



3 Utility Companies With Great Income Potential

Description

Utilities provide an essential service that we take for granted for the most part. Whether it is keeping the lights on or keeping our homes and offices cool, utilities are the unsung heroes we rarely think of. This continues into the realm of investing too, as investors have a tendency to bypass utility stocks, labeling them as boring and lacking growth. While there are some merits to that point, some utility stocks can provide a great source of income over the long term.

Here's a look at three utility companies to consider adding to your portfolio that will provide a steady, if not increasing, source of income for years to come.

Hydro One

Hydro One Ltd. ([TSX:H](#)) is charged with the electricity transmission and distribution of power in Ontario. The company has over 1.3 million customers and owns 29,000 circuit kilometres of transmission lines across the province.

One reason this company has flown under the radar of most investors is because the company only recently went public. Just 15% of the company went public last November; the rest of the company is to be sold off in chunks over the next few years.

Hydro One is involved in a number of infrastructure updates and acquisitions, all of which make this company anything but boring. Last year, the company acquired Great Lakes Power Transmission for \$373 million, which resulted in the company blanketing coverage in Ontario to an impressive 98% of energy demands. More recently, Hydro One announced this week the acquisition of Orillia Power Distribution Corporation for \$26 million, which will add a further 14,000 customers to the company.

Hydro One has a quarterly dividend, which currently pays out \$0.21 per share. Given the current stock price of \$25.57, this gives the stock a yield of 3.29%. With such a huge regulated hold over the market and the inevitable sale of additional shares over the next few years, the growth prospects for Hydro One remain huge.

Algonquin Power

Algonquin Power & Utilities Corp. ([TSX:AQN](#)) has a fairly large portfolio of over 50 hydroelectric, natural gas solar, thermal, and wind power-generating facilities, as well as more than 20 utilities that cover North America. Algonquin has a sizeable market in the U.S., providing electric, gas, and water utility services to over 560,000 customers under the Liberty Utilities banner.

The company is currently in the midst of a facility upgrade, which will complement existing generating facilities with an additional 700 MW of power from wind and solar facilities. The new facilities, which have an operational life of 21 years, will add to the already impressive cash flow of the company.

Algonquin is not coy on the subject of acquisitions. It is looking at any suitable regulated area that offers water, electricity, and natural gas as a candidate.

Algonquin pays out a quarterly dividend in the amount of \$0.14 per share. Given the current stock price of \$12.28, this gives the stock a fairly impressive 4.47% yield. The dividend has grown by nearly 10% per year since 2010, and the company foresees that growth to continue or improve in the coming years.

Fortis Inc.

You can't talk about great-performing utilities and not mention **Fortis Inc.** ([TSX:FTS](#)). Fortis is an absolute behemoth in the power-generation and transmission field. The company is one of the biggest utility companies on the continent and the largest in Canada, boasting over three million customers in the U.S and Canada.

The electric and gas company has developed a reputation as being one of the best investments on the market, and with good reason, too. The company had assets of under \$400 million 30 years ago, whereas the company now has assets in excess of \$30 billion. That growth has come from some fairly smart acquisitions Fortis has made over the years, which not only expanded its footprint into new markets, but solidified its grasp on existing markets.

The mostly regulated nature of power generation and transmission means that revenues will continue to trickle in for the company, but this comes with a tamed view on growth prospects that ultimately rely on organic growth of the market or replacing aging facilities with more efficient and greater-capacity ones.

Fortis has been paying out a dividend that has gone up every year for the past four decades. The current quarterly dividend amounts to \$0.38 per share, resulting in a respectable 3.52% yield.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:AQN (Algonquin Power & Utilities Corp.)
2. TSX:FTS (Fortis Inc.)
3. TSX:H (Hydro One Limited)

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Date

2025/09/10

Date Created

2016/08/18

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