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**Paul Lechem** *CIBC World Markets - Analyst*

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**Matthew Akman** *Scotiabank - Analyst*

**Ben Pham** *BMO Capital Markets - Analyst*

## PRESENTATION

**Operator**

Good morning my name is Kelly and I will be your conference operator today. At this time, I would like to welcome everyone to the Emera second-quarter 2015 results conference call. (Operator Instructions). As a reminder, today's call is being recorded on Tuesday, August 11, 2015 at 10:00 Eastern Time. I would now like to turn the call over to us Scott LaFleur, Manager of Investor Relations. Please go ahead, Mr. LaFleur.

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**Scott LaFleur** - *Emera Inc. - Manager of IR*

Good morning everyone, and thank you for joining us for our second-quarter conference call this morning. Joining me from Emera, are Chris Huskilson, President and Chief Executive Officer; Scott Balfour Executive Vice President and Chief Financial Officer; and other members of the management team. Emera's second-quarter?s earnings release were distributed earlier via Newswire, and our financial statements and management's discussion and analysis are available on our website at Emera.com.

This morning, Chris will begin with a corporate update. And then Scott will review the financial results. We expect the presentation segment to last about 15 minutes, after which we will be happy to take questions from analysts. Please note that all amounts are in Canadian dollars, with the exception of Emera Maine and Emera Caribbean, where segment results are reported in US dollars.

I will take a moment to remind you that this conference call may contain forward-looking information, which involves certain assumptions and known and unknown risks and uncertainties that may cause actual results to be materially different from those that are expressed or implied by the comments. Those risks include, but are not limited to, weather, commodity prices, interest rates, foreign exchange, regulatory requirements, and general economic conditions. In addition, please note that this conference is being widely disseminated via live webcast.

And now I will turn things over to Chris.

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**Chris Huskilson** - *Emera Inc. - President & CEO*

Thank you, Scott, and good morning everyone. Emera delivered another solid quarter in Q2 with adjusted net income of CAD48 million, or CAD0.33 per share, compared to CAD44.2 million or CAD0.31 per share in Q2 last year. This represents 6.5% growth in adjusted earnings per share quarter over quarter.

Overall, Emera has a great start to the year. Adjusted net income year-to-date was CAD219.6 million or CAD1.51 per share, up 15% from the same period in 2014. Due to Emera's continued strong growth, our year-to-date results, and our recently completed long-term strategic review of the business we are pleased to enhance an increase of 18.75% in our common dividend, to an annualized rate of CAD1.90 per common share. That's up from CAD1.60.

We have also increased our annual dividend growth target to 8% per year, through 2019 from the 6% that we previously had. The new target is supported by our increased earnings visibility for Maritime Link, and the Northeast gas facilities, strong cash flows and continued confidence in the ongoing growth of our business. Scott Balfour will take you through the details of the quarter later in his remarks.

But first, I would like to touch on some of the key strategic and operational milestones Emera reached this quarter. I will start with the Maritime Link, which continues to progress as planned, on schedule, and within budget. With all major contracts now awarded, construction and manufacturing is well underway.

Civil construction at the converter station sites in Nova Scotia and Newfoundland are now complete. Right-of-way clearing has been completed along the DC transmission routes with clearing on the AC route progressing very, very well. Manufacturing of the first submarine cable has begun and is progressing well. Transmission tower manufacturing has also begun and initial shipments are en route.

We are also advancing the project from an environmental and community perspective. We have agreements signed and positive working relationships established with First Nations, and other stakeholders in both provinces. Overall, project risk continues to decrease, as the project progresses. And we have a high degree of confidence that the cost to complete the project will remain within the budget through to completion.

Our New England gas plants continue to exceed our expectations. Plant upgrades have been completed that will provide new energy and capacity revenues helping to exceed our original estimates. An upgrade at Bridgeport was recently completed adding 20 megawatts and increasing the nameplate capacity to 560 megawatts. Bridgeport now has both of its units upgraded, providing an improved heat rate for the entire plant. This is also adding to future revenues, and in addition to this, we are pursuing a 20 megawatt upgrade at Tiverton Power Plant for 2016.

