S&P Capital IQ

CONTENTS

Emera Incorporated TSX:EMA

FQ3 2016 Earnings Call Transcripts

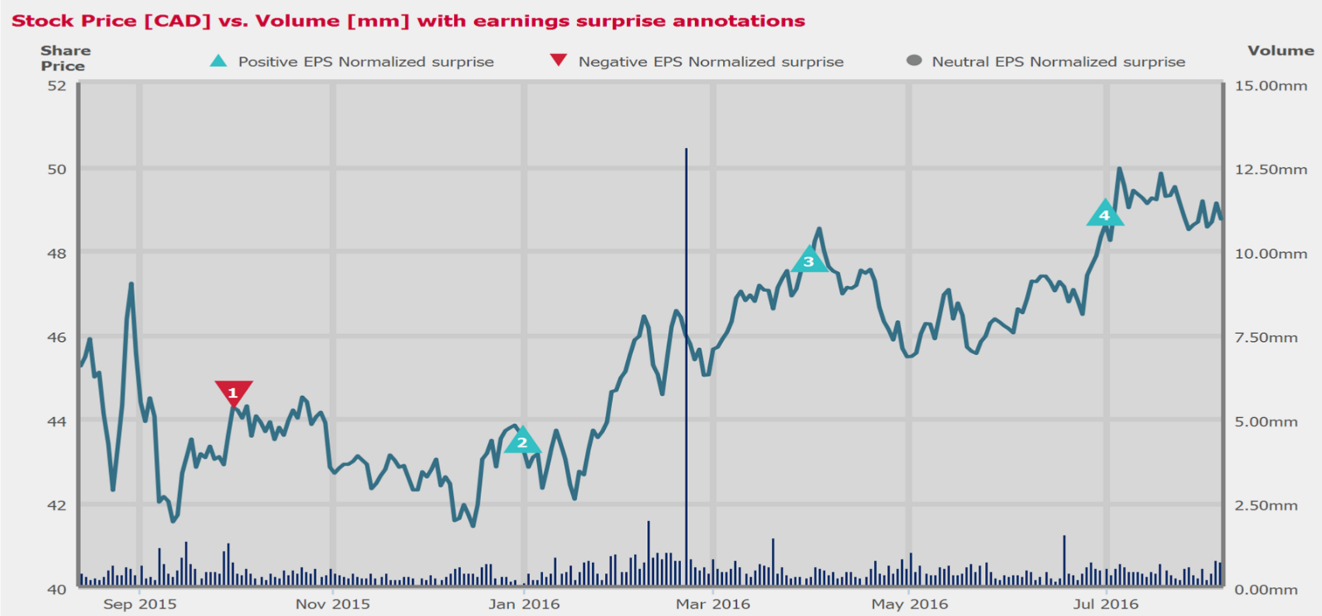
Tuesday, November 08, 2016 3:00 PM GMT

S&P Capital IQ Estimates

	-FQ3 2016-			-FQ4 2016-	-FY 2016-	-FY 2017-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.58	0.73	▲25.86	0.64	2.37	2.75
Revenue (mm)	1662.22	1387.00	▼(16.56 %)	1566.90	4586.30	7073.01

Currency: CAD

Consensus as of Nov-08-2016 10:35 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ3 2015	0.35	0.16	▼1 (54.29 %)
FQ4 2015	0.59	0.80	▲2 35.59 %
FQ1 2016	0.88	0.93	▲3 5.68 %
FQ2 2016	0.33	1.87	▲4 466.67 %

Call Participants

EXECUTIVES

Christopher G. H. Huskilson
Chief Executive Officer, President and Non-Independent Director

Gregory W. Blunden
Chief Financial Officer

Judy A. Steele
President of Emera Energy Inc and Chief Operating Officer of Emera Energy Inc

Mark M. Kane
Director of Investor Relations

Scott LaFleur
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Presentation

Operator

Good morning, ladies and gentlemen, and welcome to Emera's Third Quarter 2016 Conference Call and Webcast. [Operator Instructions] Please note that this call is being recorded today, Tuesday, November 8, 2016, at 11:00 Atlantic Time. I would now like to turn the meeting over to your host for today's call, Mark Kane, Vice President, Investor Relations for Emera. Please go ahead, Mr. Kane.

Mark M. Kane
Director of Investor Relations

Thank you, Shawn, and thank you all for joining us this morning for Emera's third quarter conference call. Emera's third quarter earnings release was distributed yesterday evening via Newswire and financial statements, and management discussion and analysis are available on our website at emera.com. On the call today, from Emera, is Chris Huskilson, President and Chief Executive Officer; and Greg Blunden, Chief Financial Officer; and other members of the management team at Emera. This morning, Chris will begin with a corporate update, and Greg will provide an overview of the financial results. We expect the presentation segment to last about 15 minutes, after which we will be happy to take questions from analysts. I will take a moment to advise you that this conference call will contain forward-looking information and statements with respect to Emera.

Forward-looking statements involve significant risk and uncertainties and assumptions. Certain material factors or assumptions have been applied in drawing the conclusions contained in the forward-looking statements. Generally, these factors or assumptions are subject to inherent risks and uncertainties surrounding future expectations. Such risk factors or assumptions include, but are not limited to, regulation, energy prices, general economic conditions, weather, derivatives and hedging, capital resources, loss of service area, license and permits, environment, insurance, labor relations, human resources and liquidity risk. A number of factors could cause the actual results, performance or achievement to differ materially from the results discussed or implied in the forward-looking statements. In addition, please note that this conference is being widely circulated via live webcast. And now I'll turn things over to Chris.

