

facilities use drugs or medicated feeds and others do not. EPA also evaluated the amounts of drugs and medicated feed reported in the detailed survey as used at facilities and found no basis for predicting how much drugs or medicated feed would be used at a given facility. Information reported by facilities did not provide enough detail for EPA to estimate pollutant reductions associated with drug and chemical BMPs.

C. Revisions to Assumptions and Methodology Used in Economic Analyses

Due to new information and comments, EPA is considering several changes in the approaches for economic analysis. EPA seeks comments on the changes. Section VI describes new data and results for the revised economic analyses.

1. Economic Analysis Approach for the Proposed Rule

For the proposed rule, EPA evaluated projected economic impacts using screener questionnaire data which did not include financial or economic information beyond revenues and limited firm-level production data. As a consequence, the impact analysis was based on compliance costs for model facilities, frequency factors for extrapolating costs to a group of facilities represented by a model, and sales or revenue tests. Revenue tests involve simple comparisons of compliance costs with facility revenues. For non-commercial facilities, in lieu of revenues, we imputed a value to their production based on annual harvest and commercial prices. Similar revenues tests were applied to both commercial and non-commercial facilities. We estimated the number of small businesses from a special tabulation of the United States Department of Agriculture (USDA) *Census of Aquaculture* (1998) (for details, see "Economic and Environmental Impact Analysis of the Proposed Effluent Limitations Guidelines and Standards for the Concentrated Aquatic Animal Production Industry," EPA-821-R-02-015, September 2002, DCN 20141).

2. Clarifications Regarding Baseline Assumptions for Economic Analysis

Treatment in Place. In the proposed rule and this notice, EPA characterizes baseline conditions using existing compliance levels and treatment in place. This approach is consistent with past effluent guidelines and EPA's Guidelines for Preparing Economic Analyses (EPA 240-R-00-003, September 2003, DCN 20435) and Office

of Management and Budget (OMB) guidelines. OMB guidelines state that " * * * the baseline should be the best assessment of the way the world would look absent the regulation * * * You may often find it reasonable to forecast the world absent the regulation will resemble the present." (OMB, 2002. "Guidelines to Standardize Measures of Costs and Benefits and the Format of Accounting Statements," memorandum from Jacob J. Lew, Director to Heads of Departments and Agencies, M-00-08, March 22, DCN 20385). Thus, EPA does not agree with some commenters' suggestions that baseline conditions for impact analysis should assume no treatment in place.

Consideration of Market Conditions, Market Forecasts, and International Competition. EPA assumed in the proposed rule that CAAP producers cannot pass cost increases through to consumers. We do not expect to change this assumption for the final rule (foreign competition is so strong that the domestic market cannot raise prices at all). EPA used the 1999-2001 data from the detailed questionnaire to reflect current market conditions. We also used several publicly-available data sources to develop market forecasts, ranging from pessimistic to slightly optimistic, for future prices (see Section V.C.3.b.i). This approach addresses comments suggesting the need to account for foreign competition and sluggish market outlooks for U.S. aquaculture in the economic analysis for this rule.

3. Revisions of the Approaches and Assumptions Used in the Economic Analysis

Data collected from the detailed questionnaire will form the basis for the economic analysis supporting the final rule. These financial analyses use the standard methodology for developing effluent limitations guidelines with some changes to address impacts to non-commercial (e.g., State, Tribal or Federal government) facilities. Comments recommended changes to the proposed methodology. The following sections describe the revisions, based on comments and the availability of detailed questionnaire responses, to the economic analyses we are considering.

a. *Revisions to Estimates of Numbers of Small Business.* EPA received several comments questioning the number of facilities identified as small businesses in the proposed rule. EPA revised its estimates of affected small businesses based on the results of the detailed survey and designed the detailed questionnaire to collect revenue information for both individual facilities and the companies that own the

facilities. We compared these data to Small Business Administration size standards for the industry (up to \$750,000 annual revenues). If a facility earned more than the size standard, we did not consider it a small business. If a facility did not earn more than the size standards, EPA examined company revenues to determine whether the company was a small business as defined by SBA. EPA collected public information on company ownership and revenues as needed to complete each determination. At this time, EPA identified 117 facilities out of 522 facilities within the scope of the rule that are owned by small businesses, seven that belong to small organizations, and one that is an academic/research facility.

b. *Revisions to Economic Analyses for Commercial Facilities.* For the final rule, EPA intends to use (1) facility-specific data supplied by the detailed questionnaire, (2) results from forecasting methods (see Section V.C.3.b.i) to improve cost and price estimates, and (3) several economic impact measures that were not used in the proposal. In particular, the detailed questionnaire data should help us address comments suggesting that we underestimated costs and overestimated prices and that our extrapolation of impacts based on model facilities misstated the impacts on many facilities.

i. *Measures of Economic Impacts for Commercial Facilities.* For the final rule, EPA will use several measures to evaluate possible impacts on commercial facilities that we did not use for the proposed rule due to lack of data. These measures examine the possibility of closure, direct impacts on employment and communities, indirect and national impacts, and changes in financial health and borrowing capacity.

Closure Analysis. The closure analysis compares costs from 2005 to 2015 to earnings during the same period. We used two methods to estimate earnings: (1) cash flow and (2) net income. We discounted both costs and earnings with a 7 percent real discount rate to account for the time value of money and place earnings and costs on a comparable basis. To be considered a closure as a result of this rule, a facility must show for two out of three forecasting scenarios (1) positive discounted cash flow (or net income) without the rule and (2) negative discounted cash flow (or net income) with the rule. In the detailed questionnaire, EPA asked commercial respondents whether their facility did more than raise fish. If they did, the questionnaire asked them to report the financial performance of both the