

CORPORATE PARTICIPANTS**Mike Garland**

Pattern Energy Group Inc. — President and Chief Executive Officer

Mike Lyon

Pattern Energy Group Inc. — Chief Financial Officer

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PRESENTATION

Operator

Good morning, ladies and gentlemen. Welcome to Pattern Energy Group's fourth quarter 2013 results conference call.

At this time, all participants are in a listen-only mode. Following the presentation, we will conduct a question-and-answer session. Instructions will be provided at that time for you to queue for questions. If anyone has difficulties hearing the conference, you may press *, 0 for Operator assistance at any time.

I would like to remind everyone that today's discussions may contain forward-looking statements that reflect current views with respect to future events. Any such statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected in the forward-looking statements.

For more information on Pattern's risks and uncertainties related to these forward-looking statements, please refer to the Company's prospectus dated September 26, 2013, which is available on EDGAR or SEDAR.

I'd now like to turn the call over to Mike Garland, President and Chief Executive Officer of Pattern Energy Group.

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Mike Garland — President and Chief Executive Officer, Pattern Energy Group Inc.

Good morning. Thank you for joining us today. Earlier this morning we released our fourth quarter and full year earnings results, which are available on our website at patternenergy.com.

2013 was a terrific year for Pattern Energy. Since our IPO in October of last year, we've had a number of significant achievements. Let me start with describing how we've taken certain steps to meet our growth targets.

In December, we agreed to acquire two projects from Pattern Development for a total cash purchase price of \$202 million. These two acquisitions increase our portfolio to 10 wind projects and add a total of 214 megawatts to our owned capacity, which now stands at 1,255 megawatts or a 21 percent increase.

These exceptional acquisitions occurred ahead of schedule, and lock in our ability to increase our cash available for distribution by 2015. The two acquired projects were Grand Renewable and Panhandle 2. Grand Renewable is a 149-megawatt project, which is under construction in Haldimand County, Ontario, and is scheduled to reach commercial operation in the fourth quarter of this year.

We own a 45 percent interest in this project for a net owned capacity of 67 megawatts. The project is fully financed with nonrecourse project debt from a large group of international banks. It uses Siemens 2.3 megawatt turbines, and has a 20-year PPA, power purchase agreement,

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with Ontario Power Authority. The Grand project complements our South Kent project, expanding on Ontario operations to a total of 202 megawatts, and sets the stage for further growth in Ontario.

Panhandle 2 is a 182-megawatt project under construction in Carson County, Texas. We own an 81 percent interest in this project for a net owned capacity of 147 megawatts. Panhandle 2 is also fully financed with nonrecourse construction debt. It uses Siemens 2.3 megawatt turbines, and will sell approximately 80 percent of its expected output under a long-term energy price hedge with an affiliate of Morgan Stanley, with the remainder of the output being sold into ERCOT spot market.

We have committed to acquire this project interest around the time of commencing commercial operations, which we expect to occur in the fourth quarter of this year.

With these two acquisitions, we now have four projects under construction: South Kent, El Arrayán, Grand Renewables, and Panhandle 2. Work on our South Kent project is nearly 95 percent complete. Approximately 100 megawatts of its 270 megawatt capacity are already online and delivering pre-commercial operation power to the grid and receiving spot market pricing. We're commissioning another 5 to 10 megawatts per day, and expect to reach full operation by early April.

Our El Arrayán project in Chile is 80 percent complete, and is expected to be operational in late June of this year. Our Grand Renewable project is 13 percent complete and Panhandle 2 is 15 percent complete. Both of these projects should be operational by fourth quarter.

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The second accomplishment I want to mention is our dividend. In November 2013, the Board of the Directors approved the introduction of a quarterly dividend on our Class A common stock. We declared a quarterly cash dividend of \$0.3125 per Class A share for the fourth quarter, which represents \$1.25 per share dividend on an annualized basis. The dividend will be paid on April 30, 2014, to shareholders of record as of March 31, 2014.

The establishment of a quarterly dividend demonstrates our confidence in the Company's performance, and its ability to continue to generate stable, sustainable dividends from our portfolio of operating assets. Additionally, we intend to grow this dividend as we grow the Company.

Next I would like to mention our outlook. We are looking at a strong year ahead. Our six operating projects are operating very well, and the four projects under construction will complete at various times throughout the year.