Christopher G. H. Huskilson
Chief Executive Officer, President and Non-Independent Director

Thank you, Mark, and good morning, everyone. Emera delivered adjusted net income of $14 million or $0.08 per share in Q3 of 2016 compared to $23 million or $0.16 per share in Q3 of 2015. Adjusted net income, excluding costs related to TECO Energy acquisition, was $133 million or $0.73 per share. I want to highlight that this is the first quarter that our results include Emera Florida and New Mexico segment, which contributed $109 million to adjusted net income. The net contribution after the $49 million after-tax permanent financing costs, recorded at corporate and other, was $60 million. These strong third quarter results are in line with our expectations. They were driven by the typically high electricity sales at Tampa Electric, as a result of summer air-conditioning load. And New Mexico results reflect their continued focus on cost control. While the results at New Mexico were essentially breakeven, there were an improvement compared with historically a third quarter loss. I'm pleased to report that the integration of the TECO family of companies is proceeding smoothly. As expected, the 4 senior C-suite officers retired shortly after the close. We are pleased that John Ramil, TECO's President and CEO, has joined the Emera Board. Welcome, John. And we look forward to working with him in this new capacity.

We now have our senior leadership positions in Tampa and Albuquerque in place. And a number of TECO and Emera team members have stepped into new positions with expanded responsibilities. With the addition of the Florida and New Mexico operations, we are above our target of 75% to 85% of earnings coming from regulated businesses, and our dividend is more than covered by regulated earnings. Emera now operates in 2 new regulatory jurisdictions, Florida and New Mexico, which also have some of the best organic growth in the U.S. The combined Emera and Emera Florida and New Mexico businesses expect to have over $8 billion in capital investment over the next 5 years, and this includes only our committed and visible projects.

Moving forward, we also see additional opportunity to apply Emera's strategy centered on clean, affordable energy to drive growth. In Tampa Electric, we see opportunities for potential large-scale solar power generation. At Peoples Gas and New Mexico Gas, we see the potential to grow these businesses expanding the distribution of cleaner burning natural gas to vehicle fleets, industrial customers and new residential customers. Our results at our northern operating companies reflected the continued trend of average weather this summer in Nova Scotia and New England, following the much milder than normal winter. These weather conditions reduced energy sales at Nova Scotia Power and limited trading and energy sales opportunities for Emera Energy.

Moving to the Maritime Link Project. Construction continues to progress. The project remains on schedule and on budget with an expected in-service date in late 2017. ABB is working on both converted sites in Nova Scotia and Newfoundland, and fabrication of the main transformers is now complete. Manufacturing of both subsea cables is progressing with installation scheduled for mid-2017. The joint venture between the Emera Utility Services and Rokstad Power is working to complete the high-voltage direct current transition lines. And to-date, almost $1.1 billion of the $1.6 billion project cost has been spent.

Turning to Massachusetts. The state has made a major commitment to clean energy in associated transmission, as part of its effort to meet legislated state GHG emissions reductions and renewable targets. An act to promote energy diversity was approved by the Massachusetts Legislature on July 31, and signed into law by Governor Baker on August 8. The bill mandates a competitive solicitation for long-term contracts to supply Massachusetts with hydro resources or a combination of wind and hydro generation totaling 9.45 terawatt hours. There must be an initial solicitation issued by the electric distribution utilities in Massachusetts no later than April of 2017, including transmission. Preference shall be given to proposals that combine hydro generation with new Class I renewables and energy delivery during winter months. In late October, we learned that our proposal for the Maine Renewable Energy Interconnect project was not selected under the New England tri-state renewable energy RFP. The bidders that were selected, for the most part, were smaller projects that did not require new transmission investment. The total energy awarded was slightly less than 1 terawatt hour or only about 20% of the original RFP. There may be opportunities to bid this project into the Massachusetts Clean Energy RFP or other opportunities to supply low carbon in the New England market in the future. In Nova Scotia, we're implementing a plan to provide stable and predictable rates for our customers through to the end of 2019. We worked with stakeholders and reached an agreement on our rate stability plan, which was approved by the UARB. With this plan in place, the average annual increase in customer rates is below the annual rate of inflation for residential customers, for each of the next 3 years. We are stabilizing rates, while at the same time completing the most ambitious transition to renewable energy in Canada. With the rate stability plan in place, all of our customers in Nova Scotia will have stable, predictable and affordable electricity pricing that they can depend on and budget around.

Turning to Emera Caribbean. As you know, Grand Bahama took a direct strike from the category 4 Hurricane Matthew. There was extensive damage to the island's property, livelihoods and to the electric grid. Teams from virtually all of the Emera utilities responded to the situation and have worked diligently to safely restore the system. Today, more than 90% of the customers that can take power have the service restored. This has been a tremendous undertaking by all involved, and we are all very proud of the results. Our strong and diverse regulated businesses provide stability and support to our growing dividend. We have a target of 75% to 85% of our earnings coming from regulated businesses, and a dividend payout ratio of target between 70% and 75% of earnings. With the addition of the Emera Florida and New Mexico operations, our dividend is more than covered by regulated earnings. We do not anticipate further material costs associated with the TECO acquisition, so future quarters will be more representative of earnings throughout the business. I'll conclude by saying that Q3 was transformational for Emera. We're successfully incorporating the TECO family of companies into Emera. They've delivered strong results to our consolidated net income, and our other operating companies are performing well. We're well positioned to deliver strong earnings growth and deliver market-leading total shareholder returns. We are making good progress towards achieving many of our strategic goals and look forward to a bright future. And with that, I'll turn things over to Greg, who will provide you an overview of our financial results. Greg?

