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## PRESENTATION

**Operator**

Good morning, ladies and gentlemen, and welcome to Emera Q3 analyst conference call. (Operator Instructions) Please note that this call is being recorded today, November 9, 2018, at 9:00 a.m. Eastern time.

I would now like to turn the meeting over to your host for today's call, Erin Power, Manager of Investor Relations for Emera. Please go ahead, Mrs. Power.

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**Erin Power** - *Emera Incorporated - Manager of IR*

Thanks, Sharon, and thank you all for joining us this morning for Emera's Third Quarter 2018 Conference Call and Live Webcast. Emera's third quarter earnings release was distributed yesterday after market closed 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.

Speaking on the call today is Scott Balfour, Emera's President and Chief Executive Officer; and Greg Blunden, Chief Financial Officer. Scott, Greg and other members of Emera's management team will respond to your questions following their prepared remarks. This morning, Scott will begin with an update of the business and our strategic initiatives, and Greg will follow with an overview of the financial results. We expect the prepared remarks 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 risks, 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, operations and maintenance, energy prices, general economic conditions, weather, derivatives and hedging, capital resources, loss of service area, licenses and permits, environment, insurance, labor relations, human resources and liquidity risk. A number of factors could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking statements.

And now I will turn things over to Scott.

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

Thank you, Erin, and good morning, everyone. I'm pleased to report that yesterday evening, Emera announced strong quarter-over-quarter earnings increases across all of our operating companies, driving year-to-date increases and adjusted net earnings of 30%, adjusted earnings per share of 19% and operating cash flow of 29%.

Our strong performance in the quarter was balanced across our affiliates and reflects the tremendous growth opportunities in our portfolio. Our quarterly earnings were further enhanced by our businesses' ability to capitalize on weather-driven earnings opportunities. Our continued investment in our solar program in Tampa has boosted our 2018 financial results. The third quarter marked a significant milestone in the program as we placed 145 megawatts into service in September. The team in Tampa works diligently to complete these projects on time and on budget.

Now that these projects have been placed into service, customer rates have been increased in accordance with the Solar Base Rate Adjustment or SoBRA. And Tampa Electric is now collecting revenue pursuant to this mechanism.

Over the balance of 2018, higher customer base rates, as a result of the SoBRA, are expected to generate approximately $8 million in revenue. We've continued to make significant progress on our Tranche 2 projects and are on track to bring the next 260 megawatts online in early 2019. Late last month, the Florida Public Service Commission approved the SoBRA on Tranche 2, which will adjust customer rates for the full cost recovery as soon as these projects are placed into service. Because the SoBRA mechanism allows for an immediate cash recovery in customer rates, we are able to quickly convert our AFUDC earnings into cash earnings. By the end of January of 2019, we will have commissioned over 65% of the total project, which will generate an additional $70 million of revenue and approximately $30 million of cash earnings in 2019. We continue to be on track to invest approximately USD 850 million in the first phase of our solar program. As of September 30, we've invested approximately $530 million and expect to dedicate a further $115 million over the balance of 2018. At this point, with only installation remaining, we are confident that the cost of the project will stay within budget. We continue to explore the opportunity to invest in a second phase of solar in Tampa. We believe that there is further capacity and value in additional solar for Tampa Electric customers. And we are actively looking at the potential to develop an additional 600 megawatts post 2020.

Our planned USD 850 million investment to modernize Big Bend, by converting one of the units to combine-cycled natural gas and retire another unit early, complements our investment in solar in the region. A modernized Big Bend will provide customers with cleaner and lower-cost synergy, while also providing additional fast-acting generation, which is needed to enable additional solar capacity.

Over the next 3 years, investments like our Florida solar program, the modernization of Big Bend and our cross-utility AMI roll-out are the foundation of a more than $6 billion capital program, which is focused on investments in renewable and clean energy, modernization of aging infrastructure and customer-focused technologies.

Over this period, approximately 85% of our planned capital will be deployed in Florida and Nova Scotia. We expect that by investing the majority of our capital in the state of Florida, a jurisdiction with above-average equity thickness and double-digit ROEs, we will achieve higher EPS growth and naturally reduce our consolidated leverage over the period.

