Forget Keystone XL; Check Out These 4 Pipelines Instead

Description

If I was a **TransCanada Pipeline** (TSX: TRP)(NYSE: TRP) shareholder, I would be annoyed with the United States government.

The latest delay of the company's Keystone XL pipeline comes from the State Department, which extended its deadline for making a ruling on the controversial project. There is a court case in the state of Nebraska that is attempting to force TransCanada to change the pipeline's route. The State Department wants to wait until this legal issue is cleared up, which will likely delay approval of the project until after November's midterm elections.

Even former U.S. President Jimmy Carter has come out against Keystone, adding his signature to a petition signed by 10 former Nobel laureates. The petition called Keystone XL "the linchpin for tar sands expansion and the increased pollution that will follow." Needless to say, President Obama faces some angry environmentalists if the project gets approved.

Instead of waiting patiently for Keystone XL — which, if approved wouldn't even be finished until about 2017 — investors should just look at other pipeline names. Here are four with solid dividends.

Pembina Pipeline

Investors in **Pembina Pipeline** (TSX: PPL) don't have to worry about the American government for approval of any of its pipelines, since the company operates only in B.C. and Alberta.

Pembina offers investors a 3.9% dividend paid monthly, a solid balance sheet, and is currently expanding its pipeline network from northern Alberta to Edmonton and building gas plants in central Alberta. It continues to increase its dividend slowly, and currently pays out 78% of its cash flow in dividends. Look for more slow and steady growth from this solid company.

Inter Pipeline

Peter Brieger of GlobeInvest Capital Management has long liked **Inter Pipeline** (TSX: IPL) because of its growth potential and exposure to the oil sands.

Inter Pipeline is currently expanding its Polaris and Cold Lake pipelines, and will be able to increase revenue as it talks more energy companies into using this excess pipeline capacity. It also pays a 4.4% dividend, has grown revenue and operating income annually since 2010, and is currently bidding on more than $3 billion of new projects.

Inter Pipeline also has a nicely growing dividend, growing its payout almost 30% since 2010. That's pretty impressive growth for a pipeline company.

Atco Inc.

What makes **Atco Inc**. (TSX: ACO.X) different than its competitors in this space is that its gas ends up heating homes, making it a nice play on the price of natural gas. If the price of the fuel goes up, Atco simply raises its prices to the consumer.

Atco is also in the power generation and management business, the manufacture of portable business buildings, the building and maintaining of its pipeline network, and has a power and natural gas distribution division in Australia. Natural gas pipelines are an important part of Atco's business, but it also has impressive growth potential, especially in Australia.

The company's dividend is just 1.6%, but it did raise the dividend 15% recently. It makes up for the stingy dividend with solid growth, as both the top and bottom line grew more than 10% in 2013.

El Paso Pipeline Partners

Canadian pipeline investors looking for yield are stuck looking outside of Canada. **El Paso Pipeline** (NYSE: EPB) fits the bill, sporting more than a 7.8% dividend yield.

The company operates both oil and natural gas pipelines across the United States, with operations in Wyoming and Colorado, and it is currently constructing a facility in Georgia that will be one of the few in the U.S. that will export LNG. El Paso currently also has preferred treatment from its parent **Kinder Morgan**, which often gives it first shot at other pipeline assets "dropped down" from its massive network. El Paso buys the assets, Kinder Morgan gets cash, and investors collect the dividend.

El Paso got punished for announcing it would not increase its dividend in 2014, and looks to be in consolidation mode after years of growth. Earnings and the dividends should start to grow again when the company opens its LNG export facility.

Foolish bottom line

There are plenty of options for investors who don't want to wait for Keystone XL to get approved. These pipelines offer exposure to the oil sands, LNG, and other growth areas in the energy patch. They also don't have the downside risk that TransCanada would face if Keystone was ever rejected. Sometimes, the companies that stay out of the headlines are the best bet.

CATEGORY

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