



## Hydro One Ltd. Just Made a Massive Acquisition

### Description

There's always been plenty to love about **Hydro One Ltd.** ([TSX:H](#)).

Hydro One is the electricity, transmission, and distribution company that serves Ontario on a nearly exclusive basis.

That exclusivity makes Hydro One a virtual monopoly in all but name. It's operating in a highly regulated market that looks to become more secure with time. Hydro One has stated on more than one occasion that it intends to seek out and acquire the remaining smaller players in Ontario's transmission line market as well as upgrade existing infrastructure as part of a \$1.6 billion pledge over the next five years.

If that moat weren't reason enough to contemplate an investment, Hydro One's quarterly dividend that offers a tasty 3.98% yield might be. Because Hydro One operates in a regulated environment, revenues are predictable, which translates into a stable dividend payment.

As attractive as Hydro One sounds, there's still more, as the company has now set sights on acquisitions outside the province.

### Hydro One's massive expansion in the U.S

Hydro One recently announced the purchase of Washington-based energy company **Avista Corp.** in a deal reportedly worth \$6.7 billion. Hydro One noted that Avista will continue to operate in its existing capacity in Alaska and the Pacific Northwest, and there will be no change to customer rates or any job losses as a result of the deal, which is expected to close following regulatory approvals in the second half of next year.

From the perspective of Hydro One, this transaction will push the company into the elite club of the 20 largest utilities on the continent. Together, the companies will account for over \$25 billion in assets and over two million customers.

In all, the deal represents a unique opportunity for Hydro One to expand outside Ontario and will fuel

growth for the company, which will benefit from shared best practices and operational efficiencies across both companies.

### Is Hydro One a good investment?

This latest deal to acquire Avista is just an extra bonus on what is already a complete package. Between the regulated revenue stream and near monopoly-like status in Ontario, Hydro One was already a great investment option with plans for growth as well as a respectable income-producing stock thanks to the generous dividend payout.

With this deal, Hydro One has made it clear that the company is no longer just an Ontario-based company, but it's willing to branch out into the larger North American market, which should excite investors. The Avista deal should provide an added boost to earnings and, in time, serve as a springboard to expand even further.

In my opinion, Hydro One is a great investment opportunity for long-term growth and income generation.

### CATEGORY

1. Energy Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:H (Hydro One Limited)

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