



## NEWS RELEASE

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### **FOR IMMEDIATE RELEASE**

#### **Mountaineer Gas and IGS Utilities File for Rate Increase in West Virginia**

**Greensburg, Pa., September 27, 2004** – Mountaineer Gas Company, a subsidiary of Allegheny Energy, Inc. (NYSE: AYE), today filed a petition with the Public Service Commission of West Virginia (PSC) to increase base rates. The filing was made with IGS Utilities, LLC, the prospective buyer of Mountaineer Gas.

On August 4, Allegheny announced that it had reached an agreement to sell Mountaineer Gas and its other natural gas operations in West Virginia to a partnership composed of IGS Utilities, LLC, IGS Holdings, LLC, and affiliates of ArcLight Capital Partners, LLC. In a separate petition also filed with the PSC today, Allegheny requested approval to transfer Mountaineer and its other natural gas operations to the partnership.

“Mountaineer’s base rates have not changed since November 2001,” said Joseph H. Richardson, President, Mountaineer Gas. “The increase is necessary to enable Mountaineer to reinvest in its distribution system to ensure reliable service for customers in the future. In addition, it will allow IGS Utilities to continue to provide jobs and quality natural gas service for the people of West Virginia.”

Mountaineer Gas customer bills have three rate components. Both the customer charge and base rate cover the company’s fixed costs of operating the business. The purchased gas adjustment reflects recovery of the cost of natural gas. Mountaineer Gas purchases natural gas through a competitive bid process.

Under the new rate schedules, the proposed increase in average monthly bills for various classes of customers is as follows: Residential – 10.5%, Commercial – 9.0%, Industrial – 2.6% and Resale – 3.5%. The base rate increase will produce approximately \$23 million annually in additional revenue for the utility, an overall increase of approximately 9.6%.

Tom M. Taylor, President, IGS Utilities, noted that as the prospective buyer of Mountaineer Gas, he will work with consumers in West Virginia to help keep natural gas rates as low as possible.

“The proposed rate restructuring will allow Mountaineer Gas to reinvest in its assets and to provide reliable natural gas service for all customers – a step we believe is necessary for its continued viability,” said Mr. Taylor. “However, we appreciate the customers’ desire to keep rates as low as possible and will propose an alternative to the recovery of certain purchased gas expenses to lessen the rate impact for the first year. We believe this will be a significant benefit to customers in the transition of Mountaineer Gas.”

The new rates will become effective on October 27, 2004, unless the PSC elects to review the petition. If the commission chooses to conduct a review, Mountaineer Gas anticipates that the regulatory proceedings will take approximately nine months.

Mountaineer Gas encourages all customers to use natural gas safely and efficiently. For home energy efficiency tips, customers can check Allegheny Power’s internet site at [www.alleghenypower.com](http://www.alleghenypower.com) or call its Customer Service Center at 1-800-Allegheny (1-800-255-3443) and request a copy of the brochure *100 Ways to Help Control Your Energy Bill*.

To help customers manage their bills, Mountaineer Gas offers a budget plan, special payment plans, and access to energy assistance programs. Any customer that knows that they may need assistance in paying their bill should contact our customer service center immediately.

Headquartered in Greensburg, Pa., Allegheny Energy is an energy company consisting of two major businesses, Allegheny Energy Supply, which owns and operates electric generating facilities, and Allegheny Power, which delivers low-cost, reliable electric service to customers in Pennsylvania, West Virginia, Maryland, Virginia and Ohio. More information about Allegheny Energy is available at [www.alleghenyenergy.com](http://www.alleghenyenergy.com).

### **Forward-Looking Statements**

*In addition to historical information, this release contains a number of "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Words such as anticipate, expect, project, intend, plan, believe, and words and terms of similar substance used in connection with any discussion of future plans, actions, or events identify forward-looking statements. These include statements with respect to: regulation and the status of retail generation service supply competition in states served by Allegheny Energy's delivery business, Allegheny Power; the closing of various agreements; results of litigation; financing plans; demand for energy and the cost and availability of inputs; demand for products and services; capacity purchase commitments; results of operations; capital expenditures; regulatory matters; internal controls and procedures and accounting issues; and stockholder rights plans. Forward-looking statements involve estimates, expectations, and projections and, as a result, are subject to risks and uncertainties. There can be no assurance that actual results will not materially differ from expectations. Factors that could cause actual results to differ materially include, among others, the following: execution of restructuring activity and liquidity enhancement plans; complications or other factors that render it difficult or impossible to obtain necessary lender consents or regulatory authorizations on a timely basis; general economic and business conditions; changes in access to capital markets; the continuing effects of global instability, terrorism, and war; changes in industry capacity, development, and other activities by Allegheny's competitors; changes in the weather and other natural phenomena; changes in technology; changes in the price of power and fuel for electric generation; the results of regulatory proceedings, including those related to rates; changes in the underlying inputs, including market conditions, and assumptions used to estimate the fair values of commodity contracts; changes in laws and regulations applicable to Allegheny, its markets, or its activities; environmental regulations; the loss of any significant customers and suppliers; the effect of accounting policies issued periodically by accounting standard-setting bodies; additional collateral calls; and changes in business strategy, operations, or development plans. Additional risks and uncertainties are identified and discussed in Allegheny Energy's reports filed with the Securities and Exchange Commission.*