The U.S. electricity sector is witnessing a wave of consolidation as utilities race to meet soaring power demand from artificial intelligence and data centers. At the center of this transformation is NextEra Energy's proposed acquisition of Dominion Energy, a deal valued at US$66.8 billion that would create the largest electric utility in the United States.

While residential electricity consumption has remained relatively stable, the rapid expansion of AI infrastructure has dramatically increased demand for reliable, large-scale power. This shift is reshaping corporate strategies across the energy sector, with utilities pursuing mergers to expand their footprint, strengthen their balance sheets, and capitalize on one of the fastest-growing sources of electricity demand.

A Changing Utility Landscape

The American electricity system is served by a mix of providers. Municipal utilities and rural electric cooperatives continue to operate as nonprofit organizations focused primarily on delivering affordable and reliable service to their communities. However, roughly 70% of U.S. households receive electricity from investor-owned utilities, whose primary obligation is to generate returns for shareholders.

These companies often operate through complex holding structures spanning multiple states and markets. Their business strategies differ significantly depending on whether they operate in regulated or deregulated electricity markets.

In regulated states, electric utilities function as monopoly providers within designated service territories. Regulators determine the rates customers pay, allowing utilities to recover the cost of investments in power plants, transmission lines, substations, and other infrastructure while earning an approved return—typically around 10%—on those investments.

This framework encourages utilities to expand and modernize infrastructure, particularly when future electricity demand is expected to rise. Large capital investments, once approved by regulators, provide stable and predictable returns over decades.

By contrast, deregulated markets expose utilities to greater competition and financial risk. Companies must compete to sell electricity, and profits depend on efficiently generating power and taking advantage of favorable market conditions. While this creates opportunities for higher returns, it also introduces significant volatility.

NextEra's Growth Strategy

NextEra Energy has distinguished itself by successfully navigating both regulated and competitive markets. The company has become one of the nation's largest renewable energy developers, building large-scale solar and wind projects backed by long-term contracts that provide steady revenues while limiting exposure to price fluctuations.

The acquisition of Dominion Energy represents the next phase of that strategy. Dominion owns regulated electricity operations in Virginia, including service territory covering Northern Virginia, one of the world's largest concentrations of data centers. As AI companies continue building energy-intensive computing facilities, demand for electricity in the region is expected to grow substantially.

By expanding its regulated business, NextEra would balance the risks associated with competitive markets while strengthening its financial position to fund future infrastructure investments required to serve rapidly growing electricity consumption.

Beyond infrastructure and market strategy, regulatory approval remains central to utility profitability. Utilities devote significant resources to engaging with lawmakers and regulators, seeking approval for rate increases, infrastructure investments, and major corporate transactions.

Large mergers such as the proposed NextEra-Dominion deal must undergo extensive regulatory scrutiny to determine whether they serve the public interest and protect consumers. Approval processes often examine potential impacts on electricity rates, service reliability, competition, and market concentration.

A New Era for the Power Industry

The rapid growth of artificial intelligence is creating one of the largest shifts in electricity demand in decades. Utilities are responding by expanding generation capacity, investing in transmission infrastructure, and pursuing mergers that increase their scale and financial flexibility.

Whether this consolidation ultimately benefits residential customers remains uncertain. While larger utilities may be better positioned to finance the enormous investments needed to power the AI economy, questions persist about whether increased corporate size will translate into lower costs, greater efficiency, or improved service for consumers.

As the nation’s digital infrastructure continues to expand, the electricity sector is entering a period where AI-driven demand—not household consumption—is increasingly shaping investment decisions, corporate strategy, and the future of America’s power grid.