



CORPORATE PARTICIPANTS

Michael Garland

Chief Executive Officer, Pattern Energy Group Inc.

Mike Lyon

Chief Financial Officer, Pattern Energy Group Inc.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

PRESENTATION**Operator**

Good morning, ladies and gentlemen. Thank you for standing by. Welcome to the Pattern Energy Group's third 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 up for questions. If anyone has difficulties hearing the conference, you may press *0 for operator assistance at any time.

Listeners are reminded that portions of 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 forward-looking statements.

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

This morning's call is being recorded on Tuesday, November 5th, 2013 at 10:30 a.m. Eastern Time.

Now I'd like to turn the call over to Mr. Michael Garland, Chief Executive Officer. Please go ahead.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

Michael Garland – Chief Executive Officer, Pattern Energy Group

Thank you, Operator. Good morning, everyone. Thank you for joining us today.

This morning we issued our 2013 third quarter financial results, and a copy of that release is available to you on our website at PatternEnergy.com.

With me today is Mike Lyon, our Chief Financial Officer. I will summarize the key events for the quarter, and then Mike will review the financial results. I'll close with a few comments about our business and then follow up with questions and answers.

On October 2nd we successfully closed our initial public offering, listing on the NASDAQ under the ticker PEGI, P-E-G-I, and on the Toronto Stock Exchange under the ticker PEG, P-E-G. We raised approximately \$352 million in total gross proceeds through the issuance of 16 million shares, and our principal shareholder, PEG LP, sold an additional 2.4 million shares for proceeds of \$52.8 million as part of a fully exercised overallotment option in the form of a secondary offering. I'd like to thank everybody involved in the IPO. We are very pleased that our IPO is considered one of the largest IPOs for a renewable energy company in 2013.

This is our first conference call as a public company. I should note that the results we will be reviewing today actually transpired under our predecessor entity, Pattern Energy Group LP, for the period ending September 30th. And those assets were contributed to Pattern on October 2nd, 2013.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

It was a strong third quarter for growth, as evidenced by our financials, which Mike Lyon will get into shortly. That growth is due in large part to the commissioning of commercial operations at three new wind farms during the past 14 months: the 152-megawatt Spring Valley project in August 2012; the 101-megawatt Santa Isabel project in December 2012; and the 223-megawatt Ocotillo project, which was commissioned in December of 2012, and the final phase of 42 megawatts was commissioned in July 2013.

Successfully placing these projects into commercial operation adds to our track record of constructing projects on budget. These new projects were the primary drivers for our 32-per-cent increase in electricity sales year-over-year and gigawatt hours.

Total revenues were up 239 per cent over the same period last year. These results continue our success of growing our assets and operation while maintaining our steadfast commitment to quality operations and sound financial performance.

These projects expand our portfolio of premium assets that provide us with sustainable and stable cash flows located in attractive markets with the potential for further growth. Our approach to the business has consistently resulted in sustainable cash flows and growth in good times and in more challenging periods. Our approach is based on intensely studying the wind resource like you would an E&P opportunity, buying the best equipment from the best vendors, securing long-term, fixed-price contracts with credit worthy entities for our electricity, and actively managing our costs and risks. This approach was also applied to the two projects that are currently

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

in construction at South Kent in Ontario and El Arrayan in Chile, which I will address in a few minutes.

At this time I'd like to turn it over to Mike Lyon, our CFO, to go over the financial highlights for the quarter.

Mike Lyon – Chief Financial Officer, Pattern Energy Group

Thank you.

The operational and financial results reflect the growth from the new projects that Mike mentioned. Electricity sales grew 32 per cent to 464.8 gigawatt hours for Q3 2013 compared to 352.9 gigawatt hours for the same period last year. Total revenue was \$57.3 million for Q3 2013, a 239-per-cent increase compared to \$16.9 million for the same period last year.

