S&P Capital IQ

CONTENTS



# Emera Incorporated TSX:EMA

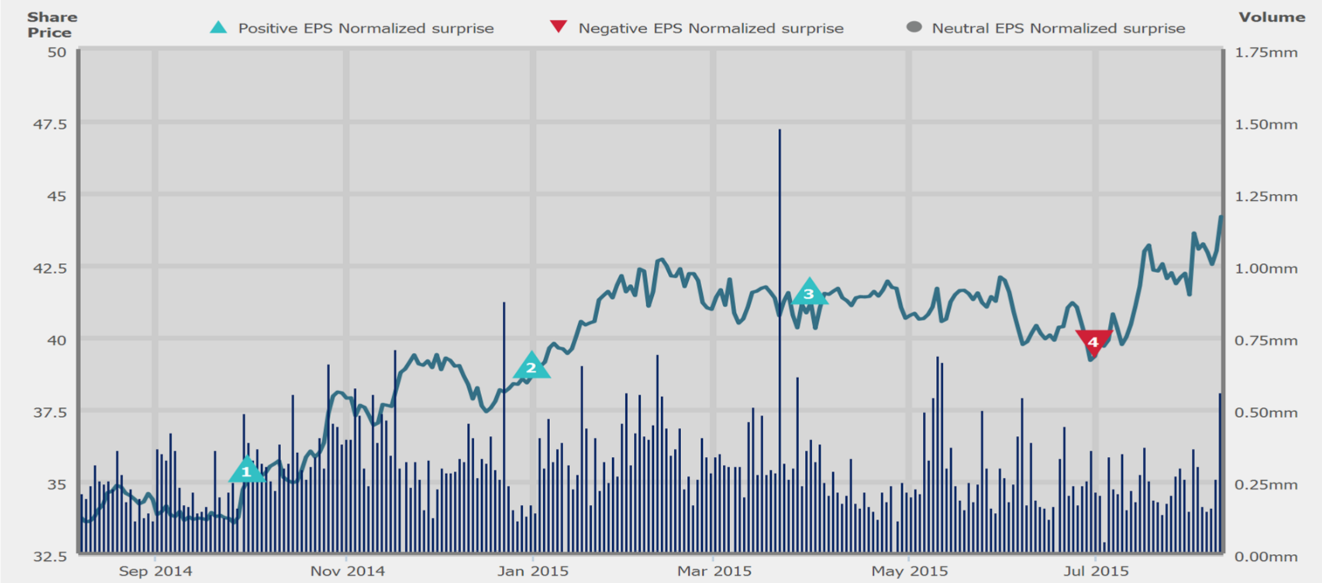
*FQ3 2015 Earnings Call Transcripts*

Monday, November 16, 2015 4:00 PM GMT

## S&P Capital IQ Estimates

| | -FQ3 2015- | | | -FQ4 2015- | -FY 2015- | -FY 2016- |
|---|---|---|---|---|---|---|
| | CONSENSUS | ACTUAL | SURPRISE | CONSENSUS | CONSENSUS | CONSENSUS |
| **EPS Normalized** | 0.35 | 0.16 | (54.29 %) | 0.56 | 2.32 | 2.40 |
| **Revenue (mm)** | 701.28 | 654.00 | (6.74 %) | 689.91 | 2938.85 | 5394.00 |

Currency: CAD
Consensus as of Nov-16-2015 2:49 AM GMT




- EPS NORMALIZED -

| | CONSENSUS | ACTUAL | SURPRISE |
|---|---|---|---|
| **FQ3 2014** | 0.33 | 0.35 | 6.06 % |
| **FQ4 2014** | 0.49 | 0.54 | 10.20 % |
| **FQ1 2015** | 0.78 | 1.18 | 51.28 % |
| **FQ2 2015** | 0.34 | 0.33 | (2.94 %) |

# Call Participants

## EXECUTIVES

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

**Judy A. Steele**
*Vice President of Finance*

**Robert J. S. Hanf**
*Executive Vice President of Stakeholder Relations & Regulatory Affairs*

**Scott Carlyle Balfour**
*Chief Operating Officer*

**Scott LaFleur**
*Manager of Investor Relations*

## ANALYSTS

**Andrew M. Kuske**
*Crédit Suisse AG, Research Division*

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

**Linda Ezergailis**
*TD Securities Equity Research*

**Matthew A. Akman**
*Scotiabank Global Banking and Markets, Research Division*

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*CIBC World Markets Inc., Research Division*

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

# Presentation

**Operator**

Good afternoon, ladies and gentlemen, and welcome to Emera Third Quarter 2015 Call and Webcast. [Operator Instructions] Please note that this call is being recorded today, Monday, November 16, 2015, at 12:00 Atlantic Standard Time.

