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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Emera Q3 2019 Analyst Call. (Operator Instructions) Please be advised that today's conference is being recorded. (Operator Instructions)

I would now like to hand the conference over to your speaker today, Erin Power. Please go ahead.

Erin Power - *Emera Incorporated - Manager of IR*

Thank you, Melissa, and thank you all for joining us this morning for Emera's Third Quarter 2019 Conference Call and Live Webcast. Emera's third quarter earnings release was distributed this morning via Newswire, and the financial statements, management's discussion and analysis and the presentation being referenced on this call are available on our website at emera.com.

Joining me this morning for this morning's call are Scott Balfour, Emera's President and Chief Executive Officer; Greg Blunden, Emera's Chief Financial Officer; and other members of Emera's management team.

Before I begin, I will take a moment to advise you that this morning's discussion will include forward-looking information, which is subject to the cautionary statements contained in the supporting slides.

Today's discussion and presentation will also include references to non-GAAP financial measures. You should refer to the supporting slides for definitional information and reconciliations of historical non-GAAP measures to the closest GAAP financial measure.

And now I'll turn things over to Scott.

Scott Carlyle Balfour - *Emera Incorporated - CEO, President & Director*

Thanks, Erin, and good morning, everyone. This morning, we reported third quarter adjusted earnings per share of $0.51 and year-to-date adjusted earnings per share of $1.99. While consolidated results are down compared to last year, the core of our business, our continuing portfolio of regulated utilities remains strong and is performing very well, delivering adjusted earnings growth of 4% in the quarter and 12% for the year-to-date.

We're very pleased with this level of growth, which was primarily driven by strong earnings from Tampa Electric and our gas utilities. But our quarterly and year-to-date financial results were weaker relative to 2018, specifically due to 4 main factors. Two of these factors, of course, include the loss of earnings contributions from our merchant gas plants that we sold in the first quarter of 2019 as well as the nonrecurring tax benefit we recorded in the third quarter of last year. The other 2 factors were the impacts of Hurricane Dorian and continued unfavorable weather and weak market conditions, largely in New England, negatively impacting Emera Energy's Marketing and Trading operations.

Collectively, the earnings impact of these items outweighed the growth in our utilities for the quarter. The fact is though that Emera's portfolio of regulated utilities is the primary driver of our growth, and the underlying performance of these businesses is delivering strong earnings growth consistent with our expectations.

As we've seen this quarter, adjusted earnings per share will fluctuate as a result of nonrecurring items and market-driven volatility in Emera Energy. While this sometimes creates lumpiness to our headline adjusted earnings per share, the underlying contributions from our utilities has been steadily and predictably growing. We continue to expect Emera Energy's Marketing and Trading results to contribute positively to earnings for the full year. Although the weak market conditions over the last 2 quarters means results will likely fall short of the general $15 million to $30 million guidance range.

It's important to remember that Emera Energy's ability to capitalize on volatility in the energy markets enhances our utilities, earnings and cash flow with limited downside risk, while providing the opportunity for significant upside as we saw in 2018.

With over 95% of earnings now coming from our regulated operations, I expect our utilities will continue to drive our growth for the foreseeable future, and the strategic reallocation of capital to our strongest and fastest-growing businesses improves the growth profile of our portfolio. I remain firmly confident that our decision to sell our merchant gas plant portfolio and Emera Maine was the right long-term decision for the business. However, these asset sales will impact our near-term earnings.

More specifically, we do not expect to have the earnings contributions from Emera Maine in 2020, which have averaged approximately $45 million per year over the last few years or from the gas plants, which contributed $18 million in the first quarter of 2019. This creates a period of transition as we redeploy capital into our continuing businesses to replace the lost earnings contributions from the asset sales. Reallocating our capital in this way better positions Emera to continue to deliver long-term earnings and rate base growth for our investors.

Our operations and results were impacted by Hurricane Dorian in the third quarter. This truly historic storm caused widespread damage in our Grand Bahama's and Nova Scotia service territories. The response of our team was extraordinary. I want to take this opportunity to thank you again -- to say thank you again to the Emera team, who once again demonstrated their resiliency and their commitment to safety and to our customers during this significant storm response.

In Grand Bahama, Dorian made landfall at the strongest hurricanes in modern records. The hurricane hovered over the island at strong category 5 levels for almost 2 days, which resulted in significant loss of life and unprecedented damage to many homes and businesses. Although our employees on the island were safe, we know many experienced significant personal loss. Our thoughts remain with the people of Grand Bahama as they continue their recovery efforts.

Dorian's high winds, storm surge and excessive rainfall caused significant damage to GBPC's assets and at the peak of the storm caused power outages for all 19,000 of its customers. Even in the face of tremendous personal loss, our employees moved quickly to restore customers with the assistance of teams from across our business.

