

NextEra Energy: Making the Virginia Promise Measurable

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Decision scope: Whether and how to stand behind the expanded September 14 Virginia customer package before key hearings

Case convention: This is an author-created management decision exercise. The decision assignment is hypothetical; company statements, filings, and regulatory status are historical. The merger is signed, but has not closed.

The decision

On October 2, NextEra Energy and Dominion Energy faced the next stage of review for their proposed combination. Shareholders of both companies had approved the transaction proposals on September 3. The approvals cleared an important step, but the merger remained subject to regulatory clearances and other closing conditions. Virginia local hearings were scheduled for October 7 and 9, public-witness hearings for November, and the State Corporation Commission's evidentiary hearing was scheduled to begin November 17. [S1-S3]

Three weeks earlier, the companies had announced an expanded Virginia benefits package. The proposal included \$10 monthly residential bill credits for four years, an additional \$100 million for EnergyShare through 2038, workforce and supplier programs, new jobs, a five-year commitment to maintain current Virginia employee headcount, and a shareholder-funded Richmond office tower. It was submitted to the SCC as additional information. It was not an SCC order or an approved rate change. [S4]

The executive team now had to decide what it was prepared to put behind the proposal before public scrutiny intensified. Should it affirm the package as offered? Should it seek stronger, measurable protections on funding, cost allocation, delivery, and reporting? Or should it narrow or revise commitments whose amount, duration, or enforcement remained unclear?

This was not a decision about whether to sign the merger agreement: the agreement was already executed and both shareholder votes had passed. The question was how to make the customer commitments credible while preserving the transaction's execution path and the utilities' ability to meet future investment and reliability needs.

Assignment: Prepare a two-page recommendation for the companies' merger steering committee. Choose whether to stand behind the September 14 package as proposed, strengthen it with enforceable protections, or revise particular commitments. Identify the commitments you would make to the Virginia SCC, the evidence and baselines needed, who would fund and report them, and what should happen if a target is missed. Separate immediate bill credits from recurring savings, targets from realized outcomes, and parent-level measures from utility-specific measures. Do not assume the SCC will approve the package or that any

proposed benefit has already been delivered.

A signed transaction with conditions still outstanding

Under the executed agreement, each Dominion common share is to convert into 0.8138 shares of NextEra common stock, plus a separate aggregate \$360 million cash payment allocated per share pro rata. The stock exchange ratio is fixed, but the value of the stock component moves with NextEra's share price. The transaction is therefore not accurately described as unqualified "all-stock." [S1]

The companies obtained their respective shareholder approvals on September 3. Required regulatory clearances, the absence of a prohibitory order, and other contractual closing conditions remained outstanding at the cutoff. The agreement obligates the parties to use reasonable best efforts to obtain specified clearances, but does not require either party to accept a condition that meets the agreement's defined "Burdensome Condition" threshold. That negotiated definition uses a material-adverse-effect standard with specified treatment of company scale and exceptions. A regulator's condition does not automatically meet it. The agreement also has an outside date of November 15, 2027, with a limited extension to August 15, 2028 in specified regulatory circumstances. Termination fees apply only to enumerated contractual pathways; they are not automatic upon any failed approval. [S1]

These terms made commitments consequential. A more specific package might improve accountability and customer protections, while an obligation with uncertain cost or broad scope could affect the companies' willingness or ability to perform. But no public record reviewed for this case provided a complete, audited bridge from merger-specific savings to the cost and customer outcomes regulators would need to evaluate.

What the September package said

The May transaction presentation and July regulatory announcement described \$2.25 billion in shareholder-funded bill credits across Virginia, North Carolina, and South Carolina and stated that merger-related costs would not be passed to customers. The September 14 release expanded the Virginia proposal. It increased the residential credit period from two years to four years and said the companies would redirect the portion otherwise allocated to large-scale data centers while increasing aggregate shareholder-funded Virginia credits. The public release did not establish a final aggregate Virginia credit amount. The underlying supplemental materials had not been fully reconciled in the research available for this case. Do not add the old and new figures together. [S4-S5]

Other announced elements included an additional \$100 million for EnergyShare through 2038; a \$100 million workforce-development commitment; 600 direct NextEra jobs and 400 expected supplier jobs; a commitment to maintain current Virginia employee headcount for five years; a supplier program of up to \$1 billion annually for five years; and a shareholder-funded office tower in Richmond. The release did not provide a complete cost bridge or define every implementation and verification detail. "Up to" spending, expected supplier jobs, direct company jobs, and maintained employee headcount describe different kinds of commitments. [S4]

The package also reiterated customer-hold-harmless and cost-protection claims. The companies said regulated operating companies would remain locally led and separately regulated. Those representations did not, by themselves, establish how transaction, integration, financing, or shared-service costs would be assigned among the parent, FPL, Dominion's operating utilities, and competitive businesses-or what independent party would verify the allocation.

