



NEWS RELEASE

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FOR IMMEDIATE RELEASE

Allegheny Energy Announces Settlement in Mountaineer Gas Rate Case

GREENSBURG, Pa., July 29, 2005 – Allegheny Energy, Inc. (NYSE: AYE) announced today that it has reached agreement with a coalition of interested parties regarding an increase in natural gas base rates, clearing the way for the sale of its West Virginia gas business.

In a joint stipulation and settlement agreement filed last night, the parties asked the Public Service Commission of West Virginia to approve the sale of Mountaineer Gas and Allegheny's other natural gas operations in West Virginia to Mountaineer Gas Holdings, a partnership composed of IGS Utilities and affiliates of ArcLight Capital Partners. The filing also seeks approval for a modified base rate increase of \$15.3 million, effective November 1, 2005, and an additional increase of \$2 million on November 1, 2006. The original request was for a \$23.4 million base rate increase.

Other parties to the settlement agreement include the staff of the Public Service Commission, the Consumer Advocate Division and other interested groups.

“This settlement is a tribute to the cooperative spirit of the interested parties, all of whom worked hard to create a solid road map for preserving quality delivery of natural gas service for customers throughout West Virginia,” said Paul J. Evanson, Chairman, President and Chief Executive Officer of Allegheny Energy. “At the same time, the sale of Mountaineer Gas advances our strategy of focusing on Allegheny's core electric generation and delivery business while allowing us to further reduce our debt.”

If the sale of the West Virginia gas business is approved by regulators, Allegheny will receive approximately \$130 million in cash and will transfer \$87 million in debt to the buyer at the closing of the transaction. Also at that time, all employees directly assigned to Allegheny's gas operations will transfer to the new owner. In addition, the buyer will settle certain inter-company accounts over a three-year period.

Mountaineer Gas is the largest natural gas service company in West Virginia. A hearing for both the rate and acquisition cases is scheduled before the Public Service Commission on August 23 in Charleston.

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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