



NEWS RELEASE

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FOR IMMEDIATE RELEASE

Allegheny Power Announces Agreement to Sell Ohio Territory

GREENSBURG, Pa., August 2, 2005 – Allegheny Power, the delivery business of Allegheny Energy, Inc. (NYSE: AYE), announced today that it has signed a definitive agreement to sell its Ohio service territory to American Electric Power's (AEP) Columbus Southern Power subsidiary for net cash proceeds of approximately \$55 million.

Under terms of the agreement, Allegheny will transfer its Ohio transmission and distribution assets, along with 24 Allegheny employees, to AEP. The sale will include a power purchase agreement under which Allegheny will provide generation service to Columbus Southern for Allegheny's current Ohio retail customer base through May 31, 2007 at \$45 per megawatt-hour, an increase of about \$18 per megawatt-hour over its current generation rate.

"This is a win for all parties involved," said Joseph H. Richardson, President of Allegheny Power. "Ohio customers will benefit from more stable Columbus Southern rates, and Allegheny Power will finally resolve its long-standing issue of electricity cost recovery."

Since the rate under the power purchase agreement is below market rates, Allegheny expects to record a loss on the sale. The agreement is subject to certain closing conditions, third party consents and state and federal regulatory approvals. If approved, the parties expect to complete the sale by the end of 2005.

The transaction resulted from a June 14 Commission order that directed the companies to discuss the transfer of Allegheny's Ohio service territory. The sale resolves ongoing issues related to the transition to market-based rates in Ohio, which is scheduled to begin in 2006.

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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