TerraForm Power Operating, LLC and Subsidiaries

Audited Consolidated Financial Statements

For The Years Ended December 31, 2020 and 2019

TerraForm Power Operating, LLC and Subsidiaries
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CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This annual report of TerraForm Power Operating, LLC ("Terra Operating" and, together with its subsidiaries, the "Company") for the year ended December 31, 2020 (this "Annual Report") contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. These statements involve estimates, expectations, projections, goals, assumptions, known and unknown risks, and uncertainties and typically include words or variations of words such as "expect," "anticipate," "believe," "intend," "plan," "seek," "estimate," "predict," "project," "opportunities," "goal," "guidance," "outlook," "initiatives," "objective," "forecast," "target," "potential," "continue," "would," "will," "should," "could," or "may" or other comparable terms and phrases. All statements that address operating performance, events, or developments that the Company expects or anticipates will occur in the future are forward-looking statements. They may include estimates of expected cash available for distribution, distributions growth, earnings, revenues, income, loss, capital expenditures, liquidity, capital structure, margin enhancements, cost savings, future growth, financing arrangements and other financial performance items, descriptions of management's plans or objectives for future operations, products, or services, or descriptions of assumptions underlying any of the above. Forward-looking statements provide the Company's current expectations or predictions of future conditions, events, or results and speak only as of the date they are made. Although the Company believes its expectations and assumptions are reasonable, it can give no assurance that these expectations and assumptions will prove to have been correct, and actual results may vary materially.

The Company disclaims any obligation to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions, factors, or expectations, new information, data, or methods, future events, or other changes, except as required by law. We operate in a competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and you should understand that it is not possible to predict or identify all such factors and, consequently, you should not consider any such list to be a complete set of all potential risks or uncertainties.

GLOSSARY OF TERMS

When the following terms and abbreviations appear in the text of this report, they have the meanings indicated below:

Term	Meaning
AC	Alternating Current
Adjusted EBITDA	Adjusted EBITDA is defined as net income (loss) plus depreciation, accretion and amortization, non-operating general and administrative costs, management fees to Brookfield, 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
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
DC	Direct Current
FASB	Financial Accounting Standards Board
GWh	Gigawatt hours
HLBV	Hypothetical Liquidation at Book Value
IDRs	Incentive Distribution Rights
ISDA	International Swaps and Derivatives Association, Inc.
ITC	Investment tax credit
kWh	Kilowatt hours
LIBOR	London Inter-bank Offered Rate
MW	Megawatt
MWh	Megawatt hours
Nameplate capacity	Nameplate capacity represents the maximum generating capacity of a facility as expressed in (1) direct current (“DC”), for all facilities within our Solar reportable segment, and (2) alternating current (“AC”) for all facilities within our Wind and Regulated Solar and Wind reportable segments
O&M	Operations and maintenance
PPA	As applicable, Power Purchase Agreement, energy hedge contract and/or REC or SREC contract (as defined below)
REC	Renewable energy certificate
Renewable energy facilities	Solar and wind power generation facilities
SREC	Solar renewable energy certificate
U.S. GAAP	Accounting principles generally accepted in the United States

In this Annual Report, all references to “$” are to U.S. dollars. Canadian dollars, Euros and British pounds sterling are identified as “C$”, “€”, and “£” respectively.

Item 1. Selected Financial Data.

Our historical selected financial data is presented in the following table. The amounts shown in the table below represent the results of TerraForm Power Operating, LLC. This historical data should be read in conjunction with the consolidated financial statements and the related notes thereto in *Item 7. Financial Statements* and with *Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.*

Statements of operations data

	Year Ended December 31,	
(In thousands)	**2020**	**2019**
Operating revenues, net	$ 1,118,857	$ 941,240
Operating income	208,385	113,430
Net loss	(64,679)	(198,573)
Net loss attributable to non-controlling interests	(27,077)	(57,901)
Net loss attributable to member's equity	(37,602)	(140,672)

Balance sheet data

	As of December 31,	
(In thousands)	**2020**	**2019**
Cash and cash equivalents	$ 279,316	$ 237,480
Restricted cash[1]	103,824	112,020
Renewable energy facilities, net	7,807,550	7,405,461
Long-term debt and financing lease obligations[1]	6,843,689	6,235,382
Total assets	10,624,095	10,058,636
Total liabilities	8,135,062	7,419,832
Redeemable non-controlling interests	7,931	22,884
Total member's equity	2,481,102	2,615,920

(1) Including the current and long-term (non-current) portion.

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

The following discussion and analysis should be read in conjunction with our audited consolidated financial statements and notes thereto contained herein. The results shown herein are not necessarily indicative of the results to be expected in any future periods. Unless otherwise indicated or otherwise required by the context, references in this section to "we," "our," "us," or the "Company" refer to TerraForm Power Operating, LLC and its consolidated subsidiaries.

Overview

TerraForm Power Operating, LLC ("Terra Operating" and, together with its subsidiaries, the "Company") is a Delaware limited liability company whose primary business strategy is to own and operate solar and wind assets in North America and Western Europe. Terra Operating, through its subsidiaries, owns and operates renewable energy facilities that have long-term contractual arrangements to sell the electricity generated by these facilities to third parties. The related green energy certificates, ancillary services and other environmental attributes generated by these facilities are also sold to third parties. Terra Operating is the wholly-owned direct subsidiary of TerraForm Power, LLC ("Terra LLC"). Terra LLC is controlled and majority owned by TerraForm Power Parent, LLC ("TERP Parent"), a Delaware limited liability company and the successor entity to TerraForm Power, Inc. ("TERP Inc.") TERP Parent is a holding company whose primary asset is its ownership of the majority of the membership interests in Terra LLC. Terra LLC is the managing member of Terra Operating and its primary asset is its ownership of 100% of the membership interests in Terra Operating.

As more fully described in *Note 18. Related Parties* to our consolidated financial statements, on July 31, 2020, TERP Inc., the entity that formerly was the direct owner of Terra LLC, merged with and into TerraForm Power NY Holdings, Inc. ("TERP NY"), with TERP NY surviving the merger. As a result of the merger, through a series of related transactions, affiliates of Brookfield Renewable Partners L.P. ("Brookfield Renewable") acquired all of the outstanding shares of Class A common stock ("Common Stock") of TERP Inc., other than the approximately 62% already owned by Brookfield Renewable and its affiliates (the "Brookfield Renewable Merger"). As a result of the Brookfield Renewable Merger, effective July 31, 2020, the Company became a wholly-owned indirect subsidiary of Brookfield Renewable and its affiliates. The Company is a controlled affiliate of Brookfield Asset Management Inc. ("Brookfield"). As of December 31, 2020, Brookfield Renewable and its affiliates held 100% of the Common Stock of TERP NY. As of December 31, 2020, Brookfield owned approximately 51.5% of Brookfield Renewable on a fully-exchanged basis and the remaining approximately 48.5% is held by public investors. Subsequently, on March 15, 2021, TERP NY merged with and into its wholly-owned direct subsidiary, TERP Parent, with TERP Parent surviving the merger.

Our primary business strategy is to acquire, own and operate solar and wind assets in North America and Western Europe. We are the owner and operator of over 4,200 MW diversified portfolio of high-quality solar and wind assets, underpinned by long-term contracts. Significant diversity across technologies and locations coupled with contracts across a large, diverse group of creditworthy counterparties significantly reduces the impact of resource variability on cash available for distribution and limits our exposure to any individual counterparty.

Factors that Significantly Affect our Results of Operations and Business

We expect the following factors will affect our results of operations:

Offtake contracts

Our revenue is primarily a function of the volume of electricity generated and sold by our renewable energy facilities as well as, to a lesser extent, where applicable, the sale of green energy certificates and other environmental attributes related to energy generation. Our current portfolio of renewable energy facilities is generally contracted under long-term PPAs with creditworthy counterparties. As of December 31, 2020, the weighted average remaining life of our PPAs was 12 years. Pricing of the electricity sold under these PPAs is generally fixed for the duration of the contract, although some of our PPAs have price escalators based on an index (such as the consumer price index) or other rates specified in the applicable PPA.

We also generate RECs and SRECs as we produce electricity. RECs and SRECs are accounted for as governmental incentives and are not considered output of the underlying renewable energy facilities. These RECs and SRECs are currently sold pursuant to agreements with third parties and a certain debt holder, and REC and SREC revenue under bundled arrangements is recognized as the underlying electricity is generated if the sale has been contracted with the customer. In some

cases, under the terms of certain debt agreements, SRECs generated by the facilities securing the loans are transferred directly to the creditor to repay amounts outstanding under the loans.

Project operations and generation availability

For our Solar and Wind segments, our revenue is a function of the volume of electricity generated and sold by our renewable energy facilities. The volume of electricity generated and sold by our renewable energy facilities during a particular period is impacted by the number of facilities that have achieved commercial operations, as well as both scheduled and unexpected repair and maintenance required to keep our facilities operational. For some of our plants, particularly our wind plants located in Texas, we sell a portion of the power output of the plant on a merchant basis into the wholesale power markets. Any uncontracted energy sales are dependent on the current or day ahead prices in the power markets. Certain of the wholesale markets have experienced volatility and negative pricing.

For our Regulated Solar and Wind segment, revenue is regulated by the Spanish government. In Spain, renewable electricity producers receive a regulated return consisting of two components: (i) the merchant price for the power they produce and (ii) a return on investment payment per MW of installed capacity. For solar plants, there is an additional return on operations payment per MWh produced. This scheme is intended to allow renewable energy producers to recover development costs and obtain a reasonable rate of return on investment. The regulated return rate is set every six years. The first six-year regulatory period started on July 14, 2013 and ended on December 31, 2019. In November 2019, the Spanish government approved a new regulated return rate for the second regulatory period, which began on January 1, 2020 and runs through December 31, 2025.

The costs we incur to operate, maintain and manage our renewable energy facilities also affect our results of operations. Equipment performance represents the primary factor affecting our operating results because equipment downtime impacts the volume of the electricity that we are able to generate from our renewable energy facilities. The volume of electricity generated and sold by our facilities will also be negatively impacted if any facilities experience higher than normal downtime as a result of equipment failures, electrical grid disruption or curtailment, weather disruptions, or other events beyond our control.

Seasonality and resource variability

The amount of electricity produced and revenues generated by our solar generation facilities is dependent in part on the amount of sunlight, or irradiation, where the assets are located. Shorter daylight hours in the winter months result in less irradiation and the generation produced by these facilities will vary depending on the season. Irradiation can also be variable at a particular location from period to period due to weather or other meteorological patterns, which can affect operating results. As the great majority of our solar power plants are located in the Northern Hemisphere, we expect our current solar portfolio's power generation to be at its lowest during the first and fourth quarters of each year. Therefore, we expect our first and fourth quarter solar revenues to be lower than in other quarters.

Similarly, the electricity produced and revenues generated by our wind power plants depend heavily on wind conditions, which are variable and difficult to predict. Operating results for renewable energy facilities vary significantly from period to period depending on the wind conditions during the periods in question. As our wind power plants are located in geographies with different profiles, there is some flattening of the seasonal variability associated with each individual wind power plant's generation, and we expect that as the fleet expands the effect of such wind resource variability may be favorably impacted, although we cannot guarantee that we will purchase wind power plants that will achieve such results in part or at all. Historically, our wind production has been greater in the first and fourth quarters, which can partially offset any lower solar revenues in those quarters.

Cash distribution restrictions

In certain cases, we obtain project-level or other limited or non-recourse financing for our renewable energy facilities which may limit our ability to distribute funds to the Company. These limitations typically require that the project-level cash is used to meet debt obligations and fund operating reserves of the project entities. These financing arrangements also generally limit our ability to distribute funds to the Company if defaults have occurred or would occur with the giving of notice or the lapse of time, or both. Substantially all of those defaults have now been cured or waived. However, if we fail to timely deliver financial statements in the future, or other defaults occur and continue on our non-recourse financing arrangements, we could again be limited in our ability to distribute funds in order to pay corporate-level expenses and debt service obligations and in our ability to comply with corporate-level debt covenants.

Renewable energy facility acquisitions and investments

Our long-term growth strategy is dependent upon our ability to acquire additional renewable power generation assets. This growth is expected to consist of organic growth investments in our existing fleet, add-on acquisitions across our scope of operations and value-oriented opportunistic acquisitions, including through our European Platform.

Renewable power has been one of the fastest growing sources of electricity generation in North America and globally over the past decade. We expect the renewable energy generation segment in particular to continue to offer high growth opportunities driven by:

- the continued reduction in the cost of solar, wind and other renewable energy technologies, which will lead to grid parity in an increasing number of markets;
- distribution charges and the effects of an aging transmission infrastructure, which enable renewable energy generation sources located at a customer's site, or distributed generation, to be more competitive with, or cheaper than, grid-supplied electricity;
- the replacement of aging and conventional power generation facilities in the face of increasing industry challenges, such as regulatory barriers, increasing costs of and difficulties in obtaining and maintaining applicable permits, and the decommissioning of certain types of conventional power generation facilities, such as coal and nuclear facilities;
- the ability to couple renewable energy generation with other forms of power generation and/or storage, creating a hybrid energy solution capable of providing energy on a 24/7 basis while reducing the average cost of electricity obtained through the system;
- the desire of energy consumers to lock in long-term pricing of a reliable energy source;
- renewable energy generation's ability to utilize freely available sources of fuel, thus avoiding the risks of price volatility and market disruptions associated with many conventional fuel sources;
- environmental concerns over conventional power generation; and
- government policies that encourage development of renewable power, such as state or provincial renewable portfolio standard programs, which motivate utilities to procure electricity from renewable resources. In addition to renewable energy, we expect natural gas to grow as a source of electricity generation due to its relatively lower cost and lower environmental impact compared to other fossil fuel sources, such as coal and oil.

Access to capital markets

Our ability to acquire additional clean power generation assets and manage our other commitments may be dependent upon our ability to raise or borrow additional funds and access debt capital markets, the corporate debt markets and the project finance market for project-level debt. We accessed the capital markets several times during the year ended December 31, 2020 in connection with financing transactions related to our project-level non-recourse financings, as defined and discussed in *Liquidity and Capital Resources* below. Limitations on our ability to access the corporate and project finance debt in the future on terms that are accretive to our existing cash flows would be expected to negatively affect our results of operations, business and future growth.

Foreign exchange

Our operating results are reported in United States dollars. A significant portion of our revenues and expenses are generated in foreign currencies, primarily the Euro, and the Canadian dollar. This mix of currencies may continue to change in the future if we elect to alter the mix of our portfolio within our existing markets or elect to expand into new markets. In addition, our investments (including intercompany loans) in renewable energy facilities in certain foreign countries are exposed to foreign currency fluctuations. As a result, we expect our revenues and expenses will be exposed to foreign exchange fluctuations in local currencies where our renewable energy facilities are located. To the extent we do not hedge these exposures, fluctuations in foreign exchange rates could negatively impact our profitability and financial position.

Key Metrics

Operating Metrics

Nameplate capacity

We measure the electricity-generating production capacity of our renewable energy facilities in nameplate capacity. Rated capacity is the expected maximum output a power generation system can produce without exceeding its design limits. We express nameplate capacity in (1) direct current ("DC"), for all facilities within our Solar reportable segment, and (2) alternating current ("AC") for all facilities within our Wind and Regulated Solar and Wind reportable segments. The size of our renewable energy facilities varies significantly among the assets comprising our portfolio. We believe the combined nameplate capacity of our portfolio is indicative of our overall production capacity and period to period comparisons of our nameplate capacity are indicative of the growth rate of our business. Our renewable energy facilities had an aggregate nameplate capacity of 4,221 MW and 4,121 MW as of December 31, 2020 and 2019, respectively.

Gigawatt hours sold

Gigawatt hours ("GWh") sold refers to the actual volume of electricity sold by our renewable energy facilities during a particular period. We track GWh sold as an indicator of our ability to realize cash flows from the generation of electricity at our renewable energy facilities. Our GWh sold for renewable energy facilities for the years ended December 31, 2020, and 2019 were as follows:

	Year Ended December 31,	
(In GWh)	**2020**	**2019**
Solar segment	2,096	1,873
Wind segment	5,554	5,591
Regulated Solar and Wind segment	1,894	1,778
Total	9,544	9,242

Consolidated Results of Operations

The amounts shown below represent the results of our wholly-owned and partially-owned subsidiaries in which we have a controlling interest, with all significant intercompany accounts and transactions eliminated. The discussion and analysis of our results of operations below includes a comparison of the year ended December 31, 2020 to the year ended December 31, 2019.

	Year Ended December 31,	
(In thousands)	**2020**	**2019**
Operating revenues, net	$ 1,118,857	$ 941,240
Operating costs and expenses:		
Cost of operations	285,525	279,896
General and administrative expenses	75,417	84,814
General and administrative expenses - affiliate	25,941	28,990
Depreciation, accretion and amortization expense	523,589	434,110
Total operating costs and expenses	910,472	827,810
Operating income	208,385	113,430
Other expenses (income):		
Interest expense, net	325,568	298,142
Loss on modification and extinguishment of debt, net	3,593	26,953
Gain on sale of renewable energy facilities	—	(2,252)
Gain on foreign currency exchange, net	(48,159)	(12,726)
Other income, net	(10,077)	(2,000)
Total other expenses, net	270,925	308,117
Loss before income tax (benefit) expense	(62,540)	(194,687)
Income tax expense	2,139	3,886
Net loss	(64,679)	(198,573)
Less: Net loss attributable to redeemable non-controlling interests	(21)	(11,983)
Less: Net loss attributable to non-controlling interests	(27,056)	(45,918)
Net loss attributable to member's equity	$ (37,602)	$ (140,672)

Operating Revenues, net

Operating revenues, net and GWh sold for the years ended December 31, 2020 and 2019 and nameplate capacity as of December 31, 2020 and 2019 were as follows:

	Year Ended December 31,		
(In thousands, except GWh sold)	**2020**	**2019**	**Change**
Solar	$ 363,948	$ 316,433	$ 47,515
Wind	315,306	286,139	29,167
Regulated Solar and Wind	439,603	338,668	100,935
Total operating revenues, net	$ 1,118,857	$ 941,240	$ 177,617
GWh sold:			
Solar	2,096	1,873	223
Wind	5,554	5,591	(37)
Regulated Solar and Wind	1,894	1,778	116
Total GWh sold	9,544	9,242	302
	December 31,		
Nameplate capacity (MW):	**2020**	**2019**	**Change**
Solar	1,420	1,420	—
Wind	1,864	1,864	—
Regulated Solar and Wind	937	837	100
Total nameplate capacity	4,221	4,121	100

Total operating revenue, net increased by $177.6 million for the year ended December 31, 2020, compared to 2019 due to increases at all our segments, primarily driven by the acquisitions at the distributed generation portfolio of renewable energy facilities in the United States from subsidiaries of AltaGas (the "WGL Acquisition") on September 26, 2019. The results of operations of this acquisition were included in only three months of activity during 2019 compared to the full year during 2020.

Cost of Operations

Total cost of operations increased by $5.6 million for the year ended December 31, 2020, compared to 2019 due to a $31.7 million increase at our Regulated Solar and Wind segment and $3.5 million increase at our Solar segment. These increases were partially offset by $29.6 million decrease at our Wind segment. Cost of operations for our Regulated Solar and Wind segment, representing the entire operations of our European Platform in Spain, increased by $31.7 million during the year ended December 31, 2020, compared to 2019, primarily due to costs related to the acquisitions of solar PV and CSP facilities made in the fourth quarter of 2019 and first quarter of 2020.

Cost of operations for our Wind segment decreased by $29.6 million primarily due to a reduction in costs at North America wind plants driven by general decreases in operating costs such as repairs and maintenance and losses on disposal of major components of certain wind power plants following the substantial completion of our blade repair program that was initiated in 2019, and reduced O&M costs payable to our existing service provider at our North America fleet as a compensation to lower generation than a certain guaranteed amount per the long-term service agreement framework.

General and Administrative Expenses

Total general and administrative expenses, including those related to affiliates, decreased by $12.4 million for the year ended December 31, 2020, compared to 2019, primarily due to decreases in professional and Brookfield MSA fees due to the merger in July 2020.

Depreciation, Accretion and Amortization Expense

Depreciation, accretion and amortization expense increased by $89.5 million during the year ended December 31, 2020, compared to 2019. This increase was in relation to our growing portfolio of renewable energy facilities from acquisitions in Spain, as well as capital additions placed in service in 2019.

Interest Expense, Net

Interest expense, net for the years ended December 31, 2020 and 2019 was as follows:

	Year Ended December 31,		
(In thousands)	**2020**	**2019**	**Change**
Corporate-level	$ 105,190	$ 116,869	$ (11,679)
Project-level	220,378	181,273	39,105
Total interest expense, net	$ 325,568	$ 298,142	$ 27,426

Interest expense, net for the year ended December 31, 2020, increased by $27.4 million compared to 2019. Interest expense, net at our Corporate segment decreased by $11.7 million , primarily driven by decreased outstanding Corporate obligations following the refinancing activities that took place in the fourth quarter of 2019, which included the termination of our Senior Notes due 2025, the termination of our Term Loan, the repayment of our Revolver, and the issuance of our Senior Notes due 2030. Project-level interest expense, net increased by $39.1 million primarily due to acquisitions in Spain and increase in interest charges on borrowings due to refinancings in the U.S. and Spain in 2020.

Loss on Modification and Extinguishment of Debt, net

Loss on modification and extinguishment of debt, net includes prepayment penalties, the write-off of unamortized deferred financing costs and debt premiums or discounts, costs incurred in a debt modification that are not capitalized as deferred financing costs, other costs incurred in relation to debt extinguishment. We incurred a net loss on modification and extinguishment of debt of $3.6 million for the year ended December 31, 2020, compared to $27.0 million in 2019. The loss for the year ended December 31, 2020 related to the refinancing of the debt associated with a 218.0 MW utility-scale wind over plants located in the U.S. The loss for the year ended December 31, 2019 comprised of a $26.8 million loss on the extinguishment of corporate debt and a $0.2 million net loss on the modification and extinguishment of certain non-recourse project debt and financing lease obligations. See *Note 10. Long-term Debt* to our consolidated financial statements for additional details.

Gain on Sale of Renewable Energy Facilities

On December 20, 2019, we sold six distributed generation facilities in the United States, with a combined nameplate capacity of 6.0 MW, for a net consideration of $9.5 million. We recognized a net gain of $2.3 million representing the difference between the net proceeds from the sale and the net carrying amount of assets sold and liabilities extinguished, which was recorded in the consolidated statement of operations for the year ended December 31, 2019 within the Gain on sale of renewable energy facilities.

Gain on Foreign Currency Exchange, net

Gains and losses on foreign currency exchanges primarily include the transaction gains and losses and changes in fair value of our foreign exchange derivative contracts not accounted for under hedge accounting, and exchange differences on intercompany loans that are not of a long-term investment nature. We recognized a net gain on foreign currency exchange of $48.2 million for the year ended December 31, 2020, primarily due to primarily due to a total gain of $90.5 million on the remeasurement of intercompany loans, which are primarily denominated in Euros. During the second half of the year, the Euro strengthened compared to the U.S. dollar. The gain was partially offset by a $42.3 million net realized and unrealized loss on foreign currency derivative contracts. We recognized a net gain on foreign currency exchange of $12.7 million for the year ended December 31, 2019, primarily due to a total of $27.2 million net realized and unrealized gain on foreign currency derivative contracts that were partially offset by a loss of $14.5 million on the remeasurement of intercompany loans, which primarily denominated in Euro.

Other Income, net

We recognized $10.1 million of other income, net for the year ended December 31, 2020 compared to $2.0 million for the year ended December 31, 2019. The balance primarily consisted of reimbursements and recoveries received for damages and other losses.

