

use Freon, which is an ozone-depleting agent. Second, EPA expects that facilities will choose to use Method 1664 in the future rather than Freon methods, because Freon is expected to become more expensive and difficult to obtain. For these two reasons, EPA expects to promulgate the final limitations for "oil and grease measured as HEM." As a consequence, compliance monitoring would require the use of a method, such as Method 1664, that measures oil and grease as HEM.

With the incorporation of industry self-monitoring data, EPA now has oil and grease concentration data measured by Freon methods. Because these data do not measure oil and grease as HEM, EPA has excluded them from its analyses and loadings estimates for the NODA. However, EPA acknowledges that at the time of development of Method 1664, EPA had explained that Method 1664 and Freon methods generally provide comparable results for industrial wastewaters (*see*, for example, <http://www.epa.gov/waterscience/methods/1664fs.html>). However, during the development of Method 1664 and subsequently, some industries have expressed concerns about potentially differing results from the two methods. In response to these comments, EPA has provided guidance for facilities to evaluate if the two methods are comparable in their own wastewater. (See chapter 2 in "Analytical Method Guidance for EPA Method 1664A Implementation and Use (40 CFR part 136)," February 2000, EPA/821-R-00-003; DCN 165620). EPA solicits data from any MPP facilities that may have performed this comparison in the MPP wastewaters.

Before the final rule, EPA may assess whether the oil and grease data between the two methods appear to differ within the same model technology options. (See DCNs 165011, 165140, 165070, 165150 for the data and summary statistics.) Further, if data from both a Freon method and Method 1664 are available from the same facility, then EPA intends to compare the concentrations from the two methods for that facility. Depending on the results of these comparisons, EPA may incorporate the Freon-based data into its development of the final limitations/standards for oil and grease. In this case, EPA would also consider allowing the use of Freon-based methods for compliance monitoring. EPA solicits comments on whether it should use only Method 1664 data in calculating its loadings and final limitations/standards for oil and grease measured as HEM.

## VI. New Information and Consideration of Revisions to Economic Methodologies

### A. Closure Analysis

For the proposed rule, EPA projected facility level economic impacts using a probability model derived from Census data because detailed survey financial information was not available at proposal. See Section II.E for discussion of incorporation of additional survey information. However, in the Economic Analysis (EA) document supporting the proposal, EPA presented the economic impact methodology it intended to use for the final rulemaking. EPA received several comments recommending modification to this methodology. EPA intends to use the methodology proposed for the final rulemaking with some modifications in response to these comments. Additionally, EPA may use some Census data to perform analyses in subcategories for which adequate detailed survey data are not available. Based on comments and incorporation of additional data, EPA is considering revisions to the proposed economic analysis methodology in the following areas: projection of future facility income, tax shields, and company level aggregation and closure analysis. The revisions that EPA is considering are discussed below.

#### 1. Forecasting Future Facility Income

For the proposal, EPA stated it would use the survey period, 1997 to 1999, as the baseline for projecting facility and company net income for use in the closure model. Commenters objected to the use of this period as the baseline because unusual supply and demand conditions resulted in unusually large margins for meat companies, and therefore, atypically profitable years.

EPA concurs with this assessment. To address these concerns EPA developed a forecasting model that uses historical data on the periodic cycles of the relevant markets to generate an index. This index is used to forecast net income for MPP facilities, accounting for cyclical effects on profits. EPA has used this model for the analyses in today's notice and is considering its use for the final MPP rule.

In the red meat sectors, EPA used U.S. Department of Agriculture's Economic Research Service (USDA/ERS) time series on the monthly farm-to-wholesale price spread to develop its margin forecast. To forecast the margin in the poultry sector, EPA developed a new monthly time series by subtracting the USDA/ERS broiler wholesale production cost time series from its broiler wholesale price time series.

These time series, which ran from 1970 to 2002 for beef and pork, and from 1990 to 2002 for poultry, were converted to constant 1999 prices. To deseasonalize each time series, EPA calculated each month's value as the average price spread for a 12 month period centered on that month (*i.e.*, a 12-month centered moving average). The price spread time series were deseasonalized because each series reflects cyclical behavior within each year as well as over longer time periods (*e.g.*, each year the demand for turkey peaks in November and December). Deseasonalizing the farm-to-wholesale price spread time series data set enables EPA to focus on the longer-run cycles.

From the time series data for each sector, clear, consistent cycles were readily identifiable. EPA used these cycles to develop a "normal" or "average" cycle for each meat type. To test the validity of the normal cycle pattern, the normal cycle was used to remove the cyclical component (de-cycle) from the moving average time series for the farm-to-wholesale price spread. After de-cycling, these time series showed only random variation and the general trend of the original series, indicating that the cyclical variation in these data sets had been successfully captured by the model. The cycles were then used to forecast the wholesale margin for the 2003 to 2018 time period. Complete details of the methodology used to measure and forecast the wholesale margin cycles are provided in the docket (*see* Section 21.2, DCN 125502).

EPA used the historical and projected wholesale margin time series to develop indices. These indices are applied to survey net income data to forecast facility and company earnings for use in the closure model. Net income was projected to vary directly with the farm-to-wholesale price spread; as the spread narrows, net income declines. As commenters pointed out, the 1997 to 1999 survey period was at or near the peak of a cycle, and as a result net income could be expected to decline as industry moved toward the cycle trough. Therefore, EPA selected cycle high points (largest annual margin) for the base period of its indices. Index values for succeeding years were calculated as the proportion of each year's margin to the base period margin.

In addition, EPA had to select a starting value for net income to which the indices are applied. EPA ran a series of net income projections. Each run used a different combination of net income starting point and cycle index. From these combinations, EPA selected