

Pattern Energy Group Inc.
Form 10-Q/A
October 30, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q/A
(Amendment No. 1)

(Mark One)

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

For the quarterly period ended June 30, 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 **90-0893251**
(State or other jurisdiction of **(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

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 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 Accelerated filer
Non-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

As of July 28, 2014, there were 46,511,899 shares of Class A common stock outstanding, \$0.01 par value, and 15,555,000 shares of Class B common stock outstanding, \$0.01 par value.

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EXPLANATORY NOTE

Pattern Energy Group Inc. (the Company) is filing this Amendment No. 1 on Form 10-Q/A (the Form 10-Q/A) to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014 filed with the U.S. Securities and Exchange Commission on August 5, 2014 (the Original Form 10-Q) to correct errors in the computation and disclosure of earnings per share for the three and six months ended June 30, 2014. The initial calculation did not correctly consider the recognition of a beneficial conversion feature of the Class B common stock as a result of the commencement on March 28, 2014 of commercial operations at the Company's South Kent project. The initial recognition of this beneficial conversion feature and subsequent accretion has no net impact to the Consolidated Balance Sheets, Consolidated Statements of Stockholders' (Loss) Equity, or Consolidated Statements of Cash Flows, and no impact on net income in the Consolidated Statements of Operations, for the periods presented in the Original Form 10-Q.

While this calculation represents an application of generally accepted accounting principles, the holders of Class B common stock are not entitled to receive dividends at any time, and are not entitled to any other form of preferred return over the returns available to the holders of Class A common stock, and therefore, the deemed dividend does not represent a current or future distribution of Company earnings.

Specifically, this Form 10-Q/A is amending and restating Item 1 of Part I of the Original Form 10-Q as follows:

- The Consolidated Statements of Stockholders' Equity to add offsetting line items of additional paid-in capital for (a) the Class B beneficial conversion feature of \$21.9 million and (b) a non-cash deemed dividend on Class B common stock of \$7.5 million and \$7.5 million for the three and six months ended June 30, 2014, respectively. There is no net impact to the Consolidated Statements of Stockholders' Equity;
- The Consolidated Statements of Operations for the three and six months ended June 30, 2014 (unaudited) to correctly state that (a) the basic earnings (loss) per share of Class A common stock for the three and six months ended June 30, 2014 were \$0.17 and \$(0.01), respectively, (b) the diluted earnings (loss) per share of Class A common stock for the three and six months ended June 30, 2014 were \$0.16 and \$(0.07), respectively and (c) the basic and diluted earnings (loss) per share of Class B common stock for the three and six months ended June 30, 2014 were \$0.28 and \$(0.21), respectively; and
- Note 15 of the Consolidated Financial Statements to correctly state basic and diluted earnings (loss) per share for Class A and Class B common stock for the periods presented.

In addition, this Form 10-Q/A amends and restates (i) Item 2 of Part I of the Original Form 10-Q to add a new paragraph under Management's Discussion and Analysis of Financial Condition and Results of Operations - Class B Common Stock Beneficial Conversion Feature, (ii) Item 4 of Part I of the Original Form 10-Q in connection with the restatement, and (iii) Item 6 of Part II of the Original Form 10-Q to indicate that we are filing the financial statements included in this Form 10-Q/A, formatted in eXtensible Business Reporting Language (XBRL).

The corrections noted above have no net impact to the Consolidated Balance Sheets as of June 30, 2014 and December 31, 2013, Consolidated Statements of Stockholders' Equity for the six months ended June 30, 2014, or the Consolidated Statements of Cash Flows for the six months ended June 30, 2014, and no impact to net income in the Consolidated Statements of Operations for the three and six months ended June 30, 2014.

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Except as specifically noted above, the remainder of the Original Form 10-Q is unchanged and is not reproduced in this Form 10-Q/A. In addition, as required by Rule 12b-15 under the Securities Exchange Act of 1934, as amended, new certifications by our principal executive officer and principal financial officer are filed as exhibits hereto.

This Form 10-Q/A should be read in conjunction with the Original Form 10-Q, which continues to speak as of the date of the Original Form 10-Q. Except as specifically noted above, this Form 10-Q/A does not modify or update disclosures in the Original Form 10-Q. Accordingly, this Form 10-Q/A does not reflect events occurring after the filing of the Original Form 10-Q or modify or update any related or other disclosures.

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FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2014
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	June 30, 2014	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 234,038	\$ 103,569
Trade receivables	40,620	20,951
Related party receivable	759	167
Reimbursable interconnection costs	38	1,455
Derivative assets, current	12,449	13,937
Current deferred tax assets	573	573
Prepaid expenses and other current assets	10,913	13,927
Total current assets	299,390	154,579
Restricted cash	44,387	32,636
Property, plant and equipment, net of accumulated depreciation of \$223,144 and \$179,778 as of June 30, 2014 and December 31, 2013, respectively	2,105,937	1,476,142
Unconsolidated investments	65,353	107,055
Derivative assets	54,808	82,167
Deferred financing costs, net of accumulated amortization of \$19,059 and \$16,225 as of June 30, 2014 and December 31, 2013, respectively	33,533	35,792
Net deferred tax assets	6,889	2,017
Other assets	13,673	13,243
Total assets	\$ 2,623,970	\$ 1,903,631
Liabilities and equity		
Current liabilities:		
Accounts payable and other accrued liabilities	\$ 23,523	\$ 15,550
Accrued construction costs	21,670	3,204
Related party payable	918	1,245
Accrued interest	2,273	495
Dividend payable	15,071	11,103
Derivative liabilities, current	17,804	16,171
Current portion of long-term debt	58,896	48,851

