

October 12, 2007

Steve Kennedy  
Prairie Township Trustee  
Prairie Township  
23 Maple Drive  
Columbus, OH 42338

Terry L. Gloriod  
President  
Central Region

Dear Mr. Kennedy:

Ohio American Water continues to upgrade and improve its facilities and services to assure that we provide high quality sewer service to our Lake Darby customers.

Under the Public Utilities Commission of Ohio rules, the water company cannot recover its costs in advance, but only costs previously incurred. The Ohio American rates now in effect are based on general plant investment as of December 31, 2005 and the operating costs established by the Commission for the twelve-month period ending June 30, 2006.

In October 2007, Ohio American Water will apply to the Public Utilities Commission of Ohio (PUCO) to increase its overall sewer rates by 16.38%. The average water customer bill for 7 ccf used monthly would increase by 32.86%, or an additional \$11.88 every month, or \$0.40 per day. The average sewer customer bill for 7 ccf used monthly would increase by 36.80%, or an additional \$15.50 every month, or \$0.52 per day. The average combined water and sewer customer bill for 7 ccf used monthly would increase by 34.98%, or an additional \$27.38 every month, or \$0.88 per day.

Some of the significant reasons that rates are increasing include continued infrastructure improvements that improve capacity, reliability, and water quality; the hiring of additional service personnel to maintain and improve the plant and distribution systems; increases in wages, insurance, and benefits; and continued increases in some of our operational costs, including electricity, fuel, chemicals, and waste disposal.

However, at the same time, Ohio American Water has taken aggressive steps to control our operating and maintenance expenses and to lower costs and to enhance the efficiency of our system. Some examples include:

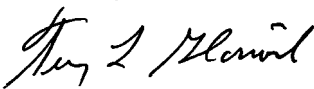
- Continuing to examine all supply chain purchases and making changes where appropriate
- Continuing to utilize technology to improve our operations and reduce costs

We believe water service from Ohio American is an excellent utility value. We take pride in being able to deliver high quality, reliable water service for less than a penny per gallon to our community's homes and businesses.

In addition to this notification we are sending you, we will also be notifying customers of the proposed rate increase by letter as well as through newspaper advertisements.

If you would like additional information about our rates or our service to the community, please feel free to give your local Network Superintendent, Tom Schwing, a call anytime at 614-882-6586.

Sincerely,



Terry Gloriod  
President

American Water  
727 Craig Road  
St. Louis, MO 63141

T +1 314 996 2304  
F +1 314 432 7824  
E terry.gloriod  
@amwater.com  
I www.amwater.com