In Nova Scotia, the focus remains on managing costs to ensure stable, predictable, and affordable rates for our customers. We continue to work positively and proactively with our regulator, stakeholders, and the government of Nova Scotia. Nova Scotia Power recently filed its base case of fuel for Nova Scotia -- in front of the Nova Scotia Utility Review Board. So beginning January 1, 2016, overall FAM rates are forecast to slightly decrease, for the vast majority of Nova Scotia Power's customers.

The Bay of Fundy is a tremendous potential resource for renewable tidal energy. Emera has entered into a joint venture partnership with OpenHydro, creating Cape Sharp Tidal. The ultimate goal of the partnership is to develop a commercial tidal industry in the province. Cape Sharp Tidal will install a two-turbine demonstration array in the coming months.

We are committed to over 70% of the costs associated with this first phase being spent locally in Nova Scotia. We believe developing a commercial tidal industry will ultimately provide substantial economic benefits for the entire region.

In New England, momentum continues toward procurement of clean energy, as well as associated transmission needed to move that energy to load centers in Southern New England. The draft request for proposals related to renewables and transmission, which was issued for stakeholder comments in February by utilities in Massachusetts, Connecticut, and Rhode Island, is continuing. What has changed is the amount in the solicitation. The three states are now seeking at least 5.1 terawatt hours, up from the 2.3 terawatt hours that was originally proposed.

The additional energy is due to new procurement authority in Connecticut, which was signed into law in early June. The additional procurement authority of 2.75 terawatt hours in Connecticut is for large-scale hydro, renewables and transmission delivery commitments under a 20 year contract. The RFP has been referred for approval to regulators in Massachusetts and Rhode Island. Once these proceedings are complete, the RFP is expected to be formally issued later this year.

Emera continues its partnership with Central Maine Power, to propose upgrades to the AC transmission system that would allow more clean energy to flow from Northern Maine and Canada. We believe these upgrades would be among the most cost-effective options for electricity customers. Emera and its partners continue to examine the options and to prepare to respond to the RFP with solutions that would help the region meet its goals on greenhouse gas reductions and renewable portfolio standards.

In addition to the regional procurement already in progress, Massachusetts Governor Baker recently proposed a bill that would procure 18.9 terawatt hours of standalone hydro and wind farmed with -- by hydro. Legislation would require the first procurement to be initiated by April next year. This is a clear indication of the value the new administration places on the type of renewable energy resources available in Atlantic Canada. We will be engaged as a stakeholder in discussions around this proposed bill, as it moves through the legislative process in Massachusetts this fall. Emera is well-positioned to meet the region's needs and are focused on delivering the right solutions.

Moving to the Caribbean, our utility scale solar plant in Barbados is progressing well. Due to efficiencies gained through design and land prepared, the original 8 megawatt facility will now be 11.8 megawatts. We've completed land preparation and signed an EPC contract. The solar plant is part of the initial stages towards a strategic vision to see Barbados 100% renewable by 2045.

Overall, Emera's strong results reflected the continuing success of our strategy, and the complementary portfolio of assets we've assembled. We have confidence in our strategic plan and in meeting our growth targets.

With that, I'll turn things over to Scott for a more detailed review. Scott.

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**Scott Balfour** - *Emera Inc. - EVP & CFO*

Thank you Chris, and good morning, everyone. Our second-quarter results were released earlier today and are now on the Emera website. Emera's consolidated net income for the second quarter 2015 was CAD10 million or CAD0.07 per share, compared to CAD24.5 million or CAD0.17 per share in the second quarter last year. When the Q2 results are normalized for mark-to-market losses, adjusted net income was CAD48 million, or CAD0.33 per share, compared to CAD44.2 million or CAD0.31 per share last year.

