

Pattern Energy Group Inc.
Form 10-K
March 02, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Fiscal Year Ended December 31, 2014.

-OR-

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number 001-36087

PATTERN ENERGY GROUP INC.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of

90-0893251
(I.R.S. Employer

incorporation or organization)

Identification No.)

Pier 1, Bay 3, San Francisco, CA 94111

(Address of principal executive offices) (Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class
Class A Common Stock, par value \$0.01 per share

Name of Each Exchange on Which Registered
NASDAQ Global Market

Toronto Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.) Yes No

The aggregate market value of the voting stock and non-voting stock held by non-affiliates of the registrant based upon the last trading price of the registrant's Class A common stock as reported on the NASDAQ Global Market on June 30, 2014 was approximately \$1,308,252,717. This excludes 39,512,314 shares of Class A common stock held by directors, officers and Pattern Renewables LP and certain of its affiliates. Exclusion of shares does not reflect a determination that persons are affiliates for any other purpose.

The registrant's Class A common stock began trading on the NASDAQ Global Market under the symbol PEGI and on the Toronto Stock Exchange under the symbol PEG on October 2, 2013.

On February 26, 2015, the registrant had 69,062,463 shares of Class A common stock, \$0.01 par value per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement relating to its 2015 annual meeting of stockholders (the 2015 Proxy Statement) are incorporated by reference into Part III of this Form 10-K where indicated. The 2015 Proxy Statement will be filed with the U.S. Securities and Exchange Commission within 120 days after the end of the fiscal year to which this report relates.

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CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K (Form 10-K) contains statements that may constitute forward-looking statements. You can identify these statements by forward-looking words such as anticipate, believe, could, estimate, expect, intend, may, plan, potential, should, will, would, or similar words. You should read statements that contain these words carefully because they discuss our current plans, strategies, prospects, and expectations concerning our business, operating results, financial condition, and other similar matters. While we believe that these forward-looking statements are reasonable as and when made, there may be events in the future that we are not able to predict accurately or control, and there can be no assurance that future developments affecting our business will be those that we anticipate. Our forward-looking statements involve significant risks and uncertainties (some of which are beyond our control) and assumptions that could cause actual results to differ materially from our historical experience and our present expectations or projections. Known material factors that could cause our actual results to differ from those in the forward-looking statements are those described in Part I, Item 1A Risk Factors.

Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statements after the date they are made, whether as a result of new information, future events or otherwise.

MEANING OF CERTAIN REFERENCES

Unless the context provides otherwise, references herein to we, our, us, our company and Pattern refer to Pattern Energy Group Inc., a Delaware corporation, together with its consolidated subsidiaries. In addition, unless the context requires otherwise, any reference in this Form 10-K to:

Conversion Event refers to the event pursuant to which all of our Class B shares automatically converted into Class A shares on a one-for-one basis on December 31, 2014;

FERC refers to the U.S. Federal Energy Regulatory Commission;

FIT refers to feed-in-tariff regime;

FPA refers to the Federal Power Act;

Gulf Wind Call Right refers to the right to acquire the Pattern Development retained Gulf Wind interest at any time between October 2, 2014 and October 2, 2015, at its then current fair market value;

Identified ROFO Projects refers to nine projects that we identified as development projects, each owned by Pattern Development and subject to our Project Purchase Right, that were predominantly operational or construction ready, including the Gulf Wind, Armow, K2, Meikle, Conejo Solar, Belle River, Henvey Inlet, Amazon and Mont Sainte-Marguerite projects;

IPPs refers to independent power producers;

ISOs refers to independent system organizations, which are organizations that administer wholesale electricity markets;

ITCs refers to investment tax credits;

Management Services Agreement refers to the bilateral services agreement between us and Pattern Development;

MW refers to megawatts;

MWh refers to megawatt hours;

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Non-Competition Agreement refers to a non-competition agreement between us and Pattern Development pursuant to which Pattern Development agrees that, for so long as any of our Purchase Rights are exercisable, it will not compete with us for acquisitions of power generation or transmission projects from third parties;

OCC refers to our operations control center;

Pattern Development refers to Pattern Energy Group LP and its subsidiaries (other than us and our subsidiaries);

Pattern Development's retained Gulf Wind interest refers to the retained interest of approximately 27% in the Gulf Wind project, owned by Pattern Development;

power sale agreements refer to PPAs and/or hedging arrangements, as applicable;

PPAs refer to power purchase agreements;

Project Purchase Right refers to a right of first offer with respect to any power project that Pattern Development decides to sell, including the Identified ROFO Projects;

PTCs refers to production tax credits;

PUHCA refers to the Public Utility Holding Company Act of 2005, as amended;

Purchase Rights refers to the Project Purchase Rights, and the rights to acquire the Pattern Development retained Gulf Wind interest, and the right to acquire Pattern Development itself or substantially all of its assets, as contemplated by the Purchase Rights Agreement between us and Pattern Development;

RECs refers to renewable energy credits;

reintegration event refers to the event contemplated by the Management Services Agreement pursuant to which, upon the completion of the first 20 consecutive trading day period during which our total market capitalization is no less than \$2.5 billion, the employees of Pattern Development will become our employees;

Riverstone refers to Riverstone Holdings LLC;

ROFO refers to right of first offer;

RPS refers to Renewable Portfolio Standards;

Sarbanes-Oxley Act refers to the Sarbanes-Oxley Act of 2002;

Shared PEG Executives refers to certain of our executive officers, including our Chief Executive Officer, who also serve as executive officers of Pattern Development and devote their time to both our company and Pattern Development as is prudent in carrying out their executive responsibilities and fiduciary duties;

Samsung means Samsung C&T Corporation; and

U.S. Treasury refers to the U.S. Department of the Treasury.

CURRENCY AND EXCHANGE RATE INFORMATION

In this Form 10-K, references to C\$ and Canadian dollars are to the lawful currency of Canada and references to \$, US\$ and U.S. dollars are to the lawful currency of the United States. All dollar amounts herein are in U.S. dollars, unless otherwise stated.

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Our historical consolidated financial statements are presented in U.S. dollars. The following chart sets forth for each of 2014, 2013, 2012 and 2011, the high, low, period average and period end noon buying rates of Canadian dollars expressed as Canadian dollars per US\$1.00.

Year	Canadian Dollars per US\$1.00			
	High	Low	Period Average ⁽¹⁾	Period End
2014	C\$ 1.1643	C\$ 1.0614	C\$ 1.1045	C\$ 1.1501
2013	1.0697	0.9839	1.0300	1.0637
2012	1.0417	0.9710	0.9995	0.9958
2011	1.0605	0.9448	0.9887	1.0168

- ⁽¹⁾ The average of the noon buying rates on the last business day of each month during the relevant one-year period and, in respect of monthly or interim period information, the average of the noon buying rates on each business day for the relevant period.

The noon buying rate in Canadian dollars on February 26, 2015 was US\$1.00 = C\$1.2490.

The above rates differ from the actual rates used in our consolidated historical financial statements and the calculation of cash available for distribution and dividends we declared and paid described elsewhere in this Form 10-K. Our inclusion of these exchange rates is not meant to suggest that the U.S. dollar amounts actually represent such Canadian dollar amounts or that such amounts could have been converted into Canadian dollars at any particular rate or at all.

For information on the impact of fluctuations in exchange rates on our operations, see Item 1A Risk Factors Risks Related to Our Projects Currency exchange rate fluctuations may have an impact on our financial results and condition and Item 7A Quantitative and Qualitative Disclosure About Market Risk Foreign Currency Exchange Rate Risk .

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PART I

Item 1. *Business.*

Overview

We are an independent power company focused on owning and operating power projects with stable long-term cash flows in attractive markets with potential for continued growth of our business. We hold interests in twelve wind power projects located in the United States, Canada and Chile that use proven, best-in-class technology and have a total owned capacity of 1,636 MW. The projects consist of eleven operating projects and one project under construction. Our one construction project, the Logan's Gap project, which we acquired from Pattern Development on December 19, 2014, is scheduled to commence commercial operations prior to the end of 2015. Each of our projects has contracted to sell all or a majority of its output pursuant to a long-term, fixed-price power sale agreement with a creditworthy counterparty. One of our counterparties, PREPA, has been downgraded by Standard & Poor's Rating Services and Moody's Investor Service to CCC and Caa3, respectively, from prior investment grade ratings. See "Risk Factors" Our projects rely on a limited number of key power purchases. The power purchaser for our Santa Isabel project has been downgraded. Eighty-nine percent of the electricity to be generated by our projects will be sold under these power sale agreements which have a weighted average remaining contract life of approximately 16 years.

We intend to use a substantial portion of the cash available for distribution generated from our projects to pay regular quarterly dividends to holders of our Class A shares. On February 24, 2015, we increased our quarterly dividend to \$0.342 per Class A share, or \$1.368 per Class A share on an annualized basis, from \$0.335 per Class A share, or \$1.34 per Class A share on an annualized basis, commencing with respect to dividends paid on April 30, 2015 to shareholders of record as of March 31, 2015. The dividend amount, if any, may be changed in the future without advance notice. We established our quarterly dividend level based on a target payout ratio of approximately 80% after considering our expected sustainable cash flow to be generated from our operating projects together with the additional cash available for distribution that we estimate our construction project will generate. The declaration and amount of our future dividends, if any, will be subject to our actual earnings and capital requirements and the discretion of our Board of Directors.

Our growth strategy is focused on the acquisition of operational and construction-ready power projects from Pattern Development and other third parties that we believe will contribute to the growth of our business and enable us to increase our dividend per Class A share over time. We expect that our continuing relationship with Pattern Development, a leading developer of renewable energy projects, will be an important source of growth for our business.

