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Dominion-NextEra merger plan may slow clean energy transition

Planned combination could test Virginia's commitment to phasing out fossil fuels

- September's revised merger agreement between Dominion Energy and NextEra includes clues about future resource decisions in Virginia that should concern state regulators, political leaders, and renewable energy proponents.
- Despite the success of the utility's current offshore wind projects and promises of consumer fuel cost savings related to the renewable technology, the merger agreement fails to mention offshore wind at all.
- Prior to the merger announcement, developing additional offshore wind was clearly a consideration for Dominion, but NextEra largely dismisses offshore wind—meaning the merger could challenge the state's renewable energy transition.
- NextEra is looking out for its shareholders first and foremost, and not Virginia ratepayers. Politicians, regulators, and energy advocates in the commonwealth need to keep that point front and center as they consider the massive merger proposal in the months ahead.

September's revised merger agreement between Dominion Energy and NextEra includes clues about future resource decisions in Virginia. Those clues should concern state regulators, political leaders, and renewable energy proponents.

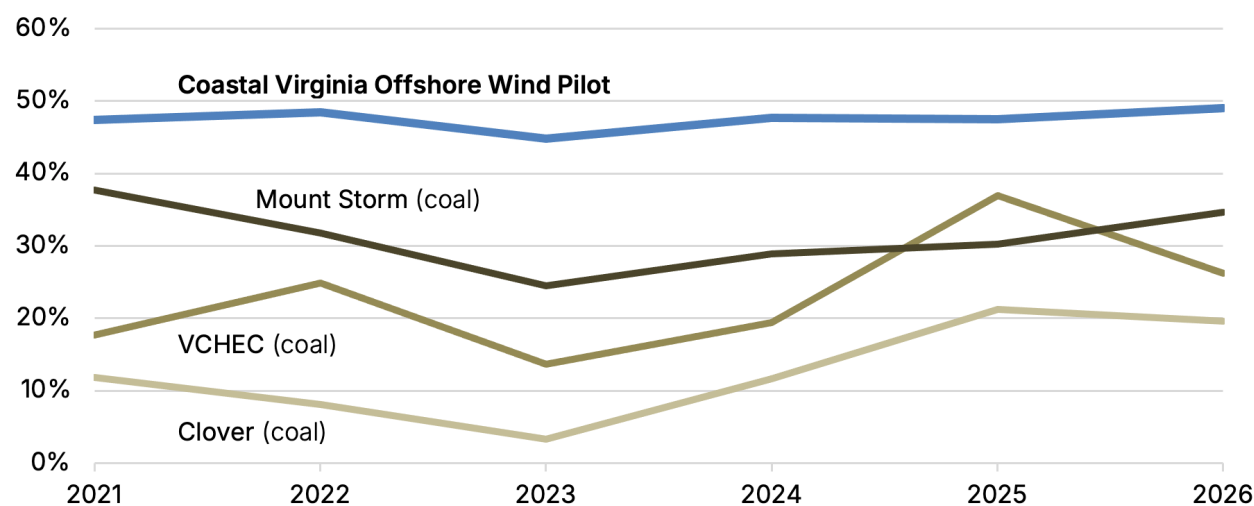
One of the agreement's most glaring omissions is the absence of any mention of offshore wind, despite Dominion's own estimate that consumers will save \$5 billion in fuel costs over the first 10 years of operation of the 2,600-megawatt (MW) Coastal Virginia Offshore Wind (CVOW) project,¹ now more than 80% complete,² and the strong performance of the utility's nearby 12MW pilot project over the past six years.

That project became fully operational at the end of 2020, and its power output since has exceeded expectations. In 2025, staff at the Virginia State Corporation Commission (SCC) testified that the facility had posted an average net capacity factor of 46% since coming online, significantly above the company's 40% projection. IEEFA calculations from data reported to the Energy Information Administration (EIA) show that the project performs even better during the winter months from November 1 to March 31, making it a perfect complement to solar generation that performs best during the longer days in spring and summer. Since coming online, the pilot's wintertime capacity factor has averaged 56.6%.