As a result, the four projects under construction will begin contributing to our adjusted EBITDA and cash available for distribution by the end of 2014, except for Grand Renewable and Panhandle 2, which start producing cash available for distribution by 2015.

In addition, we are well positioned to achieve or exceed our growth target of 8 to 10 percent average annual increase in cash available for distribution per Class A share over the next three years.

Through our relationship with Pattern Development, we have a pipeline of asset acquisitions that is unique to Pattern Energy and effectively serves as a built-in growth. At the time

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of our initial public offering, we identified six of these projects at Pattern Development, which with an aggregate owned capacity of 746 megawatts, which we described as the initial ROFO projects, and we included—indicated we hope to acquire one of these assets within three to six months of the closing of the IPO.

Pattern Development subsequently increased the owned capacity of the Panhandle project by 78 megawatts to 326 megawatts, and split the project into Panhandle 1 project, with an owned capacity of 179 megawatts, and the Panhandle 2 project, with an owned capacity of 147 megawatts.

As I mentioned earlier, we agreed in December to acquire two of these initial ROFO projects with an aggregate capacity of 214 megawatts. The remaining additional ROFO projects represent a total Pattern Development owned capacity of 610 megawatts. Our Gulf Wind call right and our right of first offer puts us in a good position to purchase these projects, as well as any other assets Pattern Development intends to sell.

The status of the remaining initial ROFO project gives us a high degree of confidence that we will meet or exceed our growth target. There are five project interests that aggregate to 610 megawatts of remaining initial ROFO projects. Gulf Wind is operational, and we can exercise our call right on the remaining interest held by Pattern Development starting October of this year.

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The Panhandle 1 project is 60 percent complete, and is expected to be operational by the third quarter of this year. Pattern Development expects that the K2 project, a 270-megawatt project in Ontario, will close construction financing within the next month.

Armow 180-megawatt project, also located in Ontario, is construction ready, and is expected to close project financing before the end of the year. Meikle, the last of the five remaining initial ROFO projects is nearly construction ready, requiring only its final permit approval, which is expected mid this year. If we complete acquisitions of all these initial ROFO projects, we expect to exceed our 8 to 10 percent growth targets for the next three years.

In addition to the remaining initial ROFO projects, Pattern Development continues to make progress in developing other projects in its development pipeline. Like other renewable energy companies in the United States, Pattern Development in late 2013 acquired equipment to enable it to prequalify additional projects under the PTCs under the US government's grandfather rate provisions around the PTC.

As a rule, Pattern Development does not make announcements regarding its achievement of development milestones, but they did agree to allow us to announce that they have acquired equipment that qualified for additional project for the PTCs in 2014 and 2015, even if Congress does not take any action to extend the PTC.

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In addition to the acquisition opportunities from Pattern Development, we are actively reviewing a number of acquisition opportunities from third parties, which is another avenue for meeting the Company's growth targets.

As we look to expand our portfolio, our approach remains focused on assets in attractive power markets using the best equipment from the best manufacturers with long-term energy purchase contracts with credit-worthy offtakers. These types of premium projects will provide us with sustainable and stable cash flows for the long term.

Before Mike discusses our financial results for 2013, I'd like to say a few words about our electricity production for this last year.

For the full year of 2013, our electric sales grew by 2,258 gigawatt hours, an increase of 35 percent from 2012. While that is a significant increase, it was lower than our expected long-term average for the six operating projects.

This lower production was due almost solely to the certain equipment performance problems that occurred at our new projects, and to low wind levels. The equipment problems were completely corrected last year, and the equipment is working as expected. Lost revenue due to these technical issues is offset by reimbursements from the manufacturers under our warranty provisions.

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After adjusting for reimbursable equipment downtime, our electricity production is about 9 percent below expected long-term average. However, the low 2013 wind levels were within the range of variability that has been measured in our six operating wind regions over the last 35 years.

After studying these measured results, we have not changed our long-term wind forecast. Particularly noteworthy was the low wind in the Western United States in 2013, which was partly the result of a high-pressure zone towards the end of last year.

I would like to emphasize that annual and quarterly variation in the wind is expected in our business, and that's what we manage for. In fact, despite these issues, we were within \$2 million of our expected key primary performance measure, cash available for distribution, in 2013.

Lastly, it is interesting to mention that our team calculated if our full project portfolio of 10 projects had been operating fully during 2013, the additional four projects would have resulted in wind levels across our portfolio being cut in half—the low wind levels across our portfolio would have been cut in half, despite the low winds from our six operating projects.

