of the Board. Except as provided in the Certificate of Incorporation, the Board of Directors shall elect, by the affirmative vote of a majority of the total number of directors then in office, a chairperson of the Board of Directors and may elect, by the affirmative vote of a majority of the total number of directors then in office, a vice chairperson of the Board of Directors. The chairperson of the Board of Directors shall preside at all meetings of the stockholders and of the Board of Directors and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or provided in these Bylaws. If the chairperson of the Board of Directors is not present at a meeting of the stockholders or the Board of Directors, the vice chairperson, if any, shall preside at such meeting. If neither the chairperson nor the vice chairperson, if any, is present at a meeting of the stockholders or the Board of Directors, the chief executive officer or the president (if the president is a director and is not also the chairperson of the Board of Directors) shall preside at such meeting, and, if the chief executive officer or the president is not present at such meeting, a majority of the directors present at such meeting shall elect one of their members to so preside. The chairperson shall be permitted to attend all meetings of standing committees of the Board of Directors on an ex officio basis.

Section 7. Lead Independent Director. The Independent directors will select an Independent director to be appointed as the lead independent director of the Board of Directors (the "Lead Independent Director"). The Lead Independent Director shall have the duties as prescribed in the Certificate of Incorporation and these Bylaws and such other duties as may be prescribed by the Board of Directors from time to time. The Lead Independent Director shall be permitted to attend all meetings of standing committees of the Board of Directors on an ex officio basis.

Section 8. Annual Meetings. Unless otherwise determined by resolution of the Board of Directors, the annual meeting of the Board of Directors shall be held without other notice than these Bylaws immediately after, and at the same place as, the annual meeting of stockholders. The chairperson of the Board of Directors (or his or her designee) and the Lead Independent Director shall have the right to establish the agenda for the annual meeting of the Board of Directors.

Section 9. Other Meetings and Notices. Regular meetings of the Board of Directors may be held at such time and at such place as shall from time to time be determined by the Board of Directors, and special meetings of the Board of Directors may be called by the chairperson of the Board of Directors or the Lead Independent Director in each case on at least 24 hours' notice to each director (unless such notice is waived by all directors then in office), either personally, by telephone, by mail, by telecopy or by other means of electronic transmission (notice by mail shall be deemed delivered three (3) days after deposit in the U.S. mail), which notice shall specify the business to be transacted and/or the matters to be voted upon at such special meeting. Only those matters set forth in the notice of special meeting may be brought before a special meeting or voted upon at such meeting, except with the consent of all directors then in office.

Section 10. Quorum, Required Vote and Adjournment. A majority of the total number of directors then in office shall constitute a quorum for the transaction of business. Unless by express provision of an applicable law, the Certificate of Incorporation or these Bylaws a different vote is required, the vote of a majority of directors present at a meeting at which a quorum is present shall be the act of the Board of Directors. The chairperson of the Board of Directors (or his or her designee) shall have the right to adjourn any meeting of the Board of Directors. If a quorum shall not be present at any meeting of the Board of Directors, any directors present thereat may also adjourn the meeting. Notice of any adjourned meeting of the Board of Directors shall be given to each director, whether or not present at the time of the adjournment, pursuant to Section 9 of this ARTICLE III. Any business may be transacted at an adjourned meeting that might have been transacted at the meeting as originally called.

Section 11. Committees. The Board of Directors shall designate the Conflicts Committee and a committee of the Board of Directors designated as the "Nominating and Corporate Governance Committee" (the "Governance Committee") and may, by resolution passed by a majority of the total number of directors then in office, designate one or more committees, each committee to consist of one or more of the directors of the Corporation, which to the extent provided in said resolution or resolutions shall have and may exercise the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation (including the power and authority to designate other committees of the Board of Directors); provided, however, that no such committee shall have power or authority in reference to the following matters: (i) approving or adopting, or recommending to the stockholders, any action or matter expressly required by the DGCL to be submitted to stockholders for approval, or (ii) adopting, amending, or repealing the Bylaws of the Corporation. Except as set forth in the Certificate of Incorporation or the Bylaws of the Corporation or, while it remains in effect, in the Governance Agreement, any power and authority specifically delegated by the Board of Directors to a committee shall be solely the responsibility of such committee and shall not require further action by the Board of Directors. The composition and size of the Conflicts Committee and the Governance Committee shall be as set forth in the Governance Agreement, while it remains in effect.