Gregory W. Blunden
Chief Financial Officer

Thank you, Chris, and good morning, everyone. Emera's consolidated loss in Q3 2016 was $95 million or $0.52 per share. When quarterly results are normalized the $109 million of mark-to-market losses second quarter 2016 adjusted net income was $14 million or $0.08 per share compared with adjusted income in Q3 2015 of $23 million or $0.16 per share. Excluding $119 million of costs associated with the TECO Energy acquisition, adjusted net income was $133 million or $0.73 per share. The acquisition costs included legal, banking and advisory fees, the New Mexico Gas Company stipulation commitments, TECO Energy stock-based compensation, acquisition-related financing costs, noncash accounting-related costs associated with conversion of the convertible debenture and convertible debenture-related interest.

I also want to point out that the share count is substantially higher this quarter due to the conversion of the convertible debentures and the issuance of 51.9 million common shares. Our quarterly financial results were strong, reflecting the results from Emera Florida and New Mexico, which I will discuss in a moment, and the better-than-expected results at other operating companies some of which is related to timing.

Moving to the segmented results. I'll begin with Emera Florida and New Mexico, which, as Chris previously mentioned, provided $60 million to adjusted earnings, net of the $49 million of permanent financing cost or $109 million gross. The third quarter is always strong in Emera Florida and New Mexico. We expect that roughly 30% of the earnings from Florida and New Mexico will occur in the third quarter, with about 25% in the first quarter when New Mexico Gas is strongest due to its winter peak load. Earnings in the second and fourth quarters are typically split pretty evenly and slightly more than 20% each. Finally, we expect the financing costs to be consistent quarter-to-quarter for the foreseeable future. Nova Scotia Power provided net income of $15 million in Q3 2016 compared to $5 million in Q3 2015. The increase was primarily due to the timing of regulatory deferrals and lower OM&G costs in the quarter. Nova Scotia Power's net income year-to-date was $96 million compared to $90 million for the same period last year. Emera Maine contributed $17 million to consolidate net income in Q3 2016 compared to $15 million for the same period last year. Emera Maine's net income year-to-date was $36 million compared to $40 million for the same period of last year. Emera Caribbean's net income increased to $24 million in Q3 2016 compared to $13 million in Q3 2015. The increase was primarily the result of lower OM&G costs as a result of restructuring actions and higher energy sales at Barbados Light & Power. Emera Caribbean had year-to-date net income of $92 million compared with $27 million for the same period last year. The higher net income was primarily due to the gain realized on the Self Insurance Fund in the second quarter and a decrease in OM&G. Third quarter results for Emera Caribbean do not include any of the estimated pretax USD 25 million for Hurricane Matthew restoration costs. We expect that these costs will be capitalized and recoverable from customers over time. Emera Energy was essentially breakeven in Q3 2016 compared to an adjusted net income of $15 million last year. Third quarter results are traditionally modest from our [indiscernible] trading and 2016 was no exception with $2 million of margin compared to $5 million in 2015. In addition, higher fuel cost at Bayside, due the expiration of favorable gas contract and higher OM&G in the New England plants, contributed to Emera Energy's lower earnings quarter-over-quarter. Q3 energy sales volumes and spark spreads were consistent between 2015 and 2016 in New England, and the plants continued to perform well with a world-class forced outage rate of less than 2%. The reduced availability quarter-over-quarter reflects plant outages in Tiverton and Bridgeport. Year-to-date, Emera Energy contributed adjusted net income of $19 million. Emera Energy's Q3 mark-to-market loss had a material impact on reported earnings in the quarter. So I want to take a moment to help people put that into perspective. As we explained in the MD&A, Emera Energy has a number of Asset Management Agreements, or AMAs, with gas distribution utilities, power utilities and natural gas producers. The AMAs involve Emera Energy buying or selling gas for a specific term and the corresponding release of the counterparty's gas transportation or storage capacity to Emera Energy. Mark-to-market adjustments on those AMAs arise on the price difference between the point where gas is sourced and where it is sold. At inception, the mark-to-market adjustment is fully offset by the value of the corresponding gas transportation asset. Of course, the gas prices move over the term of the AMA, which means the value of the transportation also changes. However, because the 2 elements are accounted for differently, the gas is mark-to-market and the transportation is amortized evenly, that results in some net mark-to-market gains or losses recorded in income. Ultimately, all the gas transportation asset in the mark-to-market adjustment reduced to 0 at the end of the contract term. And to complicate matters, in circumstances where the receipt point is a liquid or without a representative index, like many points in the Marcellus region, for example, Emera Energy has to find an appropriate, correlated liquid point to serve as a proxy in the mark-to-market calculation. We also have to continually assess which points are most correlated, and from time to time, change the proxy -- change its proxy point. That change can result in a large swing in mark-to-market calculations, as was the case in Q3 2016 for approximately USD 80 million of the unrealized losses incurred during the period relate to changes in the proxy assumption for 2 receipt points. It's important to emphasize that these arrangements have no actual economic market exposure, because regardless of the difference in the value of the gas between the receipt and delivery points, Emera Energy has a transportation capacity that enables it to move the gas to the point at which it is priced.

