
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 8-K

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

Date of Report (Date of earliest event reported): November 9, 2017



TerraForm Power, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

001-36542
(Commission File Number)

46-4780940
(I. R. S. Employer
Identification No.)

7550 Wisconsin Avenue, 9th Floor, Bethesda, Maryland 20814
(Address of principal executive offices, including zip code)

(240) 762-7700
(Registrant's telephone number, including area code)

N/A
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2 below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

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.

Item 2.02 Results of Operations and Financial Condition.

On November 9, 2017, TerraForm Power, Inc. (“TerraForm Power”) issued a press release announcing the reporting of its financial results for the quarter ended September 30, 2017. The press release also reported certain financial and operating metrics of TerraForm Power as of or for the quarters ended September 30, 2017 and 2016. A copy of the press release is furnished with this Current Report on Form 8-K as Exhibit 99.1.

On November 9, 2017, TerraForm Power also posted presentation materials to the Investors section of its website at <http://www.terraformpower.com>, which were made available in connection with a previously announced November 10, 2017 investor conference call. A copy of the presentation is furnished herewith as Exhibit 99.2.

In the attached press release and presentation, TerraForm Power discloses items not prepared in accordance with accounting principles generally accepted in the United States (“GAAP”), or non-GAAP financial measures (as defined in Regulation G promulgated by the U.S. Securities and Exchange Commission). A reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measures is contained in the attached press release and presentation.

The information in this Current Report on Form 8-K (including the exhibit attached hereto) shall not be deemed “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that Section. The information in this Current Report on Form 8-K (including the exhibit attached hereto) shall not be incorporated by reference into any filing or other document under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing or document.

Cautionary Note Regarding Forward-Looking Statements. Except for historical information contained in this Form 8-K and the press release and presentation attached as an exhibit hereto, this Form 8-K and the press release and presentation contain forward-looking statements which involve certain risks and uncertainties that could cause actual results to differ materially from those expressed or implied by these statements. Please refer to the cautionary note in the press release and presentation regarding these forward-looking statements.

Item 9.01 Financial Statement and Exhibits.

(d) *Exhibits*

Exhibit

<u>No.</u>	<u>Description</u>
99.1	Press release, dated November 9, 2017, titled “TerraForm Power Reports Third Quarter 2017 Financial Results and Files Form 10-Q”
99.2	Presentation materials, dated November 10, 2017, titled “TerraForm Power Q3 2017 Supplemental Information”

Exhibit Index

Exhibit

<u>No.</u>	<u>Description</u>
99.1	Press release, dated November 9, 2017, titled "TerraForm Power Reports Third Quarter 2017 Financial Results and Files Form 10-Q"
99.2	Presentation materials, dated November 10, 2017, titled "TerraForm Power Q3 2017 Supplemental Information"

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

TERRAFORM POWER, INC.

Date: November 9, 2017

By: /s/ Matthew Berger
Name: Matthew Berger
Title: Chief Financial Officer



TerraForm Power Reports Third Quarter 2017 Results

BETHESDA, Md., Nov. 9, 2017 (GLOBENEWSWIRE) -- TerraForm Power, Inc. (Nasdaq: TERP) (“TerraForm Power”) today reported financial results for the three months ended September 30, 2017.

“We are very excited about the prospects for TerraForm Power,” said John Stinebaugh, CEO of TerraForm Power. “With our high-quality fleet of solar and wind assets and the support of our sponsor, we are confident that we can deliver an attractive total return to our shareholders comprised of a dividend backed by the stable cash flow from our assets and growth that is sustainable over the long term.”

Q3 2017 Results

	3Q 2017	3Q 2016	YTD 2017	YTD 2016
Generation (GWh) ¹	1,378	1,582	5,315	5,504
Net Loss (\$M)	(\$35)	(\$28)	(\$92)	(\$106)
per Share ²	(\$0.31)	(\$0.29)	(\$0.62)	(\$0.53)
Adj. EBITDA ¹	\$109	\$119	\$344	\$369
CAFD (\$M) ¹	\$25	\$34	\$92	\$145
per Share ²	\$0.18	\$0.24	\$0.65	\$1.04

¹ Adjusted for sale of our UK and Residential portfolios. See discussion regarding use of non-GAAP measures at the end of this press release

² Calculated on a fully diluted basis

Financial Results and Operations

During the third quarter, our portfolio performed slightly below expectations, delivering adjusted EBITDA and CAFD of \$109 million and \$25 million, respectively. This represents a decrease of \$10 million and \$9 million, respectively, compared to the same period last year when we delivered adjusted EBITDA and CAFD of \$119 million and \$34 million, respectively. The decrease was largely due to unusually weak wind resource, which was ~20% below average for the quarter, resulting in a 13% decrease in total generation compared to the prior year. Wind resource was particularly low at our Hawaii projects, which have a higher than average contract price. Solar resource was also ~5% below normal levels. During the quarter, our fleet availability of 96% continued to show improvement and has further room to increase as we complete the transition to stand alone operations.

After quarter end, we signed an EPC contract to upgrade the batteries at one of our Hawaii wind projects where we are replacing lead acid batteries with lithium ion batteries. Due to lower maintenance expense associated with these new batteries, we expect to earn ~20% unlevered return on the investment of \$11 million. In addition, we believe there may be opportunities in the future to expand our battery farm in order to provide further ancillary services for the local utility.

During the quarter, we revised our definition of CAFD to adjusted EBITDA minus cash distributions to non-controlling interest, annualized interest and project-level amortization payments and average annualized long-term sustaining capital expenditures required to maintain reliability and efficiency of our assets, plus any operating items that are representative of our core business operations. We revised our definition as we believe it provides a more meaningful measure for investors to evaluate our financial and operating performance and ability to pay dividends. We encourage you to review the discussion regarding the use of non-GAAP measures at the end of this press release for more detail.

TerraForm Power’s Value Proposition

Our goal is to deliver a total return of approximately 12% to shareholders that is sustainable over the long term. We expect this total return will be comprised of an attractive dividend yield, supported by a payout ratio of 80-85% of CAFD, plus dividend per share growth of 5-8%. Over the next five years, we see multiple paths to achieving this growth plan and delivering compelling returns to our investors.

1) Margin Enhancements

We believe there is significant opportunity to enhance our cash flow through productivity enhancements. Within the first year, we are targeting approximately \$10 million of cost savings by streamlining our organization structure. We are in the process of implementing a structure which is flatter and eliminates duplicative functions. In addition, we are planning to automate a number of processes that are currently very labor intensive and in-source asset management and certain back office functions.

Over the next 2 to 3 years, we are targeting an additional \$15 million in cost savings through reductions in O&M expense of \$2 per MWh. We believe these O&M cost savings are achievable in part because we have a number of legacy service agreements in our wind fleet with prices that are significantly above current market. Over the past few years, there has been increased competition in the service sector as OEMs have been competing to gain market share by offering contracts that offer both greater coverage as well as lower rates as compared to those in our legacy agreements. Alternatively, we are exploring whether we can achieve greater benefits by adopting an in-sourcing operating model that leverages Brookfield's experience in establishing an organization to self-perform its renewable power O&M. We are pleased that we have two paths to achieve our cost savings objectives. Whether we recontract with OEMs or in-source will ultimately depend upon which option offers the best combination of lowest cost, risk mitigation and flexibility for our operations. In total, we expect these margin enhancements to provide cash flow increases to largely fund our dividend per share growth targets through 2020.

2) *Organic Growth*

In addition to cost savings, we are very focused on developing a robust organic growth pipeline comprised of opportunities to invest in our existing fleet on accretive basis as well as add-on acquisitions across our scope of operations. We have identified several compelling opportunities to invest in our fleet, including asset repowerings, site expansions and potentially adding energy storage to existing sites.

There are potential opportunities to repower several of our wind farms in the Northeast and Hawaii by replacing older turbines with new turbines that have increased rotor diameter and superior power generation. With these repowering opportunities, we would be able to utilize existing infrastructure such as the wind farm's substation, electrical collection systems and potentially its towers, subject to providing necessary reinforcement to the foundations. The preliminary economics for these projects are quite compelling, as they are able to generate incremental power at much lower cost compared to new, greenfield wind projects. However, we will be disciplined and only plan to proceed if we are able to secure long term contracts that mitigate the price risk of these projects.

Another opportunity for organic growth is the potential repowering of projects in our distributed generation solar fleet. Our distributed generation projects typically sell power to customers "behind the meter" at rates that are at a discount to their utility rate. As solar panel costs have declined significantly over the last several years and the efficiency of the panels has increased, there may be opportunities to replace older panels with higher output, lower cost modules as well as to expand the footprint of our solar arrays. We believe this type of repowering represents a "win-win" situation, as our corporate and municipal customers would see even greater savings on their electricity bill, and TerraForm Power would be able to earn attractive returns on its incremental capital investment.

