AMERICAN ECONOMIC LIBERTIES PROJECT

The Proposed NextEra–Dominion Merger Would Create Dangerous Utility Market Concentration at the Worst Possible Time

The proposed merger between NextEra Energy and Dominion Energy should raise serious concerns for regulators, policymakers, and consumer advocates about rising electricity costs, monopoly power, and the growing influence of private, for-profit utilities in the AI economy.

If approved, the transaction would create what the companies themselves describe as the largest utility in America. The combined company would serve roughly 10 million customer accounts and control approximately 110 gigawatts of generation capacity, nearly four times Virginia's entire existing generation fleet.

At a time when electricity affordability is becoming a major political and economic issue, this merger threatens to deepen many of the structural problems already plaguing the utility sector.

The Merger Highlights the Need for Utility ROE Reform

The proposed transaction is also a clear example of why regulators and policymakers must revisit how a utility's return on equity (ROE) — a key driver of its total profits — is set.

As the American Economic Liberties Project has documented, excessively high authorized ROEs create incentives for utilities to pursue endless capital expansion because monopoly utilities earn returns based on the size of their regulated asset base. In other words, utilities make money by spending money, not by operating more efficiently.

The companies are openly advertising expected 11% annual growth in regulatory capital employed and emphasizing future rate-base expansion as a central financial benefit of the merger.

In other words, the merger's financial attractiveness is directly tied to the ability to earn monopoly-protected returns on massive future infrastructure investments tied to AI demand and data center expansion.

If regulators reduced excessive authorized ROEs and more aggressively constrained over-earning, transactions built around unchecked capital expansion would become substantially less attractive.

The Merger Would Create a Utility Giant Positioned to Capitalize on AI Growth

Dominion serves the nation's largest concentration of hyperscaler data centers in Virginia, and the combined company would become one of the dominant utilities powering AI infrastructure growth in the United States.

Utilities across the country are racing to build new transmission lines, substations, generation assets, and grid infrastructure to support AI-related electricity demand. The central public-interest question is simple: Who pays for all of it?

Too often, ordinary households and small businesses absorb these costs through higher monthly utility bills while some of the wealthiest technology companies in the world benefit from expanded infrastructure and preferential utility arrangements. While some states and regulators have begun adopting new tariffs, cost-allocation protections, and other safeguards aimed at ensuring large energy users pay a fairer share, those measures remain inconsistent across the country and may still fall short of fully protecting ratepayers from rising costs.

This merger risks accelerating a model where monopoly utilities and Big Tech reinforce one another's market power while shifting financial risk onto captive customers.

Bigger Utilities Mean Bigger Monopoly Power

This merger would dramatically increase concentration in an industry where monopoly power is already protected and reinforced through government-granted exclusive service territories and guaranteed rates of return.

Unlike consumers in competitive markets, utility customers generally cannot choose another provider if prices rise or service deteriorates. That makes excessive consolidation especially concerning because regulators — not market competition — are often the primary check on utility power. The combined entity would become:

- No. 1 in total U.S. generation
- No. 1 in annual capital expenditures
- No. 1 in rate-base growth
- No. 1 in gas generation
- No. 1 in renewables and battery storage

For decades, economists and consumer advocates have warned that utility mergers can increase market power while failing to deliver meaningful benefits for consumers. Studies examining electricity-sector consolidation have found that mergers often divert value from

customers to shareholders while weakening competitive pressures and increasing industry concentration.

In addition to creating the nation's largest electric utility, the proposed transaction would significantly increase the concentration of critical energy assets within several regional electricity markets. By combining substantial generation, transmission, and regulated distribution holdings under a single corporate umbrella, Dominion and NextEra would wield outsized influence over key regional markets where customers have little or no ability to choose another provider.

The concern is especially acute for states who rely on PJM, the regional transmission organization that controls the power grid across the Mid-Atlantic. The mega-merger would combine Dominion's dominant regulated utility and transmission footprint in Virginia with NextEra's extensive competitive generation portfolio and development pipeline, creating one of the region's most influential market participants at a time of rapidly growing electricity demand driven by AI and data centers.