Our Core Values and Financial Objectives

We intend to maximize long-term value for our stockholders in an environmentally responsible manner and with respect for the communities in which we operate. Our business is built around three core values:

creating a safe, high-integrity, exciting work environment for our employees;

applying rigorous analysis to all aspects of our business in a timely, disciplined and functionally integrated manner to understand patterns in wind regimes, technology developments, market trends and regulatory,

financial and legal constraints; and

working proactively with our stakeholders to address environmental and community concerns, which we believe is a socially responsible approach that also benefits our business by reducing operating risks at our projects.

Our financial objectives, which we believe will maximize long-term value for our stockholders, are to:

produce stable and sustainable cash available for distribution;

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selectively grow our project portfolio and our dividend; and

maintain a strong balance sheet and flexible capital structure.

Our Projects

The following table provides an overview of our projects:

Project Name	Location and Start-up		Capacity (MW)		Type	Contracted Volume ⁽⁵⁾	Power Sale Agreements		Counterparty Credit Rating ⁽⁶⁾
	Location	Construction Start ⁽¹⁾	Commercial Operations ⁽²⁾	Rated ⁽³⁾			Owned ⁽⁴⁾	Counterparty	
and	Texas	Q1 2008	Q3 2009	283	113	Hedge ⁽⁷⁾	~58%	Credit Suisse Energy LLC	A/A1
Ridge	California	Q4 2009	Q4 2010	101	101	PPA	100%	Pacific Gas & Electric	BBB/A3
oh	Manitoba	Q1 2010	Q2 2011	138	138	PPA	100%	Manitoba Hydro	AA/Aa1 ⁽⁸⁾
Valley	Nevada	Q3 2011	Q3 2012	152	152	PPA	100%	NV Energy	BBB+/Baa2
abel	Puerto Rico	Q4 2011	Q4 2012	101	101	PPA	100%	Puerto Rico Electric Power Authority	CCC/Caa3
	California	Q3 2012	Q4 2012	223	223	PPA	100%	San Diego Gas & Electric	A/A1
			Q2 2013	42	42	PPA	100%	San Diego Gas & Electric	A/A1
ent	Ontario	Q1 2013	Q2 2014	270	135	PPA	100%	Independent Electricity	AA-/Aa2 ⁽⁹⁾
								System Operator	
án	Chile	Q3 2012	Q2 2014	115	81	Hedge ⁽¹⁰⁾	~74%	Minera Los Pelambres	NA
lle 1	Texas	Q3 2013	Q2 2014	218	172	Hedge ⁽¹¹⁾	~80%	Citigroup Energy Inc.	A-/Baa2
lle 2	Texas	Q4 2013	Q4 2014	182	147	Hedge ⁽¹¹⁾	~80%	Morgan Stanley	A-/Baa2
	Ontario	Q3 2013	Q4 2014	149	67	PPA	100%	Independent Electricity	AA-/Aa2 ⁽⁹⁾
								System Operator	
				1,974	1,472				
ction Projects									
s Gap	Texas	Q4 2014	Q4 2015	200	164	PPA	~58%	Wal-Mart Stores, Inc.	AA/Aa2
						Hedge ⁽¹²⁾	~17%	Merrill Lynch Commodities, Inc.	A-/Baa2
				200	164				
				2,174	1,636				

(1) Represents date of commencement of construction.

(2) Represents date of actual or anticipated commencement of commercial operations.

- (3) Rated capacity represents the maximum electricity generating capacity of a project in MW. As a result of wind and other conditions, a project or a turbine will not operate at its rated capacity at all times and the amount of electricity generated will be less than its rated capacity. The amount of electricity generated may vary based on a variety of factors discussed elsewhere in this Form 10-K. See Item 1A Risk Factors.
- (4) Owned capacity represents the maximum, or rated, electricity generating capacity of the project in MW multiplied by our percentage ownership interest in the distributable cash flow of the project.
- (5) Represents the percentage of a project's total estimated average annual MWh of electricity generation contracted under power sale agreements.
- (6) Reflects the counterparty's corporate credit ratings issued by S&P/Moody's as of December 31, 2014.
- (7) Represents a 10-year fixed-for-floating power price swap. See Item 2 Properties Operating Projects Gulf Wind.
- (8) Reflects the corporate credit ratings of the Province of Manitoba, which owns 100% of Manitoba Hydro-Electric.
- (9) Reflects the corporate credit ratings of the Province of Ontario, which owns 100% of the Independent Electricity System Operator (IESO), formerly the Ontario Power Authority.
- (10) Represents a 20-year fixed-for-floating swap. See Item 2 Properties Operating Projects El Arrayán.
- (11) Represents a fixed-for-floating swap of more than ten years duration. See Item 2 Properties Operating Projects Panhandle 1 and Panhandle 2.
- (12) Represents a 13-year fixed-for-floating swap. See Item 2 Properties Construction Project Logan's Gap.

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Each of our projects has gone through a rigorous vetting process in order to meet our investment and our lenders financing criteria. The development of each project was managed and overseen by our management team over a period of several years and each project was designed to meet or exceed industry, environmental, community and safety standards applicable for industrial-scale power projects. As a result, our projects generally have the following characteristics:

multi-year on-site wind data analysis tied to one or more long-term wind energy reference sources. Pattern Development employs a full-time, five-person meteorological team that manages and verifies third party wind analysis. Our wind analysis is carefully vetted through detailed studies by internal and independent experts in meteorology and statistics to derive an expected production profile based on daily and seasonal wind patterns, structural interference, topography and atmospheric conditions. Our average on-site wind data collection is over four years (or approximately seven years including post-construction data collection);

long-term power sale agreements designed to ensure a predictable revenue stream. As is typical in our industry, we sell our electricity at a fixed price on a contingent, as-produced basis such that only the electricity that we generate is sold to and must be purchased by the counterparty at the agreed price. Our power sale agreements have a weighted average remaining contract life of approximately 16 years;

contractually secured real estate property and easement rights for a period well in excess of the project's expected useful life and contractual obligations. Each of our projects has land rights for 30 years or more;

a firm right to interconnect to the electricity grid through interconnection agreements, which define the cost allocation and schedule for interconnection, as well as any upgrades required to connect the project to the transmission system. Our interconnection agreements allow our projects to connect to the electricity transmission system. Market rules and protocols generally govern dispatch of our electricity generation and allow it to flow freely into the grid as it is produced, except in very limited circumstances where our projects can be curtailed, for example during system emergencies. Our projects in Ontario are subject to economic dispatch; however, we are compensated by our power purchaser for curtailed production in excess of a specified annual threshold. To date, except for compensated curtailment, our projects have on average been curtailed less than 1% per year;

long-term, limited-recourse, amortizing project financing designed to match the long-lived nature of our power projects and the related power sales agreements. The interest rates on our long-term loans are fixed for the tenor of the loans or are subject to fixed-for-floating swaps that match the amortization schedules of the debt;

all necessary construction and operating permits and other requisite federal, state or provincial and local permits, and regulatory approvals secured, which critical permits typically include federal aviation, state or provincial environmental approvals and local zoning and land-use permits and are designed to protect the community, cultural resources, plants, animal and other affected resources at or near the facility;

fixed-price turbine supply and construction contracts with guaranteed completion dates to ensure that our projects are completed on time and within the estimated budget. The construction period for our projects has typically been less than one year, although in certain instances circumstances warrant a longer construction period;

an operations and maintenance service program based on our own on-site personnel and central operations management as well as equipment warranties and service arrangements with qualified contractors experienced in wind project maintenance. We have existing turbine equipment warranties for approximately 82% of our operating turbine units; and

safety, environmental and community programs to support our existing projects and relationships in the communities in which we operate.

For additional information regarding each of our projects, see Item 2 Properties. Our ability to transition each of our construction projects to commercial operations and achieve anticipated power output at all of our operating projects is subject to numerous risks and uncertainties as described under Item 1A Risk Factors.

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Our Strategy

We intend to make profitable investments in environmentally responsible power projects, while embracing a long-term commitment to the communities in which we operate. To achieve our financial objectives while adhering to our core values, we intend to execute the following business strategies:

Maintaining and Increasing the Value of Our Projects

We intend to efficiently operate our projects to meet projected revenues and cash available for distribution. We expect to maximize the long-term value of our projects by focusing on value-oriented project availability (by ensuring our projects are operational when the wind is strong and PPA prices are at their highest) and by regularly scheduled and preventative maintenance. We believe that good operating performance begins with a long-term maintenance program for our equipment. We also seek to improve performance or lower operating costs by working closely with our equipment vendors and considering contracting with third parties, if appropriate.

We believe it is important to employ our own personnel in aspects of our business that we deem critical to the value of our projects but to contract with reliable third parties for on-going major maintenance of our turbines and similar specialized services such as repairs on our substations or transmission lines. As a result, we employ on-site personnel, maintain a 24/7 operations control center to monitor our projects and control all critical aspects of commercial asset management. We also believe it is important to invest in our employees to give our operating personnel the tools to pursue our objectives through regular training, performance incentives, integrating teams of different experts, use of advanced software programming and regular upgrading of our automated systems. See Item 1 Business Organization of Our Business.

Completing Our Construction Projects on Schedule and Within Budget

We promote the success of our business by completing our construction projects on schedule and within budget, transitioning projects under construction to commercial operation on a timely basis and efficiently operating our projects to maximize project revenues and minimize operating costs. We expect our one construction project to increase our owned capacity by 164 MW in 2015, for an aggregate of 1,636 MW together with our currently operating projects.

We utilize experienced, creditworthy contractors and proven technology to build high-quality power projects. In addition, over the past 12 years, our management team has overseen the construction and commencement of commercial operations of 30 wind power projects, and our project and construction management capabilities are well respected throughout our industry. By capitalizing on these significant construction and operational resources available to us, including those available to us through the Management Services Agreement, we intend to complete the construction and commence commercial operations at our construction projects in accordance with construction schedules and within budget.