Our Corporate & Other segment posted a $151 million adjusted net loss in Q3 2016 compared to a loss of $25 million in Q3 2015. The variance was primarily due to higher interest expense, as a result of the permanent financing of the TECO acquisition and other costs associated with the TECO acquisition, as I discussed earlier. Corporate & Other reported year-to-date net income of $19 million compared to a $9 million loss in the 2015 period. Year-to-date results included $179 million of TECO acquisition costs that were more than offset by the $199 million of after-tax gains in the second quarter from the sale of our Algonquin Power shares and the conversion of Algonquin Power subscription receipts.
That's all for my update, and I'll be happy to take your questions.

Question and Answer

Operator

[Operator Instructions] And your first question comes from the line of Linda Ezergailis with TD Securities.

Linda Ezergailis
TD Securities Equity Research

I have a question that's a little bit north of the border, north of Florida. The media is suggesting that the CEO of Nalcor is in discussions with you to change the terms of the existing contracts with Maritime Link. Can you comment on some of the conversations at all? And what that might be referring to?

Christopher G. H. Huskilson
Chief Executive Officer, President and Non-Independent Director

Well, Linda, we continue to work directly with Nalcor on an ongoing basis, both as it relates to the construction and the timing of the project as well as the movement of the energy from the Muskrat Falls plant. And so what we are concentrating on these days is the surplus. And I think what Nalcor has currently -- their current view would be that they have a little more surplus from the plant than they originally had anticipated, as a result of some reductions in consumption in the province. And so with that being so, then there is a lot to be done to get the surplus power to market. And so we're working with them on that issue.

Linda Ezergailis
TD Securities Equity Research

Okay. And is that the only thing that you are working on them with at this point?

Christopher G. H. Huskilson
Chief Executive Officer, President and Non-Independent Director

Well, as I said, we're working with them on all aspects of the project. And so it's an ongoing direct relationship that we have with them.

Linda Ezergailis
TD Securities Equity Research

Okay. And moving on to TECO. I appreciate the update on the seasonality. And just wanted to confirm that prefinancing [indiscernible] seasonality?

Gregory W. Blunden
Chief Financial Officer

Yes, it is. Yes, it is. Linda, we would expect the financing to be relatively uniform quarter-over-quarter.

Linda Ezergailis
TD Securities Equity Research

Yes. Okay. So then, if we look at Q4 of this year based on weather patterns, consumption, et cetera, that you've seen, is it reasonable to impute that relationship this year specifically as well versus what you experienced in Q3?

Gregory W. Blunden
Chief Financial Officer

Yes. I think, directionally, it will be pretty close, Linda. Obviously weather can have a bit of an impact, probably little bit more in New Mexico Gas in the balance of the year than Tampa Electric. But directionally, I think you'll be fairly close.

Linda Ezergailis

TD Securities Equity Research

Okay. That's helpful. And with the closing now behind you of the acquisition, are there any updated thoughts on foreign exchange hedging policy? You've got about 70% of your earnings in U.S. dollars, you pay your dividend in Canadian dollars. Can you comment on any updated thoughts on that front?

Gregory W. Blunden
Chief Financial Officer

No. We look at foreign exchange, Linda. I mean, first from a credit metric perspective we're relatively not sensitive to changes in the dollar, because the amount of U.S. dollar debt we have is relatively proportionate to the amount of cash flow we have in the U.S. From a cash flow perspective, again, we're relatively hedged in that additional and excess cash flows are committed to U.S. will either used to reinvest in the regulated utilities south of the border or to repay our U.S. denominated debt. So really the balance of exposure we have from a currency perspective is on a reported earnings. And it's just very difficult to put a hedge in place, an economic hedge in place, on accounting earnings and feel very good about it. At this point, we are planning to keep our dividend in Canadian dollars. The feedback we're getting from investors, our Canadian investors, is that's what they're looking for. But it's something that we'll continue to look at over time.

Operator

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

Robert Hope
Scotiabank Global Banking and Markets, Research Division

Maybe moving on to your Caribbean operation. Can you touch on your comments in the MD&A where you expect 2016 adjusted earnings to be relatively consistent with prior years? But that said, your first 9 months so far, for the most part, surpassed last year's total. So does that imply a sharp step-down in Q4 potentially as a result of the hurricane?

Gregory W. Blunden
Chief Financial Officer

No. Robert, I think one of things when you think of the first 9 months, you do have to take into account the gain that we had on the Self Insurance Fund in the second quarter, and there is a little bit of timing. But I think if you're looking at the fourth quarter for Emera Caribbean balance of the year compared to last year, I think you'd probably find it'd be directionally fairly close.

Robert Hope
Scotiabank Global Banking and Markets, Research Division

Right. That is helpful. And then, just taking a look at energy and with no income in Q3. I do realize that you do have some benefits moving forward in terms of cost. But can you give us an updated thought on your marketing opportunities there as well your generation opportunities there through the balance of the year and into '17?

Gregory W. Blunden
Chief Financial Officer

Judy, maybe I would defer you to answer Rob's question.