I would now like to turn the meeting over to your host for today's call, Scott Lafleur, Manager, Investor Relations for Emera. Please go ahead. Mr. Lafleur.

**Scott LaFleur**
*Manager of Investor Relations*

Good afternoon, everyone, in Atlantic Canada, and good morning for the rest of you. Thank you for joining us for our third quarter conference call. Joining me from Florida are Chris Huskilson, President and Chief Executive Officer; Scott Balfour, Executive Vice President and Chief Financial Officer; as well as other members of the management team here in Halifax.

Emera's third quarter earnings release was distributed earlier via newswire and the financial statements and management's discussions and analysis are available on our website at emera.com. This morning, Chris will begin with a corporate update and then Scott will review the financial results. We expect the presentation segment to last about 15 minutes after which we will be happy to take questions from analysts.

I will take a moment to advise you that this conference call will contain forward-looking information and then -- in statements with respect to Emera. Forward-looking statements involve significant risks, uncertainties and assumptions. Certain material factors or assumptions have been applied and drawn to conclusions contained in the forward-looking statements. These factors or assumptions are subject to inherent risks and uncertainties surrounding future expectations generally. 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, licenses and permits, environment, insurance, labor relations, human resources and liquidity risk. A number of factors could cause actual results, performance or achievement to differ materially from the results discussed or implied in the forward-looking statement. In addition, please note that this conference call is being widely disseminated via live webcast.

And now I will turn things over to Chris.

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

Thank you, Scott, and good morning, everyone. Emera delivered Q3 adjusted net income of $23.3 million or $0.16 per share compared to $49.9 million or $0.35 per share in the third quarter last year. Further adjusting net income to remove costs related to the pending TECO Energy acquisition, Emera's adjusted net income was $43.4 million or $0.30 per share. The variance from last year is primarily related to timing at Nova Scotia Power, where net income decreased $6 million to $4.9 million this quarter. We expect full year NSPI earnings to grow modestly compared to 2014.

Overall, Emera is having a strong year. Adjusted net income year-to-date was $242.9 million or $1.67 per share, in line with the same period last year, and results are comparatively stronger if TECO costs are excluded. To be clear, these financial results at Emera's underlying business remain on track with the earnings growth expectation upon which we established our $1.90 dividend this year, and our dividend growth target of 8% per year through 2019. Scott Balfour will take you through the details of the quarter later in his remarks but first, I'd like to touch on some of the key strategic and operational milestones Emera reached this quarter.

I'll start with our recently announced acquisition of TECO Energy. On September 4, we announced a definitive agreement to acquire TECO Energy for an aggregate purchase price of USD 10.4 billion, including consolidation of approximately USD 3.9 billion of debt. Emera has prepared for a utility transaction for some time, and we found our ideal match in TECO. Our patient and disciplined investment criteria resulted in a transaction that is significantly accretive to EPS and cash flow for Emera's shareholders and one that advances our strategic objective.

The TECO Energy acquisition is expected to be 5% accretive to our EPS in the first full year growing to more than 10% by the third full year. TECO Energy is a purely regulated utility and pro forma, the acquisition brings our regulated earnings to approximately 84% of total earnings. The acquisition provides additional support to our 8% dividend growth target through 2019 and positions us to potentially extend that growth target beyond 2019. It expands our regulatory platform into robust economic environments and establishes Emera with 2 strong natural gas distribution platforms, an objective we've had for some time. The transaction remains on track to close in mid-2016. We filed our application with the FERC on October 5 and our submission with New Mexico commission on October 19. The New Mexico hearing examiner has now been appointed and a scheduling conference is expected this month. Finally, TECO shareholders will meet to vote on the transaction on December 3.