Exhibit 1. Separate the kinds of customer and community benefits

Proposal or claim	What was stated by October 2	What a regulator or customer would still need to know
Residential bill credits	\$10 per month for four years; shareholder-funded; Virginia terms expanded from the earlier two-year proposal	Eligible customer count, start date, delivery mechanism, total funded amount, treatment of customer turnover, source and timing of funds, and reconciliation to the earlier allocation
EnergyShare	Additional \$100 million through 2038	Incremental funding schedule, eligible uses, administrator, reporting, and verification of disbursements
Workforce development	\$100 million	Timing, eligible expenditures, accountable entity, outcomes, and treatment of unspent funds
Direct jobs	600 new NextEra jobs	Locations, job definitions, timing, duration, and evidence of net additions
Supplier jobs	400 expected jobs	Estimation method, attribution, duration, and whether jobs are incremental
Virginia headcount	Maintain current Virginia employee headcount for five years	Baseline date, employee scope, treatment of contractors and acquisitions, measurement, exceptions, and remedy
Supplier program	Up to \$1 billion annually for five years	Whether this is a target or binding spend commitment, eligible spend, baseline, local-vendor definition, reporting, and shortfall treatment
Merger-cost protection	Companies stated merger-related costs would not be passed to customers	Cost definitions, utility-level accounting, allocation rules, audit rights, treatment of shared assets/services, and regulator access
Customer hold-harmless	Company claim repeated in package	Baseline bills and services, causal scope, duration, exclusions, and a binding mechanism to ensure compliance

Source: company announcement and regulatory materials. These are proposed terms or company representations, not SCC findings. [S4-S5]

Two businesses, many competing demands

NextEra combined a regulated Florida utility, FPL, with NextEra Energy Resources (NEER), a competitive energy and infrastructure business that also included regulated transmission. Dominion operated regulated utilities and other businesses. The proposed combination would enlarge a parent company, but the utility territories and customer groups would remain distinct. A parent-level increase in earnings or capital employed could not, by itself, show lower bills or improved service in Virginia.

NextEra's 2025 filing reported \$24.6 billion in capital expenditures, independent-power investments, and nuclear-fuel purchases, and \$89.6 billion of consolidated long-term debt at year-end. Its reported available liquidity was \$18.7 billion. FPL separately expected \$12-13 billion of capital investment in 2026. These figures show material existing funding and execution demands; they are not pro forma merger financing figures and do not establish an inability to fund the transaction. [S6-S7]

FPL also reported 21 gigawatts of large-load interest, with 12 gigawatts in advanced discussions, some potentially beginning service in 2028. Management expected at least one transaction under FPL's tariff by year-end 2026. Those were pipeline statements, not executed contracts or realized demand. NEER reported a 35.1-gigawatt renewables and storage backlog. Backlog is not completed capacity or guaranteed cash flow. The parent's organic opportunities and capital requirements therefore compete for management attention and funding, but public figures do not quantify the merger's incremental integration costs. [S7]

Management's transaction presentation forecast immediate adjusted EPS accretion, at least 9% adjusted EPS compound annual growth through 2032, and approximately 11% annual growth in regulatory capital employed through 2032. These were forecasts and targets. They were not a quantified estimate of customer savings and did not isolate merger-specific efficiency from new investment, load growth, financing, or ordinary rate-base additions. [S8]

What research can and cannot tell the team

The utility-scale literature offers competing signals. Kwoka and Pollitt's study of U.S. electricity-distribution mergers from 1994-2003 reported results that did not support improved cost performance. The study is from an earlier industry period and uses efficiency measures that do not directly quantify savings for this transaction. Stannard and Barry's study of New Zealand distributors suggests density within a service area may matter more for unit cost than scale alone. Joining companies with separate territories does not automatically increase local customer density. [A1-A2]

Other power-sector studies leave room for value creation through operating capability. A Federal Trade Commission working paper analyzing U.S. fossil-fuel generators estimated an average 4% improvement in fuel efficiency after acquisitions, with gains emerging over several months. Fuel efficiency at acquired plants is not total productivity, regulated distribution efficiency, customer welfare, or a forecast for NextEra and Dominion. A cross-country study of utility acquisitions reported positive average market-value and operating-performance results, but its mix of countries and liberalized markets differs from this transaction. None of these results supplies a merger-specific synergy estimate. [A3-A4]

Together, the studies make mechanisms more important than size. Procurement, engineering, project delivery, financing, and management systems may be transferable across businesses. Whether each creates an incremental benefit, who receives it, and how quickly it appears would need to be shown. FPL's record is relevant to capability, but it is not proof that Dominion's separate regulated utilities will achieve the same results.