The results in adjusted net income is -- the increase in adjusted net income is primarily due to higher contributions from Emera Maine, and the impact of a stronger US dollar, partially offset by restructuring costs at Barbados Light and Power.

Turning to our segmented results, Nova Scotia Power contributed CAD16.9 million to consolidated net income in the second quarter of 2015, just less than the CAD17.1 million contributed in the second quarter last year. In 2015, we expect full-year NSPI earnings to grow modestly, compared to 2014.

Emera Maine contributed CAD13.7 million to consolidated net income in the second quarter of 2015, an increase of CAD6.7 million compared to the second quarter last year. The higher net income was primarily due to transmission revenue adjustments, reduced overhead and maintenance and general costs, and depreciation expenses, and the impact of the strong US dollar.

Emera Caribbean contributed CAD4.8 million to consolidated net income for the second quarter of 2015, compared to CAD7.8 million in Q2 of last year. The decrease was primarily due to corporate restructuring costs at Barbados Light & Power, partially offset by payroll cost savings and reduced maintenance costs. Barbados Light & Power intends to defer, and thus recover, these corporate restructuring costs upon completion of its regulatory filing later this year.

The pipeline segment contributed adjusted net income of CAD9.3 million in the second quarter of 2015, compared to CAD8.3 million in the same quarter last year. The increase of CAD1 million is primarily due to lower interest expense, and the impact of the stronger US dollar, partially offset by increased income tax expense.

Emera Energy delivered adjusted net income of CAD3.4 million in the second quarter, compared to CAD5.2 million in the same quarter last year. The CAD1.8 million decrease was primarily due to lower contributions from trading and marketing, and increased interest expense partially offset by increased contributions from Emera's equity investment in Bear Swamp, and increased electric margin at the New England gas generating facilities.

Trading and marketing has a seasonal profile with first quarter and fourth quarter generally the strongest quarters, and weaker quarters in the second and third quarters. We believe the scale of our marketing and trading business can be generally expected to provide CAD15 million to CAD30 million per year in net income. The business is on track to be within the higher end of that range for the full-year results.

Our New England gas plants performed well despite weak market conditions in the second quarter. A decrease in sales volume in the quarter was more than offset by an increase in realized spark spread. We continue to be opportunistic in our hedging of the plants, and are generally prepared to commit up to 50% of our capacity if conditions present themselves. The market volatility in 2014, that provided us hedges at extremely high spark spreads in the first quarter of this year, did not continue through the second quarter. However, we have hedges in place for approximately 20% of capacity for the summer at about a $15 spark spread, and 40% of next year's winter capacity at an average spark spread of $36.

Our corporate and other segment posted a CAD100,000 loss in the second quarter of 2015, compared to a loss of CAD1.2 million in the same period a year ago. The improved results are primarily due to a decrease in interest expense due to the maturity of long-term debt and increased income from equity investments, partially offset by increased business development costs, and preferred stock dividends.

That's all for my financial overview and we'd now be happy to take your questions.

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## QUESTIONS AND ANSWERS

**Operator**

(Operator Instructions) Linda Ezergailis of TD Securities.

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**Linda Ezergailis** - *TD Securities - Analyst*

Thank you. I just have a question about your new dividend policy. Do you also have a payout ratio target as a function of either earnings or free cash flow?

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**Scott Balfour** - *Emera Inc. - EVP & CFO*

Yes Linda, we generally look to target a payout in the range of 70% to 75% of earnings. That really hasn't changed. When we think about setting dividend we also think about our cash coverage ratio and generally look to target a cash coverage ratio of 2.5 times.

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**Chris Huskilson** - *Emera Inc. - President & CEO*

Linda, the other thing just to note is the dividend we are setting now is really focused on 2016. And so the tail end -- it will be paid in the last quarter of this year and through 2016.

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**Linda Ezergailis** - *TD Securities - Analyst*

Okay that's helpful through 2016. So when I think of off of what you will grow your 8% target, it will be off of your new CAD1.90 level? And when would the Board typically review that? Would that be an annual review and what time of year would that be?