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

The increase in total revenue also reflects a swing in our mark-to-market gain or loss on our energy derivative valuation of approximately \$15.4 million. As you know, we adjust this non-cash gain or loss out of our calculations for both adjusted EBITDA and cash available for distribution. Electricity production in Q3 was affected by a wind turbine manufacturer's delayed issue that resulted in a temporary reduction of output at our Ocotillo and Santa Isabel projects for part of both

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

Q2 and Q3. Full operations resumed at both projects in August after a thorough inspection, repair and replacement program at the manufacturer's cost. Due to that reduction of output and the related warranty settlement, we recognized \$9.8 million in other revenue during Q3.

Cost of revenue was \$35.8 million in Q3 2013 compared to \$22.1 million in the same period last year. That change is primarily attributable to incremental costs of managing and operating the three new projects that came online, including an increase of \$8.4 million in our depreciation and accretion.

General and administrative costs for Q3 2013 were relatively steady at \$3.8 million compared to \$2.9 million in the same period last year. The change is primarily due to the three new operating projects, as well as our ownership in the two in-construction projects.

In the third quarter of 2013 Pattern recorded adjusted EBITDA of \$32.0 million, up from \$13.4 million for the same period in 2012, and cash available for distribution of \$6.3 million, up from \$1.2 million for the same period in 2012. Net income was a positive \$4.2 million for Q3 2013 compared to a net loss of \$16.9 million for the corresponding period last year.

Importantly, given our successful IPO and our financial performance, we have the liquidity necessary to execute on our immediate growth plans through the acquisition of projects that are operational or construction ready. As of September 30th, 2013 our available liquidity was \$302.9 million, consisting of unrestricted cash of \$149.1 million, restricted cash of \$40.6 million, and \$113.2

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

million available under our credit agreements. We believe this liquidity provides us with a strong foundation and a flexibility to begin to execute our growth plans.

Given the performance and wind forecasts of our existing operating portfolio and the construction progress of our South Kent and El Arrayan projects, we continue to have confidence in the targeted cash available for distribution for 2014 that we established during the IPO of \$55 million.

That concludes my comments on the financial results for the third quarter of 2013. I will now turn the call back to Mike Garland.

Michael Garland

Thanks, Mike.

That provides a good overview of the performance we're achieving with our initial operating portfolio's six projects. We also have excellent visibility into the pipeline for near- and long-term growth. Our growth starts with the two projects that are in construction at South Kent and El Arrayan. The construction of these two projects is progressing well, and we continue to expect them to complete construction on time and within budget. Earlier this month we announced that the 50th turbine had been installed at South Kent, and the first turbine had been erected at El Arrayan.

In addition to these two projects, we also have access to the 746 megawatts of ROFO projects that we identified during the IPO as the initial ROFO projects through our relationships with

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

PEG LP, representing approximately 75-per-cent potential increase in the capacity from our current existing portfolio. These projects demonstrate that our relationship with PEG LP will have immediate benefits.

For a quick review of these six projects, the first one is Gulf Wind, which is a 283-megawatt operating project that we already own 40 per cent of or 113 megawatts. We have a call right that can be exercised no earlier than October 2014 to the remaining 27 per cent or 76 megawatts retained interest that remains with PEG LP.

The second initial ROFO project is the 149-megawatt Grand project. PEG LP successfully completed the financing in September during the road show of that project. The 218-megawatt Panhandle I project was also financed just slightly before the road show started, and is under construction. The Panhandle Phase II is in construction financial documentation. The 270-megawatt K2 project is construction ready, and the 180-megawatt Armow project received its final permit during the road show, as PEG LP expected. Meikle, the sixth project, is still scheduled to get its permit next year, and start construction in 2015.

We believe that the Grand and one of the Panhandle phases will be among the first projects that PEG LP will make available to us under our purchase rights agreement. However, we cannot provide any specific timing as to the acquisitions at this stage.

Each of these projects have years of on-site wind data ranging from a minimum of four years to as many as nine years. They have transmission interconnection rights, land control, long-

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

term power off-take agreements in place with credit-worthy counterparties. And with the exception of Meikle, they all have their permits.

