

NEXTERA-DOMINION ENERGY MERGER

Clean Virginia Issue Alert

CLEAN VIRGINIA

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What's Happening?

On May 18th, Dominion Energy and NextEra jointly announced plans for an all-stock merger that would create the largest regulated electric utility monopoly in the United States. Virginia now enters a regulatory process with major consequences for ratepayers, energy policy, and the integrity of state politics.

Deal Terms

NextEra has entered into an agreement to acquire Dominion under the following terms:¹

- Dominion shareholders would receive 0.81 NextEra shares for each share they hold, as well as a pro rata portion of a \$360 million one-time cash payment at close.
- Existing NextEra shareholders will own approximately 74.5% of the combined entity.
- The consolidated company will maintain two corporate headquarters, in VA and FL.
- The combined company would serve approximately 10 million customers.
- NextEra will offer Dominion's roughly four million customers (across NC, SC, and VA) \$2.25B in one-time bill credits over two years. For the average residential ratepayer in VA, that amounts to ~\$10/month.
- NextEra projects 11% annual growth in its rate base — the pool of infrastructure assets on which it earns guaranteed profit (return on equity or ROE) — through 2032, primarily to build infrastructure to serve data centers. More rate base at a high profit rate means higher long-term bills. The two-year bill credit will be exhausted long before 2032.
- Neither company has made public commitments on ROE or rate reduction, clean energy delivery, or compliance with Virginia's Clean Economy Act.

Expected Timeline & Intervention Points

In Virginia, the primary point of intervention is the State Corporation Commission (SCC).

The SCC must approve, deny, or approve with conditions the merger application within 60 days. It may extend the review period by up to 120 days. The application is automatically deemed approved if the SCC does not act within the required timeframe.

Process details:

- NextEra and Dominion will jointly file a merger application in the coming weeks.
- The SCC will schedule a hearing, allowing for intervention and public comment.
- The Office of the Attorney General has the duty to serve as the ratepayer advocate.
- Considerations will include affordability, rate stability, operational reliability, capital structure, risks associated with the combined companies, impacts on staffing, and issues related to dividends, financing, and affiliate transactions.
- The SCC cannot approve the transaction unless it determines that "adequate service to the public at just and reasonable rates will not be impaired or jeopardized."²

The General Assembly and the Governor's administration do not have a designated legal role in the SCC process, but both can act to shape the outcome:

- All stakeholders can advocate publicly for a robust review of the merger application.
- Both bodies could move in the coming weeks to ensure the SCC and the Attorney General's office have the resources necessary for a robust review process.
- The Commission on Electric Utility Regulation could commission a full analysis of alternatives and impacts to inform the General Assembly.
- The Governor's administration and General Assembly leadership could officially intervene in the proceeding.

Other steps in the process:

- State commissions in North and South Carolina will conduct similar processes.
- The Federal Energy Regulatory Commission (FERC) will conduct a "public interest" review to ensure that the transaction will not jeopardize wholesale market rate stability or competition or improperly subsidize affiliates of the combined holding company.
- The Nuclear Regulatory Commission will review to ensure safe nuclear operations.

NextEra Background

NextEra Energy is the largest electric utility in North America, headquartered in Juno Beach, FL.

Several NextEra attempts to expand through a major acquisition have been blocked:

- **Texas (2016):** Regulators rejected the acquisition of Oncor Electric, citing concerns about governance, financial structure, and long-term implications for ratepayers.³
- **Hawaii (2015):** Hawaii regulators rejected NextEra's proposed acquisition of Hawaiian Electric Industries. Regulators found the merger did not provide clear, measurable customer benefits and raised concerns about local control, governance, accountability, and alignment with Hawaii's long-term clean energy goals.⁴
- **North Carolina (2020):** Duke's board unanimously rejected NextEra's bid, citing regulatory hurdles.⁵

Ratepayer Impacts

NextEra customers experience significant affordability issues. For example:

- Customers of NextEra Energy subsidiary, Florida Power & Light (FPL), are facing a \$7B rate increase, which critics have described as the "largest rate hike in U.S. history."⁶
- Recent research found that NextEra profits accounted for 27.4% of the average bill, the highest profit ratio in the country.⁷

NextEra's History of Political Influence

The scale of NextEra's reported political activities dwarfs Dominion Energy's (see table). Investigative reporting confirms the true total is tens of millions higher once dark money vehicles are included.^{8,9}

Estimate of Reported U.S. Political Spending 2010–2025^{10, 11, 12, 13, 14, 15}

NextEra Energy	\$126 million
Dominion Energy	\$63 million

Highlights include:

- NextEra subsidiary FPL contributed millions to prop-up spoiler candidates in close races and manipulated media coverage through a network of dark-money non-profits. The "ghost candidate scandal" led to a formal Federal Election Commission investigation, the CEO's resignation, and the felony conviction of a former Florida state senator.^{16,17}
- FPL spent millions backing an effort to hinder third-party solar competition in Florida.¹⁸
- NextEra spent over \$20M supporting a ballot initiative to block a transmission line that would have brought carbon-free hydropower to compete with NextEra's sales in Maine.¹⁹
- NextEra spent over \$1.3 million to defeat state ballot measures in California and Colorado intended to make corporations pay a fairer share of taxes.^{20, 21, 22}
- NextEra has already contributed over \$97K to Democratic campaign committees and \$109K to Republican campaign committees in VA since 2019.²³

What can Virginians learn from other major utility mergers?

Studies show that efficiency gains from mergers often fail to materialize, and cost efficiency can worsen, rather than improve.²⁴ Additionally, recent utility merger proceedings in other states show that regulators often impose substantial conditions when approving electric utility acquisitions. For example:

- **Texas (2018):** Regulators approved Sempra's acquisition of Oncor only after imposing strict ring-fencing, governance, and ratepayer protections.²⁵
- **DC (2016):** Regulators exercised extensive scrutiny over Exelon's acquisition of Pepco Holdings, initially rejecting the proposal and approving only after imposing conditions covering concerns such as ratepayer protections, governance, and reporting.²⁶

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