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**Chris Huskilson** - *Emera Inc. - President & CEO*

Yes. It will continue to be in the third quarter as this one was.

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**Linda Ezergailis** - *TD Securities - Analyst*

Okay, and so that will be in the Q3 of next year, will be the next growth off of the current announced level?

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**Chris Huskilson** - *Emera Inc. - President & CEO*

As always, it's a Board decision, but that's what we would expect.

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**Linda Ezergailis** - *TD Securities - Analyst*

Okay, thank you. Just as a follow-up, how might your financing strategy change at all with your higher payout ratio and I guess with some of the strong growth prospects in front of you?

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**Chris Huskilson** - *Emera Inc. - President & CEO*

I think first of all, Linda, there is not a higher payout ratio. This is the same payout ratio we've been targeting for the past 7 or 8 years. So I think we continue to be completely in line but I'd just ask Scott to speak to the financing approach.

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**Scott Balfour** - *Emera Inc. - EVP & CFO*

Yes, I don't think there's any material impact on our financing strategy at all, Linda. It's as Chris said; payout ratio is really targeting exactly the same as it has been. Our financing plan continues as it has been as well.

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**Linda Ezergailis** - *TD Securities - Analyst*

Okay and just with the change in the pref market recently, there's been no change to your financial strategy either? Any other considerations?

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**Chris Huskilson** - *Emera Inc. - President & CEO*

No. I mean, we certainly watch the pref market and, as you know through the end of 2017, we've targeted some pref financing but there's no urgency to the timing of that. We continue to watch that market. If there's a need to rethink the allocation of our financing plans we will do that. We certainly don't see any need to do that now.

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**Linda Ezergailis** - *TD Securities - Analyst*

Thank you.

**Operator**

Paul Lechem, CIBC.

**Paul Lechem** - *CIBC World Markets - Analyst*

Thank you; good morning. Just some questions around the New England strategy. And as you mentioned, you're preparing respond to an RFP. Can you give us some thoughts about actually what that would entail? The magnitude, what kind of a project you plan to respond with?

**Chris Huskilson** - *Emera Inc. - President & CEO*

Yes. I think that really falls into two categories. Maybe I'll start off by asking Alan Richardson, who is our new President and Chief Operating Officer at Emera Maine, to talk about what they are doing in the State of Maine. I just would note that Gerry Chasse has moved on. He's now leading up our Smart Grid Strategy for the organization. Alan?

**Alan Richardson** - *Emera Maine - President & COO*

Sure, good morning. Speaking for Emera Maine, we are in the good position of being next to a large quantity of renewable energy. In the case of Northern Maine we have upwards of 2000 megawatts of wind power that could be developed and many people interested in developing that source as well. We border on New Brunswick, so we are between sources in Canada and the Southern New England states that are looking to procure this energy.

At Emera Maine, we are focused on a set of AC upgrades. We think we can put together a solution I guess that would bring in clean energy and some AC transmission upgrades that would as a package would be a very competitive bid into the RFP process.

**Chris Huskilson** - *Emera Inc. - President & CEO*

And Paul, beyond that, Emera will -- so what'll happen is Emera Maine will actually offer their upgrades into a number of different potential suppliers. They may well be participating with a number of different producers.

In the case of Emera directly, we are working with our partners here in the Maritimes and Atlantic Canada, including Nalcor Energy, to put together a bundled package that would see surplus energy coming from Muskrat plus potentially some additional wind that would be from this market to actually be a complete bundled package for the RFP as well. So there are really those two aspects.

First and foremost, we are very focused on getting the AC upgrades to market. We believe they will be the most competitive approach that any of the producers will be able to work with. Then on top of that, we likely will see a potentially small DC project proposed as well.

**Paul Lechem** - *CIBC World Markets - Analyst*

Okay. Where does all this leave the Northeast Energy Link project? Is that still a go? Or is that being pushed aside for now?