Today, as a result of these efforts, 100% of customers that can safely receive power have been reconnected, and load is approximately 75% of pre-hurricane levels. As a result of lost load and the corporate share of unrecoverable losses related to property damage in Grand Bahama, Hurricane Dorian negatively impacted Emera's third quarter and year-to-date earnings by $16 million. The lingering effects of Hurricane Dorian in Grand Bahama are expected to modestly impact Emera's fourth quarter earnings. Electric load is expected to remain below pre-hurricane levels for the balance of the year, and the team is continuing to assess the best way forward for reconnecting the remaining 3,000 customers to the grid. In addition, GBPC continues to work with insurance companies to assess the damage to its generation assets.

In Nova Scotia, Dorian was the largest restoration effort in Nova Scotia Power's history. The hurricane force winds caused over 8,000 downed trees and approximately 500 damaged poles, resulting in outages for over 80% of our customers. Once it was safe to do so, a team of 1,400 power line technicians, forestry techs, damage assessors and customer care presentative worked tirelessly to restore power to all customers. The cost of restoration in Nova Scotia is expected to be approximately $39 million, including $16 million of OM&G expense. These costs were absorbed by some of the excess nonfuel revenues that were recorded in the first half of 2019. As a result, Dorian had no impact on NSP's earnings for the quarter.

There's no question that Dorian came at a cost to our business, but it also served to highlight the strength and resiliency of our teams and their dedication to our customers. The dedication of all our employees in responding to Dorian, but particularly in Grand Bahama and Nova Scotia is something that makes our entire leadership team and our board incredibly proud.

Now moving on to talk about the future. I'm pleased to announce that over the next 3 years, we expect to invest over $6.9 billion to grow the rate base of our regulated utilities at a growth rate of over 7%. We expect to invest approximately $2.3 billion in renewable and cleaner generation, in infrastructure modernization and in customer-focused technologies. As in the past, this baseline capital plan only contains committed projects that we are highly confident will proceed over the forecast period. This now includes $650 million of the expected capital related to further investments in solar and storm-hardening. Because we are confident that both of these projects will proceed over the forecast period to be concluded, USD 300 million of capital for scalable solar development and a conservative estimate of USD 100 million in 2021 and 2022 for storm-hardening investments. Although these projects have been included in the baseline capital forecast, we do see incremental upside that will provide an additional $0.5 billion to $1 billion of investment opportunities, and we look forward to providing a further update at our Investor Day on February 25 in Tampa.

Our capital program is heavily weighted towards regulated investments to support our strategy and growth in earnings. Over the next 3 years, almost 80% of our capital will be deployed in our electric utilities, where investments in renewable and cleaner generation, grid resiliency and smart meters will continue to form the foundation of our capital program. The remaining 20% will be invested in our gas utilities, where the focus is on system expansion to support customer growth and enhance reliability along with identifying opportunities to attract new types of commercial customers.

Notably, over 70% of our capital investment program is expected to be invested in the state of Florida, where we continue to see strong customer growth and where the regulatory environment remains constructive. As I look out beyond 2022, I'm confident that we'll continue to deliver the competitive rate base growth profile our shareholders expect. I believe that our portfolio includes some of the highest quality rated -- some of the highest quality regulated investments in North America, and our proven strategy, which is rooted in the transition from higher to lower carbon energy, is expected to drive significant growth for years to come.

In Florida, we see further opportunities to transition the generation mix to invest in reliability and to invest in gas storage. In Atlantic Canada, we still have work to do in the transition from coal to clean, which, in time, could lead to opportunities for further regional transmission development. Our primary focus continues to be on optimizing our existing portfolio to generate future investment opportunities. However, from time to time, we will assess acquisition in greenfield opportunities for their strategic and financial fits. We've learned that participating in processes is often the best way to learn new markets, and at times, can lead to additional opportunities for the business.

Let me assure you when assessing financial fits, we will remain disciplined with respect to our balance sheet and investment hurdles. We will not make investments that take us off track.

Our strategy to safely deliver cleaner, affordable and reliable energy has served us well for almost 15 years, and we've been delivering on it and making meaningful contributions to national, provincial and state-level responses to climate change, reducing greenhouse gas emissions from our operations and strengthening the resiliency of our energy systems.

Since 2005, we have reduced our greenhouse gas emissions by 24% and installed over 1,100 megawatts of renewable generation. Nova Scotia Power is a leader with 17% of its energy coming from wind, one of the highest penetrations of wind energy in North America. In 2018, 30% of Nova Scotia's energy came from renewable resources, and we're on track to increase that to 40% in 2020.

In addition, Nova Scotia Power has reduced its GHG emissions by 35% from 2005 levels, already exceeding the commitments made by Canada at the COP21 forum.

In Florida, Tampa Electric is leading the way with the highest penetration of solar energy of any investor-owned utility in the state. It also became the first utility to offer customers community solar earlier this year. By 2023, Tampa Electric customers will receive more of their energy from the sun than coal, and the utility will produce 45% less GHG emissions than it did in 2005.

While we're proud of our accomplishments so far, we still have work to do as we continue to transition to a lower carbon economy. Investments in renewable and cleaner generation and transmission to bring renewables to market will remain a central part of our strategy for years to come, while never-losing sight of the costs for our customers.