At our investor lunch later this month, we will be rolling out our updated capital forecast through to 2021. We expect that the updated capital plan will be generally consistent with our 2018 to 2020 forecast. We expect our healthy annual rate base growth of over 6% to continue through 2021, driven by highly accretive growth investments in our Florida utilities and sustainable and consistent growth in our other utilities. As we've noted in the past, the rate-based profile only includes projects that we are highly confident will proceed. Additional opportunities will sustain or enhance our long-term rate-based growth, including a second phase of solar investments in Florida.

In a few minutes, Greg will take you through the quarterly results. But before I turn it over to him, I wanted to speak briefly about Emera's future direction. Over the last several months, we've been taking the board through our annual strategic review. As that process comes to a close, I want to provide you with some perspective about how we are thinking about our business and shaping our path forward. A key question for us in the current environment of a higher cost of equity is how do we continue to both grow and improve the overall financial strength of Emera to provide the best value proposition to our stakeholders.

The TECO acquisition transformed our business and it has delivered growth in cash flow, earnings and earnings per share. The growth opportunities in front of us are as robust and value-enhancing as they have ever been, but as we're all aware, equity capital market conditions are different and the cost of equity is higher. So in response, we're looking more aggressively at internal sources of capital as an important component of our funding plan. This means that in addition to our operating cash flow, select asset sales will form a meaningful part of our funding plan, which will significantly reduce and potentially eliminate our external common equity needs beyond our DRIP. We are optimizing our portfolio so that we can fund our best growth opportunities and establish a strong foundation for our business going forward. We've been evaluating our portfolio through a number of financial and strategic lenses, including value, marketability and opportunities for future growth. We know that redeploying capital into the growth investments of our strongest performing assets will lead to higher-quality earnings and cash flows, creating an even stronger Emera and offering the best value proposition for both current and future stakeholders.

I'll now turn it over to Greg to take you through our results and to share a bit more of our thinking on the funding plan. Greg?

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**Gregory W. Blunden** - *Emera Incorporated - CFO*

Thank you, Scott, and thank you all for joining us today.

In Q3 2018, Emera reported adjusted net income, which excludes mark-to-market adjustments, of $191 million and $0.82 per share compared with adjusted net income of $118 million and $0.55 per share in Q3 2017. For the year-to-date period, our adjusted net income was $504 million or $2.17 per share compared to $387 million or $1.82 per share for the same period in 2017. So very strong quarterly year-to-date performance, which keeps us on track to deliver strong adjusted EPS and cash flow to our shareholders. We also reported a significant increase in our year-to-date operating cash flow before changes in net working capital of $281 million or 29% to $1.2 billion. Operating cash flow is a key metric for our business because it is the basis upon which our credit metrics are calculated. This increase exceeded our forecast, and as a result, we expect our annual cash flow growth will exceed adjusted EPS growth.

Weather continued to be a theme in Q3. Across many of our service territories, we experienced unseasonably hot summer weather, which created earnings opportunities. And our businesses were well positioned to capitalize on those opportunities. In the U.S. Northeast, hot and humid weather conditions provided earnings opportunities for both Emera Energy's generation and Marketing and Trading businesses. These warm weather conditions strengthened energy pricing in the region, which was positive for both the gas marketing and generation sides of the business.

In addition to higher energy margins, the generation business continued to realized higher capacity revenues in the quarter as a result of the step-up in capacity revenues that came into effect in June. Here in Nova Scotia, we also experienced an unseasonably hot summer, which resulted in increased load. Nova Scotia Power was especially well positioned to capitalize on the opportunity provided by the hot weather due to its successful efforts over the past several years to convert customers from oil-based heat to electric heat pumps, which also enabled customers to utilize air conditioning during warmer weather.

And in Tampa, our continuing investments in solar drove a significant increase in quarterly earnings. The quarter-over-quarter earnings increase was largely driven by higher AFUDC earnings and an increase in base rates following the completion of Tranche 1, partly offset by higher depreciation and amortization costs.

During the quarter, our New Mexico Gas utility reached a settlement agreement with all stakeholders on its outstanding rate case. The parties settled on all matters except for the treatment of 2018 tax benefits as a result of U.S. tax reform. We are pleased with the settlement agreement, which includes a phased-in $2.5 million increase in revenue and a weather-tracking mechanism. Going forward, the weather tracker will provide the utility with a smoother, more predictable earnings profile and now future rate cases will also be based on a forecasted test year. We expect that the final proceedings will conclude in early 2019.