**Chris Huskilson** - *Emera Inc. - President & CEO*

Well NEL is still one of those projects that would be part of a bigger solution. But the 5 terawatt hours that we're talking about here is not enough to make NEL go. It really needs something in the order of 8-plus terawatt hours in order to be justified. So we are thinking that this is early stages. Probably AC, or a much lighter DC than we would have proposed under NEL.

**Paul Lechem** - *CIBC World Markets - Analyst*

All right. Then just the response with Central Maine for the AC upgrades and the like. When would that likely be up and running if you respond to the RFP this year?

**Chris Huskilson** - *Emera Inc. - President & CEO*

I think the objective of the RFP is to get something going by the 2020 time frame. We would certainly see this investment happening in the latter part of this decade.

**Paul Lechem** - *CIBC World Markets - Analyst*

Perfect. All right. Thank you.

**Operator**

Andrew Kuske, Credit Suisse.

**Andrew Kuske** - *Credit Suisse - Analyst*

Thank you, good morning. I'll ask a more specific granular question first. Just in Maine, on the electric revenue and the other category, what happens to cause the year-over-year delta? I know it's small in the grand scheme of things. But just curious on why that number jumped up so much.

**Alan Richardson** - *Emera Maine - President & COO*

There's a couple of places where other revenues are noted. I just want to find the particular spot.

**Scott Balfour** - *Emera Inc. - EVP & CFO*

Maybe I can help a little bit. Andrew, it's Scott. One of the things that we do, is we are looking -- so the regional revenue that comes from our FERC-based transmission gets calculated and adjusted on a frequent basis. We now accrue for that on a quarter-by-quarter basis and estimate the impact of that. And then it gets trued up once the actual calculations are done. So there is a small component of that that impacted in the quarter and also a true-up with the finalization of a portion of the FERC-based revenue set with the reduced ROE that trued-up in that as well. So that was the modest levels of impact it had on transmission revenues in the quarter.

**Andrew Kuske** - *Credit Suisse - Analyst*

Okay, that's helpful. A bigger, broader question now. Just on your transmission positioning and really it's transmission positioning in both buckets, on gas and electric in New England. How do you see this really evolving with the Obama Administration's initiatives and announcements of two weeks ago now, to really look to phase out coal, introduce GHG emission standards? Like there's a whole series of things that get wrapped into this.

How do you think about your positioning? Because you really have both avenues that you can pursue given the existing asset base. Have things changed? Does it just really make your investment base stronger?

**Chris Huskilson** - *Emera Inc. - President & CEO*

Yes. I think, Andrew, that's the way to think about it. Certainly the New England states have already been on a path that is completely aligned with what the administration is currently talking about. The way we see this is it just firms up the things that we've been working on for some time.

I think we also take the indication from Governor Baker's announced legislation, that the administration in Massachusetts is focused in the same way. So we see all of this as leading to the type of approach that we've been working for some time.

So the first RFP which will be in the 5 terawatt hour range, is very likely nicely suited to the AC upgrades that we're talking about. And we think that production around those upgrades will be very competitive as a result. But then as you start to think about something like 18 to 19 terawatt hours, which is what it takes to get to the next stage of GHG reduction, then that's going to probably push a couple of large DC projects. That really absolutely aligns and I think meets the requirements (technical difficulty) the Administration in Washington would be pushing.

**Andrew Kuske** - *Credit Suisse - Analyst*

Then just a follow-up on that. Do you start to think about all these initiatives start to firm up your growth maybe late 2016, early 2017? We get a better view of your growth capabilities at the end of the decade and in early 2020s?

**Chris Huskilson** - *Emera Inc. - President & CEO*

Yes, well, as you know out to 2019, 2020 we already feel very confident in our growth. We've been putting that forward for some time, and as we've targeted the 8% growth on the dividend side, that's essentially where we are from an overall perspective. So that's firmed as we would be here today.

