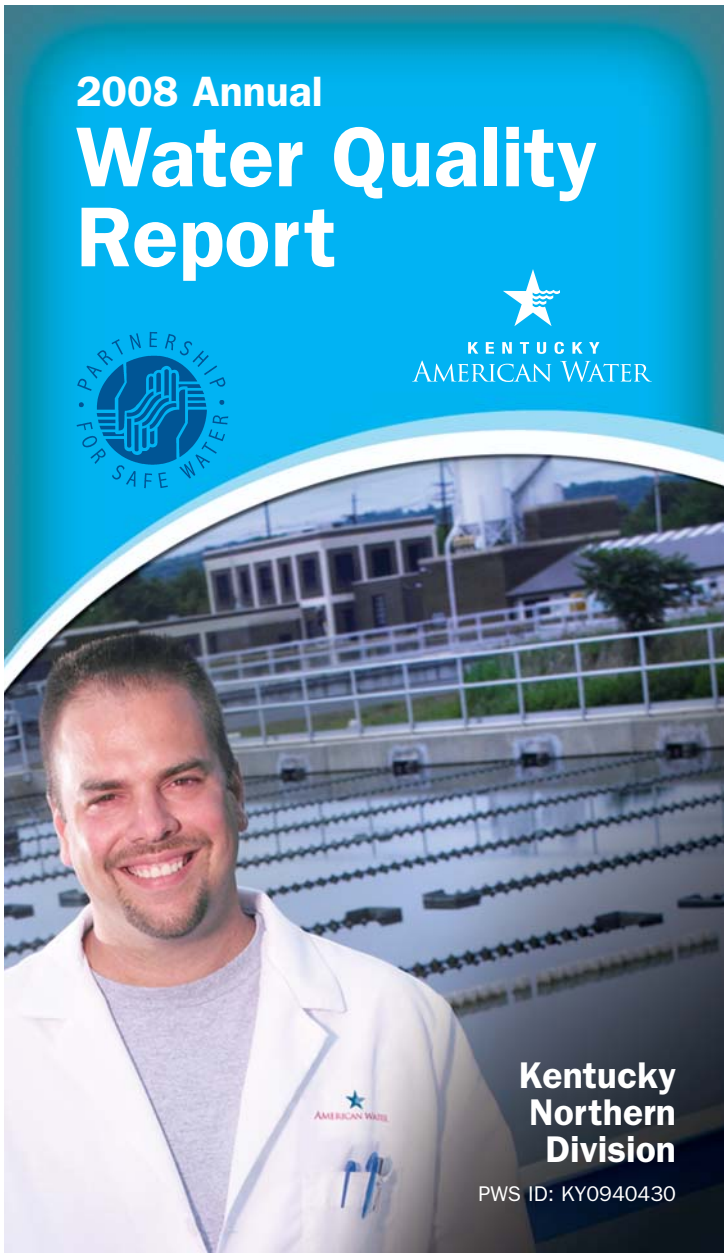

Quality Water for Quality Life

As a trusted leader in the industry, Kentucky American Water places a strong emphasis on sharing information about the quality of the water we provide with our customers.

One way we do this is by reporting to you annually the results of our tests on the water we deliver to your home. Please review this Consumer Confidence Report (CCR), which outlines information applicable to your local water system for testing completed through December, 2008. You'll find that we provide water that surpasses or meets all federal and state water quality regulations. In fact, we often address regulations well before they go into effect.

Just as important, Kentucky American Water makes the necessary investments to maintain and upgrade its facilities, so that we can deliver quality water directly to your tap 24 hours a day, seven days a week.

Your community is our community. We work with your local and state governments to make sure your water service needs are being met. From upgrading existing systems to developing new ones, from pitching in at local events to sponsoring school programs, we are your neighbors and take your water quality personally.

Our customers are our top priority, and we are committed to providing them with the highest quality drinking water and service possible now and in the years to come. In addition to this written report, you can view information about Kentucky American Water and your water system on our website www.kawc.com.