Beyond the TECO Energy acquisition, Emera's business continues to perform with a number of important initiatives beginning with the Maritime Link, which continues to progress as planned, on schedule and within budget. Construction is well underway and foundation preparation has begun at the converter station sites in Newfoundland and Nova Scotia. Initial shipments from the fabricator of the steel towers have been received and the manufacturing of the submarine cables is moving along as planned in Japan. Overall, risk continues to decrease as the project progresses, and we have a high degree of confidence that the costs to complete the project will remain within budget through to completion.

At Nova Scotia Power, the focus remains on managing costs to ensure stable, predictable and affordable rates to our customers. We continue to work positively and productively with our regulator, stakeholders and the government of Nova Scotia. Following a 12-month public consultation process, the Government of Nova Scotia released their electricity review document on Monday, November 9. The document focused on the need for rate stability in the province and the implementation of performance standards, both of which we support. On Tuesday, Nova Scotia Power announced there will be no general rate application for 2016 and the current base cost of fuel application before the regulator should result in a small decrease for most customer classes. NSPI has been working hard to manage costs and is confident it's going to achieve rate stability through the 2017 to 2019 periods.

In New England, utilities and state agencies in Massachusetts, Connecticut and Rhode Island filed a procurement request for clean energy last week. This Request for Proposals, a draft of which has been public since February, recently received approval from utility regulators. Bidders have 75 days to respond and, therefore, a response in late January is expected. As we indicated last quarter, the 3 states are now seeking at least 5.1 terawatt hours via long-term contracts of up to 20 years, through power purchase agreements for energy or power purchase agreements for energy bundled together with associated transmission. Emera intends to respond to this RFP.

Emera Maine, in partnership with Central Maine Power, will propose upgrades to the existing AC transmission system to relieve congestion that would enable additional energy from wind farms in northern Maine and additional flow of clean energy from Canada. These system upgrades will be open to all energy bidders. As well, Emera, in partnership with others, is actively working on 3 alternative DC transmission projects that will facilitate the collection and transmission of clean, renewable energy resources from Maine and Canada into New England. At least one of these DC projects, the new Atlantic Link, will be bid into this RFP.

Massachusetts is also proceeding with discussion of a bill proposed by Governor Baker that would cause a procurement for an additional 18 terawatt hours of Canadian hydropower or wind firmed [ph] with Canadian hydropower. Emera intends to bid, should another RFP result.

Moving to the Caribbean. We announced earlier today an offer to purchase the shares held by minority shareholders in Emera (Caribbean) Inc. Emera (Caribbean) is the holding company for Barbados Light

& Power, DOMLEC and our minority ownership in LUCELEC. Emera currently owns approximately 80.7% of Emera (Caribbean). Our offer of BBD 33.30 in cash or Emera depository receipts represents a 30% premium to the current share price for ECI. An application has been filed to list the depository receipts on the Barbados Stock Exchange, which will provide Barbadians the opportunity to invest in Emera's growth and success.

The offer has been unanimously approved by the ECI Board of Directors and they have approved a supporting agreement for that transaction. The largest shareholder outside of Emera, Barbados' National Insurance Board, along with officers and directors of ECI who are also shareholders, have entered into a lockup agreement under which they have agreed to tender their shares to the offer. Collectively, these shareholders represent approximately 69% of the ECI shares not held by Emera.

ECI shares are thinly traded on the Barbados Stock Exchange and the offer provides value and liquidity to current ECI shareholders. It also streamlines the ownership structure for us. We expect the offer to be completed in December of 2015.

The 12-megawatt utility scale solar plant in Barbados is progressing well. The solar plant will have 46,000 solar panels and is expected to be completed by August of next year.

With that, I'll turn things over to Scott, who will give you a more detailed update of the financial results for the quarter. Scott?

**Scott Carlyle Balfour**
*Chief Operating Officer*

Thank you, Chris, and good morning, everyone. Our third quarter results were released earlier today and are now on the Emera website. You'll notice that this quarter, Emera's results are affected by a number of factors in respect of the TECO Energy acquisition, which will continue for the next few quarters. Accordingly, we've tried to provide more clarity within our consolidated financial highlights table as to this and other items affecting earnings for the period. We'll continue to highlight these items moving forward.