Turning to the year-to-date results and looking ahead for the balance of the year. Favorable weather has been a factor in Emera Florida and New Mexico results all year, enhancing the organic customer growth we are experiencing. Tampa Electric has experienced customer growth of approximately 2% in 2018 and Peoples Gas has experienced an impressive 4% increase in its customer count over the same period. This top line growth of the utilities has translated into year-to-date earnings growth from the segment on a U.S. dollar basis of almost 10%. We expect this growth trend to continue through the balance of 2018 and anticipate that U.S. dollar earnings from the segment will grow by a modestly higher rate than the 10% growth experienced in 2017. Year-to-date results from Nova Scotia Power, Emera Maine and Emera Caribbean are in line with our expectations and provide a solid and predictable earnings foundation for the business. Nova Scotia Power has experienced strong organic and weather-driven load growth this year, which is helping to temper the effects of higher-than-expected storm costs in the first half of the year. Nova Scotia Power consistently delivers near the top end of its allowed earnings range, and in 2018, the utility expects a modest increase in annual earnings over 2017 levels. In Maine, the effects of regulatory decisions and late-season winter storms have caused lower earnings in the first 3 quarters of the year. Despite these challenges, Emera Maine is expected growth rate base modestly, with annual earnings relatively consistent with 2017.

And for the year-to-date period, Emera Energy has delivered outstanding earnings growth. In addition to the strong third quarter earnings, the Marketing and Trading business also benefited from favorable weather in early 2018, which led to strong first quarter results. Given the impressive performance of that business so far this year, we forecast that Marketing and Trading will deliver at the high end of its normal USD 15 million to USD 30 million earnings guidance range.

The generation business has also performed well, realizing higher capacity revenues throughout the year. I am pleased not only with the growth that we are seeing in our earnings and cash flow, but the improvement in the quality of these earnings. Our Maritime Link investment has been contributing cash earnings throughout 2018, and with a $40 million increase on our year-to-date capacity revenues compared with the same period in 2017. As Scott noted, we've also placed the first 140 megawatts of our Florida solar investments into service, converting AFUDC earnings to cash earnings. These predictable sources of cash, combined with a stable cash flow from our portfolio of regulated utilities, positions as well for the balance of the year and into the future.

Having a strong balance sheet is also essential for Emera's growth plans. Over the last 24 months, we have made significant progress in strengthening our balance sheet, decreasing our consolidated leverage by almost 400 basis points to 60%. And we'll continue to move closer to our 2020 targeted capital structure of 55% debt, 35% equity and 10% hybrid capital. Over the past 12 months, we have raised approximately $880 million of common equity through the combination of a public issuance and our dividend reinvestment program. And in May, we raised an additional $300 million of preferred equity.

With our 2020 targeted capital structure in line, we are focused on developing a plan that allows us to continue to grow while improving the overall financial strength of Emera. We are fortunate that in most of our -- we are fortunate in that with most of our growth plan in Tampa Electric, which has an allowed equity thicknesses of 54%, organic growth and deleveraging essentially become one and the same. We have developed targeted allocations for each source of capital, which you can see presented here.

As you can see, our capital plans are heavily weighted towards internal sources of capital, including select asset sales. We are confident that the assets that we have in our portfolio are highly marketable and could attract premium valuations. When all is said and done, we expect our total common equity needs over the next 3 years, beyond our dividend reinvestment plan, would not exceed 10% of our total funding requirements, and there is a good chance it will be significantly less than that. Our remaining funding requirements is expected to be met with debt raise at the operating company level in support of the CapEx profile for each business, preferred shares and the DRIP. We would not expect any additional long-term holding company debt over the forecast period. We are highly confident that our overall funding plan is achievable.

As we have news to share with you on this execution, we will do so. We expect to reach our targeted capital structure in 2020, which by extension will also serve to improve our credit metrics over the same period. The result is a stronger Emera that is well positioned for growth today and into the future. We look forward to updating you further on all of this at our upcoming investor luncheon.

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

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**Erin Power** - *Emera Incorporated - Manager of IR*

Thank you, Greg. This concludes the presentation. And we'd now like to open the call to take questions from analysts.