Maintaining a Prudent Capital Structure and Financial Flexibility

We intend to maintain a conservative approach to our capital structure to protect our ability to pay regular dividends and fund investments to provide for future growth. Power projects by their nature require significant upfront capital investment and as a result we believe it prudent to match these long-lived assets with long-term debt and/or equity. The average maturity of our project-level term debt is approximately 11 years, although our scheduled loan amortization is typically 18 years or more, and we have an expected average annual debt service coverage ratio over the remaining scheduled loan amortization periods of approximately 1.7 to 1.0. This prudent capital structure coupled

with our predictable price for our electricity and our standard operations and maintenance programs help to achieve a stable cash flow profile.

Three of our projects, Panhandle 1, Panhandle 2 and Logan's Gap, with an aggregate owned capacity of 483 MW, are, or will be, financed in part by long-term tax equity investments and do not have any long-term project debt.

Consistent with our existing indebtedness, we expect to typically utilize fixed-rate indebtedness (or swapping any variable rate indebtedness) with strong debt service coverage ratios to finance projects. We believe this approach, together with a strategic consideration of project-level financial restructuring and recapitalization opportunities, will contribute to our ability to maintain and, over time, increase our cash available for distribution.

Table of Contents***Working Closely With Our Stakeholders***

We believe that close working relationships with our various stakeholders, including suppliers, power sales agreement counterparties, regulators, the local communities where we are located and environmental organizations and with Pattern Development and other developers enable us to best support our existing projects and will help us access attractive, construction-ready projects. For example, by working closely with the regulatory agencies and the community, we believe that we create an environment within which if problems are identified we can work constructively and efficiently to resolve the problems and minimize the impact to our operations.

Selectively Growing Our Business

Our strategy for growth is focused on the acquisition of operational and construction-ready power projects from Pattern Development and other third parties that we believe will contribute to the growth of our business and enable us to increase our dividend per Class A share over time. We expect that projects we may acquire in the future will represent a logical extension of our existing business and be consistent with our risk profile, and that any incremental assumption of risk will require commensurate expectations of higher returns. As a result, our near-term growth strategy will remain focused on largely contracted cash flows with creditworthy counterparties and operating or in-construction projects.

We expect that new opportunities will arise from our relationship with Pattern Development, which provides us with the opportunity to acquire projects that it successfully develops and efficiently completing construction and achieving commercial operations at these projects

Below is a summary of the Identified ROFO Projects that we expect to acquire from Pattern Development in connection with our Purchase Rights in the next two years. We have commenced discussions with Pattern Development with respect to the acquisition of each of the K2 and Amazon projects pursuant to our Purchase Rights, and, in the case of the Amazon project, Pattern Development has made an application to FERC seeking prior authorization to transfer its interest in such project to us. The filing of the application with FERC does not obligate us to enter into any transaction and no agreement as to the material terms has been reached with respect to either the K2 or Amazon projects. The terms of such transaction, if any, and the timing thereof, remain subject to discussions among the parties. For additional discussion on the Identified ROFO Projects, see Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations Recent Transactions .

Identified ROFO Projects	Status	Location	Construction Start ⁽¹⁾	Commercial Operations ⁽²⁾	Contract Type	Capacity (MW)	
						Rated ⁽³⁾	Pattern Development- Owned ⁽⁴⁾
Gulf Wind ⁽⁵⁾	Operational	Texas	2008	2009	Hedge	283	76
K2	In construction	Ontario	2014	2015	PPA	270	90
Armow	In construction	Ontario	2014	2015	PPA	180	90
Meikle	Ready for financing	British Columbia	2015	2016	PPA	185	185
Conejo Solar	Ready for financing	Chile	2015	2016	PPA	104	73
Belle River	Securing final permits	Ontario	2016	2017	PPA	100	50
Henvey Inlet		Ontario	2016	2017	PPA	300	150

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Late stage development							
Amazon	Ready for financing	Indiana	2015	2015 / 2016	PPA	150	116
Mont Sainte-Marguerite	Late stage development	Québec	2016	2017 / 2018	PPA	147	147
						1,719	977

- 1) Represents date of actual or anticipated commencement of construction.
- 2) Represents date of actual or anticipated commencement of commercial operations.
- 3) Rated capacity represents the maximum electricity generating capacity of a project in MW. As a result of wind and other conditions, a project or a turbine will not operate at its rated capacity at all times and the amount of electricity generated will be less than its rated capacity. The amount of electricity generated may vary based on a variety of factors discussed elsewhere in this Form 10-K.

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- 4) Pattern Development-owned capacity represents the maximum, or rated, electricity generating capacity of the project multiplied by Pattern Development's percentage ownership interest in the distributable cash flow of the project.
- 5) We have a call right to acquire Pattern Development's retained interest in the Gulf Wind project, at fair market value, at any time between October 2, 2014 and October 2, 2015.

Our management team will rigorously review and analyze new market opportunities and selectively consider opportunities offered by Pattern Development as well as those offered by other third parties, either independently or jointly with Pattern Development. From time to time, we may submit bids in connection with third party acquisition opportunities. These bids can be binding bids or non-binding bids, can be for single assets or a group of assets, and (if accepted) can be material acquisitions for us. There can be no assurance any such bids will be accepted. We believe our management team provides us with the experience to bring both currently owned and subsequently acquired domestic and international power projects online.

Reintegration of Pattern Development Employees

Under the terms of the Management Services Agreement, upon the completion of the first 20 consecutive trading day period during which our total market capitalization is no less than \$2.5 billion, the employees of Pattern Development will become our employees. We refer to this event as the employee reintegration. For the purposes of determining the employee reintegration date, total market capitalization will be determined by multiplying the number of our issued and outstanding Class A shares and the closing price of our Class A shares as reported on the then primary stock exchange on which our Class A shares are listed. We will not be required to make any payments to Pattern Development upon the occurrence of the employee reintegration, other than the payment of any statutory severance payments that may as a result be due and payable to employees in certain jurisdictions outside the United States. The employee reintegration will result in our complete internalization of the administrative, technical and other services that were initially provided to us by Pattern Development under the Management Services Agreement. The occurrence of the employee reintegration will neither alter our Purchase Rights nor the terms of the Management Services Agreement.

Upon the employee reintegration, we expect that our principal focus will continue to be owning operational and under-construction power projects. However, the employee reintegration is expected to enhance our long-term ability to independently develop projects and grow our business. Following the employee reintegration, we will continue to provide management and other services to Pattern Development (including services from the reintegrated departments of Pattern Development) to the extent required by Pattern Development's remaining development activities, and Pattern Development will continue to pay us for those services primarily on a cost reimbursement basis.

Competitive Strengths

We believe our key competitive strengths include:

Our High-Quality Projects

We believe our high-quality projects are better positioned to generate stable long-term cash flows compared to typical projects in the industry and will generate available cash in excess of our initial dividend level, providing us the financial resources for investing in new opportunities. Having high-quality projects also provides us access to low-cost project-level debt and strong stakeholder relationships. The key attributes and strengths of our projects are:

Long-Term, Fixed-Price Power Sale Agreements. We believe our long-term, fixed-price power sale agreements with eleven distinct creditworthy counterparties will deliver stable long-term revenues, although we note that the credit

rating of PREPA, the Puerto Rican counterparty to our Santa Isabel project's PPA, was downgraded a number of times in 2014. Our power sale agreements cover 89% of the electricity to be generated across our projects with a weighted average remaining contract life of approximately 16 years.

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Geographically Diverse Markets and Wind Regimes. Our geographically diverse projects are located across regions generally characterized by high demand for renewable energy, documented reliable wind resources, deregulated energy markets and favorable renewable energy policies. The geographic diversity of our projects from California to Puerto Rico, and Manitoba to Chile helps insulate us against regional wind fluctuations as well as the possibility of adverse regulatory conditions in any one jurisdiction.

State-of-the-Art Wind Turbine Technologies. Our projects utilize state-of-the-art, proven, reliable wind turbine technologies. Our projects utilize Siemens 2.3 MW, Mitsubishi MWT95/2.4 and GE 1.85-87 wind turbines, some of the most reliable and proven turbine technologies available in the market. The wind turbines were in each case specifically selected for the site conditions to ensure optimal performance and longevity of the machines. Our turbines have an average age of approximately two years.

Our Strong Reputation in the Industry

We believe the success of our team has created a highly respected organization which attracts talented people and new opportunities. Our integrity, expertise, and solutions-oriented approach is attractive to stakeholders and parties providing services to our existing projects as well as those who are looking for buyers of their assets.

Our Spring Valley project received the Wind Project of the Year Award in 2012 from POWER-GEN International (the publisher of Power Engineering and Renewable Energy World), which we believe is considered among the most prestigious awards in the renewable energy industry. Our El Arrayán project also won two Chilean International Renewable Energy Awards, presented at the Chilean International Renewable Energy Congress (CIREC) 2012 annual conference in Santiago. The awards were the Best Renewable Energy Project in 2012 (Mejor proyecto de Energía Renovable de 2012) and the Best Renewable Energy Joint Venture (Mejor colaboración entre dos empresas). In 2013, our Ocotillo project received an award for its outstanding environmental analysis and documentation from the California Association of Environmental Professionals and also received the Renewable Project Finance Deal of the Year award from Power Finance & Risk published by Power Intelligence. Also in 2013, our Santa Isabel project won the Outstanding Project of the Year Award in Land Surveying and Environmental Engineering from the Professional College of Engineers and Land Surveyors of Puerto Rico.

Our Approach to Project Selection

Our approach to project selection aims to deliver superior financial results and minimize long-term operating risks by focusing on the acquisition of projects that are operational or construction-ready and have long-term power sales agreements with creditworthy counterparties. Once we identify an attractive opportunity, we apply rigorous analysis in a timely, disciplined and functionally integrated manner to evaluate the wind regime, technology options, site design improvement, regional market trends and regulatory, financial and legal constraints. The most attractive projects offer the proper combination of land accessibility, power transmission capacity, attractive power sales markets and favorable and dependable winds. We believe the members of our management team are recognized by their industry peers as skilled in identifying, analyzing and executing successful power project acquisitions.