We're also very proud of our performance on social and governance aspects of our business. We've continued to make progress in our journey to world-class safety and being an employer of choice, and we've been recognized consistently for our good governance practices. In October, we published our third annual sustainability update, which provides a complete picture of our performance on environment, social and governance matters throughout 2018. We've included an ESG scorecard in our update for the first time this year, and we look forward to building on this critical disclosure in the years ahead.

Our regulated utility business continues to perform extremely well, and as I reflect on the performance in the quarter and year-to-date, I am, in fact, very pleased with the growth that we've delivered for our shareholders. Our earnings are in a period of transition as we continue to reposition our portfolio, but I remain confident in our ability to deliver long-term earnings growth for our shareholders.

Our refreshed baseline capital program provides significant opportunities to execute our strategy of reducing our carbon footprint and increasing reliability. In addition to the baseline capital program, our teams continue to advance development opportunities that we look forward to discussing in greater detail at our Investor Day in Tampa in February. Our proven strategy and our strong capital plan, combined with proven ability to execute on complex projects gives me confidence in Emera's long-term rate base and earnings growth.

Before I pass the call to Greg, I'll just take the opportunity to highlight some important leadership changes in our business. In October, we announced that Wayne O'Connor will become the new President and CEO of Nova Scotia Power; and Karen Hutt would return to Emera as EVP, Strategy and Business Development. Karen and Wayne are both exceptional leaders who have had several leadership roles throughout the Emera group of companies, and I know they will continue to provide value for our customers and shareholders in the new roles. Congratulations, Karen and Wayne.

With that, I'll turn it over to Greg to take you through the financial results.

Gregory W. Blunden - *Emera Incorporated - CFO*

Thank you, Scott, and thank you all for joining us this morning. Q3 2019 was not a typical quarter for Emera. As Scott highlighted, our financial results included the negative earnings impact of asset sales, weaker Marketing and Trading conditions and nonrecurring items, including the impacts of Hurricane Dorian. As a result, our headline adjusted earnings per share for the quarter and year-to-date period are lower than in 2018 and, for the quarter, below our expectations. However, we continue to be very pleased with the earnings growth that is being delivered from a regulated portfolio. As I will walk you through in a moment, strong growth from regulated utilities has fully offset the year-to-date earnings impact of asset sales, and we expect our regulated earnings to continue to grow in the fourth quarter. This strong growth combined with the opportunities identified in our new capital program reinforces our confidence that we will continue to deliver long-term earnings growth to our shareholders.

While we expect that regulated earnings will continue to grow in the fourth quarter, this growth will not be sufficient to replace the third quarter earnings impacts of Hurricane Dorian and weaker Marketing and Trading conditions. As a result, we now expect our 2019 annual adjusted earnings per share to be lower than 2018. Without these negative impacts, we would expect adjusted earnings per share for the year to be consistent with the normalized 2018 results.

Year-to-date operating cash flow before changes in net working capital was down modestly compared to the 2018 period due to the impact of Hurricane Dorian and lower Marketing and Trading margins at Emera Energy. While operating cash flow was down modestly this year, we have continued to improve the quality of these cash flows. Operating cash flow from our regulated businesses grew by 6% year-to-date, led by Tampa Electric, which grew cash flows by $54 million or an 8% increase over these 9 months.

Now let's get into the details of the quarter. In the third quarter of 2018, Emera delivered adjusted earnings per share of $0.82. Keep in mind, this included net earnings contributions from Emera Energy's gas generation portfolio and a nonrecurring benefit from a change in our Florida state tax appointment factors. As a reference point, removing these earnings contributions from 2018 would reduce Q3 2018 adjusted EPS to $0.64.

Growth from the normalized 2018 base of $0.64 was largely driven by very strong performances by Tampa Electric and the gas utilities. During the quarter, Tampa Electric contributed USD 116 million of earnings, an increase of 6% over the third quarter of 2018. Growth in the quarter was driven by higher base revenues related to in-service solar projects and customer growth of 2%, partially offset by higher interest and depreciation costs related to capital investment. Weather was not a material factor quarter-over-quarter. Tampa Electric will continue to see increases in its solar-based revenues in 2020.

In October, the Florida Public Service Commission approved USD 26.5 million of additional revenues for the 2 solar projects, totaling approximately 150 megawatts. These projects are scheduled to be in service in early 2020.

Earnings growth in the gas utilities and Infrastructure segment was largely driven by a supportive regulatory decision in New Mexico, resulting in a USD 5 million adjustment for the quarter.

As Scott discussed, the Q3 results were negatively impacted by the impacts of Hurricane Dorian. As a result of lost load to the corporate share of unrecoverable losses, Emera's earnings were negatively impacted by $16 million or $0.07 in the quarter.

Third quarter earnings from Emera Energy's Marketing and Trading business were a negative CAD 20 million, $0.08 lower than in Q3 2018.

Like Q2, Q3 is generally not profitable for Emera Energy. And as was the case in Q2 of this year, particularly weak market conditions and higher cost commitments related to transportation and storage resulted in a reduction in earnings quarter-over-quarter.

To elaborate, the Q3 summer season generally -- sees generally low demand volatility since there's not heating load momentum on gas prices, resulting in a minimal opportunity.