Nick O. Rowe
President, Kentucky American Water

About Kentucky American Water

Kentucky American Water, a wholly owned subsidiary of American Water, is the largest investor-owned water utility in the state, providing high-quality and reliable water and/or wastewater services to approximately half a million people. Founded in 1886, American Water is the largest investor-owned U.S. water and wastewater utility company. With headquarters in Voorhees, N.J., the company employs more than 7,000 dedicated professionals who provide drinking water, wastewater and other related services to approximately 15 million people in 32 states and Ontario, Canada. More information can be found by visiting http://www.amwater.com.

At Kentucky American Water, and throughout all of American Water, we work hard every day to provide our customers with water they can enjoy and use with confidence.

What are the Sources of Contamination?

When it rains, water travels over the surface of the land or through the ground, dissolving naturally occurring minerals (possibly radioactive material) and picking up organic material from animals or humans. The water ends up in rivers, lakes, streams, ponds, reservoirs, springs, and wells, where it may be used as a source of supply for both drinking and bottled water. The following contaminants may be present in source water as a result of this process:

- **Microbial Contaminants,** such as viruses and bacteria from sewage, agricultural livestock operations or wildlife.
- **Inorganic Contaminants,** such as salts and metals that may occur naturally or may result from urban storm water runoff, industrial or domestic wastewater discharges, oil and gas production, mining or farming.
- **Pesticides and Herbicides,** which come from a variety of sources such as agriculture, urban storm water runoff and residential uses.
- **Organic Chemical Contaminants (including synthetic and volatile organic chemicals),** which are by-products of industrial processes and petroleum production, and may also come from gas stations, urban storm water runoff and septic systems.
- **Radioactive Contaminants,** which occur naturally or result from oil and gas production and mining activities.

The majority of drinking water for our Northern Division customers is produced at our 1.44 million gallon per day treatment facility that treats surface water from Severn Creek near its confluence with the Kentucky River pool 2 south of Owen County. The Severn Creek supply is supplemented with surface water from Thomas Lake, in south-central Owen County.

Kentucky American Water customers in the Glencoe area receive water purchased from Gallatin County Water. The primary supply for Gallatin County Water is an underground aquifer that runs beneath the city in Gallatin County. Our customers may receive treated water that Gallatin County Water purchases from the Warsaw Water Works treatment facility located in Warsaw. The Warsaw Water Works source is the same underground aquifer that is utilized by Gallatin County Water.

Customers in the Wheatley area receive water purchased from Carroll County Water District #1, whose source is groundwater from the Ohio River alluvial aquifer that is pumped from two separate well fields in Carroll and Gallatin counties. The Carroll County well field consists of five wells: three located at the water plant, one located on Henry Clay Lane, and a well located on Fishing Street. The Gallatin County well field consists of two wells and is located on Highway 42 on the riverside of the Gallatin Steel property. Carroll County Water District #1 can also purchase water that Carrollton Utilities treats from its wells located in downtown Carrollton.

Our customers in the New Columbus area may receive water purchased from the City of Georgetown. The source for the City of Georgetown is the historic Royal Spring, a groundwater source under the direct influence of surface water that has supplied Georgetown with drinking water since 1775. Water from the spring is pumped downstream to the treatment plant at 214 West Main Street. In 2008, our New Columbus area customers were only provided water from the City of Georgetown on two days for a total of approximately 44,000 gallons.

Protecting Your Water

The Kentucky Division of Water approved Source Water Assessment and Protection Plans for Kentucky American Water's suppliers in 2003. These plans focus on identifying potential sources of contamination for drinking water supplies and encourage ongoing planning to protect source waters. The following are brief summaries of potential contamination sources for Kentucky American Water's sources of supply.

An analysis of Kentucky American Water's surface water supplies indicates that susceptibility to contamination is generally moderate with potential contamination sources identified as storage tanks, agricultural and lawn care activities, power line right-of-way applications, roadway runoff, and septic systems.

Carroll County Water sources are moderately susceptible to contamination from row crops, sewage treatment, permitted operations, and road exposure. These cumulatively increase the potential for a release of contaminants within their watershed.