Our approach to project selection has also enabled us to successfully execute new projects in a complex renewable energy market characterized by economic, political and regulatory changes that affect energy investment opportunities. Examples include the cyclical nature of U.S. federal incentives and the challenge of realizing the full value of these incentives, increasing environmental and permitting concerns, reduced PPA opportunities that are influenced by changing power markets, a cyclical wind turbine supply environment that alternates between tight and loose supply constraints, changes in wind turbine technology, changes in availability of debt markets, and changes in electricity market structure. Our management team has had success in identifying and executing attractive acquisitions

through all of these changing circumstances. For example, through our

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innovative approach to our business, we developed a financial structure to realize value for PTCs, implemented ground-breaking radar technology to protect bird and bat populations, became one of the first IPPs to capture value from a number of newly deregulated markets and found long-term debt solutions even when the debt markets were highly constrained.

As a fundamental principle, we seek to acquire projects that will contribute measurable improvements in our Adjusted EBITDA and our cash available for distribution and that will have a risk profile consistent with our current business objectives. In addition, we view projects as long-term partnerships with all stakeholders, and the benefits that we pledge to the community are fundamental to creating a positive environment for a project's long-term success.

Our Relationship with Pattern Development

Our continuing relationship with Pattern Development provides us with access to a pipeline of acquisition opportunities. We believe Pattern Development's ownership position in our company incentivizes Pattern Development to support the successful execution of our objectives and business strategy, including through the preparation of projects to the stage where they are construction-ready. Pattern Development has a dedicated development team of professionals with significant experience across the spectrum of power project development:

site selection;

meteorological and market analysis;

land acquisition;

transmission rights;

power contract negotiation;

project financing;

construction management;

government relations;

community outreach; and

environmental permitting.

Pattern Development also has teams devoted to engineering, legal and project financing that enable it to develop and construct projects through to commercial operations. We believe Pattern Development's focus on project development combined with our project Purchase Rights will complement our acquisition strategy, which focuses on the identification and acquisition of operational and construction-ready power projects.

Our Proven Management Team

Our proven management team has extensive experience in all aspects of the independent power business, a demonstrated track record of success in power project investment management, operation and construction. Our management team and Pattern Development's team include professionals who have a history of financial and technological innovation in the power industry as well as a proven track record in managing energy assets during both periods of growth and economic challenge. Before forming Pattern Development in 2009, our and Pattern Development's management teams developed, financed, constructed or acquired and operated 2,100 MW of wind power projects, as well as transmission projects and other power projects. Since the formation of Pattern Development in 2009, the Pattern Development management team has acquired and developed the operational and in-construction wind power projects that comprise our owned capacity of 1,636 MW, including a 57% increase in owned capacity since the time of our initial public offering, and a 4,500 MW portfolio of

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development assets, which we have preferential rights to acquire as described above in Item 1 Business Our Relationship with Pattern Development. Additionally, our and Pattern Development's management teams have extensive acquisition, finance and commodity-hedging expertise, allowing us to react to opportunities, optimize our capital structure and manage risk. We believe our and Pattern Development's management teams' extensive experience and involvement in bringing domestic and international power and infrastructure projects, from the initial development stage through financing to on-going operations and maintenance, positions us to operate our projects efficiently and generate strong cash available for distribution.

Organization of Our Business

Our business is organized around our current projects. In the future, we expect that our business will include additional operating and construction-ready projects acquired from Pattern Development and other third parties. In addition to our executive officers, we employ 58 full-time staff in key functional areas associated with construction and engineering, operations and maintenance, and commercial management. We rely on some services to be performed by third parties, including Pattern Development, but have all the core functions required for overseeing constructing, operating and managing of our projects.

Operations and Maintenance

Our operations team's objective is to maximize revenues from each of our projects rather than focus solely on technical plant performance metrics. In order for us to maximize our revenues, we seek to operate and maintain our equipment so that we can ensure our equipment is productive during times of optimal wind resources and power prices. Our approach to achieving efficient operations involves the following key strategic objectives:

Safety. We believe that the safety of our workers, our contractors, our visitors and the community is paramount and takes precedence over all other aspects of operations. We demonstrate this through promoting a strong safety culture, implementing a formal safety management program, employing a full time in-house safety program manager and conducting annual site safety audits.

Equipment reliability and fleet management. We have selected high-quality equipment with a goal of having a concentration of equipment from top manufacturers. We employ the Siemens 2.3 MW turbine at ten of our twelve project sites, the Mitsubishi MWT95/2.4 at one site and the General Electric GE 1.85-87 at the twelfth site. With a combination of high-quality equipment and scale, we have structured our fleet such that we may:

expect high availability and long-term production from the equipment;

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develop operating expertise and experience, which can be shared among our operators;

obtain a high level of attention and focus from the manufacturer; and

maintain a shared spare parts inventory and common operating practices.

Long-term service and maintenance. Good operating performance begins with a long-term maintenance approach to the equipment. While approximately 82% of our operating turbine units remain under original or extended warranty, on-going maintenance and replacement of parts is essential to equipment longevity. All of our wind turbines are managed either under service or warranty agreements that ensure regular repair and replacement of parts. In some situations, we conduct competitive solicitations between the manufacturers as well as top-tier, third-party, independent service providers for conducting wind turbine service and maintenance. As a matter of operating practice, our turbine service program typically does not require shut down of the entire facility and is performed around the project's production profile to minimize lost revenue.

Inspection. As our warranty contracts and service arrangements expire, we conduct extensive third-party end of warranty inspections to identify any potential equipment or service issues which can be remedied by the manufacturer pursuant to their contractual obligations under the warranty and ensure the projects start their post-warranty periods with reliably functioning equipment.

Staff training. We employ highly experienced personnel from a variety of power generation sectors. In addition, we bring into the organization a broad base of best industry practices. After hiring, we provide our operators with on-going training, in-house and from manufacturers and from third parties, to keep them current on latest industry practices and experiences.

Focus on our value-added capabilities. In order to maximize efficiencies, we concentrate our resources on our core operating areas. In particular, we believe it is critical to have on-site management personnel that are our employees and provide oversight of all site activities to ensure our safety and financial objectives have priority. We contract with third parties, often the turbine manufacturer, for on-going major maintenance of the turbines and similar specialized services such as repairs on our substations or transmission lines.

Maximize structural efficiencies. Our operating resources are allocated across three key areas, site operations, our 24/7 OCC and other central support services.

Site-operators. All of our projects have our employees as on-site operators, which allows for direct management of the projects and all contractors working on site. In addition, these individuals also strive for a high level of involvement in the communities we serve, including with respect to our power purchasers, the regulatory agencies and local communities. Each of our projects has the latest, state-of-the-art supervisory control and data acquisition systems that help us efficiently assess operating faults and plan preventative maintenance.

24/7 Operations Control Center. Our OCC, located in Houston, Texas, focuses on monitoring and controlling each of our 882 wind turbines to prevent downtime, monitoring regional and local climate, tracking real time market prices and, for some of our projects, monitoring certain environmental activities. In addition, the OCC supports various other central activities such as safety, power marketing, and regulatory compliance, and it maintains constant communications with each of our site operators, which frees our site operators to concentrate on day-to-day equipment and safety activities.

Central Support Services. In addition to our OCC, our Houston office also hosts the balance of our operations organization which provides critical support to the operating projects. This team includes our operations management team and specialists in safety, environmental management, regulatory compliance, contract management, turbine specialists and asset administration.

Equipment improvements. We believe that our foundation of reliable and proven equipment allows us to make further operating improvements over time. For example, we have retrofitted the blades at our

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Hatchet Ridge and St. Joseph sites with vortex generators and dino tails to improve the shape of the power curve and thus the production at these sites. We are also in continuing discussions with the turbine manufacturers and other innovative suppliers regarding new technologies to identify additional promising solutions which will improve our projects' performance and increase our electricity generation.

Commercial Management

Our commercial management group is tasked with protecting the long-term value of our projects' commercial arrangements. We have adopted a commercial strategy of managing our projects and other assets with an in-house commercial management group acting as owners' representatives. The role of the commercial management group is to oversee contract management, environmental management, community relations, power marketing and finance and to closely monitor the performance of each project from an owner's point of view in order to maximize financial performance and minimize risk. Although the commercial management group manages the day-to-day aspects of commercial management, functional and managerial expertise is often brought in to support key areas such as legal, finance and power marketing.

Contract Management. With a group of seasoned managers, our commercial management group optimizes the commercial performance of our assets, services the project debt, manages project agreements and compliance with relevant laws, regulations and rules and has ultimate responsibility for the financial performance of each project. The team also manages our real estate obligations as well as our corporate insurance program, local government obligations, home office, remote facilities and mobile assets. Our commercial management group also facilitates a seamless transfer of responsibilities from the development team through construction to commercial operations in order to ensure all contractual and regulatory obligations are clearly captured and tracked in a formal compliance program.

Environmental Management and Community Relations. Adaptive environmental management is increasingly the standard by which power projects are managed. Our company has been a leader in adopting strategies to minimize environmental impacts, such as bird and bat fatalities. Each project has different circumstances so our environmental and community programs range from hiring of local personnel and historical preservation to use of advanced radar systems to monitor birds and bats and presence of on-site biologists to assist in species recognition and mitigation management. By proactively addressing the concerns of the regions, our environmental management and community relations programs seek to minimize additional costs and burdens from a potential increase in regulations or law suits.

Power Marketing. A crucial element of a successful project is assuring revenue from the sale of power and other environmental attributes. We manage the risk associated with fluctuations in electricity prices across our business by seeking to commit the electricity we generate under long-term, fixed-price power sale agreements and have secured 89% of our electricity sales under such arrangements. Our uncontracted power and renewable attributes are sold in the spot-market or under shorter term contracts to optimize revenue realization. We believe this management philosophy will result in a steady, predictable source of revenue for each of our projects.

