



This Top Canadian Utilities Stock Is Becoming an ESG Giant

Description

Utilities stocks are among the top [dividend-paying](#) companies investors look at when seeking yield. Indeed, the defensive business models of these companies make for excellent total return potential over the long run.

However, with the rise of environmental, social, and governance (ESG) mandates, many investors may be less inclined to consider utilities stocks. After all, much of the energy produced by these companies aren't yet green.

That said, there happen to be a few utilities players making moves in the right direction. Among the top list of ESG-friendly utilities stocks on my radar right now is **Algonquin Power** ([TSX:AQN](#))([NYSE:AQN](#)). Here's another reason why I think this terrific Canadian utilities player could see much more upside from here.

Sale of Kentucky Power

As per the CEO of the Ohio-based electric utility, **American Electric Power** is on the trading block. The company has launched a strategic review of its Kentucky Power subsidiary, looking to divest this business. Around 170,000 customers from the eastern and central regions of the state received electricity from the unit through natural gas and coal-fuelled plants.

What's intriguing about this deal is that American Electric Power plans on turning its coal and natural gas-powered plants into renewables-oriented plants over the long term. However, it's looking for a suitor that will make the necessary investments in said transition.

As it happens, Algonquin has been a key player in acquiring such assets in the past. The progress Algonquin has made with other regional utilities acquisitions is impressive. Accordingly, the potential US\$2.8 billion price tag may be the perfect fit for a company like Algonquin to take on.

I'm of the view that such a deal makes sense. According to several industry experts and executives, Algonquin is in the running to acquire American Electric Power. Should this deal go through, Algonquin

could further cement its already strong base in the U.S. Additionally, this deal has the potential to continue to transform Algonquin's portfolio to include an even greater percentage of renewable power generation. Such a deal would be beneficial for long-term shareholders bullish on this company's growth potential.

Algonquin remains a top utilities stock

I agree with analysts looking at this deal in that I view this potential deal as a nice turnaround story. Algonquin has proven its ability to transform assets into renewable power plays over time. This deal seems to make a lot of sense, and Algonquin could indeed take the ball and run with it.

However, this deal is far from done, and it's not clear as to who the other bidders may be, or whether Algonquin will ultimately prove successful in making an offer and getting shareholders on board. That said, Algonquin remains a great growth-by-acquisition play in the utilities space.

Indeed, this is one of the best utilities stocks from a growth perspective in the market right now. The ESG angle is just another reason to own this stock for the long term.

CATEGORY

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