What we're really looking to do is to put projects into the latter part of this decade that will start to push the 2020 and beyond growth. And that's where our focus is today. We're focused on putting another let's say CAD0.5 billion-plus per year into that latter period. And projects like the AC upgrade will do that very nicely. And certainly projects that would be focused on DC will more than do that.

**Andrew Kuske** - *Credit Suisse - Analyst*

Okay. That's extremely helpful. Thank you.

**Chris Huskilson** - *Emera Inc. - President & CEO*

Thank you.

**Operator**

(Operator Instructions) Robert Kwan, RBC.

**Robert Kwan** - *RBC Capital Markets - Analyst*

Good morning. Just wondering with the strategic review that went on, can you talk about any major conclusions or changes from last year's plan?

**Chris Huskilson** - *Emera Inc. - President & CEO*

I think fundamentally, we are getting a lot more visibility. Another year is past. The capacity markets have matured again from a gas plant perspective. We now are seeing the Maritime Link construction take place. All of our confidence in our next few years is growing stronger all the time. And I think that's a big part of what's happening.

As well, we are also getting a much better understanding of, to Linda's questions, how we are going to finance through that piece. We're getting a much better understanding of how we will actually structure the business going forward. All those things are all part of what we're spending a lot more time on these days. I would ask Scott maybe to chime into a little bit of that as well. Because I know he's done a tremendous amount of work in understanding where we're headed.

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**Scott Balfour** - *Emera Inc. - EVP & CFO*

Yes, I think the only thing I'd add to that, notably, is part of that financing as we've been communicating to shareholders. But increased cash generation capability and the visibility of that obviously has a positive impact as it relates to the financing plan. It's put us in a place, as you know, that we've been able to say that our common equity requirements through the next two years, three years are very modest. So all those factors really contributed to the strength and confidence in terms of the earnings growth and the capability in terms of dividend growth.

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**Robert Kwan** - *RBC Capital Markets - Analyst*

Okay. Anything within that review of either new business lines or geography?

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**Chris Huskilson** - *Emera Inc. - President & CEO*

I would say, as we've said all along, I don't think we're really specifically focused on a geography. I'll just mention that one for second. We are quite busy in the Northeast, and we've got lots of interesting things going on in the Caribbean. Those are facts. But we're not really specific to any geography other than North America as we sit today. So I wouldn't say that anything in that angle has changed.

When it comes to lines of business, I think the only thing that we've been clear with the market about is that we would certainly entertain a gas LDC today. That is a change that we've made. Where we weren't in that mindset before, we are in that mindset now. I'd say it's a minor change, I would say, from a strategic perspective, but that's the only thing that we've changed in our view. I don't know, Scott; is there anything else you would add?

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**Scott Balfour** - *Emera Inc. - EVP & CFO*

No, I think that said it well.

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**Robert Kwan** - *RBC Capital Markets - Analyst*

I guess just on the gas LDC is there anything front-burner at this point? Or is that just something conceptually that you'll start spending more time thinking about and looking at?

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**Chris Huskilson** - *Emera Inc. - President & CEO*

We don't like Nancy Tower to be bored. We're making her work on lots of different opportunities and options as we speak. We will let you know when there's something to announce, Robert.

**Robert Kwan** - *RBC Capital Markets - Analyst*

Okay. Fair enough. If I can just ask one more question here, if you look at the dividend, if I disaggregate it you've got the significant bump up, and then the new growth rate. So if you're not changing the payout ratio target, can you just talk about the drivers that have changed? Obviously FCA9 is a huge component of the visibility, and the growth. Was that more of the line of sight on the significant bump up? What else is changing within the core business? Or are there risked capital deployment things that you think are coming to higher probability to drive that higher 8% growth target?

**Chris Huskilson** - *Emera Inc. - President & CEO*

That sounds like a Scott question.

**Scott Balfour** - *Emera Inc. - EVP & CFO*

Really, Chris answered it earlier, Robert. It's really a combination of FCA, FCA9, and the performance of the gas plants frankly that -- our increasing confidence now that we've owned them for 1.5 years in terms of the ability to deliver the kind of earnings growth and profile that we hoped we could when we acquired them.

