
Table of Contents

are charged to expense as incurred. When property, plant and equipment is retired or otherwise disposed of, the cost and accumulated depreciation is removed from the accounts, and any resulting gain or loss is included in the results of operations for the respective period. Depreciation of property, plant and equipment is recognized using the straight-line method over the estimated useful lives of the solar energy systems of thirty years.

Borrowings

Borrowings consist of long-term debt facilities entered into by the Operating Entities. The loans are recorded at amortized cost.

Impairment of long-lived assets

Long-lived assets that are held and used are reviewed for impairment whenever events or changes in circumstances indicate carrying values may not be recoverable. Whenever an impairment indicator exists of the total future estimate of undiscounted cash flows expected from an asset being less than its carrying value an impairment calculation is performed. If such an impairment indicator exists, an impairment charge is measured as the difference between an asset's carrying amount and fair value with the difference recorded in operating costs and expenses in the statement of operations and comprehensive income. Fair values are determined by a variety of valuation methods including appraisals, sales prices of similar assets, and present value techniques. There were no impairments recognized during the three months ended March 31, 2015 and 2014.

Deferred financing costs

Deferred financing costs consist of debt issuance costs and commitment fees incurred by the Operating Entities and are directly attributable to the long-term debt facilities.

Debt issuance costs

Financing costs incurred in connection with obtaining construction and term financing are deferred and amortized over the maturities of the respective financing arrangements using the effective-interest method. The amortization of debt issuance costs is recorded in other expenses.

Commitment fees

Fees associated with commitment facilities that are not revolving lines of credit are deferred and amortized on a straight-line basis over the commitment period. The commitment period, as defined in the loan agreements, terminates at the earlier of actual COD, 140 days after scheduled COD, or the date of the full draw of the committed facility. For each of these loans, the commitment period expired at 140 days after scheduled COD. Amortization of commitment fees is recorded in other expenses. As of December 31, 2014, these fees have been fully amortized.

Derivatives

All derivative instruments are recorded on the combined balance sheet at fair value. As hedge accounting has not been applied, the movement in derivatives is reported directly in earnings.