Subject to maintaining the required composition of any committee set out in the Certificate of Incorporation or the Bylaws of the Corporation or, while it remains in effect, in the Governance Agreement, the Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the Board of Directors. A majority of the total number of directors on a committee will constitute a quorum for the committee. Unless by express provision of any applicable law, the Certificate of Incorporation or these Bylaws a different vote is required, the vote of a majority of directors present at a committee meeting at which a quorum is present shall be the act of the committee. Each committee shall keep regular minutes of its meetings and report the same to the Board of Directors upon request. Each committee designated by the Board of Directors shall be formed and function in compliance with applicable law, applicable rules and regulations of the Securities and Exchange Commission (or any successor agency) and the Stock Exchange Rules.

Section 12. Committee Rules. Subject to applicable law, the rules and regulations of any national securities exchange on which any securities of the Corporation are listed and these Bylaws, each committee of the Board of Directors may fix its own rules of procedure and shall hold its meetings as provided by such rules, except as may otherwise be provided by a resolution of the Board of Directors designating such committee. Unless otherwise provided in such a resolution, the presence of at least a majority of the members of the committee shall be necessary to constitute a quorum.

Section 13. Committee Member Qualifications. Each member of any committee of the Board of Directors shall be required to satisfy the requirements for members of such committee under applicable law and the Stock Exchange Rules. In all cases, members of the Conflicts Committee shall be required to be Independent.

Section 14. Communications Equipment. Members of the Board of Directors or any committee thereof may participate in and act at any meeting of the Board of Directors or such committee through the use of a conference telephone or other communications equipment by means of which all persons participating in the meeting can hear and speak with each other, and participation in the meeting pursuant to this section shall constitute presence in person at the meeting.

Section 15. Waiver of Notice. Any member of the Board of Directors or any committee thereof who is present at a meeting shall be conclusively presumed to have waived notice of such meeting except when such member attends for the express purpose of objecting at the beginning of the meeting to the transaction of any business because the meeting was not lawfully called or convened and does not thereafter vote or otherwise participate in the meeting. Whenever the giving of any notice to each director is required by applicable law, the Certificate of Incorporation or these Bylaws, a waiver thereof, given by a director entitled to said notice, whether before or after the event as to which such notice is required, shall be deemed equivalent to notice. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in any waiver of notice unless so required by applicable law, the Certificate of Incorporation or these Bylaws.

Section 16. Action by Written Consent. Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors, or of any committee thereof, may be taken without a meeting if all of the members of the Board of Directors or the relevant committee thereof, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors or committee.

Section 17. Amendments to Governance Agreement. Any amendment, alteration, or repeal of the terms of the Governance Agreement or any waiver or departure from the terms and conditions thereof shall, in each case, be approved by a majority of the Conflicts Committee (without further action being required by the Board of Directors).

ARTICLE IV OFFICERS

Section 1. Number. Subject to the provisions contained in the Certificate of Incorporation, the officers of the Corporation shall be elected by the Board of Directors and may consist of a chief executive officer, a president, one or more vice presidents, a secretary, a chief financial officer and such other officers and assistant officers as may be deemed necessary or desirable by the Board of Directors; provided that, for as long as the Governance Agreement remains in effect, Sponsor shall be entitled to designate to the Board of Directors the individuals to be appointed by the Board of Directors to serve as the chief executive officer, the chief financial officer and the general counsel of the Corporation (each, a “Sponsor Designated Officer” and, together, the “Sponsor Designated Officers”). Any number of offices may be held by the same person, except that neither the chief executive officer nor the president shall also hold the office of secretary. In its discretion, the Board of Directors may choose not to fill any office for any period as it may deem advisable, except that the offices of chief executive officer and secretary shall be filled as expeditiously as possible.

Section 2. Term of Office. Vacancies may be filled or new offices created and filled at any meeting of the Board of Directors. Each officer shall hold office until a successor is duly elected and qualified or until his or her earlier death, resignation or removal as hereinafter provided.

Section 3. Removal. Any officer or agent elected by the Board of Directors may be removed by the Board of Directors, but such removal shall be without prejudice to the contract rights, if any, of the person so removed; provided that Sponsor Designated Officers shall only be removed as set forth in Section 4 of Article NINE of the Certificate of Incorporation.