In addition to these opportunities, we also will seek to develop relationships with undercapitalized, private developers that have local expertise and traction in key markets. With Brookfield's support, we should be able to offer these smaller developers capital as well as assistance in developing their projects. In return, we would look to secure a right of first offer on these projects. We believe these relationships should produce add-on acquisitions with attractive returns compared to auction processes.

We look forward to providing further updates on these organic growth initiatives as they progress.

3) *Value-Oriented Acquisitions*

We are currently evaluating a number of acquisition opportunities, leveraging Brookfield's significant business development team in our target markets of North America and Western Europe. With the relationships that Brookfield has developed, its team has been very effective at sourcing off-market transactions at more attractive valuations than auction processes. Brookfield has a track record of executing multi-faceted transactions such as take privates and recapitalizations that have historically enabled it to acquire high quality assets at attractive relative values.

Furthermore, TerraForm Power has a right of first offer (ROFO) to acquire renewable power assets in North America and Western Europe owned by Brookfield and its affiliates. The ROFO portfolio currently stands at 3,500 MW. Over time, as Brookfield entities look to sell these assets, TerraForm Power will have the opportunity to make offers for these assets and potentially purchase them if the prices meet our investment objectives.

We believe that TerraForm Power will be able to achieve its dividend growth and total return objectives over the next five years from cost savings and investments in organic growth opportunities. Our five-year business plan requires a modest amount of equity

issuance of ~\$100 million. This will allow us to be patient and disciplined, and we will only pursue larger, value-oriented acquisitions to the extent that they provide upside to our business plan.

Balance Sheet

Since the Brookfield transaction was announced in March, we have taken steps to strengthen our balance sheet and bolster our liquidity. This progress was recently acknowledged when we received upgrades in our corporate credit rating to BB- from S&P and B1 from Moody's. In the past six months, we have repaid over \$450 million of debt with proceeds from asset sales and free cash flow. With the close of the Brookfield transaction, we received a change of control waiver for our \$1.25 billion of unsecured bonds and executed a \$450 million revolving credit facility with relationship banks in replacement of our previous facility. In early November, we issued a \$350 million term loan that was used to repay an intermediate holdco loan, simplifying our capital structure. We are very pleased with the execution of this financing, which we upsized by \$50 million and priced at LIBOR + 275, a tightening of 75 basis points below initial price guidance. We believe this is an affirmation of Brookfield's sponsorship and our plan to further strengthen our balance sheet over time.

With the repayment of the intermediate holdco loan, there will no longer be any debt between our projects and our corporate debt. Going forward, we intend to reduce corporate leverage by raising project debt on certain of our unlevered projects and using the proceeds to repay corporate debt. As we grow, we expect to finance acquisitions primarily using non-recourse debt with investment grade metrics, further deleveraging our balance sheet. Over the medium term, our objective is to reduce our corporate debt to cash flow available for debt service (CFADS) ratio to between 4-5 times.

About TerraForm Power

TerraForm Power owns and operates a best-in-class renewable power portfolio of solar and wind assets located primarily in the U.S., totaling more than 2,600 megawatts of installed capacity. TerraForm Power has a mandate to acquire operating solar and wind assets in North America and Western Europe. TerraForm Power is listed on the Nasdaq stock exchange (Nasdaq: TERP). It is sponsored by Brookfield Asset Management, a leading global alternative asset manager with more than US\$250 billion of assets under management.

For more information about TerraForm Power, please visit: www.terraformpower.com.

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Quarterly Earnings Call Details

Investors, analysts and other interested parties can access TerraForm Power's 2017 Third Quarter Results as well as the Letter to Shareholders and Supplemental Information on TerraForm Power's website at www.terraformpower.com.

The conference call can be accessed via webcast on November 10, 2017 at 9:30 a.m. Eastern Time at <https://edge.media-server.com/m6/p/g7z2anva> or via teleconference at 1-844-464-3938 toll free in North America. For overseas calls please dial 1-765-507-2638, at approximately 9:20 a.m. Eastern Time. A replay of the webcast will be available for those unable to attend the live webcast.

Safe Harbor Disclosure

This communication contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. 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," "goal," "guidance," "outlook," "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 TerraForm Power expects or anticipates will occur in the future are forward-looking statements. They may include estimates of cash available for distribution (CAFD), dividend growth, cost savings initiatives, earnings, adjusted EBITDA, revenues, income, loss, capital expenditures, liquidity, capital structure, future growth, and other financial performance items (including future dividends 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 TerraForm Power's current expectations or predictions of future conditions, events, or results and speak only as of the date they are made. Although TerraForm Power 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.

By their nature, forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. Factors that might cause such differences include, but are not limited to, risks related to the transition to Brookfield sponsorship; risks related to the SunEdison bankruptcy, including our transition away from reliance on SunEdison for certain services including critical systems and information technology infrastructure; risks related to wind conditions at our wind assets or to weather conditions at our solar assets; risks related to potential events of default at our project financings; risks related to delays in our filing of periodic reports with the SEC; risks related to the effectiveness of our internal controls over financial reporting; pending and future litigation; our ability to successfully identify, evaluate, and consummate acquisitions; our ability to integrate the projects we acquire from third parties or otherwise realize the anticipated benefits from such acquisitions; the willingness and ability of counterparties to fulfill their obligations under offtake agreements; price fluctuations, termination provisions and buyout provisions in offtake agreements; government regulation, including compliance with regulatory and permit requirements and changes in market rules, rates, tariffs, environmental laws and policies affecting renewable energy; operating and financial restrictions under agreements governing indebtedness; 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 going forward; cash trapped at the project level, including the risk that such project-level cash may not be released up to the Company in a timely manner; risks related to the proposed relocation of the Company's headquarters; our ability to compete against traditional and renewable energy companies; and hazards customary to the power production industry and power generation operations, such as unusual weather conditions and outages. Furthermore, any dividends that we may pay in the future will be subject to available capital, market conditions, and compliance with associated laws and regulations. Many of these factors are beyond TerraForm Power's control.

TerraForm Power 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 TerraForm Power's Form 10-K for the fiscal year ended December 31, 2016, as well as additional factors it may describe from time to time in other filings with the Securities and Exchange Commission. 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.

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,	
	2017	2016	2017	2016
Operating revenues, net	\$ 153,430	\$ 178,118	\$ 474,932	\$ 519,336
Operating costs and expenses:				
Cost of operations	41,859	32,820	108,402	94,534
Cost of operations - affiliate	1,199	7,149	10,224	22,898
General and administrative expenses	21,664	26,510	99,644	64,750
General and administrative expenses - affiliate	2,192	2,943	6,893	10,614
Acquisition and related costs	—	—	—	2,743
Impairment of renewable energy facilities	—	—	1,429	—
Depreciation, accretion and amortization expense	61,830	57,988	186,039	178,026
Total operating costs and expenses	<u>128,744</u>	<u>127,410</u>	<u>412,631</u>	<u>373,565</u>
Operating income	24,686	50,708	62,301	145,771
Other expenses (income):				
Interest expense, net	70,232	72,818	206,749	243,111
Gain on sale of renewable energy facilities	—	—	(37,116)	—
(Gain) loss on foreign currency exchange, net	(1,078)	3,913	(5,695)	4,161
Loss on receivables - affiliate	—	—	—	845
Other (income) expenses, net	(7,015)	548	(4,882)	692
Total other expenses, net	<u>62,139</u>	<u>77,279</u>	<u>159,056</u>	<u>248,809</u>
Loss before income tax (benefit) expense	(37,453)	(26,571)	(96,755)	(103,038)
Income tax (benefit) expense	(2,633)	1,140	(4,982)	3,115
Net loss	(34,820)	(27,711)	(91,773)	(106,153)
Less: Net income attributable to redeemable non-controlling interests	6,803	4,642	18,162	16,374
Less: Net loss attributable to non-controlling interests	(15,077)	(6,182)	(59,045)	(74,968)
Net loss attributable to Class A common stockholders	<u>\$ (26,546)</u>	<u>\$ (26,171)</u>	<u>\$ (50,890)</u>	<u>\$ (47,559)</u>
Weighted average number of shares:				
Class A common stock - Basic and diluted	92,352	90,860	92,228	89,140
Loss per share:				
Class A common stock - Basic and diluted	\$ (0.31)	\$ (0.29)	\$ (0.62)	\$ (0.53)