Warsaw Water Works' and Gallatin County Water's groundwater supply is moderately susceptible to contamination. Potential sources of contamination within the wellhead protection area include storage tanks, agricultural land use, highways, wastewater treatment, septic systems, and machinery storage.

Source Water Assessment and Protection Plans for each water system may be viewed by calling the Watershed Management Branch of the Kentucky Division of Water at (502) 564-3410. Kentucky American Water encourages you to take an active part in protecting your water supply by participating in activities in your area.

A Proud Master Member of the Kentucky EXCEL Program

The Kentucky Department for Environmental Protection administers a voluntary program that is open to anyone who wishes to improve and protect Kentucky's environment beyond regulatory requirements. There are four membership levels available to program participants, including Advocate, Partner, Leader and Master. The Master membership is the highest of the four membership levels, requiring members to demonstrate comprehensive environmental management planning; undergo an independent, third-party assessment of compliance; and commit to complete and report on at least four voluntary projects that will benefit Kentucky's environment. Kentucky American Water is proud to participate in this program at the Master level. We also encourage individuals and organizations to participate in this environmental program.

A Proud Member of the Partnership for Safe Water

In 2007 Kentucky American Water's Northern Division treatment plant joined the Partnership for Safe Water program administered by the U.S. Environmental Protection Agency (EPA), American Water Works Association and other water-related organizations. The Partnership is a voluntary commitment to continued improvement designed to help utilities provide safer water to millions of Americans by implementing prevention programs above those required by law. These preventive measures focus on improving treatment plant performance, thereby increasing protection of public health.

You Can Be Involved in Matters That Affect Your Water

Kentucky American Water welcomes your comments and questions regarding water quality issues. You can contact us with questions about your water and obtain additional copies of this report by calling David Shehee, Supervisor of Water Quality and Environmental Compliance, at (859) 335-3660. You may also reach Mr. Shehee by e-mail at david.shehee@amwater.com.

For questions about your water bill or service issues, please call our Customer Service Center at (800) 492-8373.

Electronic copies of this document may be obtained by visiting our Web site at www.kawc.com.

Information on the Internet

The U.S. Environmental Protection Agency (EPA), Centers for Disease Control and the Kentucky Division of Water Web sites provide a substantial amount of information relating to water sources, water conservation, and public health. You may visit these sites at the addresses below:

United States Environmental Protection Agency
www.epa.gov/safewater

Centers for Disease Control and Prevention
www.cdc.gov

Kentucky Division of Water
www.water.ky.gov/

Substances Expected to be in Drinking Water

Drinking water, including bottled water, may reasonably be expected to contain at least small amounts of some contaminants. The presence of contaminants does not necessarily indicate that water poses a health risk. More information about contaminants and potential health effects can be obtained by calling the EPA's Safe Drinking Water Hotline at (1-800-426-4791)

To ensure tap water is safe to drink, the U.S. EPA prescribes regulations limiting the amount of certain substances in water provided by public water systems. The U.S. Food and Drug Administration establishes limits for contaminants in bottled water that must provide the same protection for public health.

Special Health Information

Some people may be more vulnerable to contaminants in drinking water than the general population. Immuno-compromised persons such as persons with cancer undergoing chemotherapy, persons who have undergone organ transplants, people with HIV/AIDS or other immune system disorders, some elderly, and infants can be particularly at risk from infections. These people should seek advice about drinking water from their health care providers. EPA/CDC guidelines on appropriate means to lessen the risk of infection by Cryptosporidium and other microbial contaminants are available from the Safe Drinking Water Hotline (1-800-426-4791).

Special Information on Nitrate

Nitrate in drinking water at levels above ten (10) ppm is a health risk for infants of less than six months of age. High nitrate levels in drinking water can cause blue baby syndrome. Nitrate levels may rise quickly for short periods of time because of rainfall or agricultural activity. If you are caring for an infant you should ask for advice from your health care provider.

