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ALLEGHENY ENERGY, INC.
CORPORATE GOVERNANCE GUIDELINES

The Board of Directors (the "Board") of Allegheny Energy, Inc. (the "Company") has adopted these *Corporate Governance Guidelines* as a framework for meeting the Board's duties and responsibilities in the governance of the Company.

I. Board Composition

The size of the Board shall be within the range set by the By-laws of the Company and set based on the need for expertise, independence, and functional efficiency.

The Board membership should encompass a broad range of skills, expertise, industry knowledge, diversity of opinion and contacts relevant to the Company's business.

A majority of the Board shall consist of directors who meet the independence requirements of the New York Stock Exchange, Inc. (the "NYSE") and who do not have any other relationship which, in the opinion of the Board, would interfere with the exercise of independent judgment in overseeing the affairs of the Company.

II. Selection of Chairman and Chief Executive Officer

The Board shall select the Chairman and Chief Executive Officer (the "CEO") in the manner it considers in the best interests of the Company. These positions may be filled by the same individual or by different individuals.

III. Selection of Directors

Nominations. The Board is responsible for selecting the nominees for election to the Board. The Company's Nominating and Governance Committee shall recommend to the Board director nominees, in addition to any individuals nominated by stockholders in accordance with Company By-laws, to be presented for stockholder approval at the annual meeting. The Nominating and Governance Committee shall also recommend to the Board nominees to fill vacancies on the Board in accordance with the By-laws.

Criteria. The Board should, based on the recommendation of the Nominating and Governance Committee, select nominees for the position of director after considering integrity, compatibility, judgment, independence, experience and background in a relevant field, willingness to commit time and energy, and a genuine interest in the electric industry.

Orientation and Continuing Education. The Nominating and Governance Committee shall oversee the orientation of new directors which should include providing background material on the Company, reviewing of its strategic plans, and meeting with senior management. In addition, orientation should familiarize new directors with financial control systems and procedures, any significant financial, accounting and risk management issues, and applicable standards of conduct.

IV. Election Term

The Board does not believe it should establish term limits.

V. Retirement of Directors

The Board has a mandatory retirement policy. Except as otherwise provided below, non-management directors who would be age 75 or older at the time of the election shall not stand for re-election. For a director who was age 75 or older as of the Company's 2008 annual meeting of stockholders, such director shall not stand for re-election unless the Board elects to waive this requirement in respect of the director.

VI. Board Meetings

The Board conducts at least six regular meetings each year. In addition, at the discretion of the Board special meetings are held or action is taken by Executive Committee or by unanimous consent in accordance with the By-laws.

The agenda for each regular Board meeting will be prepared under the direction of the CEO in consultation with the Chairman of the Board, if the Chairman is not the President. Board members shall have an opportunity to request that items be added to the agenda. Management will seek to provide to all directors in advance of the meeting the agenda and appropriate materials concerning matters to be considered at the meeting.

Materials presented to the Board or its committees should concisely provide the information needed for the directors to make an informed judgment.

VII. Executive Sessions

Non-management directors shall meet in executive sessions periodically, with no members of management present. The independent non-management directors shall designate an independent Presiding Director who will preside at the executive sessions. As determined by the independent non-management directors, the position of the Presiding Director is rotated every two years among the independent non-management directors, commencing with each annual meeting of the Company's stockholders.

If any non-management director does not meet the independence requirements of the NYSE, the independent directors shall meet in executive session at least once a year.

VIII. The Committees of the Board

The Board shall have at least the committees required by federal law, the applicable listing standards of the NYSE and the By-laws of the Company. Currently, the Committees of the Board are the Executive Committee, the Nominating and Governance Committee, the Audit Committee and the Management Compensation and Development Committee. The Nominating and Governance Committee, the Audit Committee, and the Management Compensation and Development Committee each shall have a written charter in accordance with federal law and applicable listing standards.

The committee chair will prepare the committee's agenda, in consultation with appropriate members of the Board and management. All directors, whether members of a committee or not, are invited to make suggestions to a committee chair for additions to the agenda of his or her committee or to request that an item from a committee agenda be considered by the Board. Each committee chair will give a periodic report of his or her committee's activities to the Board.

The Nominating and Governance Committee, the Audit Committee and the Management Compensation and Development Committee shall be composed of at least three directors all of whom are "independent" under federal law and the listing standards of the NYSE applicable to that committee, and who do not have any material relationship which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of that committee.

IX. Management Succession

At least annually, the Board shall review and concur in a succession plan, developed under the oversight of the Management Compensation and Development Committee, for selecting a successor to the CEO, both in an emergency and in the ordinary course of business. The succession plan should include an assessment of the experience, performance and skills for possible successors.

X. Executive Compensation

The Board, acting through the Management Compensation and Development Committee, shall evaluate the performance of the CEO and the Company against the Company's goals and objectives, and shall approve the compensation level of the CEO.