Income Tax Expense

Income tax expense was $2.1 million for the year ended December 31, 2020 compared to $3.9 million for the year ended December 31, 2019. We are organized as a limited liability company ("LLC") for US tax purposes. Therefore, the overall effective tax rates were different than the statutory rates in the United States of 21% primarily due to U.S. losses allocated to the LLC members and where the tax benefits associated with the losses are not reflected in these financial statements. Therefore, there is no U.S. federal or state tax provision or liability for U.S. federal or state income taxes included in the Company's condensed and consolidated financial statements except for certain foreign entities that are subject to corporate tax in their respective tax jurisdictions.

Net Loss Attributable to Non-Controlling Interests

Net loss attributable to non-controlling interests, including redeemable non-controlling interests, was $27.1 million for the year ended December 31, 2020, and represents the portions of the profits and losses in consolidated entities that are not owned by us. Net loss attributable to non-controlling interests, including redeemable non-controlling interests, was $57.9 million for the year ended December 31, 2019. See *Note 15. Non-Controlling Interests* to our consolidated financial statements for additional details.

Non-GAAP Financial Measures

This Annual Report contains references to Adjusted Revenue and Adjusted EBITDA, which are supplemental Non-GAAP measures that should not be viewed as alternatives to GAAP measures of performance, including revenue, net income (loss) or operating income. Our definitions and calculation of these supplemental Non-GAAP measures may differ from definitions of Adjusted Revenue and Adjusted EBITDA or other similarly titled measures used by other companies. We believe that Adjusted Revenue and Adjusted EBITDA are useful supplemental measures that may assist stakeholders and others in assessing the financial performance of the Company. None of these Non-GAAP measures should be viewed as the sole measure of our performance, nor should they be considered in isolation from, or as a substitute for, analysis of our financial statements prepared in accordance with GAAP, which are available on our website at www.terraformpower.com. We encourage you to review, and evaluate the basis for, each of the adjustments made to arrive at Adjusted Revenue and Adjusted EBITDA.

Calculation of Non-GAAP Measures

We define Adjusted Revenue as operating revenues, net, adjusted for non-cash items, including (i) unrealized gain/loss on derivatives, net (ii) amortization of favorable and unfavorable rate revenue contracts, net, and (iii) other items that we believe are representative of our core business or future operating performance.

We define Adjusted EBITDA as net income (loss) plus (i) depreciation, accretion and amortization, (ii) interest expense, (iii) non-operating general and administrative costs, (iv) acquisition and related costs, (v) income tax (benefit) expense, (vi) management fees to Brookfield, and (vii) 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.

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 stakeholders as a measure of our financial and operating performance and debt service capabilities. We believe Adjusted EBITDA provides an additional tool to compare our performance across periods 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 impairment charges, gains and losses on derivatives and foreign currency swaps, acquisition related costs and items we believe are infrequent.

The adjustments made to Adjusted EBITDA 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's judgment, and the presentation of Adjusted EBITDA 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 Non-GAAP 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 they allow 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 reconciles our Net income (loss) to Adjusted EBITDA for the three and twelve months ended December 31, 2020, and 2019:

	Three Months Ended December 31, 2020				
(In thousands)	Solar	Wind	Regulated Solar and Wind	Corporate	Total
Net income (loss)	$ (3,209)	$ 21,401	$ (21,991)	$ (2,281)	$ (6,080)
Net loss attributable to redeemable and non-redeemable non-controlling interests	1,668	6,315	—	—	7,983
Net loss attributable to member's equity	(1,541)	27,716	(21,991)	(2,281)	1,903
Depreciation, accretion and amortization expense[1]	40,106	39,654	70,325	393	150,478
Interest expense, net	20,234	8,545	23,946	25,508	78,233
Non-operating general and administrative expenses[2]	95	(536)	—	(17,635)	(18,076)
Stock-based compensation expense	—	—	—	356	356
Acquisition costs, including affiliate	—	—	(18)	(22)	(40)
Income tax expense (benefit)	713	705	(1,689)	—	(271)
Other non-cash or non-operating items[4]	1,438	(6,064)	355	(12,151)	(16,422)
Adjusted EBITDA	$ 61,045	$ 70,020	$ 70,928	$ (5,832)	$ 196,161

	Three Months Ended December 31, 2019				
(In thousands)	Solar	Wind	Regulated Solar and Wind	Corporate	Total
Net income (loss)	$ 13,157	$ (30,201)	$ 17,251	$ (73,820)	$ (73,613)
Net loss attributable to redeemable and non-redeemable non-controlling interests	(18,136)	8,373	—	—	(9,763)
Net loss attributable to member's equity	(4,979)	(21,828)	17,251	(73,820)	(83,376)
Depreciation, accretion and amortization expense[1]	37,141	52,897	35,258	365	125,661
Interest expense, net	21,748	12,932	(10,812)	27,553	51,421
Non-operating general and administrative expenses[2]	—	—	—	9,346	9,346
Stock-based compensation expense	—	—	—	25	25
Loss on extinguishment of debt	46	—	3,969	27,126	31,141
Acquisition costs, including affiliate	—	—	920	2,313	3,233
Income tax expense (benefit)	776	(637)	773	(56)	856
Management Fee[3]	—	—	—	8,556	8,556
Other non-cash or non-operating items[4]	10,127	22,856	(361)	(8,239)	24,383
Adjusted EBITDA	$ 64,859	$ 66,220	$ 46,998	$ (6,831)	$ 171,246

(In thousands)	Twelve Months Ended December 31, 2020				
	Solar	Wind	Regulated Solar and Wind	Corporate	Total
Net income (loss)	$ 67,173	$ 10,161	$ 12,294	$ (127,230)	$ (37,602)
Net loss attributable to redeemable and non-redeemable non-controlling interests	(4,035)	(23,042)	—	—	(27,077)
Net loss attributable to member's equity	63,138	(12,881)	12,294	(127,230)	(64,679)
Depreciation, accretion and amortization expense[1]	154,390	203,920	210,598	1,416	570,324
Interest expense, net	82,202	52,207	85,969	105,190	325,568
Non-operating general and administrative expenses[2]	1,969	1,516	—	21,413	24,898
Stock-based compensation expense	—	—	—	1,342	1,342
Loss on extinguishment and modification of debt	—	3,593	—	—	3,593
Acquisition costs, including affiliate	—	—	—	1,203	1,203
Income tax expense (benefit)	1,847	344	(52)	—	2,139
Management Fee[3]	—	—	—	23,319	23,319
Other non-cash or non-operating items[4]	7,619	(2,032)	3,910	(50,107)	(40,610)
Adjusted EBITDA	$ 311,165	$ 246,667	$ 312,719	$ (23,454)	$ 847,097

(In thousands)	Twelve Months Ended December 31, 2019				
	Solar	Wind	Regulated Solar and Wind	Corporate	Total
Net income (loss)	$ 103,560	$ (66,560)	$ 49,893	$ (227,565)	$ (140,672)
Net loss attributable to redeemable and non-redeemable non-controlling interests	(34,883)	(23,018)	—	—	(57,901)
Net loss attributable to member's equity	68,677	(89,578)	49,893	(227,565)	(198,573)
Depreciation, accretion and amortization expense[1]	127,301	222,373	138,213	1,491	489,378
Interest expense, net	68,441	58,105	54,727	116,869	298,142
Non-operating general and administrative expenses[2]	1,645	1,998	—	31,951	35,594
Stock-based compensation expense	—	—	—	493	493
Gain on extinguishment and modification of debt	(4,142)	—	3,969	27,126	26,953
Acquisition costs, including affiliate	—	—	920	3,751	4,671
Income tax expense	2,309	193	1,326	58	3,886
Management Fee[3]	—	—	—	26,830	26,830
Other non-cash or non-operating items[4]	9,927	40,287	664	(8,460)	42,418
Adjusted EBITDA	$ 274,158	$ 233,378	$ 249,712	$ (27,456)	$ 729,792

(1) 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, and losses on disposal of renewable energy facilities.

(2) Includes non-operating items and other items incurred directly by the Company that we do not consider indicative of our core business operations are treated as an addback in the reconciliation of net loss to Adjusted EBITDA. These items include, but are not limited to, non-recurring costs and expenses related primarily to IT system arrangements, relocation of the headquarters to New York, and legal, third party diligence, contractor fees and advisory fees associated with acquisitions, dispositions, financings, and other non-recurring activities.
(3) Represents management fee that is not included in Direct operating costs.
(4) Represents other non-cash or non-operating items and certain other items that we believe are not representative of our core business or future operating performance, including but not limited to: loss/(gain) on foreign exchange ("FX"), unrealized loss on commodity contracts, and one-time blade repairs related to the preparation for GE transition.

The following table reconciles our Operating revenues, net to Adjusted EBITDA for the three and twelve months ended December 31, 2020, and 2019:

	Three Months Ended December 31, 2020				
(In thousands)	**Solar**	**Wind**	**Regulated Solar and Wind**	**Corporate**	**Total**
Operating revenues, net	$ 74,002	$ 112,897	$ 111,697	$ —	$ 298,596
Unrealized loss on commodity contract derivatives, net[1]	—	(7,208)	—	—	(7,208)
Amortization of favorable and unfavorable rate revenue contracts, net[2]	1,598	8,088	—	—	9,686
Adjusted Revenue	75,600	113,777	111,697	—	301,074
Direct operating costs	(14,555)	(43,757)	(40,769)	(8,194)	(107,275)
Settled FX gain	—	—	—	2,362	2,362
Adjusted EBITDA	$ 61,045	$ 70,020	$ 70,928	$ (5,832)	$ 196,161

	Three Months Ended December 31, 2019				
(In thousands)	**Solar**	**Wind**	**Regulated Solar and Wind**	**Corporate**	**Total**
Operating revenues, net	$ 74,840	$ 62,156	$ 69,738	$ —	$ 206,734
Unrealized gain on commodity contract derivatives, net[1]	—	17,876	—	—	17,876
Amortization of favorable and unfavorable rate revenue contracts, net[2]	3,520	7,775	—	—	11,295
Other items[3]	589	—	—	—	589
Adjusted Revenue	78,949	87,807	69,738	—	236,494
Direct operating costs	(14,090)	(21,587)	(22,740)	(8,574)	(66,991)
Settled FX gain	—	—	—	1,743	1,743
Adjusted EBITDA	$ 64,859	$ 66,220	$ 46,998	$ (6,831)	$ 171,246

(In thousands)	Twelve Months Ended December 31, 2020 Solar	Wind	Regulated Solar and Wind	Corporate	Total
Operating revenues, net	$ 363,949	$ 315,306	$ 439,602	$ —	$ 1,118,857
Unrealized loss on commodity contract derivatives, net[1]	—	(862)	—	—	(862)
Amortization of favorable and unfavorable rate revenue contracts, net[2]	7,216	32,115	—	—	39,331
Adjusted Revenue	371,165	346,559	439,602	—	1,157,326
Direct operating costs	(60,000)	(99,892)	(126,883)	(32,372)	(319,147)
Settled FX gain	—	—	—	8,918	8,918
Adjusted EBITDA	$ 311,165	$ 246,667	$ 312,719	$ (23,454)	$ 847,097

(In thousands)	Twelve Months Ended December 31, 2019 Solar	Wind	Regulated Solar and Wind	Corporate	Total
Operating revenues, net	$ 316,433	$ 286,138	$ 338,669	$ —	$ 941,240
Unrealized gain on commodity contract derivatives, net[1]	—	14,036	—	—	14,036
Amortization of favorable and unfavorable rate revenue contracts, net[2]	8,850	31,090	—	—	39,940
Other items[3]	1,705	—	—	—	1,705
Adjusted Revenue	326,988	331,264	338,669	—	996,921
Direct operating costs	(52,830)	(97,886)	(88,957)	(34,084)	(273,757)
Settled FX gain	—	—	—	6,628	6,628
Adjusted EBITDA	$ 274,158	$ 233,378	$ 249,712	$ (27,456)	$ 729,792

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(1) Represents unrealized (gain)/loss on commodity contracts associated with energy derivative contracts that are accounted for at fair value with the changes 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.

(2) Represents net amortization of purchase accounting related to intangibles arising from past business combinations related to favorable and unfavorable rate revenue contracts.

(3) Primarily represents insurance compensation for revenue losses, transmission capacity revenue, and adjustments for solar renewable energy certificate (“SREC”) recognition and other income due to timing.

Liquidity and Capital Resources

Capitalization

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

The following table summarizes the total capitalization and debt to capitalization percentage as of December 31, 2020 and 2019:

	As of December 31,	
(In thousands)	**2020**	**2019**
Senior Notes[1, 2]	1,900,000	1,900,000
Non-recourse long-term debt, including current portion[3]	4,998,689	4,388,469
Long-term indebtedness, including current portion[4]	6,898,689	6,288,469
Total member's equity and redeemable non-controlling interests	2,489,033	2,638,804
Total capitalization	$ 9,387,722	$ 8,927,273
Debt to total capitalization	73 %	70 %

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(1) Represents our Senior Notes due 2023, Senior Notes due 2028 and Senior Notes due 2030.

(2) On October 16, 2019, Terra Operating issued $700.0 million of 4.75% senior notes due on January 15, 2030 at an offering price of 100% of the principal amount. The proceeds from these notes were used to redeem, in full, our existing Senior Notes due 2025 and Term Loan. See the *Financing Activities* section below for discussion regarding 2019 and 2020 activity.

(3) Represents asset-specific, non-recourse borrowings and financing lease obligations secured against the assets of certain project companies.

(4) Represents the total principal due for long-term debt and financing lease obligations, including the current portion, which excludes $55.0 million and $53.1 million of net unamortized debt premiums, discounts and deferred financing costs as of December 31, 2020 and 2019, respectively.

Liquidity Position

We believe we operate with sufficient liquidity to enable us to fund near-term growth initiatives, capital expenditures and withstand sudden adverse changes in economic circumstances or short-term fluctuations in resources. The principal sources of funding are cash flows from operations, revolving credit facilities, unused debt capacity at our projects, non-core asset sales and proceeds from the issuance of debt or equity securities through public markets. We actively refinance our non-recourse debt across our portfolio to extend our maturity profile and benefit from any decline in interest rates.

As of December 31, 2020, our current liabilities exceeded our current assets by $264.3 million. We do not believe this deficit in working capital has an adverse impact on our cash flows, liquidity or operations since our current liabilities include $154.0 million of long-term non-recourse debt classified as current due to defaults that existed at December 31, 2020. We believe there is a reasonable likelihood that we will be, in due course, able to successfully negotiate waivers with the lenders and/or cure the existing defaults. We do not expect any of our financing agreements to be accelerated and we were not notified by any of our lenders to elect to enforce project security interests. See *Note 10. Long-term Debt* to our consolidated financial statements for additional details.

The Company has sufficient liquidity in event of adverse legal opinion to distribute funds to its parent to meet its legal obligations. See Note 17. Commitments and Contingencies to our consolidated financial statements for additional details.

The following table summarizes corporate liquidity and available capital as of December 31, 2020 and 2019:

(In thousands)	As of December 31, 2020	2019
Unrestricted corporate cash	$ 74,588	$ 54,419
Project-level distributable cash	31,014	44,556
Cash available to corporate	105,602	98,975
Credit facilities:		
Committed revolving credit facility	800,000	800,000
Revolving line of credit commitments	(124,904)	(115,549)
Undrawn portion of Sponsor Line[1]	—	500,000
Available portion of credit facilities	675,096	1,184,451
Corporate liquidity	780,698	1,283,426
Other project-level unrestricted cash	173,714	138,505
Project-level restricted cash	103,824	112,020
Available capital	$ 1,058,236	$ 1,533,951

(1) Represents a $500.0 million secured revolving credit facility (the "Sponsor Line") with Brookfield and one of its affiliates that may only be used to fund all or a portion of certain funded acquisitions or growth capital expenditures. On July 31, 2020, the Sponsor Line was terminated upon the completion of the Merger Transactions as discussed in *Note 18. Related Parties* to our consolidated financial statements.

Financing Activities

See *Note 10. Long-term Debt* to our consolidated financial statements for further discussion.

Debt Service Obligations

We remain focused on refinancing near-term facilities on acceptable terms and maintaining a manageable maturity ladder. We do not anticipate material issues in addressing our borrowings through 2021 on acceptable terms and will do so opportunistically based on the prevailing interest rate environment.

The aggregate contractual principal payments of long-term debt due after December 31, 2020, including financing lease obligations and excluding amortization of debt discounts, premiums and deferred financing costs, as stated in the financing agreements, are as follows:

(In thousands)	2021	2022	2023	2024	2025	Thereafter	Total
Maturities of long-term debt[1]	$429,435	$370,219	$989,089	$364,371	$ 369,381	$4,376,194	$ 6,898,689

(1) Represents the contractual principal payment due dates for our long-term debt, including our financing lease obligations, and does not reflect the reclassification of $154.0 million of long-term debt to current as a result of debt defaults under certain of our non-recourse financing arrangements (see *Note 10. Long-term Debt* to our consolidated financial statements for further discussion).

Cash Flow Discussion

We use traditional measures of cash flow, including net cash flows from operating activities, investing activities and financing activities for the evaluation of our periodic cash flow results.

Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

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

(In thousands)	Year Ended December 31, 2020	2019	Change
Net cash provided by operating activities	328,303	$ 309,844	$ 18,459
Net cash used in investing activities	(106,455)	(774,633)	$ 668,178
Net cash (used in) provided by financing activities	(199,554)	425,412	$ (624,966)

Net Cash Provided by Operating Activities

Net cash provided by operating activities for the year ended December 31, 2020, was $328.3 million as compared to $309.8 million for the same period in the prior year. The increase in operating cash flow of $18.5 million was primarily driven by (i) $67.6 million net decrease due to the timing of sales and collections from customers and payment of vendors, (ii) payments to terminate interest swaps of $81.2 million, (iii) $0.8 million increase in interest payments and (iv) $3.8 million increase in income tax payments. This was partially offset by a $164.8 million increase in operating revenues for the period (excluding losses on commodity derivative contracts, recognition of deferred revenue and amortization of favorable and unfavorable rate revenue contracts, net) and (ii) total operating costs (excluding non-cash items) decreasing by $7.1 million for the year ended December 31, 2020 compared to 2019,.

Net Cash Used in Investing Activities

Net cash used in investing activities for the year ended December 31, 2020, was $106.5 million, which consisted of $78.5 million in payments to acquire two concentrated solar power facilities (Termosol 1 & 2), net of cash acquired and $68.4 million for capital expenditures. These payments were partially offset by (i) $35.1 million in proceeds from the settlement of foreign currency contracts used to hedge the exposure associated with foreign subsidiaries, (ii) $3.2 million in proceeds from other investing activities , (iii) $1.7 million in proceeds from insurance reimbursement and (iv) $0.5 million in proceeds received from a government rebate for certain costs previously incurred for capital expenditures.

Net cash used in investing activities for the year ended December 31, 2019, was $774.6 million, which consisted of (i) $731.8 million payments to acquire approximately 320 MW portfolio of distributed generation facilities in the U.S. from subsidiaries of AltaGas, and 45 MW solar PV facilities in Spain from subsidiaries of X-Elio Energy, net of cash and restricted cash acquired, (ii) $73.7 million payments to acquire renewable energy facilities from third parties in the U.S., net of cash and restricted cash acquired and (iii) $21.2 million payments for capital expenditures. These payments were partially offset by (i) $29.8 million net proceeds from the settlement of foreign currency contracts used to hedge the exposure associated with foreign subsidiaries, (ii) $5.1 million proceeds received from a government rebate for certain costs previously incurred for capital expenditures, (iii) $10.8 million net proceeds from the sale of renewable energy facilities in the U.S., and (iv) approximately $6.2 million received from other investing activities.

Net Cash (Used In) Provided by Financing Activities

Net cash used in financing activities for the year ended December 31, 2020 was $199.6 million, which consisted of (i) $474.5 million repayment of the bridge facility, (ii) $282.9 million principal payments on non-recourse debt, (iii) $315.5 million payments of cash distributions to our equity owners, (iv) $19.5 million of payments for deferred financing fees and (v) other financing activities of $0.9 million. This was partially offset by (i) $687.5 million in proceeds from non-recourse debt financing net of deferred financing fees and (ii) $206.3 million in net proceeds from non-controlling interests.

Net cash provided by financing activities for the year ended December 31, 2019 was $425.4 million, which consisted of (i) $298.8 million net proceeds received from public offering and private placement of our Common Stock, (ii) $53.5 million net proceeds from the refinancing of our corporate debt, and (iii) $1,267.2 million net proceeds from borrowings of non-recourse debt. These proceeds were partially offset by (i) $179.9 million distributions to our equity owners, (ii) $377.0 million net repayments on our Revolver, (iii) $557.1 million principal payments on our non-recourse debt, (iv) $56.0 million payment for financing fees and termination costs, (v) $24.2 million net payments to non-controlling interests.

Contractual Obligations and Commercial Commitments

We have a variety of contractual obligations and other commercial commitments that represent prospective cash requirements. The following table summarizes our outstanding contractual obligations and commercial commitments as of December 31, 2020:

Contractual Cash Obligations (in thousands)	Payment due by Period						
	2021[2]	2022	2023	2024	2025	Thereafter	Total
Long-term debt (principal)[1]	$ 425,831	$ 365,152	$ 985,790	$ 361,255	$ 364,070	$4,333,924	$ 6,836,022
Long-term debt (interest)[2]	286,995	269,689	239,520	212,403	195,791	795,121	1,999,519
Financing lease obligations[1]	3,604	5,067	3,299	3,116	5,311	42,270	62,667
Operating leases	24,635	24,826	24,976	24,979	24,894	326,751	451,061
Purchase obligations[3]	48,543	45,171	46,071	45,895	47,452	199,491	432,623
Energy tracking accounts, net	2,683	2,528	2,714	2,914	3,129	32,388	46,356
Other	2,050	2,018	364	230	279	10,608	15,549
Total contractual obligations	$ 794,341	$ 714,451	$1,302,734	$ 650,792	$ 640,926	$5,740,553	$ 9,843,797

(1) Represents the contractual principal payment due dates for our long-term debt and does not reflect the reclassification of $154.0 million of non-current debt to current as a result of debt defaults under certain of our non-recourse financing arrangements (see *Note 10. Long-term Debt* to our consolidated financial statements for further discussion).

(2) Includes fixed rate interest and variable rate interest using December 31, 2020 rates.

(3) Consists of contractual payments due for third party O&M and asset management services.

Off-Balance Sheet Arrangements

We enter into guarantee arrangements in the normal course of business to facilitate commercial transactions with third parties. See *Note 17. Commitments and Contingencies* to our consolidated financial statements included in this Annual Report for additional discussion.

Critical Accounting Policies and Estimates, and Recently Issued Accounting Standards

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

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

Interest Rate Risk

As of December 31, 2020, the estimated fair value of our debt was $7,803.4 million and the carrying value of our debt was $6,843.7 million.

As of December 31, 2020, our non-recourse permanent financing debt was at both fixed and variable rates. Approximately 49% of the $4,936.0 million balance had a fixed interest rate and the remaining 51% of the balance had a variable interest rate. We have entered into interest rate derivatives to swap the majority of our variable rate non-recourse debt to a fixed rate. Although we intend to use hedging strategies to mitigate our exposure to interest rate fluctuations, we may not hedge all of our interest rate risk and, to the extent we enter into interest rate hedges, our hedges may not necessarily have the same duration as the associated indebtedness. Our exposure to interest rate fluctuations will depend on the amount of indebtedness that bears interest at variable rates, the time at which the interest rate is adjusted, the amount of the adjustment, our ability to prepay or refinance variable rate indebtedness when fixed rate debt matures and needs to be refinanced and hedging strategies we may use to reduce the impact of any increases in rates. We estimate that a hypothetical 100 bps, or 1%,

increase or decrease in our variable interest rates pertaining to interest rate swaps not designated as hedges would have increased or decreased our earnings by $55.9 million or $58.3 million, respectively, for the year ended December 31, 2020.

Foreign Currency Risk

During the year ended December 31, 2020, we generated operating revenues in the U.S. (including Puerto Rico), Canada, Spain, Portugal, the United Kingdom, Chile and Uruguay, with our revenues being denominated in U.S. dollars, Euro, Canadian dollars and British pounds. The PPAs, O&M agreements, financing arrangements and other contractual arrangements relating to our current portfolio are generally denominated in the same currencies.

