

SECURITIES AND EXCHANGE COMMISSION

(Release No. 35-27983)

Filings Under the Public Utility Holding Company Act of 1935, as amended (“Act”)

June 15, 2005

Notice is hereby given that the following filing(s) has/have been made with the Commission pursuant to provisions of the Act and rules promulgated under the Act. All interested persons are referred to the application(s) and/or declaration(s) for complete statements of the proposed transaction(s) summarized below. The application(s) and/or declaration(s) and any amendment(s) is/are available for public inspection through the Commission's Branch of Public Reference.

Interested persons wishing to comment or request a hearing on the application(s) and/or declaration(s) should submit their views in writing by **July 11, 2005**, to the Secretary, Securities and Exchange Commission, Washington, D.C. 20549-0609, and serve a copy on the relevant applicant(s) and/or declarant(s) at the address(es) specified below. Proof of service (by affidavit or, in the case of an attorney at law, by certificate) should be filed with the request. Any request for hearing should identify specifically the issues of facts or law that are disputed. A person who so requests will be notified of any hearing, if ordered, and will receive a copy of any notice or order issued in the matter. After **July 11, 2005**, the application(s) and/or declaration(s), as filed or as amended, may be granted and/or permitted to become effective.

Allegheny Energy, Inc., et al. (70-10270)

Allegheny Energy, Inc. ("Allegheny"), a registered holding company, its wholly-owned public-utility company subsidiary, Monongahela Power Company ("Monongahela"), and its system service company, Allegheny Energy Service Corporation ("AESCS" and, together with

Allegheny and Monongahela, "Applicants"), 800 Cabin Hill Drive, Greensburg, Pennsylvania 15601, have filed an application-declaration ("Application") under sections 12(c), 12(d), and 13 of the Act and rules 44, 46, and 54 under the Act.

The Applicants seek authority for Monongahela to sell to Mountaineer Gas Holdings Limited Partnership ("Buyer"), a West Virginia limited partnership, all of the common stock of Mountaineer Gas Company ("Mountaineer"), a gas utility company under the Act. In addition, Applicants seek authority for Monongahela to sell to the Buyer certain utility assets ("Related Assets")¹ it currently owns directly and that are used to serve natural gas customers. The sale by Monongahela of the common stock of Mountaineer and the Related Assets are referred to as the "Transaction." Monongahela also requests authority to dividend the proceeds from the Transaction to Allegheny out of unearned surplus. Finally, Allegheny requests authority for AESC² to perform certain services for Mountaineer following completion of the Transaction.

Mountaineer is a natural gas distribution company that serves approximately 205,000 retail natural gas customers in West Virginia. It owns approximately 4,000 miles of natural gas distribution pipelines. Mountaineer's wholly-owned subsidiary Mountaineer Gas Services, Inc. ("MGS") operates natural gas producing properties, gas gathering facilities, and intra-state transmission pipelines. It also engages in the sale and marketing of natural gas in the

¹ These assets include gas distribution pipelines and appurtenant facilities and are listed in Exhibit B of the Application

² AESC is a wholly owned subsidiary of Allegheny and serves as a service company for the holding company. AESC is reimbursed by Allegheny and its subsidiaries at cost for services it provides.

Appalachian basin. MGS owns more than 300 natural gas wells and has a net revenue interest in, but does not operate, an additional approximately 100 wells. Mountaineer is regulated by the West Virginia Public Service Commission. Allegheny contributed \$162.5 million of equity into Monongahela when Monongahela purchased Mountaineer in 2000.

The Buyer is a limited partnership comprised of IGS Utilities LLC, IGS Holdings LLC ("IGS Entities") and affiliates of ArcLight Capital Partners, LLC ("ArcLight"). The Buyer was formed for the purpose of acquiring Mountaineer's common stock and the Related Assets. The principals of the IGS Entities have been involved in the natural gas industry since the mid-1980s. ArcLight is a privately held energy infrastructure investment firm with more than \$2.5 billion under management. Following completion of the Transaction, Mountaineer will become a wholly-owned subsidiary of the Buyer. It is the Applicants' understanding that the Buyer will request exemption under section 3(a)(1) under the Act and that ArcLight will seek relief under section 2(a)(7) of the Act.

On August 4, 2004, Monongahela and the Buyer executed an acquisition agreement ("Acquisition Agreement") under which Monongahela agreed to sell to the Buyer all of Mountaineer's common stock, the Related Assets, and other assets that do not constitute utility assets under the Act but that are integral to the operation of Mountaineer and the Related Assets. The purchase price for Mountaineer's common stock and the Related Assets was the result of arm's-length bargaining and will be determined according to a formula set forth in the Acquisition Agreement. At the time the Acquisition Agreement was executed, the price was

estimated to be \$141 million in cash and \$87 million in assumed debt, subject to certain closing adjustments. In addition, the Buyer will settle certain inter-company accounts over a three-year period. The current estimate of these amounts is approximately \$5 million. Upon closing of the Transaction, Mountaineer and MGS will be wholly owned subsidiaries of the Buyer, which will operate Mountaineer as a stand-alone gas utility based in Charleston, West Virginia. Mountaineer will own the Related Assets. Monongahela proposes to dividend the proceeds from the Transaction to Allegheny out of unearned surplus. The proceeds will be used to reduce debt. In connection with the Transaction, AESC and the Buyer propose to enter into a transition services agreement ("TSA"). Under the TSA, AESC would perform various services for the Buyer. These services fall into three broad categories: (i) financial accounting, (ii) technology services, and (iii) call center and billing services. AESC will provide financial accounting and technology services for a period up to 12 months from the date the Transaction closes. AESC

will provide call center and billing services for succeeding one year terms beginning on the date the Transaction closes and continuing until terminated by either party under the terms of the TSA. Allegheny seeks Commission authorization for AESC to provide these services.

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

Margaret H. McFarland
Deputy Secretary