Judy A. Steele
President of Emera Energy Inc and Chief Operating Officer of Emera Energy Inc

Yes, sure. So through the balance of '16, what we've been saying for a while is that we're probably going to be at the low-end of our earnings guidance for marketing and trading, which is somewhere in the range of $15 million to $30 million. Again, it's challenging to predict because November and December can be big months in marketing and trading or they can be more benign. So -- but that said, I think, it's still fair to say that the low end of earnings guidance is there, and probably it would not be dissimilar for

2017. With respect to the -- essentially the asset part of the business, which is largely the New England generating facilities, we've had a couple of very, very strong years there with $51 and $35 spark spread hedges in the winter season or essentially open going into 2017. The spark spreads are very low at the moment. We think we have more opportunity in the real-time market. We do have some hedges in place that will ensure that, for example, our Tiverton facility stays online, but we're mostly market-facing for the first quarter of 2017 in the facilities. But I do remind everybody that the capacity values are essentially doubling as of June, and that will add almost $30 million in new revenue in the New England asset. So that will be kind of a mitigating factor for what's currently kind of a weak electricity market.

Christopher G. H. Huskilson
Chief Executive Officer, President and Non-Independent Director

And I think, Judy, it's also fair to say that, you're well positioned in the market, because you have lots of pipeline capacity available to you, and you have your units are in good shape. The big question is what's the weather is going to do? And so Rob, I think it's very difficult for Judy to predict that. It certainly has been very mild, and if that continues, then earnings will be weak.

Operator

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

David Quezada
Raymond James Ltd., Research Division

My first question is just a follow-up on Emera Energy. Are you able to quantify the cost of the plant outages that you had there in the quarter? And maybe just remind us what the schedule is for maintenance over the next 12 months?

Judy A. Steele
President of Emera Energy Inc and Chief Operating Officer of Emera Energy Inc

Yes. So we've would have invested in total about $40 million in capital in the facility. So I think in 2016, I don't have the breakout of that right in front of me at this moment. 2017 is lighter than that. We did have a 50-day outage at Tiverton, which added 20 extra megawatts to the facility and kind of improved the heat rate by 2% or 3%. So 2017 is a more modest capital profile. I can dig that out and have someone send that to you.

David Quezada
Raymond James Ltd., Research Division

Sure. That's helpful. And then I guess, just one other kind of housekeeping question. I believe the release said warmer-than-usual weather in Florida. So would you characterize the earnings from Emera Florida as maybe surpassing expectation this quarter? Or is that a reasonable third quarter run rate, going forward?

Gregory W. Blunden
Chief Financial Officer

Yes, certainly, I don't if I'd characterize it necessarily as unusual. I mean, in addition to the warmer weather, they've experienced some low growth and they've been investing in the rate base with a $700 million investment in their Polk power plant. It has been warmer than normal, but it kind of has been for the last 24 months or so. So on a quarter-over-quarter basis, we're seeing a little bit of pick up in electric sales, but it's kind of been a natural trend that we've seen over the last couple of years. So in general, probably slightly positive in the quarter, but I wouldn't say materially soft.

Christopher G. H. Huskilson
Chief Executive Officer, President and Non-Independent Director

Yes. We're generally seeing about 2% growth in that market, just slightly less than that, which turns into $15 million to $25 million of revenue growth on an annualized basis. And then on top of that, we also are going to see the $110 million coming in early in January, as we bring the Polk project online. So we are going to continue to see some growth in the revenue line, and that will affect our business as a whole.

Operator

And your next question comes from the line of Ben Pham with BMO.

Benjamin Pham
BMO Capital Markets Equity Research

Just wanted to follow up on the Caribbean question. Are you guys looking at earnings before ownership or after an ownership changes, that will be for NCI [ph]?

Gregory W. Blunden
Chief Financial Officer

Sorry, Ben, you are referring -- from the Emera Caribbean piece, on the ECI?

Benjamin Pham
BMO Capital Markets Equity Research

I want to...

Gregory W. Blunden
Chief Financial Officer

Sorry, go ahead.

Benjamin Pham
BMO Capital Markets Equity Research

Yes. Sorry, it's more of following up. I'm trying to reconcile your comments on your Caribbean growth? And even if you strip out the FIS and even the restructuring costs last year, it implies negative earnings for Q4, but there has been some ownership changes, or ownership percentage changes, I'm just -- are you guys adjusting for that to derive the outlook?

Gregory W. Blunden
Chief Financial Officer

Sorry. So on a quarter-over-quarter base, our fourth quarter, we would expect to be relatively consistent. Obviously, you'd have to adjust that in instances where we have a larger ownership share this quarter than we would have a year ago. So the overall business we would expect to perform in the fourth quarter relatively consistent with the fourth quarter of last year, recognizing that we do have a larger chunk of that because of some of the ownership changes. Does that answer your questions?

Benjamin Pham
BMO Capital Markets Equity Research

Yes.

Scott LaFleur
Manager of Investor Relations

Greg, it's Scott. Maybe, I can help a little bit.

Gregory W. Blunden
Chief Financial Officer

Yes, go ahead, Scott, please.