But cutting through all these notable impacts in the quarter, Emera's underlying business is performing well and remains on track to our earnings growth expectations that support our 8% annual dividend growth target through 2019. Emera's consolidated net income for 2015 was $35 million or $0.24 per share compared to $28.2 million or $0.20 per share in the third quarter of last year. When third quarter results are normalized for mark-to-market losses, adjusted net income was $23.3 million or $0.16 per share compared to $49.9 million or $0.35 per share last year. EPS for the quarter was $0.30 when further excluding the impact of costs related to the TECO Energy acquisition, with a decrease from last year's $0.35, a result of the timing of regulatory deferrals at Nova Scotia Power. As Chris mentioned earlier, we expect NSPI's full year earnings to grow modestly compared to that of 2014.

Before I discuss our segmented results, I'd like to give an update on our financing for the TECO acquisition. The financing is expected to be structured with between USD 800 million and USD 1.2 billion of preferred equity and between USD 3.4 billion and USD 3.8 billion in debt, and between USD 1.7 billion to USD 2.1 billion in common equity or internally generated funds. In early September, we successfully raised CAD 2.185 billion in convertible debenture financing that will convert to Emera common shares at closing. This financing is expected to address the common equity needs for the TECO Energy acquisition. We'll be issuing the preferred equity and debt financing activity closer to acquisition in mid-2016.

It's worthy to note that with the proceeds of the first installment of the convertible debenture now held directly in U.S. dollar treasuries and the currency exchange forward contract now in place for the second installment, that our currency risk has now been eliminated for the full $2.185 billion at a rate of approximately $1.30. This, together with the intentions of a significant portion of the preferred share and debt financing to be raised directly in U.S. dollars, means we have approximately 85% of the USD 6.5 billion required to close the deal actually or effectively hedged, removing the majority of the foreign exchange currency risk between now and deal closing.

Turning now to our segmented results. Nova Scotia Power's net income decreased to $4.9 million in the third quarter of 2015. As mentioned earlier, the decrease is primarily due to timing, with NSPI's full year earnings still expected to grow modestly compared to that of 2014.

Emera Maine, contributed $14.7 million to consolidated net income in the third quarter of 2015, an increase of $1.4 million compared to the third quarter last year. The higher net income was primarily due to the impact of a stronger U.S. dollar.

Emera Caribbean contributed $13.6 million to consolidated net income, an increase of $5.4 million compared to $8.2 million for the same period last year. The increase was primarily due to a decrease in OM&G at Grand Bahama Power, reduced maintenance and payrolls costs at Barbados Light & Power as well as the impact of strengthening foreign currencies.

The Pipelines segment contributed adjusted net income of $10.3 million in third quarter of 2015 compared to $8.7 million in the same quarter last year. The increase of $1.6 million was primarily due to lower interest expense, increased transmission revenue from Maritimes & Northeast Pipe and the impact of a stronger U.S. dollar.

Emera Energy delivered adjusted net income of $14.9 million in the third quarter compared to $10.7 million in the same quarter last year. The $4.2 million increase was primarily due to increased electricity sales and lower income tax expense. The increased electricity sales were primarily due to an outage -- the impact of an outage and upgrade at the Bridgeport Energy facility in the same period last year.

Our Corporate & Other segment posted a $35.1 million loss in the third quarter of 2015 compared to a loss of $1.9 million in the same period a year ago. The variance is primarily due to $29.2 million in items affecting earnings quarter-over-quarter, attributable to $20.1 million in after-tax-related costs from the pending acquisition of the TECO Energy combined with a $9.1 million after-tax gain on the dilution of Algonquin in the same period of last year.
That's all for my financial overview, and now we'll be happy to take your questions.

# Question and Answer

**Operator**

[Operator Instructions] And our first question is from Linda Ezergailis with TD Securities.

**Linda Ezergailis**
*TD Securities Equity Research*

Just a question about the Caribbean. I realize there's some simplification associated with the announcements this morning. But are there any possibilities of further consolidation of your partial investments in the region?

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

So Linda, it's Chris. Thank you for your question. I think it's something that we'll look at over time. For the time being, we're focused on getting ECI completely consolidated. And we also like the opportunity of being able to put depository receipts on the Barbados Exchange and create that opportunity for our customer base there, but it's something we'll look at over time.

