



How Will Dumping Bruce Power Affect Cameco?

Description

Last week, **Cameco** ([TSX:CCO](#)) ([NYSE:CCJ](#)), Canada's top uranium producer, announced that it would be pulling out of producing nuclear power to focus on its mining operations.

Cameco was the primary partner in Bruce Power, based in Tiverton, Ontario, along with **TransCanada** ([TSX:TRP](#)) ([NYSE:TRP](#)), Borealis Infrastructure, the Power Workers' Union and the Society of Energy Professionals.

Stepping in to take Cameco's place is current minor partner Borealis Infrastructure. At a cost of \$450 million, Borealis will become the majority partner with 56.1% of the partnership.

Despite its name, Borealis Infrastructure is actually the investment arm of the Ontario Municipal Employee Retirement System, one of the nation's largest pension funds with over 430,000 members and \$60 billion in assets. Of that Borealis is responsible for \$10 billion.

The plant

The facility Cameco is abandoning is actually the world's largest nuclear facility. Bruce Power operates four of the eight reactors at the facility. While the assets of the facility are owned by the Ontario government, Bruce Power is responsible for the operations of its reactors.

Cameco may have lost a good thing here as the plant currently accounts for 30% of Cameco's cash flow, and produces a third of Ontario's electricity. The government recently announced the refurbishment of six of the plant's reactors. A recently reported energy plan from the government sees the facility increasing to 6,300 megawatts annually.

Foolish bottom line

Cameco President and CEO Tim Gitzel has declared that, "We believe the best option for our shareholders is to sell our interest in Bruce Power and continue to reinvest in our core uranium business where we see strong potential for growth."

Despite what the company is claiming, investors are not pleased, as the stock took an initial hit of 3.7% the day after the announcement. In the week following, the stock has gone from \$24.58 (before the announcement) to Tuesday's closing price of \$22.56.

Analysts have also given the thumbs down to the deal, downgrading the stock to "hold" and reducing the outlook to \$20.50.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:CCJ (Cameco Corporation)
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3. TSX:CCO (Cameco Corporation)
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