How to Read This Table

Kentucky American Water conducts extensive monitoring to ensure that your water meets all water quality standards. The results of our monitoring are reported in the following table. While most monitoring was conducted in 2008, certain substances are monitored less than once per year because the levels do not change frequently. For help with interpreting this table, see the "Definitions of Terms Used in This Report."

Start by finding a **Substance**, and then read across to find the information about that substance. The **Year Sampled** is 2008 or prior years. **MCL** shows the highest level of substance (contaminant) allowed. **MCLG** is the goal level for that substance (this may be lower than what is allowed). **Highest Value (Results)** represents the measured amount (less is better). **Range** tells the highest and lowest amounts measured. A **Yes** under **Compliance Achieved** means the amount of the substance met government requirements. **Typical Source** tells where the substance usually originates.

Definitions of Terms Used in This Report

- **AL (Action Level):** The concentration of a contaminant which, if exceeded, triggers treatment or other requirements which a water system must follow.
- **MCL (Maximum Contaminant Level):** The highest level of a contaminant that is allowed in drinking water. MCLs are set as close to the MCLGs as feasible using the best available treatment technology.
- **MCLG (Maximum Contaminant Level Goal):** The level of a contaminant in drinking water below which there is no known or expected risk to health. MCLGs allow for a margin of safety.
- **MRDL (Maximum Residual Disinfectant Level):** The highest level of disinfectant allowed in drinking water. There is convincing evidence that addition of a disinfectant is necessary for control of microbial contaminants.
- **MRDLG (Maximum Residual Disinfectant Level Goal):** The level of a drinking water disinfectant below which there is no known or expected risk to health. MRDLGs do not reflect the benefits of the use of disinfectants to control microbial contamination.
- **NA:** Not applicable
- **ND:** Not detected
- **NTU (Nephelometric Turbidity Unit):** A measurement of the clarity, or turbidity, of the water.
- **pH:** A measurement of acidity, 7.0 being neutral
- **ppb (parts per billion):** One part substance per billion parts water, or micrograms per liter.
- **ppm (parts per million):** One part substance per million parts water, or milligrams per liter.
- **TT (Treatment Technique):** A required process intended to reduce the level of a contaminant in drinking water.
- **%:** means percent
- **<:** means less than

Special Information About Lead in Drinking Water

If present, elevated levels of lead can cause serious health problems, especially for pregnant women and young children. Lead in drinking water is primarily from materials and components associated with service lines and home plumbing. Kentucky American Water is responsible for providing high quality drinking water, but cannot control the variety of materials used in plumbing components. When your water has been sitting for several hours, you can minimize the potential for lead exposure by flushing your tap for 30 seconds to 2 minutes before using water for drinking or cooking. If you are concerned about lead in your water, you may wish to have your water tested. Information on lead in drinking water, testing methods, and steps you can take to minimize exposure is available from the Safe Drinking Water Hotline or at http://www.epa.gov/safewater/lead. Kentucky American Water remains in full compliance with all of the requirements pertinent to lead and copper in drinking water.

What is *Cryptosporidium*?

Cryptosporidium is a microbial pathogen found in surface water throughout the United States. Although filtration removes Cryptosporidium, the most commonly used filtration methods cannot guarantee 100 percent removal. Ingestion of Cryptosporidium may cause cryptosporidiosis, an abdominal infection. Symptoms of infection include nausea, diarrhea, and abdominal cramps. Most healthy individuals can overcome the disease within a few weeks. People with severely weakened immune systems have a risk of developing life threatening illness. We encourage such individuals to consult their doctor regarding appropriate precautions to take to avoid infection. Cryptosporidium must be ingested to cause disease, and it may be spread through means other than drinking water.

The U.S. EPA issued a new rule in January 2006 that requires systems with higher Cryptosporidium levels in their source water to provide additional treatment. Kentucky American Water began monitoring raw water sources for Cryptosporidium in March 2007. We detected the organism in our source water two times in Thomas Lake and one time in Severn Creek during this testing with only one of the Thomas Lake detections occurring in 2008 (January). Based on the results of our Cryptosporidium monitoring to date, no additional treatment will be required by the new U.S. EPA regulation.