Similarly, SCC staff testified that the pilot project's availability factor was roughly 96%, significantly higher than the anticipated 90%.³ In other words, the facility is reliably available and has generated substantially more electricity than expected.

The graphic below shows the project's capacity factor (the ratio of how much electricity a facility generates compared to what it could produce at 100% power) versus Dominion's three operating coal-fired power plants. The difference is stark.

Figure 1: Annual capacity factors of Dominion Virginia's offshore wind and coal plants



Source: EIA data via S&P Capital IQ.

Despite these performance numbers and cost savings estimates, Dominion's merger partner does not believe in offshore wind. In 2023, NextEra CEO John Ketchum largely dismissed offshore wind, saying it was too capital intensive and amounted to a bad bet for utilities.

"We find it hard enough just to take care of a fleet onshore with some of the issues that we deal with as a company, and we're best in class," he said at a CERAWEEK speech that year.⁴

Ketchum is slated to head the merged NextEra-Dominion entity, which likely will push any further offshore wind development in Virginia to the back burner, if not off the stove entirely. That could set up a conflict with the commonwealth's landmark Virginia Clean Economy Act (VCEA), which requires Dominion to begin development of another 2,600 MW of offshore wind by the end of 2034.

Prior to the merger announcement, developing additional offshore wind was clearly a consideration for Dominion. In 2024, it purchased the rights to 40,000 acres south of the current CVOW project, which is projected to be fully operational by the end of 2027. That area, then owned by Avangrid and called Kitty Hawk North Wind, has an estimated capacity of 800 MW.

In announcing the purchase, Robert Blue, Dominion's CEO, said: "It also allows us to leverage the unique expertise we've gained during the very successful development and construction to date of the Coastal Virginia Offshore Wind (CVOW) commercial project, which reduces project risk to the benefit of customers and shareholders. The Virginia model for regulated offshore wind development is proving to be an enabler of on-time and on-budget wind generation at exceptional relative value for our customers."⁵

Beyond the clear split regarding offshore wind, the revised agreement also points directly to the companies' plans to build additional gas-fired generation, albeit cloaked under the phrasing "dispatchable resources."

There is no doubt that term is a cover for gas generation, since it is included separately in a sentence along with all other options: "The expanded package would help accelerate the buildout of Virginia generation, including solar, storage, dispatchable resources and nuclear."⁶

There are two problems with this phrasing.

First, it clearly seeks to obfuscate Dominion's (and the subsequent merged company's) plans to build significant amounts of new gas-fired generating capacity to supply its Virginia service territory. Dominion's 2025 update to its current long-term resource plan already includes 5,864 MW of new combined-cycle gas capacity and 2,646 MW of combustion turbine gas capacity. If built, all of this capacity would be at risk of early retirement under the terms of the VCEA, which calls for ending fossil fuel generation in the state by 2045. The company plans to release its 2026 long-term resource plan in October, and given Dominion's continued forecasts regarding rapid data center-driven demand growth, its projected need for new gas-fired generation capacity is unlikely to decline.

The second problem with this "dispatchable resource" phrasing is it implies solar and battery storage are not similarly capable, which is indisputably false. IEEFA has closely analyzed solar linked with battery storage and, regardless of the market, the combination is reliably dispatchable and cost effective.

In California, solar paired with battery storage pushed gas generation to record lows in May.⁷ According to EIA data, California's gas-fired generation in the first half of the year was 36% lower than the comparable 2024 period, while utility-scale solar and wind output are up 25% and 8%, respectively. Further, the amount of installed dispatchable battery storage jumped from 9,080 MW to 17,023 MW in that two-year period, enabling grid operators to bank renewable generation during periods of high production and then dispatch those saved electrons in the evening or overnight, cutting the need for gas-fired capacity.