Section 4. Vacancies. Subject to the provisions contained in the Certificate of Incorporation, any vacancy occurring in any office because of death, resignation, removal, disqualification or otherwise may be filled by the Board of Directors; provided that for so long as the Governance Agreement remains in effect, Sponsor shall be entitled to designate to the Board of Directors the individuals to be appointed by the Board of Directors to serve in the roles of chief executive officer, chief financial officer and general counsel of the Corporation.

Section 5. Compensation. Subject to applicable law and the rules and regulations of any national securities exchange on which any securities of the Corporation are listed, the compensation of all executive officers, to the extent paid by the Corporation or a subsidiary of the Corporation, shall be approved by the Board of Directors, and no officer shall be prevented from receiving such compensation by virtue of his or her also being a Director of the Corporation. The compensation of the executive officers will be subject to disclosure requirements as are required or necessary based on applicable law and the Stock Exchange Rules.

Section 6. Chief Executive Officer. The chief executive officer shall have the powers of and perform the duties incident to that position. Subject to the powers of the Board of Directors, the chief executive officer shall be in the general and active charge of the entire business and affairs of the Corporation, and shall be its chief policy making officer. The chief executive officer shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or provided in these Bylaws. The chief executive officer is authorized to execute bonds, mortgages and other contracts requiring a seal, under the seal of the Corporation, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the Board of Directors to some other officer or agent of the Corporation. Whenever the president is unable to serve, by reason of sickness, absence or otherwise, the chief executive officer shall perform all the duties and responsibilities and exercise all the powers of the president.

Section 7. The President. The president of the Corporation shall, subject to the powers of the Board of Directors and the chief executive officer, have general charge of the business, affairs and property of the Corporation, and control over its officers, agents and employees. The president shall see that all orders and resolutions of the Board of Directors are carried into effect. The president is authorized to execute bonds, mortgages and other contracts requiring a seal, under the seal of the Corporation, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the Board of Directors to some other officer or agent of the Corporation. The president shall have such other powers and perform such other duties as may be prescribed by the chief executive officer, the Board of Directors or as may be provided in these Bylaws.

Section 8. Vice Presidents. The vice president, or if there shall be more than one, the vice presidents in the order determined by the Board of Directors, shall, in the absence or disability of the president, act with all of the powers and be subject to all the restrictions of the president. The vice presidents shall also perform such other duties and have such other powers as the Board of Directors, the chief executive officer, the president or these Bylaws may, from time to time, prescribe. The vice presidents may also be designated as executive vice presidents or senior vice presidents, as the Board of Directors may from time to time prescribe.

Section 9. The Secretary and Assistant Secretaries. The secretary shall attend all meetings of the Board of Directors, all meetings of the committees thereof and all meetings of the stockholders and record all the proceedings of the meetings in a book or books to be kept for that purpose or shall ensure that his or her designee attends each such meeting to act in such capacity. The secretary shall give, or cause to be given, all notices required to be given by these Bylaws or by law; shall have such powers and perform such duties as the Board of Directors, the chief executive officer, the president or these Bylaws may, from time to time, prescribe; and shall have custody of the corporate seal of the Corporation. The secretary, or an assistant secretary, shall have authority to affix the corporate seal to any instrument requiring it and when so affixed, it may be attested by his or her signature or by the signature of such assistant secretary. The Board of Directors may give general authority to any other officer to affix the seal of the Corporation and to attest the affixing by his or her signature. The assistant secretary, or if there be more than one, any of the assistant secretaries, shall in the absence or disability of the secretary, perform the duties and exercise the powers of the secretary and shall perform such other duties and have such other powers as the Board of Directors, the chief executive officer, the president or the secretary may, from time to time, prescribe.

