



## Why Did TransAlta Renewables Drop 10% Tuesday?

### Description

**TransAlta Renewables** ([TSX:RNW](#)) shares dropped by 10% on Tuesday from news the company will replace its wind turbines. This comes after TransAlta experienced an [outage](#) in at its Kent Hills facility.

### What happened?

TransAlta will replace all 50 of its turbine foundations at the Kent Hills wind farm in New Brunswick. This comes after one of the towers collapsed last year. TransAlta released to investors that the original design of the foundations caused cracks in the turbines, leading to deficiencies that must be replaced.

And it won't be cheap. Initial estimates could cost between \$75 million and \$100 million to replace the foundations at Kent Hills one and two wind sites. But it won't just be the replacement costs that matters. TransAlta will also lose \$3.4 million per month each year for as long as its 50 wind turbines are down.

### So what?

While the company expects all turbines to be up and running again by 2023, it's a lot of cash to lose. The only silver lining is its Kent Hills three site remains unaffected. Furthermore, TransAlta is looking for any insurance or third-party options to help cover the costs.

"We remain focused on our objective to safely return the site to service as soon as reasonably practicable," remarked Todd Stack, president of TransAlta Renewables. "As a result of the site remaining down for an extended period during remediation, we also continue to work closely with our project lenders and look forward to being able to resume delivery of renewable electricity as the foundation replacements are complete."

The news still sent shares down by 10%, which only added to the recent losses by the company over the last several months. After reaching 52-week highs in July, shares are down 31%.

## Now what?

This is a major cost at a time when energy companies certainly don't need it. While TransAlta will certainly look for insurance and third-party options, they aren't guaranteed. Still, it's not entirely a gloomy [proposition](#) to consider TransAlta at these levels.

During the company's latest earnings report, it saw EBITDA reach \$102 million, up \$6 million from the year before. It also saw major developments with its solar and wind projects around North America, many of which could be completed this year.

While we'll need to hear from analysts regarding the recent news, as of writing, analysts have a consensus [target](#) price of \$19.65. That represents a potential upside of 21%.

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