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## QUESTIONS AND ANSWERS

**Operator**

(Operator Instructions) And your first question comes from Nicholas Campanella with Bank of America Merrill Lynch.

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**Nicholas Joseph Campanella** - *BofA Merrill Lynch, Research Division - Research Analyst*

So I guess, just curious, when we think about deleveraging and the targets that the agencies want to get you to, can you maybe talk about where you need to be in order to maintain the IG metrics? Your commitment to maintaining the Baa3 at Moody's, specifically? And kind of a sense of where you are on FFO to debt in '19 without the asset sales?

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**Gregory W. Blunden** - *Emera Incorporated - CFO*

Nick, I think both agencies have been, I think, reasonably transparent in terms of expectations and thinking of it kind of in and around plus or minus 12% on a CFO- or FFO-to-debt basis. Obviously, as things evolve and there is constant assessment of the overall risk profile of the business, some agencies will probably have a slightly different view on that than others. As well, as you're well aware, Moody's also has a strong lens through the holdco debt to total debt metric as well and something that we're sensitive to. So we are on a path to meet the targets that they've established. They're obviously insiders, so they are well aware of our plan, and we think we're tracking quite well with where they expect us to be.

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**Nicholas Joseph Campanella** - *BofA Merrill Lynch, Research Division - Research Analyst*

I guess on the funding sources and uses slide, the 20% to 30% you outlined and then the 0% to 10%, that could potentially be mitigated with common equity. Have you outlined definitively what is for sale at this point? And is it fair to say that includes assets in addition to the unregulated businesses?

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

Yes, Nicholas, it's Scott. So no, we haven't been specific and we don't, at this juncture, intend to be. I would say, quite frankly, we value all of our assets. We think our portfolio of assets represents something that's really compelling. But market conditions are causing us to look at things through a different lens. And so with that, that's formed the basis of our thinking as it relates to the asset sale program. We haven't been specific and don't intend to be specific as to exactly what we're looking at. What I can tell you though, is that clearly, Nova Scotia's home base for us. It's the foundation of Emera as it is today. That's not going to change, clearly. And also, you can tell we are investing heavily in the state of Florida, and clearly that represents a significant portion of our forward-looking prospects. So beyond that, we are not at a place where we would comment at this point in time. But of course, as our plan develops and unfolds, we will, of course, keep you apprised.

**Operator**

Next question comes from Linda Ezergailis with TD Securities.

**Linda Ezergailis** - *TD Securities Equity Research - Research Analyst*

I realize there's a limit to what you can share with us in terms of asset sales. But I'm wondering potentially, if you can give us a sense of what the maximum value of potential assets that have been identified for sale relative to the target value. And also, can you give us a sense of maybe how willing you might be to sell partial interests in businesses, and other considerations?

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

Yes, so I think in terms of the value piece, Linda, I think the slides that Greg referenced gives you a pretty good sense of what we are looking at and targeting there. When you think about that against our CapEx profile, you can kind of get a sense of it. And as I said in answer to the earlier question, we are fortunate to have a portfolio of great assets. And so we do have some optionality that allows us to have the degree of confidence that we do as it relates to that component of our funding plan. But it's hard for me to say anything beyond that. Obviously, as we have something to announce, we'll do that in a moment. But for the time being, I think that gives the best guidance.

**Gregory W. Blunden** - *Emera Incorporated - CFO*

And Linda, it's Greg. Just to answer your second question, we haven't made final conclusions on what I think you might have characterized as partial interest, but that wouldn't be our area of focus at this point in time.

**Linda Ezergailis** - *TD Securities Equity Research - Research Analyst*

That's helpful context. And your Slide 14 breakdown of percentages of sources of cash was helpful. But I'm just wondering, can you give us the exact dollar billion figure for your 2019 to 2021 capital requirements? I realize it's north of -- likely north of $6 billion, but I don't remember seeing it anywhere.

**Gregory W. Blunden** - *Emera Incorporated - CFO*

Yes, Linda, it's Greg again. At our investor lunch is generally where we unveil what our updated capital plans are. But I think, as we roll forward and look at '19 through '21, we wouldn't expect it in aggregate to be materially different than the 3 years that we are currently showing.