**Linda Ezergailis**
*TD Securities Equity Research*

Okay, and just a follow-up question on Emera Energy. How might we think of your Q4 trading results? Is there any -- looks like October was mild but are there any potential infrastructure constraints or maintenance happening? Or how can we think of what Q4 might hold for your trading business.

**Judy A. Steele**
*Vice President of Finance*

Linda, is Judy. So Q4, November, December tend to be strong months in the business, obviously. But it's largely weather dependent. I think it's fair to say that any major pipe maintenance and that kind of thing, people try to get that over with before the winter. So that's not necessarily a factor. So it's really kind of a weather story in these months. The only other guidance we'll -- I can really say is, we have said that the business should be able to deliver net income of somewhere between $15 million and $30 million, and we're -- if everything goes in November and December as we think, we will be at the high range of that amount.

**Operator**

The next question is from Matthew Akman with Scotiabank.

**Matthew A. Akman**
*Scotiabank Global Banking and Markets, Research Division*

For Scott first, I just wanted to clarify and just to confirm that the DSM expenditures probably impacted and dampened the quarter a little bit at NSPI, but are not expected to have a full year impact. Is that the case, Scott?

**Scott Carlyle Balfour**
*Chief Operating Officer*

Yes, so DSM costs in Nova Scotia Power are being -- pursuant to an agreement in place, are being deferred. So it's having an impact on cash but not earnings. It's really the impact of contributions of nonfuel revenues towards the fuel adjustment mechanism and the timing of the accruals related to that, that's impacting the quarter-over-quarter variance in NSPI this year.

**Matthew A. Akman**
*Scotiabank Global Banking and Markets, Research Division*

Okay. It just -- it looked like it was in OM&G more than anything, which I thought was DSM related.

**Scott Carlyle Balfour**
*Chief Operating Officer*

So it's -- that same deferral is flowing through -- I'm trying to think now whether -- so that same deferral is flowing through OM&G. So it is in that deferral account but it's effectively in the transfer of nonfuel-related items into fuel-related items at the end of the year.

**Matthew A. Akman**
*Scotiabank Global Banking and Markets, Research Division*

Okay. Separately, the refinancing of Bear Swamp is obviously positive. You guys pulled a bunch of money out. But I'm just wondering on the other side of it, if there's anything, Scott, you can say about the earnings impact of that on an ongoing basis for Bear Swamp earnings.

**Scott Carlyle Balfour**
*Chief Operating Officer*

Yes. I mean, really, it's just the impact of higher interest expense now at Bear Swamp that will reduce the after-tax income at Bear Swamp and, therefore, our 50% portion of it. So it will have an impact on earnings with a benefit of a distributable of cash to both partners.

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

Again, Matthew, though, that's against rising capacity payments, and so there's certainly an offset there.

**Operator**

The next question is from Ben Pham with BMO Capital Markets.

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

I just wanted to clarify the just catch up on the DC transmission lines that you're planning to bid in. Did you say that you're planning to bid in -- one of them is the Atlantic Link? Or you're not sure which one you're going to bid in yet?

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

What I said was that, for sure, Atlantic Link will bid in. Whether the other ones do or not, will really depend on whether there are proponents, suppliers that want to select them. But in the case of Atlantic Link, we believe that it is quite flexible from a scaling perspective and, therefore, we want to put it forward. And as I said, the other ones may bid in as well but this one will for sure. I think it's a new project, and we certainly believe that it actually is extremely well positioned, both to draw energy from northern Maine as well as from New Brunswick as well as from Nova Scotia and Labrador. So when you look at its potential to balance the region into the Boston market, we think it's a very, very well-positioned project.

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

Okay. And you own 100% of that, Chris? Is that just your ownership?

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

Yes. So that's our current positioning on it. But we expect that we will ultimately select a delivery-end partner as well. But for now, that's the position.

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

Okay, and can you remind me how just with the Nova Scotia Power, you talked about the GIAD [ph] not having a following in '16. But can you remind me how the Maritime Link filings work just over the next couple of years? And just with the new policy coming out, does that impact just how the rates kick in overall?

