Letter to Shareholders

On October 16 we closed our transaction with Brookfield. Brookfield, together with its institutional partners now holds a 51% interest in TerraForm Power and has assumed the role of our sponsor. Brookfield's sponsorship provides us with, among other things, executive leadership, significant business development resources and operational and capital markets support. With our high-quality fleet of solar and wind assets and the support of our sponsor, we are confident that we can restore TerraForm Power to growth mode. Going forward, we will seek to deliver attractive risk-adjusted returns to our shareholders through the combination of a dividend backed by the stable cash flow from our assets and sustainable growth over the long term.

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.

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 battling 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 opportunities to potentially 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. Furthermore, 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.

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.

Outlook

Recent concerns over potential tariffs on solar panels and proposed changes to tax legislation have had a chilling effect on renewable development activity in the U.S. We do not expect tax this legislation to be implemented retroactively, and therefore do not believe that these potential changes would have a material impact on our existing fleet's cash flow. Furthermore, we believe that these factors may, in fact, be positive for our growth prospects. With the declining costs of both solar panels and wind turbines combined with the continuing support of renewables at the state level and from corporate customers, we believe the renewable industry is quickly approaching the point where it does not need significant tax incentives to maintain its growth. In order to maximize the value of tax incentives, capital structures have become very complex. As these incentives are phased out, we believe this will benefit strong operators such as TerraForm Power. In addition, these proposed changes have created considerable uncertainty within the industry. From past experience, uncertainty may lead to opportunities for value investing. With over $700 million of corporate liquidity, including the $500 million acquisition facility from Brookfield, we will be ready and able to take advantage of any attractive opportunities that may arise.

We are grateful for your continued support, and look forward to updating you on our progress again next quarter.

Sincerely,

John Stinebaugh
Chief Executive Officer
November 9, 2017