

NEWSLETTER-SUMMER 2001

CENTER FOR ENERGY STUDIES \*\* LOUISIANA STATE UNIVERSITY

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**explosions can clearly create a personal crisis for**

**illustrated by the following table, generating reserves not needed to meet demand, in the Entergy subregion of forecast to exceed the average for the U.S. as a whole amount. The table also depicts reserve margins for two subregions - the Southeastern region of the Southwestern Louisiana customers that are not in the Entergy subregion.**

Table 1. Estimated Available Reserves  
SERC/Entergy, SPP/Southeast, and Calif

Month                      SERC/Entergy                      S

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The summer average for the SPP-SE is slightly below the corresponding U.S. average, and in August and September the SPP-SE average for the summer is below the national value. The chart also gives California's margins, which are lower than either the Entergy or SPP-SE for all months except September. However, California's September margin is significantly higher than in the preceding three months. NERC data reflect intra and inter regional sales, are collected by the members of the regional reliability councils themselves rather than by independent analysts, and can be hard to interpret in isolation from other factors, such as the proportion of the load that is interruptible, the proportion of generation from a single source, or the dependence upon a single type, such as hydroelectric. Keeping these qualifications in mind, reserve margins for companies serving Louisiana customers seem to be high enough to minimize the risk of widespread, California-

**Figur2b1. Averag2bWellhead Price of Natural Gas Constant \$s  
(2000=100) & Current \$s: 1F73-2001\***

### 3. Is \$2 per gallon gas in our future?

While we all have to pay our bills in current dollars, it is useful to keep in mind that when adjusted for inflation, gasoline prices have consistently fallen over much of the past half century. The graph below shows the average price of a gallon of gasoline in inflation-adjusted-April-2001 dollars. The April 2001 price of \$1.57/gallon is lower than the average price prevailing in any year except the decade and a half from 1986 to 1999. Further, the relative differences are substantial. In 1951 the average price was 17 percent higher and the highest average gasoline price, reached in 1982, was 67 percent above what consumers are paying in 2001. The areas of high price are in California, where state regulations require a gasoline yielding fewer emissions than are allowed under federal air quality standards. Similarly, prices are higher where special blends are required in metropolitan areas not having attained national air quality standards. The resulting compartmentalization of the gasoline market has led to more price volatility when the refinery accidents or other outages restrict the supplies of regionally specialized fuels. Because of the large, export-oriented refining capability in Louisiana, such problems are less likely to develop on the Gulf Coast even if specialized fuels are required as a consequence of non-attainment of federal air quality standards.

The bottom line is that two of the principal symptoms of the “new energy crisis,” rolling electricity blackouts and high gasoline prices, are unlikely to infect Louisiana, but that higher natural gas prices and higher electricity bills f rega5208 Tc 1.5

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loads of 0.3 mills/kWh in New Mexico and Delaware. The total amount raised by such charges ranges from \$525 million in California to about \$5 million in New Mexico.

At the request of the Louisiana Department of Natural Resources (LDNR), the Center's Mark Kaiser recently conducted a study of the economic and environmental consequences of imposing a 1 mill/kWh charge in Louisiana. A 1 mill charge would yield a public benefit fund of \$82 million of 0.3 re

## **A Comprehensive History of the Offshore Oil and Gas Industry**

Applied anthropologists, business historians, cultural geographers, energy economists, and environmental sociologists a

### **Wumi Iledare Elected Secretary Treasurer of the U.S. Association for Energy Economics (USAEE)**

Wumi Iledare has been elected the secretary-treasurer of the United States Association for Energy Economics (USAEE). The association is an affiliate of the International Association for Energy Economics (IAEE), which was founded in 1977 for professionals in the energy industry, academia, and government who are interested in energy economics. The USAEE holds a North American conference and the IAEE holds an international conference each year for the exchange of ideas, experience, and energy policy issues. Wumi presents technical papers on petroleum economics at USAEE/IAEE conferences very regularly. His most recent technical paper, "The Determinants of Petroleum Reserves Additions on the Gulf OCS," was presented at the IAEE 24<sup>th</sup> Conference in Houston, TX, on April 25-27, 2001.

### **CES and Louisiana Department of Natural Resources Convene Meeting of State Energy Managers**

In an effort to better prepare public institutions for the rising energy costs, the Louisiana Department of Natural Resources (DNR) and CES convened a meeting of representatives from state agencies, school districts, hospitals, prisons, municipalities, and colleges and universities on February 22, 2001. Presentations for the program entitled *Finding Solutions to Rising Energy Costs* focused on understanding energy usage, better managing energy costs through efficiency measures and improved technologies, and financing energy improvements. Several case studies were presented. State Representative Luke LeBlanc, Chairman of the House Committee on Appropriations and the luncheon speaker, spoke to the participants about the impact of the spiraling energy costs on the state's budget and the need for agencies to position themselves to take maximum advantage of all opportunities to control costs. Over

## **Central Gulf Region PTTC Website to Acquire a New Look**

In an effort to improve the ease of use of the PTTC websites, a meeting of the regional webmasters along with some of the national staff met at the West Coast facility on December 8 & 9, 2000. The primary goals were to acquaint the webmasters with each other and to improve the PTTC website network. Improved consistency was a primary concern using standardized terminology, graphics and accepted web conventions to simplify the navigation process

Prepared for Louisiana Department of Natural Resources. Baton Rouge, LA. March.

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Iledare, O. O., A. G. Pulsipher and R. E. Pincomb. Crude oil production trends in the U.S. Gulf of Mexico OCS: how important are economic and policy incentives? Paper prepared for presentation at the International Association of Energy Economics 24<sup>th</sup> Annual International Conference, Houston, April 25-27.

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