**Linda Ezergailis** - *TD Securities Equity Research - Research Analyst*

That's helpful context. And just one last operational follow-up question. Can you clarify for your year-over-year growth in Florida, what the weather effect versus customer growth components would be?

**Gregory W. Blunden** - *Emera Incorporated - CFO*

Growth would be slightly less than 2% of the overall load on a year-over-year basis.

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

The customer growth impact in Tampa Electric right now is about 2%. I don't know, Nancy, is there any additional color that you can provide?

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**Nancy G. Tower** - *Emera Incorporated - President & CEO of Tampa Electric Company*

I can. We sort of look at customer growth as about 1.7% around that, somewhat offset by reduced consumption. So probably closer to, let's say, to 1.5% or so in terms of overall growth.

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**Linda Ezergailis** - *TD Securities Equity Research - Research Analyst*

And what does that translate to from a year-over-year income impact versus the weather dynamic? Or is that something you can't quantify?

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**Nancy G. Tower** - *Emera Incorporated - President & CEO of Tampa Electric Company*

Well, so probably around $14 million in bottom line impact.

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**Operator**

Next question comes from Rob Hope with Scotia.

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

I would like to stay on asset sales. So the 20% to 30% of your funding goal that you showed on Slide 14, just want to get a sense if you have price discovery on any of these and the status of any ongoing processes.

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

Yes, I think that -- I don't think we'll get into the details of that now, Rob. I think we got a pretty good sense of value, we would say that, and the confidence level as to the value. I'd say we're well advanced on portions of this. We would expect to be in a position to provide some clarity on at least a portion of that program by the end of the year.

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

I appreciate that. And then, I guess just as a follow-up there. Just want to get a sense of how you're thinking about the -- once a sales announcement is announced versus the path to closing, whether or not an extended regulatory review of certain assets could be a possibility. Or are you looking for easier-to-monetize assets?

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

I'd say, it depends -- it really depends on the nature of the asset itself, Robert. So again, not something I want to get into here in the call. But certainly would say that -- I'd say we expect to have clarity on a good portion of the program by the end of this year and would expect reasonably to have the program either entirely clear or entirely done by the end of next.

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**Operator**

The next question comes from David Quezada with Raymond James.

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

My first question, just on the CapEx outlook. I know obviously in the Florida utilities, you have a lot of great opportunities right now. I'm wondering if you see anything on the horizon that might lift the outlook for some of the other subsidiaries?

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

Look, I think we've actually got pretty healthy growth prospects across a number of our businesses. I think the themes that -- we talk a lot about the growth in Tampa Electric just because the numbers are large. But the investment that continues to occur in Nova Scotia, in New Mexico, across all of our businesses, frankly, continues to be quite robust. It just happens the numbers are biggest in Tampa, and so we talk about those predominantly. Obviously, we've got some assets -- some of our businesses are contributing positively to that average rate-based growth profile that Greg and I spoke to. Other assets like the Maritime Link, of course, is now an accreting asset. So that obviously doesn't contribute to it. So overall, I think the themes, though, are the same and we continue to invest in providing cleaner, affordable, reliable energy to our customers. So we're investing in things like AMI technology. That's not just a Florida investment opportunity. Obviously, both Tampa Electric and Nova Scotia Power are well advanced in terms of the implementation of that additional technology that is both good for the business and good for customers. So those things as well as continuing to clean generation and continuing to invest in our T&D assets would be the driving forces in the electric utilities, while the gas utilities are continuing to add infrastructure to support customer growth and replacing aged infrastructure, which is contributing to the growth profiles there. So I think the theme is actually pretty consistent across the portfolio.

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

Okay, that's good context. And then just one more, I guess, specific question, realize smaller part of the business. But Emera Newfoundland, I see in the capital forecast by affiliate, it goes down to virtually nil in 2019, and then is almost -- I guess, almost 10% of the total in 2020. Is there a specific opportunity that's driving that delta?

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**Gregory W. Blunden** - *Emera Incorporated - CFO*

Yes. David, it's Greg. As part of our overall agreement with Nalcor on the transmission, there is a true-up on the overall transmission investment that happens in 2020. And based on where we are today versus our transmission investments and theirs, we have an opportunity to invest another $190 million, is our estimate at this point, that will take place in 2020 in the Labrador-Island link.

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**Operator**

Your next question comes from Robert Catellier with CIBC Capital Markets.

