

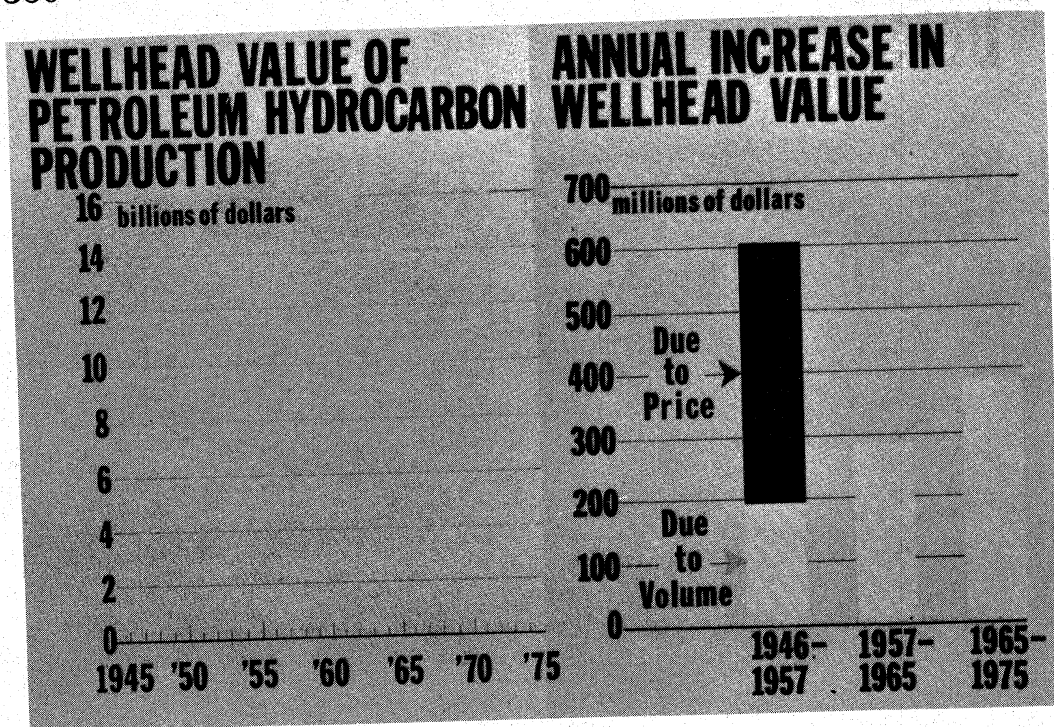


CHART 53

producers are to be brought back into the picture. But let us consider whether or not the economic realities of the energy market would permit an increase in the price of crude oil.

Starting over on the east coast we measure the delivered price to the consumer of the dominant fuel in each of these markets. This is illustrated on chart 54.

The single largest energy market is represented by industry and commerce. Oil is the dominant fuel that is delivered to the consumer for the average price of \$2.50 per barrel. And clearly we cannot have crude oil selling for almost \$3 a barrel and increase the price by 25 cents or 50 cents a barrel and have that price increase passed on in this market.

In the electric utility market, coal is delivered to the utility for the average price of \$1.53 per barrel equivalent. Now, clearly, an increase in the price of crude oil could not be passed on in that market. Oil is the dominant fuel in the residential market, delivered to the consumer for an average of \$6.70 a barrel, but oil is not capturing any of the growth, so to speak, in this market. Most of the growth is going to natural gas, which enters the market at a substantially lower price than oil, primarily because of the regulation of the price. So there is no prospect for passing on an increase in the price of crude oil.

You might also consider the effect of a 25-cent-a-barrel increase, which, when related to the total market price, would add about \$750 million of wellhead value. This is far below the indicated requirements of \$2.25 billion.

In the north central region (chart 55) the largest market is represented by industry and commerce. Natural gas is the dominant fuel, delivered for \$2.35 per barrel. Coal is delivered for \$1.36 in the electric utility market and natural gas is dominant in the residential areas