

Investing in utilities – does it make sense?

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The cumulative free cash flow over the last 10 years over every utility in this list has been negative. Utilities are perceived as safe and stable, yet their fundamentals would state the opposite.

Accounting depreciation has been far less than actual capital expenditures for these companies. They've been able to fund these large deficits by incurring more and more debt and issuing more and more shares but is this sustainable?

The idea that utility stocks or alternative private funds investing in infrastructure assets are less volatile and bring diversity might be short-term thinking.

Utilities (in \$M USD)

CANADA	Location	Free cash flow over the last 10 years	Market Cap
Hydro One	Ontario, Canada	-\$1,891	\$17,836
US			
AES	Virginia, US	-\$5,150	\$14,185
Alliant Energy	Wisconsin, US	-\$6,520	\$13,162
Ameren	Missouri, US	-\$6,560	\$19,859
American Electric Power	Ohio, US	-\$12,731	\$48,242
CenterPoint Energy	Texas, US	-\$6,444	\$18,974
Consolidated Edison	New York, US	-\$6,318	\$33,316
Constellation Energy	Maryland, US	-\$11,372	\$66,902
Dominion Energy	Virginia, US	-\$15,493	\$44,459
Duke Energy	North Carolina, US	-\$17,151	\$79,261
Edison International	California, US	-\$21,933	\$28,844
Evergy	Missouri, US	-\$621	\$12,862
Exelon	Illinois, US	-\$15,136	\$38,301
NextEra Energy	Florida, US	-\$67,158	\$154,141
NiSource	Indiana, US	-\$6,514	\$13,005
Pinnacle West	Arizona, US	-\$2,550	\$8,792
Southern Company	Georgia, US	-\$12,534	\$86,053
Xcel Energy	Minnesota, US	-\$9,211	\$31,021
		-\$223,396	\$711,379