A similar scenario is occurring in the Electric Reliability Council of Texas (ERCOT), which runs the grid serving about 90% of the state's power demand. An analysis IEEFA released in August⁸ charted the growth of solar and dispatchable battery storage in ERCOT since 2023, showing how these complementary resources have met the rapid increase in market demand and helped to keep prices in check.



Dominion's approach toward solar and storage has not been as forward looking. In a 2024 request for proposals (RFP) for new generation resources, it specifically excluded solar, wind, and storage from consideration. It also set a delivery date of 2030, effectively banning new nuclear capacity as well. Not surprisingly, the winning bid was Dominion's own self-build proposal for the 944MW gas-fired Chesterfield peaking plant that was approved late last year by Virginia state regulators.

Looking forward, regulators need to ensure that Dominion executives allow dispatchable renewable resources such as hybrid solar and battery projects to bid into future RFPs. These resources are already viable options as peaking power resources and will be able to compete in all time horizons as long-duration energy storage options are brought online.

A third resource-related problem in the revised merger package is its odd shout-out to the Virginia City Hybrid Energy Center (VCHEC), a coal-fired facility that earns its hybrid moniker by also being able to combust wood waste and GOB coal, which is shorthand for "garbage of bituminous." The plant, which came online in 2012, has struggled economically—since 2019 its capacity factor has been only a little more than 21%. Further, in a 2022 analysis, Dominion indicated that the plant was only economic during periods of high gas prices.⁹

The rationale behind the VCHEC mention is likely similar to the touted doubling of residential rate credits included in the revised agreement. Both measures clearly are looking to sway public opinion—with the promise of jobs in the VCHEC case and dollars in the residential credits case. But tellingly, both measures are also trying to use other peoples' money to accomplish the task. Keeping VCHEC open may be beneficial in southwest Virginia, but if the plant is uneconomic, it will be other Virginians paying to keep it open. Similarly, the doubling of the residential rate credit likely will cost NextEra next to nothing; instead, it is largely a reshuffling of what was originally promised, using funds initially earmarked for larger customers and redirecting them to the residential sector.¹⁰

All of this points to one inescapable conclusion: NextEra is looking out for its shareholders first and foremost, and not Virginia ratepayers. Politicians, regulators, and energy advocates in the commonwealth need to keep that point front and center as they consider the massive merger proposal in the months ahead.



Endnotes

¹ S&P Global Market Intelligence (proprietary). Dominion Energy First Quarter 2026 Earnings Call Transcript. May 1, 2026. Page 5.

² Dominion Energy. [Q2 2026 Earnings Call presentation](#). July 31, 2026. Page 8.

³ Prefiled Testimony of Neil Joshipura. Case No. PUR-2025-00058. September 9, 2025. Page 10.

⁴ Reuters. [CERAWeek-NextEra CEO says offshore wind a bad bet](#). March 8, 2023.

⁵ Dominion Energy. [Dominion Energy Announces Agreement to Acquire Offshore Wind Lease From Avangrid For Potential Future Regulated Generation Development](#). July 8, 2024.

⁶ Dominion Energy. [NextEra Energy and Dominion Energy announce transformational Virginia benefits package that puts customers first and positions the Commonwealth as a global energy leader](#). September 14, 2026.

⁷ IEEFA. [California's gas use for power falls to record low](#). June 4, 2026.

⁸ IEEFA. [PJM lags badly in renewable, battery buildout, consumers pay the price](#). August 31, 2026.

⁹ Report on Virginia City Hybrid Energy Center Pathways for Economic Viability. Case No. PUR-2021-00114. November 9, 2022. Page 21.

¹⁰ In a September 14 supplemental filing to the State Corporation Commission, the companies said the cost of the revised agreement would depend on final sales figures, but was not expected to cost more than \$90 million over the four-year period. The company's net income in 2025 was \$6.8 billion.



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