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

We use foreign currency forward and option contracts to hedge portions of our net investment positions in certain subsidiaries with Euro and Canadian dollar functional currencies and to manage our overall foreign exchange risk. For instruments that are designated and qualify as hedges of net investments in foreign operations, the effective portion of the net gains or losses attributable to changes in exchange rates are recorded in foreign currency translation adjustments in accumulated other comprehensive income ("AOCI"). Recognition in earnings of amounts previously recorded in AOCI is limited to circumstances such as complete or substantial liquidation of the net investment in the hedged foreign operation. The change in fair value of derivative contracts intended to serve as economic hedges that are not designated as hedging instruments is reported as a component of earnings in the consolidated statements of operations. The objective of these practices is to minimize the impact of foreign currency fluctuations on our operating results. We estimate that a hypothetical 50 bps, or 0.5%, increase or decrease in Euros would have decreased or increased our earnings by $56.2 million or $54.1 million, respectively, for the year ended December 31, 2020. Cash flows from derivative instruments designated as net investment hedges and non-designated derivatives used to manage foreign currency risks associated with intercompany loans are classified as investing activities in the consolidated statements of cash flows. Cash flows from all other derivative instruments are classified as operating activities in the consolidated statements of cash flows.

Commodity Risk

For certain of our wind power plants, we may use long-term cash-settled swap agreements to economically hedge commodity price variability inherent in wind electricity sales arrangements. If we sell electricity generated by our wind power plants to an independent system operator market and there is no PPA available, then we may enter into a commodity swap to hedge all or a portion of the estimated revenue stream. These price swap agreements require periodic settlements, in which we receive a fixed-price based on specified quantities of electricity and we pay the counterparty a variable market price based on the same specified quantity of electricity. We estimate that a hypothetical 5% increase or decrease in electricity sales prices pertaining to commodity swaps not designated as hedges would have decreased or increased our earnings by $4.5 million or $4.8 million for the year ended December 31, 2020, respectively.

Liquidity Risk

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

Concentration of Credit Risk

Our financial assets are typically subject to concentrations of credit risk and primarily consist of cash and cash equivalents, accounts receivable and derivative assets. Credit losses refer to the financial losses resulting from non-performance or non-payment by counterparties under the contractual obligations they are bound by.

We are subject to concentrations of credit risk related to the cash and cash equivalents that may exceed the insurable limits in the related jurisdictions. The maximum exposure to loss due to credit risk would generally equal the stated value of

cash and cash equivalents. We place our cash and cash equivalents with creditworthy financial institutions and, historically, did not experience any losses with regards to balances in excess of insured limits or as a result of other concentrations of credit risk.

We serve hundreds of customers in three continents, and, in the U.S., our customers are spread across various states resulting in the diversification of its customer base. Furthermore, a significant portion of our operating revenues are contracted through long term PPAs with offtake counterparties that are government-backed entities and public utility companies that, on average had an investment grade credit rating. During the year ended December 31, 2020, we earned $439.6 million from the Spanish Electricity System of which $270.6 million billed through the CNMC and represented 40% of our net consolidated operating revenues. The CNMC is the state-owned regulator of the Spanish Electricity System who collects the funds payable, mainly from the tariffs to end user customers, and is responsible for the calculation and the settlement of regulated payments. We believe that this concentration of risk is mitigated by, among other things, the indirect support of the Spanish government for the CNMC's obligations and, in general, by the regulated rate system in Spain.

Our derivative instruments also expose us to credit risk to the extent counterparties may be unable to meet the terms of the contractual arrangements. Our maximum exposure to loss due to credit risk if counterparties fail completely to perform according to the terms of the contracts. We seek to mitigate such risk by transacting with a group of creditworthy financial institutions and through the use of master netting arrangements.

See *Note 19. Concentration of Credit Risk* to our consolidated financial statements for additional details.

Risks and Uncertainties About the COVID-19 Pandemic

We continue to monitor and evaluate the global COVID-19 pandemic and are taking steps to mitigate the known risks it poses on our business. In virtually every jurisdiction in which we operate, significant restrictions have been imposed on non-essential business activity. Our business, as a producer of energy and a provider of critical infrastructure services, is typically exempt from these types of restrictions, and as a result we are generally permitted to continue our ordinary course of operations. In addition, we have taken steps to ensure that our employees and contractors are safe, including the closures of our New York City headquarters and Gatineau offices during 2020 and implementing a business continuity plan to ensure our employees are best able to meet our business needs while working remotely.

While the full impact on our business is unknown and difficult to predict, we believe the Company is well positioned to manage the known risks arising from the COVID-19 pandemic. Approximately 95% of our revenue is earned pursuant to long term power purchase agreements ("PPAs"), and over 90% of our customers have either an investment grade credit rating or are municipalities with investment grade characteristics. In our Regulated Solar and Wind operating segments in Spain, reduced demand for energy resulting from the economic slowdown has resulted in lower market prices for power; however, this decrease should be offset by regulatory revenues that adjust market rates to ensure renewable energy generators achieve a long-term reasonable rate of return.

There are a number of factors that we believe may mitigate our exposure to loss and disruption caused by the pandemic. We believe our business is relatively less labor intensive than many other industries, meaning it can function with relatively little person-to-person interaction. Also, since our assets are predominantly operational, our exposure to potential supply chain disruptions is smaller than businesses that are more focused on construction and development. We are also working proactively with our operations and maintenance ("O&M") providers to mitigate the impact of the pandemic on our operations by ensuring that they have appropriate business continuity plans in place in order to safeguard the health of our employees and contractors as well as ensure that our wind and solar plants continue to generate power and operate normally.

However, the future impact of the pandemic is uncertain. For example, a portion of the offtakers in our distributed generation business are commercial retailers and other businesses who are more exposed to economic stress caused by the pandemic than we are and if some or all of these offtakers restructure or liquidate their businesses, our cash flows from these projects might be put at risk, which could have an adverse impact on our business, results of operations, financial condition and/or cash flows. A prolonged disruption caused by the pandemic could also limit the availability of certain parts required to operate our facilities and adversely impact the ability of our O&M contractors and other service providers to service our equipment, which may result in operational delays and underperformance. It could also adversely impact our efforts to repower certain facilities, causing important construction milestones to be missed. Remote working for a prolonged period of time could mean that the Company faces challenges ensuring that its employees are able to meet the Company's business needs, which could cause significant disruptions to our business operations, particularly in the regions that have been severely impacted by the pandemic. While most of our portfolio is contracted over the long term, a prolonged decline in demand for electricity could adversely impact our prospects and results of operations.

We believe that we operate with sufficient liquidity to enable us to fund near-term cash distributions, growth initiatives, capital expenditures and withstand sudden adverse changes in economic circumstances or short-term fluctuations in resources. While we believe the Company is well-positioned to weather the pandemic, the situation remains fluid and difficult to predict. We continue to monitor the situation to ensure any business interruption or other risk is proactively addressed.

Environmental, Societal and Governance

Our Principles

We follow the below Environmental, Societal and Governance ("ESG") principles and seek to manage our operating assets with integrity, balancing economic goals with good corporate citizenship:

- Ensure the well-being and safety of employees
- Be good stewards in the communities in which we operate
- Mitigate the impact of our operations on the environment
- Conduct business according to the highest ethical and legal/regulatory standards

GHG Emissions

In 2020, our total estimated scope 1 GHG emissions were 29,912 tonnes of CO_2 and our total estimated scope 2 GHG emissions were 9,133 tonnes of CO_2.

Through our operating portfolio, our power generation avoids 5.3 million tonnes of CO_2.

Item 4. Financial Statements and Supplementary Data.

The financial statements and schedules are listed in *Item 7. Financial Statements* of this Annual Report and are incorporated by reference herein.

Item 5. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 6. Other Information.

None.

Item 7. Financial Statements.

The following documents are filed as a part of this report.

Financial Statements:

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Report of Independent Auditors

To the Board of TerraForm Power Operating, LLC

We have audited the accompanying consolidated financial statements of TerraForm Power Operating, LLC and subsidiaries, which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of operations, comprehensive loss, member's equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of TerraForm Power Operating, LLC and subsidiaries at December 31, 2020 and 2019, and the consolidated results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

New York, New York
March 22, 2021

A member firm of Ernst & Young Global Limited

TERRAFORM POWER OPERATING, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands)

	Year Ended December 31,	
	2020	**2019**
Operating revenues, net	$ 1,118,857	$ 941,240
Operating costs and expenses:		
Cost of operations	285,525	279,896
General and administrative expenses	75,417	84,814
General and administrative expenses - affiliate	25,941	28,990
Depreciation, accretion and amortization expense	523,589	434,110
Total operating costs and expenses	910,472	827,810
Operating income	208,385	113,430
Other expenses (income):		
Interest expense, net	325,568	298,142
Loss on modification and extinguishment of debt, net	3,593	26,953
Gain on foreign currency exchange, net	(48,159)	(12,726)
Gain on sale of renewable energy facilities	—	(2,252)
Other income, net	(10,077)	(2,000)
Total other expenses, net	270,925	308,117
Loss before income tax (benefit) expense	(62,540)	(194,687)
Income tax expense	2,139	3,886
Net loss	$ (64,679)	$ (198,573)
Less: Net loss attributable to redeemable non-controlling interests	(21)	(11,983)
Less: Net loss attributable to non-controlling interests	(27,056)	(45,918)
Net loss attributable to member's equity	$ (37,602)	$ (140,672)

TERRAFORM POWER OPERATING, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In thousands)

	Year Ended December 31,	
	2020	**2019**
Net loss	$ (64,679)	$ (198,573)
Other comprehensive (loss) income, net of tax:		
Foreign currency translation adjustments:		
Net unrealized gain arising during the period	42,841	15,650
Hedging activities:		
Net unrealized loss arising during the period	(28,392)	(42,230)
Reclassification of net realized loss into earnings	(540)	(2,575)
Other comprehensive income (loss), net of tax	13,909	(29,155)
Total comprehensive loss	(50,770)	(227,728)
Less comprehensive (loss) income attributable to non-controlling interests:		
Net loss income attributable to redeemable non-controlling interests	(21)	(11,983)
Net loss attributable to non-controlling interests	(27,056)	(45,918)
Hedging activities	6,749	(624)
Comprehensive loss attributable to non-controlling interests	(20,328)	(58,525)
Comprehensive loss attributable to member's equity	$ (30,442)	$ (169,203)

TERRAFORM POWER OPERATING, LLC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands)

	As of December 31,	
	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	$ 279,316	$ 237,480
Restricted cash	38,103	35,657
Accounts receivable, net	183,022	167,865
Due from affiliates	489	499
Prepaid expenses	12,959	13,514
Derivative assets, current	6,432	15,819
Deposit on acquisitions	2,648	24,831
Other current assets	48,776	57,682
Total current assets	571,745	553,347
Renewable energy facilities, net	7,807,550	7,405,461
Intangible assets, net	1,890,166	1,793,292
Goodwill	185,845	127,952
Restricted cash	65,721	76,363
Derivative assets	61,493	57,717
Other assets	41,575	44,504
Total assets	$ 10,624,095	$ 10,058,636
Liabilities, Redeemable Non-controlling Interests and Member's Equity		
Current liabilities:		
Current portion of long-term debt and financing lease obligations	$ 584,234	$ 441,951
Accounts payable, accrued expenses and other current liabilities	174,625	178,796
Due to affiliates	2,379	11,510
Derivative liabilities, current	74,828	33,969
Total current liabilities	836,066	666,226
Long-term debt and financing lease obligations, less current portion	6,259,455	5,793,431
Operating lease obligations, less current portion	293,559	272,894
Asset retirement obligations	324,196	287,288
Derivative liabilities	167,796	101,394
Deferred income taxes	179,265	186,527
Other liabilities	74,725	112,072
Total liabilities	$ 8,135,062	$ 7,419,832
Redeemable non-controlling interests	7,931	22,884
Member's equity:		
Member's equity	1,577,528	1,979,575
Accumulated other comprehensive income	38,954	31,794
Non-controlling interests	864,620	604,551
Total member's equity	2,481,102	2,615,920
Total liabilities, redeemable non-controlling interests and member's equity	$ 10,624,095	$ 10,058,636

TERRAFORM POWER OPERATING, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF MEMBER'S EQUITY
(In thousands)

	Member's Equity	Accumulated Other Comprehensive Income	Non-controlling Interests	Total
Balance as of December 31, 2018	$ 2,007,130	$ 60,325	$ 667,468	$ 2,734,923
Stock-based compensation	390	—	—	390
Net loss	(140,672)	—	(45,918)	(186,590)
Cash Contributions	298,768	—	—	298,768
Capital Distributions	(179,856)	—	—	(179,856)
Deemed Distributions	(63)	—	—	(63)
Other comprehensive loss	—	(28,531)	(624)	(29,155)
Contributions from non-controlling interests	—	—	6,356	6,356
Distributions to non-controlling interests	—	—	(25,366)	(25,366)
Purchase of non-controlling interests	(687)	—	(393)	(1,080)
Non-cash redemption of redeemable non-controlling interests	(7,345)	—	—	(7,345)
Purchase of redeemable non-controlling interests	1,910	—	—	1,910
Non-controlling interests acquired in business combination	—	—	3,028	3,028
Balance as of December 31, 2019	$ 1,979,575	$ 31,794	$ 604,551	$ 2,615,920
Stock-based compensation	994	—	—	994
Net loss	(37,602)	—	(27,056)	(64,658)
Cash Distributions	(315,512)	—	—	(315,512)
Deemed Distributions	(116)	—	—	(116)
Other comprehensive income	—	7,160	6,749	13,909
Contributions from non-controlling interests	—	—	23,422	23,422
Distributions to non-controlling interests	—	—	(46,618)	(46,618)
Purchase of redeemable non-controlling interests	12,952	—	—	12,952
Purchase of non-controlling interests	563	—	(2,642)	(2,079)
Sale of non-controlling interests	(59,837)	—	303,013	243,176
Other	(3,489)	—	3,201	(288)
Balance as of December 31, 2020	$ 1,577,528	$ 38,954	$ 864,620	$ 2,481,102

TERRAFORM POWER OPERATING, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31,	
	2020	**2019**
Cash flows from operating activities:		
Net loss	$ (64,679)	$ (198,573)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation, accretion and amortization expense	523,589	434,110
Amortization of favorable and unfavorable rate revenue contracts, net	39,330	39,940
Loss on modification and extinguishment of debt, net	3,593	26,953
Gain on sale of renewable energy facilities	—	(2,252)
Loss on disposal of renewable energy facilities	8,115	15,483
Amortization of deferred financing costs, debt discounts, and premiums	17,777	14,224
Unrealized gain on interest rate swaps	(14,649)	(4,658)
(Reductions) charges to allowance for credit loss, net	2,545	(4,239)
Unrealized loss on commodity contract derivatives, net	(862)	14,036
Recognition of deferred revenue	(748)	(3,457)
Stock-based compensation expense	1,342	492
Gain on foreign currency exchange, net	(39,172)	(11,480)
Deferred taxes	(341)	(1,029)
Other, net	(177)	231
Changes in assets and liabilities, excluding the effect of acquisitions and divestitures:		
Accounts receivable	20,650	(8,310)
Prepaid expenses and other current assets	7,271	975
Accounts payable, accrued expenses and other current liabilities	(33,191)	(17,000)
Due to affiliates, net	(9,051)	4,215
Other, net	(33,240)	28,783
Payments to terminate interest rate swaps	(99,799)	(18,600)
Net cash provided by operating activities	328,303	309,844
Cash flows from investing activities:		
Capital expenditures	(68,382)	(21,184)
Proceeds from the settlement of foreign currency contracts, net	35,069	29,806
Proceeds from divestiture of renewable energy facilities, net of cash and restricted cash disposed	—	10,848
Proceeds from energy rebate and reimbursable interconnection costs	462	5,117
Payments to acquire businesses, net of cash and restricted cash acquired	(78,535)	(731,782)
Payments to acquire renewable energy facilities from third parties, net of cash and restricted cash acquired	—	(73,682)
Proceeds from insurance reimbursement	1,686	—
Other investing activities	3,245	6,244
Net cash (used in) provided by investing activities	(106,455)	(774,633)
Cash flows from financing activities:		

TERRAFORM POWER OPERATING, LLC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(CONTINUED)

	Year Ended December 31,	
	2020	**2019**
Proceeds from the Senior Notes due 2030	—	700,000
Repayment of Senior Notes due 2025	—	(300,000)
Revolver draws	321,000	492,500
Revolver repayments	(321,000)	(869,500)
Termination of the Term Loan	—	(343,875)
Term Loan principal repayments	—	(2,625)
Proceeds from borrowings of non-recourse long-term debt	687,477	792,216
Principal payments and prepayments on non-recourse long-term debt	(282,883)	(557,099)
Proceeds from Bridge Facility	—	475,000
Repayment of Bridge Facility	(474,500)	—
Senior Notes prepayment penalties	—	(18,366)
Debt financing fees paid	(19,506)	(37,597)
Sale of membership interests and contributions from non-controlling interests	257,549	6,356
Purchase of membership interests and distributions to non-controlling interests	(51,240)	(30,509)
Cash contributions	—	298,767
Cash distributions	(315,513)	(179,856)
Other financing activities	(938)	—
Net cash (used in) provided by financing activities	(199,554)	425,412
Net increase (decrease) in cash, cash equivalents and restricted cash	22,294	(39,377)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	11,346	(3,932)
Cash, cash equivalents and restricted cash at the beginning of the year	349,500	392,809
Cash, cash equivalents and restricted cash at the end of the year	$ 383,140	$ 349,500
Supplemental Disclosures:		
Cash paid for interest, net of amounts capitalized	$ 294,981	$ 294,145
Cash paid for income taxes	5,886	2,062
Schedule of non-cash activities:		
Right-of-use assets recognized under Topic 842	$ —	$ 262,142
Right-of-use liabilities recognized under Topic 842	—	256,015
Additions to renewable energy facilities in accounts payable and accrued expenses	2,513	1,455
Adjustment to ARO related to change in accretion period	2,285	27,917
ARO assets and obligations from acquisitions	22,609	33,143
Long-term debt assumed in connection with acquisitions	429,467	151,713
Non-cash contributions from non-controlling interests	11,787	—
Non-cash tax grant litigation settlement	10,016	—

1. NATURE OF OPERATIONS AND ORGANIZATION

TerraForm Power Operating, LLC ("Terra Operating" and, together with its subsidiaries, the "Company") is a Delaware limited liability company whose primary business strategy is to own and operate solar and wind assets in North America and Western Europe. Terra Operating, through its subsidiaries, owns and operates renewable energy facilities that have long-term contractual arrangements to sell the electricity generated by these facilities to third parties. The related green energy certificates, ancillary services and other environmental attributes generated by these facilities are also sold to third parties. Terra Operating is the wholly-owned direct subsidiary of TerraForm Power, LLC ("Terra LLC"). Terra LLC is controlled and majority owned by TerraForm Power Parent, LLC ("TERP Parent"), a Delaware limited liability company and the successor entity to TerraForm Power, Inc. ("TERP Inc."). TERP Parent is a holding company whose primary asset is its ownership of the majority of the membership interests in Terra LLC. Terra LLC is the managing member of Terra Operating and its primary asset is its ownership of 100% of the membership interests in Terra Operating.

As more fully described in *Note 18. Related Parties*, on July 31, 2020, TERP Inc., the entity that formerly was the direct owner of Terra LLC, merged with and into TerraForm Power NY Holdings, Inc. ("TERP NY"), with TERP NY surviving the merger. As a result of the merger, through a series of related transactions, affiliates of Brookfield Renewable Partners L.P. ("Brookfield Renewable") acquired all of the outstanding shares of Class A common stock ("Common Stock") of TERP Inc., other than the approximately 62% already owned by Brookfield Renewable and its affiliates (the "Brookfield Renewable Merger"). As a result of the Brookfield Renewable Merger, effective July 31, 2020, the Company became a wholly-owned indirect subsidiary of Brookfield Renewable and its affiliates. The Company is a controlled affiliate of Brookfield Asset Management Inc. ("Brookfield"). As of December 31, 2020, Brookfield Renewable and its affiliates held 100% of the Common Stock of TERP NY. As of December 31, 2020, Brookfield owned approximately 51.5% of Brookfield Renewable on a fully-exchanged basis and the remaining approximately 48.5% is held by an affiliate of Brookfield. Subsequently, on March 15, 2021, TERP NY merged with and into its wholly-owned direct subsidiary, TERP Parent, with TERP Parent surviving the merger.

Risks and Uncertainties About the COVID-19 Pandemic

We continue to monitor and evaluate the global COVID-19 pandemic and are taking steps to mitigate the known risks it poses on our business. In virtually every jurisdiction in which we operate, significant restrictions have been imposed on non-essential business activity. Our business, as a producer of energy and a provider of critical infrastructure services, is typically exempt from these types of restrictions, and as a result we are generally permitted to continue our ordinary course of operations. In addition, we have taken steps to ensure that our employees and contractors are safe, including the closures of our New York City headquarters and Gatineau offices during 2020 and implementing a business continuity plan to ensure our employees are best able to meet our business needs while working remotely.

While the full impact on our business is unknown and difficult to predict, we believe the Company is well positioned to manage the known risks arising from the COVID-19 pandemic. Approximately 95% of our revenue is earned pursuant to long term power purchase agreements ("PPAs"), and over 90% of our customers have either an investment grade credit rating or are municipalities with investment grade characteristics. In our Regulated Solar and Wind operating segments in Spain, reduced demand for energy resulting from the economic slowdown has resulted in lower market prices for power; however, this decrease should be offset by regulatory revenues that adjust market rates to ensure renewable energy generators achieve a long-term reasonable rate of return.

There are a number of factors that we believe may mitigate our exposure to loss and disruption caused by the pandemic. We believe our business is relatively less labor intensive than many other industries, meaning it can function with relatively little person-to-person interaction. Also, since our assets are predominantly operational, our exposure to potential supply chain disruptions is smaller than businesses that are more focused on construction and development. We are also working proactively with our operations and maintenance ("O&M") providers to mitigate the impact of the pandemic on our operations by ensuring that they have appropriate business continuity plans in place in order to safeguard the health of our employees and contractors as well as ensure that our wind and solar plants continue to generate power and operate normally.

However, the future impact of the pandemic is uncertain. For example, a portion of the offtakers in our distributed generation business are commercial retailers and other businesses who are more exposed to economic stress caused by the pandemic than we are and if some or all of these offtakers restructure or liquidate their businesses, our cash flows from these projects might be put at risk, which could have an adverse impact on our business, results of operations, financial condition and/or cash flows. A prolonged disruption caused by the pandemic could also limit the availability of certain parts required to

operate our facilities and adversely impact the ability of our O&M contractors and other service providers to service our equipment, which may result in operational delays and underperformance. It could also adversely impact our efforts to repower certain facilities, causing important construction milestones to be missed. Remote working for a prolonged period of time could mean that the Company faces challenges ensuring that its employees are able to meet the Company's business needs, which could cause significant disruptions to our business operations, particularly in the regions that have been severely impacted by the pandemic. While most of our portfolio is contracted over the long term, a prolonged decline in demand for electricity could adversely impact our prospects and results of operations.

We believe that we operate with sufficient liquidity to enable us to fund near-term cash distributions, growth initiatives, capital expenditures and withstand sudden adverse changes in economic circumstances or short-term fluctuations in resources. While we believe the Company is well-positioned to weather the pandemic, the situation remains fluid and difficult to predict. We continue to monitor the situation to ensure any business interruption or other risk is proactively addressed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). They include the results of wholly-owned and partially-owned subsidiaries in which the Company has a controlling interest with all significant intercompany accounts and transactions eliminated.

The Company elected not to push-down the application of the acquisition method of accounting to its consolidated financial statements following the consummation of the Merger and the change of control that occurred, as discussed in *Note 1. Nature of Operations and Organization*.