Section 10. The Chief Financial Officer. The chief financial officer shall have the custody of the corporate funds and securities; shall keep full and accurate all books and accounts of the Corporation as shall be necessary or desirable in accordance with applicable law or generally accepted accounting principles; shall deposit all monies and other valuable effects in the name and to the credit of the Corporation as may be ordered by the chief executive officer or the Board of Directors; shall cause the funds of the Corporation to be disbursed when such disbursements have been duly authorized, taking proper vouchers for such disbursements; shall render to the Board of Directors, at its regular meeting or when the Board of Directors so requires, an account of the Corporation; and shall have such powers and perform such duties as the Board of Directors, the chief executive officer, the president or these Bylaws may, from time to time, prescribe. If required by the Board of Directors, the chief financial officer shall give the Corporation a bond (which shall be rendered every six years) in such sums and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of the office of chief financial officer and for the restoration to the Corporation, in case of death, resignation, retirement or removal from office of the chief financial officer, of all books, papers, vouchers, money and other property of whatever kind in the possession or under the control of the chief financial officer belonging to the Corporation.

Section 11. Other Officers, Assistant Officers and Agents. Officers, assistant officers and agents, if any, other than those whose duties are provided for in these Bylaws, shall have such authority and perform such duties as may from time to time be prescribed by resolution of the Board of Directors.

Section 12. Absence or Disability of Officers. In the case of the absence or disability of any officer of the Corporation and of any person hereby authorized to act in such officer's place during such officer's absence or disability, the Board of Directors may by resolution delegate the powers and duties of such officer to any other officer or to any director, or to any other person selected by it.

ARTICLE V INDEMNIFICATION

Section 1. Right to Indemnification. Each person who was or is made a party to or is threatened to be made a party to or is otherwise involved (including involvement as a witness) in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "proceeding"), by reason of the fact that he or she is or was a director or officer of the Corporation or a subsidiary of the Corporation or, while a director or officer of the Corporation or a subsidiary of the Corporation, is or was serving at the request of the Corporation or a subsidiary of the Corporation as a director, officer, partner, member, manager, trustee or fiduciary of another corporation or of a partnership, joint venture, limited liability company, trust or other entity or enterprise, including service with respect to an employee benefit plan (an "indemnitee"), shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the DGCL, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than permitted prior thereto), against all expense, liability and loss (including attorneys' fees, judgments, fines, excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered by such indemnitee in connection therewith, and such indemnification shall continue as to an

indemnitee who has ceased to be a director, officer, partner, member, manager, trustee or fiduciary and shall inure to the benefit of the indemnitee's heirs, executors and administrators; provided, however, that, except as provided in Section 2 of this ARTICLE V with respect to proceedings to enforce rights to indemnification or advance of expenses, the Corporation shall not indemnify any such indemnitee in connection with a proceeding (or part thereof) initiated by such indemnitee except to the extent such proceeding (or part thereof) was authorized in writing by the Board of Directors of the Corporation. The right to indemnification conferred in this Section 1 of this ARTICLE V shall be a contract right and shall include the obligation of the Corporation to pay the expenses incurred in defending any such proceeding in advance of its final disposition (an "advance of expenses"); provided, however, that an advance of expenses incurred by an indemnitee in his or her capacity as a director or officer shall be made only upon delivery to the Corporation of an undertaking (an "undertaking"), by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal (a "final adjudication") that such indemnitee is not entitled to be indemnified for such expenses under this Section 1 of this ARTICLE V or otherwise.

Section 2. Procedure for Indemnification. Any indemnification of an indemnitee or advance of expenses under Section 1 of this ARTICLE V shall be made promptly, and in any event within thirty (30) days (or, in the case of an advance of expenses, twenty (20) days), upon the written request of the indemnitee. If the Corporation denies a written request for indemnification or advance of expenses, in whole or in part, or if payment in full pursuant to such request is not made within thirty (30) days (or, in the case of an advance of expenses, twenty (20) days), the right to indemnification or advances as granted by this ARTICLE V shall be enforceable by the indemnitee in any court of competent jurisdiction. Such person's costs and expenses incurred in connection with successfully establishing his or her right to indemnification or advance of expenses, in whole or in part, in any such action shall also be indemnified by the Corporation.

Section 3. Insurance. The Corporation may purchase and maintain insurance on its own behalf and on behalf of any person who is or was a director or officer of the Corporation or a subsidiary of the Corporation or was serving at the request of the Corporation or a subsidiary of the Corporation as a director, officer, partner, member, manager, trustee or fiduciary of another corporation or of a partnership, joint venture, limited liability company, trust or other entity or enterprise against any expense, liability or loss asserted against him or her and incurred by him or her in any such capacity, whether or not the Corporation would have the power to indemnify such person against such expenses, liability or loss under the DGCL.