Finance. Our projects are typically funded with construction financing during the construction phase which converts to long-term financing when the project commences commercial operations. Debt at each individual

project is project financed, which means that, with very limited exceptions, the lenders have no or only limited recourse to other assets of the company other than the assets that are being financed. Debt for our projects is typically provided by commercial banks and institutional lenders that have the expertise to evaluate the risks associated with the construction and operation of a wind power project, including evaluation of the equipment technology, construction, operations and wind resources. These lenders provide construction financing for many sizable industrial and infrastructure projects. Since debt comprises a significant portion of total project capitalization, achievement of construction

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financing is a general indication that lenders and their independent consultants have carefully evaluated the project and find it viable for long-term financing. Given the complexity involved in financing large infrastructure assets, projects are often completed with a syndicate of lenders, and the credibility we have established among the financial community allows lenders to have confidence in the quality of our projects and enables us to secure competitive financing terms and other financing efficiencies for our projects. Over the years, our team has developed close relationships with many of the active renewable energy lenders.

Engineering and Construction

The key leadership in our engineering and construction group resides within our company, which provides us with the in-house capabilities required to evaluate and manage a project's design and construction processes. We will rely as necessary upon additional personnel from third-party sources and Pattern Development with respect to the construction of our projects. We also typically enter into fixed-price construction contracts for our projects with a guaranteed completion date to encourage completion on time and within budget.

Project design involves close and frequent communication with both field development personnel as well as the construction contractor in order to develop a project that conforms to local geotechnical and topographic characteristics while accommodating permitting and real estate restrictions. Pattern Development also strives to integrate experience obtained from operating projects in order to design projects with optimal maintenance and equipment-availability profiles. During construction, we are responsible for overseeing the construction contractor and turbine-vendor activities to ensure that the construction schedule is met. Collaboration among engineers and managers on each of our projects and our major equipment suppliers allows us to efficiently transition from construction to commercial operations and to identify and process technical improvements over the life-cycle of each project.

Our engineering and construction team is comprised of highly experienced project and construction managers and includes personnel who have supervised the design and on budget completion of construction of 30 wind power projects over the last twelve years. We set, and ensure compliance with, design specifications and take an active role in supervising field work, safety compliance, quality control and adherence to project schedules. Each project has a dedicated resident construction manager, and other engineering and construction functions are centralized, which allows the group to efficiently scale its resources to support our developing global platform and growth strategy.

Investing

We are organized in a manner that will allow us to independently and comprehensively evaluate investments in new projects. Key members of our management team, including Messrs. Garland, Armistead, Elkort, Lyon, and Pedersen, have spent extensive periods of their careers in the investment advisory, principal investment and finance fields.

As a major part of our growth strategy, we intend to seek to acquire projects that would contribute measurable amounts to our Adjusted EBITDA and our cash available for distribution. Our approach to project selection is focused on projects (i) with strong economics that will support our long-term financial goals, as determined by intensive analysis and in-depth due diligence, (ii) in which we can add value and which have characteristics that are strategically compatible with our other projects and overall business, and (iii) which meet our core values, including our commitments to environmental stewardship and being a good neighbor in the communities in which our projects are located. To achieve proper investment management, we have implemented processes to ensure rigorous analysis and proper internal approval controls, including preparing formal investment approval documentation, maintaining strict limits on delegation of authority for making capital commitments, and vetting our assumptions with independent technical experts and advisors. In addition, we believe that alignment and independence is critical to successful investing. As a result, we require that

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our executive officers maintain a minimum ownership interest in our company. Our Board of Directors has formed a conflicts committee to review specific matters that the Board of Directors believes may involve conflicts of interest, primarily transactions with Pattern Development or its affiliates to determine whether such transactions are fair to and in the best interest of us and our stockholders.

We view projects as long-term partnerships with all the stakeholders, and the benefits that we pledge to the community are fundamental to creating a positive environment for a project's long-term success.

Competition

We compete with other wind power, infrastructure funds and renewable energy companies, as well as conventional power companies, to acquire profitable construction-ready and operating projects. In addition, competitive conditions may be substantially affected by various forms of energy legislation and regulation considered from time to time by federal, state, provincial and local legislatures and administrative agencies. Such laws and regulations may substantially increase the costs of acquiring, constructing and operating projects, and some of our competitors may be better able to adapt to and operate under such laws and regulations.

Suppliers

Operating equipment for wind power projects primarily consists of turbines. Turbine costs represent the majority of our wind power project investment costs. There are a limited number of turbine suppliers and, although demand for turbines in the past has generally been high relative to manufacturing capacity, we believe that current turbine manufacturing capacity is adequate. Our turbine supply strategy is largely based on maintaining strong relationships with leading turbine suppliers to secure our supply needs.

Project	Supplier	Number of Turbines	Turbine Type
<i>Operating Projects</i>			
Gulf Wind	Mitsubishi	118	MWT 95/2.4
Hatchet Ridge	Siemens	44	SWT-2.3-93
St. Joseph	Siemens	60	SWT-2.3-101
Spring Valley	Siemens	66	SWT-2.3-101
Santa Isabel	Siemens	44	SWT-2.3-108
Ocotillo	Siemens	112	SWT-2.3-108
South Kent	Siemens	124	SWT-2.3-101
El Arrayán	Siemens	50	SWT-2.3-101
Panhandle 1	General Electric	118	1.85 - 87_60Hz_80m
Panhandle 2	Siemens	79	SWT-2.3-108
Grand	Siemens	67	SWT-2.3-101
<i>Construction Projects</i>			
Logan's Gap	Siemens	87	SWT-2.3-108

To date, our projects listed above have purchased or agreed to purchase 733 turbines from Siemens. Siemens has been active in the wind power industry since 1980. It has a reputation for conservative engineering, robust design and high reliability. The SWT-2.3MW turbine technology has a significant and well established track record. First installed in February 2005, Siemens has installed 6,971 SWT-2.3MW turbines worldwide, with 3,429 in the United States, as of the most current Siemens reference list dated September 30, 2014. Siemens data indicates that fleet availability for the

2.3MW turbine class exceeds 97%, and our Siemens fleet availability was 97.4% in 2014. Apart from Siemens we have relationships with other reputable turbine manufacturers such as General Electric and Mitsubishi. Some of our future projects may utilize turbines from these and other manufacturers.

Our Ocotillo and Santa Isabel (Siemens) and Gulf Wind (MHI) projects have experienced certain blade failures in the last two years. We believe the Siemens blade failures have been fully addressed. Since commercial

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operation of Gulf Wind, four blades have failed. We have been working with MHI to complete a root cause analysis, testing of the 354 blades at the project, and development of a protocol for determining which blades might have sufficient deficiencies that could pose a threat to long-term reliable operation. As of February 15, 2015, MHI has replaced, or is scheduled to replace, 55 blades under the equipment warranty. While the testing and replacement of blades has adversely affected turbine availability at Gulf Wind, MHI has compensated us for the turbine down time under our equipment warranty. MHI has agreed to extend the equipment warranty until November 2015 while we continue discussions on addressing a longer term arrangement to address these potential deficiencies, although we can give no assurance that we will be able to reach any longer term agreement with MHI.

Other important suppliers include engineering and construction companies, such as M. A. Mortenson Company, RES-Americas and Blattner Energy, Inc., with whom we contract to perform civil engineering, electrical work and other infrastructure construction for our projects. We believe there are a sufficient number of capable engineering and construction companies available in our markets to meet our needs.

In March 2014, certain of the Company's operating projects entered into long-term service and maintenance agreements with the turbine supplier to provide turbine maintenance and incremental improvements for varying periods over the next twelve years. Under the terms of each of these agreements, the turbine supplier will provide full turbine warranty, including parts and performance, and maintenance services and certain equipment modifications at agreed project sites, which are expected to provide incremental increases in the net capacity factors of the affected projects.

In addition to providing greater certainty to our future equipment maintenance costs, we believe that extending the warranty coverage under these long-term service agreements also provides greater protection against potential warranty issues that could arise later in the equipment life.

Customers

We sell our electricity and environmental attributes, including RECs, primarily to local utilities under long-term, fixed-price PPAs or, in limited instances, local liquid ISO markets. For the year ended December 31, 2014, San Diego Gas & Electric (SDG&E), Manitoba Hydro, Electric Reliability Council of Texas (ERCOT), NV Energy, Inc. (NV Energy) and Pacific Gas and Electric Company (PG&E) accounted for 22%, 14%, 14%, 11%, and 11%, respectively, of our total revenue.

Hedging Activity

To the extent that PPAs are not available in a given market, but market prices allow for acceptable project economics, we will enter into hedging agreements to obtain a fixed price for the energy output of our projects. We enter into these hedging agreements to reduce our exposure to potential volatility in spot-market electricity prices. We typically seek to hedge volumes that are expected to be exceeded 99.0% of the time. Those hedging agreements are executed for a monthly or hourly production profile that matches the forecasted production profile of the project. We will also consider hedging agreements beyond the initial volume up to an amount that is expected to be exceeded over half the time. Those hedging agreements are executed, on an overnight basis, in order to reduce volatility of our cash flows.

We also enter into interest rate hedging agreements to convert floating-rate debt to fixed-rate debt for some of our projects. Additionally, we occasionally enter into currency exchange rate hedging agreements to manage construction costs that may be payable or receivable in a foreign currency and do not have a same currency offset.

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In 2015, we expect to initiate a program of exchange rate management due to the substantial portion of our electricity sales that are Canadian dollar denominated. For additional information regarding our hedging activities, please read Item 7A Quantitative and Qualitative Disclosure about Market Risk.

Structure of Our Company

- (1) These funds and these employees hold indirect interests in Pattern Development.
- (2) Pattern Development holds an interest of approximately 27% in Gulf Wind, representing Pattern Development-owned capacity of 76 MW.
- (3) Subsequent to our issuance of shares and the sale of the shares held by Pattern Development on February 9, 2015, Pattern Development's ownership interest in us was reduced to approximately 25%, while public and management ownership increased to approximately 75%.

