

## EXHIBIT 11.—COST-TO-REVENUE RATIO FOR THE WATERBODY/CAPACITY-BASED OPTION (FIRM LEVEL)—Continued

| Annualized cost-to-revenue ratio | Proposal     |                           | NODA         |                           |
|----------------------------------|--------------|---------------------------|--------------|---------------------------|
|                                  | All phase II | Percent of total phase II | All phase II | Percent of total phase II |
| >= 3.0% .....                    | 3            | 2                         | 2            | 2                         |
| Baseline Closure .....           | 2            | 2                         | 0            | 0                         |
| Total .....                      | 131          | 100                       | 128          | 100                       |

*C. Cost Per Household*

EPA also conducted an analysis that evaluates the potential cost per household, if Phase II facilities were able to pass compliance costs on to their customers. This analysis estimates the average compliance cost per household for each North American Electricity Reliability Council (NERC) region,<sup>18</sup>

using two data inputs: (1) The average annual pre-tax compliance cost per megawatt hour (MWh) of total electricity sales and (2) the average annual MWh of residential electricity sales per household.

The results of this analysis show that the average annual cost per residential household would range from \$0.55 (in

ASCC) to \$5.69 (in HI) for the preferred option and from \$0.55 (in ASCC) to \$20.41 (in HI) for the waterbody/capacity-based option. Exhibit 12 below presents the values for each NERC region for the preferred option and the waterbody/capacity-based option. The exhibit also presents the values for the preferred option at proposal.

## EXHIBIT 12.—SUMMARY OF COST PER HOUSEHOLD BY NERC REGION

| NERC region        | Preferred option  |               |        | W/C-based option |
|--------------------|-------------------|---------------|--------|------------------|
|                    | Proposal (\$2001) | NODA (\$2002) | Change | NODA (\$2002)    |
| ASCC .....         | \$0.33            | \$0.55        | \$0.22 | \$0.55           |
| ECAR .....         | 0.99              | 1.49          | 0.50   | 1.52             |
| ERCOT .....        | 1.01              | 1.12          | 0.11   | 1.75             |
| FRCC .....         | 1.58              | 2.04          | 0.46   | 12.08            |
| HI .....           | 2.55              | 5.69          | 3.14   | 20.41            |
| MAAC .....         | 1.16              | 1.50          | 0.34   | 9.53             |
| MAIN .....         | 0.84              | 1.32          | 0.48   | 1.32             |
| MAPP .....         | 0.88              | 1.09          | 0.21   | 1.10             |
| NPCC .....         | 1.09              | 1.49          | 0.40   | 4.57             |
| SERC .....         | 0.83              | 1.17          | 0.34   | 3.21             |
| SPP .....          | 0.64              | 0.88          | 0.24   | 0.88             |
| WSCC .....         | 0.36              | 0.94          | 0.58   | 5.08             |
| U.S. Average ..... | 0.87              | 1.30          | 0.43   | 4.00             |

*D. Electricity Price Analysis*

EPA also considered potential effects of the proposed Phase II rule on electricity prices. EPA used three data inputs in this analysis: (1) Total pre-tax compliance cost incurred by facilities subject to Phase II regulation, (2) total electricity sales, based on the Annual Energy Outlook (AEO) 2002, and (3) prices by end use sector (residential, commercial, industrial, and transportation), also from the AEO 2002. All three data elements were calculated by NERC region.

The results of the NODA analysis show that the annualized costs of complying (in cents per KWh sales) range from 0.007 cents in SPP to 0.020 cents in NPCC for the preferred option, and from 0.007 cents in SPP to 0.096 cents in MAAC for the waterbody/capacity-based option.

To determine potential effects of these compliance costs on electricity prices, EPA compared the per KWh compliance cost to baseline electricity prices by end use sector and for the average of the sectors. This analysis shows that the

average increase in electricity prices would be 0.17 percent under the preferred option and 0.51 percent under the waterbody/capacity-based option. (At proposal, the estimated increase in electricity prices for the preferred option was 0.11 percent.)

Exhibit 13 below presents the values for each NERC region for the preferred option and the waterbody/capacity-based option. The exhibit also presents the values for the preferred option at proposal.<sup>19</sup>

<sup>18</sup> There are twelve NERC regions: ASCC (Alaska Systems Coordinating Council), ECAR (East Central Area Reliability Coordination Agreement), ERCOT (Electric Reliability Council of Texas), FRCC (Florida Reliability Coordinating Council), HI

(Hawaii), MAAC (Mid-Atlantic Area Council), MAIN (Mid-America Interconnected Network, Inc.), MAPP (Mid-Continent Area Power Pool), NPCC (Northeast Power Coordination Council), SERC (Southeastern Electricity Reliability Council), SPP

(Southwest Power Pool), and WSCC (Western Systems Coordinating Council).

<sup>19</sup> Note that Alaska and Hawaii are not represented in the AEO.