Section 4. Amendment or Repeal. Any repeal or modification of the foregoing provisions of this ARTICLE V shall not adversely affect any right or protection hereunder of any indemnitee in respect of any act, omission or condition existing or event or circumstance occurring prior to the time of such repeal or modification.

Section 5. Non-Exclusivity of Rights. The rights to indemnification and to the advance of expenses conferred in this ARTICLE V and in the Certificate of Incorporation shall not be exclusive of or restrict any other right which any person may have or hereafter acquire hereunder or under any statute, bylaw, agreement (including any indemnification agreement between the Corporation and any director or officer), vote of stockholders or disinterested directors or otherwise.

Section 6. Other Sources. The Corporation's obligation, if any, to indemnify or to advance expenses to any director or officer who was or is serving at its request as a director or officer of another entity shall be reduced by any amount such director or officer may collect as indemnification or advancement of expenses from such other entity.

Section 7. Other Indemnification and Prepayment of Expenses. This ARTICLE V shall not limit the right of the Corporation, to the extent and in the manner permitted by applicable law, to indemnify and to advance expenses to persons other than directors or officers with the same or lesser scope and effect as provided herein when and as authorized by appropriate corporate action.

Section 8. Merger or Consolidation. For purposes of this ARTICLE V, references to the "Corporation" shall include, in addition to the corporation resulting from or surviving a consolidation or merger with the Corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger with the Corporation which, if its separate existence had continued, would have had power and authority to indemnify its directors or officers, so that any person who is or was a director or officer of such constituent corporation or a wholly owned subsidiary of such constituent corporation or, while a director or officer of such constituent corporation or a wholly owned subsidiary of such constituent corporation is or was serving at the request of such constituent corporation or a wholly owned subsidiary of such constituent corporation as a director, officer, partner, member, manager, trustee or fiduciary of another corporation or of a partnership, joint venture, limited liability company, trust or other entity or enterprise, including service with respect to an employee benefit plan, shall stand in the same position under this ARTICLE V with respect to the resulting or surviving corporation as he or she would have with respect to such constituent corporation if its separate existence had continued.

Section 9. Severability. If any provision of this ARTICLE V shall be found to be invalid or limited in application by reason of any law or regulation, it shall not affect the validity of the remaining provisions hereof.

ARTICLE VI CERTIFICATES OF STOCK

Section 1. General. The shares of stock in the Corporation shall not be represented by certificates, provided that the Board of Directors may provide by resolution or resolutions that some or all of any or all classes or series of the Corporation's stock shall be certificated shares. Every holder of stock in the Corporation represented by certificates shall be entitled to have a certificate, signed by, or in the name of the Corporation by the chief executive officer, president or vice president and the secretary or an assistant secretary of the Corporation, certifying the number of shares owned by such holder in the Corporation. If a certificate is countersigned by a transfer agent or a registrar, the required signatures may be facsimiles. In case any officer or officers who have signed, or whose facsimile signature or signatures have been used on, any such certificate or certificates shall cease to be such officer or officers of the Corporation whether because of death, resignation or otherwise before such certificate or certificates have been delivered by the Corporation, such certificate or certificates may nevertheless be issued and delivered as though the person or persons who signed such certificate or certificates or whose facsimile signature or signatures have been used thereon had not ceased to be such officer or officers of the Corporation. All certificates for shares shall be consecutively numbered or otherwise identified. The name of the person to whom the shares represented thereby are issued, with the number of shares and date of issue, shall be entered on the books of the Corporation. Shares of stock of the Corporation represented by certificates shall only be transferred on the books of the Corporation by the holder of record thereof or by such holder's attorney duly authorized in writing, upon surrender to the Corporation of the certificate or certificates for such shares endorsed by the appropriate person or persons, with such evidence of the authenticity of such endorsement, transfer, authorization and other matters as the Corporation may reasonably require, and accompanied by all necessary stock transfer stamps. In that event, it shall be the duty of the Corporation to issue a new certificate to the person entitled thereto,

cancel the old certificate or certificates and record the transaction on its books. Each such new certificate will be registered in such name as is requested by the holder of the surrendered certificate and shall be substantially identical in form to the surrendered certificate. Upon the receipt of proper transfer instructions from the registered owner of uncertificated shares, if any, such uncertificated shares shall be cancelled, issuance of new equivalent uncertificated shares shall be made to the stockholder entitled thereto and the transaction shall be recorded upon the books and records of the Corporation. The Board of Directors may appoint one or more transfer agents or registrars or both in connection with the transfer of any class or series of securities of the Corporation. The Corporation may not issue stock certificates in bearer form. Except as otherwise expressly provided by law, the rights and obligations of the holders of uncertificated shares and the rights and obligations of the holders of certificates representing stock of the same class and series shall be identical.