Violations of 401 KAR Chapter 8

There are some violations that occurred during 2008 that affect customers in the Glencoe area of our Northern Division. Even though these violations are not emergencies, as our customer, you have a right to know what happened and what has been done to correct the situations.

Please note that these violations were issued to a system from whom we purchase water (i.e., Warsaw Water Works – see table below), but we want you to be aware of this information. There is nothing you need to do regarding these violations. You do not need to seek an alternative water supply.

The paragraph that follows is required language. The “we” listed in the paragraph refers to Warsaw Water Works, who violated 401 KAR Chapter 8.

We are required to monitor your drinking water for specific contaminants on a regular basis. Results of regular monitoring are an indicator of whether or not your drinking water meets health standards. During 2008 we did not complete all monitoring or testing for nitrate and corrosivity and therefore, cannot be sure of the quality of your drinking water during that time.

Please share this information with all the other people who drink this water, especially those who may not have received this notice directly (for example, people in apartments, nursing homes, schools, and businesses). You can do this by posting this notice in a public place or distributing copies by hand or mail.

System Where Violation Occurred	Customers Who May Be Affected	What Happened?	Corrective Action
Warsaw Water Works	Glencoe area customers	Due to a clerical error at their laboratory, Warsaw Water Works failed to submit corrosivity and nitrate results to the State in 2008.	Warsaw notified customers. Corrective measures have been taken to minimize the potential for future occurence.

Water Quality Data

We are pleased to report that during the past year, the water delivered to your home or business complied with, or exceeded, all state and federal drinking water standards. Although all of the substances listed below are under the Maximum Contaminant Level (MCL) set by the U.S. Environmental Protection Agency, we believe it is important that you know exactly what was detected and how much of the substance was present in the water.

Monitoring was also performed during 2002 under the U.S. Environmental Protection Agency (EPA) Unregulated Contaminant Monitoring Rule (UCMR). In 2008, monitoring was conducted under the Radionuclides Rule. Unregulated contaminants and radionuclides were not detected during these monitoring events. Data are available by contacting our Customer Service Center. Kentucky American Water – Northern Division is not required by EPA to participate in UCMR 2 monitoring.

Water Quality Results

Regulated Substances (Measured on the Water Leaving the Treatment Facility)

Substance (units)	Year Sampled	MCL	MCLG	Owenton Area Customers		Glencoe Area Customers				Wheatley Area Customers		Compliance Achieved	Typical Source
				Kentucky American Water - Northern Division		Warsaw Water Works		Gallatin County Water		Carroll County Water District			
				Highest Value	Range Low – High	Highest Value	Range Low – High	Highest Value	Range Low – High	Highest Value	Range Low – High		
Alpha emitters (pCi/L) [1]	2008	15	0	ND	NA	2.14	0.0 – 2.14	0.8	0.0 – 0.8	1.2	0.4 - 1.2	Yes	Erosion of natural deposits.
Barium (ppm) [2]	2008	2	2	0.008	NA	NA	NA	ND	ND	0.04	0.04 - 0.04	Yes	Discharge of drilling wastes; discharge from metal refineries; erosion of natural deposits.
Beta or photon emitters (pCi/L) [1]	2008	50	0	NA	NA	2.25	0.0 – 2.25	1.5	0.2 – 1.5	NA	NA	Yes	Decay of natural and man-made deposits.
Combined Radium (pCi/L) [3]	2008	5	0	ND	NA	NA	NA	ND	ND	2	0 – 2	Yes	Erosion of natural deposits.
Fluoride (ppm)	2008	4	4	1.18	0.89 - 1.18	1.3	0.0 – 1.3	ND	ND	1.04	0.75 – 1.4	Yes	Water additive that promotes strong teeth;
Nitrate (ppm)	2008	10	10	0.66	NA	6.7	0.0 – 6.7	8.8	3.65 – 8.8	8.21	6.86 – 8.21	Yes	Runoff from fertilizer use; leaching from septic tanks; sewage; erosion of natural deposits.
Total Organic Carbon, ppm [4]	2008	TT	NA	2.09	1.73 – 3.75	NA	NA	NA	NA	NA	NA	Yes	Naturally present in the environment.
Turbidity, NTU [5]	2008	TT	NA	0.23	100% Lowest Monthly	NA	NA	NA	NA	NA	NA	Yes	Soil runoff.
Uranium (µg/L) [6]	2008	30	0	ND	NA	0.475	NA	NA	NA	NA	NA	Yes	Erosion of natural deposits.