As you are aware, Emera Energy operates a physical natural gas marketing business to invest in transport, patient and storage to enable us to arbitrage market spreads between trading points and through seasons and/or time, while maintaining a fixed and limited downside financial exposure. These short-term fixed cost commitments for transportation and storage are allocated evenly over the contract terms. But the related revenue-generating opportunities are primarily in the winter season. So a transport deal can be highly profitable overall, but not look that way over the summer.

It is difficult to forecast earnings from Marketing and Trading, especially since the last 2 months of the year are often material contributors to the total. That said, at this point, as a result of weak market conditions experienced in both Q2 and Q3 of this year, we believe we will fall short of the low end of the normal earnings range of USD 15 million to USD 30 million this year, but still expect to be profitable. To give you some context for that, I will note that over the last 5 years, we have earned an average of USD 12 million in Q4. Assuming we earn this average in the fourth quarter, we will get to USD 5 million earnings for the year. While it's a disappointing year, certainly, but we believe our normal earnings guidance range is still balanced and opportunities for upside will continue to present themselves going forward.

Drivers for the year-to-date period are largely consistent with the quarter with strong growth in our U.S. utilities being largely offset by lower Marketing and Trading margins and the impacts of Hurricane Dorian. For the year-to-date period, Tampa Electric has increased earnings by USD 25 million or 11%. Similar to Q3, this increases from higher base revenues related to in-service solar generation and customer growth. Total degree days Tampa Electric service area in Q3 2019 were 6% above normal and 2% above the 2018 period for the year-to-date.

Emera's gas utilities recall both Peoples Gas and New Mexico Gas has strong first quarters. New Mexico's results have benefited from favorable weather, regulatory rulings and incremental earnings from an asset management agreement. And at Peoples Gas, earnings have benefited from lower depreciation rates and increased earnings related to ongoing cast iron, bare steel investments. Annual customer growth at Peoples Gas continues to be strong at 3%.

And as I previously discussed, Emera Energy experienced a similar Marketing and Trading conditions in Q3 of this year similar to Q2 of this year. For the year-to-date Marketing and Trading has experienced losses of USD 7 million, but based on our experience, we would expect the business to return to profitability in Q4.

We continue to expect modest full year's earnings growth from retained utilities and from Emera Maine. In Canada, Nova Scotia Power expects its rate base to grow modestly, delivering a similar modest increase in earnings.

As I've highlighted in the past, the timing of regulatory approvals causes earnings -- quarterly earnings volatility for Nova Scotia Power, while the full year results are more predictable. Similarly, we expect our full year combined equity earnings for our Maritime Link and Labrador Island Link investments will be modestly higher in 2019 than in 2018.

And in Maine, we expect our 2019 rate base to grow modestly due to ongoing transmission and distribution investments, resulting in a modest increase in earnings.

As Scott highlighted, we are pleased with our $6.9 billion capital program and the growth that this will generate in rate base and future earnings for Emera. Unlike the 3-year funding plan we've outlined last November, which included a detailed plan and asset sales program to meet our funding requirements, we view the current funding plan as a return to normal course of business with the sale of our merchant gas plants behind us and the Emera Maine transaction nearing completion, our 2020 to 2022 funding requirements are relatively straightforward.

The Emera Maine transaction continues to progress as expected, and we are working collaboratively with ENMAX. We are continuing to advance towards final regulatory approval from the main PUC. And depending on the pass-through decision in Maine, we anticipate the transaction will close late this year or very early in 2020.

We've always managed our funding program to maintain our targeted capital structure of 55% debt, 35% common equity and 10% hybrid and preferred equity. Our funding program allows us to maintain our targeted capital structure, while minimizing our equity requirements. The plant first maximizes reinvesting operating cash flows and debt in the operating companies and it's supported by common and hybrid equity capital issued by Emera.

Our equity requirement over the next 3 years is modest, and we expect the majority of the required equity will be raised through our dividend reinvestment plan, which is expected to raise $200 million to $250 million per year. The remainder will be raised as -- on an as-needed basis through a combination of hybrid capital and common equity issued from our ATM program.

We remain committed to investment grade credit ratings and continually engage with credit rating agencies. With the sale of the gas plants behind us and the pending completion of the Emera Maine transaction, we will reach our targeted capital structure. We are excited to turn the page and focus on the significant growth available to us. Although there has been a period of transitions as we reallocate capital from asset sales to our utilities, we remain confident that our highly regulated, diversified portfolio is well positioned to capitalize on the investment opportunities we see in front of us and to continue to provide above average long-term investor returns.

And with that, I'll turn the presentation back over to Erin.

Erin Power - *Emera Incorporated - Manager of IR*

Thank you, Greg. This concludes the presentation. We would now like to open up the call to take questions from analysts.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from the line of Julien Dumoulin-Smith from Bank of America.