In addition to the initial ROFO projects from PEG LP, we believe significant opportunities will exist from PEG LP's development activities in both the near term and medium term in the three areas that LP is active in: wind, solar and transmission.

It's also worth noting that the market for third party acquisitions is a very active one. Based on the industry feedback and our current discussions we are having with various parties, there are several thousand megawatts of wind and solar project acquisition opportunities. So while our relationship with PEG LP provides immediate near-term acquisition opportunities, we are not solely dependent on them for growth.

During the IPO process we stated that our targeted growth of 8 to 10 per cent for CAFD for share over the next three years, which we believe we will meet or exceed. Additionally, we do not plan on any changes to our disciplined investment approach. We will focus on projects that are accretive to our cash available for distribution and adjusted EBITDA, located predominantly in Canada and the United States, that have a low risk profile, that are utility scale or expected to grow over time to utility scale, and use the best equipment from the best vendors.

For any new projects, our preference is that we are operator and majority owner. While not strictly an investment criteria, it's also important to mention that we also look for opportunities

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

where our projects are needed or wanted, where we can provide benefits to the community with limited impact on the environment, which we think is good business practice.

That concludes my prepared remarks. At this time I will ask the operator to open up the call for questions. And again, we would like to thank everyone for taking the time to attend this call, and especially those who supported and participated in our IPO. We are hard at work growing the business and delivering on commitments we've made to you. Thank you very much.

Operator?

Q&A

Operator

At this time if you would like to ask a question, please press * then the number 1 on your telephone keypad. Again, please press * then the number 1 on your telephone keypad.

Your first question comes from the line of Ben Pham from BMO. Your line is open.

Ben Pham – Analyst, BMO

Okay. Thank you and good morning, everybody. I just wanted to touch base on your 2013 guidance. I appreciate the colour on the '14 and I'm just looking at your adjusted EBITDA numbers

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

year-to-date just hitting the \$112-million range. And are you guys expecting a bit of a pickup in Q4 to get you north of \$150 for the year?

Mike Lyon

Hi, Ben. This is Mike Lyon. I wouldn't say that we expect a pickup in the fourth quarter based on projected, you know, wind and production output. We do expect that we will be hitting our cash flow projection for the year as a whole. And some of that's through cash management techniques that we've employed. We have had a slight reduction in our adjusted EBITDA for the third quarter compared to the projection.

But as I said as a result of some of the cash management techniques we've employed and some of the changes in some of our debt arrangements, we've done a little bit of a pre-payment, as you may have noted, if you had much of a chance to look at our 10Q. We'll have a little bit lower principal payments in the fourth quarter than we had expected.

So I think we're right on target for cash flow and probably a little lower, just based on Q3 EBITDA performance. And we don't have any forecast really for Q4 that would depart from our forecast in the S1.

Ben Pham

Okay. Thanks for that, Mike. And possible this question's for that other Mike. Just there's some commentary about acquisition opportunities and being, you know, a couple thousand

megawatts there that you're seeing. Could you possibly characterize where you're seeing the best opportunities right now in terms of geography and technology?

Michael Garland

The two... yes. The geography is really more in the United States. We are looking at some in Canada as well, but it's really predominantly United States, and in the wind and solar area.

Ben Pham Okay.

All right. That's it for me. Thank you.

Operator

Your next question comes from the line of Nelson Ng from RBC Capital Markets. Your line is open.

Nelson Ng – Analyst, RBC Capital Markets

Great. Thanks. Good morning and congratulations on your first quarter.

Michael Garland

Thank you, Nelson.

Nelson Ng

I had a quick question on the Panhandle. I think in the S1 you mentioned that PEG LP intends to drop down the first 100 megawatts. I was just wondering whether there's... what... what the update there is and... and the expected timing?

Michael Garland

It is in financial closing. We're not sure exactly when. We have an expected closing date, but you know how these things are. We don't like to disclose them in case there's some slippage. But I'd say the update is it could be larger than 100 megawatts, but things are progressing, and we're believers that until it's closed it's not closed. And so we would expect it to close in the next month and a half, two months and will probably be larger than 100 megawatts.