The Management Compensation and Development Committee shall make recommendations for Board approval with respect to policies for compensation of executive officers other than the CEO, incentive compensation plans, and equity-based plans.

XI. Stock Ownership

Members of the Board of Directors and senior executive officers are expected to own a significant equity interest in the Company in accordance with the Company's Stock Ownership Guidelines. Under the Stock Ownership Guidelines, senior executive officers are required to hold stock in amounts ranging from one times their annual salary to three times their annual salary, depending on their position with the Company. Directors must hold six times their annual cash retainer in common stock.

XII. Board Compensation

The Board, through the Nominating and Governance Committee, should annually review the form and amount of Board compensation. Board compensation should be reasonable and competitive as determined by the Board. Directors who are employees of the Company will receive no additional compensation for services to the Board.

XIII. Expectations of Directors

The business and affairs of the Company shall be managed under the direction of the Board in accordance with applicable law. The Board has developed a number of specific expectations of directors to promote the discharge of this responsibility and the efficient conduct of the Board's business.

1. *Commitment and Attendance.* Directors should make every effort to attend meetings of the Board, meetings of committees of which they are members, and annual meetings of the Company's stockholders. Members may attend Board and committee meetings by telephone or videoconference.

2. *Participation in Meetings.* Each director should be sufficiently familiar with the business of the Company to facilitate active and effective participation in the deliberations of the Board and of each committee on which he or she serves. Directors are expected to review the materials provided in advance of the meetings of the Board and its committees and should be prepared to discuss the issues presented.

3. *Ethics and Conflicts of Interest.* The Company has adopted a code of business conduct and ethics. Certain portions of the code apply to conduct and activities of directors, and directors shall be familiar with and adhere to applicable code provisions. If an actual or potential conflict of interest arises for a director, the director shall promptly inform the Chairman of the Board and the Chair of the Nominating and Governance Committee for consideration of the matter.

4. *Other Relationships.* The Company values the experience directors bring from their occupational endeavors and from other boards on which they serve, but recognizes that those commitments may also present demands on a director's time and availability and may present conflicts or legal issues. Directors should advise the Chairman of the Board and the Chair of the Nominating and Governance Committee before accepting membership on other boards of directors or changes in other significant commitments involving affiliation with other businesses or governmental units.

5. *Number of Directorships.* Directors who also serve as chief executive officers or in equivalent positions of public companies should not serve on more than two boards of public companies in addition to the Board of the Company or its subsidiaries. Other directors should not serve on more than five other boards of public companies in addition to the Board of the Company or its subsidiaries.

6. *Contact with Management.* Directors have complete access to management in order to become and remain informed about the Company's business and for such other purposes related to the Board's responsibilities. The Board expects that there will be frequent opportunities for directors to meet with the CEO and other members of management in Board and committee meetings and in other settings. The Board encourages management to invite managers into Board meetings in order to provide further information about items being reviewed or for exposure to the Board.

7. *Contact with Other Constituencies*. Management serves as the spokesperson for the Company. Directors should not communicate with any outside individual or entity, other than consultants employed by the Board, by a committee of the Board, or by management, concerning Company business unless requested to do so by the Board or management.

8. *Confidentiality.* The proceedings and deliberations of the Board and its committees are confidential. Each director shall maintain the confidentiality of information received in connection with his or her service as a director.

XIV. Evaluating Board Performance

The Nominating and Governance Committee is responsible for providing annually to the Board an assessment of Board performance. The report should assess the effectiveness of the Board as a whole and the contributions of the directors.

Each committee with a written charter shall conduct a self-evaluation at least annually and report the results to the Board. Each committee's evaluation shall compare the performance of the committee with the requirements of its written charter, if any.

In addition, if any Board member believes that another director is not performing satisfactorily as a director, then such Board member should communicate such performance issues to the Chair of the Nominating and Governance Committee (unless they relate to the Chair of the Nominating and Governance Committee, in which case, such Board member should communicate such issues to the Presiding Director or to the Chairman of the Board), who will inform and discuss such issues with the Nominating and Governance Committee. The Nominating and Governance Committee will determine what action, if any, should be taken with respect to such issues.

XV. Stockholder Rights Plan

The Company does not have a stockholder rights plan. The Board shall obtain stockholder approval prior to adopting a stockholder rights plan unless the Board, in the exercise of its fiduciary duties, determines that under the circumstances then existing, it would be in the best interest of the Company and its stockholders to adopt a rights plan without prior stockholder approval. If a rights plan is adopted by the Board without prior stockholder approval, the plan must provide that it shall expire within one year of adoption unless ratified by stockholders.

XVI. Reliance on Management and Outside Advice

In performing its functions, the Board is entitled to rely on the advice, reports and opinions of management, counsel, accountants, auditors and other expert advisors. The Board shall have the authority to retain and approve the fees and retention terms of its outside advisors. Committees of the Board shall have such authority to retain and approve the fees and retention terms of outside advisors to the committee as set forth in the committee's charter or as otherwise authorized by the Board.