



Give Your Portfolio a Jolt With Fortis Inc.

Description

Utilities are usually boring companies that grow very slowly. For a retiree, they may be a nice core holding for the stable income they provide, but for everyone else, does it make sense to own a significant chunk of a utility stock?

Warren Buffett isn't a big fan of the old-fashioned, traditional utilities.

In one of his old annual letters to **Berkshire Hathaway Inc.** shareholders, he said that the rising trend of renewable energy and efficiency are pushing utilities beyond a "sloppy" operational model into a more competitive environment, and that "the business of electricity is entering a period of uncertainty."

Over the next decade, utility companies are going to face pressure from the likes of emerging technologies like **Tesla's** powerwall, which aims to bring users off the grid. But this is not a transition that's going to happen overnight. In fact, utility companies probably won't be affected much by the powerwall over the next five years. But if you're an extremely long-term investor, you're probably thinking beyond this time horizon.

What will happen in 10 or 20 years from now? It's quite likely that we could see many households become completely self-sustaining with solar panel rooftops in a decade or so. And it's safe to say that traditional utilities that aren't investing heavily in becoming efficient operators will be put under tremendous pressure as we head into the future.

One Canadian utility that I believe is well equipped to deal with the uncertainty is **Fortis Inc.** ([TSX:FTS](#))([NYSE:FTS](#)). Fortis currently operates in Canada, the U.S., and in the Caribbean. The company is growing fast — much faster than any utility business should. Fortis has made several strategic acquisitions over the years to further strengthen its strong portfolio of assets.

Fortis picked up ITC Holdings last year in a deal worth US\$11.3 billion. The deal adds even more U.S. exposure to Fortis's portfolio and is expected to give earnings a nice bump in the years ahead.

More recently, Fortis bought **Teck Resources Ltd.'s** ([TSX:TECK.B](#))([NYSE:TECK](#)) two-thirds ownership in the Waneta dam located in British Columbia in a deal worth \$1.2 billion. Barry Perry, CEO

of Fortis, stated that the management team “know[s] this asset really well.”

I’m a big fan of the management team's aggressive growth strategy. I believe it will make Fortis one of the best utility stocks to own for the next decade and beyond. I’m confident that the management team will be able to adapt to the changing electricity industry by continuing to strengthen its strong portfolio of renewable assets. Prudent income investors looking to play defence should consider picking up shares of Fortis today.

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