Employees

As of December 31, 2014, we had 69 full-time employees of whom 21 are based in our corporate headquarters, 25 are based at our project sites and 23 are based at our other offices, including our OCC, in Houston, Texas. None of our employees are represented by a labor union or covered by any collective bargaining agreement. We consider our employee relations to be good.

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Insurance

We maintain insurance on terms generally carried by companies engaged in similar business and owning similar properties in the United States, Canada and Chile and whose projects are financed in a manner similar to our projects. As is common in the wind industry, however, we do not insure fully against all the risks associated with our business either because insurance is not available or because the premiums for some coverage are prohibitive. For example, we do not maintain war risk insurance. We maintain varying levels of insurance for the development, construction and operation phases of our projects, including property insurance, which, depending on the location of each project, may include catastrophic windstorm, flood and earthquake coverage (CAT coverage); transportation insurance; advance loss of profits insurance; business interruption insurance; general liability and umbrella liability insurance; time element pollution liability insurance; auto liability insurance; workers' compensation and employer's liability insurance; and (except in Chile) title insurance. The all risk property insurance coverage is currently maintained in amounts based on the full replacement value of our projects (subject to certain sub-limits for windstorm, flood and earthquake risks) and the business interruption insurance generally provides 15 months of coverage in amounts that vary from project to project based on the revenue generation potential of each project. All types of coverage are subject to applicable deductibles. We generally do not maintain insurance for certain environmental risks, such as environmental contamination.

Industry

Wind power has been one of the fastest growing sources of electricity generation in North America and globally over the past decade. According to the Global Wind Energy Council, or GWEC, from 2001 through 2013, total net electricity generation from wind power in the United States and Canada grew at a CAGR of 27% and 37%, respectively. The growth in the industry is largely attributable to renewable energy's increasing cost competitiveness with other power generation technologies, the advantages of wind power over other renewable energy sources and growing public support for renewable energy driven by concerns regarding security of energy supply and the environment. As global demand for electricity generation from wind power has increased, technology enhancements supported by U.S. government incentives have reduced the cost of wind power by more than 80% over the last twenty years, according to the American Wind Energy Association, or AWEA.

The United States is the largest producer of wind power in the world. According to the U.S. Department of Energy, or DOE, wind power was the second largest source of new electricity generating capacity in the United States after natural gas for six of the seven years between 2005 and 2011. According to AWEA, wind power became the leading source of new electricity generating capacity in the United States for the first time in 2012. In addition, according to AWEA, the American wind energy industry installed 4,854 MW in 2014 and the U.S. now has an installed wind capacity of 65,879 MW with over 12,700 MW of wind currently under construction. The success of wind power in the United States is evidenced by over \$120 billion in investments to date, according to AWEA.

Renewable energy sources in the United States have benefited from various federal and state governmental incentives, such as production tax credits and investment tax credits. Production tax credits and investment tax credits for wind energy expired on January 1, 2014, unless construction began before January 1, 2015 and further extensions are under consideration for renewal in 2015. Whether the credits will be extended in the future, and the form of any such extension, is uncertain.

The Canadian wind power industry has also experienced dramatic growth in recent years. In 2014, Canada experienced 1,416 MW of new installed wind power generating capacity. This investment resulted in wind power generating capacity in Canada reaching approximately 9,219 MW as of December 2014. According to the Canadian Wind Energy Association, or CanWEA, new installed wind power generating capacity is expected to average 1,500

MW annually over the next four years. Ontario, one of our markets, is the national leader in installed capacity, with approximately 2.4 gigawatts, or GW, of wind power generating capacity, although recent changes to the Ontario government FIT regime may make future projects less attractive and PPAs more difficult to obtain. CanWEA forecasts total wind power generating capacity in Canada to exceed 12 GW by 2016.

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Chile, also one of our markets, has an abundant wind resource, which GWEC estimates could provide the potential for more than 40 GW of generating capacity. In the first nine months of 2014, Chile installed 382MW of wind capacity, tripling 2013's 130MW of new build, according to the state-run Renewable Energy Centre (CER). That brought the country's total wind power capacity to 737MW, more than double the 335MW cumulative figure at the end of 2013.

Following the nuclear meltdown at the Fukushima Daiichi plant in 2011, the Japanese government has placed a greater emphasis on the development of renewable resources in order to reduce its reliance on nuclear power, having released its Innovative Strategy for Energy and the Environment in September 2012. By 2030, the plan calls for renewable power generation to triple compared to 2010, reaching about 30% of total generation. In 2012, Japan also introduced a feed-in-tariff program that offers fixed-term, fixed-price contracts (up to 20 years) to renewable power projects.

Mexico's Congress has enacted sweeping reforms to its electric generation industry over the past year, opening new opportunities for private investment in generation and creating an obligation to obtain at least 35% of its generation from clean sources by 2024. High prices and strong load growth were key factors in encouraging the reforms, and Mexico's SENER (Secretaria de Energia) has published rules for interconnection and the new market regime. Mexico has substantial wind and solar resources, and thus far has only developed a few thousand megawatts of wind generation from the pre-reform system. It is anticipated that several thousand megawatts of wind generation will be developed over the next few years.

Given supply diversity requirements, falling equipment costs, the inherent stability of the cost of wind power as an energy resource and an active market for the purchase and sale of power projects, we believe that our markets present a substantial opportunity for growth. We require a relatively small share of a very large market to meet our growth objectives and we believe we will achieve growth through the acquisition of operational and construction-ready projects from Pattern Development and other third parties.

While we currently operate solely in wind power markets, we expect to continue to evaluate other types of independent power projects for possible acquisition, including renewable energy projects other than wind power projects and non-renewable energy projects. In September 2014, we announced the addition of our first solar project, the 104MW Conejo Solar photovoltaic power project in Chile, to our list of Identified ROFO Projects.

Regulatory Matters

Environmental Regulation

We are subject to various environmental, health and safety laws and regulations in each of the jurisdictions in which we operate. These laws and regulations require us to obtain and maintain permits and approvals, undergo environmental review processes and implement environmental, health and safety programs and procedures to monitor and control risks associated with the siting, construction, operation and decommissioning of wind power projects, all of which involve a significant investment of time and can be expensive.

We incur costs in the ordinary course of business to comply with these laws, regulations and permit requirements. We do not anticipate material unplanned capital expenditures for environmental controls for our operating projects in the next several years. However, these laws and regulations frequently change and often become more stringent, or subject to more stringent interpretation or enforcement. Future changes could require us to incur materially higher costs.

Failure to comply with these laws, regulations and permit requirements may result in administrative, civil and criminal penalties, imposition of investigatory, cleanup and site restoration costs and liens, denial or revocation of permits or other authorizations and issuance of injunctions to limit or cease operations. In addition, claims for damages to persons or property or for injunctive relief have been brought and may in the future result from environmental and other impacts of our activities.

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Environmental Permitting United States

We are required to obtain from U.S. federal, state and local governmental authorities a range of environmental permits and other approvals to build and operate our projects, including, but not limited to, those described below. In addition to being subject to these regulatory requirements, we could experience and have experienced significant opposition from third parties when we initially apply for permits or when there is an appeal proceeding after permits are issued. The delay or denial of a permit or the imposition of conditions that are costly or difficult to comply with can impair or even prevent the development of a project or can increase the cost so substantially that the project is no longer attractive to us.

Federal Clean Water Act

Frequently, our U.S. projects are located near wetlands, and we are required to obtain permits under the U.S. Clean Water Act from the U.S. Army Corps of Engineers, or the Army Corps, for the discharge of dredged or fill material into waters of the United States, including wetlands and streams. The Army Corps may also require us to mitigate any loss of wetland functions and values that accompanies our activities. In addition, we are required to obtain permits under the Clean Water Act for water discharges, such as storm water runoff associated with construction activities, and to follow a variety of best management practices to ensure that water quality is protected and impacts are minimized. Certain activities, such as installing a power line across a navigable river, may also require permits under the Rivers and Harbors Appropriation Act of 1899.

Federal Bureau of Land Management Permits

As some of our U.S. projects are located on lands administered by the Bureau of Land Management, we are required to obtain rights-of-way from the Bureau of Land Management. The Bureau of Land Management encourages the development of wind power within acceptable areas, consistent with Environmental Policy Act of 2005 and the Bureau of Land Management's energy and mineral policy. Obtaining a grant requires that the proposed project prepare a plan of development and demonstrate that it will adhere to the Bureau of Land Management's best management practices for wind power development, including meeting criteria for protecting biological, archeological and cultural resources.

National Environmental Policy Act and Endangered Species Requirements

Our U.S. projects may also be subject to environmental review under the U.S. National Environmental Policy Act, or NEPA, which requires federal agencies to evaluate the environmental impact of all major federal actions significantly affecting the quality of the human environment. The granting of a land lease, a federal permit or similar authorization for a major development project, or the interconnection of a significant private project into a federal project generally is considered a major federal action that requires review under NEPA. As part of the NEPA review, the federal agency considers a broad array of environmental impacts, including impacts on air quality, water quality, wildlife, historical and archeological resources, geology, socioeconomics and aesthetics and alternatives to the project. The NEPA review process, especially if it involves preparing a full Environmental Impact Statement, can be time-consuming and expensive. A federal agency may decide to deny a permit based on its environmental review under NEPA, though in most cases a project would be redesigned to reduce impacts or agree to provide some form of mitigation to offset impacts before a denial is issued.

Federal agencies granting permits for our U.S. projects also consider the impact on endangered and threatened species and their habitat under the U.S. Endangered Species Act, which prohibits and imposes stringent penalties for harming endangered or threatened species and their habitats. Our projects also need to consider the Migratory Bird Treaty Act

and the Bald and Golden Eagle Protection Act, which protect migratory birds and bald and golden eagles and are administered by the U.S. Fish and Wildlife Service. Most states also have similar laws. Because the operation of wind turbines may result in injury or fatalities to birds and bats, federal and state agencies often recommend or require that we conduct avian and bat risk assessments prior to issuing permits for our projects. They may also require ongoing monitoring or mitigation activities as a condition

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to approving a project. In addition, U.S. federal agencies consider a project's impact on historical or archeological resources under the U.S. National Historic Preservation Act and may require us to conduct archeological surveys or take other measures to protect these resources. Among other things, the National Historic Preservation Act requires federal agencies to evaluate the impact of all federally funded or permitted projects on historic properties (buildings, archaeological sites, etc.) through a process known as *Section 106 Review*.