Scott LaFleur
Manager of Investor Relations

I think, you could say that the outlook that we referenced in the MD&A is potentially a little bit conservative. Obviously, there's been a lot of changes and impacts with the Self Insurance Fund, related transactions occurring over the last 2 quarters, both in second quarter and little bit more in the third, and the acquisition of the minority interest of Emera Caribbean Inc. sort of driving some of those dynamics. So at the same time, obviously, as it relates to the impacts of Hurricane Matthew on load in Grand Bahama while we remain optimistic as to the net impacts of that not being material from a financial perspective. Obviously, it will have some near-term impact in terms of load and the like. This might have tempered our optimism for the fourth quarter a little bit. So all in all, I think the business underlying is performing well. I think we're seeing some strong performance. And I think, if you sort of look at the reconciliation table in the MD&A, there would be transactional issues around the Self Insurance Fund. You'll see that, underlying it, there's been some OM&G savings and some cost savings and a little bit of load growth. We might give up a bit of that load growth in the fourth quarter in Bahamas, but a larger part of the OM&G savings will be sustained through the fourth quarter and into 2017.

Benjamin Pham
BMO Capital Markets Equity Research

Okay. And my second question is on the Maritime Link as you head towards in service beginning of 2018. Can you walk through the regulatory filings you need to go through? I mean, is there some sort of compliance filing that you need to approve that the transmission line is use and -- useful for you to get that booked into rates?

Christopher G. H. Huskilson
Chief Executive Officer, President and Non-Independent Director

Well, so first of all, I think the largest piece of this is complete in that -- in that Nova Scotia Power has the revenue requirement for Maritime Link in their fuel component, and so that's kind of the first step in this. What's going on right now is that Maritime Link is filing with the regulator to outline the project itself and so to describe their costs that have gone forward, et cetera. And so that will allow for a preliminary assessment, which will be active as of the 1st of -- end of '17 and 1st of '18. And then, after that, there will ultimately be a closeout and a final costing review that will get done. And it's unclear at this point whether that will be a paper exercise or whether that will be an active hearing. We don't know the answer of that yet, but those are the really the 3 steps, one of which is complete.

Benjamin Pham
BMO Capital Markets Equity Research

Okay. And maybe just stick with Nova Scotia lastly. On the base business, how do you think about the realized ROEs through '19, as you build up some deferral accounts and you get some tax benefits there, I think, you're deriving it [ph]? Do you expect it to be within your historical range?

Gregory W. Blunden
Chief Financial Officer

Yes, Ben, it's Greg. So obviously, the Nova Scotia Power ROE range is 8.75% to 9.25%, and even with the buildup of deferrals, we anticipate because the [indiscernible] Agreement there may be periods of time like we're in right now, where we're actually overcollecting on fuel. All we said is we would fully expect that there'd be no change in that range between now and the end of the decade, and that we will continue to earn within that range.

Operator

[Operator Instructions] Your next question comes from the line of Andrew Kuske with Crédit Suisse.

Andrew M. Kuske
Crédit Suisse AG, Research Division

Maybe just a question on the FX side of things, and just how are thinking about FX in relation to future financing, and then also just the underlying valuation. And I ask the question in part because if you look across the border, there's clearly a rate dump dichotomy that is building in the U.S. market and possible rate increases in the future, whereas in Canada, possible rates declines at least on overnight. How does that factor into your thought process on the asset valuation and financings on the debt?

Gregory W. Blunden
Chief Financial Officer

Andrew, it's Greg. I mean I think a couple of things to think about -- I mean, the majority of our financing that we did for the TECO acquisition was in U.S. dollars. And so that provided, I guess, a bit of a natural hedge in terms of our earnings perspective. We don't have any material financing requirements over the next few years on either side of the border. So to be quite frank, 25 basis points changes by the Fed in the U.S. aren't going to have much an effect on us. We do, however, believe if interest rates rise in the U.S. and they stay lower in Canada, that could have an effect on the currency, likely a weaker Canadian dollar, which would be beneficial to our -- the performance business. But at this point in time, we're -- short term small changes in the Fed rate, for example, is unlikely to have much of an effect on our business performance.

Christopher G. H. Huskilson
Chief Executive Officer, President and Non-Independent Director

And Andrew, I think the only other thing that I would suggest is that over the next 3 or 4 or 5 years, it's our intention to pay down a fair bit of the debt that we have in the U.S. In fact, our objective will be to retire TECO finance completely over that relative time frame. And so we are working down that path as part of this whole thing.

Andrew M. Kuske
Crédit Suisse AG, Research Division

Okay, very helpful. And then, I guess, maybe just a related question. If you are in an environment where the U.S. dollar strengthens versus the CAD, then effectively you have more [indiscernible] on a Canadian dollar basis. How does that cover your thoughts on dividend growth and payout ratio and all of those things?

Gregory W. Blunden
Chief Financial Officer

Sorry, Andrew, you're breaking up a little bit on your question. But I think the question was that if we have a weakening Canadian dollar, what does that do to our dividend payout ratio?

Andrew M. Kuske
Crédit Suisse AG, Research Division

Yes. Exactly.

Gregory W. Blunden
Chief Financial Officer

Yes. So a weaker Canadian dollar will likely mean that obviously our U.S. dollar earnings will get translated at a higher rate than they otherwise would, which would push our earnings up. All things being equal, that would cause our dividend payout ratio to go down under that scenario, and of course, the alternative would also be true.

Christopher G. H. Huskilson
Chief Executive Officer, President and Non-Independent Director

I mean, I guess, Andrew, we really haven't formed a view of just how far -- if we just assume for a moment that the U.S. dollar rises quite dramatically against the Canadian dollar or vice versa, whichever way you might want to say, I would say, we haven't formed a view as to whether that would change our payout ratio or not. At this point and in and around the $1.30-ish range, which is really where the transaction took place, we are very comfortable with the metrics we put forward, which is to say that we want a payout between 70% and 75%. If that became more dramatic in either direction, we'd probably reassess, but for now, we don't see a change in that as we sit today.