Julien Patrick Dumoulin-Smith - *BofA Merrill Lynch, Research Division - Director and Head of the US Power, Utilities & Alternative Energy Equity Research*

So let's just address the white elephant in the room. Can we talk a little bit about your commentary on M&A and especially, some of the public disclosures around JEA. When you guys were making the comments in your prepared remarks, were you alluding specifically to some of the dynamics and learning more about Florida? Or are you thinking more holistically? I just want to put the M&A context or comments in more of a specific context if you don't mind. Just want to understand exactly how you're thinking about this. And then at the same time, if you can comment about how you're thinking about financing, just given the fact that we've -- I suppose we're on the verge of getting to a much better balance sheet quality to begin with.

Gregory W. Blunden - *Emera Incorporated - CFO*

Yes, Julien, so thanks for your question. So look, the commentary that I made in my remarks is, it's commentary that, frankly, would apply generally -- has always applied for us in terms of how we think about M&A and really just looking to reassure investors that, that continues to be our focus as it relates to thinking about the strategic and financial aspects of M&A. The fact is it doesn't -- for us, it doesn't work. If it's just a strategic fit, it also needs to fit financially. And look, we've recognized in this market. That's difficult hill to climb. And so we're in a good spot. We're -- frankly, we've got a very robust set of organic growth opportunities in front of us that continues to be our primary focus. But as it has before, we continue to look at opportunity to continue to expand the portfolio and where opportunities exist, where it's both strategic and the financial fit is good without taking us off track to maintain our credit metrics to continue to maintain our balance sheet and our targeted capital structure. When we find things that fit through that small box, we will look at them. But in the meantime, we're just really focused on executing our organic growth portfolio.

Julien Patrick Dumoulin-Smith - *BofA Merrill Lynch, Research Division - Director and Head of the US Power, Utilities & Alternative Energy Equity Research*

Got it. So there was nothing -- no specific reason to put that commentary. And then also just to be extra transparent about these things because they can be sensitive. When you're talking about maintaining balance sheet quality, would you contemplate a transaction that would once more relever the balance sheet? And would you contemplate transactions that are not accretive from an EPS perspective, just to be extra care?

Scott Carlyle Balfour - *Emera Incorporated - CEO, President & Director*

No. So as I said, we're focused on maintaining our targeted capital structure, and look -- at the time when we took all extra leverage to acquire Tampa Electric and TECO, we did have some excess leverage capacity. Today, that is clearly less true. So we're continuing to focus on the things that I mentioned. And in respect of the specific situation, Julien, that you referenced, just in a place where out of respect for the process, we're not going to comment.

Julien Patrick Dumoulin-Smith - *BofA Merrill Lynch, Research Division - Director and Head of the US Power, Utilities & Alternative Energy Equity Research*

Got it. And back to regularly scheduled question, if you don't mind. Just with respect to the 15% that you guys have historically allocated for equity raised broadly in the current organic plan, how do you think about the combination of common versus hybrid versus other sort of lingering financing needs?

Gregory W. Blunden - *Emera Incorporated - CFO*

Yes, Julien, it's Greg. If you take the capital plan at CAD 6.9 billion, with the kind of 15% to 20% range of equity, let's take the top end, the 20%, that would give you around CAD 1.4 billion. As I indicated in my remarks, about half of that would be through our existing dividend reinvestment plan over that 3-year period, which would leave you with around CAD 700 million, which will be some combination of the existing ATM program that we have in place. And I think as you've heard us say, or me say before, we still have some room in our capital structure for some additional preferred shares, although that market is a market that's not always open. But over the next 3 years, we envision putting some more preferred shares in our capital structure as well. So that's kind of how we're thinking about it in totality.

Operator

Your next question comes from the line of Rob Hope from Scotiabank.

Robert Hope - *Scotiabank Global Banking and Markets, Research Division - Analyst*

I want to focus in on the $6.9 billion capital plan. So it includes $650 million of storm hardening and solar investments. Based on your comments, it seems that $200 million is hardening and $450 million is solar. I just want to get a sense of how you are thinking about that solar in the existing capital plan. And then, I guess, the second question would be, what's in that $0.5 billion to $1 billion of other opportunities?

Gregory W. Blunden - *Emera Incorporated - CFO*

Rob, it's Greg. And first of all, those numbers of $650 million and $200 million for storms, those are all in U.S. dollars as well. So keep in mind, there's a foreign exchange adjustment there. Really, the balance of the $0.5 billion to $1 billion, we think, we have conservative estimates at this point on storm hardening, especially what the implications are for us. Our team is working through that in Florida. And we think we'll have more visibility on that as we go throughout in time. And really, there's probably about $0.5 billion of projects across all of our regulated businesses, that is just too early at this point to be able to be more definitive on whether or not we're going to move forward or when we're going to move forward. But I can't say there's anything specific. They're not individual projects, more of a collection of projects kind of in and around the $100 million range each.

Scott Carlyle Balfour - *Emera Incorporated - CEO, President & Director*

And I think -- and Rob, it's Scott. I think as it relates to the solar side of things, we've been talking for some time about the opportunity and the value for customers of looking to continue to build more solar in the Tampa service territory, and we're excited about the 600 megawatts that we're on a path to complete in less than 1.5 years with about 2/3 of that already in service. But as we've said, we think there is the opportunity for more. We think that the cost profile that's in customers' interest to do that. And so while the full scope of that program is still working its way through, we've got confidence that we will be continuing to build solar in Tampa, and that's why we built a component of that into the baseline forecast, and we'll look to update and refine those numbers further in February at our Investor Day.