Use of Estimates

In preparing the consolidated financial statements, the Company uses estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements, as well as the revenues and expenses recognized during the reporting period. Actual results could differ from those estimates. Items subject to such estimates and assumptions include: the carrying amount and estimated useful lives of long-lived assets; asset retirement obligations; impairment of goodwill and long-lived assets; valuation allowances for deferred tax assets; credit loss for receivables; the fair value of financial instruments; the fair value of assets and liabilities acquired as business combinations; the incremental borrowing rates used in the determination of lease liabilities; and potential litigation claims and settlements.

Cash and Cash Equivalents

Cash and cash equivalents include all cash balances and money market funds with original maturity periods of three months or less when purchased.

Restricted Cash

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

Accounts Receivable and Allowance for Credit Loss

Accounts receivable are reported on the consolidated balance sheets, including both billed and unbilled amounts, and are adjusted for the allowance for credit loss and any write-offs. The Company establishes an allowance for credit loss to adjust its receivables to amounts considered to be ultimately collectible, and charges to the allowance are recorded within general and administrative expenses or cost of operations, as appropriate, in the consolidated statements of operations. The Company's allowance for credit loss is based on a variety of factors, including the length of time receivables are past due, significant one-

time events, the financial health of its customers, and historical experience. The allowance for credit loss was $7.6 million and $1.4 million as of December 31, 2020, and 2019, respectively, and charges (reductions) to the allowance recorded within general and administrative expenses for the years ended December 31, 2020, and 2019 were $2.5 million, $0.2 million, respectively. Accounts receivable are written off in the period in which the receivable is deemed uncollectible, and collection efforts have been exhausted. There were no write-offs of accounts receivable for the years ended December 31, 2020 and 2019.

Renewable Energy Facilities

Renewable energy facilities consist of solar generation and storage facilities and wind power plants that are stated at cost. Expenditures for major additions and improvements are capitalized, and minor replacements, maintenance, and repairs are charged to expense as incurred. Depreciation of the Company's solar and storage facilities is recognized using the straight-line composite method over their estimated useful lives which ranged from 10 to 29 years and 12 to 28 years, as of December 31, 2020 and 2019, respectively. Under this method, the Company's assets with similar characteristics and estimated useful lives are grouped and depreciated as a single unit. Depreciation of the Company's wind power plant is calculated based on the major components of wind power plants and is recognized over the estimated periods during which these major components remain in service. The Company's major components of wind power plants had remaining useful lives ranging from 1 to 34 years. As of December 31, 2020 and 2019, they had a weighted average remaining useful life of 21 and 19 years, respectively.

Construction in-progress represents the cumulative construction costs, including the costs incurred for the purchase of major equipment and engineering costs and any capitalized interest. Once the project achieves commercial operation, the Company reclassifies the amounts recorded in construction in progress to renewable energy facilities in service.

Finite-Lived Intangibles

The Company's finite-lived intangible assets and liabilities represent revenue contracts, consisting of long-term licensing agreements, power purchase contracts ("PPAs"), and renewable energy credits ("RECs") that were obtained through third-party acquisitions. The revenue contract intangibles comprise favorable and unfavorable rate PPAs and REC agreements and the in-place value of market-rate PPAs. Intangible assets and liabilities that have determinable estimated lives are amortized on a straight-line basis over those estimated lives. Amortization of favorable and unfavorable rate revenue contracts is recorded within operating revenues, net in the consolidated statements of operations. Amortization expense related to the licensing contracts and in-place value of market-rate revenue contracts is recorded within depreciation, accretion and amortization expense in the consolidated statements of operations. The straight-line method of amortization is used because it best reflects the pattern in which the economic benefits of the intangibles are consumed or otherwise used up. The amounts and useful lives assigned to intangible assets acquired and liabilities assumed impact the amount and timing of future amortization.

Impairment of Renewable Energy Facilities and Intangibles

Long-lived assets that are held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognized when indicators of impairment are present and the total future estimated undiscounted cash flows expected from an asset are less than its carrying value. The Company reviews its current activities, changes in the conditions of our renewable energy facilities and the market conditions in which they operate to determine the existence of any indicators requiring an impairment analysis. Indicators of potential impairment for a long-lived asset group, which generally is an individual renewable energy project, include severe adverse changes in the financial condition of a customer to our offtake agreements, a significant decline in forecasted operating revenues and earnings of our operating projects, deterioration in the performance of our renewable energy facilities and the sale of noncontrolling interest at a loss. An impairment charge is measured as the difference between a long lived asset group's carrying amount and its fair value. The fair values are determined by a variety of valuation methods, including appraisals, sales prices of similar assets, and present value techniques.

Goodwill

The Company evaluates goodwill for impairment at least annually on December 1. The Company performs an impairment test between scheduled annual tests if facts and circumstances indicate that it is more-likely-than-not that the fair value of a reporting unit that has goodwill is less than its carrying value. A reporting unit is either the operating segment level or one level below, which is referred to as a component. The level at which the impairment test is performed requires judgment as to whether the operations below the operating segment constitute a self-sustaining business or whether the operations are similar such that they should be aggregated for purposes of the impairment test.

The Company may first make a qualitative assessment of whether it is more-likely-than-not that a reporting unit's fair value is less than its carrying value to determine whether it is necessary to perform the quantitative goodwill impairment test. The qualitative impairment test includes considering various factors, including macroeconomic conditions, industry and market conditions, cost factors, a sustained share price or market capitalization decrease, and any reporting unit specific events. If it is determined through the qualitative assessment that a reporting unit's fair value is more-likely-than-not greater than its carrying value, the quantitative impairment test is not required. If the qualitative assessment indicates it is more-likely-than-not that a reporting unit's fair value is not greater than its carrying value, the Company must perform the quantitative impairment test. The Company may also elect to proceed directly to the quantitative impairment test without considering such qualitative factors.

The quantitative impairment test is the comparison of the fair value of a reporting unit with its carrying amount, including goodwill. In accordance with the authoritative guidance over fair value measurements, the Company defines the fair value of a reporting unit as the price that would be received to sell the unit as a whole in an orderly transaction between market participants at the measurement date. The Company primarily uses the income approach methodology of valuation, which uses the discounted cash flow method to estimate the fair values of the Company's reporting units. The Company does not believe that a cost approach is relevant to measuring the fair values of its reporting units.

Significant management judgment is required when estimating the fair value of the Company's reporting units, including the forecasting of future operating results, the discount rates and expected future growth rates that it uses in the discounted cash flow method of valuation, and in the selection of comparable businesses that are used in the market approach. If the estimated fair value of the reporting unit exceeds the carrying value assigned to that unit, goodwill is not impaired. If the carrying value assigned to a reporting unit exceeds its estimated fair value, the Company records an impairment charge based on the excess of the reporting unit's carrying amount over its fair value. The impairment charge is limited to the amount of goodwill allocated to the reporting unit.

The Company performed a qualitative impairment test for the goodwill balance of $185.8 million, and concluded that the carrying amount of the related reporting units does not exceed its fair value. No goodwill impairment charges were recorded for the years ended December 31, 2020 and 2019.

Deferred Financing Costs

Financing costs incurred in connection with obtaining senior notes and term financing are deferred and amortized over the maturities of the respective financing arrangements using the effective interest method and are presented as a direct deduction from the carrying amount of the related debt (see *Note 10. Long-term Debt* for additional details), except for the costs related to the Company's revolving credit facilities, which are presented as a non-current asset on the consolidated balance sheets within other assets. As of December 31, 2020 and 2019, the Company had $8.5 million and $10.8 million, respectively, of unamortized deferred financing costs related to its revolving credit facilities.

Asset Retirement Obligations

Asset retirement obligations are accounted for in accordance with Accounting Standards Codification ("ASC") 410-20, *Asset Retirement Obligations*. Retirement obligations associated with renewable energy facilities included within the scope of ASC 410-20 are those for which a legal obligation exists under enacted laws, statutes, and written or oral contracts, and for which the timing and/or method of settlement may be conditional on a future event. Asset retirement obligations are recognized at fair value in the period in which they are incurred, and a corresponding asset retirement costs are recognized within the related renewable energy facilities. Over time, the asset retirement cost is depreciated over the estimated useful life of the related renewable energy facility, and the asset retirement obligation is accreted to its expected future value.

The Company generally reviews its asset retirement obligations annually, based on its review of updated cost studies, as necessary, and its evaluation of cost escalation factors. The Company evaluates newly assumed costs or substantive changes in previously assumed costs to determine if the cost estimate impacts are sufficiently material to warrant the application of the updated estimates to the asset retirement obligations. Changes resulting from revisions to the timing or amount of the original estimate of cash flows are recognized as an increase or a decrease in the asset retirement cost to the extent applicable.

Revenue from Contracts with Customers

PPA Rental Income

The majority of the Company's energy revenue is derived from long-term PPAs accounted for as operating leases under ASC 840, *Leases*. Rental income under these lease agreements is recorded as revenue when the electricity is delivered to the customer. The Company adopted ASC 842, *Leases* on January 1, 2019, and elected certain of the practical expedients permitted in the issued standard, including the expedient that permits the Company to retain its existing lease assessment and classification.

Solar and Wind PPA Revenue

PPAs that are not accounted for under the scope of leases or derivatives are accounted for under Topic 606. The Company typically delivers bundled goods consisting of energy and incentive products for a singular rate based on a unit of generation at a specified facility over the term of the agreement. In these types of arrangements, the volume reflects total energy generation measured in Kilowatt hours ("kWhs"), which can vary period to period depending on system and resource availability. The contract rate per unit of generation (kWhs) is generally fixed at contract inception; however, certain pricing arrangements can provide for time-of-delivery, seasonal, or market index adjustment mechanisms over time. The customer is invoiced monthly equal to the volume of energy delivered multiplied by the applicable contract rate.

The Company considers bundled energy and incentive products within PPAs to be distinct performance obligations. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied under Topic 606. The Company views the sale of energy as a series of distinct goods that is substantially the same and has the same pattern of transfer measured by the output method. Although the Company views incentive products in bundled PPAs to be performance obligations satisfied at a point in time, measurement of satisfaction and transfer of control to the customer in a bundled arrangement coincides with a pattern of revenue recognition with the underlying energy generation. Accordingly, the Company applied the practical expedient in Topic 606 as the right to consideration corresponds directly to the value provided to the customer to recognize revenue at the invoice amount for its standalone and bundled PPA contracts.

Commodity Derivatives

The Company has certain revenue contracts within its wind fleet that are accounted for as derivatives under the scope of ASC 815, *Derivatives and Hedging*. Amounts recognized within operating revenues, net in the consolidated statements of operations consist of cash settlements and unrealized gains and losses representing changes in fair value for the commodity derivatives that are not designated as hedging instruments. See *Note 12. Derivatives* for further discussion.

Regulated Solar and Wind Energy Revenue

Regulated solar and wind includes revenue generated by Saeta's solar and wind operations in Spain, which are subject to regulations applicable to companies that generate production from renewable sources for facilities located in Spain. While Saeta's Spanish operations are regulated by the Spanish regulator, the Company has determined that the Spanish entities do not meet the criteria of a rate-regulated entity under ASC 980 *Regulated Operations*, since the rates established by the Spanish regulator are not designed to recover the entity's costs of providing its energy generation services. Accordingly, the Company applied Topic 606 to recognize revenue for these customer contract arrangements. The Company has distinct performance obligations to deliver electricity, capacity, and incentives which are discussed below.

The Company has a performance obligation to deliver electricity and these sales are invoiced monthly at the wholesale market price (subject to adjustments due to regulatory price bands that reduce market risk). The Company transfers control of the electricity over time and the customer receives and consumes the benefit simultaneously. Accordingly, the Company applied the practical expedient in Topic 606 as the right to consideration corresponds directly to the value provided to the customer to recognize revenue at the invoice amount for electricity sales.

The Company has a stand-ready performance obligation to deliver capacity in the Spanish electricity market in which these renewable energy facilities are located. Proceeds received by the Company from the customer in exchange for capacity are determined by a remuneration on an investment per unit of installed capacity that is determined by the Spanish regulators. The Company satisfies its performance obligation for capacity under a time-based measure of progress and recognizes revenue by allocating the total annual consideration evenly to each month of service.

Regulated Solar and Wind Incentive Revenue

For the Company's Spanish solar renewable energy facilities, the Company has identified a performance obligation linked to an incentive that is distinct from the electricity and capacity deliveries discussed above. For solar technologies under the Spanish market, the customer makes an operating payment per MWh which is calculated based on the difference of a standard cost and an expected market price, both, determined by the Spanish regulator. The customer is invoiced monthly equal to the volume of energy produced multiplied by the regulated rate. The performance obligation is satisfied when the Company generates electricity from the solar renewable facility. The Company recognizes revenue based on the amount invoiced each month.

Amortization of Favorable and Unfavorable Rate-Revenue Contracts

The Company accounts for its business combinations by recognizing in the financial statements the identifiable assets acquired, the liabilities assumed and any non-controlling interests in the acquiree at fair value at the acquisition date. Intangible amortization of certain revenue contracts acquired in business combinations (favorable and unfavorable rate PPAs and REC agreements) is recognized on a straight-line basis over the remaining contract term. The current period amortization for favorable rate revenue contracts is reflected as a reduction to operating revenues, net, and amortization for unfavorable rate revenue contracts is reflected as an increase to operating revenues, net. See *Note 7. Intangible Assets, Net and Goodwill* for additional details.

Solar and Wind Incentive Revenue

The Company generates incentive revenue from individual incentive agreements relating to the sale of RECs and performance-based incentives to third-party customers that are not bundled with the underlying energy output. The majority of individual REC sales reflect a fixed quantity, fixed price structure over a specified term. The Company views REC products in these arrangements as distinct performance obligations satisfied at a point in time. Since the REC products delivered to the customer are not linked to the underlying generation of a specified facility, these RECs are recognized into revenue when delivered. The Company typically receives payment within 30 days of invoiced REC revenue.

For certain incentive contract arrangements, the quantity delivered to the customer is linked to a specific facility. The pattern of revenue recognition for these incentive arrangements is recognized over time coinciding with the underlying revenue generation from the related facility.

See *Note 4. Revenue* for additional disclosures.

Leases

Operating Lease Obligations

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

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

A significant portion of the Company's operating revenues are generated from delivering electricity and related products from owned solar and wind renewable energy facilities under PPAs in which the Company is the lessor. Revenue is recognized when electricity is delivered and is accounted for as rental income under the lease standard. The adoption of ASC

842 did not have an impact on the accounting policy for rental income from the Company's PPAs in which it is the lessor. The Company elected the package of practical expedients available under ASC 842, which did not require the Company to reassess its lease classification from ASC 840. Additionally, the Company elected the practical expedient to not separate lease and non-lease components for lessors. This election allows energy (lease component) and environmental incentives or renewable energy certificates (non-lease components) under bundled PPAs to be accounted as a singular lease unit of account under ASC 842.

Financing Lease Obligations

Certain of the Company's assets were financed with sale-leaseback arrangements. Proceeds received from a sale-leaseback are treated using the financing method when the sale of the renewable energy facility is not recognizable. A sale is not recognized when the leaseback arrangements include a prohibited form of continuing involvement, such as an option or obligation to repurchase the assets under the Company's master lease agreements. Under these arrangements, the Company does not recognize any profit until the sale is recognizable, which the Company expects to recognize at the end of the arrangement when the contract is canceled and the initial deposits received are forfeited by the financing party.

The Company is required to make rental payments throughout the leaseback arrangements. These payments are allocated between principal and interest payments using an effective yield method.

See *Note 8. Leases* for additional disclosures.

Income Taxes

The Company is a limited liability company treated as a disregarded entity for U.S. income tax purposes. As such, U.S. federal, state and local income taxes ("U.S. Taxes") are not recognized at the Company's level, but are accounted for at TERP Parent. Accordingly, the Company does not have a liability for U.S. Taxes; and therefore, no current or deferred U.S. income taxes are recorded in the consolidated financial statements. However, the current and deferred income taxes related to the Company's certain foreign entities that are subject to corporate tax are reflected in the consolidated financial statements.

Uncertain tax positions are measured against the more likely than not threshold, based on whether those positions would be expected to be sustained if examined by the relevant taxing authority. With respect to any tax positions that do not meet the more likely than not threshold, a corresponding liability is recorded in the consolidated financial statements. While the taxing authority in a jurisdiction may not agree with the tax positions adopted, the Company does not expect that any assessments would be material to its financial position if the taxing authority did not agree with such positions. There are no reserves for uncertain tax positions as of December 31, 2020 and 2019.

Variable Interest Entities

The Company assesses entities for consolidation in accordance with ASC 810. The Company consolidates variable interest entities ("VIEs") in renewable energy facilities when determined to be the primary beneficiary. VIEs are entities that lack one or more of the characteristics of a voting interest entity ("VOE"). The Company has a controlling financial interest in a VIE when its variable interest or interests provide it with (i) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and (ii) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE.

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

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

Non-controlling Interests and Hypothetical Liquidation at Book Value ("HLBV")

Non-controlling interests represent the portion of net assets in consolidated entities that are not owned by the Company and are reported as a component of equity in the consolidated balance sheets. Non-controlling interests in subsidiaries that are redeemable either at the option of the holder or at fixed and determinable prices at certain dates in the future are classified as

redeemable non-controlling interests in subsidiaries between liabilities and member's equity in the consolidated balance sheets. Redeemable non-controlling interests that are currently redeemable or redeemable after the passage of time are adjusted to their redemption value as changes occur. The Company applies the guidance in ASC 810-10 along with the Securities and Exchange Commission ("SEC") guidance in ASC 480-10-S99-3A in the valuation of redeemable non-controlling interests.

The Company has determined the allocation of economics between the controlling party and the third party for non-controlling interests does not correspond to ownership percentages for certain of its consolidated subsidiaries. In order to reflect the substantive profit sharing arrangements, the Company has determined that the appropriate methodology for determining the value of non-controlling interests is a balance sheet approach using the HLBV method. Under the HLBV method, the amounts reported as non-controlling interest on the consolidated balance sheets represent the amounts the third party investors could hypothetically receive at each balance sheet reporting date based on the liquidation provisions of the respective operating partnership agreements. HLBV assumes that the proceeds available for distribution are equivalent to the unadjusted, stand-alone net assets of each respective partnership, as determined under U.S. GAAP. The third party non-controlling interests in the consolidated statements of operations and statements of comprehensive loss are determined based on the difference in the carrying amounts of non-controlling interests on the consolidated balance sheets between reporting dates, adjusted for any capital transactions between the Company and third party investors that occurred during the respective period.

Where, prior to the commencement of operating activities for a respective renewable energy facility, HLBV results in an immediate change in the carrying value of non-controlling interests on the consolidated balance sheets due to the recognition of ITCs or other adjustments as required by the U.S. Internal Revenue Code, the Company defers the recognition of the respective adjustments and recognizes the adjustments in non-controlling interest on the consolidated statements of operations on a straight-line basis over the expected life of the underlying assets giving rise to the respective difference. Similarly, where the Company has acquired a controlling interest in a partnership and there is a resulting difference between the initial fair value of non-controlling interest and the value of non-controlling interest as measured using HLBV, the Company initially records non-controlling interests at fair value and amortizes the resulting difference over the remaining life of the underlying assets.

Contingencies

The Company is involved in conditions, situations or circumstances in the ordinary course of business with possible gain or loss contingencies that will ultimately be resolved when one or more future events occur or fail to occur. If some amount within a range of loss appears at the time to be a better estimate than any other amount within the range, that amount will be accrued. When no amount within the range is a better estimate than any other amount, the minimum amount in the range will be accrued. The Company continually evaluates uncertainties associated with loss contingencies and records a charge equal to at least the minimum estimated liability for a loss contingency when both of the following conditions are met: (i) information available prior to the issuance of the financial statements indicates that it is probable that an asset had been impaired or a liability had been incurred at the date of the financial statements; and (ii) the loss or range of loss can be reasonably estimated. Legal costs are expensed when incurred. Gain contingencies are not recorded until realized or realizable.

Derivative Financial Instruments

Initial Recognition

The Company recognizes its derivative instruments as assets or liabilities at fair value in the consolidated balance sheets on a trade date basis unless they qualify for certain exceptions, including the normal purchases and normal sales exception. Accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated as part of a hedging relationship and the type of hedging relationship.

Derivatives that qualify and are designated for hedge accounting are classified as either hedges of the variability of expected future cash flows to be received or paid related to a recognized asset or liability (cash flow hedges) or hedges of the exposure to foreign currency of a net investment in a foreign operation (net investment hedges).

The Company also uses derivative contracts outside the hedging program to manage foreign currency risk associated with intercompany loans.

Subsequent Measurement

The change in fair value of components included in the effectiveness assessment of derivative instruments designated as cash flow hedges is recognized as a component of OCI and reclassified into earnings on a trade date basis in the period that the hedged transaction affects earnings. The change in fair value of components included in the effectiveness assessment of

foreign currency contracts designated as net investment hedges is recorded in cumulative translation adjustments within AOCI and reclassified into earnings when the foreign operation is sold or substantially liquidated.

The change in fair value of derivative contracts intended to serve as economic hedges that are not designated as hedging instruments is reported as a component of earnings in the consolidated statements of operations.

Cash Flows Presentation

Cash flows from derivative instruments designated as net investment hedges and non-designated derivatives used to manage foreign currency risks associated with intercompany loans are classified as investing activities in the consolidated statements of cash flows. Cash flows from all other derivative instruments are classified as operating activities in the consolidated statements of cash flows.

Fair Value Measurements

The Company performs fair value measurements defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required to be recorded at their fair values, the Company considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the assets or liabilities, such as inherent risk, transfer restrictions and risk of nonperformance.

In determining fair value measurements, the Company maximizes the use of observable inputs and minimizes the use of unobservable inputs. Assets and liabilities are categorized within a fair value hierarchy based upon the lowest level of input that is significant to the fair value measurement:

- Level 1: Quoted prices in active markets for identical assets or liabilities;
- Level 2: Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or
- Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair values of the assets or liabilities.

The Company maintains various financial instruments recorded at cost in the consolidated balance sheets that are not required to be recorded at fair value. For cash and cash equivalents, restricted cash, accounts receivable, prepaid expenses and other current assets, accounts payable and accrued expenses and other current liabilities and due to affiliates, net, the carrying amount approximates fair value because of the short-term maturity of the instruments. See *Note 13. Fair Value of Financial Instruments* for disclosures related to the fair value of the Company's derivative instruments and long-term debt.

Foreign Currency

The Company's reporting currency is the U.S. dollar. Certain of the Company's subsidiaries maintain their records in local currencies other than the U.S. dollar, which are their functional currencies. When a subsidiary's local currency is considered its functional currency, the Company translates its assets and liabilities to U.S. dollars using exchange rates in effect at date of the financial statements and its revenue and expense accounts to U.S. dollars at average exchange rates for the period. Cumulative translation adjustments are reported in AOCI in member's equity. Cumulative translation adjustments are reclassified from AOCI to earnings only when realized upon sale or upon complete or substantially complete liquidation of an investment in a foreign subsidiary. Transaction gains and losses and changes in fair value of the Company's foreign exchange derivative contracts not accounted for under hedge accounting are included in results of operations as recognized.

Business Combinations and Acquisitions of Assets

The Company applies the definition of a business in ASC 805, *Business Combinations* to determine whether it is acquiring a business or a group of assets.

The Company accounts for its business combinations by recognizing in the financial statements the identifiable assets acquired, the liabilities assumed and any non-controlling interests in the acquiree at fair value at the acquisition date. The Company also recognizes and measures the goodwill acquired or a gain from a bargain purchase in the business combination and determines what information to disclose to enable users of an entity's financial statements to evaluate the nature and

financial effects of the business combination. In addition, acquisition costs related to business combinations are expensed as incurred.

When the Company acquires a renewable energy business, the purchase price is allocated to (i) the acquired tangible assets and liabilities assumed, primarily consisting of land, plant and long-term debt, (ii) the identified intangible assets and liabilities, primarily consisting of the value of favorable and unfavorable rate PPAs, REC agreements, the licensing contracts and in-place value of market rate PPAs, (iii) non-controlling interests, and (iv) other working capital items based in each case on their fair values. The excess of the purchase price over the estimated fair value of net assets acquired is recorded as goodwill.