Exhibit 2. The evidence test for a merger claim

Claimed benefit	Competing explanation or risk	Evidence that could distinguish them
Lower controllable operating costs	Load, weather, inflation, fuel, service mix, and regulatory changes shift costs	Utility-specific normalized O&M per customer or MWh; fixed baseline; merger-specific savings net of implementation costs; jurisdictional allocation
Better project execution	Project mix, permitting, labor, supply chain, and timing differ	Comparable project budgets and schedules established before integration; actual variance and causes; separately reported utility and competitive projects
Stronger financing	Larger platform may improve access; debt, guarantees, dilution, or refinancing may offset gains	Pro forma financing and rating assumptions; actual debt and interest metrics; guarantees and contingent liabilities; no inference from parent size alone
Lower customer bills	Credits can temporarily reduce bills without reducing recurring costs; rate-base investment can raise revenue requirements	Total customer bills after credits, recurring approved rates, cost allocation, and reliability/service measures reported separately
More reliable service	Weather and changing networks can influence outages	Consistent utility-level outage and restoration measures with weather and system context, against a pre-merger baseline

The package choice

The executive team had several plausible paths.

Affirm the package as announced. This would preserve the public offer and avoid reopening its terms immediately before hearings. The risk is that broad claims may be difficult to verify or enforce without agreed definitions, funding mechanics, or remedies.

Affirm and add protections. The companies could seek SCC-approved commitments around credit funding and delivery, merger-cost accounting, independent audits, utility-level reporting, and customer access to information. This could improve credibility and define how shortfalls are addressed. It would also require the team to specify obligations that the public materials had not fully quantified, and to consider whether proposed remedies fit the merger agreement and each regulated entity's authority.

Revise or narrow selected promises. The companies could clarify "up to" and expected amounts, replace ambiguous outcomes with verifiable obligations, or stage commitments around audited baselines. That might reduce ambiguity and improve deliverability. It could also weaken the public package or make customers uncertain about which benefits remain firm.

Whatever path the team chose, the design questions were practical: Which promises should be fixed obligations, and which should remain management targets? What is the exact funding source and cost bearer? Should a credit be delivered through bills or another mechanism? How will the SCC know that a merger-related cost was not shifted to a Virginia utility? Which measures should be reported by Dominion utility, FPL, NEER, or parent? What remedy is

appropriate for a missed target-make-up funding, customer credit, corrective plan, independent review, or no automatic remedy where the measure is outside management control?

The September package arrived shortly before the October local hearings. A recommendation that could be explained in a hearing would need to distinguish cash transfers from recurring operating savings, shareholder commitments from ratepayer costs, goals from binding obligations, and consolidated performance from regulated utility outcomes.

Sources

Company and regulatory sources

- **[S1]** Executed NextEra-Dominion Agreement and Plan of Merger, May 15, 2026, §§2.01(a), 5.02, 6.01-6.04, 7.01-7.02 and Exhibit A. [SEC filing](#).
- **[S2]** NextEra Energy, September 3, 2026 shareholder-meeting results. [SEC filing](#).
- **[S3]** Virginia SCC, Dominion-NextEra merger update, page updated September 22, 2026; docket PUR-2026-00112. [SCC case page](#). Dominion's September 3 shareholder approval: [SEC filing](#).
- **[S4]** NextEra and Dominion, September 14, 2026 expanded Virginia benefits package. [Company release](#).
- **[S5]** NextEra and Dominion, July 15, 2026 regulatory-application announcement and customer-credit proposal. [SEC Rule 425 filing](#).
- **[S6]** NextEra Energy, 2025 Form 10-K, selected business, capital, liquidity, and debt disclosures. [Company PDF](#).
- **[S7]** NextEra Energy, Q2 2026 results release, July 24, 2026. [SEC exhibit](#).
- **[S8]** NextEra Energy and Dominion, May 18, 2026 transaction presentation, p. 10. [PDF](#).

Academic research

- **[A1]** John Kwoka and Michael Pollitt, "Do mergers improve efficiency? Evidence from restructuring the US electric power sector," *International Journal of Industrial Organization* 28(6), 2010. [DOI](#). Full paper was not available to the research author; the case uses only the reported high-level finding and states this access limitation.
- **[A2]** Tom Stannard and Philip Barry, "Scale efficiency gains in utilities? The case of electricity distribution in New Zealand," *New Zealand Economic Papers*, 2024. [DOI](#). Abstract and excerpts reviewed; no coefficient is used.
- **[A3]** Ceyhun Demirer and Ali H. Karaduman, "Do Mergers and Acquisitions Improve Efficiency: Evidence from Power Plants," Federal Trade Commission working paper. [PDF](#).
- **[A4]** Jo Kishimoto, Mika Goto, and Kotaro Inoue, "Do acquisitions by electric utility companies create value? Evidence from deregulated markets," *Energy Policy* 105, 2017. [DOI](#). Abstract and selected sections reviewed; full tables and robustness results were not available.

All company information is limited to the stated cutoff. The case does not include post-cutoff outcomes or assert that the proposed package was approved.