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

	September 30, 2017	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 462,846	\$ 565,333
Restricted cash	126,083	114,950
Accounts receivable, net	104,841	89,461
Prepaid expenses and other current assets	62,550	61,749
Assets held for sale	—	61,523
Total current assets	756,320	893,016
Renewable energy facilities, net, including consolidated variable interest entities of \$3,309,214 and \$3,434,549 in 2017 and 2016, respectively	4,854,303	4,993,251
Intangible assets, net, including consolidated variable interest entities of \$836,290 and \$875,095 in 2017 and 2016, respectively	1,096,416	1,142,112
Deferred financing costs, net	4,585	7,798
Other assets	133,539	114,863
Restricted cash	26,080	2,554
Non-current assets held for sale	—	552,271
Total assets	\$ 6,871,243	\$ 7,705,865

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

	<u>September 30, 2017</u>	<u>December 31, 2016</u>
Liabilities, Redeemable Non-controlling Interests and Stockholders' Equity		
Current liabilities:		
Current portion of long-term debt and financing lease obligations, including consolidated variable interest entities of \$156,621 and \$594,442 in 2017 and 2016, respectively	\$ 716,728	\$ 2,212,968
Accounts payable, accrued expenses and other current liabilities, including consolidated variable interest entities of \$42,555 and \$37,760 in 2017 and 2016, respectively	145,276	125,596
Deferred revenue	17,992	18,179
Due to SunEdison and affiliates, net	15,775	16,692
Liabilities related to assets held for sale	—	21,798
Total current liabilities	895,771	2,395,233
Long-term debt and financing lease obligations, less current portion, including consolidated variable interest entities of \$781,464 and \$375,726 in 2017 and 2016, respectively	2,864,666	1,737,946
Deferred revenue, less current portion	44,669	55,793
Deferred income taxes	32,889	27,723
Asset retirement obligations, including consolidated variable interest entities of \$95,596 and \$92,213 in 2017 and 2016, respectively	150,743	148,575
Other long-term liabilities	33,261	31,470
Non-current liabilities related to assets held for sale	—	410,759
Total liabilities	4,021,999	4,807,499
Redeemable non-controlling interests	198,031	180,367
Stockholders' equity:		
Preferred stock, \$0.01 par value per share, 50,000,000 shares authorized, no shares issued	—	—
Class A common stock, \$0.01 par value per share, 850,000,000 shares authorized, 92,770,614 and 92,476,776 shares issued in 2017 and 2016, respectively, and 92,408,596 and 92,223,089 shares outstanding in 2017 and 2016, respectively	928	920
Class B common stock, \$0.01 par value per share, 140,000,000 shares authorized, 48,202,310 shares issued and outstanding in 2017 and 2016	482	482
Class B1 common stock, \$0.01 par value per share, 260,000,000 shares authorized, no shares issued	—	—
Additional paid-in capital	1,480,584	1,467,108
Accumulated deficit	(285,330)	(234,440)
Accumulated other comprehensive income	57,334	22,912
Treasury stock, 362,018 and 253,687 shares in 2017 and 2016, respectively	(5,381)	(4,025)
Total TerraForm Power, Inc. stockholders' equity	1,248,617	1,252,957
Non-controlling interests	1,402,596	1,465,042
Total stockholders' equity	2,651,213	2,717,999
Total liabilities, redeemable non-controlling interests and stockholders' equity	\$ 6,871,243	\$ 7,705,865

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

	Nine Months Ended September 30,	
	2017	2016
Cash flows from operating activities:		
Net loss	\$ (91,773)	\$ (106,153)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation, accretion and amortization expense	186,039	178,026
Amortization of favorable and unfavorable rate revenue contracts, net	29,459	30,128
Gain on sale of renewable energy facilities	(37,116)	—
Impairment of renewable energy facilities	1,429	—
Amortization of deferred financing costs and debt discounts	19,729	19,579
Unrealized loss on U.K. interest rate swaps	2,425	35,840
Unrealized (gain) loss on commodity contract derivatives, net	(1,244)	5,006
Recognition of deferred revenue	(11,510)	(9,508)
Stock-based compensation expense	7,049	3,857
Unrealized (gain) loss on foreign currency exchange, net	(5,275)	6,349
Loss on extinguishment of debt	2,518	—
Loss on receivables - affiliate	—	845
Deferred taxes	5,166	3,014
Other, net	5,978	2,287
Changes in assets and liabilities:		
Accounts receivable	(18,860)	(30,502)
Prepaid expenses and other current assets	(4,997)	(11,827)
Accounts payable, accrued expenses and other current liabilities	(758)	10,035
Deferred revenue	199	2,457
Other, net	3,907	5,483
Net cash provided by operating activities	<u>92,365</u>	<u>144,916</u>
Cash flows from investing activities:		
Capital expenditures	(7,472)	(41,698)
Proceeds from sale of renewable energy facilities, net of cash and restricted cash disposed	183,235	—
Proceeds from renewable energy state rebate	15,542	—
Proceeds from reimbursable interconnection costs	8,079	—
Acquisitions of renewable energy facilities from third parties, net of cash and restricted cash acquired	—	(4,064)
Net cash provided by (used in) investing activities	<u>\$ 199,384</u>	<u>\$ (45,762)</u>

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

	Nine Months Ended September 30,	
	2017	2016
Cash flows from financing activities:		
Borrowings of non-recourse long-term debt	\$ 79,835	\$ 3,980
Principal payments and prepayments on non-recourse long-term debt	(199,481)	(122,597)
Revolver repayments	(275,000)	—
Sale of membership interests and contributions from non-controlling interests in renewable energy facilities	6,935	15,501
Distributions to non-controlling interests in renewable energy facilities	(23,017)	(19,365)
Net SunEdison investment	7,436	37,200
Due to SunEdison and affiliates, net	(3,097)	(29,036)
Debt financing fees	(10,228)	(12,958)
Other financing activities	(1,030)	—
Net cash used in financing activities	(417,647)	(127,275)
Net decrease in cash, cash equivalents and restricted cash	(125,898)	(28,121)
Net change in cash, cash equivalents and restricted cash classified within assets held for sale	54,806	(54,731)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	3,264	(5,933)
Cash, cash equivalents and restricted cash at beginning of period	682,837	793,033
Cash, cash equivalents and restricted cash at end of period	<u>\$ 615,009</u>	<u>\$ 704,248</u>
Supplemental Disclosures:		
Cash paid for interest	\$ 182,021	\$ 183,577
Cash paid for income taxes	—	—

Reconciliation of Non-GAAP Measures

Adjusted Revenue, Adjusted EBITDA and CAFD are supplemental non-GAAP measures that should not be viewed as alternatives to GAAP measures of performance, including revenue, net income (loss), operating income or net cash provided by operating activities. Our definitions and calculation of these non-GAAP measures may not necessarily be the same as those used by other companies. These non-GAAP measures have certain limitations, which are described below, and they should not be considered in isolation. We encourage you to review, and evaluate the basis for, each of the adjustments made to arrive at Adjusted Revenue, Adjusted EBITDA and CAFD.

Calculation of Non-GAAP Measures

We define adjusted revenue as operating revenues, net, adjusted for non-cash items including unrealized gain/loss on derivatives, amortization of favorable and unfavorable rate revenue contracts, net and other non-cash revenue items.

We define adjusted EBITDA as net income (loss) plus depreciation, accretion and amortization, non-cash general and administrative costs, interest expense, income tax (benefit) expense, acquisition related expenses, and certain other non-cash charges, unusual or non-recurring items and other items that we believe are not representative of our core business or future operating performance.

We define “cash available for distribution” or “CAFD” as adjusted EBITDA (i) minus cash distributions paid to non-controlling interests in our renewable energy facilities, if any, (ii) minus annualized scheduled interest and project level amortization payments in accordance with the related borrowing arrangements, (iii) minus average annual sustaining capital expenditures (based on the long-sustaining capital expenditure plans) which are recurring in nature and used to maintain the reliability and efficiency of our power generating assets over our long-term investment horizon, (iv) plus or minus operating items as necessary to present the cash flows we deem representative of our core business operations.

As compared to the preceding period, we revised our definition of CAFD to (i) exclude adjustments related to deposits into and withdrawals from restricted cash accounts, required by project financing arrangements, (ii) replace sustaining capital expenditures payment made in the year with the average annualized long-term sustaining capital expenditures to maintain reliability and efficiency of our assets, and (iii) annualized debt service payments. We revised our definition as we believe it provides a more meaningful measure for investors to evaluate our financial and operating performance and ability to pay dividends. For items presented on an annualized basis, we will present actual cash payments as a proxy for an annualized number until the period commencing January 1, 2018.

Furthermore, to provide investors with the most appropriate measures to assess the financial and operating performance of our existing fleet and the ability to pay dividends in the future, we have excluded results associated with our UK solar and Residential portfolios, which were sold in 2017, from adjusted revenue, EBITDA and CAFD reported for all periods presented.