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

Yes. Well, certainly, our intention would be to file the Maritime Link case in either '17 or early '18, that kind of time frame. But we expect that Nova Scotia Power, as it looks at its 3-year fuel requirements, will bring in what they currently know about Maritime Link. And so when Nova Scotia Power's been talking about what effect they believe that, that will have and that would certainly include the Maritime Link. So that's the way they're thinking about it. And I -- Bob's on the line as well. He may want to add something to that.

**Robert J. S. Hanf**
*Executive Vice President of Stakeholder Relations & Regulatory Affairs*

Yes, so I would, Chris. Thanks, Ben. So the plan would be to file the fuel side of the application to facilitate rate stability for '17 and '19, inclusive of the anticipated costs related to Maritime Link. So it's included.

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

Okay. You guys are really hedging out the fuel costs next couple of years, right?

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

That's one of the things that I think will allow us to be more certain about where fuel is going, is to increase the fuel hedging component. And as well, I mean, you have to remember that by the time we hit that time frame with Maritime Link on, we'll have upwards of 35% to 55% of the energy that can come from essentially fixed-cost components. And so the volatility of fuel for Nova Scotia Power will go down quite a lot as the Maritime Link comes on, and that's one of the benefits that we've always known we would see from that investment. And again, Bob may want to add to that.

**Robert J. S. Hanf**
*Executive Vice President of Stakeholder Relations & Regulatory Affairs*

Yes. No, I think it's -- we're in a very unique and positive position for customers in Nova Scotia to have rate stability. And it is because of that portfolio and that shift, so it's very positive, as Chris has stated.

**Operator**

The next question is from Andrew Kuske with Crédit Suisse.

**Andrew M. Kuske**
*Crédit Suisse AG, Research Division*

I guess, my question's for Chris. And it's been a little bit more than 2 months since you announced the TECO deal. And if you could just give us maybe some insights to your conversations you've had with regulators and other pertinent parties in both New Mexico and also, in Florida.

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

Yes, Andrew, and, I mean, we -- what we've been working hard to do is to make sure that we keep everybody involved, stakeholders across both of those states involved and aware of what we're up to. The transparency of this transaction, we think, is critical to its success, and so that's been an important thing.

I mean, generally speaking, the transaction will not have an effect on rates for customers and, therefore, -- and we will be adopting all of the approaches, stipulations and so on that TECO Energy adopted, say, for instance in New Mexico. But also there are rate settlements in place in Florida today, and all those things continue to remain intact. And so there is a lot of stability, I believe, for customers from this transaction. We've had specific meetings with interveners, certainly, both the staff at New Mexico and also the Attorney General's consumer advocacy group. We certainly met with those various stakeholders, and we're working hard to ensure that we're able to, at least, propose a settlement in this case. And in fact, I misspoke in my remarks, the scheduling conference is now scheduled for December 10. And so when you put all those things together, we believe that we're progressing well, and we'll continue to be available to stakeholders as this moves forward.

**Andrew M. Kuske**
*Crédit Suisse AG, Research Division*

Okay. That's very helpful, and then my second question, somewhat related, is to Scott, just on FX exposure. And as you see that today, and then just with the prospective closing of TECO, we'll just say midyear next year, how you think about your FX exposure from now till then and then beyond?

**Scott Carlyle Balfour**
*Chief Operating Officer*

Yes. So I think, Andrew, as mentioned briefly in the remarks, we've now effectively hedged all of the $2.185 billion Canadian equity that's in place by way of taking the first -- the proceeds from the first installment. And they are now held in -- directly in U.S. dollar treasuries. And then the second installment we've put forwards in place, so the average rate at which we've hedged that out right now is $1.30. So in a sense, providing some mitigation against the dollar, that's Canadian dollar that further depreciated since that time. So that's good. And with the balance of most of the debt and preferred/hybrid financing in our plan looking at directly raising U.S.-dollar based activity, really puts it in a place where 85% of that $6.5 billion is now hedged. So we're feeling reasonably good about that, not to suggest that we won't look to hedge out a little bit more. But that 85% number, we're feeling reasonably confident about that gives us some certainty. It will add some accounting sort of mark-to-market type volatility for us between now and closing but economically, we've got, I think we've done the right thing in terms of putting that hedge in place. And then of course, as we think about the sort of the currency-related exposure to the transaction, really, we worry about devaluation of the Canadian dollar between now and close and an appreciation of the Canadian dollar after close. And there, too, it's really part of the debt strategy that will provide a meaningful part of our risk-mitigation opportunity as it relates to currency. So the more U.S. dollar debt from a balance sheet and economic perspective, but also from an earnings and cash flow perspective, does help to mitigate that risk. And even thinking about today, we have more than 50% of our operations are non-Canadian but most of our debt is Canadian. And so looking at things like reconstituting some of our existing debt through derivative-type product in order to think about perhaps moving more of our existing debt to U.S. dollar pay will incrementally help to mitigate that risk, post-closing as well. So those are all things line in sight for us today.