Other State and Local Programs

In addition to federal requirements, our U.S. projects, and any future U.S. projects we may acquire, are subject to a variety of state environmental review and permitting requirements. Many states where our projects are located, or may in the future be located, have laws that require state agencies to evaluate a broad array of environmental impacts before granting state permits. The state environmental review process often resembles the federal NEPA process and may be more stringent than the federal review. Our projects also often require state law based permits in addition to federal permits. State agencies evaluate similar issues as federal agencies, including the project's impact on wildlife, historic sites, aesthetics, wetlands and water resources, agricultural operations and scenic areas. States may impose different or additional monitoring or mitigation requirements than federal agencies. Additional approvals may be required for specific aspects of a project, such as stream or wetland crossings, impacts to designated significant wildlife habitats, storm water management and highway department authorizations for oversize loads and state road closings during construction. Permitting requirements related to transmission lines may be required in certain cases.

Our projects also are subject to local environmental and regulatory requirements, including county and municipal land use, zoning, building and transportation requirements. Permitting at the local municipal or county level often consists of obtaining a special use or conditional use permit under a land use ordinance or code, or, in some cases, rezoning in connection with the project. Obtaining a permit usually depends on our demonstrating that the project will conform to development standards specified under the ordinance so that the project is compatible with existing land uses and protects natural and human environments. Local or state regulatory agencies may require modeling and measurement of permissible sound levels in connection with the permitting and approval of our projects. Local or state agencies also may require us to develop decommissioning plans for dismantling the project at the end of its functional life and establish financial assurances for carrying out the decommissioning plan.

Environmental Permitting - Canada

We are required to obtain from Canadian federal, provincial and local governmental authorities a range of environmental permits and other approvals to build and operate our Canadian projects, including, but not limited to, those described below. In addition to being subject to these regulatory requirements, we could experience and have experienced significant opposition from third parties, including, but not limited to, environmental non-governmental organizations, neighborhood groups, municipalities and First Nations when the permits were initially applied for or when there is an appeal proceeding after permits are issued. The delay or denial of a permit or the imposition of conditions that are costly or difficult to comply with can impair or even prevent the development of a project or can increase the cost so substantially that the project is no longer attractive to us.

Ontario Renewable Energy Approvals

Our projects in Ontario are subject to Ontario's *Environmental Protection Act*, which requires proponents of significant renewable energy projects to obtain a Renewable Energy Approval (REA). The REA application requires a variety of studies on environmental, archeological and heritage issues. Significant public consultation, as well as consultation with indigenous communities, is also required. Before issuing a REA, the Ontario Ministry of the Environment evaluates a broad range of potential impacts, including on wildlife, wetlands and water resources, communities, scenic

areas, species and heritage resources, as well as impacts on people and

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communities. This review can be time consuming and expensive, and an approval can be rejected or approved with conditions that are costly or difficult to comply with. Renewable energy approvals are also subject to appeal by third parties and can result and have resulted in lengthy appeal tribunal hearings.

Manitoba Environment Act

The Manitoba *Environment Act* requires proponents of significant projects to submit a proposal with the Manitoba Conservation Environmental Assessment & Licensing Branch, and to comply with Manitoba's environmental assessment process under the *Environment Act*. This process will consider a similar range of impacts on the environment, the heritage and scenic values of an area and on people, communities and wildlife as the Ontario process, and brings with it similar risks.

Endangered Species Legislation

Our Canadian renewable energy projects may be subject to endangered species legislation, either federally or provincially, which prohibits and imposes stringent penalties for harming endangered or threatened species and their habitats. Our projects may also be subject to the *Migratory Birds Convention Act*, which protects the habitat of migratory species, and which may also trigger federal Species at Risk requirements. Because the operation of wind turbines may result in injury or fatalities to birds and bats, avian and bat risk assessments are generally required both prior to permits being issued for projects and after commercial operations. In Ontario, if any of the affected species are listed as endangered or threatened, permits under the *Endangered Species Act* may also be required.

Other Approvals

Our Canadian projects, and any future projects we may acquire, are subject to a variety of other federal, provincial and municipal permitting and zoning requirements. Most provinces where our projects are located or may be located have laws that require provincial agencies to evaluate a broad array of environmental impacts before granting permits and approvals. These agencies evaluate similar issues as the permitting regimes above, including impact on wildlife, historic sites, esthetics, wetlands and water resources, scenic areas, endangered and threatened species and communities. In addition, federal government approvals dealing with, among other things, aeronautics, fisheries, navigation or species protection may be required and could in some cases trigger additional environmental assessment requirements. Additional requirements related to the permitting of transmission lands may be applicable in some cases. Our projects are also subject to certain municipal requirements, including land use and zoning requirements except where superseded by Ontario's *Green Energy and Green Economy Act, 2009*, as well as requirements for building permits and other municipal approvals that can be difficult or costly to comply with and impair or prevent the development of a project.

Environmental Permitting Chile

Ministry of Environment, Environmental Assessment Service and Superintendency of Environment

The Ministry of the Environment, the Environmental Assessment Service and the Superintendency of Environment are primarily responsible for environmental issues in Chile, including those affecting the wind industry. The Ministry of the Environment is responsible for the formulation and implementation of environmental policies, plans and programs, as well as for the protection and conservation of biological diversity and renewable natural resources and water resources and for promoting sustainable development and the integrity of environmental policy and regulations. The Environmental Assessment Service is responsible for assessing whether projects that might have an adverse effect on the environment comply with Chilean environmental laws and regulations. The Environmental Assessment Service

coordinates the environmental impact assessment process, whose final qualifications are granted by the competent regional Environmental Assessment Commission. The Superintendency of the Environment's primary responsibilities are monitoring compliance with the terms of the corresponding environmental licenses, as well as monitoring compliance with government

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plans to prevent environmental damage or to clean or restore contaminated geographical areas. The Superintendency of the Environment has the power to suspend, terminate, or impose fines, for activities that it deems to have an adverse environmental impact, even if such activities comply with a previously approved environmental impact assessment.

The Environmental Courts, and Health and Safety

The Environmental Courts are principally responsible for hearing appeals of determinations made by the Superintendency of the Environment and for adjudicating claims for environmental damage.

Companies in the wind energy sector, like all Chilean companies, must comply with the general principles concerning employee health and safety contained in the Chilean Sanitary Code, Labor Code and other labor and health regulations. The Chilean Health Ministry and the Department of Labor are responsible for the enforcement of those standards, with the authority to impose fines among other sanctions. In addition, the Superintendence of Electricity and Fuels has the responsibility to monitor compliance and also the authority to impose fines and stop operations of violators.

Management, Disposal and Remediation of Hazardous Substances

We own and lease real property and may be subject to requirements regarding the storage, use and disposal of petroleum products and hazardous substances, including spill prevention, control and counter-measure requirements. If our owned or leased properties are contaminated, whether during or prior to our ownership or operation, we could be responsible for the costs of investigation and cleanup and for any related liabilities, including claims for damage to property, persons or natural resources. That responsibility may arise even if we were not at fault and did not cause or were not aware of the contamination. In addition, waste we generate is at times sent to third-party disposal facilities. If those facilities become contaminated, we and any other persons who arranged for the disposal or treatment of hazardous substances at those sites may be jointly and severally responsible for the costs of investigation and remediation, as well as for any claims for damage to third parties, their property or natural resources.

Intellectual Property

In September 2014, we exercised our right to acquire the name *Pattern* and the *Pattern* logo from *Pattern Development*, and granted to *Pattern Development* a license to use the name *Pattern* and the *Pattern* logo. We have registrations and pending applications for registration of marks in the United States, Canada and Chile. We do not own any intellectual property material to the conduct of our business. We also own various information that includes, without limitation, financial, business, scientific, technical, economic, and engineering information, formulas, designs, methods, techniques, processes, and procedures, all of which is protected confidential and proprietary information.

Item 1A. Risk Factors.

RISK FACTORS

You should carefully consider the following risks, together with other information provided to you in this Form 10-K. If any of the following risks were to occur, our business, financial condition, results of operations and liquidity could be materially adversely affected. In that case, we might have to decrease, or may not be able to pay, dividends on our Class A shares, the trading price of our Class A shares could decline and you could lose all or part of your investment. The risks described below are not the only risks facing our company. Risks and uncertainties not currently

known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and results of operations and liquidity.

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Risks Related to Our Projects

Electricity generated from wind energy depends heavily on suitable wind conditions and wind turbines being available for operation. If wind conditions are unfavorable or below our expectations, or our wind turbines are not available for operation, our projects' electricity generation and the revenue generated from our projects may be substantially below our expectations.

The revenue generated by our projects is principally dependent on the number of MWh generated in a given time period. The quantity of electricity generation from a wind power project depends heavily on wind conditions, which are variable. Variability in wind conditions can cause our project revenues to vary significantly from period to period. We base our decisions about which projects to acquire as well as our electricity generation estimates, in part, on the findings of long-term wind and other meteorological studies conducted on the project site and its region, which measure the wind's speed, prevailing direction and seasonal variations. Projections of wind resources also rely upon assumptions about turbine placement, wind turbine power curves, interference between turbines and the effects of vegetation, land use and terrain, which involve uncertainty and require us to exercise considerable judgment. We may make incorrect assumptions in conducting these wind and other meteorological studies. Any of these factors could cause our projects to generate less electricity than we expect and reduce our revenue from electricity sales, which could have a material adverse effect on our business, financial condition and results of operations.