The Company generally uses independent appraisers to assist with the estimates and methodologies used such as a replacement cost approach, or an income approach or excess earnings approach. Factors considered by the Company in its analysis include considering current market conditions and costs to construct similar facilities. The Company also considers information obtained about each facility as a result of its pre-acquisition due diligence in estimating the fair value of the tangible and intangible assets and liabilities acquired or assumed. In estimating the fair value, the Company also establishes estimates of energy production, current in-place and market power purchase rates, tax credit arrangements and operating and maintenance costs. A change in any of the assumptions above, which are subjective, could have a significant impact on the results of operations.

The allocation of the purchase price directly affects the following items in the consolidated financial statements:

- The amount of purchase price allocated to the various tangible and intangible assets, liabilities and non-controlling interests on the balance sheet;
- The amounts allocated to the value of favorable and unfavorable rate PPAs and REC agreements are amortized to revenue over the remaining non-cancelable terms of the respective arrangement. The amounts allocated to all other tangible assets and intangibles are amortized to depreciation or amortization expense; and
- The period of time over which tangible and definite-lived intangible assets and liabilities are depreciated or amortized varies, and thus, changes in the amounts allocated to these assets and liabilities will have a direct impact on the Company's results of operations.

ASC 805 allows the acquirer to report provisional amounts and adjust them for a period of time up to one year after the acquisition date (the "measurement period") while the Company obtains information about the facts and circumstances that existed as of the acquisition date.

When an acquired group of assets does not constitute a business, the transaction is accounted for as an asset acquisition. The Company recognizes and measures the acquired assets based on the cost of the acquisitions, generally being the consideration transferred to the seller and typically includes the direct transaction costs related to the acquisition. The Company allocates the total cost of acquisition to the individual assets acquired or liabilities assumed based on their relative fair values generally similar to the allocation of the purchase price in a business combination. No goodwill is recognized in an asset acquisition.

Deferred Compensation Plan

The Company sponsors a retirement saving plan that qualifies as a deferred compensation plan under Section 401(k) of the Internal Revenue Code. Eligible U.S. employees may elect to defer a percentage of their qualified compensation for income tax purposes through payroll deductions, and the Company matches a percentage of the contributions based on employees' elective deferrals. The Company's total matching contribution expense under the arrangement was \$0.7 million and \$0.5 million for the years ended December 31, 2020 and 2019, respectively.

Recently Adopted Accounting Standards - Guidance Adopted in 2020

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326)*, to provide financial statement users with more useful information about the current expected credit losses ("CECL"). This ASU changes how entities measure credit losses on financial instruments and the timing of when such losses are recognized by utilizing a lifetime expected credit loss measurement. The guidance is effective for fiscal years and interim periods within those years beginning after January 1, 2020. The Company early adopted ASU 2016-13, effective January 1, 2020, and did not result in a material impact on the allowance for credit losses.

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40) Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a*

Service Contract. This ASU amends the definition of a hosting arrangement and requires a customer in a cloud computing arrangement that is a service contract to follow the internal use software guidance in ASC 350-402 to determine which implementation costs to capitalize as assets. Capitalized implementation costs are amortized over the term of the hosting arrangement, beginning when the module or component of the hosting arrangement is ready for its intended use. The guidance became effective on January 1, 2020, with early adoption permitted. The adoption of ASU No. 2018-15 as of January 1, 2020 did not have an impact on the Company's consolidated financial statements.

In October 2018, the FASB issued ASU No. 2018-17, *Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities*. The amendments in this ASU require reporting entities to consider indirect interests held through related parties under common control for determining whether fees paid to decision makers and service provider are variable interests. These indirect interests should be considered on a proportional basis rather than as the equivalent of a direct interest in its entirety (as currently required in U.S. GAAP). The guidance became effective January 1, 2020, with early adoption permitted. Entities are required to apply the amendments in this guidance retrospectively with a cumulative-effect adjustment to retained earnings at the beginning of the earliest period presented. The adoption of ASU No. 2018-17 as of January 1, 2020 did not have an impact on the Company's consolidated financial statements.

Recently Issued Accounting Standards Not Yet Adopted

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. The amendments in this ASU simplify the accounting for income taxes by removing certain exceptions to the general principles in Topic 740, Income Taxes. The amendments also improve consistent application and simplify GAAP for other areas of Topic 740 by clarifying and amending existing guidance. The guidance is effective on January 1, 2022, with early adoption permitted. The Company does not expect the effect of the new guidance to be material on its consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. This ASU provides entities temporary optional guidance to ease potential accounting burdens to transition away from LIBOR or other reference rates that are expected to be discontinued to alternative reference rates. This ASU applies to all entities that have contracts, hedging relationships and other transactions affected by reference rate reform. The provisions in this ASU, among other things, simplify contract modification accounting and allow hedging relationships affected by reference rate reform to continue. The guidance is effective on March 12, 2020, however entities have until December 31, 2022 to adopt. The Company does not expect the effect of the new guidance to be material on its consolidated financial statements.

3. ACQUISITIONS AND DIVESTITURES

2020 Acquisition

Termosol Acquisition

On February 11, 2020, TERP Spanish Holdco, S.L.U., a wholly-owned subsidiary of the Company, completed the acquisition of a portfolio of two concentrated solar power ("CSP") facilities located in Spain with a combined nameplate capacity of approximately 100 megawatt ("MW") (Termosol 1 & 2) from NextEra Energy Spain Holdings B.V. (the "Termosol Acquisition"). The purchase price of the Termosol Acquisition, including working capital adjustments, was $120.9 million. The acquired facilities are regulated under the Spanish framework for renewable power, with approximately 18 years of remaining regulatory life. In connection with this acquisition, over 60 employees joined the Company, the majority of whom perform in-house operations and maintenance ("O&M") services for the acquired facilities. The Company funded the purchase price of the Termosol Acquisition using a draw on the Company's senior secured revolving credit facility (the "Revolver") and cash available on hand.

The Company accounted for the Termosol Acquisition under the acquisition method of accounting for business combinations. Under this method, the total consideration transferred is allocated to the identifiable tangible and intangible assets acquired and liabilities assumed based on their respective fair values as of the date of the acquisition. The acquisition method of accounting requires extensive use of estimates and judgments to allocate the consideration transferred to the identifiable tangible and intangible assets acquired and liabilities assumed. The purchase accounting for Termosol was been finalized at December 31, 2020, with no material measurement adjustments recorded. The final adjustments to the purchase price allocation will be recorded during the first quarter of 2021.

The preliminary allocation of the acquisition-date fair values of assets and liabilities pertaining to the Termosol Acquisition as of December 31, 2020, was as follows:

(In thousands)	As of February 11, 2020, reported at December 31, 2020
Renewable energy facilities[1]	$ 477,269
Accounts receivable	33,242
Other assets	7,550
Intangible assets	183,655
Deferred income taxes	14,419
Goodwill[2]	40,862
Total assets acquired	756,997
Accounts payable, accrued expenses and other current liabilities	16,609
Long-term debt	474,103
Asset retirement obligations	22,609
Derivative liabilities	147,536
Operating lease liabilities	17,139
Other liabilities	5,900
Total liabilities assumed	683,896
Purchase price, net of cash and restricted cash acquired[3]	$ 73,101

(1) Includes $17.1 million operating lease right-of-use assets.

(2) The excess purchase price over the estimated fair value of net assets acquired of $40.9 million was recorded as goodwill and was assigned to the Regulated Solar and Wind segment. Goodwill is primarily attributable to expected synergies from the Company's growing portfolio in Spain and the acquired employee knowledge of the operation and maintenance of concentrated solar power facilities.

(3) The Company acquired cash and cash equivalents of $22.0 million and restricted cash of $26.5 million as of the acquisition date.

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

The results of operations of the acquired entities are included in the Company's consolidated results since the date of acquisition. The operating revenues and net income of the Termosol Acquisition reflected in the statements of operations for the year ended December 31, 2020 were $89.9 million and $2.3 million, respectively.

Unaudited Pro Forma Supplementary Data

The unaudited pro forma supplementary data presented in the table below gives effect to the Termosol Acquisition, as if the transaction had occurred on January 1, 2019. The pro forma net loss includes adjustments to depreciation and amortization expense for the valuation of renewable energy facilities and intangible assets and excludes the impact of acquisition costs. The unaudited pro forma supplementary data is provided for informational purposes only and should not be construed to be indicative of the Company's results of operations had the acquisition been consummated on the date assumed or of the Company's results of operations for any future date.

	Year Ended December 31,	
(In thousands)	2020	2019
Total operating revenues, net	$ 1,128,468	$ 1,048,955
Net loss	(112,619)	(163,505)

Intangibles at Acquisition Date

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

	As of February 11, 2020	
	Fair Value (In thousands)	**Weighted Average Amortization Period[1]**
Intangible assets - licensing contracts	$ 183,655	18 years

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

2019 Acquisitions

(i) WGL Acquisition

On September 26, 2019, TerraForm Arcadia Holdings, LLC, a Delaware limited liability company and a wholly-owned subsidiary of the Company ("TerraForm Arcadia"), completed the acquisition of an approximately 320 MW distributed generation portfolio of renewable energy facilities in the United States from subsidiaries of AltaGas Ltd., a Canadian corporation ("AltaGas"), for a purchase price of $720.0 million, plus $15.1 million for working capital (the "WGL Acquisition"). The WGL acquisition was pursuant to a membership interest purchase agreement (the "Purchase Agreement") dated July 19, 2019, entered into by TerraForm Arcadia, WGL Energy Systems, Inc., a Delaware corporation ("WGL"), and WGSW, Inc., a Delaware corporation ("WGSW", and together with WGL, the "Sellers"), both subsidiaries of AltaGas (the "WGL Acquisition"). Pursuant to the Purchase Agreement, the ownership of certain projects for which the Sellers had not yet received the required third party consents or had not completed construction as of the closing date (the "Delayed Projects") were to be transferred to the Company once such third party consents were received or construction was completed, subject to certain terms and conditions. As of December 31, 2020, ownership of one Delayed Project of $2.6 million remained to be transferred from the Sellers to the Company.

The Company funded the purchase price and the related initial costs of the WGL Acquisition with the net proceeds of the $475.0 million non-recourse senior secured term loan (the "Bridge Facility") and the remainder from draws on the Revolver. See *Note 10. Long-term Debt* for additional details.

The Company accounted for the WGL Acquisition under the acquisition method of accounting for business combinations. Under this method, the total consideration transferred is allocated to the identifiable tangible and intangible assets acquired and liabilities assumed based on their respective fair values as of the date of the acquisition. The acquisition method of accounting requires extensive use of estimates and judgments to allocate the consideration transferred to the identifiable tangible and intangible assets acquired and liabilities assumed. As of December 31, 2020, the purchase accounting for the WGL Acquisition has been finalized. The final adjustments to the purchase price allocation recorded during the year ended December 31, 2020 reflected changes to the provisional estimates for: (i) the transfer of certain Delayed Projects to the Company, (ii) the assessment of the incremental borrowing rate for operating leases and (iii) the assessment of asset retirement obligation related to all projects acquired, and iv) the discount rates applied to certain projects cashflows.

The final allocation of the acquisition-date fair values of assets, liabilities and non-controlling interests pertaining to this business combination as of December 31, 2020, were as follows:

(In thousands)	As of September 26, 2019 reported at December 31, 2019	Adjustments[1]	As of September 26 2019 reported at December 31, 2020
Renewable energy facilities in service[2]	$ 581,717	$ 20,898	$ 602,615
Intangible assets	168,825	(7,644)	161,181
Accounts receivable	13,160	—	13,160
Prepaid expenses and other assets	9,734	(1)	9,733
Total assets acquired	773,436	13,253	786,689
Accounts payable, accrued expenses and other current liabilities	6,806	(1,913)	4,893
Asset retirement obligations	27,338	(11,840)	15,498
Operating lease liabilities	21,663	3,402	25,065
Other liabilities	7,650	—	7,650
Total liabilities assumed	63,457	(10,351)	53,106
Non-controlling interests[3]	3,028	—	3,028
Purchase price, net of cash and restricted cash acquired[4]	706,951	23,605	730,555
Deposit on acquisitions	24,831	(22,183)	2,648
Total cash paid for the WGL Acquisition, net of cash acquired[5]	$ 731,782	$ 1,422	$ 733,203

(1) The adjustments for the period were related to opening balance sheet updates for asset retirement obligations, operating lease liabilities and the transfer of certain Delayed Project during the nine months ended December 31, 2020. See above for additional details.
(2) Includes $26.0 million operating lease right-of-use assets.
(3) The fair value of the non-controlling interests was determined using an income approach representing the best indicator of fair value and was supported by a discounted cash flow technique.
(4) The Company acquired cash and cash equivalents of $3.4 million as of the acquisition date.
(5) The adjustment to the amount of cash paid for the period represents additional payment made by the Company in relation to the net working capital acquired.

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

The results of operations from the acquired entities are included in the Company's consolidated results since the date of acquisition. The operating revenues and net income related to the WGL Acquisition reflected in the consolidated statements of operations for the year ended December 31, 2020 were $82.2 million and $24.0 million, respectively.

Intangibles at Acquisition Date

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

	WGL Acquisition	
	Fair Value (In thousands)	Weighted Average Amortization Period[1]
Favorable rate revenue contracts	$ 28,800	16 years
In-place value of market rate revenue contracts	132,381	15 years
Unfavorable rate revenue contracts	7,650	2 years

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

Unaudited Pro Forma Supplementary Data

The unaudited pro forma supplementary data presented in the table below gives effect to the WGL Acquisition, as if the transaction had occurred on January 1, 2019. The pro forma net loss includes interest expense related to incremental borrowings used to finance the transaction and adjustments to depreciation, accretion and amortization expense for the valuation of renewable energy facilities, intangible assets, and asset retirement obligations, and excludes the impact of acquisition costs disclosed below. The unaudited pro forma supplementary data is provided for informational purposes only and should not be construed to be indicative of the Company's results of operations had the acquisition been consummated on the date assumed or of the Company's consolidated results of operations for any future date.

(In thousands)	**Year Ended December 31, 2019**
Total operating revenues, net	$ 1,012
Net loss	(214)

(ii) X-Elio Acquisition

On December 18, 2019, Cuanto De Luz, S.L.U., a wholly-owned subsidiary of the Company, completed the acquisition of approximately 45 MW utility-scale solar photovoltaic power facilities in Spain, from subsidiaries of X-Elio Energy, S.L., a Spanish corporation (the "X-Elio Acquisition"), for a total purchase price of €63.8 million (equivalent to $71.1 million at the date of the acquisition). The Company funded the acquisition with a portion of the net proceeds of the utility-scale wind non-recourse borrowing refinancing and cash available on hand. See *Note 10. Long-term Debt* for additional details. These facilities are regulated under the Spanish framework for renewable power, with approximately 21 years of remaining regulatory life. This transaction was accounted for as an acquisition of assets, whereby the Company acquired approximately $186.5 million renewable energy facilities, and $54.8 million intangible assets attributable to licensing contracts in-place from the acquired solar facilities using the cost and income approach.

(iii) Acquisition of 15.1 MW Distributed Generation Assets

During the year ended December 31, 2019, the Company acquired four distributed generation facilities located in the U.S. with a combined nameplate capacity of 15.1 MW from third parties for a total purchase price of $24.0 million plus working capital adjustments. The facilities are contracted under long-term PPAs with municipal offtakers. This transaction was accounted for as an acquisition of assets.

4. REVENUE

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

(In thousands)	**Year Ended December 31, 2020**	**2019**
PPA rental income	$ 372,512	$ 390,774
Commodity derivatives	63,632	37,054
PPA and market energy revenue	240,705	223,946
Capacity revenue from remuneration programs[1]	330,005	204,991
Amortization of favorable and unfavorable rate revenue contracts, net	(39,330)	(39,940)
Energy revenue	967,524	816,825
Incentive revenue	151,333	124,415
Operating revenues, net	$ 1,118,857	$ 941,240

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

Contract balances and performance obligations

The Company recognizes accounts receivable when its right to consideration from the performance of services becomes unconditional. As of December 31, 2020 and 2019, the Company's receivable balances related to PPA contracts with solar and wind customers were approximately $130.2 million and $104.1 million, respectively. Trade receivables for PPA contracts are reflected within accounts receivable, net in the consolidated balance sheets. The Company typically receives payment within 30 days for invoiced PPA revenue.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include all cash balances and money market funds, including restricted cash, with original maturity periods of three months or less when purchased. As of December 31, 2020 and December 31, 2019, cash and cash equivalents included $173.7 million and $138.5 million, respectively, of unrestricted cash held at project-level subsidiaries, which was available for project expenses but not available for corporate use.

Reconciliation of Cash and Cash Equivalents and Restricted Cash as Presented in the Consolidated Statements of Cash Flows

The following table provides a reconciliation of cash and cash equivalents and restricted cash reported within the consolidated balance sheets to the total of the same such amounts shown in the consolidated statements of cash flows for the years ended December 31, 2020, 2019 and 2018:

	As of December 31,	
(In thousands)	**2020**	**2019**
Cash and cash equivalents	$ 279,316	$ 237,480
Restricted cash, current	38,103	35,657
Restricted cash - non-current	65,721	76,363
Cash, cash equivalents and restricted cash shown in the consolidated statement of cash flows	$ 383,140	$ 349,500

As discussed in *Note 10. Long-term Debt*, the Company was in default under certain of its non-recourse financing agreements as of the financial statement issuance date for the years ended December 31, 2020 and 2019. As a result, the Company reclassified $10.3 million and $11.0 million, respectively, of long-term restricted cash to current as of December 31, 2020, and 2019, consistent with the corresponding debt classification, as the restrictions that required the cash balances to be classified as long-term restricted cash were driven by the financing agreements.

6. RENEWABLE ENERGY FACILITIES

Renewable energy facilities, net consists of the following:

	As of December 31,	
(In thousands)	**2020**	**2019**
Renewable energy facilities in service, at cost[1]	$ 9,372,428	$ 8,584,243
Less accumulated depreciation - renewable energy facilities	(1,634,654)	(1,191,056)
Renewable energy facilities in service, net	7,737,774	7,393,187
Construction in progress - renewable energy facilities	69,776	12,274
Total renewable energy facilities, net	$ 7,807,550	$ 7,405,461

(1) Includes $342.7 million and $288.3 million right-of-use assets related to operating lease obligations as of December 31, 2020 and December 31, 2019, respectively.

Depreciation expense related to renewable energy facilities was $405.9 million and $325.1 million for the years ended December 31, 2020 and 2019, respectively.

Sale of Assets

On December 20, 2019, the Company sold six distributed generation facilities in the United States, with a combined nameplate capacity of 6.0 MW, for a net consideration of $9.5 million. The Company recognized a net gain of $2.3 million, representing the difference between the net proceeds from the sale and the net carrying amount of assets sold and liabilities extinguished, in the consolidated statement of operations for the year ended December 31, 2019, within Gain on sale of renewable energy facilities.

Repowering Activities

During the year ended December 31, 2020, the Company committed to a plan to repower two wind power plants in New York, Cohocton and Steel Winds, which have a combined nameplate capacity of 160 MW. The repowering will be implemented by replacing certain components of the wind turbines with newer equipment while preserving the existing towers, foundation and balance of plant. The Company revised the estimated useful lives of certain components of the renewable energy facilities that will be replaced with a net carrying amount and accelerated the recognition of the depreciation expense of the related assets up to their expected removal date throughout 2021. As of December 31, 2020 the net carrying amount is $20.3 million. During the year ended December 31, 2020, the Company recorded $17.5 million in accelerated depreciation in the consolidated statements of operations.

On December 16, 2020, the Company formed NY Wind HoldCo, LLC (the "entity") with a third-party construction partner (the "Construction Partner") in order to finance the repowering of two of its existing wind facilities, Cohocton and Steel Winds. The Company invested $47.0 million of cash and its interests in the two facilities. The Company is the managing member of the entity and consolidates the entity, which is a VIE. The Construction Partner invested $14.0 million of cash and wind turbine equipment and has a 23% interest in the entity, which is reflected within noncontrolling interests in the accompanying balance sheet. Contemporaneous with the formation of the entity, the entity entered into a $138.3 million construction loan agreement to fund related construction costs. See *Note 10.* Long-term Debt for additional details.

Impairment Assessment

During the year ended December 31, 2020, the Company sold a 40% interest in four wind projects located in the United States for a consideration of $252.5 million net of working capital adjustments. The Company evaluated whether events or circumstances had changed such that it would indicate it is more likely than not that the related renewable energy facilities were impaired and concluded that an impairment indicator existed. For two of the projects that were sold, the selling prices were lower than the carrying value of such projects. As a result, the Company performed a recoverability test using undiscounted cash flow projections for each of the four wind projects. The Company determined that the expected undiscounted cash flows were greater than the net carrying amount of the related renewable energy facilities and did not record any impairment losses. The key estimates used in the recoverability test included the forecasted electricity-generating production of the renewable energy facilities and the forward electricity price curves based on sales in the respective markets.

No impairment losses were recognized for the year ended December 31, 2020 and 2019.

7. INTANGIBLE ASSETS, NET AND GOODWILL

The following table presents the gross carrying amount, accumulated amortization and net book value of intangibles as of December 31, 2020:

(In thousands)	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Licensing contracts	$ 1,040,518	$ (161,890)	$ 878,628
Favorable rate revenue contracts	749,241	(242,914)	506,327
In-place value of market rate revenue contracts	671,134	(165,923)	505,211
Total intangible assets, net	$ 2,460,893	$ (570,727)	$ 1,890,166
Unfavorable rate revenue contracts	$ 53,420	$ (45,166)	$ 8,254
Total intangible liabilities, net[1]	$ 53,420	$ (45,166)	$ 8,254

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

The following table presents the gross carrying amount, accumulated amortization and net book value of intangibles as of December 31, 2019:

(In thousands)	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Licensing contracts	$ 765,451	$ (81,647)	$ 683,804
Favorable rate revenue contracts	745,784	(195,287)	550,497
In-place value of market rate revenue contracts	688,832	(129,841)	558,991
Total intangible assets, net	$ 2,200,067	$ (406,775)	$ 1,793,292
Unfavorable rate revenue contracts	$ 48,420	$ (32,556)	$ 15,864
Unfavorable rate operations and maintenance contracts	5,000	(5,000)	—
Total intangible assets, net[1]	$ 53,420	$ (37,556)	$ 15,864

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

Amortization expense related to concessions and licensing contracts is reflected in the consolidated statements of operations within depreciation, accretion and amortization expense. During the years ended December 31, 2020 and 2019, amortization expense related to the licensing contracts was $68.4 million and $66.9 million, respectively.

Amortization expense related to favorable rate revenue contracts is reflected in the consolidated statements of operations as a reduction of operating revenues, net. Amortization related to unfavorable rate revenue contracts is reflected in the consolidated statements of operations as an increase to operating revenues, net. During the years ended December 31, 2020, 2019, net amortization expense related to favorable and unfavorable rate revenue contracts resulted in a reduction of operating revenues, net of $39.3 million, $39.9 million, respectively.

Amortization expense related to the in-place value of market rate revenue contracts is reflected in the consolidated statements of operations within depreciation, accretion and amortization expense. During the years ended December 31, 2020, 2019, amortization expense related to the in-place value of market rate revenue contracts was $35.5 million, $26.2 million, respectively.

