

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INVESTIGATION INTO THE)
JURISDICTIONAL STATUS OF) CASE NO. 97-380
ROCKCASTLE RESOURCES, INC.)

O R D E R

On December 22, 1997, the Commission held a hearing pursuant to its Order of December 18, 1997 requiring Rockcastle Resources, Inc. ("Rockcastle") to show cause why it should not be assessed civil penalties up to \$500,000, and be ordered to cease supplying gas containing more than a trace of hydrogen sulfide to customers from its Levisay well, and for failure to provide the Commission with responses to its Order of December 4, 1997.

The Commission was supplied by Rockcastle on December 12, 1997, a copy of test results performed on the Levisay well. The laboratory report indicated a finding of 229 parts per million ("ppm") of hydrogen sulfide.

On December 22, 1997, Rockcastle appeared before the Commission represented by its president, James Baker, and vice president, Hershel Watson.

David Kinman, gas utility investigator for the Gas Safety Branch of the Commission, testified that he had inspected the Rockcastle system on several occasions. He further testified that inspections included the taking of samples of gas from the Rockcastle system by use of a Draker tube, which is also known as the standard lead acetate paper method, and is the standard method to test for the presence

of hydrogen sulfide in gas. Mr. Kinman stated that on December 2, 1997 he performed a hydrogen sulfide test at or near a customer meter and obtained a reading of 130 ppm. He further stated that on December 8, 1997 he obtained a hydrogen sulfide reading of 170 ppm from the Rockcastle system. Mr. Kinman also testified that he had obtained a copy of a lab analysis of gas taken from the Rockcastle Levisay well that showed a hydrogen sulfide reading of 229 ppm and that, in his opinion, 229 ppm of hydrogen sulfide was more than a trace.

Larry Amburgey, investigator supervisor for the Gas Safety Branch of the Commission, testified that he had viewed the Rockcastle system and had noticed sulfide corrosion around the wellhead and valves.

Hershel Watson, vice president of Rockcastle, testified that he did not disagree with the readings obtained by the inspectors, but he believed that the readings were caused by something other than hydrogen sulfide. Mr. Watson further testified that he believed from what he had heard that the lab analysis was incorrect.

James Baker, president of Rockcastle, testified that Rockcastle had supplied the Commission with the lab report of the sample taken on December 9, 1997, but that he also believed the report was incorrect and did not represent a correct analysis for hydrogen sulfide.

The Commission finds that Rockcastle is supplying to customers gas that contains more than a trace of hydrogen sulfide. All the creditable evidence points to the fact that hydrogen sulfide is present in the gas samples taken from the Rockcastle system, and that this gas is being supplied to customers.

807 KAR 5:022, Section 15(1) states:

- (1) All gas supplied to customers shall contain no more than: a trace of hydrogen sulfide
- (2) When necessary, tests for the presence of hydrogen sulfide shall be made at least once each day, except Sundays and holidays, with the standard lead acetate paper method. Results of these test papers shall be properly recorded and filed, as specified by the Commission.

The Commission finds that it is necessary for Rockcastle to test daily for the presence of hydrogen sulfide in its gas.

IT IS THEREFORE ORDERED that:

1. Rockcastle is found to be in violation of 807 KAR 5:022, Section 15(1), and a penalty of \$500,000 is assessed against Rockcastle pursuant to KRS 278.992(1). This payment shall be in the form of a cashiers or certified check made payable to "Kentucky State Treasurer" and shall be mailed or delivered to the Office of General Counsel, Public Service Commission of Kentucky, 730 Schenkel Lane, P. O. Box 615, Frankfort, Kentucky 40602. However, the penalty shall be suspended under the following conditions:

a. Rockcastle shall submit in writing to the Commission a plan containing the steps that Rockcastle is taking to remove the hydrogen sulfide from its gas, or

b. Rockcastle shall advise this Commission in writing what action Rockcastle is taking to cease supplying gas from its Levisay well.

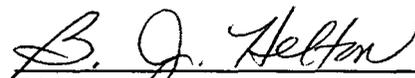
2. Upon compliance by Rockcastle within 15 days of the date of this Order with paragraphs 1.a. or 1.b. above, the penalty imposed will, by Order of the Commission, be suspended and not become due.

3. Rockcastle shall immediately commence testing for the presence of hydrogen sulfide in any gas supplied to its customers once each day, excluding Sundays and holidays, with the standard lead acetate paper method. The results of these tests shall be recorded by Rockcastle and a copy of the results filed with the Commission on a weekly basis commencing 1 week from the date of this Order. Rockcastle shall retain the tests papers for a period of 2 years for review by the Commission.

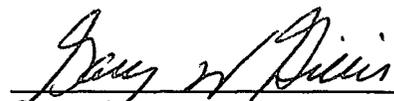
4. Rockcastle shall file in writing with the Commission its responses to the Order of December 4, 1997 requesting the information, test schedule and results, as set out in that Order on or before 15 days from the date of this Order.

Done at Frankfort, Kentucky, this 16th day of January, 1998.

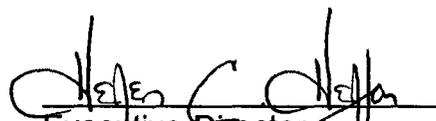
PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


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ATTEST:


Executive Director