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**Robert Catellier** - *CIBC Capital Markets, Research Division - Executive Director of Institutional Equity Research*

I think I'll try you on the asset sales again. I'm just curious to know how specifically business risk profile plays into your -- into the determination on selection of which assets might be sold.

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

Yes, Robert. I think it's a natural -- as mentioned, we think about -- as we went through the process, we think about things that I mentioned in terms of the marketability and the value of the asset. But we're also looking at the strategic things as well. And so, sure, business risk was certainly a factor in our consideration.

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**Robert Catellier** - *CIBC Capital Markets, Research Division - Executive Director of Institutional Equity Research*

And so what are the relative implications for Emera Energy then?

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

Look, Emera Energy is still an important business for us and it's been a part of Emera for a long period of time. And frankly, I think it helps parts of our business as we continue to grow the commercial expertise within Emera Energy. It's an important part of that for us and don't see that changing. But there are lots of different parts of all of our businesses. And beyond that, I really don't want to start to comment on particulars again about what assets that we may be looking at.

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**Robert Catellier** - *CIBC Capital Markets, Research Division - Executive Director of Institutional Equity Research*

Okay, and last question for me then. It looks like the guidance for Emera Maine was somewhat stepped down a little bit. I'm wondering if there is anything specific there, or if that's related to the recent transmission orders from FERC.

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**Gregory W. Blunden** - *Emera Incorporated - CFO*

Yes, Robert, yes. I wouldn't read too much into it. I mean, we were and still hopeful we are going to be in position of flat, maybe slightly above. But we felt, given that 3 quarters had gone by, and because of weather, load and other external things, like decisions coming out of the regulatory rate case, FERC transmission, that our expectations now are just slightly muted, but we are talking relatively modest numbers.

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**Operator**

Your next question comes from Ben Pham with BMO.

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

A couple of questions on that funding pie. The profit component, 5%, why is it lower than the 10%? I know that's probably a different percentage than how you think about it. But why isn't there more prefs in the mix there?

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**Gregory W. Blunden** - *Emera Incorporated - CFO*

Yes, yes, Ben, I don't want you to read into that, that we are targeting 5% of our overall capital structure in terms of our capital raise over the next 3 years. Given where we're currently at, our prefs slightly higher than 10% of our overall capital program, we really only see probably doing one additional pref issue roughly the same size that we did earlier this year. And then, keep in mind, there is thresholds from a regulatory -- or from a credit rating agency perspective, too, as the total amount of prefs. We probably have a little bit more capacity in prefs. That's some flexibility that we can exercise somewhat in the future. But as we look forward to the next 3 years, I think you should be thinking about probably a single pref issue comparable to what we did earlier this year.

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

Okay, so it sounds like there is probably room beyond that wedge there, it's just that you don't want to be hitting the upper bounds of that 15%, or what it is that you can get there.

**Gregory W. Blunden** - *Emera Incorporated - CFO*

Yes, 15%, yes.

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

Okay. And can I ask you if -- there's probably different iterations you're running, and -- how do you guys think about the payout, how it changes over time? If you sell assets, you could see some temporary pressure on the payouts. Curious how high will you let the payout go. And then with that, how do you guys balance the dividend growth in that mix?

**Gregory W. Blunden** - *Emera Incorporated - CFO*

Yes, so nothing has changed from our perspective, Ben. When we look over the '19, '21 period and quite frankly, including '18 in that and thinking of '17 as probably the base, we still expect rate-based growth to continue at 6%-plus. Our dividend growth will be less than that. It will be -- some years will be higher like '18, some years will likely not be at the 6%. But we see earnings per share growth kind of in line with rate-based growth, and dividend growth slightly less than that. That will improve that metric over time. And that's all been incorporated into our financial forecasting when we made decisions around the dividend growth. And the payout ratio will certainly be higher than our targeted payout ratio over this period, as we previously indicated.

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

Yes, just to anchor the point that Greg made, Ben. So if you think about our -- I think this was a question on the Q2 call. If you think about our rate-based growth profile as a bit of a proxy for EPS growth, EPS growth can be lumpy, of course. And so we'll see some years that are higher and some years that are lower. And you've heard us talk about 2018 as likely outperforming that reference point. But if you think about 2017 as the anchor year for us, we remain confident that even with the asset sale program that we have, that all of the disclosure and context that we provided previously about EPS growth and our dividend growth profile remains unchanged. So dividend growth in the 4% to 5% range. We would expect EPS growth to be a little bit higher than that, using 2017 as an anchor year, as we work through the next few years in front of us.

