



Is TransCanada Corporation a Buy Today?

Description

TransCanada Corporation ([TSX:TRP](#))([NYSE:TRP](#)) just received some positive news, and investors are moving into the stock in the hopes of scoring big gains.

Let's take a look at the current situation to see if this is a good time to add the [pipeline giant](#) to your portfolio.

Keystone XL

President Obama rejected TransCanada's Keystone XL pipeline project after the company spent several years trying to get the development approved.

Most investors figured the pipeline, which is designed to carry oil sands production from Alberta to the United States, was dead after the Obama decision, but President Trump changed the situation by putting the project back on the table earlier this year.

Keystone recently took one step closer to being built with the approval by Nebraska regulators to allow the pipeline to pass through the state on an adjusted route.

Is it a done deal?

Investors are pushing TransCanada's stock higher on the news, but there are still obstacles for the mega project.

The proposed route by Nebraska adds about eight kilometres of additional pipeline, as well as an extra pumping station and related transmission infrastructure. The line's proposed length is about 1,900 kilometres, so the addition of eight kilometres, while costly, shouldn't be a deal breaker for TransCanada.

However, the company said it will review the decision and look at the impact on the project's cost as well as the anticipated construction schedule.

Environmental groups plan to continue their fight, so there is some concern the project might get caught up in lengthy legal battles.

The Nebraska decision is a positive one for Keystone, but investors should be careful about pricing in the benefits.

Other growth

TransCanada has about \$24 billion in commercially secured near-term projects on the go that should support decent cash flow growth in the coming years.

In fact, the company is targeting annual [dividend growth](#) of at least 8% through 2021 as the new assets are completed and go into service. At the time of writing, the current payout provides a yield of 3.9%.

Investors who buy now are getting a nice return with decent dividend-growth guidance.

Should you buy?

TransCanada should be a solid pick for dividend-focused investors, but I wouldn't buy on the hopes of a big surge in the stock due to the potential construction of Keystone. Investors should view the project as a bonus when evaluating the stock today.

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