Nelson Ng

Okay. When you say closing, do you mean the actual drop down or the financial close of Panhandle, which would enable it to get dropped down?

Michael Garland

I was referring to the financial closing.

Nelson Ng

Okay. Got it. And this is the second... are you referring to the second phase of Panhandle?

Michael Garland

Correct.

Nelson Ng

Okay, got it. In terms of... I guess for the second phase of Panhandle you're kind of rushing to close the project before the end of the year due to the PTC expiration. What are you hearing in

terms of what will come after... after the expiration, whether there's going to be an extension or whether it's going to be renewed in some shape or form?

Michael Garland

First of all, on Congress, that's a tough one, as you know. Congress is very unpredictable. The one thing I will say is historically there's always been bipartisan support. It tends to get caught up in the political football game that's going on in Congress, so you never know when it's going to pop out or...if you remember back in 2004, it actually didn't get passed until like March or April. So we... we still are very optimistic something will come of it.

I think the biggest concern is the macro view of is Congress going to get some things done? We're hopeful that we're hearing a number of positive feedbacks, both from Republicans and Democrats that would encourage us to believe that it's going to get extended in some form. But we're very cautious, given the climate in Congress right now.

Nelson Ng

Okay. And then just for Q3, like there was some down...

Michael Garland

One thing I would remind you also, Nelson is that for the next three or four years we're not really dependent on the PTC, that all of our projects have either qualified for the PTCs or will have qualified for the PTCs for our build out for the next two years, plus the Canadian projects

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

aren't dependent on that deadline. So we're really looking at what the future growth is over the next two to three years or four years.

Nelson Ng

Got it. And then my next question is more about the generation during the quarter. Like how... how was the Q3 generation relative to the long-term average... like long-term average or expected generation? I know that there was some downtime at Ocotillo and Santa Isabel, but how was it overall relative to your expectations?

Michael Garland

So Nelson, our output is still... as we've, I think, said during the... during the road show and earlier discussions, it continues to be a couple of per cent below our long-term projections for the mature projects. As you pointed out, in Q3, as was the case in Q2, those numbers get pretty skewed for the newer projects because of the outage time that we had related to the turbine blades during the quarter.

So I think that Q3 continues to look much like the rest of the year has looked for us. And you know that we put a lot of energy into analyzing our wind expectations. And our team, our MET (meteorological) team continually evaluates and both our historical actual performance and other wind data that has been collected, and they continue to strongly support the long-term

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

projections that... that we've had embedded in our forecast over the long term. And so we're... we remain quite confident in, you know, where we're heading with these projects.

Nelson Ng

Okay. Got it. I also had a few questions on Puerto Rico. Could you give a bit of colour in terms of that dispute with PREPA in terms of like are they providing services to your wind facility? Like what was the dispute?

Michael Garland

Yeah. The short answer is we believe we've settled with PREPA very well and well within our S1 guidance assumption. There was really... it turns out their primary concern was under our agreement, we had a special rate for the power we buy for them. You know, when your project's down or when you need to start up you buy power to warm up the system and get it started. And we had a very special rate, and we adjusted that rate to be consistent with what they charge other people, and they were quite happy, and they now have re-billed us at the agreed upon rates, and we're going to document it. We haven't finalized the documentation. But it's all within what we assumed in our... our cash flows in the S1.

So we think they were quite reasonable. We were actually very pleased. Their initial position was more aggressive. They raised questions about the technology, and when they went in and really looked at how we were dealing with reactive power and some of the other technical concerns they had, they felt we had the technology needed to manage that, and they were very

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

pleased with the arrangement. So they dropped that element of it, and it worked... it turned out to be a very good result for us.

And I think a good message about who PREPA is and that they turned out to be very reasonable and raised legitimate concerns that we were sympathetic to and were within our own assumptions.

Nelson Ng

Okay. And then one more question on Puerto Rico and kind of more... like kind of broader. In terms of the, I guess, Puerto Rican government's debt concerns, I was just wondering, you know, how... how that could potentially impact PREPA? Like what's the kind of worst-case scenario, and how do you get comfortable with that risk?

