

PATTERN ENERGY GROUP INC.

FORM 8-K (Current report filing)

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of Earliest Event Reported): April 21, 2017

PATTERN ENERGY GROUP INC.

(Exact name of registrant as specified in its charter)

**Delaware
(State or other jurisdiction
of incorporation)**

**001-36087
(Commission
File Number)**

**90-0893251
(IRS Employer
Identification Number)**

**Pier 1, Bay 3
San Francisco, CA 94111
(Address and zip code of principal executive offices)**

**(415) 283-4000
(Registrant's telephone number, including area code)**

**Not Applicable
(Former name or former address, if changed since last report)**

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

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

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act (17 CFR 230.405) or Rule 12b-2 of the Exchange Act (17 CFR 240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 7.01 Regulation FD Disclosure.

On April 26, 2017, Pattern Energy Group Inc. (“**Pattern Energy**”) issued a press release. A copy of the press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K.

The information included in this Current Report on Form 8-K under this Item 7.01 (including Exhibit 99.1 hereto) is being “furnished” and shall not be deemed to be “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of Section 18, nor shall it be incorporated by reference into a filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except as shall be expressly set forth by specific reference in such filing. The information included in this Current Report on Form 8-K under this Item 7.01 (including Exhibit 99.1 hereto) will not be deemed an admission as to the materiality of any information required to be disclosed solely to satisfy the requirements of Regulation FD.

Item 8.01 Other Events.

Broadview Purchase and Sale Agreement

On April 21, 2017, Pattern Energy consummated a Purchase and Sale Agreement (the “**Broadview PSA**”) with Pattern Renewables LP, a Delaware limited partnership and controlled affiliate of Pattern Development 1.0 (as defined below) (“**Broadview Seller**”), and Pattern Energy Group LP (“**Pattern Development 1.0**”). Pursuant to the Broadview PSA, among other things, Pattern Energy through its 100% owned subsidiary, Pattern US Finance Company LLC purchased 100% of the membership interests in Broadview Finco Pledgor LLC (the “**Target**”) (the “**Acquisition**”), which indirectly owns 100% of the membership interests in Broadview B Member LLC (the “**Class B Member**”) which indirectly owns 100% of the membership interests in Broadview Energy Holdings LLC which owns 100% of the membership interests in Broadview Energy Project Finco LLC, which owns 100% of the membership interests in each of Broadview Energy KW, LLC and Broadview Energy JN, LLC (the “**Wind Project Companies**”), which Wind Project Companies own the Broadview Energy KW wind project and the Broadview Energy JN wind project (together, the “**Wind Projects**”), respectively, and the Target indirectly owns 99% of the membership interests in Western Interconnect LLC (the “**Transmission Project Company**”), which owns the Western Interconnect Transmission Line (the “**Transmission Project**”) and together with the Wind Projects, the “**Projects**”). The Wind Projects achieved commercial operations on March 31, 2017.

After the closing of the Acquisition, tax equity investors funded capital contributions and hold 100% of the Class A membership interests in Broadview Energy Holding LLCs.

The Wind Projects together form 324 MW of wind capacity along the New Mexico / Texas border, and the Transmission Project is a 35-mile transmission line which runs from the Wind Projects to the existing Public Service of New Mexico 345kV transmission system. The total purchase consideration of \$269 million included \$215 million of cash paid at closing and \$54 million of Western Interconnect construction debt which was converted to term debt immediately after the acquisition. In connection with the commercial operations of the Grady project, a further contingent post-closing payment will be made which is currently estimated to be approximately \$18.3 million. The Grady project is a wind project on the identified ROFO list being separately developed by Pattern Energy Group Holdings 2 LP (“**Pattern Development 2.0**”) which is expected to begin full construction not earlier than 2018, and which intends to interconnect through the Transmission Project. The contingent post-closing payment is intended to reflect the fair value of Pattern Energy’s interest in the incremental transmission wheeling revenue from the addition of the Grady project which the Transmission Project Company will receive from the Grady project subject to certain adjustments.