I'd like to now turn it over to Mike Lyon, our CFO, to go over the financial highlights for the fourth quarter and the full year.

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Mike Lyon — Chief Financial Officer, Pattern Energy Group Inc.

Thank you, Mike. Cash available for distribution for the fourth quarter was \$5.6 million compared to 5.6 million for the same period last year.

For the full year, cash available for distribution was 42.6 million, a 141 percent increase compared to 17.7 million in 2012. This result was about 4 percent lower than our targeted cash available for distribution for the year. As Mike mentioned, wind conditions at our projects were below the expected long-term average.

As compared to the S-1 forecast, a significant amount of the lower revenues caused by lower winds were offset by reductions in operating expenses and other cash costs.

Adjusted EBITDA for the fourth quarter was \$29.4 million, a 39 percent increase compared to 21.1 million in the fourth quarter of 2012. For the full year, adjusted EBITDA was \$141.8 million, an 88 percent increase compared to 75.2 million in 2012.

Net income for the fourth quarter was a loss of \$19.4 million compared to a loss of \$4.5 million in the same period last year. For the full year, net income was \$10.1 million compared to a loss of \$13.4 million in 2012.

The change in net income for the fourth quarter compared to last year was primarily due to unrealized losses attributable to our energy hedge, and the impact of recording a US income tax valuation allowance on certain deferred tax assets that were contributed to the Company at the time of our IPO, partially offset by unrealized gains attributable to interest rate swaps.

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Total revenue for the fourth quarter was \$41.8 million, a 22 percent increase compared to \$34.3 million for the same period last year. For the full year, revenue was \$201.6 million, a 76 percent increase compared to 114.5 million in 2012.

The increases in total revenue were primarily due to the start of commercial operations at Spring Valley in August 2012, Santa Isabel and Ocotillo in December of 2012, as well as the commencement of operations at the second phase of Ocotillo in July of this past year.

Given the performance and wind forecasts of our existing operating portfolio and the steady progress of our four projects in construction, the South Kent, Grand Renewable, Panhandle 2, and El Arrayán projects, we continue to have confidence in the targeted cash available for distribution for 2014, which we established during our IPO of \$55 million.

Electricity sales grew to 532 gigawatt hours in the fourth quarter, a 17 percent increase from the same period last year. For the full year in 2013, our electricity sales grew to 2,259 gigawatt hours, an increase of 35 percent from 2012. This increase was primarily due to the start of commercial operations at the three projects I mentioned a moment ago: Spring Valley in Nevada, Santa Isabel in Puerto Rico, and Ocotillo in Southern California.

Cost of revenue was \$140.9 million for the year ending December 31, 2013, compared to \$83.9 million for 2012. This increase is also primarily attributable to the commencement of commercial operations at those three projects.

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As of December 31, 2013, our available liquidity was \$301.9 million, consisting of unrestricted cash of \$103.6 million, restricted cash of \$32.6 million, \$75.2 million available under our revolving credit agreement, and \$90.5 million available under our project financings for post-construction standby reserve facilities. We believe this liquidity provides us with a strong foundation and the flexibility to execute our growth plans.

I will now turn the call back over to Mike Garland.

Mike Garland

Thanks, Mike. As I mentioned at the beginning of the call, 2013 was a very strong year for us. We completed the successful IPO, increased our portfolio to 10 wind projects with a total capacity of 1,255 megawatts, and introduced a quarterly dividend that equates to an annualized payout ratio of \$1.25 per common share.

We continue to maintain a strong balance sheet with high project debt coverages and strong corporate liquidity, as Mike just described. We have clearly identified attractive growth opportunities for the next couple years, and there is a robust third party project sale market. We are very positive about our future, and especially excited about our growth prospects.

So now we'd like to turn it over to questions.

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Q&A**Operator**

At this time, I would like to inform everyone in order to ask a question press *, 1 on your telephone keypad.

Our first question is from Ben Pham with BMO Capital Markets. Your line is open.

Ben Pham — BMO Capital Markets

Thank you, and good morning, everybody. I just wanted to clarify the equipment situation in terms of the drag on production. You mentioned that was cash neutral to Q4 numbers?

Mike Lyon

Yeah.