Over the next five years, the Company expects to recognize annual amortization on its intangibles as follows:

(In thousands)	2021	2022	2023	2024	2025
Favorable rate revenue contracts	$ 44,020	$ 42,334	$ 42,233	$ 42,233	$ 42,217
Unfavorable rate revenue contracts	(2,710)	(1,619)	(971)	(268)	(268)
Total net amortization expense recorded to operating revenues, net	$ 41,310	$ 40,715	$ 41,262	$ 41,965	$ 41,949
Licensing contracts	$ 62,279	$ 62,279	$ 62,279	$ 62,279	$ 62,279
In-place value of market rate revenue contracts	35,969	35,968	35,958	35,949	35,914
Total amortization expense recorded to depreciation, accretion and amortization expense	$ 98,248	$ 98,247	$ 98,237	$ 98,228	$ 98,193

Goodwill

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

The following table presents the activity of the goodwill balance for the years ended December 31, 2020, and 2019:

(In thousands)		Goodwill
Balance as of December 31, 2018	$	120,553
Adjustments during the period[2]		10,196
Foreign exchange translation adjustments		(2,797)
Balance as of December 31, 2019		127,952
Goodwill resulting from business combinations[1]		40,862
Foreign exchange translation adjustments		17,031
Balance as of December 31, 2020	$	185,845

(1) Represents the excess purchase price over the estimated fair value of net assets acquired from the Termosol Acquisition. See *Note 3. Acquisitions and Divestitures* for additional details.

(2) Represents the adjustments to the goodwill balance arising from the finalization of the provisional accounting of the purchase price allocation related to the 2018 Saeta acquisition.

8. LEASES

The Company has operating leases for renewable energy production facilities, land, office space, transmission lines, vehicles and other operating equipment.

The components of lease expense were as follows:

	Year Ended December 31,			
(In thousands)	**2020**		**2019**	
Fixed operating lease cost	$	24,278	$	21,619
Variable operating lease cost[1]		7,183		5,884
Total operating lease cost	$	31,461	$	27,503

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

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

	Year Ended December 31,			
(In thousands)	**2020**		**2019**	
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases[1]	$	17,411	$	16,485

(1) Right-of-use assets, excluding the effect of acquisitions, obtained in exchange for lease obligations during the year ended December 31, 2020 and 2019, were not material.

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

(In thousands, except lease term and discount rate)	As of December 31, 2020	2019
Operating leases:		
Right-of-use assets	$ 312,575	$ 288,321
Accounts payable, accrued expenses and other current liabilities	24,162	18,138
Operating lease obligations, less current portion	293,559	272,894
Total operating lease liabilities	$ 317,721	$ 291,032
Weighted Average Remaining Lease Term:		
Operating leases	17.6	17.6
Weighted Average Discount Rate:		
Operating leases	4.4 %	4.8 %

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

(In thousands)	
2021	$ 24,635
2022	24,826
2023	24,976
2024	24,979
2025	24,894
Thereafter	326,751
Total lease payments	451,061
Less: Imputed interest	(133,340)
Total	$ 317,721

The operating revenues from delivering electricity and the related products from owned solar and wind renewable energy facilities under PPAs in which the Company is the lessor, the majority of which is variable in nature, is recognized when electricity is delivered and is accounted for as rental income under the lease standard. The Company determines if an arrangement is a lease at contract inception, and if so, includes both lease and non-lease components as a single component and accounts for it as a lease. The Company's PPAs do not contain any residual value guarantees or material restrictive covenants. The Company manages its risk associated with the residual value of its leased assets by retaining the ability to sell RECs through REC sale agreements. As a result of the adoption ASC 842 on January 1, 2019, the Company does not expect the future PPAs that it will enter into to meet the definition of a lease. See *Note 2. Summary of Significant Accounting Policies* for additional details.

9. ASSET RETIREMENT OBLIGATIONS

The activity on asset retirement obligations for the years ended December 31, 2020 and 2019 was as follows:

(In thousands)	Year Ended December 31, 2020	2019
Balance as of January 1	$ 287,288	$ 212,657
Assumed through acquisition	22,609	33,143
Accretion expense	14,612	15,475
Acquisition accounting adjustments related to prior year acquisitions	(11,840)	—
Extinguishment upon divestitures	(82)	(864)
Adjustment related to change in accretion period[1]	2,285	27,917
Currency translation adjustments	9,324	(1,040)
Balance as of December 31	$ 324,196	$ 287,288

(1) Represents corrections related to changes in the period over which the asset retirement obligations were accreted to their expected future value using the estimate of the future timing of settlement. The correction during the year ended December 31, 2019, recorded in the third quarter, resulted in $27.9 million increase in the carrying amounts of asset retirement obligations and the corresponding renewable energy facilities. The Company also recorded an adjustment to increase the previously reported accretion and depreciation expense by $3.3 million and $3.7 million, respectively, as a result of this change. The Company evaluated these adjustments and, based on an analysis of quantitative and qualitative factors, determined that the related impact was not material to the Company's consolidated financial statements for any prior period.

The Company did not have any assets that were legally restricted for the purpose of settling the Company's asset retirement obligations as of December 31, 2020 and 2019.

10. LONG-TERM DEBT

Long-term debt consisted of the following:

(In thousands, except rates)	As of December 31, 2020	As of December 31, 2019	Interest Type	Interest Rate (%)[1]	Financing Type
Corporate-level long-term debt[2]:					
Senior Notes due 2023	$ 500,000	$ 500,000	Fixed	4.25	Senior notes
Senior Notes due 2028	700,000	700,000	Fixed	5.00	Senior notes
Senior Notes due 2030	700,000	700,000	Fixed	4.75	Senior notes
Non-recourse long-term debt:					
Permanent financing	4,936,022	3,854,386	Blended[3]	4.76[3]	Term debt / senior notes
Bridge Facility[4]	—	474,550	Variable	N/A	Term debt
Financing lease obligations	62,667	59,533	Imputed	5.55[3]	Financing lease obligations
Total principal due for long-term debt and financing lease obligations	6,898,689	6,288,469		3.46[5]	
Unamortized discounts and premiums, net	4,298	(3,509)			
Deferred financing costs, net	(59,298)	(49,578)			
Less current portion of long-term debt and financing lease obligations	(584,234)	(441,951)			
Long-term debt and financing lease obligations, less current portion	$ 6,259,455	$ 5,793,431			

(1) As of December 31, 2020.
(2) Represents the debt issued by the Company and guaranteed by Terra LLC and certain subsidiaries of Terra Operating other than non-recourse subsidiaries as defined in the relevant debt agreements (except for certain unencumbered non-recourse subsidiaries).
(3) Includes fixed rate debt and variable rate debt. As of December 31, 2020, 49% of this balance had a fixed interest rate and the remaining 51% of the balance had a variable interest rate. The Company entered into interest rate swap agreements to fix the interest rates of a majority of the variable rate permanent financing non-recourse debt (see *Note 12. Derivatives*).
(4) The Bridge Facility that was obtained to fund a portion of the consideration paid for the WGL Acquisition was fully paid off on November 19, 2020.
(5) Represents the weighted average interest rate as of December 31, 2020.

Corporate-level Long-term Debt

Senior Notes

On December 12, 2017, Terra Operating LLC issued $500.0 million of 4.25% senior notes due 2023 at an offering price of 100% of the principal amount (the "Senior Notes due 2023") and $700.00 million of 5.00% senior notes due 2028 at an offering price of 100% of the principal amount (the "Senior Notes due 2028").

On October 16, 2019, Terra Operating LLC issued $700.0 million aggregate principal amount of 4.75% senior notes due on January 15, 2030, at an offering price of 100% of the principal amount (the "Senior Notes due 2030" and, together with the Senior Notes due 2023 and the Senior Notes due 2028, the "Senior Notes"), in an unregistered offering pursuant to Rule 144A under the Securities Act. Terra Operating LLC used the net proceeds from the Senior Notes due 2030 to (i) redeem, in full, the Senior Notes due 2025, of which $300.0 million remained outstanding, at a redemption price that included a prepayment penalty of $18.4 million, plus accrued interest, (ii) redeem, in full, the Company's Term Loan (as defined below),

of which $343.9 million remained outstanding plus accrued interest, (iii) redeem, in full, derivative liabilities related to interest rate swaps with hedge counterparties of which $8.8 million remained outstanding, and (iii) pay for the fees and expenses related to the issuance.

The Senior Notes are senior obligations of Terra Operating LLC and are guaranteed by Terra LLC and each of Terra Operating LLC's subsidiaries that guarantee the Revolver (as defined below) or certain other material indebtedness of Terra Operating LLC or Terra LLC. Each series of the Senior Notes rank equally in right of payment with all existing and future senior indebtedness of Terra Operating LLC, including the Revolver, senior in right of payment to any future subordinated indebtedness of Terra Operating LLC, and effectively subordinated to all borrowings under the Revolver, which are secured by substantially all of the assets of Terra Operating LLC and the guarantors of the Senior Notes.

At its option, Terra Operating LLC may redeem some or all of each series of the Senior Notes at any time or from time to time before their maturity. If Terra Operating LLC elects to redeem the Senior Notes due 2023 prior to October 31, 2022, the Senior Notes due 2028 before July 31, 2027, or the Senior Notes due 2030 before January 15, 2025, Terra Operating LLC would be required to pay a prepayment penalty as set forth in the applicable indenture. If Terra Operating LLC elects to redeem the Senior Notes due 2030 between January 15, 2025 and January 14, 2028, Terra Operating LLC would be required to pay a call premium as set forth in the applicable indenture. If Terra Operating LLC elects to redeem the Senior Notes due 2023, the Senior Notes due 2028, or the Senior Notes due 2030 on or after these respective dates, Terra Operating LLC would be required to pay a redemption price equal to 100% of the aggregate principal amount of the Senior Notes redeemed plus accrued and unpaid interest thereon. If certain change of control triggering events occur in the future, Terra Operating LLC must offer to repurchase all of each series of the Senior Notes at a price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the repurchase date.

Revolver

On October 17, 2017, Terra Operating LLC entered into a new senior secured revolving credit facility (the "Revolver") in an initial amount of $450.0 million, available for revolving loans and letters of credit, and maturing in October 2024. All outstanding amounts originally bore interest at a rate per annum equal to, at Terra Operating LLC's option, either (i) a base rate plus a margin ranging between 1.25% to 2.00% or (ii) a reserve adjusted Eurodollar rate plus a margin ranging between 2.25% to 3.00%. In addition to paying interest on outstanding principal under the Revolver, Terra Operating LLC is required to pay a standby fee in respect of the unutilized commitments thereunder, payable quarterly in arrears. This standby fee ranges between 0.375% and 0.50% per annum. The Revolver provides for voluntary prepayments, in whole or in part, subject to notice periods. There are no prepayment penalties or premiums other than customary breakage costs.

The terms of the Revolver have been periodically updated since the original agreement. The Revolver currently bears interest at a rate equal to, at Terra Operating LLC's option, either (i) a reserve adjusted Eurodollar rate plus an applicable margin ranging from 1.50% to 2.25% per annum, or (ii) a base rate plus an applicable margin ranging from 0.50% to 1.25% per annum. The aggregate size of the commitments to make revolving loans (''Revolving Loans'') under the Revolver was increased to $800.00 million, the aggregate size of the letter of credit facility under the Revolver was increased to $300.0 million and the accordion feature of the Revolver, which allows for further increases to the commitments to make Revolving Loans, was set at $150.0 million. Additionally, the maturity date of the Revolver has been extended to October 5, 2024. At December 31, 2020 and 2019, the Company did not have a balance outstanding under the revolver.

Sponsor Line Agreement

On October 16, 2017, TerraForm Power, Inc. entered into a credit agreement (the "Sponsor Line") with Brookfield and one of its affiliates. The Sponsor Line established a $500.0 million secured revolving credit facility and the Company was required to pay a standby fee of 0.50% per annum in respect of the unutilized commitments thereunder, payable quarterly in arrears.

The Company did not make any draws on the Sponsor Line during the years ended December 31, 2020 and 2019. On July 31, 2020, the date of the Brookfield Renewable Merger, the Sponsor Line was terminated. See *Note 18. Related Parties* for details. The Company did not make any draws on the Sponsor Line during the years ended December 31, 2020 and 2019.

Covenants and Cross-defaults

The terms of the Company's corporate-level debt agreements and indentures include customary affirmative and negative covenants and provide for customary events of default, which include, among others, nonpayment of principal or interest and failure to timely deliver financial statements, including quarterly financial maintenance covenants for the Revolver.

The occurrence of an event of default for one corporate-level debt instrument could also cause a cross-default for the other corporate-level debt instruments, as described below.

Pursuant to both the terms of the Revolver, a default of more than $75.0 million of indebtedness (other than non-recourse indebtedness, which is an obligation of the Company), including under these respective agreements, would result in a cross-default under the respective agreements that would permit the lenders holding more than 50% of the aggregate exposure under each to accelerate any outstanding principal amount of loans, terminate any outstanding letter of credit and terminate the outstanding commitments (as applicable to each).

Pursuant to the terms of the Senior Notes, a default of indebtedness that exceeds the greater of (i) $100.0 million for the Senior Notes due 2023 and Senior Notes due 2028, and $140.0 million for the Senior Notes due 2030, or (ii) 1.5% of the Company's consolidated total assets that is (i) caused by a failure to pay principal of, or interest or premium, if any, on such indebtedness prior to the expiration of the grace period provided in such indebtedness on the date of such default or (ii) results in the acceleration of such indebtedness would give the trustee under the respective indentures or the holders of at least 25% in the aggregate principal amount of the then outstanding Senior Notes under the respective indentures the right to accelerate any outstanding principal amount of loans and terminate the outstanding commitments under the respective indentures.

Non-recourse Long-term Debt

Certain subsidiaries of the Company have incurred long-term non-recourse debt obligations related to the renewable energy facilities that those subsidiaries own directly or indirectly. The indebtedness of these subsidiaries is typically secured by the renewable energy facilities or equity interests in subsidiaries that directly or indirectly hold renewable energy facilities with no recourse to TERP Parent, Terra LLC or Terra Operating other than limited or capped contingent support obligations, which in aggregate are not considered material to the Company's business and financial condition. In connection with these financings and in the ordinary course of its business, the Company and its subsidiaries observe formalities and operating procedures to maintain each of their separate existence and can readily identify each of their separate assets and liabilities as separate and distinct from each other. As a result, these subsidiaries are legal entities that are separate and distinct from each of TERP Parent, Terra LLC, Terra Operating and the guarantors under the Senior Notes due 2023, the Senior Notes due 2028, the Senior Notes due 2030, and the Revolver.

2020 United States Project Financings

On March 26, 2020, one of the Company's subsidiaries entered into a new non-recourse debt financing agreement whereby it issued $246.0 million of 3.28% senior notes secured by a portfolio of approximately 218.0 MW utility-scale wind power plants located in the U.S. The Company used the net proceeds of this financing to (i) redeem, in full, the outstanding balance of the non-recourse project term debt previously incurred and secured by the subsidiary's assets, of which $215.2 million remained outstanding plus accrued and unpaid interest, (ii) redeem, in full, derivative liabilities related to interest rate swaps with the hedge counterparties of which $16.3 million remained outstanding, and (iii) pay for the fees and expenses related to the issuance. As a result of the extinguishment of the prior project-level debt, the Company recognized a $3.6 million loss on modification and extinguishment of debt during the year ended December 31, 2020 representing the write-off of unamortized debt discount and deferred financing costs as of the redemption date. The senior secured notes mature on June 30, 2037, and amortize on a seventeen-year amortization schedule.

On September 22, 2020, one of the Company's subsidiaries entered into a new non-recourse debt financing agreement whereby it issued $296.4 million of 3.38% senior notes secured by a portfolio of approximately 250.0 MW of distributed generation facilities located in the U.S. The Company used the net proceeds of this financing to repay a portion of the Bridge Facility. The senior notes mature on December 31, 2043, and amortize on an approximately twenty-three year sculpted amortization schedule.

On November 19, 2020, one of the Company's subsidiaries entered into a new non-recourse debt financing agreement whereby it issued $189.3 million of variable rate senior secured term loans secured by a portfolio of approximately 126.0 MW of distributed generation facilities located in the U.S. The debt bears interest at a rate per annum equal to three month LIBOR plus an applicable margin of 150 basis points that increases by 12.5 basis points at the four year anniversary of the closing date. The Company used the net proceeds of this financing to repay the remaining portion of the Bridge Facility. The term loans mature on November 19, 2027, and amortize on an approximately sixteen year sculpted amortization schedule.

On December 16, 2020, one of the Company's subsidiaries entered into a new non-recourse debt construction loan whereby it issued $43.5 million of a variable rate senior secured term loan secured by a portfolio of approximately 160.0 MW of wind facilities located in the U.S. As of December 31, 2020, the Company had drawn only $33.2 million of the outstanding

debt balance. The debt bears interest at a rate per annum equal to three month LIBOR plus an applicable margin of 13.8 basis points. The Company used the net proceeds of this financing towards the repowering of the facility. The term loans mature on December 31, 2021, and the loan balance is due at maturity.

2020 Spain Project Financings

On June 30, 2020, two of the Company's subsidiaries completed a €483.6 million refinancing agreement (equivalent to approximately $540.0 million as of the closing date) of certain non-recourse project debt previously incurred and secured by the 100.0 MW utility-scale CSP facilities that were acquired in connection with the Termosol Acquisition as discussed in *Note 3. Acquisitions* (the "CSP Loans"). As of December 31, 2020 the Company has drawn €463.0 million against the facility. The CSP Loans comprised of fixed and variable tranches bearing an average interest per annum equal to 2.77% and amortize on a sculpted amortization schedule over their respective maturity dates through December 2037. The Company entered into interest rate swap agreements with counterparties to hedge approximately 80% of the cash flows associated with the variable tranches, paying a fixed rate and in return, the counterparties agreed to pay the variable interest payments to the lenders. The Company used the net proceeds of the refinancing to pay down the existing debt at the facilities.

On December 29, 2020, three of the Company's subsidiaries completed a €110.3 million refinancing agreement (equivalent to approximately $134.8 million as of the closing date) of certain non-recourse project debt previously incurred and secured by the 42.0 MW photovoltaic portfolio facilities located in Spain. The bonds bear an average interest per annum equal to 2.10% and amortize on a sculpted amortization schedule over their respective maturity dates through June 2040. The Company used the net proceeds of the refinancing to repay the existing financings at three projects within the portfolio.

2019 United States Project Financings

On May 29, 2019, one of the Company's subsidiaries entered into a new non-recourse debt financing agreement of $104.1 million senior secured term loan facility, and secured by approximately 137.7 MW of distributed generation solar power facilities located in the U.S. that are owned by certain subsidiaries of the Company. The Company used the net proceeds of this debt to repay a portion of the Revolver and general corporate purposes. The debt bears interest at a rate per annum equal to three month LIBOR plus an applicable margin of 200 basis points that increases by 12.5 basis points every four years until maturity. The debt matures on May 26, 2034, and amortizes on a fifteen-year sculpted amortization schedule. The Company entered into interest rate swap agreements with counterparties to hedge the interest payments associated with the debt, paying a fixed rate of 2.3%. In return, the counterparties agreed to pay the variable interest payments to the lenders.

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

On September 25, 2019, one of the Company's subsidiaries entered into a $475.0 million new non-recourse senior term loan ("Bridge Facility") secured by the approximately 320 MW portfolio of distributed generation power facilities located in the United States that were acquired from subsidiaries of AltaGas. The Bridge Facility bears interest at a rate per annum equal to LIBOR plus an applicable margin of 100 basis points for the first six months, 150 basis points for the following six months and 175 basis points thereafter. The Company used the net proceeds of this debt to fund a portion of the purchase price of the WGL Acquisition. See *Note 3. Acquisitions and Divestitures* for additional details. The Bridge Facility originally matured on September 24, 2020 and was extended to November 19, 2020, when it was fully paid off.

On November 25, 2019, one of the Company's subsidiaries entered into a new non-recourse debt financing agreement issuing $171.5 million of 3.55% senior notes secured by approximately 200.6 MW utility-scale wind power plants located in the United States. The Company used the net proceeds of this debt to (i) redeem, in full, the outstanding balance of the non-recourse project term debt previously incurred by the subsidiary, of which $69.1 million remained outstanding plus accrued and unpaid interest, (ii) redeem, in full, derivative liabilities related to interest rate swaps with hedge counterparties of which $9.8 million remained outstanding and (iii) pay for the fees and expenses related to the issuance. The Company used the remaining proceeds for general corporate purposes. As a result of the extinguishment of the project-level debt, the Company recognized a $0.3 million loss on extinguishment of debt during the year ended December 31, 2019, representing the write-off of unamortized debt discount as of the redemption date. The senior secured notes mature on May 1, 2039, and amortize on a twenty-year amortization schedule.

2019 Spain Project Financings

On December 10, 2019, five of the Company's subsidiaries completed a €235.8 million refinancing agreement (equivalent to $264.4 million at the closing date) of certain non-recourse indebtedness associated with 236.0 MW utility-scale wind plants located in Spain (the "Spanish Wind Term Loans"). The Spanish Wind Term Loans bear interest at a rate per annum equal to three months Euribor plus an applicable margin of 165 basis points that increases by 20 basis points every five years throughout maturity. The Spanish Wind Term Loans amortize on a sculpted amortization schedule through their respective maturity dates through December 2033. The Company entered into interest rate swap agreements with counterparties to hedge approximately 80% of the cash flows associated with the debt, paying a fixed rate of 1.55%. In return, the counterparties agreed to pay the variable interest payments to the lenders. The Company used the net proceeds of the refinancing to fund a portion of the purchase price of the X-Elio Acquisition.

On December 27, 2019, one of the Company's subsidiaries completed a €213.6 million refinancing agreement of certain non-recourse indebtedness, representing an upsize of approximately €42.0 million (equivalent to $239.5 million and $47.1 million at the closing date, respectively), of certain non-recourse indebtedness associated with approximately 50.0 MW concentrated solar power facility located in Spain (the "Spanish Solar Term Loans"). The Spanish Solar Term Loans consist of €146.4 million variable-rate tranche and €67.2 million fixed-rate tranche (equivalent to $164.2 million and $75.3 million, respectively). The variable-rate tranche bears interest at a rate per annum equal to three months Euribor plus an applicable margin of 190 basis points that increases by 20 basis points every five years throughout the maturity in December of 2033. The fixed-rate tranche bears interest at a rate of 2.55% and matures on June 30, 2035. The Spanish Solar Term Loans amortize on a sculpted amortization schedule through their respective maturity dates through 2035. The Company entered into interest rate swap agreements with counterparties to hedge approximately 80% of the variable cash flows of the debt, paying an average fixed rate of 3.70%. In return, the counterparty agreed to pay the variable interest payments to the lenders. The Company used the net proceeds of the refinancing for general corporate purposes.

2019 Uruguay Project Financing

On April 30, 2019, two of the Company's subsidiaries completed a $204.0 million refinancing agreements of certain non-recourse indebtedness, representing a net upsize of approximately $57.5 million, associated with the Company's 95 MW of utility-scale wind plants located in Uruguay (the "Uruguay Term Loans"). The Uruguay Term Loans consist of a $103.0 million Tranche A loan, a new $72.0 million Tranche B loan, and an additional $29.0 million senior secured term loan. Approximately 46% of the combined principal amount of the Uruguay Term Loans bears a fixed interest rate of 2.6%, and the remainder bears interest at a rate per annum equal to six-month U.S. LIBOR plus an applicable margin that ranges from 1.94% to 2.94%. The Uruguay Term Loans amortize on a sculpted amortization schedule through their respective maturity dates through December 2035. The Company entered into interest rate swap agreements with a counterparty to hedge greater than 90% of the cash flows associated with the variable portion of the debt, paying a fixed rate of 2.78%. In return, the counterparty agreed to pay the variable interest payments to the lenders. The net proceeds of the refinancing were used to pay down a portion of the Revolver and general corporate purposes.

Indebtedness Assumed on Termosol Acquisition

In connection with the Termosol Acquisition, the Company assumed $468.8 million of project-level debt secured by the acquired renewable energy facilities, which initially matured on December 31, 2036 and bore an average interest rate per annum of 4.7%. As discussed above, under "Spain Project Financing" on June 30, 2020, the Company entered into an agreement to refinance and extend the maturity of the acquired debt.

Indebtedness Assumed on X-Elio Acquisition

In connection with the X-Elio Acquisition, the Company assumed $151.7 million of project-level debt secured by the renewable energy facilities of the related entities. The average interest rates applicable to this assumed indebtedness was 2.8%.

