RATEPAYER IMPACTS

NextEra's Proposed Acquisition of Dominion Energy

Virginia is facing a proposed $67 billion acquisition of Dominion Energy by NextEra Energy. This deal, if approved, would combine two of the country's largest power providers into the world's biggest regulated electric utility directly impacting 10 million customers across Virginia, Florida, and the Carolinas.

MERGERS DO NOT GUARANTEE LOWER OPERATING COSTS.

Studies of merger outcomes in the electric utility sector show that mergers often do not make companies more efficient, and may make them less efficient.

- **The Efficiency Fallacy:** A 2024 study of 31 large electric utilities found that engaging in more mergers and acquisitions was associated with lower operational efficiency, challenging assumptions that mergers improve performance.[1]
- **Unproven Efficiency Claims:** Another study found that 60–80% of mergers failed to achieve their projected efficiency gains, largely because companies overestimated benefits and underestimated integration costs.[2] The author concluded that regulators should critically analyze claims of efficiencies rather than rely on applicants' projections.
- **The Subsidiary Factor:** A 2024 study found that efficiency gains in power plants generally only happen when both the parent company and the direct subsidiary change. When only the parent company changes, as would happen in the Dominion-NextEra merger, mergers typically have no effect on power plant efficiency.[3] Experts have found that parent-only acquisitions are often driven by motives other than efficiency, and that opportunities for these acquisitions to result in efficiency gains are limited since the subsidiaries still maintain direct control over day-to-day operations.[4]

HISTORIC EVIDENCE SHOWS THAT UTILITIES HAD HIGHER RATES AFTER MERGERS.

Despite promises from utilities that mergers will accrue to customer benefit, the evidence on mergers' true impact on rates is mixed.

- Following Exelon's 2016 acquisition of Pepco Holdings, electricity rates increased faster than inflation for four of the five acquired utilities between 2016 and 2024,[5] despite extensive merger conditions and consumer protections.[6]
- Less than a year and a half after Dominion Energy acquired South Carolina utility SCANA in 2018, it applied to increase its South Carolina customers' electric rates by almost $10 a month.[7]

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CREDIT IMPACTS FLOW BOTH WAYS.

The utilities have touted the acquisition as improving their combined borrowing power. However, their arguments bear deeper examination.

- **Using Dominion Customers as a Credit Safety Net:** Expert analysts have suggested that NextEra is using Dominion Energy's stable, guaranteed customer base to protect its own corporate credit rating.[8] Financial analysts have cautioned that NextEra's credit rating faces downward pressure because its non-regulated businesses are high-risk and expensive to run, and that it needs to have a significant regulated business.[9] After several failed attempts to buy regulated utilities in other states, NextEra has now targeted Dominion.
- **Shifting Financial Risks onto Dominion Customers:** Because NextEra operates a vast corporate network with hundreds of affiliates, this transaction shifts distinct financial risks onto Dominion's customers. For example, NextEra builds many competitive, non-regulated power plants. If those projects suffer from major delays or financial failures, the corporate damage can hurt Dominion's credit score, making it much more expensive for Dominion to borrow money to maintain the local grid. Likewise, NextEra's largest utility, Florida Power & Light, faces ongoing legal, regulatory, and public backlash over controversial corporate behavior. Without strict structural separation, the legal and financial liabilities of NextEra's other companies could spill over, leading to higher rates for Virginia customers.

DATA CENTER GROWTH COULD INCREASE COSTS.

Dominion and NextEra have framed high load growth – driven largely by data centers in Dominion's territory – as a key shareholder benefit of the merger.[10] However, if the Dominion-NextEra merger enables faster data center expansion without extensive policy reforms, residential and small business customers could bear higher costs.

- NextEra projects 11% annual growth in its rate base through 2032 as a result of this merger.[11] Driven largely by new infrastructure for skyrocketing data center demand, this rapid expansion would inflate the pool of assets on which NextEra earns a guaranteed profit, directly boosting shareholder returns while potentially raising customer costs.
- A 2024 JLARC report warns that data center load growth could drive up Dominion's residential bills by $168 to $444 annually by 2040. It associates higher levels of load growth with higher increases in customer bills.[12] The pace at which infrastructure can be built to serve this industry is a major factor in the extent of the load growth – and associated cost to residential customers – that will materialize. If the merger accelerates the build-out for an expansive data center load, it threatens to hike residential bills unless the state implements systemic data center cost reforms.

NEXTERA HAS A BAD TRACK RECORD FOR RATEPAYERS IN OTHER STATES.

- **Unusually High Profit Margins:** Florida Power & Light (FPL) secured an authorized return on equity (ROE) of 10.95%, one of the highest profit rates in the country for a major regulated electric utility.[13] A higher ROE generally indicates that regulators view the utility to be riskier.
- **Inflated Customer Bills:** In 2025, corporate profit swallowed 27.4% of the average FPL customer's bill, which is one of the highest profit-to-bill ratios nationwide.[14]
- **Aggressive Rate Hikes:** The Florida Office of Public Counsel has testified that each time FPL files a rate case, its proposed profit component increases substantially, with the utility routinely relying on flawed ROE requests to push up negotiated rates.[15]
- **Risk of Importing the Playbook:** Because Virginia already lacks strong customer protections against excessive utility profits, a NextEra takeover could bring FPL's aggressive profit strategies to Virginia and further drive up local customer costs.

A MERGER OF THIS SIZE RISKS CREATING REGULATORY IMBALANCE THAT ULTIMATELY HARMS CUSTOMERS.

- **Threat of Overwhelming State Regulators:** A multi-state mega-corporation of this size risks stretching state regulators beyond their capacity, making it significantly harder for them to effectively police the company's massive impact on the overall energy market.
- **Risk of Blind Spots in Cross-State Oversight:** Because the company would operate with significant business footprints across multiple state lines, individual state regulators may lack the jurisdiction or tools to investigate and police complex cross-state transactions, creating hidden financial risks for local ratepayers.
- **Potential for Outsized Political Influence:** A company of this scale commands aggressive political leverage, creating the risk that it could exert an undue influence over the very laws and regulations meant to govern it.
- **Severe Regulatory Imbalance:** This shift in power threatens to create a severe imbalance between the utility and the state, potentially leaving everyday Virginians exposed to higher monthly bills if regulators are unable to properly keep the utility in check.

ENDNOTES

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