

of changes including increased technology costs, increased downtime for technology installation, and the use of electric demand assumptions from DOE's Annual Energy Outlook. Not included in this estimate are seven facilities that are projected to be

baseline closures.¹⁴ Including compliance costs for projected baseline closure facilities would result in a total annualized cost of compliance with the waterbody/capacity-based option of approximately \$797 million (at

proposal, this estimate was \$595 million).

Exhibit 7 below summarizes the changes between the proposal and NODA analyses for the preferred option and the waterbody/capacity-based option.

EXHIBIT 7—SUMMARY OF CHANGES IN NATIONAL COSTS

	Proposal (\$2001; mill.)	NODA (\$2002; mill.)	Change	
			Absolute	Percent
Preferred Option				
Number of Phase II facilities	550	551	1	0.2
All facilities (pre-tax)	\$279	\$416	\$137	49.1
All facilities (post-tax)	\$182	\$269	\$87	47.8
Number of baseline closures	11	8	(3)	-27.3
Non-baseline closures (pre-tax)	\$271	\$410	\$139	51.3
Non-baseline closures (post-tax)	\$178	\$265	\$87	48.9
Waterbody/Capacity-Based Option				
Number of Phase II facilities	550	551	1	0.2
All facilities (pre-tax)	\$968	\$1,280	\$312	32.2
All facilities (post-tax)	\$595	\$797	\$202	34.0
Number of baseline closures	9	7	(2)	-22.2
Non-baseline closures (pre-tax)	\$951	\$1,273	\$322	33.9
Non-baseline closures (post-tax)	\$585	\$793	\$208	35.6

B. Cost-to-Revenue Measure

1. Facility-Level Analysis

EPA examined the annualized post-tax compliance costs of the preferred option and the waterbody/capacity-based option as a percentage of baseline annual revenues, for each of the 551 facilities subject to Phase II of the Section 316(b) regulation. This measure allows for a comparison of compliance costs incurred by each facility with its revenues in the absence of Phase II

regulation. The revenue estimates are facility-specific baseline projections from the IPM base case for 2008 (see Section V of this Notice for a discussion of EPA's analyses using the IPM).¹⁵

Similar to the findings at proposal, the results of this analysis show that the vast majority of facilities subject to the preferred option, 404 out of 551 (73 percent), would incur annualized costs of less than one percent of revenues. Of these, 292 facilities would incur compliance costs of less than 0.5

percent of revenues. Ninety-seven facilities (18 percent) would incur costs of between one and three percent of revenues, and 41 facilities (seven percent) would incur costs of greater than three percent. Eight facilities are estimated to be baseline closures, and for one facility, revenues are unknown.¹⁶ Exhibit 8 below summarizes these findings and also presents the ratios estimated at proposal.

EXHIBIT 8—COST-TO-REVENUE RATIO FOR THE PREFERRED OPTION (FACILITY LEVEL)

Annualized cost-to-revenue ratio	Proposal		NODA	
	All phase II	Percent of total phase II	All phase II	Percent of total phase II
<0.5%	331	60	292	53
>= 0.5 to <1.0%	78	14%	112	20
>= 1.0% to <3.0%	82	15	97	18
>= 3.0%	46	8	41	7
Baseline Closure	11	2	8	1
n/a	1	0	1	0
Total	550	100	551	100

Exhibit 9 below presents the same information for the waterbody/capacity-based option.¹⁷

¹⁴ The number of baseline closures is different for the preferred option and the waterbody/capacity-based option because different IPM base cases were used to estimate baseline closures. See footnote 8 above for a full explanation.

¹⁵ EPA used 2008 rather than 2010 baseline revenues for this analysis because 2008 is the first model run year specified in the IPM analyses. EPA

used the first model run year because it more closely resembles the current operating conditions of in-scope facilities than later run years (over time, facilities may be increasingly affected by factors other than a Phase II regulation).

¹⁶ For the preferred option, IPM revenues for 2008 were not available for eight facilities estimated to be baseline closures, ten facilities not modeled by

the IPM, and five facilities projected to have zero baseline revenues. EPA used facility-specific electricity generation and firm-specific wholesale prices as reported to the Energy Information Administration (EIA) to calculate the cost-to-revenue ratio for the 15 non-baseline closure facilities with missing information. The revenues for one of these facilities remains unknown.