

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 2, 1997, a follow-up inspection of Rockcastle Resources, Inc. ("Rockcastle") gas distribution operation was conducted by Commission Staff. Tests were performed on gas in the system and levels of hydrogen sulfide (H²S) were obtained from 150 parts per million ("ppm") to 130 ppm. Rockcastle was informed of this finding by letter from E. Scott Smith, dated December 3, 1997. On December 8-9, 1997, additional inspections of the Rockcastle facilities were conducted and additional information was obtained. A copy of the letter with that inspection report is attached.

The Commission is in possession of a copy of a lab analysis dated December 12, 1997 on a sample of gas from the Rockcastle Levisay Well that shows a hydrogen sulfide reading of 229 ppm. 807 KAR 5:022, Section 15(1), states:

All gas supplied to customers shall contain no more than: a trace of hydrogen sulfide. . .

The readings taken from Rockcastle's Levisay well having 150 to 229 ppm hydrogen sulfide in its gas is an apparent violation of 807 KAR 5:022, Section 15(1), and requires immediate action by the Commission.

On December 4, 1997, the Commission ordered Rockcastle to file certain documents and responses with the Commission by December 14, 1997, being:

1. The method Rockcastle uses to test its gas from the Levisay well for hydrogen sulfide.

2. Provide a test schedule for the hydrogen sulfide test and results of the last six months of test.

3. Provide any information that Rockcastle has that may explain what substance Rockcastle believes is registering on its test other than hydrogen sulfide. Identify that substance, if any.

4. Provide any laboratory report or analysis that Rockcastle may have performed on the gas from the Levisay well.

As of the date of this Order, Rockcastle has not filed a response with the Commission.

IT IS THEREFORE ORDERED that:

1. Rockcastle shall appear before the Commission on December 22, 1997 at 9:00 a.m., Eastern Standard Time, in Hearing Room 2 of the Commission's offices at 677 Comanche Trail, Frankfort, Kentucky, to show cause why:

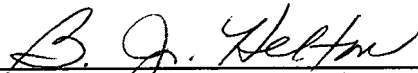
a. An Order should not be issued requiring Rockcastle to immediately cease supplying customers from its Levisay Well.

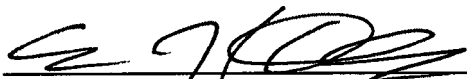
b. Civil penalties up to \$500,000 should not be assessed pursuant to KRS 278.992(1) for failure to discontinue supplying customers with gas containing more than a trace of hydrogen sulfide.

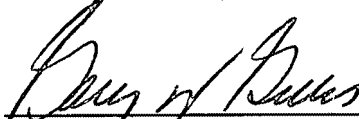
2. Rockcastle is to immediately file with the Commission the documents and responses as required in its Order of December 4, 1997.

Done at Frankfort, Kentucky, this 18th day of December, 1997.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

ATTACHMENT

AN ATTACHMENT TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 97-380 DATED DECEMBER 18, 1997



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY 40602
(502) 564-3940

December 18, 1997

Mr. James H. Baker, President
Rockcastle Resources
682 Teton Trail
Frankfort, Kentucky 40601

Dear Mr. Baker:

Attached is a follow-up report of the 1997 comprehensive inspection of the natural gas facilities of Rockcastle Resources in Rockcastle County, Kentucky, which was performed by David B. Kinman on December 3 and 8-9, 1997.

Please respond immediately to this report in writing outlining a correction schedule of the cited deficiency for Commission approval.

If you have any questions or need additional information, please contact David B. Kinman at (502) 564-3940.

This report is being hand delivered due to the urgency of the conditions discovered.

Sincerely,

A handwritten signature in cursive script that reads "Scott Smith".

E. Scott Smith
Manager
Gas Pipeline Safety Branch

ESS:dcp
9712300/9712301-9712303

Attachment

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

COMPREHENSIVE INSPECTION REPORT

ROCKCASTLE RESOURCES
MT. VERNON, KENTUCKY

December 18, 1997

BRIEF

Follow-up inspections of the distribution facilities of the Rockcastle Resources ("Rockcastle") gas distribution operation were conducted on December 3 and 8-9, 1997. These inspections were conducted in accordance with the Public Service Commission's ("PSC") policy of inspecting all jurisdictional gas operators. Natural gas operators are jurisdictional to the PSC under KRS 278.040, 278.495 and also through a 5(a) agreement with the United States Department of Transportation, Office of Pipeline Safety, for the enforcement of the Natural Gas Pipeline Safety Act of 1968.

INSPECTION

Tests were performed on each of the above dates to determine the level of hydrogen sulphide present in the natural gas supply using a Draker tube calibrated to indicate hydrogen sulphide levels.

On December 9, 1997, a natural gas sample was drawn from the pipeline at the Rockcastle Manufacturing meter and taken to the Southern Hydrocarbon Corporation in Alum Creek, West Virginia, for analysis to determine the level of hydrogen sulphide present in this gas supply.

On December 17, 1997, a copy of the gas analysis report was obtained from Rockcastle and revealed the presence of 229 parts per million of hydrogen sulphide in the gas supply.

807 KAR 5:022, Section 15(1), requires that all gas supplied to customers shall contain no more than a trace of hydrogen sulphide.

FINDINGS

The natural gas supplied by Rockcastle poses an extreme hazard to their customers even though Rockcastle Manufacturing plans to have their plant closed from December 19-29, 1997 and, again, from January 1-5, 1998, with no natural gas needs on those closed dates, and Image Entry will be closed December 24-25, 1997 and January 1, 1998.

The State Fire Marshal's Office still plans to maintain his December 10, 1997 Order to Rockcastle to cease serving the customers after December 31, 1997, unless Rockcastle can show that their gas no longer contains hydrogen sulphide.

Contact with Bright's Propane with whom the two customers have been in contact relative to supplying propane for their gas needs reveal that late January 1998 would be the earliest date that a permanent source of propane could be installed. Temporary tanks could be installed by approximately December 29, 1997. If the gas supply is shut off before that date, Image Entry may need to consider temporarily using kerosene heat or possibly electric.

RECOMMENDATION

It is recommended that the Kentucky PSC take action to require Rockcastle to immediately discontinue supplying gas to its two aforementioned customers. This shutdown should continue until Rockcastle is able to show that its delivered product no longer contains hydrogen sulphide.

Respectfully submitted,



E. Scott Smith
Manager
Gas Pipeline Safety Branch

ESS:dcp
9712300/9712301-9712303