Operator

Your next question comes from the line of Robert Kwan with RBC Capital Markets.

Robert Michael Kwan
RBC Capital Markets, LLC, Research Division

Just coming back to Maritime Link lever item and I guess, Muskrat Falls. Just wondering with the federal loan guarantee top-up, that seems like a good sign, but there was some color about both Nova Scotia and Newfoundland and Labrador remaining committed to the project. I'm just wondering if you could provide some color around that specifically if you think or if you know there's going to be in-service date commitments?

Christopher G. H. Huskilson
Chief Executive Officer, President and Non-Independent Director

Well, I think so Nalcor -- I mean, I guess, let's back up a little bit. So our commitment has and always is to get that Maritime Link in service in the 2017 -- into 2017 time frame. As we understand it, the transmission in Newfoundland is likely to be in service at the latest in the early part of '18 as well. And so that's been -- I think that's been described by the parties, and I think that continues to be the case. As it relates to the power plant, Nalcor has put forward a time line that they expect the power plant to come on, and that sees, I think, full power in the 2020 time frame. And they haven't changed that, in fact, the work that they're doing would continue to confirm that, that is a very valid time line for the project and would continue to be something that we would expect to have. And so I mean, I think the only real issue here is the fact that there is more money going into the project, and so the commitment by the Newfoundland and Labrador government and the Canadian government to help support that I think we see is very positive. The project is critically important for the region. The transmission loop it creates allows us access to more and more energy through this period. And I think it also facilitates us collectively in Atlantic Canada providing service into the New England market. And we see -- we continue to see the opportunities to do that. We continue to work hard on Atlantic Link, and we're seeing opportunities for us to actually move -- continue to move that project forward. So when we think about how this is going. I think the time line has now been defined, and I believe that, that time line will be met based on the way things are progressing.

Robert Michael Kwan
RBC Capital Markets, LLC, Research Division

Right. And in terms of the extra commitment that the Feds are providing, do you -- is it your understanding now that Nalcor will be held to 2020?

Christopher G. H. Huskilson
Chief Executive Officer, President and Non-Independent Director

Yes. So as I said, I think Nalcor has made that commitment from a planned perspective, and I don't think anything has changed that.

Robert Michael Kwan
RBC Capital Markets, LLC, Research Division

Okay. I've seen that within your presentation earlier, but just in terms of the will equity investment in 2017 has gone down quite a bit. Is that just shifting into 2018?

Christopher G. H. Huskilson
Chief Executive Officer, President and Non-Independent Director

Fundamentally, in fact, the schedule did slow down a little bit this year, but we see it picking back up here now.

Robert Michael Kwan
RBC Capital Markets, LLC, Research Division

So -- but there's specific reduction in the equity injection in 2017?

Christopher G. H. Huskilson
Chief Executive Officer, President and Non-Independent Director

It's simply about spend, Robert. So if the project is progressing, which now is, then the spend will be progressing as well.

Gregory W. Blunden
Chief Financial Officer

Yes, Robert, it's Greg. We do see probably a little bit of spending move primarily in the fourth quarter of '17 and into first quarter of '18.

Robert Michael Kwan
RBC Capital Markets, LLC, Research Division

Right. Okay. That's great. And maybe just a last question here. I know didn't make a lot of detailed statements here around the hydrocarbon plan, and I know it's -- there's a lot of detail to be worked out. Just wondering, how you're approaching this in terms of -- is that a collaborative approach with the Nova Scotia government at this point to try to explain all of the good things you're doing in Nova Scotia around the renewable portfolio standard and try to get something offset here from what sets on the carbon side?

Christopher G. H. Huskilson
Chief Executive Officer, President and Non-Independent Director

Yes. I mean, Robert, first and foremost, as we sit today, we're already 36% below 2005 levels. And the current plan that we have, which really allows our business to continue to perform in a good way but also continues to reduce carbon would see us at 58% below 2005 by 2030. So in effect, our business has a cap on carbon emissions, and that cap is substantially below the levels that would be emitted based on the plan that Canada has put forward. So when you put that all on the table, I think, Nova Scotia is in a very good position to continue to work with the Feds to come up with a good win-win solution for the sector and for the province. And we believe that, that firm position allows us to comply as we go forward. So -- and we do think that the work that was done a number of years ago, that came up with the equivalency approach that was innovative at that time, has produced real carbon reductions, and we think we can continue to work in that kind of direction.

Operator

And your next question comes from the line of Robert Catellier with CIBC.

Robert Catellier
CIBC World Markets Inc., Research Division

I just have a few -- just really 1 clean-up question on the weather. I just wondered if it was possible to quantify the impact of warmer weather on adjusted earnings, and specifically for Tampa Electric but also in aggregate for all the utilities? Maybe it's something we can take offline if you don't have the number handy, but I'm just trying to gauge the impact that had on Q3 results?

Gregory W. Blunden
Chief Financial Officer

Yes, it has an effect on the Q3 results, but it's not an exact science, as you can appreciate, trying to determine how much of the load is directly attributed to weather versus other changes, especially when you look at a very, very short period of time. Certainly, when we looked at -- it's warmer-than-normal weather in Tampa Electric, and certainly in Barbados, in particular, experiences the same thing. The alternative would have happened in our northeastern businesses, somewhat uneventful summer in New England, depressed power prices for a while. I mean, we can certainly take it offline to see if we can do something on it, but I'd be a little bit reluctant, Robert, to put too much emphasis on it.

