



NEWS RELEASE

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FOR IMMEDIATE RELEASE

Allegheny Energy Refinances Term Loan, Plans to Redeem Senior Notes

GREENSBURG, Pa., July 21, 2005 – Allegheny Energy, Inc. (NYSE: AYE) today announced that its subsidiary, Allegheny Energy Supply Company, LLC, has obtained a new \$1.07 billion term loan.

The new loan matures in 2011 and has an initial interest rate equal to the London Interbank Offered Rate (LIBOR) plus 175 basis points. The interest rate will improve to LIBOR plus 150 basis points if the company's credit ratings improve from current levels. Proceeds from the new loan were used in part to refinance Allegheny Energy Supply's existing \$738 million term loan and will be used to redeem its 10.25% Senior Notes due 2007, which have a principal amount of \$331 million.

Additionally, Allegheny Energy Supply will use cash on hand and may also borrow under the Allegheny Energy, Inc. revolving credit facility to redeem its 13% Senior Notes due 2007 (\$35 million principal) and pay associated costs. Allegheny Energy Supply today issued a Notice of Redemption to the holders of record of the 10.25% and 13% Senior Notes, outlining the terms and conditions of the anticipated redemption, which is expected to occur on August 22, 2005. The company expects to take a charge of approximately \$34 million in the third quarter of 2005 to reflect the premium paid and associated costs.

“Refinancing higher-cost debt through these transactions is expected to reduce our annual interest expense by approximately \$23 million, further improving our profitability,” said Allegheny Energy Chairman, President and Chief Executive Officer Paul J. Evanson.

Citigroup Global Markets Inc. is the lead arranger, and Bank of America LLC and Credit Suisse First Boston are joint bookrunners for the new loan.

Allegheny Energy

Headquartered in Greensburg, Pa., Allegheny Energy is an investor-owned utility consisting of two major businesses. Allegheny Energy Supply owns and operates electric generating facilities, and Allegheny Power delivers low-cost, reliable electric service to customers in Pennsylvania, West Virginia, Maryland, Virginia and Ohio. For more information, visit our Web site at 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 distribution business, Allegheny Power; financing plans; demand for energy and the cost and availability of raw materials, including coal; provider-of-last-resort and power supply contracts; results of litigation; results of operations; internal controls and procedures; capital expenditures; status and condition of plants and equipment; regulatory matters; and accounting issues. 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. Actual results have varied materially and unpredictably from past expectations. Factors that could cause actual results to differ materially include, among others, the following: changes in the price of power and fuel for electric generation; general economic and business conditions; changes in access to capital markets; complications or other factors that render it difficult or impossible to obtain necessary lender consents or regulatory authorizations on a timely basis; environmental regulations; the results of regulatory proceedings, including proceedings related to rates; changes in industry capacity, development and other activities by Allegheny Energy's competitors; changes in the weather and other natural phenomena; changes in the underlying inputs and assumptions, including market conditions used to estimate the fair values of commodity contracts; changes in laws and regulations applicable to Allegheny Energy, its markets or its activities; the loss of any significant customers or suppliers; dependence on other electric transmission and gas transportation systems and their constraints or availability; changes in PJM, including changes to participant rules and tariffs; the effect of accounting policies issued periodically by accounting standard-setting bodies; and the continuing effects of global instability, terrorism and war. Additional risks and uncertainties are identified and discussed in Allegheny Energy's reports filed with the Securities and Exchange Commission.

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