Section 2. Lost Certificates. The Corporation may issue (i) a new certificate or certificates of stock or (ii) uncertificated shares in place of any certificate or certificates previously issued by the Corporation, as applicable, in place of any certificate or certificates previously issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates, the Corporation may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or his or her legal representative, to give the Corporation a bond sufficient to indemnify the Corporation against any claim that may be made against the Corporation on account of the loss, theft or destruction of any such certificate or the issuance of such new certificate.

Section 3. Fixing a Record Date for Stockholder Meetings. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be the close of business of the next day preceding the day on which notice is first given. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

Section 4. Fixing a Record Date for Other Purposes. In order that the Corporation may determine: (i) the stockholders entitled to receive payment of any dividend or other distribution or allotment or any rights; or (ii) the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purposes of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall not be more than sixty (60) days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

Section 5. Registered Stockholders. Prior to the surrender to the Corporation of the certificate or certificates for a share or shares of stock with a request to record the transfer of such share or shares, the Corporation may treat the registered owner as the person entitled to receive dividends, to vote, to receive notifications and otherwise to exercise all the rights and powers of an owner. The Corporation shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof.

Section 6. Subscriptions for Stock. Unless otherwise provided for in any subscription agreement, subscriptions for shares shall be paid in full at such time, or in such installments and at such times, as shall be determined by the Board of Directors. Any call made by the Board of Directors for payment on subscriptions shall be uniform as to all shares of the same class or as to all shares of the same series. In case of default in the payment of any installment or call when such payment is due, the Corporation may proceed to collect the amount due in the same manner as any debt due the Corporation.

ARTICLE VII GENERAL PROVISIONS

Section 1. Dividends. Dividends upon the capital stock of the Corporation, subject to the provisions of the Certificate of Incorporation, may be declared by the Board of Directors at any regular or special meeting, in accordance with applicable law. Dividends may be paid in cash, in property or in shares of the capital stock, subject to the provisions of the Certificate of Incorporation. Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or any other purpose and the directors may modify or abolish any such reserve in the manner in which it was created.

Section 2. Checks, Drafts or Orders. All checks, drafts or other orders for the payment of money by or to the Corporation and all notes and other evidences of indebtedness issued in the name of the Corporation shall be signed by such officer or officers, agent or agents of the Corporation, and in such manner, as shall be determined by resolution of the Board of Directors or a duly authorized committee thereof.

Section 3. Contracts. In addition to the powers otherwise granted to officers pursuant to ARTICLE IV hereof, the Board of Directors may authorize any officer or officers, or any agent or agents, of the Corporation to enter into any contract or to execute and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances.

Section 4. Loans. Subject to compliance with applicable law (including, if applicable, Section 13(k) of the Exchange Act), the Corporation may lend money to, or guarantee any obligation of, or otherwise assist any officer or other employee of the Corporation or of its subsidiaries, including any officer or employee who is a director of the Corporation or its subsidiaries, whenever, in the judgment of the directors, such loan, guaranty or assistance may reasonably be expected to benefit the Corporation and would not violate applicable law. The loan, guaranty or other assistance may be with or without interest, and may be unsecured or secured, in such manner as the Board of Directors shall approve, including, without limitation, a pledge of shares of stock of the Corporation, subject to applicable law. Nothing in this Section 4 shall be deemed to deny, limit or restrict the powers of guaranty or warranty of the Corporation at common law or under any statute.

Section 5. Fiscal Year. The fiscal year of the Corporation shall be fixed by resolution of the Board of Directors.