Financing Lease Obligations

In certain transactions, the Company accounts for the proceeds of sale-leasebacks as financings, which are typically secured by the renewable energy facility asset and its future cash flows from energy sales, with no recourse to Terra LLC or Terra Operating LLC under the terms of the arrangement.

Non-recourse Debt Defaults

As of December 31, 2020 and December 31, 2019, the Company reclassified $154.0 million and $169.0 million, respectively, of non-recourse long-term indebtedness, net of unamortized deferred financing costs and debt discounts, to current in the consolidated balance sheets due to defaults remaining as of the respective financial statements issuance dates. The defaults as of December 31, 2020 and December 31, 2019 primarily consisted of indebtedness of the Company's renewable energy facility in Chile. The Company continues to amortize deferred financing costs and debt discounts over the maturities of the respective financing agreements as before the violations, since the Company believes there is a reasonable likelihood that it will be, in due course, able to successfully negotiate waivers with the lenders and/or cure existing defaults. The Company's management based this conclusion on (i) its past history of obtaining waivers and/or forbearance agreements with lenders, (ii) the nature and existence of active negotiations between the Company and the respective lenders to secure waivers, (iii) the Company's timely servicing of these debt instruments and (iv) the fact that no non-recourse financing has been accelerated to date and no project-level lender has notified the Company of such lenders election to enforce project security interests.

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

Modification and Extinguishment of Debt

Net loss on modification and extinguishment of debt includes prepayment penalties, the write-off of unamortized deferred financing costs and debt premiums or discounts, costs incurred in a debt modification that are not capitalized as deferred financing costs, other costs incurred in relation to debt extinguishment, and any gain from the redemption of debt below its carrying amount. Loss on modification and extinguishment of debt, net in the consolidated statements of operations for the years ended December 31, 2020 and 2019, was $3.6 million and $27.0 million, respectively.

Minimum Lease Payments

The aggregate amounts of minimum lease payments on the Company's financing lease obligations are $62.7 million. Contractual obligations for the years 2021 through 2025 and thereafter, are as follows:

(In thousands)	2021	2022	2023	2024	2025	Thereafter	Total
Minimum lease obligations[1]	$ 3,604	$ 5,067	$ 3,299	$ 3,116	$ 5,311	$ 42,270	$ 62,667

(1) Represents the minimum lease payment due dates for the Company's financing lease obligations and does not reflect the reclassification of $3.2 million of financing lease obligations to current as a result of debt defaults under certain of the Company's non-recourse financing arrangements.

Maturities

The aggregate contractual principal payments of long-term debt due after December 31, 2020, excluding financing lease obligations and amortization of debt deferred financing costs, as stated in the financing agreements, are as follows:

(In thousands)	2021	2022	2023	2024	2025	Thereafter	Total
Maturities of long-term debt[1]	$ 425,831	$ 365,152	$ 985,790	$ 361,255	$ 364,070	$ 4,333,924	$ 6,836,022

(1) Represents the contractual principal payment due dates for the Company's long-term debt and does not reflect the reclassification of $150.8 million of long-term debt, net of unamortized deferred financing costs of $4.8 million, to current due to debt defaults that existed as of the date of the issuance of the financial statements (see above for additional details) as of December 31, 2020.

11. INCOME TAXES

The income tax expense was calculated based on the income and losses before income tax between U.S. and foreign operations as follows:

(In thousands)	2020	2019
Loss before income taxes:		
United States	$ (93,109)	$ (212,995)
Foreign	7,034	18,308
Loss before income taxes	$ (86,075)	$ (194,687)

The income tax provision consisted of the following:

(In thousands)	Current	Deferred	Total
Year ended December 31, 2020			
Foreign expense (benefit)	2,314	(175)	2,139
Tax benefit in equity	—	(5,323)	(5,323)
Total	$ 2,314	$ (5,498)	$ (3,184)
Year ended December 31, 2019			
Foreign expense (benefit)	4,636	(750)	3,886
Tax benefit in equity	—	(1,011)	(1,011)
Total	$ 4,636	$ (1,761)	$ 2,875

Effective Tax Rate

The income tax provision differed from the expected amounts computed by applying the statutory U.S. federal income tax rate of 21% as of December 31, 2020 and December 31, 2019, to loss before income taxes, as follows:

	Year Ended December 31,	
	2020	2019
Income tax benefit at U.S. federal statutory rate	21.0 %	21.0 %
Increase (reduction) in income taxes:		
Foreign operations	(0.9)	(2.1)
US losses not benefitted at the LLC level	(21.2)	(21.2)
Change in valuation allowance	—	0.2
Other	(1.4)	0.2
Effective tax rate	(2.5)%	(1.9)%

For the years ended December 31, 2020 and December 31, 2019, the overall effective tax rate was different than the statutory rate of 21% primarily due to U.S. losses not subject to tax. As a limited liability company, the Company's U.S. taxable losses are allocated to its member. Therefore, there is no U.S. federal or state tax provision or liability for U.S. federal or state income taxes incurrent in the Company's condensed and consolidated financial statements with the exception of certain foreign entities that are subject to corporate tax.

The tax effects of the major items recorded as deferred tax assets and liabilities were as follows:

	As of December 31,	
(In thousands)	**2020**	**2019**
Deferred tax assets:		
Net operating losses and tax credit carryforwards	$ 108,058	$ 33,312
Derivative Liabilities	26,460	26,087
Interest expense limitation carryforward	136,714	62,389
Total deferred tax assets	271,232	121,788
Valuation allowance	(74,717)	(30,153)
Net deferred tax assets	196,515	91,635
Deferred tax liabilities:		
Renewable energy facilities	148,497	108,536
Intangible assets	227,235	169,192
Other	18	434
Total deferred tax liabilities	375,750	278,162
Net deferred tax liabilities	$ 179,235	$ 186,527

The Company has valuation allowances on net operating losses at certain Chilean, and Canadian projects and over deferred tax assets in Spain generated because of interest limitation carryforwards. The current year movement of $74.7 million in the valuation allowance is related to losses generated in the current year as a result of the current year operations as well as the Spanish business combination acquisition of Termosol deferred tax assets for which a partial valuation allowance was established.

As of December 31, 2020 and 2019, the Company had not identified any uncertain tax positions for which a liability was required under ASC 740-10.

12. DERIVATIVES

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

As of December 31, 2020 and 2019, the fair values of the following derivative instruments were included in the respective balance sheet captions indicated below:

Fair Value of Derivative Instruments[1]

(In thousands)	Derivatives Designated as Hedging Instruments			Derivatives Not Designated as Hedging Instruments					
	Interest Rate Swaps	Foreign Currency Contracts	Commodity Contracts	Interest Rate Swaps	Foreign Currency Contracts	Commodity Contracts	Gross Derivatives	Counterparty Netting[2]	Net Derivatives
As of December 31, 2020									
Derivative assets, current	$ —	$ —	$ 3,497	$ —	$ 2,270	$ 2,935	$ 8,702	$ (2,270)	$ 6,432
Derivative assets	—	—	37,033	379	—	24,081	61,493	—	61,493
Total assets	$ —	$ —	$ 40,530	$ 379	$ 2,270	$ 27,016	$ 70,195	$ (2,270)	$ 67,925
Derivative liabilities, current	$16,580	$ —	$ —	$ 37,704	$ 22,485	$ 329	$ 77,098	$ (2,270)	$ 74,828
Derivative liabilities	55,176	—	—	112,620	—	—	167,796	—	167,796
Total liabilities	$71,756	$ —	$ —	$150,324	$ 22,485	$ 329	$ 244,894	$ (2,270)	$ 242,624
As of December 31, 2019									
Derivative assets, current	$ —	$ 349	$ 1,040	$ —	$ 8,092	$ 7,279	$ 16,760	$ (941)	$ 15,819
Derivative assets	809	24	33,269	—	504	23,583	58,189	(472)	57,717
Total assets	$ 809	$ 373	$ 34,309	$ —	$ 8,596	$ 30,862	$ 74,949	$ (1,413)	$ 73,536
Derivative liabilities, current	$12,046	$ 631	$ —	$ 21,923	$ 310	$ —	$ 34,910	$ (941)	$ 33,969
Derivative liabilities	41,605	315	—	59,412	534	—	101,866	(472)	101,394
Total liabilities	$53,651	$ 946	$ —	$ 81,335	$ 844	$ —	$ 136,776	$ (1,413)	$ 135,363

(1) Fair value amounts are shown before the effect of counterparty netting adjustments.
(2) Represents the netting of derivative exposures covered by qualifying master netting arrangements.

As of December 31, 2020 and December 31, 2019, the Company had posted letters of credit in the amount of $15.0 million, as collateral related to certain commodity contracts. Certain derivative contracts contain provisions providing the counterparties a lien on specific assets as collateral. There was no cash collateral received or pledged as of December 31, 2020 and December 31, 2019 related to the Company's derivative transactions.

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

The Company elected to present all derivative assets and liabilities on a net basis on the consolidated balance sheets as a right to set-off exists. The Company enters into International Swaps and Derivatives Association, Inc. ("ISDA") Master Agreements with its counterparties. An ISDA Master Agreement is an agreement that can govern multiple derivative transactions between two counterparties that typically provides for the net settlement of all, or a specified group, of these derivative transactions through a single payment, and in a single currency, as applicable. A right to set-off typically exists when the Company has a legally enforceable ISDA Master Agreement. No amounts were netted for commodity contracts as of December 31, 2020 or 2019 as each of the commodity contracts were in a gain position.

The following table presents the notional amounts of derivative instruments as of December 31, 2020 and 2019:

	December 31,	
(In thousands, except for GWhs)	**2020**	**2019**
Derivatives designated as hedging instruments:		
Cash flow hedges:		
Interest rate swaps (USD)	247,957	441,628
Interest rate swaps (CAD)	129,602	138,575
Interest rate swaps (EUR)	288,193	310,721
Commodity contracts (GWhs)	4,689	5,360
Net investment hedges:		
Foreign currency contracts (CAD)	—	94,100
Foreign currency contracts (EUR)	—	199,750
Derivatives not designated as hedging instruments:		
Interest rate swaps (USD)	195,149	11,399
Interest rate swaps (EUR)[1]	964,559	745,719
Foreign currency option contracts (EUR)[2, 3]	—	625,200
Foreign currency contracts (EUR)[2]	950,000	118,550
Commodity contracts (GWhs)	6,621	7,610

(1) Represents the notional amount of the interest rate swaps at Saeta to economically hedge the interest rate payments on non-recourse debt. The Company did not designate these derivatives as hedging instruments per ASC 815 as of the respective balance sheet dates.
(2) Represents the notional amount of foreign currency contracts used to economically hedge portions of the Company's foreign exchange risk associated with Euro-denominated intercompany loans. The Company did not designate these derivatives as hedging instruments per ASC 815 as of December 31, 2020 and December 31, 2019.
(3) As of December 31, 2020, the Company had outstanding foreign exchange option contracts to buy and sell €212 million with the same maturity profile, to hedge a portion of the foreign currency risk related to the Company's investment in Spain.

Gains and losses on derivatives not designated as hedging instruments for the years ended December 31, 2020 and 2019 consisted of the following:

		Year Ended December 31,	
(In thousands)	**Location of Loss (Gain) in the Statements of Operations**	**2020**	**2019**
Interest rate swaps	Interest expense, net	$ 30,005	$ 25,790
Foreign currency contracts	Gain on foreign currency exchange, net	19,514	(27,233)
Commodity contracts	Operating revenues, net	(15,172)	479

The balance of the accumulated gains deferred in AOCI related to discontinued hedge accounting for a certain long-dated commodity contract as it was no longer considered highly effective in offsetting the cash flows associated with the underlying risk being hedged as of December 31, 2020 was $23.1 million will be amortized through earnings over the term of the contract, which expires in 2023, of which $7.7 million will be amortized within the next 12 months.

Gains and losses recognized related to designated derivative contracts designated as hedging instruments for the years ended December 31, 2020 and 2019 consisted of the following:

Derivatives in Cash Flow and Net Investment Hedging Relationships	Year Ended December 31, Gain (Loss) Included in the Assessment of Effectiveness Recognized in OCI, net of taxes[1]	
(In thousands)	2020	2019
Interest rate swaps	$ (41,538)	$ (33,503)
Foreign currency contracts	20,890	13,904
Commodity derivative contracts	13,146	(8,920)
Total	$ (7,502)	$ (28,519)

Location of Amount Reclassified from AOCI into Income	Year Ended December 31, (Gain) Loss Included in the Assessment of Effectiveness Reclassified from AOCI into Income[2]	
	2020	2019
Interest expense, net	$ 11,423	$ 1,896
Operating revenues, net	(4,226)	3,371
Total	$ 7,197	$ 5,267

(1) Net of $5.1 million and $(1.0) million, expense (benefit) attributed to interest rate swaps during the years ended December 31, 2020 and 2019, respectively. There were no taxes attributed to foreign currency contracts during the years ended December 31, 2020 and 2019. There were no taxes attributed to commodity contracts during the years ended December 31, 2020 and 2019.

(2) No tax expense or benefit was recorded for the year ended December 31, 2020 and 2019.

Derivatives Designated as Hedging Instruments

Interest Rate Swaps

The Company has interest rate swap agreements to hedge certain variable rate non-recourse debt. These interest rate swaps qualify for hedge accounting and were designated as cash flow hedges. Under the interest rate swap agreements, the Company pays a fixed rate and the counterparties to the agreements pay a variable interest rate. The change in the fair value of the components included in the effectiveness assessment of these derivatives is initially reported in AOCI and subsequently reclassified to earnings in the periods when the hedged transactions affect earnings (the payment of interest). The amounts deferred in AOCI and reclassified into earnings during the years ended December 31, 2020 and 2019 related to these interest rate swaps are provided in the tables above. The loss expected to be reclassified into earnings over the next twelve months is approximately $14.0 million. The maximum term of outstanding interest rate swaps designated as hedging instruments is 18 years.

Foreign Currency Contracts

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

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

There were no foreign currency contracts designated as net investment hedges as of December 31, 2020. As of December 31, 2019, the total notional amount of foreign currency forward contracts designated as net investment hedges was €200 million and C$94 million. The maturity dates of these derivative instruments designated as net investment hedges range from 3 months to 33 months.

Commodity Contracts

The Company has two long-dated and physically-delivered commodity contracts that hedge variability in cash flows associated with the sales of power from certain wind renewable energy facilities located in Texas. One of these commodity contract qualifies for hedge accounting and is designated as a cash flow hedge. The change in the fair value of the components included in the effectiveness assessment of this derivative is initially reported in AOCI and subsequently reclassified to earnings in the periods when the hedged transactions affect earnings (the sale of electricity). The amounts deferred in AOCI and reclassified into earnings during the years ended December 31, 2020 and 2019 related to this commodity contract are provided in the tables above. The gain expected to be reclassified into earnings over the next twelve months is approximately $3.1 million. The maximum term of the outstanding commodity contract designated as a hedging instrument is 7 years.

Derivatives Not Designated as Hedging Instruments

Interest Rate Swaps

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

Foreign Currency Contracts

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

Commodity Contracts

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

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

Recurring Fair Value Measurements

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

	As of December 31, 2020				As of December 31, 2019			
(In thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets								
Interest rate swaps	$ —	$ 379	$ —	$ 379	$ —	$ 809	$ —	$ 809
Commodity contracts	—	—	67,546	67,546	—	5,859	59,312	65,171
Foreign currency contracts	—	—	—	—	—	7,556	—	7,556
Total derivative assets	$ —	$ 379	$ 67,546	$ 67,925	$ —	$ 14,224	$ 59,312	$ 73,536
Liabilities								
Interest rate swaps	$ —	$222,080	$ —	$222,080	$ —	$134,986	$ —	$134,986
Commodity contracts	—	329	—	329	—	—	—	—
Foreign currency contracts	—	20,215	—	20,215	—	377	—	377
Total derivative liabilities	$ —	$242,624	$ —	$242,624	$ —	$135,363	$ —	$135,363

The Company's interest rate swaps, foreign currency contracts and financial commodity contracts are considered Level 2, since all significant inputs are corroborated by market observable data. The Company's long-term physically settled commodity contracts (see *Note 12. Derivatives*) are considered Level 3 as they contain significant unobservable inputs. There were no transfers in or out of Level 1, Level 2 and Level 3 during the years ended December 31, 2020 and 2019.

The following table reconciles the changes in the fair value of derivative instruments classified as Level 3 in the fair value hierarchy for the years ended December 31, 2020 and 2019:

	Year Ended December 31,	
(In thousands)	**2020**	**2019**
Balance as of January 1	$ 59,312	$ 79,652
Realized and unrealized (losses) gains:		
Included in other comprehensive loss	13,146	(8,920)
Included in operating revenues, net	8,352	(12,441)
Net settlements	(13,264)	1,021
Balance as of December 31	$ 67,546	$ 59,312

The significant unobservable inputs used in the valuation of the Company's commodity contracts classified as Level 3 in the fair value hierarchy as of December 31, 2020 are as follows:

(In thousands, except range)	**Fair Value as of December 31, 2020**				
Transaction Type	**Assets**	**Liabilities**	**Valuation Technique**	**Unobservable Inputs as of December 31, 2020**	
Commodity contracts - power	$ 67,546	$ —	Option model	Volatilities	16.9%
					Range[1]
			Discounted cash flow	Forward price (per MWh)	$ 10.31 - $ 95.22

(1) Represents the range of the forward power prices used in the valuation analysis that the Company has determined market participants would use when pricing the contracts.

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

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

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

14. VARIABLE INTEREST ENTITIES

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

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

	As of December 31,	
(In thousands)	**2020**	**2019**
Assets		
Current assets:		
Cash and cash equivalents	$ 41,635	$ 44,083
Restricted cash	6,991	10,562
Accounts receivable, net	30,231	39,804
Derivative assets, current	6,432	2,461
Prepaid expenses	5,299	3,466
Other current assets	18,407	21,228
Total current assets	108,995	121,604
Renewable energy facilities, net	3,155,647	3,188,508
Intangible assets, net	640,579	690,594
Restricted Cash	3,355	4,454
Derivative assets	61,114	56,852
Other assets	7,128	7,061
Total assets	$ 3,976,818	$ 4,069,073
Liabilities		
Current liabilities:		
Current portion of long-term debt and financing lease obligations	$ 105,635	$ 55,089
Accounts payable, accrued expenses and other current liabilities	28,533	42,685
Derivative liabilities, current	1,032	449
Total current liabilities	135,200	98,223
Long-term debt and financing lease obligations, less current portion	1,087,898	932,862
Operating lease obligations, less current portion	152,668	138,816
Asset retirement obligations	121,238	116,159
Derivative liabilities	785	894
Other liabilities	43,654	41,813
Total liabilities	$ 1,541,443	$ 1,328,767

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

15. NON-CONTROLLING INTERESTS

Redeemable Non-controlling Interests

Non-controlling interests in subsidiaries that are redeemable either at the option of the holder or at fixed and determinable prices at certain dates are classified as redeemable non-controlling interests in subsidiaries between liabilities and member's equity in the consolidated balance sheets. The redeemable non-controlling interests in subsidiaries balance is determined using the hypothetical liquidation at book value method for the VIE funds or allocation of share of income or losses in other subsidiaries subsequent to initial recognition; however, the non-controlling interests balance cannot be less than the estimated redemption value.

The following table presents the activity of the redeemable non-controlling interests balance for the years ended December 31, 2020 and 2019:

(In thousands)	Redeemable Non-controlling Interests
Balance as of December 31, 2018	$ 33,495
Distributions	(1,220)
Repurchases of redeemable non-controlling interests, net[1]	(4,753)
Non-cash redemption of redeemable non-controlling interests	7,345
Net loss	(11,983)
Balance as of December 31, 2019	$ 22,884
Distributions	(287)
Repurchases of redeemable non-controlling interests, net[2]	(14,645)
Net loss	(21)
Balance as of December 31, 2020	$ 7,931

(1) During the year-ended December 31, 2019, the Company purchased the tax equity investors' interests in certain distributed generation projects in the United States for a combined consideration of $3.9 million, which resulted in increasing the Company's ownership interest in the related projects to 100%. The difference between the consideration paid and the carrying amounts of the non-controlling interests was recorded as an adjustment to additional paid-in capital within Purchase of (redeemable) non-controlling interests in the consolidated statement of member's equity.

(2) During the year-ended December 31, 2020, the Company purchased the tax equity investors' interests in certain distributed generation projects in the United States for a combined consideration of $1.7 million, which resulted in increasing the Company's ownership interest in the related projects to 100%. The difference between the consideration paid and the carrying amounts of the non-controlling interests was recorded as an adjustment to additional paid-in capital within Purchase of (redeemable) non-controlling interests in the consolidated statement of member's equity.

Sale of Non-Controlling Interests in Wind Projects in the U.S.

On October 8, 2020, the Company completed the sale of a gross 49.9% interest in an 852 MW portfolio of four wind projects located in the United States (the "Wind Portfolio"). The Company sold a 40% interest in the Wind Portfolio for $252.5 million net of working capital adjustments alongside a non-controlling owner who sold its entire 9.9% interest. The Company recorded a net loss of $53.1 million to member's equity as a result of the sale. Upon consummation of the sale, the Company retained a 50.1% controlling interest in the Wind Portfolio. The Company used the net proceeds of the sale to repay debt and for general corporate purposes.

16. ACCUMULATED OTHER COMPREHENSIVE INCOME

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

(In thousands)	Foreign Currency Translation Adjustments	Hedging Activities[1]	Accumulated Other Comprehensive Income
Balance as of December 31, 2018	(4,512)	64,837	60,325
Net unrealized gain (loss) arising during the period (net of zero and $1,052 tax benefit, respectively)	15,650	(42,230)	(26,580)
Reclassification of net realized gain into earnings (net of zero tax impact)	—	(2,575)	(2,575)
Other comprehensive income (loss)	15,650	(44,805)	(29,155)
Accumulated other comprehensive income	11,138	20,032	31,170
Less: Other comprehensive loss attributable to non-controlling interests	—	(624)	(624)
Balance as of December 31, 2019	$ 11,138	$ 20,656	$ 31,794
Net unrealized gain (loss) arising during the period (net of zero and $5,057 tax benefit, respectively)	42,841	(28,392)	14,449
Reclassification of net realized gain into earnings (net of zero tax impact)	—	(540)	(540)
Other comprehensive income (loss)	42,841	(28,932)	13,909
Accumulated other comprehensive income	53,979	(8,276)	45,703
Less: Other comprehensive income attributable to non-controlling interests	—	6,749	6,749
Balance as of December 31, 2020	$ 53,979	$ (15,025)	$ 38,954

(1) See *Note 12. Derivatives* for additional breakout of hedging gains and losses for interest rate swaps and commodity contracts in a cash flow hedge relationship and the foreign currency contracts designated as hedges of net investments.
(2) Represents the cumulative-effect adjustment related to the early adoption of ASU 2017-12. See *Note 2. Summary of Significant Accounting Policies* for additional details.
(3) Represents the cumulative-effect adjustment of deferred taxes stranded in AOCI resulting from the early adoption of ASU No. 2018-02 See *Note 2. Summary of Significant Accounting Policies*.

17. COMMITMENTS AND CONTINGENCIES

Letters of Credit

The Company's customers, vendors and regulatory agencies often require the Company to post letters of credit in order to guarantee performance under certain contracts and agreements. The Company is also required to post letters of credit to secure obligations under various swap agreements and leases and may, from time to time, decide to post letters of credit in lieu of cash deposits in reserve accounts under certain financing arrangements. The amount that can be drawn under some of these letters of credit may be increased from time to time subject to the satisfaction of certain conditions. As of December 31, 2020, the Company had outstanding letters of credit drawn under the Revolver of $124.9 million and outstanding project-level letters of credit of $351.8 million, drawn under certain project-level financing agreements, respectively, compared to $115.5 million and $266.9 million as of December 31, 2019, respectively.