Ben Pham

Okay. And then just for the balance there, that 9 percent delta, could you provide more context on what geographic areas caused this to swing? And maybe just a little bit more colour there would be great.

Mike Garland

Sure. We'll give you some. As I mentioned, there was a—a large part of our reductions really came from the west. And if you remember we had a lot of high-pressure weather that—and we had the drought in the west area. So our lowest production relative to the long-term average production came from Spring Valley and Ocotillo.

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The rest of the projects were up in the 90 percent of what we would expect. So those were the real drivers, those two projects that dropped us unusually low. Now what I would say about unusually low is, as I mentioned, over the last 30, 35 years we have regional studies about all these areas. And this accumulative reduction—lower-than-average long-term average has happened twice before. So it's not unusual for this pattern to happen.

I think the unusual part was the high pressure system that we all saw towards the end of last year in the west that stuck here for a long time and hit the East Coast with a lot of heavy storms and so on. And so that has broken, and we're seeing a pick-up of wind already this year.

Ben Pham

Okay. So the—those conditions, Mike, are they persistent into '14? Because obviously you've maintained your guidance there, so I mean how's...

Mike Garland

Yeah. They persisted a little bit into the beginning of the year in January, but they clearly have broken in February.

Ben Pham

Okay. All right. And can you—then lastly, can you remind us your CAFD sensitivity to production?

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Mike Lyon

Sure. When we went public in our prospectus we noted that if we were at a portfolio-affected P75 level, which is about 5 percent below the long-term average expectation, we saw about a 12 million to \$13 million reduction in our 2014 CAFD resulting from that cash available for distribution.

So that's at a P75 level, and P90 it kind of moves an equivalent amount further away. So that was what we disclosed then, and then we really see no change in that estimated impact at this time.

Ben Pham

Okay.

Mike Garland

But the only thing I would add to it, Ben, is that we did see, obviously, some operational savings. There's some obvious ones, like when the wind isn't blowing as much and we're not producing as many revenues we pay less land payments, royalty payments, for some of the sites.

Our operating costs happen to be lower for some of our costs, and so there are offsetting. That's why in the end we were only \$2 million off in our—a little less than \$2 million off in our CAFD over what we expected.

So there are compensation effects in some of these—for some of this performance.

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Ben Pham

Okay. That's very helpful. Thanks, everybody.

Operator

Next question is from Stephen Byrd with Morgan Stanley. Your line is open.

Stephen Byrd — Morgan Stanley

Good morning. I wanted to just go back to the point about wind conditions and the impact to cash flow. So in '13, wind conditions were about 9 percent below expectations. Free cash flow was about, I guess, 4 percent below where you initially thought it would be. And that relationship relative to what you indicated in terms of for 2014, 5 percent below expectations would reduce CAFD by 12 million to 13 million. Can you help us understand how you all were able in '13 to minimize the impact of free cash flow and what the difference is between '13 and '14 in terms of that delta?

Mike Lyon

Yeah. As Mike was suggesting, these things don't sort of happen in isolation. Just because we can do a mathematical calculation that says if our production is down X percent that that will flow through to the bottom line by X percent doesn't mean that it will happen that way because as a management team we try to react to that.

And I think that you know and others do as well that we had visibility into low wind in our portfolio during the year, and we looked forward to that and took that into account. We were able

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to reduce operating costs. We were able to reduce overheads that the Company incurs. We also were—we had a reduction in some of the cash flow items that go out to third parties like lenders or partners in our projects that fall out from the lower production levels as well that tends to offset some of that impact.

So it was really the combination of doing some—a little bit of—maybe even more than a little bit, but thinking ahead and trying to manage the impact that allowed us to achieve that, Stephen.

Stephen Byrd

Okay. Understood. And, Mike Garland, you mentioned, I guess, that February you're starting to see sort of a normalization of the wind. Is it sort of back to a more normal level? Or is it still sort of trailing below where you'd like to see it?

Mike Garland

Yeah. February looks pretty good. Ocotillo was screaming yesterday. And so I don't want to give you specifics—I guess we haven't announced it—but February was pretty much on target is what I'd say. January, as I mentioned, was a little down.

But it's clearly broke the high pressure system, which allows the whole weather patterns in the West Coast to start getting back to normal. So we're pretty comfortable that things should be coming back to a more rational wind regime this year.

