2 Top Utilities Stocks That Look Very Attractive Right Now

Description

Utilities stocks continue to be top picks for many long-term investors. Indeed, the dividends many utilities players provide are worth considering. From a total-return perspective, these stocks offer excellent risk-adjusted returns. And on top of this, given where valuations are today, utilities stocks may be considered relatively cheap.

I've been pounding the table on specific utilities plays for some time. However, I think that some stocks are better than others. Here are two of my top picks in this sector for investors seeking stability today.

Top utilities stocks: Algonquin Power

One of the greenest utilities stocks investors can opt for continues to be **Algonquin Power** (TSX:AQN)(NYSE:AQN). Indeed, this Canada-listed utilities stock actually earns most of its revenue from outside Canada. Specifically in the U.S., Algonquin has built up impressive capacity. Currently, the company has more than four GW of capacity under construction and currently operating.

However, the fact that a greater percentage of this energy is being derived from renewables is what many investors like. Currently, approximately one-third of Algonquin's power generation is derived from renewables. However, recent investments are likely to push this percentage higher.

Among these investments are the Wet Raymond Wind facility (240 MW) and the Maverick Creek Wind facility in Texas (492 MW). The company has set aside more than US$9.4 billion for further growth over the next few years.

This past month, Algonquin Power reported results for the second fiscal quarter. Compared to the same period of the previous year, this company witnessed a 54% surge in its revenue in the latest quarter. Following the surge, its revenue stood at $527.5 million.

Individuals must consider keeping Algonquin Power on their radar. This is a utilities stock with tremendous long-term dividend and growth potential.

Fortis

Another one of the utilities stocks that's high on my list right now is **Fortis** (TSX:FTS)(NYSE:FTS). However, the reasons for this are slightly different than with Algonquin.

Fortis's business model is more of the "traditional" model utilized by utilities stocks. This company's cash flows are extremely stable, supported by stable growth trends in its core markets.

Like Algonquin, Fortis pays an attractive dividend. Currently, the company's yield sits at around 4.4%. However, Fortis's real value is in the company's long-term dividend-growth profile.

Indeed, over nearly five decades, Fortis has consistently raised its dividend. Through thick and thin, this is a company that has found a way to pass on more value to shareholders. Well-thought-out growth projects and expansion into new markets has been responsible for most of this dividend growth.

Accordingly, I don't see anything changing with Fortis. The company has projected it will increase its dividend by approximately 6% a year for the next few years. That's good enough for me.

Should cash flow growth exceed that of its dividend payouts, I think more capital appreciation could be on the horizon as well.

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2. NYSE:FTS (Fortis Inc.)
3. TSX:AQN (Algonquin Power & Utilities Corp.)
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