Michael Garland

There's been quite a bit of discussion I think in the media about PREPA. We've been doing some real homework. We in fact had a long call yesterday with a major bank that does a lot of banking in Puerto Rico, and we believe the concerns are overplayed, at least our initial analysis. We're going to be digging into it some more. But I don't want to go into any specifics today until we... we finish our diligence, but we think actually the information is better than what people may be perceiving.

Secondly, I think you... you may know that PREPA... we have a contract with PREPA, and under the law, they have to honour that contract. And so we don't think even if there is some debt

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

concerns that'll affect our contract because if it affects ours, it affects all contracts with PREPA and... and the rest of the government. And the government debt that you're referring to isn't PREPA debt. So we're like three stages away from the problem. And so we don't think ultimately it would affect us in any event.

Nelson Ng

Okay. No, that's good to hear. Just kind of one...

Michael Garland

Yeah, the third element is keep in mind that particularly Santa Isabel provides power to them at lower cost than what their alternative is. So even if they did come down to us and said we want to discuss the price, it's a hard argument for them to make when their alternative is if we don't produce and sell it at under the contract they'd have to pay higher prices. And so I don't think we would be one of the targets anyway.

Nelson Ng

Okay. Just one last question. In terms of the cash balance, since the transaction closed on... or the IPO transaction closed on October 2nd, so the credit facilities we paid on the 2nd. But does Pattern's unrestricted cash increase by \$30 million on October 2nd or not? So at the end of September...

Michael Garland

Our under...

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

Nelson Ng

... so at the end of September there was like \$149 million of unrestricted cash. I was just wondering whether that's before or after that \$30 million of cash retained from the IPO?

Mike Lyon:

That is before the \$30 million of cash retained from the proceeds of the IPO, Nelson. But keep in mind that our balances tend to be highest at the end of a quarter because we accumulate cash flow that will be used to repay scheduled quarterly principal and interest. And most of our debt facilities have quarterly payments due right around the end of the quarter. And we sort of buildup reserves for those payment obligations. So I'm not sure that it would... you know, that you should assume that we'll have a substantially higher war chest, if that's where you're going with the question, for acquisitions above the \$115 million that we've talked about in the offering.

Now we will have some level of corporate working capital, and some portion of the project level working capital will sort of bleed into corporate level working capital as well. And we can tap into that. But it won't be, you know, tens of millions of dollars above the war chest that we previously identified.

Nelson Ng

Okay. So that \$149 million of cash, a lot of that will be going towards that debt service is what you're saying?

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

Mike Lyon

Some of it will. I'm not sure that I would say that a huge portion. But Nelson, we keep at our projects a certain amount of project-level working capital. And so I think that we'll continue to... we'll continue to do that on an ongoing basis. And that money does flow into the corporate level over time.

But I think what... our guidance to you is... continues to be that we'll have \$115 million available for investment from cash after the completion of the offering. And then we'll have excess cash flow during... as we continue to operate the project over the next year, together with other resources being some level of the corporate cash that we can dip into, but not huge amounts. And then the available draw capacity under our revolving credit facility.

Nelson Ng

Okay. That's clear. Thanks.

Mike Lyon

Great.

Operator

Again, if you would like to ask a question, please press * then the number 1 on your telephone keypad.

Your next question comes from the line of Steven Byrd from Morgan Stanley. Your line is open.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

Steven Byrd – Analyst, Morgan Stanley

Good morning and congratulations on your first earnings call.

Michael Garland

Thank you.

Steven Byrd

So just wanted to run through a number of things. The cash flow for the year, Mike, you talked to sort of on the operational side a little weaker than you had hoped, and... and you prepaid some debt to lower your principal payments. Was the... was the single biggest driver wind conditions? Were there other elements that... that had a material impact on that... on that sort of operating cash flow?

Mike Lyon

So our cash flow I think... what I certainly meant to say... I think I said that our cash flow we expect to be sort of in line with our targeted expectations for both this year and next year.