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Stephen Byrd

Great. And just on a broader topic, in the past you all talked about the potential for acquisition opportunities and looking out it sounds like there's, in general, there are a lot of potential sellers out there. Would you mind just giving a broad update on what you're seeing sort of in the M&A market? Do you view that as a promising area for deploying capital?

Mike Garland

Yeah. And, Stephen, obviously the issue's going to be price and how crazy is it going to be and how excited we'll get about that level of accretion. But there's probably, I don't know, four or five very large portfolios on the market or being talked about coming to the market.

Even yesterday I had a pretty significant wind company come and say we're going to sit down with you and talk about how you might acquire us or a bunch of our projects. There are a number of them that are in the market that you already know about, I assume. And I'd say that we see upwards of 2,000 megawatts right now that we're actively evaluating that are out in the marketplace.

How many of those will meet our criteria? The beautiful thing about having these initial ROFO assets available to us, we'll meet our targets just with those. So we can be disciplined. We don't have to—if some asset becomes extremely hot that somebody really wants it and willing to pay a very high price, we don't have to meet that requirement to still meet our growth targets.

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We think there are a number of opportunities, however, that we're uniquely placed to take advantage of some economies and therefore be very competitive. But we really can't talk about them in any specifics and we don't know. They're all processes.

As you know, you'll go through a first round, then a second round, and then you'll see, and some people may have a different view at the very end if they want to sell their assets. They always reserve the right to pull deals it seems. So we're optimistic that this year we'll have some form of acquisition, but we can't tell you when or what at this point.

Stephen Byrd

Understand. That's great colour, though. Thank you very much.

Operator

Next question is from Nelson Ng with RBC Capital Markets. Your line is open.

Nelson Ng — RBC Capital Markets

Great. Thanks. Just one quick clarification on the wind generation for 2013. So the 9 percent was the below average for the year. What was the production relative to the long-term average in Q4?

Mike Lyon

Good question. I don't know that I have it right off hand.

Mike Garland

Yeah. I don't have that currently.

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Mike Lyon

I will give it to you when we have it broken down.

Nelson Ng

Sure. I can follow up after the call. And then also in terms of the weather issues, like the polar vortex. Did that have impact in terms of causing like one-off availability issues or anything like that?

Mike Garland

No. In terms of availability, and it's amazing what these projects go through and can put up with, but there's none of our projects that felt threatened by the strength of some of those storms. And I'll give you an example. What was it, last year on the Hatchet Ridge project had gusts of over 150 miles an hour and rode right through it and it was fine.

So they're pretty robust. We build them pretty strong. So there was no physical impact from it. There was some variation of production, but it wasn't very interesting for some of our projects like St. Joe and the northern and things that are a little more eastern. I think, though, the way it's been explained to me by some meteorologists is the high pressure ridge on the West Coast helped caused and contribute to some of that polar vortex issue, or they were at least related in some fashion.

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So I think we saw it in the reverse where on the West Coast we saw the problems of lack of wind along with the lack of rain, and it was all pushed east to the polar vortex situation. So that's probably all I can say.

Mike Lyon

I might add one point, Nelson. We make allowances for icing conditions in our estimates of the long-term average production. And what I am told is that so far this winter we've actually had, and this may come as a surprise, given the polar vortex, my understanding is we've had actually less icing outage so far this winter than we typically allow for. So this goes to sort of the quality of equipment that Mike was talking about as well.

Mike Garland

And it also comes from Hatchet really is one of the ones that tends to ice up, at least part of it, and it's in the West Coast. It's in Northern California. So the warmer conditions out here allowed it to have less icing. And St. Joseph, interestingly enough in Manitoba, tends not to be as iced up. It's a more stable, if you will, cold and becomes very cold, so it doesn't ice up in the way that Hatchet Ridge does.

Hatchet Ridge there'll be a little bit wet snow weather and then it'll start freezing. That creates the ice that starts slipping and catching on and connecting to the blades, whereas Manitoba we have less blade icing because of the nature of the cold weather up there.

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Nelson Ng

Okay. Thanks. And then just moving on to the timing of your next drop-downs, you mentioned earlier that K2 you're about one month within reaching financial close, and obviously Panhandle 1 is under construction and expected to complete in Q3. Is there any kind of factors out there that might prevent you from dropping down K2 and Panhandle 1 over the next few months?

