To give you an example how this ties in, last Friday there were two things that happened at TVA where they had announced two coal plants; a couple months ago they announced two atomic reactors. Even in the face of their statement that the atomic reactors had become, price-wise, noncompetitive. At the same time, they issued a release—I will read the beginning of it, and this is the TVA release:

The Tennessee Valley Authority has reached agreement with its two largest suppliers of surface mined coal for sharing increased production cost resulting from more stringent strip mine reclamation requirements. TVA's share of the extra cost will amount to more than five million dollars with Peabody Coal Company and Kentucky Coke Mining Company for 100 million tons of coal for 20 cents a ton their share.

So you figure that they must figure that it costs 40 cents a ton.

Now, maybe there is nothing but coincidence in the fact that TVA decided that in their statement 2 months ago the reactors were not competitive but along with this announcement went the announcement that, because they had purchased the two reactors, they would no longer consider the addition of a coal plant at Bull Run.

Now, this is where these ramifications go.

Senator METCALF. Will you explain that? You say that reactors are noncompetitive?

Mr. MOODY. The TVA said that the reactors had reached a point where they were not competitive with coal plants in that area and they purchased two coal plants. So, we anticipated that we had done a good job, that somehow we cut our prices down and that the coal was being offered in volume great enough to take care of these monster plants they were building.

But the coincidence of switching from the coal plants to reactors and gave notification that they no longer considered the coal plant at Bull Run and also a voluntary adjustment on their contracts of 20 cents a ton, saying that this is their share and the producer has to take up the rest of the slack, indicates how we are dealing in the competitive relationships of what we are talking about, and I will now go into that.

It must be recognized that utilities buy fuel or build generating plants designed to use various fuels, including uranium, on the basis of costs per million B.t.u.'s and, recently, decisions have been made on an extremely narrow cost differential. Sometimes as much as a fraction of a mill per kilowatt hour for power costs, a standard proportion of which is the fuel cycle costs, determines whether a new plant will be designed for nuclear power, coal, or fuel oil.

Thus, it is significant that when the residual oil import controls program was loosened and virtually eliminated 2 years ago, prices of imported oil dropped several cents a barrel and oil began to take over more and more of the northeastern market. In fact, between 1965 and 1967, the annual use of coal by utilities from New Jersey northward declined by 2,644,000 tons. During this same period, the use of fuel oil by utilities—and 82 percent of all fuel oil used on the east coast is now imported—increased by the equivalent of 8,463,000 tons of coal.

Coal's share of the market in these States declined from 62.2 percent to 50.2 percent. In contrast, utility consumption of coal on the rest of the east coast increased by about 13 million tons and coal's share of the market from Pennsylvania southward remained unchanged at about 84 percent.