



Hydro One Ltd.'s Stock Faces Significant Risks

Description

Hydro One Ltd. ([TSX:H](#)) has been listed on the TSX for over two years, and its stock still hasn't gotten off the ground. The share price has declined 8% since the utility provider's stock first started trading, and last week investors were reminded why it could still be a risky buy, even though it seems as though it should provide stability.

The company was once owned by the Ontario government, and although it doesn't have a controlling interest in Hydro One anymore, that doesn't mean it no longer has any influence. The province remains a big shareholder of the company, and that could make it problematic for investors.

Recently, Doug Ford said that if he were elected to lead Ontario's government that he would get rid of the board and the CEO, "When we're in government, we're going to put an end to the hydro executives getting rich off the taxpayers of this great province." Mayo Schmidt, the CEO of Hydro One, currently makes more than \$6 million a year and would be due a big severance package if he were to be dismissed from his position.

The problem is that Ford doesn't have the power to simply fire Schmidt. It is up to the board to do that, and while the government can try to put in place a board that will do so, it's still not as easy as Ford would have you believe.

A meddling shareholder can be problematic

There are many examples of where a shareholder much smaller than the provincial government was able to stir up controversy and create a lot of problems for a public company. Not only has it happened with a [shareholder](#), but it can also happen with a [short seller](#).

Just the perception that a big shareholder like the Ontario government is unhappy and could cause problems for Hydro One in its operations could be enough to send the stock reeling. The stock market can be very fickle and reactive to a shareholder's words, and Hydro One is certainly no exception, with the company only recently becoming public.

Another risk for investors to consider

A big reason for this tough talk by Ford is that Ontario customers have been hit with huge utility bills, and bringing down electricity costs has become a platform for politicians to try and win votes on. There is the danger for investors that the Ontario government could attempt to regain control of the utility company. It certainly has the capital to do so, and it would undermine the stock's long-term potential and its attractiveness as a growing dividend stock.

Granted, the company hasn't had a long history on the market, but *potential* is the key word, and with its recent expansion south of the border, there is a lot of hope for Hydro One's prospects for the future.

Unfortunately, the stock has failed to gain any momentum, and reasons like the ones mentioned above are likely weighing on investors and making a company like **Fortis Inc.** ([TSX:FTS](#))([NYSE:FTS](#)), which is not at risk of becoming private anytime soon, a more attractive investing opportunity than Hydro One.

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