Use of Non-GAAP Measures

We disclose Adjusted Revenue because it presents the component of our operating revenue that relates to the energy production from our plants, and is, therefore, useful to investors and other stakeholders in evaluating the performance of our renewable energy assets and comparing that performance across periods in each case without regard to non-cash revenue items.

We disclose Adjusted EBITDA because we believe it is useful to investors and other stakeholders as a measure of financial and operating performance and debt service capabilities. We believe Adjusted EBITDA provides an additional tool to investors and securities analysts to compare our performance across periods and among us and our peer companies without regard to interest expense, taxes and depreciation and amortization. Adjusted EBITDA has certain limitations, including that it: (i) does not reflect cash expenditures or future requirements for capital expenditures or contractual liabilities or future working capital needs, (ii) does not reflect the significant interest expenses that we expect to incur or any income tax payments that we may incur, and (iii) does not reflect depreciation and amortization and, although these charges are non-cash, the assets to which they relate may need to be replaced in the future, and (iv) does not take into account any cash expenditures required to replace those assets. Adjusted EBITDA also includes adjustments for goodwill impairment charges, gains and losses on derivatives and foreign currency swaps, acquisition related costs and items we believe are infrequent, unusual or non-recurring, including adjustments for general and administrative expenses we have incurred as a result of the SunEdison bankruptcy.

We disclose CAFD because we believe cash available for distribution is useful to investors in evaluating our operating performance and because securities analysts and other stakeholders analyze CAFD as a measure of our financial and operating performance and our ability to pay dividends. CAFD is not a measure of liquidity or profitability, nor is it indicative of the funds

needed by us to operate our business. CAFD has certain limitations, such as the fact that CAFD includes all of the adjustments and exclusions made to Adjusted EBITDA described above.

The adjustments made to Adjusted EBITDA and CAFD for infrequent, unusual or non-recurring items and items that we do not believe are representative of our core business involve the application of management judgment, and the presentation of Adjusted EBITDA and CAFD should not be construed to infer that our future results will be unaffected by infrequent, non-operating, unusual or non-recurring items.

In addition, these measures are used by our management for internal planning purposes, including for certain aspects of our consolidated operating budget, as well as evaluating the attractiveness of investments and acquisitions. We believe these Non-GAAP measures are useful as a planning tool because it allows our management to compare performance across periods on a consistent basis in order to more easily view and evaluate operating and performance trends and as a means of forecasting operating and financial performance and comparing actual performance to forecasted expectations. For these reasons, we also believe these Non-GAAP measures are also useful for communicating with investors and other stakeholders.

The following table presents a reconciliation of Operating Revenues to Adjusted Revenue and net loss to Adjusted EBITDA to CAFD and has been adjusted to exclude asset sales in the UK and Residential portfolios:

(in thousands)	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Adjustments to reconcile Operating revenues, net to adjusted revenue				
Operating revenues, net	153,430	178,118	474,932	519,336
Unrealized (gain) loss on commodity contract derivatives, net (a)	(3,896)	(195)	(1,244)	5,006
Amortization of favorable and unfavorable rate revenue contracts, net (b)	9,936	9,803	29,460	30,128
Other non-cash items (c)	(4,958)	(4,823)	(10,074)	(8,647)
Adjustment for Asset Sales	—	(17,507)	(14,754)	(46,691)
Adjusted revenue	154,512	165,396	478,320	499,132
	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Net loss	(34,820)	(27,711)	(91,773)	(106,153)
Interest expense, net	70,232	72,818	206,749	243,111
Income tax (benefit) expense	(2,633)	1,140	(4,982)	3,115
Depreciation, accretion and amortization expense (d)	71,761	67,791	215,494	208,154
Non-operating general and administrative expenses (e)	13,084	13,879	66,845	41,452
Stock-based compensation expense	1,856	1,411	7,049	3,857
Gain on sale of U.K. renewable energy facilities	—	—	(37,116)	—
Adjustment for Asset Sales	—	(13,575)	(9,632)	(35,237)
Other non-cash or non-operating items (f)	(10,178)	3,042	(8,564)	10,264
Adjusted EBITDA	109,303	118,796	344,071	368,564
Interest payments (g)	(57,568)	(59,761)	(172,828)	(177,248)
Principal payments (h)	(23,022)	(17,778)	(64,843)	(58,546)
Cash distributions to non-controlling interests, net	(5,892)	(9,979)	(23,017)	(19,365)
Sustaining capital expenditures	(1,130)	(650)	(8,235)	(6,308)
Other:				
Adjustment for Asset Sales	—	(28)	112	10,012
Other items (i)	3,650	3,753	16,453	28,163
Estimated cash available for distribution	25,341	34,353	91,713	145,272

- a) Represents unrealized (gain) loss on commodity contracts associated with energy derivative contracts that are not designated as hedges for accounting purposes whereby the change in fair value is recorded in operating revenues, net. The amounts added back represent changes in the value of the energy derivative related to future operating periods, and are expected to have little or no net economic impact since the change in value is expected to be largely offset by changes in value of the underlying energy sale in the spot or day-ahead market.
- b) Represents net amortization of purchase accounting related intangibles arising from past business combinations related to favorable and unfavorable rate revenue contracts.
- c) Primarily represents recognized deferred revenue related to the upfront sale of investment tax credits.
- d) Includes increases within operating revenues due to net amortization of favorable and unfavorable rate revenue contracts as detailed in the reconciliation of Adjusted Revenue.

- e) Pursuant to the management services agreement, SunEdison agreed to provide or arrange for other service providers to provide management and administrative services to us. In the three and nine months ended September 30, 2016 we accrued \$3.4 million and \$8.4 million, respectively, of routine G&A services provided or arranged by SunEdison under the Management Services Agreement that were not reimbursed by TerraForm Power and were treated as an addback in the reconciliation of net income (loss) to Adjusted EBITDA. In addition, non-operating items and other items incurred directly by TerraForm Power that we do not consider indicative of our core business operations are treated as an addback in the reconciliation of net income (loss) to Adjusted EBITDA. These items include extraordinary costs and expenses related primarily to restructuring, legal, advisory and contractor fees associated with the bankruptcy of SunEdison and certain of its affiliates (the "SunEdison bankruptcy") and investment banking, legal, third party diligence and advisory fees associated with the Brookfield transaction, dispositions and financings. The Company's normal general and administrative expenses, paid by Terraform Power, are the amounts shown below and were not added back in the reconciliation of net income (loss) to Adjusted EBITDA:

3Q 2017	3Q 2016	September 2017 YTD	September 2016 YTD
\$5.7M	\$5.9M	\$22.8M	\$13.9M

- f) Represents other non-cash items as detailed in the reconciliation of Adjusted Revenue and associated footnote and certain other items that we believe are not representative of our core business or future operating performance, including but not limited to: acquisition related costs, impairment charges, loss (gain) on FX, loss on investments and receivables with affiliate, and loss on extinguishment of debt.
- g) Represents project-level and other interest payments and interest income attributed to normal operations. The reconciliation from Interest expense, net as shown on the Consolidated Statement of Operations to Interest payments applicable to CAFD is as follows:

\$ in millions	3Q 2017	3Q 2016	Sep 2017 YTD	Sep 2016 YTD
Interest expense, net	(\$70.2)	(\$72.8)	(\$206.7)	(\$243.1)
Amortization of deferred financing costs and debt discounts	\$3.5	\$4.4	13.5	19.6
Unrealized loss on U.K. interest rate swaps	0.0	4.6	2.4	34.5
Changes in accrued interest and other non-cash	4.5	5.3	8.2	12.2
Loss on extinguishment of debt	2.5	0.0	2.5	0.0
Special interest on corporate bonds related to August 2016 waiver agreements	0.0	0.0	7.1	0.0
Portfolio Term Loan extension fee recorded to unamortized discount, net	-1.8	0.0	-4.2	0.0
Corporate bond backstop facility fee	3.1	0.0	3.1	0.0
Other, net	0.8	-1.3	1.3	-0.4
Interest payments	(\$57.6)	(\$59.8)	(\$172.8)	(\$177.2)

- h) Represents project-level and other principal debt payments to the extent paid from operating cash. The reconciliation from Principal payments on non-recourse long-term debt as shown on the Consolidated Statement of Cash Flows to Principal payments applicable to CAFD is as follows:

\$ in millions	3Q 2017	3Q 2016	Sep 2017 YTD	Sep 2016 YTD
Principal payments on non-recourse long-term debt	(\$57.9)	(\$58.7)	(\$199.5)	(\$122.6)
Blackhawk repayment of construction loan by SunEdison	0	16.7	0	38.1
Midco repayment of loan	0	0	100.0	0
CAP prepayment using EPC settlement proceeds	4.8	0	4.8	0
TerraForm Private Operating II repayment of loan	30.0	24.0	30.0	24.0
Other, net	0.1	0.2	(0.1)	2.0
Principal payments	(\$23.0)	(\$17.8)	(\$64.8)	(\$58.5)

- i) Represents other cash flows as determined by management to be representative of normal operations including, but not limited to, wind plant "pay as you go" contributions received from tax equity partners, interconnection upgrade reimbursements, major maintenance reserve releases or (additions), releases or (postings) of collateral held by counterparties of energy market hedges for certain wind plants, and a cash contribution received in 2016 from SunEdison under the Interest Payment Agreement.