Regulated Substances (Measured in the Distribution System)

Substance (units)	Year Sampled	MCL	MCLG	Highest RAA	Range Low – High	Compliance Achieved	Typical Source
Total Trihalomethanes (ppb) [7]	2008	80	0	57	26 – 72	Yes	By-product of drinking water disinfection.
Haloacetic Acids (ppb) [7]	2008	60	0	48	15 – 67	Yes	By-product of drinking water disinfection.
Chlorine (ppm)	2008	MRDL = 4	MRDLG = 4	1.0	0.2 – 2.1	Yes	Water additive used to control microbes.

Regulated Substances (Measured at the Customer's Tap)

Substance (units)	Year Sampled	Action Level	MCLG	90th Percentile	Number of Samples	Number of Samples Above Action Level	Compliance Achieved	Typical Source
Lead (ppb) [8]	2007	15	0	4	21	0	Yes	Corrosion of household plumbing systems;
Copper (ppm) [8]	2007	1.3	1.3	0.22	21	0	Yes	Corrosion of household plumbing systems;

Bacterial Results (Measured in the Distribution System)

Substance (units)	Year Sampled	MCL	MCLG	Highest Number of Positive Samples Detected	Typical Source
Total Coliform	2008	1 Positive Monthly Sample	NA	1	Naturally present in the environment.

[1] Alpha and Beta or Photon Emitters: The MCL for beta or photon emitters is 4 mrem/year (millirems per year is a measure of radiation absorbed by the body). The results in the table are reported in picoCuries/liter (pCi/L). EPA considers 50 pCi/L the level of concern for beta emitters. Kentucky American Water - Northern Division, Warsaw Water Works, and Gallatin County Water collected samples for Alpha emitters in 2008. Gallatin County collected samples for beta emitters in 2006. Carroll County collected samples for alpha emitters in 2003.

[2] Barium: Kentucky American Water - Northern Division sampled for Barium in 2008. Carroll County Water sampled for Barium in 2005

[3] Combined Radium: The sum of Radium-226 and Radium-228. Kentucky American Water sampled for combined radium in 2008. Carroll County Water sampled for combined radium in 2003.

[4] Total Organic Carbon: Although the concentration is listed as ppm, the values shown are ratios that are used to determine compliance. Compliance with the TOC Treatment Technique (TT) requirement is based on the lowest running annual average (RAA) of the monthly ratios of the % TOC treatment removal achieved compared to the required removal. A minimum annual average ratio of 1.00 is required.

[5] Turbidity: Turbidity is the clarity of water. It is measured as an indicator of water quality and the effectiveness of the filtration system. Compliance with the turbidity Treatment Technique (TT) is achieved when 95% of four-hour filtered water readings are 0.3 NTU or lower and no readings are greater than 1 NTU. Groundwater systems are not required to monitor for turbidity or to meet the TT for turbidity removal.

[6] Uranium: Kentucky American Water sampled for Uranium in 2008. Warsaw Water Works tested for Uranium in 2007. Results are included in the table.

[7] Total Trihalomethanes (TTHMs) and Haloacetic Acids (HAA5s): Compliance is based on a RAA that is calculated quarterly. The highest quarterly RAA is the measured value in the table. Some people who drink water containing trihalomethanes in excess of the MCL over many years may experience problems with their liver, kidneys, or central nervous systems, and may have an increased risk of getting cancer.

[8] Lead and Copper: Compliance is achieved when the results from at least 90% of samples collected from water standing in contact with plumbing for at least 6 hours are below the Action Level.