Then the other, of course, is the clarity and increasing confidence in terms of Maritime Link with where we sit now, and the progress of construction; and the earnings impact of that obviously has been clear from the outset. We have been as transparent as we can be of course, with that. So it's really those two things that are driving earnings, coupled with the reality that the common equity requirements that we have to finance that capital and the rest of our capital plan are really you know very, very modest. Putting those three things together really is what contributes to that view as to the earnings growth and dividend paying capability that we're talking about now.

**Robert Kwan** - *RBC Capital Markets - Analyst*

Okay. Just to clarify, the 70% to 75% payout ratio, that's kind of, we should think about that as a little bit more of an average over the period?

**Chris Huskilson** - *Emera Inc. - President & CEO*

Yes. Will it necessarily be exactly one number at 75% every year -- obviously not. It will bounce around a little bit; and EPS growth, of course, can be a little bit lumpy. But as we think about our earnings generation capability, and our cash generation capability, and thinking about sort of running that payout ratio and our cash coverage targets through the next three years, and what does that give us in terms of our dividend paying capability, that's what's driving the announcement that we made this morning.

**Scott Balfour** - *Emera Inc. - EVP & CFO*

And Robert, just to be crystal clear, we are setting a dividend in Q3 for 2016 which is traditionally what we do as a business. And secondly, if you look back at our history, we've been paying out below 70% most of the time. Our earnings have actually gone forward faster than our dividend increases have in the past. To a large extent, this is an effort to try to get those more line. Because we have been accomplishing something in this range and we want to acknowledge that and move forward. I think that's really what you're seeing here.

**Chris Huskilson** - *Emera Inc. - President & CEO*

Just to pile on a little bit, when we think about the payout ratio, we think about dividends paid against adjusted earnings per share. That's what we think about when we talk about our payout ratio.

**Robert Kwan** - *RBC Capital Markets - Analyst*

That's great; thank you very much.

**Chris Huskilson** - *Emera Inc. - President & CEO*

Thanks, Robert.

**Operator**

Matthew Akman, Scotiabank.

**Matthew Akman** - *Scotiabank - Analyst*

Good morning. Wanted to chat a little bit about the acquisition environment and maybe Scott, what you thought about in the strategic review. And Emera's stock has held in better than a lot of certainly the midstream but also yieldcos, and since Emera is in the power business that can be relevant. So I'm just wondering if you see greater acquisition opportunities now, firstly, because your cost-to-capital has improved relative to peers lately.

Then the second part of the question is, if you do see acquisition potential improving, would that be potentially with Algonquin or on your own? Thank you.

**Chris Huskilson** - *Emera Inc. - President & CEO*

Thanks, Matthew. I think it would be fair to say that the activity in the market these days is picking up for sure. It would appear anyway that US utilities are seeing the interest rate increases that they're seeing in the US. And people are getting interested in that.

So certainly we're seeing more inquiries these days. But at the end of the day we're not going to do something unless it is extremely accretive for our business and strategically fits with our business. Those are the things that we're always focused on. As I said earlier, we have now opened up the idea that we would participate in the LDC gas markets. That does open the field up a little bit for us.

But at the end of the day, what we do has got to really fit with our business. It's got to have adjacencies attached to it, and it's got to be accretive for our business. That's a tough set of criteria, which we are disciplined to stick to and will continue to stick to.

So I don't know whether you will see an acquisition in our future or not, because we have to hit that criteria. But if we can hit that criteria, then you will see us do something. Certainly our ability to pay will be directly related to the value and the currency of our business.

**Matthew Akman** - *Scotiabank - Analyst*

Thank you and just a follow-up piece about Algonquin. Are you looking at stuff with Algonquin still?

**Chris Huskilson** - *Emera Inc. - President & CEO*

Yes, I didn't answer that for any reason other than I forgot it. But I think from an Algonquin perspective, we've not changed our strategic investment agreement with Algonquin, and that continues to be in force. We will continue to work with Algonquin as long as that agreement is in place.