TERRAFORM POWER

Q3 2017 Supplemental — Information

Three and Nine Months Ended September 30, 2017



CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This communication contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. 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," "goal," "guidance," "outlook," "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 TerraForm Power expects or anticipates will occur in the future are forward-looking statements. They may include estimates of cash available for distribution (CAFD), dividend growth, cost savings initiatives, earnings, adjusted EBITDA, revenues, income, loss, capital expenditures, liquidity, capital structure, future growth, and other financial performance items (including future dividends 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 TerraForm Power's current expectations or predictions of future conditions, events, or results and speak only as of the date they are made. Although TerraForm Power 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.

By their nature, forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. Factors that might cause such differences include, but are not limited to, risks related to the transition to Brookfield sponsorship; risks related to the SunEdison bankruptcy, including our transition away from reliance on SunEdison for certain services including critical systems and information technology infrastructure; risks related to wind conditions at our wind assets or to weather conditions at our solar assets; risks related to potential events of default at our project financings; risks related to delays in our filing of periodic reports with the SEC; risks related to the effectiveness of our internal controls over financial reporting; pending and future litigation; our ability to successfully identify, evaluate, and consummate acquisitions; our ability to integrate the projects we acquire from third parties or otherwise realize the anticipated benefits from such acquisitions; the willingness and ability of counterparties to fulfill their obligations under offtake agreements; price fluctuations, termination provisions and buyout provisions in offtake agreements; government regulation, including compliance with regulatory and permit requirements and changes in market rules, rates, tariffs, environmental laws and policies affecting renewable energy; operating and financial restrictions under agreements governing indebtedness; 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 going forward; cash trapped at the project level, including the risk that such project-level cash may not be released up to the Company in a timely manner; risks related to the proposed relocation of the Company's headquarters; our ability to compete against traditional and renewable energy companies; and hazards customary to the power production industry and power generation operations, such as unusual weather conditions and outages. Furthermore, any dividends that we may pay in the future will be subject to available capital, market conditions, and compliance with associated laws and regulations. Many of these factors are beyond TerraForm Power's control.

TerraForm Power 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 TerraForm Power's Form 10-K for the fiscal year ended December 31, 2016, as well as additional factors it may describe from time to time in other filings with the Securities and Exchange Commission. 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.



Q3 2017 HIGHLIGHTS

1,378 GWh
Generation

\$25 million
CAFD

~\$720 million
Corporate Liquidity

Key Performance Metrics

(MILLIONS, EXCEPT AS NOTED)	Three months ended		Nine months ended	
	Sep 30		Sep 30	
	2017	2016	2017	2016
Total generation (GWh) ⁽¹⁾	1,378	1,582	5,315	5,504
Net income (loss)	\$ (35)	\$ (28)	\$ (92)	\$ (106)
Adjusted EBITDA ⁽²⁾	109	119	344	369
CAFD ⁽²⁾	25	34	92	145
Earnings (loss) per share ⁽²⁾	\$ (0.31)	\$ (0.29)	\$ (0.62)	\$ (0.53)
CAFD per share ⁽²⁾⁽³⁾	\$ 0.18	\$ 0.24	\$ 0.65	\$ 1.04

⁽¹⁾ Adjusted for sale of our UK solar and Residential portfolios.

⁽²⁾ Non-GAAP measures. See "Calculation and Use of Non-GAAP Measures" and "Reconciliation of Non-GAAP Measures" sections. Adjusted for sale of our UK solar and Residential portfolios.

⁽³⁾ Loss per share calculated on weighted average basic and diluted Class A shares outstanding. CAFD per share additionally includes Class B shares and unvested Class A shares. For the three and nine months ended September 30, 2017, weighted average basic and diluted Class A shares outstanding totaled 92.4 million and 92.2 million, respectively (2016: 90.9 million and 89.1 million, respectively). Class B shares totaled 48.2 million in each respective period.

Key Balance Sheet Metrics

(IN \$ MILLIONS)	Sep 30	Dec 31
	2017	2016
Corporate liquidity ⁽¹⁾	721	512
Total long-term debt	3,632	4,004
Total capitalization ⁽²⁾	6,481	6,902

⁽¹⁾ September 30, 2017 liquidity is pro forma for the transaction. See "Liquidity" slide.

⁽²⁾ Total capitalization is comprised of total stockholders' equity, redeemable non-controlling interests, and Total long-term debt.

Quarter Highlights

- Our portfolio performed slightly below expectation, delivering adjusted EBITDA and CAFD of \$109 million and \$25 million
- Represents a \$10 million and \$9 million decrease, respectively, from prior year
 - Decrease largely due to weaker than average wind resource, which was ~20% below average
 - Solar resource was ~5% below average levels
- Total generation for the quarter of 1,378 GWh was down 13% from 1,582 GWh in the prior year
- Good fleet availability (96%) with room for further improvement as we complete transition to stand alone operations
- Net loss increased \$7 million due primarily to the above noted impacts on adjusted EBITDA
- Robust liquidity with over \$700 million of corporate liquidity available to fund growth



Our Business

TerraForm Power's mission is to own and operate high quality solar and wind generation assets in North America and Western Europe

Performance Targets and Key Measures

- Our objective is to deliver an attractive risk adjusted return in the range of 12% per annum to our shareholders
- Expect to generate total return from an attractive dividend backed by stable cashflow from our assets and target 5-8% annual dividend per share increase that is sustainable over the long term
 - We target a dividend payout of 80-85% of CAFD
 - Over the next five years, growth will be driven by costs savings and organic investments
 - Opportunistic, value-oriented acquisitions will provide upside to our business plan
- Growth in CAFD per unit is a key performance metric as it is a proxy for our ability to increase distributions



Our Operations

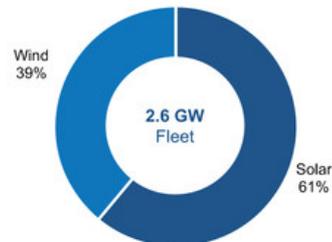
Owner and operator of a 2,606 MW diversified portfolio of high-quality solar and wind assets, primarily in the US, underpinned by long-term contracts



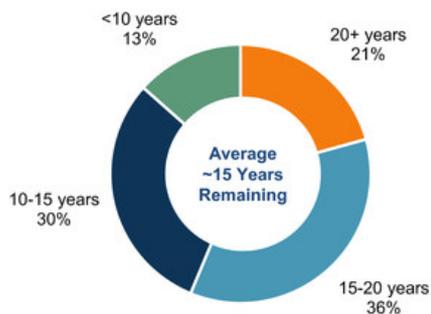
	Solar 	Wind 	Total
US	894 MW	1,453 MW	2,347 MW
International	181 MW	78 MW	259 MW
Total	1,075 MW	1,531 MW	2,606 MW

1. Weighted on 2016 project CAFD.

Large Scale Portfolio Diversified by Technology¹



Long-Term Offtake Contracts¹





Selected Income Statement and Balance Sheet Information

The following tables presented selected income statement and balance sheet information by operating segment:

Income Statement

(MILLIONS, UNLESS NOTED)	Three months ended		Nine months ended	
	Sep 30		Sep 30	
	2017	2016	2017	2016
Net income (loss)				
Solar	46	53	125	76
Wind	(37)	(22)	(44)	(20)
Corporate	(44)	(58)	(173)	(162)
Total	\$ (35)	\$ (28)	\$ (92)	\$ (106)
Adjusted EBITDA				
Solar	88	93	215	222
Wind	26	32	151	161
Corporate	(5)	(6)	(22)	(14)
Total	\$ 109	\$ 119	\$ 344	\$ 369
CAFD				
Solar	69	79	149	170
Wind	(4)	-	53	63
Corporate	(40)	(45)	(110)	(88)
Total	\$ 25	\$ 34	\$ 92	\$ 145

Balance Sheet

(MILLIONS)	As of	
	Sep 30, 2017	Dec 31 2016
Total Assets		
Solar	2,927	3,596
Wind	3,535	3,609
Corporate	409	501
Total	\$ 6,871	\$ 7,706
Total Liabilities		
Solar	1,204	1,585
Wind	1,243	1,379
Corporate	1,575	1,844
Total	\$ 4,022	\$ 4,808
Total Equity and NCI		
Solar	1,723	2,011
Wind	2,292	2,230
Corporate	(1,166)	(1,343)
Total	\$ 2,849	\$ 2,898



Operating Segments



Solar

Overview

- 1,075 MW of capacity
- 515 Sites in diverse geographies
- Average remaining PPA life of 17 years
- Average offtaker credit rating of Aa3
- Diverse mix of high quality modules

Contracted cash flows

- **Utility scale** – generation contracted by investment grade counterparties (such as state utilities)
- **Distributed generation** – generation contracted by investment grade public offtakers (municipalities, universities, schools, hospitals), commercial and industrial offtakers or utilities

The following table presents selected key performance metrics for our Solar segment:

(MILLIONS, UNLESS NOTED)	Three months ended		Nine months ended	
	Sep 30		Sep 30	
	2017	2016	2017	2016
Generation (GWh) ⁽¹⁾	524	548	1,425	1,532
Net income (loss)	\$ 46	\$ 53	\$ 125	\$ 76
Adjusted EBITDA	\$ 88	\$ 93	\$ 215	\$ 222
CAFD	\$ 69	\$ 79	\$ 149	\$ 170

(1) Adjusted for sale of our UK solar and Residential portfolios.



Solar (continued)

The following table presents our Solar segment's financial results:

(MILLIONS, UNLESS NOTED)	Three months ended		Nine months ended	
	Sep 30		Sep 30	
	2017	2016	2017	2016
Adjusted revenue	104	105	256	265
Direct operating costs	(16)	(12)	(41)	(43)
Adjusted EBITDA	\$ 88	\$ 93	\$ 215	\$ 222
Cash interest payments	(6)	(4)	(36)	(42)
Principal repayments	(11)	(7)	(27)	(21)
Distributions to NCI	(3)	(3)	(10)	(6)
Sustaining capital expenditures	-	-	-	-
Adjustment for asset sales	-	-	-	10
Other	1	-	7	7
CAFD	\$ 69	\$ 79	\$ 149	\$ 170
Adjusted EBITDA	88	93	215	222
Interest expense	(15)	(22)	(54)	(89)
Income taxes	-	-	-	-
Depreciation and amortization	(29)	(31)	(88)	(96)
Other	2	13	52	39
Net income (loss)	\$ 46	\$ 53	\$ 125	\$ 76

Quarter Highlights

- Adjusted EBITDA and CAFD were \$88 million and \$69 million, respectively, versus \$93 million and \$79 million, respectively, in the prior year
- Adjusted EBITDA for our utility scale business of \$55 million was in line with the prior year, while CAFD of \$44 million was down \$8 million as a result of higher debt service costs arising from the upfinancing of our Canadian solar assets
- Adjusted EBITDA and CAFD for our distributed generation business of \$33 million and \$25 million, respectively, decreased by \$5 million and \$2 million due to weaker resource and deferral of operating costs impacting the prior year
- Net income of \$46 million was \$7 million lower than prior year due primarily to the sale of our UK and Residential portfolios

The following table presents our key financial metrics for this operating segment by platform:

(MILLIONS)	Adjusted EBITDA				CAFD				Net Income			
	Three months ended		Nine months ended		Three months ended		Nine months ended		Three months ended		Nine months ended	
	Sep 30		Sep 30		Sep 30		Sep 30		Sep 30		Sep 30	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Utility Scale	55	55	114	120	44	52	68	117	(7)	27	27	9
Distributed Generation	33	38	101	102	25	27	81	53	53	26	98	67
Total	\$ 88	\$ 93	\$ 215	\$ 222	\$ 69	\$ 79	\$ 149	\$ 170	\$ 46	\$ 53	\$ 125	\$ 76



Wind

Overview

- 1,531 MW of capacity
- 18 Sites in diverse geographies
- Average remaining PPA life of 12 years
- Average offtaker credit rating of A1
- Recently constructed assets (average 5 years old) with primarily top tier turbines

Contracted cash flows

- Substantially all generation is contracted with investment grade counterparties, such as state utilities or financial institutions

The following table presents selected key performance metrics for our Wind segment:

(MILLIONS, UNLESS NOTED)	Three months ended		Nine months ended	
	Sep 30		Sep 30	
	2017	2016	2017	2016
Generation (GWh)	854	1,033	3,890	3,971
Net income (loss)	\$ (37)	\$ (22)	\$ (44)	\$ (20)
Adjusted EBITDA	\$ 26	\$ 32	\$ 151	\$ 161
CAFD	\$ (4)	\$ 0	\$ 53	\$ 63



Wind (continued)

The following table presents our Wind segment's financial results:

(MILLIONS, UNLESS NOTED)	Three months ended		Nine months ended	
	Sep 30		Sep 30	
	2017	2016	2017	2016
Adjusted revenue	50	60	223	234
Direct operating costs	(24)	(28)	(72)	(73)
Adjusted EBITDA	\$ 26	\$ 32	\$ 151	\$ 161
Cash interest payments	(17)	(18)	(50)	(53)
Principal repayments	(12)	(10)	(37)	(37)
Distributions to NCI	(3)	(7)	(13)	(13)
Sustaining capital expenditures	(1)	(1)	(8)	(6)
Other	3	5	10	11
CAFD	\$ (4)	\$ -	\$ 53	\$ 63
Adjusted EBITDA	26	32	151	161
Interest expense	(22)	(21)	(65)	(64)
Income taxes	-	-	-	-
Depreciation and amortization	(42)	(36)	(126)	(111)
Other	1	3	(4)	(6)
Net income (loss)	\$ (37)	(22)	\$ (44)	\$ (20)

Quarter Highlights

- Adjusted EBITDA and CAFD were \$26 million and (\$4) million, respectively, versus \$32 million and nil, respectively, in the prior year
 - Adjusted EBITDA decreased \$6 million from prior year, due primarily to lower production, partially offset by lower costs. Though our fleet availability was in-line with expectations, wind resource was ~20% below average
 - Third quarter is the seasonal low period for the year for our wind segment. CAFD was \$4 million lower than the prior year due to the above noted impacts to Adjusted EBITDA
- Net loss for the quarter was \$37 million, an increase of \$15 million compared to the prior year primarily due to lower adjusted EBITDA and higher depreciation related to changes to the useful lives for certain wind asset components



Corporate

The following table presents our Corporate segment's financial results:

(MILLIONS, UNLESS NOTED)	Three months ended		Nine months ended	
	2017	2016	2017	2016
		Sep 30		Sep 30
Direct operating costs	(5)	(6)	(22)	(14)
Adjusted EBITDA	\$ (5)	\$ (6)	\$ (22)	\$ (14)
Cash interest payments	(35)	(37)	(87)	(82)
Other	-	(2)	(1)	8
CAFD	\$ (40)	\$ (45)	\$ (110)	\$ (88)
Adjusted EBITDA	(5)	(6)	(22)	(14)
Interest expense	(33)	(30)	(88)	(90)
Income taxes	3	(1)	5	(3)
Depreciation and amortization	(1)	(1)	(2)	(1)
Other	(8)	(20)	(66)	(54)
Net Income	\$ (44)	\$ (58)	\$ (173)	\$ (162)

Quarter Highlights

- Direct operating costs were flat versus the prior year
- Interest payments decreased versus the prior year primarily due to lower average revolver borrowings
- Net loss of \$44 million was roughly in-line with the prior year



Liquidity

We operate with sufficient liquidity to enable us to fund growth initiatives, capital expenditures, distributions, and to withstand sudden adverse changes in economic circumstances or short-term fluctuations in generation.

Principal sources of liquidity are cash flows from operations, our credit facilities, up-financings of subsidiary borrowings and proceeds from the issuance of securities through public markets.

Corporate liquidity and available capital were \$721 million and \$921 million, respectively as at September 30, 2017, pro forma for the transaction:

(MILLIONS)	Sep 30, 2017 Pro Forma ¹	Sep 30 2017
Unrestricted corporate cash	68	\$ 388
Project-level distributable cash	30	30
Cash available to corporate	98	418
Credit facilities		
Authorized credit facilities	450	520
Draws on credit facilities	(265)	(277)
Commitments under revolver	(62)	(62)
Undrawn Sponsor Line	500	-
Available portion of credit facilities	623	181
Corporate liquidity	721	\$ 599
Other project-level unrestricted cash	45	45
Project-level restricted cash	152	152
Project-level credit commitments, unissued	3	3
Available capital	921	\$ 799

¹ Pro-forma for (i) issuance of \$350 million Term Loan B with proceeds used to repay \$338 million of the non-recourse portfolio term loan and \$12 million of corporate credit facility, (ii) payment of special dividend (\$288 million) and (iii) payment of merger related transaction advisory fees (\$32 million)



Maturity Profile

We finance our assets primarily with project level debt that generally has long-term maturities that amortize over the contract life, few restrictive covenants and no recourse to either TerraForm Power or other projects.

We have long-dated, staggered debt maturities. With the repayment of our non-recourse portfolio term loan with proceeds from the issuance of the senior secured term loan issued in November, we have no meaningful maturities over the next five years

The following table summarizes our scheduled principal repayments, overall maturity profile and average interest rates associated with our borrowings over the next five years:

(MILLIONS)	Weighted Average Life	Balance of 2017	2018	2019	2020	2021	Thereafter	Total	Weighted Average Interest Rate
Principal Repayments									
Corporate borrowings									
Notes	5.9	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,250	\$ 1,250	6.4%
Term Loan ⁽¹⁾	4.9	-	4	4	4	4	336	350	4.1%
Revolver ⁽¹⁾	2.3	15	-	-	-	250	-	265	4.0%
Total corporate ⁽¹⁾	5.2	15	4	4	4	254	1,586	1,865	5.6%
Non-recourse debt									
Utility scale	15.6	16	36	38	42	45	728	905	5.7%
Distributed generation	9.0	3	10	18	9	9	50	99	6.8%
Solar	14.9	19	46	56	51	54	778	1,004	5.8%
Wind ⁽¹⁾	9.3	15	50	50	51	51	545	762	5.5%
Total non-recourse ⁽¹⁾	12.5	34	96	106	102	105	1,323	1,766	5.7%
Total borrowings ⁽¹⁾	9.5	\$ 49	\$ 100	\$ 110	\$ 106	\$ 359	\$ 2,909	\$ 3,631	5.8%
			1%	3%	3%	3%	10%	80%	

(1) Pro-forma for issuance of \$350 million Term Loan B with proceeds used to repay \$338 million of the non-recourse portfolio term loan and \$12 million of corporate credit facility.



Contract Profile

The following table sets out our contracted generation over the next five years as a percentage of expected generation. We currently have a contracted profile of approximately 94% of future generation and our goal is to maintain this profile going forward.

FOR THE YEAR ENDED DECEMBER 31	Balance of				
	2017	2018	2019	2020	2021
Contracted					
Solar	100%	100%	100%	100%	100%
Wind	92%	92%	92%	86%	82%
	94%	94%	94%	90%	86%
Uncontracted					
Solar	0%	0%	0%	0%	0%
Wind	8%	8%	8%	14%	18%
	6%	6%	6%	10%	14%

Our portfolio has a weighted-average remaining contract duration of ~15 years. Over the next five years, contracts accounting for 8% of our expected generation expire. We are focused on securing long-term contracts to the extent these contracts expire.

The majority of our long-term power purchase agreements are with investment-grade counterparties. The composition of our contracted generation under power purchase agreements is comprised of:

- Public utilities: 77%
- Financial institutions: 23%
- Commercial and industrial customers: 5%
- Government institutions: 4%



Reconciliation of Non-GAAP Measures



Reconciliation of Non-GAAP Measures for the Three and Nine Months Ended September 30

(MILLIONS, EXCEPT AS NOTED)	Three Months Ended September 30, 2017				Three Months Ended September 30, 2016				Nine Months Ended September 30, 2017				Nine Months Ended September 30, 2016			
	Solar	Wind	Corp	Total	Solar	Wind	Corp	Total	Solar	Wind	Corp	Total	Solar	Wind	Corp	Total
Revenue	\$107	\$46	\$0	\$153	\$126	\$52	\$0	\$178	\$275	\$200	\$0	\$475	\$314	\$205	\$0	\$519
Unrealized (gain) loss on commodity contract derivatives, net (a)	-	(4)	-	(4)	-	-	-	-	-	(1)	-	(1)	-	5	-	5
Amortization of favorable and unfavorable rate revenue contracts, net (b)	2	8	-	10	2	8	-	10	6	24	-	29	6	24	-	30
Other non-cash items (c)	(5)	-	-	(5)	(5)	-	-	(5)	(10)	-	-	(10)	(9)	-	-	(9)
Adjustment for asset sales	-	-	-	-	(18)	-	-	(18)	(15)	-	-	(15)	(47)	-	-	(47)
Adjusted revenues	\$104	\$50	\$0	\$155	\$105	\$60	\$0	\$165	\$256	\$223	\$0	\$478	\$265	\$234	\$0	\$499
Net income (loss)	\$46	(\$37)	(\$44)	(\$35)	\$53	(\$22)	(\$58)	(\$28)	\$125	(\$44)	(\$173)	(\$92)	\$76	(\$20)	(\$162)	(\$106)
Interest expense, net	15	22	33	70	22	21	30	73	54	65	88	207	89	64	90	243
Income tax (benefit) expense	-	-	(3)	(3)	-	-	1	1	-	-	(5)	(5)	-	-	3	3
Depreciation, accretion and amortization expense (d)	29	42	1	72	31	36	1	68	88	126	2	215	96	111	1	208
Non-operating general and administrative expenses (e)	-	-	13	13	-	-	14	14	-	-	67	67	-	-	41	41
Stock-based compensation expense	-	-	2	2	-	-	1	1	-	-	7	7	-	-	4	4
Gain on sale of U.K. renewable energy facilities	-	-	-	-	-	-	-	-	(37)	-	-	(37)	-	-	-	-
Adjustment for asset sales	-	-	-	-	(13)	-	-	(14)	(10)	-	-	(10)	(35)	-	-	(35)
Other non-cash or non-operating items (f)	(2)	(1)	(7)	(10)	-	(3)	6	3	(5)	4	(7)	(9)	(4)	6	9	10
Adjusted EBITDA	\$88	\$26	(\$5)	\$109	\$93	\$32	(\$6)	\$119	\$215	\$151	(\$22)	\$344	\$222	\$161	(\$14)	\$369

(MILLIONS, EXCEPT AS NOTED)	Three Months Ended September 30, 2017				Three Months Ended September 30, 2016				Nine Months Ended September 30, 2017				Nine Months Ended September 30, 2016			
	Solar	Wind	Corp	Total	Solar	Wind	Corp	Total	Solar	Wind	Corp	Total	Solar	Wind	Corp	Total
Adjusted EBITDA	\$88	\$26	(\$5)	\$109	\$93	\$32	(\$6)	\$119	\$215	\$151	(\$22)	\$344	\$222	\$161	(\$14)	\$369
Interest payments (g)	(6)	(17)	(35)	(58)	(4)	(18)	(37)	(60)	(36)	(50)	(87)	(173)	(42)	(53)	(82)	(177)
Principal payments (h)	(11)	(12)	-	(23)	(7)	(10)	-	(18)	(27)	(37)	-	(65)	(21)	(37)	-	(59)
Cash distributions to non-controlling interests	(3)	(3)	-	(6)	(3)	(7)	-	(10)	(10)	(13)	-	(23)	(6)	(13)	-	(19)
Sustaining capital expenditures	-	(1)	-	(1)	-	(1)	-	(1)	-	(8)	-	(8)	-	(6)	-	(6)
Adjustment for asset sales	-	-	-	-	-	-	-	-	-	-	-	-	10	-	-	10
Other (i)	1	3	-	4	-	5	(2)	4	7	10	(1)	16	7	11	8	28
Cash available for distribution (CAFD)	\$69	(\$4)	(\$40)	\$25	\$79	\$0	(\$45)	\$34	\$149	\$53	(\$110)	\$92	\$170	\$62	(\$88)	\$145

- a) Represents unrealized loss on commodity contracts associated with energy derivative contracts that are not designated as hedges for accounting purposes whereby the change in fair value is recorded in operating revenues, net. The amounts added back represent changes in the value of the energy derivative related to future operating periods, and are expected to have little or no net economic impact since the change in value is expected to be largely offset by changes in value of the underlying energy sale in the spot or day-ahead market.
- b) Represents net amortization of purchase accounting related intangibles arising from past business combinations related to favorable and unfavorable rate revenue contracts.
- c) Primarily represents recognized deferred revenue related to the upfront sale of investment tax credits.
- d) Includes reductions (increases) within operating revenues due to net amortization of favorable and unfavorable rate revenue contracts as detailed in the reconciliation of Adjusted Revenue.