Robert Hope - *Scotiabank Global Banking and Markets, Research Division - Analyst*

And then just a clarification. So SoBRA 4, which you'll file in June of 2020, would that include the next tranche?

Gregory W. Blunden - *Emera Incorporated - CFO*

No. So the fourth phase, we hope we'll have another 100 megawatts in early 2020, and the final 50 megawatts in early 2021.

Operator

Your next question comes from the line of Ben Pham from BMO.

Benjamin Pham - *BMO Capital Markets Equity Research - Analyst*

Okay. I wanted to go back to the M&A discussion. And I guess, just as I'm hearing this (inaudible), you're highly focused on organic growth, it's a high-growth rate. But your balance sheet's in better shape now. You could be opportunistic with acquisitions. And I mean Jacksonville is in your backyard, so it makes sense to look at it. But I'm curious like how broad would you guys go with M&A geographically? And I guess, with the 7% growth rate, I mean, isn't that really difficult to find anything outside of Florida that's grown at 7% a year?

Gregory W. Blunden - *Emera Incorporated - CFO*

Yes. I think, Ben, as we -- as I mentioned in my call, we're really happy with the portfolio of assets that we have. We think that we've got some really, really high-quality assets across the business, but particularly in Florida, but also in a Canadian context, also in Canada. And we're really happy with that. And therefore, it's why when we think about strategic fit, we're pretty fussy about that and how we think about it. And that's an important consideration. And the financial element that I mentioned earlier, that, too, has got to work. Anything that we do has to be in what we see as both the good strategic fit for the business, but frankly, in the financial interest of shareholders. And obviously, the path to doing that is to make sure that we continue to have a strong balance sheet that we continue to maintain our investment-grade credit ratings and to make sure that anything that we would do would be accretive to earnings. So unless and until we can find something that does those things, we're very happy to stay and remain focused on organic growth opportunities.

Benjamin Pham - *BMO Capital Markets Equity Research - Analyst*

Okay. And then maybe in Grand Bahama, just some impacts you saw during the quarter. As you look forward to looking at recovering a portion of some of those costs, can you speak to, historically, has there been some historical precedent in Grand Bahama as a regulator that are doing and whatnot that you can lean to? Or is this really just a new process that you got to work with?

Gregory W. Blunden - *Emera Incorporated - CFO*

Well, so we've got a regulatory process that is a mechanism that's already in place for the recovery of costs relating to Hurricane Michael that -- Matthew, sorry, Hurricane Matthew that occurred in 2016. And the costs to Grand Bahama at this point for recovery look to be less, frankly, than what those costs were for Hurricane Matthew. So the team there is working with the regulator, and we've seen in case of Matthew and times before that, a constructive approach to making sure that there's a recovery of those costs without putting undue pressure on customers, and we're confident we'll end up in the same place again.

Operator

(Operator Instructions) Your next question comes from the line of Robert Kwan from RBC Capital Markets.

Robert Michael Kwan - *RBC Capital Markets, Research Division - MD & Energy Infrastructure Analyst*

When you're talking about the $650 million catch, kind of highly confident to that. And then you've got $500 million to $1 billion. It sounds like those are projects that have names and some amount of advancement. Is it fair to say that you're kind of viewing those numbers conservatively and whether that's in February at the Investor Day, or in kind of the years ahead that there could be upside to this capital plan?

Gregory W. Blunden - *Emera Incorporated - CFO*

Robert, it's Greg. I mean, I think if you think of our track record, we traditionally have shown baseline capital forecast with some projects under development, and that per year, as we get closer and closer, more of those projects under development tend to get more certain. And so we would expect that to continue over this period as well. So I'm not so sure I'd use the word conservative, but I think it's a confident baseline that we have, but we're not stopping there. We see some other opportunities across all of our regulated businesses that we're pursuing. It's just a little bit too early to be that definitive on it.

Robert Michael Kwan - *RBC Capital Markets, Research Division - MD & Energy Infrastructure Analyst*

Got it. So the upside there is on the growth. But maybe kind of then turning to the other side of how do you then think about financing that or even within this current capital plan? Just wondering if there's some color as to why asset monetizations were not considered, just given how much success you've had and valuation-wise on those?

Gregory W. Blunden - *Emera Incorporated - CFO*

Yes, Robert, I think the way we think of it, we don't need to sell any assets to fund the capital program in front of us. Obviously, if we start to see a material increase in the opportunities in front of us in the regulated businesses over the next few years. Like we always do, we'll sit back and say, what is the best and most optimal way to fund that. But at this point in time, we're really pleased with the portfolio that we have in our business.

Robert Michael Kwan - *RBC Capital Markets, Research Division - MD & Energy Infrastructure Analyst*

Okay. If I can just finish, kind of coming back to M&A. And within -- you've kind of outlined the EPS accretion side. And I don't know if you were alluding to this with the long-term side of things, but do you need to look for assets that are accretive to your growth rate, i.e., that those assets are growing faster than, say, the 7-ish% rate base growth?