Steven Byrd

Um-hmm.

Mike Lyon

As I mentioned a little bit ago, the... the revenue and adjusted EBITDA for the third quarter is down a little bit from what we expected. Fourth quarter, obviously too early to say, you know,

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

what the wind will do primarily is the main area of variability. But our... our cash flow I think is likely to be kind of on target is what we currently believe.

Steven Byrd

No, I understand. And you had mentioned that you'd taken some cash management measures to offset the EBITDA impacts. I was just... it sounds like the EBITDA impacts are primarily due to wind conditions. Is that fair to say?

Mike Lyon

Yeah, that's the main source of variability. We do have some discretion in other parts of how we operate our business that gives us some, you know, flexibility to deal with... you know, with that variability, and we do manage around that. We regard that as one of our most important jobs. But you're right. The production is clearly the single most important factor in influencing our operating results from one period to the next.

Steven Byrd

Okay. And in terms of the pre-payment benefit in terms of better... better cash flow from that element, what was the rough magnitude of the benefit from that pre-payment action that you took?

Mike Lyon

So there's... let me just give a little bit of background on that. When we term converted our Ocotillo construction loans into the term loans, we concluded that we had a good level of cash

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

sitting at the project level, more than I think we felt we really needed. And because we had certain minor concessions that we wanted to get from our lending group, we proposed that we make a small pre-payment, which we disclosed in our 10Q. It's about \$7 million. And some of that was over a longer term of the debt, but most of it was reflected in relatively near-term scheduled principal payments. A couple of million from later this year and, can't remember exactly, Steven, but I think it's about \$3 million that we otherwise would have paid in the second quarter of next year.

Steven Byrd

Okay. So it's a \$7 million pre-payment. A couple million would show up later this year in terms of a benefit and lower payments that would have otherwise had to have been made, and then it sounds like maybe, you know, \$3 million or so in 2014.

Mike Lyon

Yeah. And the balance really had more to do with sort of... the balance, which is a couple of million itself, had more to do with sort of the long-term balance of the debt and how it interplays with the amount of construction financing we had in place and contingencies. So it really has no... it had no near-term impact. And when I say near in this context I mean let's say the next 10 years. So most of... or a small portion of that \$7 million is sort of irrelevant to the discussion. But the \$2 and the \$3 that I mentioned are the relevant pieces.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

Steven Byrd

Understood. Okay. Moving just over to the PTC side of things, I guess we sort of... we practically saw a de facto extension of the PTC by the IRS safe harbour under which so long as you spend 5 per cent and you have your asset online before the end of '15 you will get the PTC. Do you all think there will be some activity to try to extend the PTC at the end of this year or is that, given what the IRS has done, is there sort of less pressure to do so because we've sort of had a practical extension?

Michael Garland

Yeah, I think there will be pressure to try to extend it, but I think your comment is a good one that it has given a little bit of a release valve that we haven't had in the past where in the past the industry would argue that it's over at the end of 2013 and we're done. Now the argue... the push back will be yeah, but you can continue building and placing service for another year to two years, and therefore it's effectively extended out.

I think that, like I said earlier, the question really will be will Congress get down to doing its homework and getting things passed more cooperatively? And if they do we'll see it passed, and if it doesn't, if there isn't cooperation in the next few months then I think we'll see it extend into 2014.

Steven Byrd

Understood.

Michael Garland

Which is okay by us. You know, we're... we're not troubled by that. It's more for the rest of the industry and maybe for the manufacturers it's more of a problem.

Steven Byrd

Understood. Wanted to shift more broadly to just the environment for new... new wind and renewables RFPs as you're looking out. When you look at sort of the magnitude of the opportunities, any change since the IPO? Any... any... any trends or... are there the kinds of opportunities that you expect? It sounds like there's quite a bit on the... on the acquisition side, which is good to hear. Just curious on the kind of new... new...

