



3 Top Utility Stocks for Passive Income

Description

Investors looking to generate stable passive income can consider buying shares of the utility companies. Investors should note that the rate-regulated business and predictable cash flows make utility stocks immune to the high volatility in the stock market.

Let's take a look at three top utility stocks for an [additional stream of income](#).

Canadian Utilities

With the longest history of annual dividend increases by any publicly traded Canadian company, **Canadian Utilities** ([TSX:CU](#)) is a must-have stock for investors seeking passive income. To be precise, Canadian Utilities has raised its dividends for [48 years in a row](#).

The company derives the majority of its revenues and earnings from the rate-regulated utility assets and generates predictable cash flows, which supports its payouts. In 2019, Canadian Utilities generated about 95% of its adjusted earnings from the regulated utility business. The remaining 5% came from the businesses backed by long-term contractual arrangements.

Its resilient business, high-quality earnings and rate base growth could continue to generate substantial cash flows and help the company to boost shareholders' returns through higher dividends. Shares of the utility giant currently offer a stellar dividend yield of 5.4%.

Fortis

With almost all of its earnings coming from the rate-regulated utility assets, **Fortis** ([TSX:FTS](#)) ([NYSE:FTS](#)) is another top stock for investors to generate solid passive income. Similar to the Canadian Utilities, Fortis also has a long track record (46 years) of consistently increasing its annual dividends.

Fortis's low-risk, diversified, and regulated business and highly predictable cash flows suggest that its

payouts are very safe. Moreover, the company expects its rate base to increase by 7% annually through 2024 to \$38.4 billion, which is encouraging.

Fortis projects a 6% increase in its dividends annually through 2024 and currently offers a dividend yield of 3.6%. Its continued focus on expanding and diversifying its business through investment opportunities in infrastructure and renewable power bodes well for growth. Also, strategic acquisitions are likely to bolster its growth further.

Algonquin Power & Utilities

Algonquin Power & Utilities ([TSX:AQN](#))([NYSE:AQN](#)) is the third stock that should be on your watch if you are looking for solid passive income. Similar to its peers, Algonquin Power & Utilities operates a low-risk business that generates stable cash flows.

The company's majority of revenues come from the regulated utility assets, which provides stability. Meanwhile, its renewable energy business also remains strong thanks to the long-term contractual arrangements and inflation indexation.

The company has raised its dividends by 10% annually for 10 years in a row and could continue to increase it further in the coming years, thanks to its business expansion, cost-cutting measures, and stable cash flows. Shares of Algonquin Power & Utilities currently offer a high dividend yield of 4.4%

Bottom line

The low-risk and regulated business of these utility companies imply that investors can expect a stable passive income. All these companies generate predictable cash flows, and with consistent rate base growth, investors can expect dividends to increase further in the coming years. Moreover, long-term investors are also likely to benefit from capital appreciation.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:FTS (Fortis Inc.)
3. TSX:AQN (Algonquin Power & Utilities Corp.)
4. TSX:CU (Canadian Utilities Limited)
5. TSX:FTS (Fortis Inc.)

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