Reconciliation of Non-GAAP Measures for the Three and Nine Months Ended September 30

- e) Pursuant to the management services agreement, SunEdison agreed to provide or arrange for other service providers to provide management and administrative services to us. In the three and nine months ended September 30, 2016 we accrued \$3.4 million and \$8.4 million, respectively, of routine G&A services provided or arranged by SunEdison under the Management Services Agreement that were not reimbursed by TerraForm Power and were treated as an addback in the reconciliation of net income (loss) to Adjusted EBITDA. In addition, non-operating items and other items incurred directly by TerraForm Power that we do not consider indicative of our core business operations are treated as an addback in the reconciliation of net income (loss) to Adjusted EBITDA. These items include extraordinary costs and expenses related primarily to restructuring, legal, advisory and contractor fees associated with the bankruptcy of SunEdison and certain of its affiliates (the "SunEdison bankruptcy") and investment banking, legal, third party diligence and advisory fees associated with the Brookfield transaction, dispositions and financings. The Company's normal general and administrative expenses, paid by Terraform Power, are the amounts shown below and were not added back in the reconciliation of net income (loss) to Adjusted EBITDA:

3Q 2017	3Q 2016	September 2017 YTD	September 2016 YTD
\$5.7M	\$5.9M	\$22.8M	\$13.9M

- f) Represents other non-cash items as detailed in the reconciliation of Adjusted Revenue and associated footnote and certain other items that we believe are not representative of our core business or future operating performance, including but not limited to: acquisition related costs, impairment charges, loss (gain) on FX, loss on investments and receivables with affiliate, and loss on extinguishment of debt.
- g) Represents project-level and other interest payments and interest income attributed to normal operations. The reconciliation from Interest expense, net as shown on the Consolidated Statement of Operations to Interest payments applicable to CAFD is as follows:

\$ in millions	3Q 2017	3Q 2016	Sep 2017 YTD	Sep 2016 YTD
Interest expense, net	(\$70.2)	(\$72.8)	(\$206.7)	(\$243.1)
Amortization of deferred financing costs and debt discounts	3.5	4.4	13.5	19.6
Unrealized loss on U.K. interest rate swaps	-	4.6	2.4	34.5
Changes in accrued interest and other non-cash	4.5	5.3	8.2	12.2
Loss on extinguishment of debt	2.5	-	2.5	-
Special interest on corporate bonds related to August 2016 waiver agreements	-	-	7.1	-
Portfolio Term Loan extension fee recorded to unamortized discount, net	(1.8)	-	(4.2)	-
Corporate bond backstop facility fee	3.1	-	3.1	-
Other, net	0.8	(1.3)	1.3	(0.4)
Interest payments	(\$57.6)	(\$59.8)	(\$172.8)	(\$177.2)

- h) Represents project-level and other principal debt payments to the extent paid from operating cash. The reconciliation from Principal payments on non-recourse long-term debt as shown on the Consolidated Statement of Cash Flows to Principal payments applicable to CAFD is as follows:

\$ in millions	3Q 2017	3Q 2016	Sep 2017 YTD	Sep 2016 YTD
Principal payments on non-recourse long-term debt	(\$57.9)	(\$58.7)	(\$199.5)	(\$122.6)
Blackhawk repayment of construction loan by SunEdison	-	16.7	-	38.1
Midco repayment of loan	-	-	100.0	-
CAP prepayment using EPC settlement proceeds	4.8	-	4.8	-
TerraForm Private Operating II repayment of loan	30.0	24.0	30.0	24.0
Other, net	0.1	0.2	(0.1)	2.0
Principal payments	(\$23.0)	(\$17.8)	(\$64.8)	(\$58.5)

- i) Represents other cash flows as determined by management to be representative of normal operations including, but not limited to, wind plant "pay as you go" contributions received from tax equity partners, interconnection upgrade reimbursements, major maintenance reserve releases or (additions), releases or (postings) of collateral held by counterparties of energy market hedges for certain wind plants, and a cash contribution received in 2016 from SunEdison under the Interest Payment Agreement.



Calculation and Use of Non-GAAP Measures

Adjusted Revenue, Adjusted EBITDA and CAFD are supplemental non-GAAP measures that should not be viewed as alternatives to GAAP measures of performance, including revenue, net income (loss), operating income or net cash provided by operating activities. Our definitions and calculation of these non-GAAP measures may not necessarily be the same as those used by other companies. These non-GAAP measures have certain limitations, which are described below, and they should not be considered in isolation. We encourage you to review, and evaluate the basis for, each of the adjustments made to arrive at Adjusted Revenue, Adjusted EBITDA and CAFD.

Calculation of Non-GAAP Measures

We define adjusted revenue as operating revenues, net, adjusted for non-cash items including unrealized gain/loss on derivatives, amortization of favorable and unfavorable rate revenue contracts, net and other non-cash revenue items.

We define adjusted EBITDA as net income (loss) plus depreciation, accretion and amortization, non-cash general and administrative costs, interest expense, income tax (benefit) expense, acquisition related expenses, and certain other non-cash charges, unusual or non-recurring items and other items that we believe are not representative of our core business or future operating performance.

We define "cash available for distribution" or "CAFD" as adjusted EBITDA (i) minus cash distributions paid to non-controlling interests in our renewable energy facilities, if any, (ii) minus annualized scheduled interest and project level amortization payments in accordance with the related borrowing arrangements, (iii) minus average annual sustaining capital expenditures (based on the long-sustaining capital expenditure plans) which are recurring in nature and used to maintain the reliability and efficiency of our power generating assets over our long-term investment horizon, (iv) plus or minus operating items as necessary to present the cash flows we deem representative of our core business operations.

As compared to the preceding period, we revised our definition of CAFD to (i) exclude adjustments related to deposits into and withdrawals from restricted cash accounts, required by project financing arrangements, (ii) replace sustaining capital expenditures payment made in the year with the average annualized long-term sustaining capital expenditures to maintain reliability and efficiency of our assets, and (iii) annualized debt service payments. We revised our definition as we believe it provides a more meaningful measure for investors to evaluate our financial and operating performance and ability to pay dividends. For items presented on an annualized basis, we will present actual cash payments as a proxy for an annualized number until the period commencing January 1, 2018.

Furthermore, to provide investors with the most appropriate measures to assess the financial and operating performance of our existing fleet and the ability to pay dividends in the future, we have excluded results associated with our UK solar and Residential portfolios, which were sold in 2017, from adjusted revenue, EBITDA and CAFD reported for all periods.

Use of Non-GAAP Measures

We disclose Adjusted Revenue because it presents the component of operating revenue that relates to energy production from our plants, and is, therefore, useful to investors and other stakeholders in evaluating performance of our renewable energy assets and comparing that performance across periods in each case without regard to non-cash revenue items.

We disclose Adjusted EBITDA because we believe it is useful to investors and other stakeholders as a measure of financial and operating performance and debt service capabilities. We believe Adjusted EBITDA provides an additional tool to investors and securities analysts to compare our performance across periods and among us and our peer companies without regard to interest expense, taxes and depreciation and amortization. Adjusted EBITDA has certain limitations, including that it: (i) does not reflect cash expenditures or future requirements for capital expenditures or contractual liabilities or future working capital needs, (ii) does not reflect the significant interest expenses that we expect to incur or any income tax payments that we may incur, and (iii) does not reflect depreciation and amortization and, although these charges are non-cash, the assets to which they relate may need to be replaced in the future, and (iv) does not take into account any cash expenditures required to replace those assets. Adjusted EBITDA also includes adjustments for goodwill impairment charges, gains and losses on derivatives and foreign currency swaps, acquisition related costs and items we believe are infrequent, unusual or non-recurring, including adjustments for general and administrative expenses we have incurred as a result of the SunEdison bankruptcy.

We disclose CAFD because we believe cash available for distribution is useful to investors in evaluating our operating performance and because securities analysts and other stakeholders analyze CAFD as a measure of our financial and operating performance and our ability to pay dividends. CAFD is not a measure of liquidity or profitability, nor is it indicative of the funds needed by us to operate our business. CAFD has certain limitations, such as the fact that CAFD includes all of the adjustments and exclusions made to Adjusted EBITDA described above.

The adjustments made to Adjusted EBITDA and CAFD for infrequent, unusual or non-recurring items and items that we do not believe are representative of our core business involve the application of management judgment, and the presentation of Adjusted EBITDA and CAFD should not be construed to infer that our future results will be unaffected by infrequent, non-operating, unusual or non-recurring items.

In addition, these measures are used by our management for internal planning purposes, including for certain aspects of our consolidated operating budget, as well as evaluating the attractiveness of investments and acquisitions. We believe these Non-GAAP measures are useful as a planning tool because it allows our management to compare performance across periods on a consistent basis in order to more easily view and evaluate operating and performance trends and as a means of forecasting operating and financial performance and comparing actual performance to forecasted expectations. For these reasons, we also believe these Non-GAAP measures are also useful for communicating with investors and other stakeholders.



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