Christopher G. H. Huskilson

Chief Executive Officer, President and Non-Independent Director

But I think the other thing to note though, the seasonality of the business has now changed quite a bit with both summer peaking businesses and winter peaking businesses together. And so, I think, that seasonality is something we need to make sure. And I think we'll spend more time on that as we go forward, so that people can understand that better.

Robert Catellier
CIBC World Markets Inc., Research Division

Okay. Just specifically on Tampa Electric, though. It looks like you had 1.6% customer growth, but 6.9% electricity volume growth. So just on first appearance, it looks like there was actually -- it had pretty good effect on the -- that the weather had pretty good effect on the quarter?

Gregory W. Blunden
Chief Financial Officer

And there's actually a third piece as well, Robert. There is also some economic growth. So for example, you might have more commercial customers come on that account for one customer, but obviously impact growth as well. But certainly, on a -- there was no question that it was warm in the third quarter in the Tampa Electric service territory this year.

Operator

And your next question comes from the line of Jeremy Rosenfield with Industrial Alliance.

Jeremy Rosenfield
Industrial Alliance Securities Inc., Research Division

Just a couple of maybe more strategic questions. Just first on the tri-state RFP and the results that came out of that. How do you interpret the lack of a desire for transmission sort of proposals and the results of that RFP?

Christopher G. H. Huskilson
Chief Executive Officer, President and Non-Independent Director

Well, I mean, I guess, first and foremost, I think there's still an open need for clean energy. That's the first thing I would say. And I guess, when you think about looking for something like about 4 terawatt hours of energy, it's probably not enough to drive the scale of project that's required to actually bring that in a competitive fashion from an energy-delivered perspective. And so I just think that the tri-state was a little too small in order to drive additional infrastructure. And so, I think we would expect that if you think about what Massachusetts is looking for, it's now large enough to drive infrastructure. And we think that, that is something that will happen. I would say that we were hopeful that the relatively small incremental transmission builds that were needed for the AC system might well fall under the tri-state RFP. But I think what we learned is that even that burden is a little too much at that scale. So I think, we'll see how it unfolds as Massachusetts takes its step into this area, but certainly, infrastructure is going to require if clean energy is going to get into that market. And certainly, the in-market solutions are more expensive than the out-of-market solutions with infrastructure. So I mean, we do know those 2 things. And so -- but at the end of the day, it will depend on the various jurisdiction's decision-making relative to what they want to pay for clean energy.

Jeremy Rosenfield
Industrial Alliance Securities Inc., Research Division

Right. Okay. And then also maybe just another sort of strategic question. When you think about next steps to growing the overall Emera business following on TECO acquisition. How do you sort of think about additionally regulated utility acquisitions, like U.S. market opportunities versus, let's say, generation capacity additions, either a mix of contracted and merchants or just wholly contracted assets? What's the -- what's like [indiscernible] the give and the take there?

Christopher G. H. Huskilson
Chief Executive Officer, President and Non-Independent Director

Well, I mean, I guess, first of all, I don't think we have changed our point of view that we're mostly focused on organic growth of our businesses and that acquisitions are something that we'll do from time-to-time when they make sense to us. But we are continued to be primary focused on organic growth in the business. Today, we see about $8 billion of capital in front of us for our business over the next 5 years. That's certainly supports the growth rate that we talked about. And I guess, a little bit back to Andrew's question from before, the fundamental thing about dividend is that we've targeted 8% growth, and we see our capital program is providing the capacity to do that. So that's kind of the first piece. The other thing is, as we are entering and have now entered both the Florida and New Mexico market, we do see lots of opportunities there. I mean, certainly, there is a desire in both markets to see more and more clean energy come into the various end uses. And so from a -- if you think about generation, our focus will be on solar generation in Florida to start, and we see lots of opportunity to do that, and also, in conversion of higher carbon users into lower carbon users relative to the use of our gas systems. And so when we put those 2 things together, those are not in our $8 billion of growth that we see. So that will provide incremental growth over that period and beyond, I would say. And so that's really where you're going to see us spending an awful lot of our time, focus, And also, I think, that, that type of growth is a whole lot more predictable and more incremental, and therefore, I would say, easier to control, overall.

Jeremy Rosenfield
Industrial Alliance Securities Inc., Research Division

And probably better return on the capital being invested as well, would say?

Christopher G. H. Huskilson
Chief Executive Officer, President and Non-Independent Director

Well, we always prefer to invest without premiums as opposed to with premiums and capital going into our businesses is what's [ph] that's right.

Operator

There are no further questions at this time. I'll turn the conference back to Chris Huskilson for closing remarks.

Christopher G. H. Huskilson
Chief Executive Officer, President and Non-Independent Director

Okay. Well, thank you very much. And I'd really like at this point to acknowledge all the hard work that went into delivering the results for this first quarter post-closing of this transaction. I know that the finance groups as well as the operating teams all worked extremely hard, and I would say, did an outstanding job in completing both the reporting and producing the results. And so I think it's a very exciting time for our existing business and also a very exciting time with our new businesses. So thank you to them, and thank you for your continued interest in our company. Have a good day.

Operator
And this concludes today's conference. You may now disconnect.