**Operator**

The next question is from Robert Kwan with RBC Capital Markets.

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

If I can just come back to some of the transmission projects and, Chris, I don't know if -- can you talk about how Atlantic Link -- or the other 2 projects, NEL; and the third, I don't know if it's Maine Green or something else. But can you just talk about how the 3 kind of interplay? Do you see, even if you bid all 3 in, is it almost either or? Do you think that there's merits to maybe have multiple projects move forward?

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

Yes. Well, so -- I mean, the reason that there are 3, Robert, first and foremost, is because they functionally actually work to different areas within the region. So when it comes to the NEL, the original project, that was primarily about just simply increasing the transfer capacity in the lower part of the State of Maine and through New Hampshire. And that -- so that project continues to be valuable for that purpose, but it doesn't get at some of the more northerly projects that will be required in order to get some new clean energy available. So a project like the Green line, which is the other one that's essentially starting in the State of Maine, that gets up a little further north and is able to consolidate some more of that energy, and then go subsea as a secondary approach. But then if you look at the Atlantic Link, what it does is it's able to gather energy from the much broader region, and we believe it's well positioned to collect the most energy. And that's really the issue for this first RFP is, most of these projects are much larger than 5 terawatt hours, and so to be able to make them economic is a bit of a challenge. And that's why the Atlantic Link, we believe, will be closest to economic, although it will still be challenged at 5 terawatt hours. What these projects are all really focused on is the next step, which I referred to in my remarks related to the work that Governor Baker's doing to try to increase the clean energy component. And so if you take the 2 amounts together, you could see as much as 23 terawatt hours being required. That will require at least 2 DC projects to get that to happen. And so when we think about this RFP, we're mostly focused on the AC upgrades in the State of Maine. That by itself will be several hundred million dollars of upgrade, and I think something in the order of $300 million to $400 million for Emera Maine. And those will, I believe, be the lowest cost projects that can actually gather the wind that likely will be bid, and also, increase the capacity out of Canada. So when you put all that together, we figured that that's probably the most competitive opportunity. But then for the larger initiative, when that comes together, it's going to be multiple decent projects.

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

Okay, and I guess, given you've got a hand in a few different projects, are you going to be going out to customers separately? Or do you think that there's a possibility that you can somehow integrate the offering to allow potential customers to kind of offer into either/or giving them the choice depending which one goes forward?

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

Well, and to be clear, all of these projects will be open to any energy providers that want it. And so I mean, that's -- it's a little bit complicated because a transmission project can't be bid in by itself. It can only be bid in, in conjunction with suppliers, and so they all have to be open. But I guess, fundamentally, we would say that certainly, the work that Central Maine Power and Emera Maine are doing, I think that will be able to be bid in support of a number of potential projects. And we also think that the Atlantic Link will also be able to be bid in support of some potential projects.

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

Okay. Just moving to Nova Scotia and as an integrated utility, you've done a good job kind of disaggregating the delivery charge and then isolating fuel with the FAM. Just wondering as you go forward here, and specifically, the commentary or the discussion around Maritime Link, can you give some color as to how you see, say, the industrial user group, consumer advocate, government, say the UARB, how much of the understanding, as rates come together, just the way you've negotiated the agreements with all the upfront power and that providing significant benefit to drive down the fuel, how that's being thought of in terms of rate stability?

