



3 Clean Energy Electric Utilities Yielding +5% to Power Your Portfolio

Description

Fears of a global recession have hit markets hard in recent weeks, causing a marked increase in volatility that saw the **CBOE Volatility Index**, known as the VIX, spike sharply toward the end of 2018. The International Monetary Fund (IMF) recently downgraded its outlook for the global economy, citing weaker than anticipated economic fundamentals as the reason for revising its global GDP growth forecast to 3.3%.

Even so the **S&P/TSX Composite Index** has soared after dipping sharply at the end of 2018 to be up 15% for the year to date.

While this has sparked considerable optimism among investors, it shouldn't stop them from bolstering the defensive qualities of their portfolio. One of the best class of defensive stocks because of the inelastic demand for electricity, steep barriers to entry, significant regulation and oligopolistic market characteristics is electric utilities.

While many investors focus on traditional electric utilities such as [Fortis](#), it is renewable energy utilities that offer the best long-term prospects.

Here are three dividend paying clean energy electric utilities yielding 5% plus with solid defensive characteristics and strong growth potential.

Brookfield Renewable Partners ([TSX:BEP.UN](#))([NYSE:BEP](#)) is a green energy electric utility operating a diversified portfolio of renewable energy assets focused on hydro, which makes up 76% of its 17,400 megawatts of installed capacity. The partnership operates in 15 countries including Canada, U.S., Brazil and Colombia.

When the steep barriers to entry for electric utilities, the inelastic demand for electricity and that 87% of its cash flows come from contracted sources are considered, Brookfield Renewable's earnings are virtually guaranteed.

The partnership has hiked its distribution every year since 2010 and now yields a very attractive 6.5%. Some pundits have [expressed concern](#) regarding the sustainability of that distribution, but there is

every sign that it can be maintained.

The attributes that endow Brookfield Renewable with solid defensive characteristics also enhance its growth prospects. In late March 2019, it was announced that the partnership had made a \$750 million investment in Canadian [electric utility](#) **TransAlta**. This investment will be used by TransAlta to fund its shift to cleaner forms of electricity production as it phases out its coal-fired plants and moves to natural gas.

Technically, the investment is a loan that can be converted to equity by Brookfield Renewable. Analysts believe that this deal is a positive strategic move for the partnership and will enhance its already considerable growth prospects. That will support further distribution hikes as its earnings grows.

Capital Power ([TSX:CPX](#)) is a [traditional power utility](#) that's transitioning its portfolio to clean energy assets. This includes mothballing or refitting its coal-fired plants to operate on natural gas and constructing megawatts. It has boosted its dividend every year for the last five, giving it a tasty yield of almost 6%.

Capital Power has 5,100 megawatts of installed capacity across 25 facilities in North America. It is currently transitioning its operations to cleaner sources of electricity, including renewables, which will future proof its portfolio and enhance its growth.

In December 2018 Capital Power commissioned the 99-megawatt New Frontier wind facility in North Dakota. Earlier that year, it also acquired Arlington Valley LLC, which is the owner of the Arlington Valley 580-megawatt natural gas facility. Both acquisitions have expanded Capital Power's U.S. presence, and the Arlington Valley operation alone is expected to add \$62 million in EBITDA during 2019.

It is also advancing the Cardinal Point Wind 150-megawatt wind facility in Illinois, which is expected to commence operations in March 2020.

Those growing earnings will ensure the dividend remains sustainable and support further dividend hikes.

Northland Power ([TSX:NPI](#)) owns a globally diversified fleet of clean electricity, producing assets with 2,429 megawatts of installed capacity that's 55% focused on wind, with 40% gas-fired plants and the remainder solar. The [utility](#) pays a monthly dividend that's currently rewarding investors with a tasty 5% yield.

Northland is in the process of developing a further 1,300 mega-watts of capacity, and it anticipates that adjusted EBITDA will expand by roughly 30% between the end of 2018 and 2020. It has expanded into Taiwan where the company secured 1,044 megawatts of grid allocation for its projects.

For 2018 alone, adjusted EBITDA grew by 17% year over year to \$891 million, and for 2019 Northland anticipates that it will rise by up to 13% to as high as \$1 billion. Such strong earnings growth will support the sustainability of its dividend and lead to further dividend increases.

CATEGORY

1. Dividend Stocks

2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
3. TSX:CPX (Capital Power Corporation)
4. TSX:NPI (Northland Power Inc.)

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