Section 6. Corporate Seal. The Board of Directors may provide a corporate seal which shall be in the form of a circle and shall have inscribed thereon the name of the Corporation and the words "Corporate Seal, Delaware." The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise. Notwithstanding the foregoing, no seal shall be required by virtue of this Section 6.

Section 7. Voting Securities Owned By Corporation. Voting securities in any other company held by the Corporation shall be voted by the chief executive officer, the president or a vice president, unless the Board of Directors specifically confers authority to vote with respect thereto, which authority may be general or confined to specific instances, upon some other person or officer. Any person authorized to vote securities shall have the power to appoint proxies, with general power of substitution.

Section 8. Inspection of Books and Records. The Board of Directors shall have power from time to time to determine to what extent and at what times and places and under what conditions and regulations the accounts and books of the Corporation, or any of them, shall be open to the inspection of the stockholders; and no stockholder shall have any right to inspect any account or book or document of the Corporation, except as conferred by the laws of the State of Delaware, unless and until authorized so to do by resolution of the Board of Directors or of the stockholders of the Corporation.

Section 9. Facsimile Signatures. In addition to the provisions for use of facsimile signatures elsewhere specifically authorized in these Bylaws, facsimile signatures of any officer or officers of the Corporation may be used whenever and as authorized by the Board of Directors.

Section 10. Section Headings. Section headings in these Bylaws are for convenience of reference only and shall not be given any substantive effect in limiting or otherwise construing any provision herein.

Section 11. Inconsistent Provisions. In the event that any provision of these Bylaws is or becomes inconsistent with any provision of the Certificate of Incorporation, the DGCL, the Exchange Act or any regulation thereunder, or any other applicable law or regulation, the provision of these Bylaws shall not be given any effect to the extent of such inconsistency but shall otherwise be given full force and effect.

Section 12. Notices. Except as provided in Section 4 of ARTICLE II hereof and Section 8 of ARTICLE III hereof, all notices referred to herein shall be in writing, shall be delivered personally, by first class mail, postage prepaid, or by telecopy or other means of electronic transmission, and shall be deemed to have been given when so delivered or mailed to the Corporation at its principal executive offices and to any stockholder at such holder's address as it appears in the stock records of the Corporation (unless otherwise specified in a written notice to the Corporation by such holder) or, in the case of telecopy, electronic mail or other electronic transmission, when directed to a number or an electronic mail address to which the stockholder has consented to receive notice or as otherwise specified in the DGCL.

Section 13. Certificate of Incorporation. Unless the context requires otherwise, references in these Bylaws to the Certificate of Incorporation (as it may be amended and restated from time to time) shall also be deemed to include any duly authorized certificate of designation relating to any series of Preferred Stock of the Corporation that may be outstanding from time to time.

ARTICLE VIII AMENDMENTS

These Bylaws may be made, amended, altered, changed, added to or repealed as set forth in ARTICLE SEVEN of the Certificate of Incorporation.

* * * * *

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, John Stinebaugh, Chief Executive Officer, certify that:

- 1 I have reviewed this quarterly report on Form 10-Q of TerraForm Power, Inc.;
- 2 Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3 Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4 The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision; to ensure that material information relating to the registrant, including its consolidated subsidiaries is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
- 5 The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2019

By: /s/ JOHN STINEBAUGH

Name: **John Stinebaugh**

Title: **Chief Executive Officer
(Principal executive officer)**

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Michael Tebbutt, Chief Financial Officer, certify that:

- 1 I have reviewed this quarterly report on Form 10-Q of TerraForm Power, Inc.;
- 2 Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3 Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4 The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision; to ensure that material information relating to the registrant, including its consolidated subsidiaries is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
- 5 The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2019

By: /s/ MICHAEL TEBBUTT

Name: **Michael Tebbutt**

Title: **Chief Financial Officer
(Principal financial officer)**

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of TerraForm Power, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, John Stinebaugh, Chief Executive Officer of the Company, and Michael Tebbutt, Chief Financial Officer of the Company, certify, to the best of our knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- 1 The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2 The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 12, 2019

By: /s/ JOHN STINEBAUGH
Name: **John Stinebaugh**
Title: **Chief Executive Officer**
(Principal executive officer)

Date: November 12, 2019

By: /s/ MICHAEL TEBBUTT
Name: **Michael Tebbutt**
Title: **Chief Financial Officer**
(Principal financial officer)