Michael Garland

I think the only observations I would make in terms of trends is I think right now, given the PTC arrangement, as you described it, the... you know, the safe harbour, if you will, for putting into service by 2015 has created some additional opportunities, and I think you'll see generally in the industry a trend towards more hedges than in the past. So for the next year or two I think you'll see more... more hedges than PPAs or relative to PPAs compared to the past. And part of that has to do just with the digestion by many utility and off takers of the existing PPA arrangements they had, and then the markets realizing that there are various places around the country where there's still demand and they're still forecasting reasonable prices that can make the projects very cost effective. So you'll see some of the parties jumping in more and hedge arrangements than seeing

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

individual cities or counties or utilities issuing additional RFPs. But there will still be... we're still seeing RFPs for additional PPAs, but there's been a trend up in the number of hedges that we're seeing.

Steven Byrd

Okay, that's interesting.

Just going back to the wind condition outlook, it sounds like, you know, based on everything you see, that you do see production going back to the level that you've been... been forecasting. If conditions sort of track similar to how they have been tracking in '14, do you have, you know, tools at your disposal to try to ensure that you're able to hit the targeted 2014 cash? You know, that is if there is some degree of wind weakness, like we've seen. Are there other elements at your disposal to kind of (inaudible)?

Michael Garland

Great question. I love this question because yeah, it's exactly what we do in our business. We're very excited about some of the technical improvements our... We're hoping to get some in. We've already implemented one action at Hatchet Ridge, and we're going back and retrofitting the blades, starting, you know, this month. And we may get all of it done before the cold weather sets in or we'll add to it next year. Secondly, we still see a lot of improvement in the terms of the availability of the equipment.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

So the combination of making some production improvements, as well as increasing the availability... Remember, half of our fleet is still really young and we went through a ramp up period. So our assumption is pretty conservative. If you remember, we were using 96.5 per cent availability. We think we can get well above that or above that. So the combination of efficiency improvements and... So we get added production out of the wind from these technical improvements, plus increasing the availability, and seeing more stability from the utilities in terms of their down time because the projects will have had a year under their belts. I think all of those things will... will increase the output and keep us... the cash flows very close to CAFDs, very close to what we project, if not better.

We think that there's also some... We have historically underperformed, underused our O&M allocations in terms of what we budgeted for cash funding of our O&M. We've come in almost every year below that. So there's some improvements that can be realized through our operational cost side of things as well. So we're still very positive about the 2014 outlook for CAFD. We're not hesitant on that at all.

Steven Byrd Great.

That's all I had. Thank you very much.

Operator

Your next question comes from the line of Neil Kalton from Wells Fargo. Your line is open.

Neil Kalton – Analyst, Wells Fargo

Hi. Good morning, everybody. I just have a quick question on the third-party acquisition opportunities, and I wondered if you could expand upon maybe a little bit why we're... why you're seeing heightened interest or activity out there in that market?

Michael Garland

Yeah. Obviously it's a subjective response. My personal belief is that I think, you know, it's like any industry. When there's big opportunities and the business is growing, everybody tries to do it, and then when the industry slows down, the guys, the lasting players stay in there and start acquiring up some of the guys who were there for the short term. And I think you're seeing some of that where you have some of the smaller players and even some of the bigger ones selling off assets.

Secondly, some of the international finance issues are affecting some of the players in the United States and Canada as to their needs for improving their capital structure maybe back home. So they're looking at selling assets.

In fairness though, if you look over the last four or five years, there's been a fairly robust third-party market where it's been 2,000 or 3,000 megawatts. And as the industry has grown in megawatts, it's grown with it. And so I think my personal view is that part of what we're seeing is a reshuffling due to the... the market, both the expectations of how much growth there will be over the next few years, and people trying to shore up their balance sheets, combined with it's just

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

naturally a larger market because, for example, last year North America put in something like 14,000 megawatts of wind power and solar. And so there's just more product out in the marketplace.

Neil Kalton

That all makes sense. Thank you.

Operator

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

Michael Garland

Well thank you very much for your time today. We very much appreciate your interest in the company, and very excited about the future of Pattern, and so we look forward to the next earnings call.

Thank you very much.

Operator

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

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »