



Will Tesla Motors Inc.'s Powerwall Hurt Fortis Inc.?

Description

Fortis Inc. ([TSX:FTS](#))([NYSE:FTS](#)) is a fantastic, safe utility with a bountiful dividend and substantial growth. It's truly a stock that you can pick up and forget about for decades as you collect the dividend. But with the introduction of **Tesla Motors Inc.'s** ([NASDAQ:TSLA](#)) Powerwall 2, homes could start to go off the grid entirely, which would mean profitability issues for Fortis and other utilities.

Tesla's Powerwall 2, introduced by Elon Musk, along with a wide selection of solar panel roof pieces that customers could install on their homes to generate their own power. While it may seem like a farfetched idea right now, this technology could start making waves in the next five years as it becomes more efficient and more affordable.

Right now it's quite possible for someone to go completely off the grid with this technology, but if the home uses a lot of energy, then it could still take energy from a utility company. It is also possible to load energy from the utilities into the Powerwall during non-peak times to lower the cost of power consumption.

This is a lot of lost business for utility companies, and it is definitely something that should be on the minds of every utility investor; it could affect not only the stock price, but future dividend hikes as well.

Fortis is growing very well; the ITC acquisition will increase Fortis's network and give ample free cash flow, so it can continue to reward shareholders with its dividend payout in the short to medium term. But any amount of growing will not offset the headwinds put forth by the Tesla Powerwall if it gains mainstream popularity over the next few years.

Fortis is a dividend-growth king. The company has upped its dividend for 44 straight years. The payout is also at a sustainable level, meaning the company can invest in growth, so it can increase its cash flow in future years.

The stock is very well run, and if the Tesla Powerwall does steal market share away from Fortis, it is through no fault of the management team—it's simply a technological disruption that happens every so often. This article is not meant to scare you from your investment in Fortis; rather, it's a warning that something may be on the horizon in a few years, and, given this information, you may change up your

portfolio to mitigate such risks.

The Tesla Powerwall is not expected to steal utility market share overnight; it could take many years before utilities see it as a serious threat. Don't make any short-term moves, like selling all your utilities, just yet, as there's still room for strong utilities to make a good run from here. Just keep in mind that times change, and an investor should always be informed of disruptors like the Powerwall.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NASDAQ:TSLA (Tesla Inc.)
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Date

2025/08/27

Date Created

2016/11/29

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