

# Allegheny Power acquires West Virginia Power assets

**A**llegheny Power, an Allegheny Energy company, completed its acquisition of the assets of West Virginia Power, a division of Missouri-based UtiliCorp United. Allegheny assumed ownership on January 1, 2000.

## Transaction Components

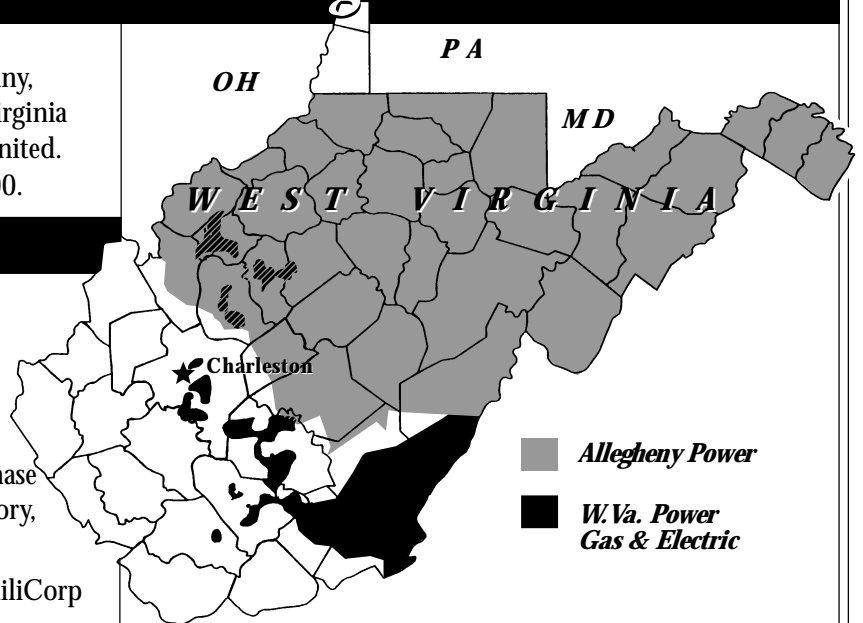
- ▶ Purchased West Virginia Power's assets for \$75 million. Assets include both electric and gas distribution facilities. The West Virginia Power assets will be placed in a subsidiary of Allegheny Energy, Inc. and will do business as Allegheny Power. About \$4 million of the purchase price is for current assets, such as existing inventory, accounts receivable, etc.
- ▶ Signed a 20-year gas supply agreement with a UtiliCorp subsidiary, Aquila Energy.
- ▶ Purchased for \$3.45 million the assets of Appalachian Electric Heating, an unregulated business owned by UtiliCorp that primarily installs heating, ventilation, and air conditioning (HVAC) systems. Appalachian Electric Heating will become part of Allegheny Ventures, the unregulated ventures subsidiary of Allegheny Energy, Inc.

## About West Virginia Power

- ▶ Provides electric service to approximately 26,000 customers in Greenbrier, Pocahontas, Summers, Monroe, and Raleigh counties in West Virginia, with service centers in Fairlea and Hinton, W.Va.
- ▶ Provides natural gas service to approximately 24,000 customers in the West Virginia counties of Boone, Calhoun, Clay, Fayette, Gilmer, Greenbrier, Jackson, Kanawha, McDowell, Monroe, Nicholas, Putnam, Raleigh, Ritchie, Roane, Summers, Wirt, Wood, and Wyoming, with service centers in Hugheston, Hinton, and Palestine, W.Va.
- ▶ Operates 1,989 miles of electric distribution lines in a 1,360-square-mile service area and 670 miles of gas pipelines in a 500-square-mile service area.
- ▶ Employs about 120 people.

## About Appalachian Electric Heating

- ▶ Is primarily an HVAC installation and service operation licensed to do business in Pennsylvania, Virginia, and West Virginia. It installs about 2,000 HVAC systems annually.



- ▶ Sells small appliance warranties and currently has about 3,000 appliance-warranty contracts in effect.
- ▶ Has 52 full-time and part-time employees working out of two service centers in Charleston and Bradley, W.Va.

## Transaction Benefits

Allegheny believes this transaction offers significant benefits to consumers, the state of West Virginia, and the Company's employees and shareholders.

### For Consumers:

- ▶ Allegheny will use its expertise and resources in combination with customer service improvements being implemented by West Virginia Power to provide quality service to customers. Allegheny consistently earns high marks from customers in its Customer Satisfaction Survey and was ranked second in the East in a recent national survey.
- ▶ The complete transfer of operations from West Virginia Power to Allegheny Power is not anticipated to occur until spring 2000 for electric customers and fall 2000 for gas customers. Allegheny will notify customers when the transition will take place.
- ▶ In the PSC's decision, consumers will benefit from a six-year freeze of natural gas base rates and a three-year freeze on electric rates, with a reduction in rates in 2003 to rates now offered by Allegheny Energy's West Virginia subsidiary, Monongahela Power Company, which does business as Allegheny Power.

*For Consumers (cont.):*

- West Virginia Power customers will have 24-hour access to Allegheny's toll-free Customer Service Center. Allegheny's West Virginia-based customer service operation enables customers to have a single point of contact for all of their electric energy needs.

*For West Virginia:*

- For more than 100 years, Allegheny has been a part of the West Virginia business community. Its West Virginia operations include six coal-burning power stations, a 24-hour state-of-the-art Customer Service Center, and 21 operating service centers. Allegheny also has almost 2,000 employees working in the state.
- Allegheny currently provides reliable electric service to more than 420,000 customers across 36 counties in the Mountain State.
- Allegheny has a well-established position within West Virginia as a key business and corporate citizen. The transaction will further strengthen Allegheny's commitment to promoting economic growth in West Virginia and to supporting meaningful community and educational efforts that enrich quality of life.
- Allegheny is a leader in the movement to customer choice and will bring the knowledge and expertise it has gained from deregulation in other states to West Virginia when it opens its electricity market to competition.

*For Allegheny Employees and Shareholders:*

- The transaction is a solid strategic fit for Allegheny, representing an opportunity to expand its energy delivery business, Allegheny Power, while advancing its corporate growth strategy.
- Allegheny will gain about 50,000 new energy delivery customers.
- Allegheny is entering the gas distribution market and will leverage its electric energy delivery experience with knowledge gained from this venture.
- The new, unregulated HVAC business will provide Allegheny with an opportunity to explore new growth areas related to its core energy business.
- The transaction will help add to shareholder value and will be accretive to earnings in the first year.

**Required Regulatory Approvals**

We received approvals from the following regulatory agencies:

Public Service Commission of West Virginia

Department of Justice/Federal Trade Commission

Securities and Exchange Commission

Federal Energy Regulatory Commission

Federal Communications Commission

Iowa Public Service Commission

**About Allegheny**

Allegheny Energy, Inc. is a diversified energy company headquartered in Hagerstown, Md. The Allegheny Energy family includes *Allegheny Power*, which delivers electric energy to about three million people in parts of Maryland, Ohio, Pennsylvania, Virginia, and West Virginia; *Allegheny Energy Supply Company*, which operates and markets competitive retail and wholesale electric generation and operates regulated electric generation for its affiliates; and *Allegheny Ventures*, which actively invests in and develops energy-related and telecommunications projects.

**About UtiliCorp**

Based in Kansas City, Missouri, UtiliCorp United is a multinational energy company with \$6.8 billion in assets and 12-month sales of \$14.9 billion. It serves more than 4.5 million customers in the United States, Canada, and the United Kingdom, and in New Zealand and Australia where it is the largest operator of energy networks.