**Matthew Akman** - *Scotiabank - Analyst*

Thank you.

**Operator**

Ben Pham, BMO Capital Markets.

**Ben Pham** - *BMO Capital Markets - Analyst*

Thanks. Good morning, everybody. I just wanted to follow up on the LDC angle. I'm just wondering. Are you looking at a broader set of opportunities in the LDC space in the US? Or is it more closer to your core areas today?

**Chris Huskilson** - *Emera Inc. - President & CEO*

Yes, again Ben, we're not focused on any specific geography other than North America -- and the Caribbean obviously. So it doesn't -- anything we look at doesn't have to be in close proximity to where we are.

What it does have to be though, is it has to be accretive. And it has to actually come with adjacencies that we see that can turn into more. Because as everyone knows, the premiums on utilities these days are high. So growth rates are critical, adjacencies are critical. What we can do strategically with assets are critical.

We have not changed our criteria, we are not going to change our criteria. I don't know whether it will happen or won't happen. All I know is that we've said we will look at gas now.

**Ben Pham** - *BMO Capital Markets - Analyst*

Okay, thanks for clarifying that. Just a smaller item on the corporate restructuring in the Caribbean. Can you talk a bit more about that? I missed that in your earlier commentary.

**Chris Huskilson** - *Emera Inc. - President & CEO*

Yes, I just would say that as we look at the market in the country, we're seeing two things happening. Number one, you know they are being challenged by the downturn and not recovering quickly. So growth rates in that market are nowhere near what they used to be. That affects the ability of the utility to be competitive in the marketplace.

Secondly, there is a very strong desire and we agree that there's a strong possibility of reducing the amount of fossil fuels in that economy. It's very much in the country's interest because of foreign exchange exposure to do that. And we would say that by 2045 that country could be completely clean on the electricity side. So we're focused on that.

That in and of itself, makes the utility somewhat more simple than it has been in the past. It's a lot more complex to run fossil fuel facilities than it is to run solar farms and other more simple facilities. What we're doing is positioning that utility through some downsizing to be prepared for that new market.

Both the competitiveness of the country, and the lack of use of fossil fuels are really where we're going. That's why you see us building a new solar farm. We'll build more. We'll build some wind and all those things require less people. That's really what's happening there, getting prepared for that future and doing it in the most productive way.

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**Ben Pham** - *BMO Capital Markets - Analyst*

In your current budget and your dividend growth expectations, when do you expect the Caribbean to really help the results going forward? I know it is a small component of your business but it is -- you noted, about 1% growth in the release.

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**Chris Huskilson** - *Emera Inc. - President & CEO*

Yes; I mean, I think the Caribbean has already helped our results. The returns on investment in that market have been strong and continue to be strong. We need to make sure the utilities continue to be competitive and that's what you see us doing. But we are not uncomfortable or unhappy with where that is.

But if you remember as a Company, we actually have a fuel to asset strategy. And that's -- and the Caribbean is well-positioned to see that fuel to asset strategy go forward.

I'll just give the example of the solar farm, we're investing in that solar farm. It's going to be a 12-ish megawatt solar farm. It will displace a substantial amount of fuel at a much lower cost. So we will get returns from that capital investment, displacing fuel that customers will no longer have to pay for, at a lower cost. So net-net reducing cost for customers, increasing profitability of the infrastructure.

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**Ben Pham** - *BMO Capital Markets - Analyst*

Okay, thanks very much. Those were my questions.

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**Chris Huskilson** - *Emera Inc. - President & CEO*

Thanks, Ben.

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**Operator**

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

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**Chris Huskilson** - *Emera Inc. - President & CEO*

Okay, well thank you very much for taking the time this morning and for your interest in Emera, and we hope everyone has a great afternoon. Thanks.

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**Operator**

This concludes today's conference call; you may now disconnect.

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