Pattern Energy funded the cash purchase consideration under the Broadview PSA using available liquidity; it also drew on a non-recourse term loan facility in an amount of \$54.4 million incurred by a subsidiary and secured by the Western Interconnect transmission line (the “**Western Interconnect Term Facility**”). The Western Interconnect Term Facility has a maturity of 10 years utilizing a 19-year amortization profile.

At the closing of the Acquisition, Pattern Energy also entered into assignment and assumption agreements pursuant to which Pattern Energy assumed certain rights and obligations relating to agreements Broadview Seller entered into with the original project developers of the Wind Projects and the Transmission Project and from whom Broadview Seller had purchased such Projects.

The Broadview PSA was previously recommended by the Conflicts Committee of Pattern Energy’s board of directors (the “**Pattern Energy Board of Directors**”), which is comprised solely of independent directors, for approval by the Pattern Energy Board of Directors, and approved by the Pattern Energy Board of Directors.

Item 9.01 Financial Statements and Exhibits.

d. Exhibits

Exhibit Number	Description
99.1	Press release issued by Pattern Energy Group Inc. dated April 26, 2017

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, Pattern Energy Group Inc. has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: April 27, 2017

PATTERN ENERGY GROUP INC.

By: /s/ Kim H. Liou

Name: Kim H. Liou

Title: Secretary



Pattern Energy Acquires 324 MW Broadview Wind in New Mexico as it Begins Operations

Project expected to provide approximately \$23 million in annual cash available for distribution

SAN FRANCISCO, California, April 26, 2017 - Pattern Energy Group Inc. (NASDAQ and TSX: PEGI) ("Pattern Energy") today announced it has acquired interests in the two wind projects that comprise the 324 megawatt ("MW") Broadview Wind power facilities ("Broadview") and associated independent 35-mile 345 kV Western Interconnect transmission line ("Western Interconnect") from Pattern Energy Group LP ("Pattern Development 1.0") for \$269 million, consisting of cash consideration of \$215 million and an assumed project loan of \$54 million. Broadview, which is located 30 miles north of Clovis, New Mexico, commenced commercial operations in late March.

Highlights

- Broadview and Western Interconnect have completed construction and commenced commercial operation
- All of Pattern Energy's 18 wind power facilities are now fully operational, with total operational owned capacity of 2,644 MW
- Pattern Energy acquired Broadview and Western Interconnect for \$269 million, which consisted of cash consideration of \$215 million and an assumed project loan of \$54 million secured by Western Interconnect
- The cash consideration was funded from available corporate liquidity
- Pattern Energy expects Broadview and Western Interconnect to generate cash available for distribution ("CAFD") of approximately \$18 million in 2018, increasing each year by approximately \$2.5 million per year generating an average of \$23 million per year in CAFD over the five-year period starting in 2018, which results in a CAFD multiple of 9.3x, after taking into consideration the Western Interconnect loan

"This extraordinary project brings inexpensive renewable power from eastern New Mexico, one of the highest wind areas in the west, using dedicated transmission capacity from several transmission systems into California. Broadview's production complements production from California's domestic renewable resources helping California transition to a carbon-free, low-cost, renewable grid," said Mike Garland, President and CEO of Pattern Energy. "We are especially excited to bring this project on line because Pattern Development is actively developing several significant opportunities in New Mexico and the southwest U.S. as part of the region's increasing demand for low-cost, renewable energy. These new opportunities will be subject to our ROFO as part of our relationship with Pattern Development."

Pattern Energy has acquired from Pattern Development 1.0 an 84% initial cash flow interest in Broadview and a 99% ownership interest in Western Interconnect. Institutional equity investors have acquired from Pattern Development 1.0 a 16% initial cash flow interest in, and a 99% initial taxable income allocation from, Broadview. Following the acquisition, based on its initial cash flow share, Pattern Energy retains an owned interest of 272 MW in Broadview. Pattern Energy's commitment to own and operate the facility was a core component of securing high-quality institutional equity investors for the project financing.

