



NEWS RELEASE

800 Cabin Hill Drive, Greensburg, PA 15601-1689

Media contact:

Fred Solomon
Manager, Corporate Communications
Phone: (724) 838-6650
Media Hotline: (888) 233-3583
E-mail: fsolomo@alleghenyenergy.com

Investor contact:

Max Kuniansky
Executive Director, Investor Relations
and Corporate Communications
Phone: (724) 838-6895
E-mail: mkunian@alleghenyenergy.com

FOR IMMEDIATE RELEASE

Allegheny Energy Announces Revised Pennsylvania Generation Rate Caps Through 2010

GREENSBURG, Pa., April 21, 2005 –Allegheny Energy, Inc. (NYSE: **AYE**) today announced that the Pennsylvania Public Utility Commission has approved revised rate caps for customers of the company’s delivery unit, Allegheny Power, through 2010. The decision is designed to provide approximately 700,000 customers in Pennsylvania a smooth transition to market-based rates by lengthening the transition period by two years.

The proposed rates were supported by a number of stakeholders including consumer groups, industrial customers and others. Allegheny customers will benefit from the certainty provided by capped generation rates through the extended transition period. In 2010, residential customers will still pay less for electricity (9.09 cents per kilowatt-hour, as shown in the chart below) than today’s state average rate (9.52 cents per kilowatt-hour).

“The Pennsylvania Public Utility Commission has taken a thoughtful and insightful approach to protecting consumers with rate certainty while ensuring a smooth and orderly transition to market-based rates,” said Paul J. Evanson, Chairman, President and Chief Executive Officer of Allegheny Energy. “We appreciate the diligent work by the stakeholders in creating an agreement that is in the best interests of consumers and the company.”

Under Allegheny’s 1998 restructuring agreement, generation prices were scheduled to increase to market-based rates in 2009. The revised plan provides rate certainty for consumers in 2009 and 2010 in exchange for incremental increases in generation rate cap levels in earlier years. The new rates are shown in the table below:

Allegheny Power Summary of Pennsylvania Residential Rates (cents/kwh)	
Year	Total Rate*
2005	6.790
2006	7.129
2007	7.485
2008	7.859
2009	8.816
2010	9.091

* Based on current transmission and distribution rates and approved capped generation rates.

Highlights of the Commission decision announced today include:

- Extension of generation rate caps for an additional two years through 2010, with higher generation rate cap levels in 2007, 2009 and 2010. Under the decision announced today, generation prices will be market-based beginning in 2011. Allegheny's 1998 restructuring agreement previously provided for rate increases in 2006 and 2008 with prices moving to market in 2009.
- Securitization of approximately \$115 million of stranded costs—unrecovered costs Allegheny is entitled to under the 1998 market restructuring. As a result of this decision, customers will pay approximately \$25 million less in stranded costs because it allows Allegheny to securitize those costs.
- Extension of the distribution rate caps for an additional two years through 2007 for all Pennsylvania retail customers.

The new rates would enable Allegheny Energy to realize generation prices of \$30.10 per megawatt-hour (mwh) for 2005, \$32.80 per mwh in 2006, \$35.50 per mwh in 2007 and \$38.30 per mwh in 2008. In May 2005, Allegheny Power plans to launch a competitive process that will seek bids for generation to serve its Pennsylvania customers for 2009 and 2010. Any savings relative to new maximum generation prices of \$45.50 per mwh in 2009 and \$52.20 per mwh in 2010 would be passed on to customers.

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.