

Evening Media Scan: Hydro Rate Reduction Plan - June 30, 2017

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MEDIA SCAN: HYDRO RATE REDUCTION PLAN

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The Motley Fool: You Considered Hydro One Ltd. Recently?

By: Demetris Afxentiou

June 30, 2017

<https://www.fool.ca/2017/06/30/have-you-considered-hydro-one-ltd-recently/>

Hydro One Ltd. (TSX:H) is one of the most lucrative opportunities on the market. Unfortunately, most investors don't realize the full potential of the company and often pass on it.

For those unfamiliar with Hydro One, the company is the electricity and transmission and distribution company that serves Ontario, nearly exclusively.

I say nearly exclusive because there are still some smaller regional players in the province, but Hydro One has stated on more than one occasion that over the next five years, the company plans to invest \$1.6 billion in upgrading existing infrastructure and acquiring any remaining transmission lines.

That nearly exclusive ownership of Ontario's transmission lines translates into one of the most impressive moats anywhere; it is not likely to be challenged anytime soon. In fact, if the company makes good on the pledge to buy out any remaining transmission line players in the province, that moat will only strengthen further. Shareholders could expect moderate increases to the already impressive dividend and cost synergies and savings from those acquisitions.

The rate Hydro One charges to subscribers is likely to be challenged. Customer complaints have increased in recent months as jumps in electricity bills have crossed over what can be deemed a reasonable and fair increase. To that end, the province has approved a "Fair Hydro Plan," which the government hopes should drop current electricity bills by 25% and stop unfair increases moving forward.

Unfortunately for investors, this could mean dividend increases will dry up, and further expansion beyond what has already been announced and budgeted may be hard to come by in the near future. If nothing else, Hydro One may fall into the "utility trap" of offering a regulated, low-margin service that leaves little room for growth.

Why should I invest in Hydro one?

Besides the defensive moat I mentioned earlier, the 3.85% yield that Hydro One pays out to shareholders is tempting. But perhaps one of the biggest reasons to invest in Hydro One is for the company's business model.

As consumers, we have little choice when it comes to our electricity needs. We need it to power our growing number of devices and our increasingly connected lives. In short, we need it, Hydro One offers it, and we must pay it.

Hydro One's regulated contracts ensure that the company receives a steady stream of income for providing that service, and that's unlikely to change no matter how disgruntled customers are with the current rates.

Any intervention by the Ontario government to stem further price increases is unlikely to significantly impact growth over the long term, but will likely make any subsequent dividend increases more modest.

In my opinion, Hydro One is a good investment option for investors looking for a stable, income-producing investment that offers some growth prospects.

36-Year Old CEO Bets Over \$300 Million on 1 Stock

Iain Butler, Lead Adviser of Stock Advisor Canada, recommended this little tech darling to thousands of loyal members last March... and those that followed his advice are up 127.7% (they've already made 2X their money!).

Not to mention this tiny Eastern Ontario company has already been recommended by both Motley Fool co-founders, David and Tom Gardner, because of its amazing similarity to an "early stage" Amazon.

Find out why Tom Gardner was recently on BNN's Money Talk raving about this company, and how you can read all about it inside Stock Advisor Canada. [Click here](#) to unlock all the details about his Canadian rule breaker!

TV Transcripts

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