

Buy This Stock to Forget About Rising Gas Prices

Description

Utilities make [incredible investments](#) regardless of your long-term investment plans. Besides offering a very stable stream of revenue that typically has some form of annual growth, utilities offer some of the best dividend yields on the market.

One utility worthy of consideration that doesn't get enough attention from investors is **TransAlta Renewables Inc.** ([TSX:RNW](#)). Based in Calgary, TransAlta Renewables has over 30 facilities scattered across seven global regions that boast gas, hydro, and wind elements.

Why renewable energy?

One of the biggest fallacies, and, by extension, opportunities on the market right now is that of renewable energy. Renewable energy is often stereotyped as inefficient, expensive, and, frankly, not worth the investment.

That couldn't be further from the truth.

Besides the positive impact on the planet, renewable energy boasts several advantages over its fossil fuel peers.

First, sentiment over renewable energy has changed significantly over the past decade, and we're about to witness the second spur of major investment. The price of oil has been edging higher over the past few months, and while this may make companies in the Alberta oil sands happy, the consumers are starting to feel the pinch.

To put it another way, when prices rise, so too does the demand for alternative sources of energy. When the price hits a certain point, it acts as a [catalyst to renewable energy](#) development. By way of example, the last time oil prices were this high, it led to a flurry of new renewable energy development as well as new fuel efficiency standards for the automotive sector.

Nearly one-third of TransAlta's facilities have come online since the last major price spike nearly a decade ago, and recently, the company acquired three different wind assets this year.

TransAlta offers a very compelling dividend

One of the things I often look for in an investment is a great-paying dividend, and TransAlta continues to impress in that regard.

TransAlta offers an incredible 7.95% yield that is distributed monthly, which gives the company one of the best-paying yields on the market. Even better is the fact that the company has recorded four consecutive years of dividend hikes, making another hike likely this year.

Investors note that the healthy yield that the company offers can partially be attributed to TransAlta's

stock price, which has dropped over 18% year-to-date.

TransAlta announced its first-quarter 2018 earlier this month that saw the company report EBITDA of \$111 million, and adjusted funds from operations saw an uptick of \$14 million over the same quarter last year.

Why TransAlta Renewables is a screaming buy

The appeal of TransAlta comes down to three compelling reasons that prospective investors should consider:

The first reason is the market. Renewable energy facilities are gaining in popularity, and there are more active fossil fuel facilities that need to be replaced over the next few years than there are renewable energy ones, which makes for a compelling growth opportunity.

Second, the drop in stock price has created a very compelling reason to purchase the stock at a discounted rate. Recall that renewable energy investments, like their fossil fuel burning peers, have regulated contracts that can span upwards of two decades. In the case of TransAlta, two-thirds of the company's facilities have a power-purchase agreement that runs for at least another 14 years.

Finally, there's the dividend. A near 8% monthly distribution from a company that has a stable and secure revenue stream that is only going to benefit from additional hikes in the future.

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1. TSX:RNW (TransAlta Renewables)

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