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Total current liabilities	140,155	96,619
Long-term debt	1,377,159	1,200,367
Derivative liabilities	11,846	7,439
Asset retirement obligations	26,394	20,834
Net deferred tax liabilities	22,523	9,930
Other long-term liabilities	2,059	438
Total liabilities	1,580,136	1,335,627
Equity:		
Class A common stock, \$0.01 par value per share: 500,000,000 shares authorized; 46,525,818 and 35,531,720 shares issued as of June 30, 2014 and December 31, 2013, respectively; 46,522,980 and 35,530,786 shares outstanding as of June 30, 2014 and December 31, 2013, respectively	465	355
Class B common stock, \$0.01 par value per share: 20,000,000 shares authorized; 15,555,000 shares issued and outstanding as of June 30, 2014 and December 31, 2013	156	156
Additional paid-in capital	752,501	489,412
Accumulated loss	(17,026)	(13,336)
Accumulated other comprehensive loss	(24,795)	(8,353)
Treasury stock, at cost; 2,838 and 934 shares of Class A common stock as of June 30, 2014 and December 31, 2013, respectively	(79)	(24)
Total equity before noncontrolling interest	711,222	468,210
Noncontrolling interest	332,612	99,794
Total equity	1,043,834	568,004
Total liabilities and equity	\$ 2,623,970	\$ 1,903,631

See accompanying notes to consolidated financial statements.

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	Three months ended June 30,		Six months ended	
	2014	2013	June 30,	2013
Revenue:				
Electricity sales	\$ 66,053	\$ 47,351	\$ 119,924	\$ 92,583
Energy derivative settlements	3,983	4,809	6,718	10,217
Unrealized loss on energy derivative	(6,549)	(5,078)	(14,282)	(11,881)
Related party revenue	1,017	263	1,462	263
Other revenue	503	11,367	734	11,367
Total revenue	65,007	58,712	114,556	102,549
Cost of revenue:				
Project expense	16,700	14,492	32,774	27,469
Depreciation and accretion	21,284	17,998	42,461	40,564
Total cost of revenue	37,984	32,490	75,235	68,033
Gross profit	27,023	26,222	39,321	34,516
Operating expenses:				
General and administrative	6,288	205	10,191	349
Related party general and administrative	1,383	2,699	2,663	5,361
Total operating expenses	7,671	2,904	12,854	5,710
Operating income	19,352	23,318	26,467	28,806
Other income (expense):				
Interest expense	(15,807)	(16,832)	(30,428)	(33,474)
Equity in (losses) earnings in unconsolidated investments	(3,688)	13,368	(16,236)	3,343
Interest rate derivative settlements	(1,035)		(2,052)	
Unrealized (loss) gain on derivatives	(2,942)	8,202	(6,665)	10,133
Related party income	376		1,072	
Net gain on transactions	14,537	7,200	14,537	7,200
Other income, net	439	1,044	606	1,802

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Total other (expense) income	(8,120)	12,982	(39,166)	(10,996)
Net income (loss) before income tax	11,232	36,300	(12,699)	17,810
Tax provision (benefit)	4,065	(7,688)	2,033	(7,394)
Net income (loss)	7,167	43,988	(14,732)	25,204
Net loss attributable to noncontrolling interest	(4,032)	(359)	(11,042)	(3,938)
Net income (loss) attributable to controlling interest	\$ 11,199	\$ 44,347	\$ (3,690)	\$ 29,142
Cash dividends declared on Class A common shares	(14,981)		(26,138)	
Deemed dividends on Class B common shares (as restated*)	(7,457)		(7,457)	
Net loss attributable to common stockholders (as restated*)	\$ (11,239)		\$ (37,285)	
Weighted average number of shares:				
Class A common stock - Basic	41,174,697		38,331,595	
Class A common stock - Diluted	57,065,219		54,214,953	
Class B common stock - Basic and diluted	15,555,000		15,555,000	
Earnings (loss) per share				
Class A common stock:				
Basic earnings (loss) per share (as restated*)	\$ 0.17		\$ (0.01)	
Diluted earnings (loss) per share (as restated*)	\$ 0.16		\$ (0.07)	
Class B common stock:				
Basic and diluted earnings (loss) per share (as restated*)	\$ 0.28		\$ (0.21)	
Cash dividends declared per Class A common share	\$ 0.32		\$ 0.63	
Deemed dividends per Class B common share (as restated*)	\$ 0.48		\$ 0.48	

2013 pro forma information:

Unaudited pro forma net income after tax:

<i>Net income before income tax</i>	<i>\$ 17,810</i>
<i>Pro forma tax provision</i>	<i>674</i>
<i>Pro forma net income</i>	<i>\$ 17,136</i>

* - As restated for the three and six months ended June 30, 2014 (refer to note 15).

See accompanying notes to consolidated financial statements.

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Pattern Energy Group Inc.

Consolidated Statements of Comprehensive Loss

(In thousands of U.S. Dollars)

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Net income (loss)	\$ 7,167	\$ 43,988	\$ (14,732)	\$ 25,204

Other comprehensive (loss) income: