



Hydro One Ltd.'s Headwinds (UPDATED)

Description

Editor's note: This article has been updated throughout as of Jan. 12, 2017, to correct incorrect statements about a shareholder lawsuit and an energy price reduction that was a result of Ontario tax changes. The Fool regrets the error.

While there are those out there who rate H stock as a "Buy," the hydroelectric energy corporation **Hydro One Ltd.** ([TSX:H](#)) has faced some setbacks over the last month and a half. The company has some momentum going for it, but in my view, I'm holding this stock, not buying ... for now, at least.

It's faced three main headwinds of late:

1. Hacking/cyberattack

Authorities are currently investigating a potential cyberattack against the company. Canadian police said that a cyberattack may have been present on an IP address that is archaic and unused. Hydro One chief security officer Rick Haier said the company was contacted by the RCMP on Dec. 29 as this address was hit by hackers.

Security experts believe the move is part of a broader hacking effort. Thankfully, the address is not an active one at Hydro One, and it is not connected to the power system. The company doesn't believe that its power system has been compromised, bringing some respite to investors. These kinds of attacks look for a vulnerability in the system and exploit it for political or criminal purposes.

2. Negative publicity

A few months back, Hydro One shut off electricity for at least 1,400 customers because of non-payment of bills over a period of years. With winter temperatures dropping, this garnered a fair bit of blowback in the press, and led to hand-wringing among provincial government officials.

In order to combat situations such as this one, the company introduced a “Winter Relief” plan to more proactively get these customers reconnected, waived reconnection fees, and promised to get the customers’ power by Christmas, but the press certainly doesn’t help its public image.

3. Industry headwinds

The much-discussed sale of the company is likely being pushed back for a number of reasons. The plan was to split into three companies, with one of them holding the outstanding debt. However, demand has exceeded the amount of available hydro-electric generation in the province, which has led to higher prices and the rise of nuclear power.

In my view, the future of the industry looks hampered because of this. The new government taking place has caused rates to skyrocket.

There are certainly reasons to be bullish on Hydro One. But for the factors cited above, there’s reason to pause on this stock as well.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. TSX:H (Hydro One Limited)

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