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

And maybe can I ask to clarify that 4% to 5%? Is there a situation where you got to get where all your assets roll off and then your payout goes to -- I'm just throwing out a number -- 90%, and then you just grow the dividend a little bit lower than that 4% to 5%, but then you pick it up next year? Is that consistent with the dividend guidance that you've laid out?

**Gregory W. Blunden** - *Emera Incorporated - CFO*

No, I -- no, Ben, I think -- we wouldn't see that we would pivot off our dividend growth guidance in a particular year just because our payout ratio might be slightly higher, nor would we necessarily increase it substantially in a year where our payout ratio might be lower. So we are thinking of this more over a longer period of time.

**Operator**

Your next question comes from Andrew Kuske with Crédit Suisse.

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**Andrew M. Kuske** - *Crédit Suisse AG, Research Division - MD, Head of Canadian Equity Research, and Global Co-ordinator for Infrastructure Research*

Maybe a conceptual question that drills into some of the funding issues. But when you think about the public-private market divide that exists in valuation on certain assets, can you capitalize from that by selling down part of an asset, but then you might have a bit more structural complexity? How do you think about that versus selling an asset base, like let's just say Emera Energy or part of Emera Energy, that probably results in an overall portfolio high-grading for corporate valuation? How do you think about the dynamic between those options?

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

Yes, Andrew. So I think again, without commenting about specific assets. But I think, as Greg mentioned earlier, while we recognize that there may be a market opportunity to sell minority interests in some assets, that really isn't part of our focus at the moment. As you say, that does add some structural complexity and so that's -- as I say, that's not our focus at the moment.

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**Andrew M. Kuske** - *Crédit Suisse AG, Research Division - MD, Head of Canadian Equity Research, and Global Co-ordinator for Infrastructure Research*

Okay. And maybe just looking ahead to opportunities you see for reversing some of the pipes that you own and repurposing them and just the longer term opportunities for LNG out of Atlantic Canada.

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

Yes. So I'd say, frankly, that's still a puzzle as to the long-term solution to natural gas supply in Atlantic Canada with the reality of the status of Deep Panuke and Sable. And we continue to be an active participant in that market, of course, with our minority interest in Maritimes & Northeast Pipe and our ownership of Emera Brunswick pipe. But there does remain to be a market solution that is required, for which one hasn't yet been found. It's interesting to note that the new government in New Brunswick is talking about the potential of shale gas and fracking. Whether that comes to pass or not, we don't know. But obviously, something like that could dramatically change the market. We know that there is talk of LNG export out of Nova Scotia. We don't have any particular lens on the status or activity of that but are certainly keenly observing.

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**Operator**

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

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**Robert Michael Kwan** - *RBC Capital Markets, LLC, Research Division - Analyst*

Just on the funding plan, if I can just tie up a bit of a loose end. What you put forward is 2019 through 2021. Are you still sticking to the statement that you don't need any common equity outside of the DRIP for the remainder of 2018?

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**Gregory W. Blunden** - *Emera Incorporated - CFO*

That's correct.

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**Robert Michael Kwan** - *RBC Capital Markets, LLC, Research Division - Analyst*

Okay. Just generally on the plan, you mentioned that you've been in discussions with the rating agencies. Is that just the normal rating agency update? Or have you also engaged the rating services or had enough feedback from the rating agencies that what you're putting forward here, and presumably similar to the investor event, does that get [a whole] IG?

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**Gregory W. Blunden** - *Emera Incorporated - CFO*

Sorry, Robert, didn't mean to cut you off. No, I'd say it's been normal course. We haven't gone through any evaluation services or anything like that, or even advisory services. It's just been the normal course. We have been, obviously, on a regular basis, providing them updates of things we are doing. But it's -- I would call it normal-course business. Maybe a little bit more proactive communication with them than normal, but I wouldn't consider it out of the norm.

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**Robert Michael Kwan** - *RBC Capital Markets, LLC, Research Division - Analyst*

Do you feel you've got enough feedback that you're going to meet either the metrics that they put forward, but as well any metric that they might be thinking of changing?