The merger would also consolidate ownership of New England's entire nuclear fleet. Today, NextEra owns Seabrook Nuclear Station and Dominion owns Millstone Nuclear Power Station. Together, these facilities account for roughly 12% of ISO-New England's installed generating capacity; further, the combined company would control all remaining nuclear generation in the region. As the agreements supporting continued operation of these plants approach expiration later this decade, placing both assets under a single owner could significantly increase the company's leverage over future market and procurement decisions.

Consolidating Monopoly Power Consolidates Political Power

The concerns extend beyond economics. Both NextEra and Dominion have historically ranked among the utility industry's most active contributors to Section 527 political organizations, which can raise and spend unlimited sums to influence state elections and policymaking. Combining two of the nation's largest utility political spenders into a single company would create an even more powerful entity capable of exerting significant influence over the governors, attorneys general, legislators, and regulators responsible for overseeing its operations.

Regulators should also consider NextEra's record in Florida, where its subsidiary, Florida Power & Light, has faced repeated allegations involving political interference, dark money networks, surveillance of journalists, and efforts to shape the regulatory environment in ways favorable to the company. The history underscores the importance of rigorous scrutiny before expanding the company's monopoly footprint into additional states. This is especially true in light of the recently announced $150 million settlement reached by NextEra with plaintiffs in a class-action securities lawsuit, which centered around allegations of political wrongdoing by NextEra and Florida Power & Light, causing investor losses due to the delayed risk disclosures.

When customers have no ability to choose another provider, regulators must be especially vigilant against creating utilities with both extraordinary market power and extraordinary political influence.

Virginia Ratepayers Should Pay Attention to NextEra's Existing Profit Model

Virginia regulators and consumers should closely examine NextEra's track record in Florida before accepting promises that this merger will benefit ratepayers.

According to the Energy and Policy Institute Utility Profit Tracker for Florida Power & Light, approximately **27.4%** of a typical residential customer's electric bill goes toward utility profits and shareholder returns at Florida Power & Light — NextEra's flagship regulated utility. This is the second highest in the country.

By comparison, the tracker estimates that approximately **17.8%** of a typical Virginia Power (Dominion) residential customer's bill currently goes toward utility profits.

Virginia consumers should reasonably expect pressure for similar outcomes if Dominion is absorbed into NextEra's broader corporate structure.

Temporary Bill Credits Do Not Change the Long-Term Economics of the Merger

The proposed merger relies heavily on temporary customer bill credits to demonstrate immediate benefits. But if the transaction truly creates substantial efficiencies and savings for ratepayers, regulators should ask why one-time credits are necessary at all.

Once those credits expire, customers will still be responsible for the costs of operating a larger utility while losing the only guaranteed financial benefit offered as part of the deal. There is also no guarantee that the credits will actually reduce bills. They could simply offset future rate increases while NextEra pursues additional cost recovery.

The companies' own commitments also call their promised synergies into question. Workforce reductions are often a major source of merger savings, yet NextEra has pledged an 18-month freeze on involuntary layoffs. At the same time, additional corporate executives and overhead are likely to be layered onto Dominion's existing structure, with those costs ultimately passed on to ratepayers.

Finally, the proposal highlights expanded charitable giving as another customer benefit. But those contributions are recoverable in customers' monthly utility bills and can also strengthen the utility's political influence, meaning customers may effectively pay for activities that primarily benefit the company while the utility garners the goodwill associated with donations made in their name but footed by customers. There are documented examples across the industry of utilities leveraging these charitable contributions to secure favorable public testimony from the recipient nonprofit organizations during requests for rate increases before their regulator.

Regulators Must Apply Aggressive Public Interest Review

At a time of growing public frustration over rising utility bills and concentrated corporate power, regulators should be extremely cautious about approving the creation of the country's largest regulated utility monopoly.

This merger must be approved by several regulatory bodies, specifically the Federal Energy Regulatory Commission, Nuclear Regulatory Commission, Virginia State Corporation Commission, North Carolina Utilities Commission, and the Public Service Commission of South Carolina.

Arguments that the merger "does no harm" should not be enough to satisfy decision-makers; rather, the burden should be on NextEra and Dominion to prove this merger serves the public interest — not simply shareholders, executives, and large industrial customers. From what we've seen though, this proposal is neither in the public interest nor does it exempt current Dominion customers from harm. NextEra's long track record of failed acquisition attempts illustrates that other states have agreed with this assessment.