



NEWS RELEASE

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FOR IMMEDIATE RELEASE

West Virginia Commission Issues Order Approving Sale of Mountaineer Gas

GREENSBURG, Pa., August 24, 2005 – Allegheny Energy, Inc. (NYSE: AYE) announced today that the Public Service Commission of West Virginia has issued a final order approving the sale of Mountaineer Gas and an increase in Mountaineer's base rates.

Last year, Allegheny agreed to sell Mountaineer Gas and its other natural gas operations in West Virginia to a partnership composed of IGS Utilities and affiliates of ArcLight Capital Partners. One of the conditions of the sale was a base rate increase for Mountaineer Gas. In today's order, the commission approved a base rate increase of \$15.3 million, effective November 1, 2005, and an additional increase of \$2 million on November 1, 2006.

Under the new rate schedule, the average residential customer using 13,000 cubic feet of natural gas per month will see a total bill increase of about 5 percent. The base-rate increase was necessary to support the new company's capital requirements and ensure its financial health.

The commission's decision moves the proposed sale one step closer to completion. The transaction still requires approval from the Securities and Exchange Commission. If approved, Allegheny anticipates that the transaction will close in the fourth quarter of 2005.

"We appreciate the support of the Public Service Commission and the other parties involved," said Paul J. Evanson, Chairman, President and Chief Executive Officer of Allegheny Energy. "The sale of our natural gas operations will allow us to further reduce debt and focus on our core electric business."

At closing, Allegheny expects to receive approximately \$130 million in cash and will transfer \$87 million in debt to the buyer. Other highlights of the sale include a commitment by the new owners to a \$10.2-million annual capital investment in the natural gas distribution system and quality of service assurances, including a commitment to keep a significant administrative and operational presence in West Virginia for up to five years.

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 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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