Mike Garland

Yeah. I would say an acquisition may change the timing. If we decided to do a third party acquisition we may decide that it's better to postpone the drop-downs. We've indicated to you that we're thinking about doing an equity raising mid-year. And if we do an equity raising mid-year, it's very likely that we would do it in association with an acquisition, whether it would be a third party acquisition or an acquisition of K2 or Panhandle.

We probably wouldn't do an equity raising without an identified acquisition opportunity. So that's the only thing that I can think of offhand that would delay substantially the K2 or Panhandle 1 acquisition sometime this year.

Nelson Ng

Okay. And then just more on the equity raise; when you say equity, like are you referring to just regular common equity? Or are you seriously considering preferred shares or convertible debt?

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Mike Garland

Everybody else seems to be, so I guess we are too. We're really in the analysis stage of what would be the most cost effective way of raising capital going forward this year to pay for some of these acquisitions, and we really haven't made a conclusion.

I think we've told people our rule of thumb is a common equity raising almost every six months for the next couple years to fund our growth, but if we find better ways to raise capital, cheaper ways to raise capital that benefit the shareholders, obviously we'll pursue those. But that's a work in progress, and we haven't made any decisions yet.

Nelson Ng

Okay. Sure. And then just kind of one last question on the PEG LP developments. You mentioned that you PTC qualified or PEG LP PTC qualified some wind projects. Like how much— what's the potential megawatts that they've PTC qualified in terms of like what's the potential size that we might expect?

Mike Garland

We don't disclose the actual amount, but what we have said is several hundred megawatts, just to give you a flavour.

Nelson Ng

Okay. Great. Thanks a lot. Those are all my questions.

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Mike Garland

Thank you, Nelson.

Operator

Next question is from Brian Chin with Bank of America Merrill Lynch. Your line is open.

Andrew Hughes — Bank of America Merrill Lynch

Good morning, guys. You have Andrew Hughes here on for Brian. Just quickly on the equipment issues, I'm hoping can remind us just exactly what they are and if that equipment is going to be in use again, particularly the ROFOs, and your confidence around not having any more of these problems?

Mike Garland

Yeah. There were really three things that caused—or four things actually that caused some downtime. You remember the B53 blade that Siemens had a problem with. MidAmerican threw a blade first and then we dropped one. And Siemens really prioritized us and came in and retrofitted and got a 20-year certification from DMV for the retrofit, and that all has been done. They either retrofitted the equipment or replaced them all within a couple months. It was really a herculean effort by them to be responsive to us because we can go into the reasons why. But that has been a total success.

They're operating. Those blades are operating without any incidents since. And we're doing regular monitoring of them to make sure that's the case.

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The second area was what we call inverters at the Spring Valley project that the manufacturer of those inverters didn't do a very good job and we had to replace all of them. And they've all been replaced, and everything's working very well now.

The third was set points at Puerto Rico. Puerto Rico, the utility there, PREPA, had asked us to because they don't have much experience with a big wind project, they wanted to have us ramp up our megawatt capacity over time a little more slowly than what we would normally do. And so we had to have Siemens go in and do set points that would limit the amount of the capacity that was being generated.

And the set points were set wrong. And so it took us a little while to discover that. And so it was just a software change. We had to go in there and fix it and allow for more production, and that's done.

So all three of those are completely behind us, and we're seeing no effects anymore from any of those three. They're really kind of start-up issues with a project in the first year.

The other one that I was thinking of that was four was really Nevada Energy. If you remember when Spring Valley was approved by the Public Utility Commission in Nevada, part of the approval was that Nevada Energy was going to build a line that would allow more free flow of electricity north and south between the north of Nevada and south of Nevada. And allow this wind energy out of where we are in Ely, Nevada, which is Northeast Nevada, to flow to the south towards Las Vegas.

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And they took a little longer when they switched over and started connecting that transmission line and other things; they curtailed us more than we expected. That's all done and behind us as well. It was just a very short-term higher-than-expected curtailment outage because of their switch over.

Now we have one other issue, but it's been really modest—I'm almost hesitant to say it—which is a blade in Gulf Wind project. And we've had a little bit of an issue with Mitsubishi on it, but they've been very responsive and it really didn't have any noticeable change in our availability last year. So we're keeping our eye on it.

But the three that I mentioned, and then the fourth being Nevada Energy, are really the things that drove our availability down lower than what we expected.

Andrew Hughes

Gotcha. And then, Mike Lyon, on the CAFD guidance for 2014, does that include any ROFO contribution from like the Gulf Wind stake that becomes eligible in October? Or maybe Panhandle 1?