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**Gregory W. Blunden** - *Emera Incorporated - CFO*

Well, if they're planning to change something, we wouldn't necessarily have insight into that. But certainly -- and look, we can't speak for them, but we find the conversations, they have been constructive.

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**Robert Michael Kwan** - *RBC Capital Markets, LLC, Research Division - Analyst*

Okay, understood. And if I can just finish on just any additional color on the Florida tax change. A little less what [ran through] corporate, but is there an ongoing benefit just given the change in the way you're allocating between the state?

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**Gregory W. Blunden** - *Emera Incorporated - CFO*

Yes, it's relatively modest, Robert. I mean, it's somewhat of a technical thing and you're right, as you speculated last evening, that it's noncash and nonrecurring. It does mean that ultimately, we'll pay slightly less taxes each and every year over the next number of years. But it's like a million dollars or less, it's not an overly material amount.

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**Operator**

The next question comes from Nicholas Campanella with Bank of America Merrill Lynch.

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**Nicholas Joseph Campanella** - *BofA Merrill Lynch, Research Division - Research Analyst*

I might have missed this, but just one follow-up. Presumably, 20% to 30% plus the 0% to 10% means, let's call it, 40% of your plan is funded with potential asset sales. That does allow you to maintain your current dividend trajectory?

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**Gregory W. Blunden** - *Emera Incorporated - CFO*

So I think the way to think of it, Nick, is the 20% to 30% and 0% to 10% would put you in a combination of 30%, not 40%. And that certainly has been included in our financial forecasting when we made determinations around what our dividend growth should be over that period.

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**Operator**

Your next question comes from Jeremy Rosenfield with Industrial Alliance.

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**Jeremy Rosenfield** - *Industrial Alliance Securities Inc., Research Division - Equity Research Analyst*

Yes, most of the questions have been answered. Just wanted to clean one up on New Mexico Gas. I'm wondering if you have the number in terms of the rate base that being specified in the settlement agreement. If you don't have it, I'm sure we can dig it up, but just curious.

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**Gregory W. Blunden** - *Emera Incorporated - CFO*

I don't have in front of me. Ryan Shell, who is the President of New Mexico Gas, is I think on the phone. Ryan, do you have it up?

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**Ryan A. Shell** - *Emera Incorporated - President of New Mexico Gas Company*

Yes, Greg, I don't have the exact number in front of me, but it's probably about $525 million.

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**Gregory W. Blunden** - *Emera Incorporated - CFO*

And that would be U.S., Jeremy, and we'll circle back if it turns out to be something different than what we represented.

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**Operator**

(Operator Instructions) And we have a question from Patrick Kenny with National Bank.

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

Just wondering if there is any update on the regulatory process for the Big Bend modernization, and whether or not that process has any influence on the timing of executing the asset sales.

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**Nancy G. Tower** - *Emera Incorporated - President & CEO of Tampa Electric Company*

Hi, it's Nancy, Patrick. We are still pursuing the same path that we talked about when we made the announcement, which is, of course, we're earning AFUDC as we build the Big Bend modernization and we will get that in rates the next time we go in for a general rate application.

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

Okay. And then just to circle back on, I guess, the commentary around equity investors resetting their required returns. I guess, one could argue that fixed-income investors are also resetting their expectations on leverage and whatnot. So just wanted to get a sense as to whether or not there was any internal discussion on recalibrating some of your longer-term capital structure targets, whether it's taking down the 55% debt or bumping up the FFO-to-debt ratio longer-term.

**Gregory W. Blunden** - *Emera Incorporated - CFO*

Yes, Patrick, it's Greg. No, I mean, we still believe that our targeted capital structure is the right structure for us over the long term. Certainly, there has been, I think, a recalibration in the equity markets. To be quite frank, we're not seeing the same recalibration in the fixed income markets.

**Operator**

(Operator Instructions) And we do not have any questions over the phone line at this time. I will turn the call over to the presenters.

**Erin Power** - *Emera Incorporated - Manager of IR*

Okay, thank you, everybody, for joining us. And we look forward to speaking with you more in a couple of weeks at our investor lunch.

**Operator**

This does conclude today's conference call. You may now disconnect.