

of in-scope Phase II facilities and (2) potential changes to individual facilities within the group of Phase II facilities. EPA analyzed incremental capacity

closures, changes in variable production costs per MWh of generation, total generation, and pre-tax income to assess impacts to all Phase II facilities resulting

from the preferred option. Exhibit 2 below presents the results of this analysis, by NERC region.

#### EXHIBIT 2.—IMPACTS ON PHASE II FACILITIES OF THE PREFERRED OPTION (2010)

NERC region	Baseline capacity (MW)	Incremental closures		Change in variable production cost per MWh (%)	Change in generation (%)	Change in pre-tax income (%)
		Capacity (MW)	% of baseline capacity			
ECAR .....	82,313	0	0.0	0.0	-0.1	-1.4
ERCOT .....	43,522	0	0.0	-0.7	-1.7	-11.0
FRCC .....	27,537	0	0.0	0.3	-0.8	-4.1
MAAC .....	33,590	0	0.0	0.0	0.2	-1.4
MAIN .....	35,373	434	1.2	0.5	-1.1	-1.0
MAPP .....	15,727	0	0.0	0.0	0.0	-1.6
NPCC .....	37,651	0	0.0	-1.4	-2.3	-0.8
SERC .....	107,450	0	0.0	-0.2	-0.2	-0.7
SPP .....	20,471	0	0.0	-0.4	-0.6	-1.0
WSCC .....	27,206	0	0.0	-1.0	-5.5	-27.0
Total .....	430,840	434	0.1	-0.5	-0.8	-2.0

Similar to the market level results, MAIN is the only region that would experience incremental capacity closures at Phase II facilities under this regulatory option: A total of 434 MW, or 1.2 percent of all Phase II capacity in this region, would be retired. Total capacity closures in MAIN are a net estimate (*i.e.*, policy case closures minus base cases closures) consisting of 519 MW of capacity retiring at one facility and an 85 MW reduction in closures at a second facility. Variable production costs per MWh at Phase II facilities would increase in two regions and decrease in five regions under the preferred option. No region would experience an increase in Phase II variable production costs that exceeds 0.5 percent while Phase II facilities in NPCC and WSCC would see reductions of 1.4 percent and 1.0 percent, respectively. Phase II facilities in four NERC regions would experience decreases in generation in excess of 1.0 percent as a result of the preferred

option. The largest decrease would be in WSCC, where Phase II facilities would experience a 5.5 percent reduction in both generation and revenues. Overall, pre-tax income would decrease by 2.0 percent for the group of Phase II facilities. The effects of this change are concentrated in a few regions: WSCC would experience a reduction in pre-tax income of 27.0 percent, which is driven by a reduction in both generation and revenues (not presented in this exhibit). ERCOT and FRCC are estimated to experience a reduction of 11.0 and 4.1 percent, respectively.

Results for the group of Phase II facilities as a whole may mask shifts in economic performance among individual facilities subject to this rule. To assess potential distributional effects, EPA analyzed facility-specific changes in capacity utilization (defined as generation divided by capacity times 8,760 hours), generation, revenue, variable production costs per MWh (defined as variable O&M cost plus fuel

cost divided by generation), and pre-tax income.

Exhibit 3 presents the total number of Phase II facilities with different degrees of change in each of these measures. This exhibit excludes 18 in-scope facilities with significant status changes (10 facilities are baseline closures, one facility is a policy closure, and seven facilities changed their repowering decision between the base case and the policy case). These facilities are either not operating at all in either the base case or the post-compliance case, or they experience fundamental changes in the type of units they operate; therefore, the measures presented below would not be meaningful for these facilities. In addition, the change in variable production cost per MWh of generation could not be developed for 57 facilities with zero generation in either the base case or post-compliance scenario. For these facilities, the change in variable production cost per MWh is indicated as "n/a."

#### EXHIBIT 3.—OPERATIONAL CHANGES AT PHASE II FACILITIES FROM THE PREFERRED OPTION (2010) <sup>a</sup>

Economic measures	Reduction			Increase			No change	N/A
	≤1%	1–3%	> 3%	≤1%	1–3%	> 3%		
Change in Capacity Utilization <sup>b</sup> .....	9	15	24	9	6	9	441	0
Change in Generation .....	7	1	44	10	3	17	431	0
Change in Revenue .....	80	27	42	100	22	15	227	0
Change in Variable Production Costs/MWh .....	33	13	9	140	13	14	234	57
Change in Pre-Tax Income .....	105	113	199	22	13	37	24	0

<sup>a</sup>For all measures percentages used to assign facilities to impact categories have been rounded to the nearest 10th of a percent.

<sup>b</sup>The change in capacity utilization is the difference between the capacity utilization percentages in the base case and post-compliance case. For all other measures, the change is expressed as the percentage change between the base case and post-compliance values.

Exhibit 3 indicates that the majority of Phase II facilities would not experience

changes in capacity utilization or generation due to compliance with the

preferred option. Of those facilities with changes in post-compliance capacity