Mike Lyon

No. We did not include additional cash flows from those in our initial forecast. And we don't expect a lot of contribution from the contracted acquisitions this year. Those cash flow contributions will really start to take place primarily next year.

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If we make an acquisition, whether it's Panhandle 1 that could start contributing cash flow this year or from a third party, that would obviously have an impact on what we had forecast.

Mike Garland

Yeah. Maybe a clarification on one of the things I said which was on the Grand and Panhandle 2 projects. We mentioned those go into service in late 2014. As you know, there's a delay in the time that you make production and then the utility pays you, and we usually assume that takes a few months. And then what you end up having with project financing is a build-up of your cash reserves for your first debt payment.

So there's usually a delay of three or four months, sometimes more, sometimes less, before you actually get your first dividend out of the project. And that's why you won't see a lot of cash out of those two projects in 2014. They'll be predominantly 2015. And that was expected and that's in our cash flow assumptions.

Andrew Hughes

Right. And is that true of the Gulf Wind stake and Panhandle 1 as well in terms of the delay between when it's functionally operational for you and the asset can distribute cash?

Mike Lyon

Yeah. That won't apply to Gulf Wind because Gulf Wind has been operational for years. And so really once we acquire that project it'll start contributing to our EBITDA and cash flow in sort of its regular routine distribution schedule. So...

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Mike Garland

But just keep in mind that we can't buy it until October.

Mike Lyon

That's right.

Mike Garland

So it's really only a couple months into this year.

Mike Lyon

So unless we do another acquisition, or until we do another acquisition, the things that we've got sort of before us we don't expect to make meaningful changes to our cash flow results this year.

Andrew Hughes

Great. And one last one, if I may. Can you just sort of bigger picture talk a little bit about the strategy of acquiring some of these ROFO assets, particularly Grand and Panhandle 2, and setting up the acquisitions so far in advance of those assets' ability to contribute cash available for distribution and grow the dividend and that sort of thing? Just how you kind of think about the puts and takes there on timing?

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Mike Garland

Yeah. I think there's two parts to it. The first is construction is part of our business, and so it is a natural for us to acquire projects during the construction phase, and that's what we said from the outset.

The second is that we felt it was very important because we got a lot of investor questions during our various road shows on about how do we know that the ROFO assets will be dropped down and will they be dropped down at a reasonable price and all that sort of stuff. So Grand and Panhandle 2 were really a demonstration that we meant what we said that we're going to do what we said, which is we're going to see drop-downs. And we did it sooner than we had indicated to prove to the market that we are doing what we said and at reasonable prices.

The third element that is related to that is I think it should give investors more confidence that we will actually see the CAFD growth targets that we have announced if we've got projects already in our portfolio as opposed to ones that we say, hey, they're out there and we think we're going to get them.

The fact is that we own Grand now and we have the right to own Panhandle 2 if it hits COD, and so investors can be confident that at least there's a 20 percent uplift in our megawatts, which is pretty close to an indicator of the amount of uplift we might get for cash flow too. So it should give investors and yourself a high degree of confidence that we are meeting our targets, and there's no question about that. So those are the three primary reasons.

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Andrew Hughes

Great. Thanks, guys.

Operator

Next question is from Frederic Bastien with Raymond James. Your line is open.

Frederic Bastien — Raymond James

Hi. Good morning.

Mike Garland

Good morning.

Frederic Bastien

You highlighted that you were looking for—effectively at a number of potential third party acquisitions, but I'd be curious to know how these opportunities come about for Pattern. Are you actually hands on and really taking a proactive approach in identifying these opportunities? Or do you generally get approached by the sellers and just effectively evaluating the bids that come to you?

Mike Garland

Yeah. It's a fun question. We're very active. We've been around this business for really a long time. And now especially since the IPO everybody knows you guys really got reasonable money and you want to grow and you want operating assets or you're construction ready or projects in

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construction. So a lot of our guys know all the developers out there, and so they have consistent communications with them. So it's one on one sometime we get directly approached.

Secondly, we do get approached by the investment banks. When a company goes and hires an investment bank and says hey we want to sell a bunch of assets or whatever we then are contacted by the investment banks. And we're in daily contact with all the major investment banks that do this.