Gregory W. Blunden - *Emera Incorporated - CFO*

I think when you think about M&A, Robert, I mean, there's a bunch of lenses to look through. And certainly, we look for things that are accretive to credit metrics, accretive to earnings growth, accretive to cash flow, accretive to our ability to sustain and grow our dividend as well as strategic fit. Clearly, mixed within that, obviously, is growth. And certainly, as we've thought about our portfolio optimization efforts and the allocation of capital, clearly, we've been allocating capital towards our higher-growth investments. And so yes, growth rates are -- and the opportunities for growth are important considerations when we think about how we allocate capital. And that's true as it relates to the portfolio of businesses that we have, the organic growth that we have, and obviously, it's relevant when you think of M&A and trying to find those opportunities that fit that narrow box that we look for in terms of both strategic fit and financial merit.

Scott Carlyle Balfour - *Emera Incorporated - CEO, President & Director*

I would just add to that, too, it's also important where that rate base growth is coming from. So for us, we're very fortunate, 70% of it's coming in the State of Florida because not all rate base growth is equal because you also have to look at the relative equity thicknesses of where that rate

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base growth is being invested and the ROEs associated with it. So -- which is why the capital plan we have in front of us is attractive because of the higher equity tightnesses and ROEs where -- in jurisdictions where we're focusing our capital investment.

Robert Michael Kwan - *RBC Capital Markets, Research Division - MD & Energy Infrastructure Analyst*

Got it. And I can finish. You've mentioned strategic fit a number of times. There was the question earlier about geography, but I'm also wondering how much does geography really matter, if I kind of think TECO, is strategic fit to you a lot as well about the ability to execute your core strategies and kind of coming back to TECO, the success you had at NSPI in the field assets and just being able to rinse and repeat at TECO?

Gregory W. Blunden - *Emera Incorporated - CFO*

Yes, it's an excellent point and a great example, Robert, and clearly, that ability to invest in the transition from higher to lower carbon has been what has been driving Emera's growth, Nova Scotia Power's growth. And now over the last 3 years, growth within the TECO businesses as well. And so yes, that's one of the key factors we look at in terms of strategic fit.

Operator

Your next question comes from the line of Patrick Kenny from National Bank Financial.

Patrick Kenny - *National Bank Financial, Inc., Research Division - MD*

Just on the capital plan, I know it's relatively small in the overall context. But there's a bit of a step-down CapEx profile for New Mexico over the 3-year period. Can you just remind us what's driving that decline? And I think you just answered it, Greg, but specifically to New Mexico, is the way to think about it that it's still a core utility today, but it could be a candidate or a source of cash for redeployment, incremental organic growth or new M&A going forward?

Gregory W. Blunden - *Emera Incorporated - CFO*

Yes, I think -- Patrick, it's Greg. I wouldn't necessarily characterize it as a step-down in the capital program, per se. There's a couple of projects that the timing has been moving around a little bit. In particular, we had an IT project that looks like we're going to push it a little bit. The percent of growth rate may have come down a little bit only because we had some of those projects were more front-end loaded from the last version, but in general, there's nothing really material from a New Mexico perspective. But we can follow up with you later [if I happen to envision] something off the top of my head.

Patrick Kenny - *National Bank Financial, Inc., Research Division - MD*

Okay, great. And then just in terms of New Mexico, specifically still a core utility today. But again, it could be a source of cash going forward for incremental opportunities?

Scott Carlyle Balfour - *Emera Incorporated - CEO, President & Director*

Yes. Patrick, we see -- I think the performance that we're seeing in New Mexico reaffirms the value of that asset. And yes, it is an important business for us. We're seeing some growth. We've seen some support to address some issues within that business, including the implementation of a weather tracker there now that helps to provide more -- to reduce the volatility, let's say, of the financial performance for New Mexico Gas, relating to weather. We're seeing the economic climate in the state improve. And we think that bodes well for the utility over time as well. So I'd say, we're cautiously optimistic as it relates to the future for New Mexico Gas. Of course, as we acquired TECO, we agreed with the regulator to make a commitment as it relates to that business staying part of the portfolio for a period of time, and we take those kinds of commitments seriously.

Patrick Kenny - *National Bank Financial, Inc., Research Division - MD*

Okay. That's great. And then, Greg, wondering if we can get your thoughts on how you're thinking about timing in terms of accessing the hybrid market, just given your $1 billion due in 2026, I believe. Would you be more inclined to wait until the back half of the 3-year capital program to tap the hybrid market? Or are you more inclined to perhaps take advantage of the current low interest rate environment?

Gregory W. Blunden - *Emera Incorporated - CFO*

Well, it's a good question, Patrick. As what we're experiencing in the current interest rate environment hasn't translated into the preferred share market in Canada. So I think the short answer is, I don't know. Certainly, we have moved our capital structure to do another preferred share offering in Canada, probably consistent with what we did last year. Think of it as a few hundred million dollars offering. It's just the pricing that we're seeing in the preferred share market now and the terms of conditions that are being attached to it. It doesn't make it the most appealing type of financing right now, but we're going to continue to watch it. As you know, it's a market that has windows where it opens up, and this is more conducive for participating in. But I think we don't have a sense of urgency to do it, but it's likely done as more part of our plan over the next 3 years.

