

**5. Incorrect. The answer is true not false.** The marginal revenue product of natural gas is price of electricity times the marginal product of gas. One MMBtu of gas at 30% efficiency produces,  $0.30 * 1000000 = 300,000$  Btu. Since 1 kWh of electricity = 3412 Btu, then 300,000 equals  $300,000 / 3412 = 87.925$ . Then the marginal revenue product of a MMBtu of natural gas =  $0.087 * 87.925 = \$ 7.649$ , which is larger than its cost of \$4.53.