Even if an operating project's historical wind resources are consistent with our long-term estimates, the unpredictable nature of wind conditions often results in daily, monthly and yearly material deviations from the average wind resources we may anticipate during a particular period. If the wind resources at a project are materially below the average levels we expect for a particular period, our revenue from electricity sales from the project could correspondingly be less than expected. A diversified portfolio of projects located in different geographical areas tends to reduce the magnitude of the deviation, but material deviations may still occur. Our cash available for distribution is most directly affected by the volume of electricity generated and sold by our projects. However, for a static portfolio of projects, our consolidated expenses, including operating expenses and interest payments on indebtedness, have less variability than the volume of electricity generated and sold. Accordingly, decreases in the volume of electricity generated and sold by our projects typically result in a proportionately greater decrease in our cash available for distribution. See Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operation Factors that Significantly Affect our Business Factors Affecting our Operational Results-Electricity Sales and Energy Derivative Settlements of Our Operating Project.

A reduction in electricity generation and sales, whether due to the inaccuracy of wind energy assessments or otherwise, could lead to a number of material adverse consequences for our business, including:

our projects' hedging arrangements being ineffective or more costly;

our projects' failure to produce sufficient electricity to meet our commitments under our PPAs, hedge arrangements or contracts for sale of RECs, which could result in our having to purchase electricity or RECs on the open market to cover our obligations or result in the payment of damages or the termination of a PPA; and

our projects not generating sufficient cash flow to make payments of principal and interest as they become due on project-related debt, or distributing sufficient cash flow to pay dividends to holders of our Class A shares.

We may be unable to complete our current and any future construction projects on time, and our construction costs could increase to levels that make a project too expensive to complete or make the return on our investment in that project less than expected.

There may be delays or unexpected developments in completing our current and any future construction projects, which could cause the construction costs of these projects to exceed our expectations. Most of our construction projects are constructed under fixed-price and fixed-schedule contracts with construction and

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equipment suppliers. However, these contracts provide for limitations on the liability of these contractors to pay us liquidated damages for cost overruns and construction delays. We may suffer significant construction delays or construction cost increases as a result of underperformance of these contractors and equipment suppliers, as well as other suppliers, to our projects. For example, while we maintained a Q4 2014 commercial operation date, during the second half of 2014 we received claims for significant cost increases and schedule relief in the construction of Grand Samsung C&T Canada Ltd. (a subsidiary of Samsung C&T Corporation), the project construction provider, has in correspondence asserted claims against Grand and the third party owner of an adjacent 100 MW solar project that jointly owns transmission facilities with Grand that were constructed by the project construction provider, totaling approximately C\$56.3 million. Grand has, in turn, in correspondence asserted claims against the project construction provider totaling approximately C\$53.1 million. Legal action has not yet been commenced by any party against the other in connection with the dispute, and the parties are seeking to resolve the dispute without arbitration. While we continue to be in ongoing discussions with the project construction provider with whom we had a fixed-priced and fixed-schedule contract regarding the validity of their claims and believe it may be possible to negotiate a settlement to the dispute where Grand's remaining budgeted project contingencies could cover some or all of the settlement amount, no assurances can be given that we can reach a settlement, such settlement amount would be covered entirely by the remaining budgeted project contingencies or otherwise be favorable, arbitration or legal action will not be commenced, or we will not have to bear increased costs associated with this dispute which could make the return on our investment in the project less than expected. To the extent any settlement amount would not be covered entirely by the remaining budgeted project contingencies at Grand, we would be responsible for 45% of the uncovered amount, representing our proportional ownership interest in the project. Grand does not believe it is possible at this point to estimate the amount of any damages to be paid or received in connection with the dispute, and no reserve has been recorded in Grand's financial statements. One of our partners in Grand is a related party to the project construction provider.

Additionally, various other factors could contribute to construction-cost overruns and construction delays, including:

inclement weather conditions;

failure to receive turbines or other critical components and equipment necessary to maintain the operating capacity of our projects, in a timely manner or at all;

failure to complete interconnection to transmission networks, which relies on several third parties, including interconnection facilities provided by local utilities;

failure to maintain all necessary rights to land access and use;

failure to receive quality and timely performance of third-party services;

failure to maintain environmental and other permits or approvals;

failure to meet domestic content requirements;

appeals of environmental and other permits or approvals that we hold;

lawful or unlawful protests by or work stoppages resulting from local community objections to a project;

shortage of skilled labor on the part of our contractors;

adverse environmental and geological conditions; and

force majeure or other events out of our control.

Any of these factors could give rise to construction delays and construction costs in excess of our expectations. These circumstances could prevent our construction projects from commencing operations or from meeting our original expectations about how much electricity they will generate or the returns they will achieve. In addition, substantial delays could cause defaults under our financing agreements or under PPAs that require completion of project construction by a certain date at specified performance levels or could result in the loss or

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reduction of expected tax benefits. Our inability to transition our construction projects into financially successful operating projects would have a material adverse effect on our business, financial condition and results of operations and our ability to pay dividends.

Our projects rely on a limited number of key power purchasers. The power purchaser for our Santa Isabel project has been downgraded.

There are a limited number of possible power purchasers for electricity and RECs produced in a given geographic location. Because our projects depend on sales of electricity and RECs to certain key power purchasers, our projects are highly dependent upon these power purchasers fulfilling their contractual obligations under their respective PPAs. Our projects' power purchasers may not comply with their contractual payment obligations or may become subject to insolvency or liquidation proceedings during the term of the relevant contracts and, in such event, we may not be able to find another purchaser on similar or favorable terms or at all. In addition, we are exposed to the creditworthiness of our power purchasers and there is no guarantee that any power purchaser will maintain its credit rating, if any. To the extent that any of our projects' power purchasers are, or are controlled by, governmental entities, our projects may also be subject to legislative or other political action that impairs their contractual performance. Failure by any key power purchasers to meet its contractual commitments or the insolvency or liquidation of one or more of our power purchasers could have a material adverse effect on our business, financial condition and results of operations.

For example, our 101 MW Santa Isabel project located on the south coast of Puerto Rico sells 100% of its electricity generation including environmental attributes to PREPA under a 20-year PPA. The credit ratings of PREPA and the Commonwealth of Puerto Rico were downgraded multiple times in 2014. As of February 26, 2015, the credit rating of PREPA was Caa3, CCC, and CC by each of Moody's, Standard & Poor's, and Fitch, respectively, which ratings are all below investment grade. In addition, in June 2014, Puerto Rico enacted legislation purportedly to establish a regime for public corporations in Puerto Rico like PREPA to restructure their debt and other obligations. The validity of such legislation was challenged in U.S. federal court, and in February 2015, the court declared such legislation unconstitutional. The Secretary of Justice of Puerto Rico indicated the government will consider its next steps after reviewing the court's decision. PREPA has entered into a forbearance agreement until March 2015 with certain of its lenders, and as a part of that agreement has hired a chief restructuring officer to produce a restructuring plan. While as of March 2, 2015, PREPA is current with respect to payments due under the PPA, a failure by PREPA to perform its payment obligations under the PPA, or a restructuring of its obligations under judicially determined valid legislation, may affect its obligations under the PPA which could have a material adverse effect on our business, financial condition and results of operations.

A prolonged environment of low prices for natural gas, other conventional fuel sources, or competing renewable resources could have a material adverse effect on our long-term business prospects, financial condition and results of operations.

Historically low prices for traditional fossil fuels, particularly natural gas, could cause demand for wind power to decrease and adversely affect both the price available to us under power sale agreements that we may enter into in the future and the price of the electricity we generate for sale on a spot-market basis. Approximately 11% of the electricity generated from our projects will be subject to spot-market pricing through at least April 2019. Low spot-market power prices, if combined with other factors, could have a material adverse effect on our results of operations and cash available for distribution. Additionally, cheaper conventional fuel sources or competing renewable resources could also have a negative impact on the power prices we are able to negotiate upon the expiration of our current power sale agreements or upon entering into a power sale agreement for a subsequently acquired power project. As a result, the price of our power or RECs subject to the open market could be materially and adversely affected, which could, in turn, have a material adverse effect on our results of operations and cash available for distribution. Accordingly, in

such event, our future growth prospects could be adversely affected if we remain solely focused on renewable energy projects and are unable to transition to conventional power projects such as gas-fired power projects.

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Natural events and operational problems may cause our power production to fall below our expectations.

Our electricity generation levels depend upon our ability to maintain the working order of our wind turbines and balance of the plant. A natural disaster, severe weather, accident, failure of major equipment, shortage of or inability to acquire critical replacement or spare parts, failure in the operation of any future transmission facilities that we may acquire, including the failure of interconnection to available electricity transmission or distribution networks, could damage or require us to shut down our turbines or related equipment and facilities, impeding our ability to maintain and operate our facilities and decreasing electricity generation levels and our revenues. For example, our Ocotillo and Santa Isabel (Siemens) and Gulf Wind (MHI) projects have experienced certain blade failures in the last two years. We believe the Siemens blade failures have been fully addressed. Since commercial operation of Gulf Wind, four blades have failed. We have been working with MHI to complete a root cause analysis, testing of the 354 blades at the project, and development of a protocol for determining which blades might have sufficient deficiencies that could pose a threat to long-term reliable operation. As of February 15, 2015, MHI has replaced, or is scheduled to replace, 55 blades under the equipment warranty. While the testing and replacement of blades has adversely affected turbine availability at Gulf Wind, MHI has compensated us for all of the turbine down time under our equipment warranty. MHI has agreed to extend the equipment warranty until November 2015 while we continue discussions on addressing a longer term arrangement to address these potential deficiencies, although we can give no assurance that we will be able to reach any longer term agreement with MHI. If these potential deficiencies do in fact occur and result in blade failures, replacement costs or other effects, and MHI does not address such deficiencies under the equipment warranty or other arrangement, any such effects could have a material adverse effect on our business, financial condition and results of operation.

In addition, climate change may have the long-ter