Pattern Energy acquired Broadview and Western Interconnect for \$269 million, including cash consideration of \$215 million and an assumed project loan of \$54 million secured by Western Interconnect. The cash consideration was funded from available corporate liquidity. The Western Interconnect loan commitment was originally secured at the time of the agreement to acquire Broadview in June 2016. The interest on the debt is 90% swapped over the 19-year amortization term. The debt has a maturity of 10 years.

Broadview will begin receiving both pay-as-you-go (“PAYGO”) contributions from Broadview’s tax equity investors and certain New Mexico production tax credits starting in 2018. Based on the expected timing of these cash flows and assuming normal wind conditions, Pattern Energy expects the CAFD contribution, after deduction of Western Interconnect financing costs, to be \$18 million in 2018 and to increase approximately \$2.5 million per year thereafter through 2022. This results in a five-year average CAFD of \$23 million per year and a 9.3x CAFD multiple, based on the cash consideration of \$215 million paid to acquire Broadview and Western Interconnect.

Broadview consists of 141 Siemens 2.3 MW wind turbines and has the capacity to generate 324 MW of energy, the power equivalent to the annual energy usage of approximately 180,000 California homes. Broadview is limited to 297 MW of injection capacity at Broadview’s transmission interconnection point.

Broadview has entered into two 20-year power purchase agreements (“PPAs”) with Southern California Edison (“SCE”), which has a BBB+/A2 credit rating, for sale of 100 percent of the output, up to a total of 297 MW, which has been factored into Broadview’s economics.

Broadview interconnects to the Western Interconnect transmission project, a 345 kV transmission line, approximately 35 miles in length. To wheel the output from Broadview to the California Independent System Operator system where it is delivered to SCE, Broadview has entered into long-term, firm, point-to-point transmission service agreements to move the output through the Western Interconnect, Public Service of New Mexico and Arizona Public Service transmission systems.

About Pattern Energy

Pattern Energy Group Inc. (Pattern Energy) is an independent power company listed on The NASDAQ Global Select Market and Toronto Stock Exchange. Pattern Energy has a portfolio of 18 wind power facilities with a total owned interest of 2,644 MW in the United States, Canada and Chile that use proven, best-in-class technology. Pattern Energy’s wind power facilities generate stable long-term cash flows in attractive markets and provide a solid foundation for the continued growth of the business. For more information, visit www.patternenergy.com.

Cautionary Statement Regarding Forward-Looking Statements

Certain statements contained in this press release constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 and “forward-looking information” within the meaning of Canadian securities laws, including statements regarding the annual CAFD generated by Broadview, the CAFD multiple of Broadview, the new opportunities Pattern Development is developing in New Mexico and the southwest U.S., the generation capacity of Broadview, and power equivalent annual energy usage of California homes such capacity represents. These forward-looking statements represent Pattern Energy’s expectations or beliefs concerning future events, and it is possible that the results described in this press release will not be achieved. These forward-looking statements are subject to risks, uncertainties and other factors, many of which are outside of Pattern Energy’s control, which could cause actual results to differ materially from the results discussed in the forward-looking statements.

Any forward-looking statement speaks only as of the date on which it is made, and, except as required by law, Pattern Energy does not undertake any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. New factors emerge from time to time, and it is not possible for Pattern Energy to predict all such factors. When considering these forward-looking statements, you should keep in mind the risk factors and other cautionary statements in Pattern Energy’s annual report on Form 10-K and any quarterly reports

on Form 10-Q. The risk factors and other factors noted therein could cause actual events or Pattern Energy's actual results to differ materially from those contained in any forward-looking statement.

These forward-looking measures of annual CAFD, CAFD multiple, anticipated 2018 CAFD and five-year average CAFD run rate are non-GAAP measures that cannot be reconciled to net cash provided by operating activities as the most directly comparable GAAP financial measure without unreasonable effort primarily because of the uncertainties involved in estimating forward looking changes in working capital balances which are added to earnings to arrive at cash provided by operations and subtracted therefrom to arrive at CAFD.

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Contacts:

Media Relations

Matt Dallas
917-363-1333
matt.dallas@patternenergy.com

Investor Relations

Ross Marshall
416-526-1563
ross.marshall@loderockadvisors.com