Guarantee Agreements

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

The Company and its subsidiaries have also provided guaranties in connection with acquisitions of third-party assets or to support project-level contractual obligations, including renewable energy credit sales agreements. The Company

and its subsidiaries have also provided other capped or limited contingent guaranties and other support obligations with respect to certain project-level indebtedness.

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

Operating Leases

The Company has operating leases for renewable energy production facilities, land, office space, transmission lines, vehicles and other operating equipment. See *Note 8. Leases* for details of the Company's lease arrangements, including rental expense, and future commitments under operating leases.

Long-Term Service Agreements

On August 10, 2018, the Company executed an 11-year framework agreement with affiliates of General Electric ("GE") that, among other things, provides for the roll out, subject to receipt of third-party consents, of project level, long-term service agreements ("LTSA") for turbine operations and maintenance "O&M", as well as other balance of plant services across the Company's 1.6 GW North American wind fleet. As of December 31, 2020, 15 of 16 project-level LTSAs were in place. Pursuant to the LTSAs with GE, if a facility generates less than the resource-adjusted amount of guaranteed generation, GE is liable to make a payment to the Company, as liquidated damages, corresponding to the amount of operating revenues lost due to such shortfall, after taking into account certain exclusions. In addition, if a facility generates more than the resource-adjusted amount of guaranteed generation, the Company has an obligation to pay a bonus to GE.

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

Legal Proceedings

The Company is not a party to any material legal proceedings other than various administrative and regulatory proceedings arising in the ordinary course of the Company's business. The Company's parent entities, TERP Parent (the successor entity to TERP Inc.) and Terra LLC are party to the legal proceedings described below. While the Company is not party to these proceedings, any of these claims, if resolved in a manner (including by settlement) that results in a liability for TERP Parent and Terra LLC, could result in substantial dividend payments being made by the Company to its parent entities in order to settle any potential liability, which could have a material adverse impact on the Company. The Company cannot predict with certainty the ultimate resolution of these proceedings.

Claim relating to First Wind Acquisition

On May 27, 2016, D.E. Shaw Composite Holdings, L.L.C. and Madison Dearborn Capital Partners IV, L.P., as the representatives of the sellers (the "First Wind Sellers") filed an amended complaint for declaratory judgment against TERP Inc. and Terra LLC in the Supreme Court of the State of New York alleging breach of contract with respect to the Purchase and Sale Agreement, dated as of November 17, 2014 (the "FW Purchase Agreement") between, among others, SunEdison, Inc. ("SunEdison"), TERP Inc., Terra LLC and the First Wind Sellers. The amended complaint alleges that Terra LLC and SunEdison became jointly obligated to make $231.0 million in earn-out payments in respect of certain development assets SunEdison acquired from the First Wind Sellers under the FW Purchase Agreement, when those payments were purportedly accelerated by SunEdison's bankruptcy and by the resignations of two SunEdison employees. The amended complaint further alleges that TERP Inc., as guarantor of certain Terra LLC obligations under the FW Purchase Agreement, is liable for this sum. In addition, the plaintiffs have claimed legal costs and expenses and, under applicable New York law, their claim accrues interest at a non-compounding rate of 9% per annum.

On December 22, 2020, the court granted summary judgment to the Plaintiffs and awarded $231 million in earn-out payments, plus interest that has accrued at the New York State statutory rate since May 2016. The ruling denied the Plaintiffs' claim for legal costs and expenses.

TERP Parent and Terra LLC continue to believe the First Wind Sellers' allegations are without merit. TERP Parent and Terra LLC have appealed the ruling and a surety bond has been posted with the court.

Other matters

Two of the Company's project level subsidiaries were parties to litigation seeking to recover alleged underpayments of tax grants under Section 1603 of the American Recovery and Reinvestment Tax Act from the U.S. Department of Treasury ("U.S. Treasury"). These project subsidiaries filed complaints at the Court of Federal Claims on March 28, 2014. The U.S. Treasury counterclaimed and both claims went to trial in July 2018. In January 2019, the Court of Federal Claims entered judgments against each of the project level subsidiaries for approximately $10.0 million in the aggregate. These judgments were affirmed on appeal. On July 17, 2020, the project subsidiaries settled the full amount of the litigation with the U.S. Treasury through payments made directly by the previous owners pursuant to the indemnification agreement.

18. RELATED PARTIES

As discussed in *Note 1. Nature of Operations and Organization*, the Company is a controlled affiliate of Brookfield. Effective July 31, 2020, the Company became a wholly-owned indirect subsidiary of Brookfield Renewable and its affiliates. As of December 31, 2020, Brookfield owned approximately 51.5% of Brookfield Renewable on a fully-exchanged basis and the remaining approximately 48.5% is held by public investors.

Merger Transaction

On July 31, 2020, pursuant to the Agreement and Plan of Reorganization (the "Reorganization Agreement") by and among Brookfield Renewable, Brookfield Renewable Corporation, a corporation incorporated under the laws of British Columbia and an indirect subsidiary of Brookfield Renewable ("BEPC"), 2252876 Alberta ULC, an unlimited liability corporation incorporated under the laws of Alberta and a wholly owned direct subsidiary of Brookfield Renewable ("Acquisition Sub" and, together with Brookfield Renewable and BEPC, the "BEP Entities"), TERP Inc., and TERP NY, a New York corporation and a wholly owned direct subsidiary of the TERP Inc. (TERP NY together with TERP Inc., the "Company Entities"), Brookfield Renewable, through Acquisition Sub and BEPC, acquired all of the outstanding Common Stock of TERP Inc. not held by the Brookfield Stockholders (as defined below) (such shares, the "Public TERP Shares") through a series of transactions that include the Reincorporation Merger and the Share Exchange (each as defined below). Pursuant to the Reorganization Agreement and the Plan of Merger (as defined below), at the effective time of the Reincorporation Merger (the "Reincorporation Effective Time"), TERP Inc. merged with and into TERP NY, with TERP NY as the surviving corporation of such merger (the "Reincorporation Merger"), and (i) BBHC Orion Holdco L.P. ("BBHC Orion") and Orion U.S. (Orion U.S. together with BBHC Orion, the "Brookfield Stockholders"), each an affiliate of BEP, received shares of Class A common stock, par value $0.01, of TERP NY ("TERP NY Class A Common Stock"), (ii) holders of Public TERP Shares who did not elect to receive non-voting limited partnership units of BEP ("BEP Units") received shares of Class B common stock, par value $0.01, of TERP NY ("TERP NY Class B Common Stock"), and (iii) holders of Public TERP Shares who elected to receive BEP Units received shares of Class C common stock, par value $0.01, of TERP NY ("TERP NY Class C Common Stock"). Immediately thereafter, at the effective time of the Share Exchange (as defined below) (the "Exchange Effective Time"), (i) pursuant to a binding share exchange, BEPC acquired each share of TERP NY Class B Common Stock issued and outstanding after the Reincorporation Effective Time in exchange for the right to receive Class A exchangeable subordinate voting shares, no par value, of BEPC (the "BEPC Shares") and cash in lieu of fractional BEPC Shares (the "BEPC Exchange") and (ii) pursuant to a binding share exchange, Acquisition Sub acquired each share of TERP NY Class C Common Stock issued and outstanding after the Reincorporation Effective Time in exchange for the right to receive BEP Units and cash in lieu of fractional BEP Units (the "BEP Exchange" and, together with the BEPC Exchange, the "Share Exchange" and, together with the Reincorporation Merger, the "Merger Transaction").

Pursuant to the Share Exchange, each holder of Public TERP Shares was entitled to receive for each Public TERP Share held by such holder as consideration 0.381 of a BEPC Share or, at the election of such holder, 0.381 of a BEP Unit, in each case as adjusted for the BEPC Distribution (as defined and described below) (such 0.381 exchange ratio as adjusted, the "Adjusted Exchange Ratio") plus any cash paid in lieu of fractional BEP Units or BEPC Shares, as applicable (the "Consideration"). Holders of Public TERP Shares who did not make any election received BEPC Shares. There was no limit on the number of Public Shares that could elect to receive BEPC Shares or BEP units. The BEPC Shares are structured with the intention of being economically equivalent to the BEP Units, including identical distributions, as and when declared, and will be fully exchangeable at any time, at the option of holders of such BEPC Shares, for a BEP Unit, initially on a one-for-one basis, subject to adjustment for certain events.

All outstanding restricted stock units of TERP Inc. (the "TERP Inc. RSUs") were converted into restricted stock units with respect to TERP NY Class B Shares (the "TERP NY RSUs") on a one-for-one basis at the effective time of the Reincorporation Merger. At the effective time of the Share Exchange, each TERP NY RSU was then converted into a time-based restricted stock unit of BEPC with respect to a number of BEPC Shares equal to the product of (i) the number of shares

subject to such TERP NY RSU immediately prior to the effective time of the Share Exchange and (ii) the Adjusted Exchange Ratio. Such restricted stock units are subject to substantially the same terms and conditions as were applicable to the TERP Inc. RSUs (except that the form of payment upon vesting will be in BEPC Shares).

BEPC Distribution

Concurrently with the closing of the Merger Transaction, BEP undertook a special distribution of BEPC Shares (the "BEPC Distribution") to holders of BEP Units. As a result of the BEPC Distribution, holders of BEP Units received BEPC Shares for their BEP Units in accordance with a distribution ratio determined by the Board of Directors of the general partner of BEP. Holders of Public TERP Shares who elected to receive BEP Units pursuant to the BEP Exchange were not be entitled to receive, and did not receive, BEPC Shares in the BEPC Distribution.

Voting Agreement

Simultaneously with the execution of the Reorganization Agreement, TERP Inc. entered into a Voting Agreement (the "Voting Agreement") with the Brookfield Stockholders, pursuant to which the Brookfield Stockholders agreed, among other things, to vote their respective Common Stock in favor of the approval of the Reorganization Agreement and against any alternative proposal as further set forth in the Voting Agreement. Prior to the consummation of the Merger Transaction, the Brookfield Stockholders beneficially owned approximately 61.65% of the outstanding Common Stock.

Brookfield Sponsorship Transaction

Pursuant to the transactions consummated pursuant to the 2017 merger agreement with affiliates of Brookfield Renewable, TERP Inc. had previously entered into a suite of agreements with Brookfield and/or certain of its affiliates providing for sponsorship arrangements, as are more fully described below.

Brookfield Master Services Agreement

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

- for each of the first four quarters following October 16, 2017, the closing date of the 2017 merger, when Brookfield initially became sponsor and controlling shareholder of TERP Inc. (the "2017 Merger"), a fixed component of $2.5 million per quarter (subject to proration for the quarter including the closing date of the 2017 Merger) plus 0.3125% of the market capitalization value increase for such quarter;
- for each of the next four quarters, a fixed component of $3.0 million per quarter adjusted annually for inflation plus 0.3125% of the market capitalization value increase for such quarter; and
- thereafter, a fixed component of $3.75 million per quarter adjusted annually for inflation plus 0.3125% of the market capitalization value increase for such quarter.

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

Pursuant to the Brookfield MSA, the Company recorded charges of $23.3 million within general and administrative expenses - affiliate in the consolidated statements of operations for the year ended December 31, 2020, as compared to $26.8 million for the same period in 2019.

The Brookfield MSA was terminated on July 31, 2020, upon the completion of the Merger Transaction as discussed above.

Relationship Agreement

TERP Inc. was party to a relationship agreement (the "Relationship Agreement") with Brookfield, which governed certain aspects of the relationship between Brookfield and TERP Inc. Pursuant to the Relationship Agreement, Brookfield agreed that TERP Inc. would serve as the primary vehicle through which Brookfield and certain of its affiliates would own operating wind and solar assets in North America and Western Europe and that Brookfield would provide, subject to certain terms and conditions, TERP Inc. with a right of first offer on certain operating wind and solar assets that are located in such countries and developed by persons sponsored by or under the control of Brookfield. The rights of TERP Inc. under the Relationship Agreement were subject to certain exceptions and consent rights set out therein. TERP Inc. did not acquire any renewable energy facilities from Brookfield during the twelve months ended December 31, 2020 or during 2019.

On July 31, 2020, as a result of the termination of the Brookfield MSA, the Relationship Agreement automatically terminated in accordance with its terms.

Terra LLC Agreement

BRE Delaware, LLC (formerly BRE Delaware, Inc.) (the "Brookfield IDR Holder"), an indirect, wholly-owned subsidiary of Brookfield, previously held all of the outstanding IDRs of Terra LLC. The Company, Brookfield IDR Holder and TerraForm Power Holdings were party to the limited liability company agreement of Terra LLC (as amended from time to time, the "Terra LLC Agreement"). Under the Terra LLC Agreement, IDRs were payable when distributions on Common Stock reach a certain threshold. The IDR threshold for a first distribution was $0.93 per share of Common Stock and for a second distribution was $1.05 per share of Common Stock. There were no IDR payments made by the Company pursuant to the Terra LLC Agreement during the year ended December 31, 2020 or during 2019.

On July 31, 2020, upon the completion of the Merger Transaction, as discussed above, TERP Parent, (as successor to TERP NY), TerraForm Power Holdings, a Delaware corporation, and Brookfield IDR Holder entered into the Fourth Amended and Restated Limited Liability Company Agreement of TerraForm Power, LLC (the "New LLCA"), pursuant to which, among other things, the obligations of Terra LLC to make incentive distribution right payments to Brookfield IDR Holder were terminated.

Registration Rights Agreement

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

On July 31, 2020, the Registration Rights Agreement was terminated, upon the completion of the Merger Transaction as discussed above.

Sponsor Line Agreement

On October 16, 2017, TERP Inc. entered into a credit agreement (the "Sponsor Line") with Brookfield and one of its affiliates. The Sponsor Line established a $500.0 million secured revolving credit facility and provided for the lenders to commit to make LIBOR loans to the Company during a period not to exceed three years from the effective date of the Sponsor Line (subject to acceleration for certain specified events). TERP Inc. could only use the revolving Sponsor Line to fund all or a portion of certain funded acquisitions or growth capital expenditures. The Sponsor Line was to terminate, and all obligations thereunder would become payable, no later than October 16, 2022. Borrowings under the Sponsor Line bore interest at a rate per annum equal to a LIBOR rate determined by reference to the costs of funds for U.S. dollar deposits for the interest period relevant to such borrowing adjusted for certain additional costs, in each case plus 3.00% per annum. In addition to paying interest on outstanding principal under the Sponsor Line, TERP Inc. was required to pay a standby fee of 0.50% per annum in respect of the unutilized commitments thereunder, payable quarterly in arrears. TERP Inc. was permitted to voluntarily reduce the unutilized portion of the commitment amount and repay outstanding loans under the Sponsor Line at any time without premium or penalty, other than customary "breakage" costs. TERP Inc.'s obligations under the Sponsor Line were secured by first-priority security interests in substantially all assets of TERP Inc., including 100% of the capital stock of Terra LLC, in each

case subject to certain exclusions set forth in the credit documentation governing the Sponsor Line. Under certain circumstances, TERP Inc. could have been required to prepay amounts outstanding under the Sponsor Line. Total interest expense, including the amortization of the deferred financing costs incurred on the Sponsor Line for the year ended December 31, 2020 was $2.8 million.

On July 31, 2020, the Sponsor Line was terminated upon the completion of the Merger Transaction as discussed above.

Governance Agreement

In connection with the consummation of the Merger, TERP Inc. was party to a governance agreement (the "Governance Agreement") with Orion U.S. and any controlled affiliate of Brookfield (other than TERP Inc. and its controlled affiliates) that by the terms of the Governance Agreement from time to time becomes a party thereto. The Governance Agreement established certain rights and obligations of TERP Inc. and controlled affiliates of Brookfield that own voting securities of TERP Inc. relating to the governance of TERP Inc. and the relationship between such affiliates of Brookfield and TERP Inc. and its controlled affiliates. On June 11, 2018, Orion U.S., Brookfield BRP Holdings (Canada) Inc. and TERP Inc. entered into a Joinder Agreement pursuant to which Brookfield BRP Holdings (Canada) Inc. became a party to the Governance Agreement. On June 29, 2018, a second Joinder Agreement was entered into among Orion U.S., Brookfield BRP Holdings (Canada) Inc., BBHC Orion Holdco L.P. and TERP Inc. pursuant to which BBHC Orion Holdco L.P. became a party to the Governance Agreement.

On July 31, 2020, as a result of the termination of the Brookfield MSA, the Governance Agreement automatically terminated in accordance with its terms.

New York Office Lease & Co-tenancy Agreement

In May 2018, in connection with the relocation of the Company's corporate headquarters to New York City, the Company entered into a lease for office space and related co-tenancy agreement with affiliates of Brookfield for a ten-year term. The Company recorded $1.0 million of charges related to the lease of the office space within general and administrative expenses - affiliate in the consolidated statements of operations for the year ended December 31, 2020, respectively, as compared to $0.8 million for the same period in 2019.

Other Brookfield Transactions and Agreements

Acquisition-related Services

During the year ended December 31, 2020, an affiliate of Brookfield incurred $0.8 million for services and fees payable on behalf of the Company in relation to acquisitions made by the Company in Spain. These costs primarily represent professional fees for legal, valuation and accounting services.

Agreements with X-Elio Energy

On December 18, 2019, the Company acquired an approximately 45 MW portfolio of utility-scale solar photovoltaic power plants in Spain (the "X-Elio Acquisition") from subsidiaries of X-Elio Energy, S.L. ("X-Elio"). Contemporaneously with the closing of the X-Elio Acquisition, Brookfield and certain of its institutional partners entered into a 50-50 joint venture in respect of X-Elio.

The X-Elio Acquisition was completed pursuant to three share purchase agreements with X-Elio (collectively the "X-Elio SPAs"), pursuant to which the Company acquired three X-Elio subsidiaries. In connection with the X-Elio Acquisition, on the closing date, the Company entered into a transitional services agreement with X-Elio, pursuant to which X-Elio agreed to support the Company on a transitional basis by providing certain accounting and other services for an initial three-month term that may be extended at the election of the Company for an additional three-month term. In addition, the subsidiaries acquired by the Company were party to existing O&M agreements with X-Elio (collectively, the "X-Elio O&M Agreements"), pursuant to which X-Elio provided O&M services to the acquired solar power facilities. Under the terms of the X-Elio SPAs, the X-Elio O&M Agreements will remain in effect for a maximum 12-month term after the closing date, subject to earlier termination at the Company's election, for a total consideration of approximately $1.1 million. Under the X-Elio SPAs, certain indemnity and other obligations remain in place post-closing of the acquisition but no post-closing payments are expected to be made by either party in the ordinary course.

Due from Affiliates

The $0.5 million due from affiliates amount reported on the consolidated balance sheets as of December 31, 2020 primarily represents a receivable from certain affiliates of Brookfield, as a result of payments made by the Company on their behalf, primarily related to professional fees and rent for shared corporate headquarters. There was no right of set-off with respect to these receivables from affiliates and the payables to the other Brookfield affiliates described herein, and thus these amounts were separately reported in due from affiliate in the consolidated balance sheets.

Due to Affiliates

The $2.4 million due to affiliates amount reported in the consolidated balance sheets as of December 31, 2020 represented payables to affiliates of Brookfield of (i) $1.8 million for services and fees incurred by an affiliate of Brookfield on behalf of the Company related to acquisitions in Spain, (ii) $0.4 million for O&M services payable to an affiliate of X-Elio and (iii) $0.2 million payables related to rent, office charges and other services to affiliates of Brookfield related to the Company's corporate headquarters in New York. The $11.5 million due to affiliates amount reported in the consolidated balance sheets as of December 31, 2019 represented (i) $8.6 million payables to affiliates of Brookfield for the Brookfield MSA base management fee for the fourth quarter of 2019, (ii) $1.4 million for services and fees incurred by an affiliate of Brookfield on behalf of the Company related to acquisitions in Spain, (iii) $0.6 million standby fee payable under the Sponsor Line, (iv) $0.5 million payable for commodity contracts executed on behalf of the Company on a cost-reimbursement basis, and (v) $0.4 million payables related to rent, office charges and other services to affiliates of Brookfield related to the Company' corporate headquarters in New York.

During the year ended December 31, 2020, the Company paid to affiliates of Brookfield (i) $23.3 million for the Brookfield MSA base management fee, (ii) $1.5 million for the standby fee payable under the Sponsor Line and (iii) $3.0 million for leasehold improvements, rent, office charges and other services with affiliates of Brookfield. During the year ended December 31, 2019, the Company paid to affiliates of Brookfield (i) $22.4 million for the Brookfield MSA base management fee and (ii) $1.9 million representing standby fee payable to a Brookfield affiliate under the Sponsor Line and for leasehold improvements, rent, office charges and other services with affiliates of Brookfield.

Cash Distributions Paid

During the year ended December 31, 2020 and 2019, respectively the Company paid cash distributions totaling $315.5 million and $179.9 million to TERP Parent, its indirect parent.

19. CONCENTRATION OF CREDIT RISK

The Company's financial assets are typically subject to concentrations of credit risk and primarily consist of cash and cash equivalents, accounts receivable and derivative assets. The following table reflects the balances of the major financial assets that are subject to concentrations of credit risk as of December 31, 2020, and 2019:

	As of December 31,	
(In thousands)	**2020**	**2019**
Cash and cash equivalents	$ 383,140	$ 349,500
Accounts receivable, net	183,022	167,865
Derivative assets	67,925	73,536
Total	$ 634,087	$ 590,901

Cash and Cash Equivalents

The Company is subject to concentrations of credit risk related to the cash and cash equivalents that may exceed the insurable limits in the related jurisdictions. The maximum exposure to loss due to credit risk would generally equal the stated value of cash and cash equivalents in the above table. The Company places its cash and cash equivalents with creditworthy financial institutions and, historically, did not experience any losses with regards to balances in excess of insured limits or as a result of other concentrations of credit risk.

Accounts Receivable, Net

The Company serves hundreds of customers in three continents, and, in the United States, the Company's customers are spread across various states resulting in the diversification of its customer base. Notwithstanding this diversification, a significant portion of the Company's offtake counterparties are government-backed entities and public utility companies, which has the potential to impact the Company's exposure to credit risk.

Major Customers

The following table reflects operating revenues, net for the years ended December 31, 2020 and 2019 by specific customers exceeding 10% of total net operating revenues:

		Year Ended December 31,			
		2020		2019	
(In thousands, except for percentages)	**Segment**	**Amount**	**Percentage**	**Amount**	**Percentage**
Comisión Nacional de los Mercados y la Competencia[1]	Regulated Solar and Wind	$ 364,688	32.6 %	$ 240,714	25.6 %

(1) The Company earned $439.6 million and $338.7 million from the Spanish Electricity System for the years ended December 31, 2020, and 2019, respectively, of which $364.7 million and $240.7 million were through collections from the Comisión Nacional de los Mercados y la Competencia ("CNMC"). These operating revenues were earned within the Regulated Solar and Wind segment and represented 32.6% and 25.6% of the Company's net consolidated operating revenues for these years, respectively. The CNMC is the state-owned regulator of the Spanish Electricity System who collects the funds payable, mainly from the tariffs to end user customers, and is responsible for the calculation and the settlement of regulated payments.

The amounts receivable from the CNMC as of December 31, 2020, and 2019, were as follows:

	As of December 31,	
(In thousands)	**2020**	**2019**
CNMC	$ 91,650	$ 78,474

If the CNMC was to cease to honor their obligations to the Company it would have a material adverse effect on the Company's business, operating results or financial position. The Company's management believes that the concentration of risk with the CNMC is mitigated by, among other things, the indirect support of the Spanish government for the CNMC's obligations and, in general, by the regulated rate system in Spain.

Derivative Assets

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

20. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through March 22, 2021, and determined that there have been no events that have occurred that would require adjustments to our disclosures in the consolidated financial statements except for the transactions described below.

Texas Severe Winter Weather Event

In February 2021, the state of Texas experienced unexpected winter weather conditions that disrupted operations at our two wind farms in the state, one of which suffered an outage. While we expect this weather event to impact the consolidated

results of operations in the first quarter of 2021, we expect the overall impact on our business to be minimal.

Distribution

On March 16, 2021, the Company paid a distribution of $125.0 million to TERP Parent, its indirect parent.