And then third, we're really proactive and looking at areas that we think are very complementary to us, and then going out and approaching the companies even before they come to us and seeing if they have interest in working with us and talking about future opportunities to work together, including selling assets to us.

So it's really a three-pronged approach of people coming us that know us anyway or have read about us, the typical investment banker process, and then third us getting out there and banging on doors because, if nothing else, it keeps us seeing everything and knowing what's going in the market and where we can find really good opportunities.

Frederic Bastien

Thanks. If I could just add on that; how much of your time is actually spent on evaluating such potential acquisitions?

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Mike Garland

My personal time? That's interesting. A reasonable amount; not overwhelming. I mean we've got an excellent team, and so we have two fellows who really focus on acquisitions, and they then put together a team that evaluates them.

We always—we on a regular basis meet and talk about the priorities, how we would price it, and how we'd structure the financing, and then they're doing the heavy lifting. We've been around this business so long we know a lot of the assets there, and in some cases we were involved with developing them or financing them or other things, and so it doesn't take us long to get very quickly into knowing which ones make sense for us.

And so I can sit down with our acquisitions teams and very short order understand if it's an exciting prospect or not and how we would price it. So it doesn't take as much time as you'd think. The areas that will take time on M&A is if we want to do a larger portfolio that could have people or if it's a medium-sized company or something, if we wanted to acquire a company, that will take more time to understand where their strengths in people, how would it actually fold into our operations effectively, and so on. So that will take more time, but assets analysis we've been doing it so long it doesn't take much time—of my time.

Frederic Bastien

Thanks for that colour. Thank you.

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Operator

Again, if you would like to ask a question, press *, 1.

The next question is from Tuc Tuncay with Scotiabank. Your line is open.

Tuc Tuncay — Scotiabank

Good morning, guys. Tuc Tuncay from Scotia. A lot of my questions have been asked and answered, but just a quick one on financing. Obviously you've alluded to some equity coming to support the acquisitions or drop-downs. Any consideration to maybe establishing a DRIP or some other type of regular equity program rather than doing a couple of equity issues a year?

Mike Lyon

Yeah. I think from our point of view, Tuc, our capital needs are large enough that a DRIP would perhaps supplement the need, but it wouldn't replace our need to go out with a more conventional marketing of an offering.

We haven't perceived a lot of interest in DRIPs, but it's something that we have thought about, and I think over time we'll probably give some further consideration to putting in a plan like that. But it's not sort of at the top of our list of things to do because, as I said, our real focus is on being able to raise the substantial amounts of capital that we're going to need to execute our growth strategy.

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Tuc Tuncay

Okay. Thanks for that. Just another quick one; looking at M&A opportunities and contrasting those versus your ROFO portfolio, where are you seeing returns, and where might you be biased to pursue, I guess, a drop-down versus an M&A opportunity?

Mike Garland

The way I describe it is single strong assets can be very competitive. Like in Canada if you just have like a Grand project, had it not been a related party and it was just thrown out into the marketplace, you probably would have seen a more robust bidding on it because pension funds, Canadian pension funds could pursue it.

So where we look for opportunities are maybe a seller has to move quickly, and we can move extremely quickly. We have all the skill sets between Pattern Development, ourselves to look at all aspects of it very quickly.

Secondly, if it comes with some kind of, let's say, hair on it—it's not really hair—but say a sponsor wants to sell a development project along with an operating asset, and we've seen that happen over the last couple years, some of the financial-type bidders can't do that; they won't bid on development assets. So we'll go in there and have the opportunity to have the development assets be bought by Pattern Development, and we would buy the operating assets.

So we look for those kind of areas where we can add value, and then secondly where does an asset maybe complement our current portfolio, and is it in keeping with the type of assets that

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we currently have in the portfolio. And so those are kind of the primary way which we approach these things is really looking for ways that we have a unique value that we can bring to it and maybe be competitive, and then acquire the assets and actually improve the assets after we acquire them.

Tuc Tuncay

Okay. Thank you very much. Those are all my questions.

Operator

There are no further questions at this time. I will turn the call back over to Mike Garland.

Mike Garland

All right. Well, we thank you all for joining the call today. We look forward to updating you as we progress through the next quarter, and we really just want to reinforce that we think 2014 is turning out—looking like it could be a very exciting year for Pattern Energy.

So thank you for your interest, and again, look forward to talking to you in the future.

Operator

This concludes today's conference call. You may now disconnect.

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