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

Well, I mean, I think, first and foremost, and I also would ask Bob to chime in. But I think first and foremost, that additional power upfront is -- what it's doing really is helping offset the early stage costs. Because as you know, these projects are always most expensive the first day because they're amortized capital. And every day, thereafter, they get lower, lower costs, and so we've been able to bring some additional power in to do that. And on top of that as well, we've also been able to negotiate with Nalcor, and in aid of the approach that the UARB was looking for, some incremental energy as well. And that can be upwards of 1.8 terawatt hours on top of the essentially terawatt hour that will come with the project. And so when you put all that together, it gives Nova Scotia tremendous flexibility and a very great ability to stabilize costs. And that's really -- to the question, that's really what the focus has been over the years. We've seen a lot of volatility on the high carbon fuel side, and so now this will provide the utility the ability to stabilize and to select how much of the clean energy they want at any given time. And Bob, do want to talk about the stakeholder approach?

**Robert J. S. Hanf**
*Executive Vice President of Stakeholder Relations & Regulatory Affairs*

Yes, sure, Chris. Robert, so the year-long review with the government on electricity review, we were certainly involved deeply in that and traveled around the province. And the message from all of our stakeholders in all our customers was really about reliability, predictability and stability in rates. And so we're encouraged by the report that was issued last week by the government, and it's really about policy changes that enable rate stability. And Chris has described the portfolio and the fact that renewable energy is reducing our reliance on fossil fuels. Though historically , I think we're just in a terrific position to work with our customers and provide the rate stability that they need and require.

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

Okay. Just to be clear, though, I guess, transitioning from a bit of a period where -- you've certainly done things to help stabilize fuel cost but there still was some volatility where historically, you've kind of had very stable delivery charges to one, as you go forward here, where it's going to be more stabilizing the total rate. Like, is there -- that understanding delivery charge is likely to increase faster but offset by good reduction, both in the amount and the volatility in fuel charge?

**Robert J. S. Hanf**
*Executive Vice President of Stakeholder Relations & Regulatory Affairs*

So in '15, there was no increase. In '16, there'll be no increase, and our target around the fuel side is less than inflation. So that is our view going forward.

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

Yes, and I -- and so Robert, I think it's not the right assumption to assume that delivery charges will go up. We would say that we've done a good job of getting -- managing costs around the delivery side, and so we actually believe that we'll actually have a lot of stability there as well.

**Operator**

[Operator Instructions] The next question is from Paul Lechem with CIBC.

**Paul Lechem**
*CIBC World Markets Inc., Research Division*

As you move towards the closing of TECO, I'm just wondering, is there any need or any opportunity to expand your Emera Energy business down there in either the gas or the electric trading side of the business.

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

Well, certainly, Paul, when we look at doing business in new service territories and new regions, we certainly will look at our entire offering in the region. And so I would say, it's too early to say whether or not we're going to be doing business in that area with Emera Energy. But we certainly would look now at those regions and see whether or not there's something where they can bring value to customers. And certainly, if they can, then we would look to do that. I mean, some of the early stage thinking that we have right now would be that we've been working on getting gas into the Caribbean region for some time. Peoples Gas is very well positioned to do that. In fact, they're very focused on compressed natural gas today. We just achieved an export permit. We would think that some of that working together might work well. And as you asked, then the next step is whether any of our other businesses would be able to achieve some good linkages and adjacencies with the businesses in total.

**Paul Lechem**
*CIBC World Markets Inc., Research Division*

That's helpful. On Algonquin, though, you guys are -- as I understand it, you are updating the strategic investment agreement. Could you give us any thoughts there about where that is at? And does it signal potentially a move towards a long-term exit of that investment?

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

Well, so the update in the agreement is really just maturing it to our current situation. And so we've been under share restrictions for quite a number of years there. We believed, and so does the company, that there's no need to have those share restrictions anymore, and so those will be eliminated. But beyond that, we'll also reinforce and redescribe the areas where we'll work together, and we continue to see opportunities to do that. And so that continues to be the way we look at that business.

**Operator**

And it appears as though we have no further questions at this time. I'll turn the call back over to our presenters.

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

Okay. Well, certainly, thank you very much for taking the time this morning and to -- and your participation in the call. And we hope you have a great rest of the day. Thanks a lot.

**Operator**
Ladies and gentlemen, this concludes today's conference call. You may now disconnect.