Patrick Kenny - *National Bank Financial, Inc., Research Division - MD*

Okay, got it. And then lastly, just on your discussions with S&P, are they just waiting for the main transaction to officially close before they reassess the negative outlook? Or do they really want to see you fully execute on another hybrid deal or fully execute the ATM before going back to a stable outlook?

Gregory W. Blunden - *Emera Incorporated - CFO*

I mean, if we focus on what they've said publicly, their negative outlook was primarily around uncertainty around the asset sale program. We have closed the sale of the merchant gas plants in Q1 of this year while they're waiting to close Maine. So given what their report said in December of last year, we believe we -- with the closing of Maine, we will have addressed their concerns that they had in terms of the negative outlook.

Operator

Your next question comes from the line of Julien Dumoulin-Smith from Bank of America.

Julien Patrick Dumoulin-Smith - *BofA Merrill Lynch, Research Division - Director and Head of the US Power, Utilities & Alternative Energy Equity Research*

Can you guys hear me again?

Gregory W. Blunden - *Emera Incorporated - CFO*

Yes. I hear you fine, Julien.

Julien Patrick Dumoulin-Smith - *BofA Merrill Lynch, Research Division - Director and Head of the US Power, Utilities & Alternative Energy Equity Research*

So I just wanted to clarify super quickly because, again, I know these things require a certain degree of clarity. When you say earnings before in the M&A context, you mean earnings per share in terms of the per share metrics? And then secondly, can you elaborate a little bit on how you think about per share in the context of this management comp and/or targets? Just again, to reaffirm investors here.

Gregory W. Blunden - *Emera Incorporated - CFO*

So yes, to the first question. It's -- our goal is to grow earnings per share, and that also is aligned with the incentive compensation structure or the performance-based compensation structure for the executive team.

Julien Patrick Dumoulin-Smith - *BofA Merrill Lynch, Research Division - Director and Head of the US Power, Utilities & Alternative Energy Equity Research*

So any deal would need to be accretive per share?

Gregory W. Blunden - *Emera Incorporated - CFO*

That's right.

Julien Patrick Dumoulin-Smith - *BofA Merrill Lynch, Research Division - Director and Head of the US Power, Utilities & Alternative Energy Equity Research*

And sorry, just one other nuance I wanted to clarify here. Just the time line in the Maine transaction itself. Just given some of the updates, I believe, that were expected this week, haven't -- I know we're Friday, so it hasn't necessarily translated. Just confidence on the time line itself with respect to the Maine transaction.

Scott Carlyle Balfour - *Emera Incorporated - CEO, President & Director*

Yes. So Julien, as Greg characterized it, it's kind of progressing as planned. We've had a number of settlements, prior conferences with stakeholders. There's another one scheduled, I think, in the next week or 2. I'm being told exact date, November 18, thank you. And we also -- in the event that we're unable to reach a settlement, December 10 and 11, I believe, or 11 and 12, those couple of days, there's already a date set aside to have a litigated hearing. We're hopeful and optimistic that, that won't be required. And so we're really on 2 paths right now, hoping and expecting that we'll reach a settlement, which would probably get us to a closing by year-end. If we go the litigated route, that would probably leak into early 2020, depending on how fast the commission could turn around their decision. But at this point, we don't see anything that would prohibit a closing over the next month or 2.

Gregory W. Blunden - *Emera Incorporated - CFO*

And again, the only thing I'd add to that, Julien, is it, we firmly believe that the filing that's part of the formal regulatory process has indeed met the net benefit tests, and it's because of all of that and as well as the efforts to settle that gives us the confidence that we're clearly on a path to close. The only thing that's not quite certain yet is timing. They're going to be -- just before the end of the year, it might be in early 2020.

Operator

Your next question comes from the line of David Quezada from Raymond James.

David Quezada - *Raymond James Ltd., Research Division - Equity Analyst*

Just one quick question for me. Just wondering if you could provide any recent thoughts on the Retail Choice Ballot initiative for Florida? It seems like there's a slim chance they get the number of signatures there, but just wondering if you have any updated thoughts there?

Scott Carlyle Balfour - *Emera Incorporated - CEO, President & Director*

Yes, David, thanks for the question. So we're still waiting for a decision from the Supreme Court as to the -- their approval or not of the proposed language from going on the ballot. We believe that there are reasons why the answer to that will be no. But obviously, we're waiting for that decision as with others. And then to the point that you make, yes, the proponent does need to secure a specific number of signatures, 770,000 approved signatures and to have those reviewed formally as part of the process before the end of January. And certainly, at this point, they have not met that threshold. That's not to say that it's impossible for that to happen. But at this point, they've not yet met that threshold. And obviously, there isn't too much time left before they need to achieve that threshold before the end of January.

Operator

There are no further questions at this time.

Erin Power - *Emera Incorporated - Manager of IR*

Great. Well, thanks. Thank you, all, for joining us this morning. We look forward to seeing you again in the next quarter.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect.