

|                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                         |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------|
| <b>Form 5500</b><br><br>Department of the Treasury<br>Internal Revenue Service<br><br>Department of Labor<br>Employee Benefits Security<br>Administration<br><br>Pension Benefit Guaranty Corporation | <b>Annual Return/Report of Employee Benefit Plan</b><br><br>This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6047(e), and 6058(a) of the Internal Revenue Code (the Code).<br><br><p style="text-align: center;">▶ <b>Complete all entries in accordance with the instructions to the Form 5500.</b></p> | OMB Nos. 1210-0110<br>1210-0089<br><br><b>2009</b><br><br><b>This Form is Open to Public Inspection</b> |
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|                                                                                                          |                                                                |                                                                                 |                                            |
|----------------------------------------------------------------------------------------------------------|----------------------------------------------------------------|---------------------------------------------------------------------------------|--------------------------------------------|
| <b>Part I</b>                                                                                            | <b>Annual Report Identification Information</b>                |                                                                                 |                                            |
| For calendar plan year 2009 or fiscal plan year beginning <u>01/01/2009</u> and ending <u>12/31/2009</u> |                                                                |                                                                                 |                                            |
| <b>A</b> This return/report is for:                                                                      | <input type="checkbox"/> a multiemployer plan;                 | <input type="checkbox"/> a multiple-employer plan; or                           |                                            |
|                                                                                                          | <input checked="" type="checkbox"/> a single-employer plan;    | <input type="checkbox"/> a DFE (specify) ____                                   |                                            |
| <b>B</b> This return/report is:                                                                          | <input type="checkbox"/> the first return/report;              | <input type="checkbox"/> the final return/report;                               |                                            |
|                                                                                                          | <input type="checkbox"/> an amended return/report;             | <input type="checkbox"/> a short plan year return/report (less than 12 months). |                                            |
| <b>C</b> If the plan is a collectively-bargained plan, check here. . . . .                               | ▶ <input checked="" type="checkbox"/>                          |                                                                                 |                                            |
| <b>D</b> Check box if filing under:                                                                      | <input type="checkbox"/> Form 5558;                            | <input type="checkbox"/> automatic extension;                                   | <input type="checkbox"/> the DFVC program; |
|                                                                                                          | <input type="checkbox"/> special extension (enter description) |                                                                                 |                                            |

|                                                                                                                                   |                                                                                                                        |  |                                                                     |
|-----------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|--|---------------------------------------------------------------------|
| <b>Part II</b>                                                                                                                    | <b>Basic Plan Information</b> —enter all requested information                                                         |  |                                                                     |
| <b>1a</b> Name of plan                                                                                                            | <u>ALLEGHENY ENERGY EMPLOYEE STOCK OWNERSHIP AND SAVINGS PLAN</u>                                                      |  | <b>1b</b> Three-digit plan number (PN) ▶ <u>002</u>                 |
|                                                                                                                                   |                                                                                                                        |  | <b>1c</b> Effective date of plan<br><u>01/01/1976</u>               |
| <b>2a</b> Plan sponsor's name and address (employer, if for a single-employer plan)<br>(Address should include room or suite no.) | <u>ALLEGHENY ENERGY SERVICE CORPORATION</u><br><br><br><u>800 CABIN HILL DRIVE</u><br><u>GREENSBURG, PA 15601-1689</u> |  | <b>2b</b> Employer Identification Number (EIN)<br><u>13-1993896</u> |
|                                                                                                                                   |                                                                                                                        |  | <b>2c</b> Sponsor's telephone number<br><u>724-837-3000</u>         |
|                                                                                                                                   |                                                                                                                        |  | <b>2d</b> Business code (see instructions)<br><u>221100</u>         |

**Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.**

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

|                  |                                                   |            |                                                              |
|------------------|---------------------------------------------------|------------|--------------------------------------------------------------|
| <b>SIGN HERE</b> | Filed with authorized/valid electronic signature. | 07/27/2010 | DAVID LUTZ                                                   |
|                  | Signature of plan administrator                   | Date       | Enter name of individual signing as plan administrator       |
| <b>SIGN HERE</b> | Filed with authorized/valid electronic signature. | 07/29/2010 | EDWARD DUDZINSKI                                             |
|                  | Signature of employer/plan sponsor                | Date       | Enter name of individual signing as employer or plan sponsor |
| <b>SIGN HERE</b> |                                                   |            |                                                              |
|                  | Signature of DFE                                  | Date       | Enter name of individual signing as DFE                      |

For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500.

Form 5500 (2009)  
v.092307.1

|                                                                                                                                                                                                             |                                                                                                               |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|
| <b>3a</b> Plan administrator's name and address (if same as plan sponsor, enter "Same")<br>EMPLOYEE BENEFITS COMMITTEE, C/O ALLEGHENY ENERGY, INC.<br><br>800 CABIN HILL DRIVE<br>GREENSBURG, PA 15601-1689 | <b>3b</b> Administrator's EIN<br>13-2863068<br><br><b>3c</b> Administrator's telephone number<br>724-837-3000 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|

|                                                                                                                                                                                                                       |                                   |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|
| <b>4</b> If the name and/or EIN of the plan sponsor has changed since the last return/report filed for this plan, enter the name, EIN and the plan number from the last return/report:<br><br><b>a</b> Sponsor's name | <b>4b</b> EIN<br><br><b>4c</b> PN |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|

|                                                                         |          |      |
|-------------------------------------------------------------------------|----------|------|
| <b>5</b> Total number of participants at the beginning of the plan year | <b>5</b> | 7120 |
|-------------------------------------------------------------------------|----------|------|

|                                                                                                                                                        |           |      |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|------|
| <b>6</b> Number of participants as of the end of the plan year (welfare plans complete only lines <b>6a</b> , <b>6b</b> , <b>6c</b> , and <b>6d</b> ). |           |      |
| <b>a</b> Active participants.....                                                                                                                      | <b>6a</b> | 4496 |
| <b>b</b> Retired or separated participants receiving benefits.....                                                                                     | <b>6b</b> | 0    |
| <b>c</b> Other retired or separated participants entitled to future benefits.....                                                                      | <b>6c</b> | 2326 |
| <b>d</b> Subtotal. Add lines <b>6a</b> , <b>6b</b> , and <b>6c</b> .....                                                                               | <b>6d</b> | 6822 |
| <b>e</b> Deceased participants whose beneficiaries are receiving or are entitled to receive benefits.....                                              | <b>6e</b> | 62   |
| <b>f</b> Total. Add lines <b>6d</b> and <b>6e</b> .....                                                                                                | <b>6f</b> | 6884 |
| <b>g</b> Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item).....         | <b>6g</b> | 6604 |
| <b>h</b> Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested.....             | <b>6h</b> | 33   |

|                                                                                                                                      |          |  |
|--------------------------------------------------------------------------------------------------------------------------------------|----------|--|
| <b>7</b> Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item) ..... | <b>7</b> |  |
|--------------------------------------------------------------------------------------------------------------------------------------|----------|--|

**8a** If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristic Codes in the instructions:  
 2F 2H 2J 2O

**b** If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristic Codes in the instructions:

|                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                               |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>9a</b> Plan funding arrangement (check all that apply)<br>(1) <input type="checkbox"/> Insurance<br>(2) <input type="checkbox"/> Code section 412(e)(3) insurance contracts<br>(3) <input checked="" type="checkbox"/> Trust<br>(4) <input type="checkbox"/> General assets of the sponsor | <b>9b</b> Plan benefit arrangement (check all that apply)<br>(1) <input type="checkbox"/> Insurance<br>(2) <input type="checkbox"/> Code section 412(e)(3) insurance contracts<br>(3) <input checked="" type="checkbox"/> Trust<br>(4) <input type="checkbox"/> General assets of the sponsor |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

**10** Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)

**a Pension Schedules**

- (1) ☒ **R** (Retirement Plan Information)  
 (2) ☐ **MB** (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary  
 (3) ☐ **SB** (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary

**b General Schedules**

- (1) ☒ **H** (Financial Information)  
 (2) ☐ **I** (Financial Information – Small Plan)  
 (3) ☐ **A** (Insurance Information)  
 (4) ☒ **C** (Service Provider Information)  
 (5) ☒ **D** (DFE/Participating Plan Information)  
 (6) ☐ **G** (Financial Transaction Schedules)

|                                                                                                                                                                                                                                              |                                                                                                                                                                                                                             |                                         |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|
| <div>SCHEDULE C</div> <div>(Form 5500)</div> <div>Department of the Treasury<br/>Internal Revenue Service</div> <div>Department of Labor<br/>Employee Benefits Security Administration</div> <div>Pension Benefit Guaranty Corporation</div> | <div>Service Provider Information</div> <div>This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA).</div> <div>▶ File as an attachment to Form 5500.</div> | OMB No. 1210-0110                       |
|                                                                                                                                                                                                                                              |                                                                                                                                                                                                                             | 2009                                    |
|                                                                                                                                                                                                                                              |                                                                                                                                                                                                                             | This Form is Open to Public Inspection. |

|                                                                                                |                                                      |
|------------------------------------------------------------------------------------------------|------------------------------------------------------|
| For calendar plan year 2009 or fiscal plan year beginning 01/01/2009 and ending 12/31/2009     |                                                      |
| A Name of plan<br>ALLEGHENY ENERGY EMPLOYEE STOCK OWNERSHIP AND SAVINGS PLAN                   | B Three-digit plan number (PN) ▶ 002                 |
| C Plan sponsor's name as shown on line 2a of Form 5500<br>ALLEGHENY ENERGY SERVICE CORPORATION | D Employer Identification Number (EIN)<br>13-1993896 |

|        |                                                 |
|--------|-------------------------------------------------|
| Part I | Service Provider Information (see instructions) |
|--------|-------------------------------------------------|

You must complete this Part, in accordance with the instructions, to report the information required for **each person** who received, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of monetary value) in connection with services rendered to the plan or the person's position with the plan during the plan year. If a person received **only** eligible indirect compensation for which the plan received the required disclosures, you are required to answer line 1 but are not required to include that person when completing the remainder of this Part.

1 Information on Persons Receiving Only Eligible Indirect Compensation

a Check "Yes" or "No" to indicate whether you are excluding a person from the remainder of this Part because they received only eligible indirect compensation for which the plan received the required disclosures (see instructions for definitions and conditions)..... ☒ Yes ☐ No

b If you answered line 1a "Yes," enter the name and EIN or address of each person providing the required disclosures for the service providers who received only eligible indirect compensation. Complete as many entries as needed (see instructions).

|                                                                                                            |                                                   |
|------------------------------------------------------------------------------------------------------------|---------------------------------------------------|
| (b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation |                                                   |
| ALLIANZ GLOBAL INVESTORS DISTRIBUTO                                                                        | 1345 AVENUE OF THE AMERICAS<br>NEW YORK, NY 10105 |

|                                                                                                           |                                                    |
|-----------------------------------------------------------------------------------------------------------|----------------------------------------------------|
| (b) Enter name and EIN or address of person who provided you disclosure on eligible indirect compensation |                                                    |
| DREYFUS FAMILY OF FUNDS                                                                                   | 144 GLENN CURTISS BOULEVARD<br>UNIONDALE, NY 11556 |

|                                                                                                            |                                          |
|------------------------------------------------------------------------------------------------------------|------------------------------------------|
| (b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation |                                          |
| FIDELITY INVESTMENTS                                                                                       | 82 DEVONSHIRE STREET<br>BOSTON, MA 02109 |

|                                                                                                            |                                     |
|------------------------------------------------------------------------------------------------------------|-------------------------------------|
| (b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation |                                     |
| GOLDMAN SACHS FUNDS                                                                                        | P.O. BOX 06050<br>CHICAGO, IL 60606 |

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**(b)** Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

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PIMCO FUNDS

840 NEWPORT CENTER DRIVE  
NEWPORT BEACH, CA 92660

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**(b)** Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

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PRINCIPAL FUNDS

P.O. BOX 55904  
BOSTON, MA 02266

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**(b)** Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

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SENTINEL FUNDS

ONE NATIONAL LIFE DRIVE  
MONTPELIER, VT 05604

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**(b)** Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

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THE VANGUARD GROUP, INC.

P.O. BOX 2600  
VALLEY FORGE, PA 19482

23-1945930

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**(b)** Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

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**(b)** Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

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**(b)** Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

---

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**(b)** Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

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**2. Information on Other Service Providers Receiving Direct or Indirect Compensation.** Except for those persons for whom you answered "yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

**(a)** Enter name and EIN or address (see instructions)

DELOITTE & TOUCHE LLP

13-3891517

| <b>(b)</b><br>Service Code(s) | <b>(c)</b><br>Relationship to employer, employee organization, or person known to be a party-in-interest | <b>(d)</b><br>Enter direct compensation paid by the plan. If none, enter -0-. | <b>(e)</b><br>Did service provider receive indirect compensation? (sources other than plan or plan sponsor) | <b>(f)</b><br>Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures? | <b>(g)</b><br>Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-. | <b>(h)</b><br>Did the service provider give you a formula instead of an amount or estimated amount? |
|-------------------------------|----------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|
| 10                            | NONE                                                                                                     | 62500                                                                         | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>                                         | Yes <input type="checkbox"/> No <input type="checkbox"/>                                                                              |                                                                                                                                                                                        | Yes <input type="checkbox"/> No <input type="checkbox"/>                                            |

**(a)** Enter name and EIN or address (see instructions)

T. ROWE PRICE RPS, INC

51-1714114

| <b>(b)</b><br>Service Code(s) | <b>(c)</b><br>Relationship to employer, employee organization, or person known to be a party-in-interest | <b>(d)</b><br>Enter direct compensation paid by the plan. If none, enter -0-. | <b>(e)</b><br>Did service provider receive indirect compensation? (sources other than plan or plan sponsor) | <b>(f)</b><br>Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures? | <b>(g)</b><br>Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-. | <b>(h)</b><br>Did the service provider give you a formula instead of an amount or estimated amount? |
|-------------------------------|----------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|
| 13 57                         | NONE                                                                                                     | 31589                                                                         | Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>                                         | Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>                                                                   | 68847                                                                                                                                                                                  | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>                                 |

**(a)** Enter name and EIN or address (see instructions)

NATIONAL RETIREMENT PARTNERS

33-0394862

| <b>(b)</b><br>Service Code(s) | <b>(c)</b><br>Relationship to employer, employee organization, or person known to be a party-in-interest | <b>(d)</b><br>Enter direct compensation paid by the plan. If none, enter -0-. | <b>(e)</b><br>Did service provider receive indirect compensation? (sources other than plan or plan sponsor) | <b>(f)</b><br>Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures? | <b>(g)</b><br>Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-. | <b>(h)</b><br>Did the service provider give you a formula instead of an amount or estimated amount? |
|-------------------------------|----------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|
| 27                            | NONE                                                                                                     | 30000                                                                         | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>                                         | Yes <input type="checkbox"/> No <input type="checkbox"/>                                                                              |                                                                                                                                                                                        | Yes <input type="checkbox"/> No <input type="checkbox"/>                                            |

**(a)** Enter name and EIN or address (see instructions)

MORGAN LEWIS

23-0891050

| <b>(b)</b><br>Service Code(s) | <b>(c)</b><br>Relationship to employer, employee organization, or person known to be a party-in-interest | <b>(d)</b><br>Enter direct compensation paid by the plan. If none, enter -0-. | <b>(e)</b><br>Did service provider receive indirect compensation? (sources other than plan or plan sponsor) | <b>(f)</b><br>Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures? | <b>(g)</b><br>Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-. | <b>(h)</b><br>Did the service provider give you a formula instead of an amount or estimated amount? |
|-------------------------------|----------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|
| 29                            | NONE                                                                                                     | 10556                                                                         | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>                                         | Yes <input type="checkbox"/> No <input type="checkbox"/>                                                                              |                                                                                                                                                                                        | Yes <input type="checkbox"/> No <input type="checkbox"/>                                            |

**(a)** Enter name and EIN or address (see instructions)

| <b>(b)</b><br>Service Code(s) | <b>(c)</b><br>Relationship to employer, employee organization, or person known to be a party-in-interest | <b>(d)</b><br>Enter direct compensation paid by the plan. If none, enter -0-. | <b>(e)</b><br>Did service provider receive indirect compensation? (sources other than plan or plan sponsor) | <b>(f)</b><br>Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures? | <b>(g)</b><br>Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-. | <b>(h)</b><br>Did the service provider give you a formula instead of an amount or estimated amount? |
|-------------------------------|----------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|
|                               |                                                                                                          |                                                                               | Yes <input type="checkbox"/> No <input type="checkbox"/>                                                    | Yes <input type="checkbox"/> No <input type="checkbox"/>                                                                              |                                                                                                                                                                                        | Yes <input type="checkbox"/> No <input type="checkbox"/>                                            |

**(a)** Enter name and EIN or address (see instructions)

| <b>(b)</b><br>Service Code(s) | <b>(c)</b><br>Relationship to employer, employee organization, or person known to be a party-in-interest | <b>(d)</b><br>Enter direct compensation paid by the plan. If none, enter -0-. | <b>(e)</b><br>Did service provider receive indirect compensation? (sources other than plan or plan sponsor) | <b>(f)</b><br>Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures? | <b>(g)</b><br>Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-. | <b>(h)</b><br>Did the service provider give you a formula instead of an amount or estimated amount? |
|-------------------------------|----------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|
|                               |                                                                                                          |                                                                               | Yes <input type="checkbox"/> No <input type="checkbox"/>                                                    | Yes <input type="checkbox"/> No <input type="checkbox"/>                                                                              |                                                                                                                                                                                        | Yes <input type="checkbox"/> No <input type="checkbox"/>                                            |

**Part I Service Provider Information (continued)**

**3** If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received \$1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

| (a) Enter service provider name as it appears on line 2 | (b) Service Codes<br>(see instructions) | (c) Enter amount of indirect compensation |
|---------------------------------------------------------|-----------------------------------------|-------------------------------------------|
|                                                         |                                         |                                           |

| (d) Enter name and EIN (address) of source of indirect compensation | (e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation. |
|---------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                     |                                                                                                                                                                    |

| (a) Enter service provider name as it appears on line 2 | (b) Service Codes<br>(see instructions) | (c) Enter amount of indirect compensation |
|---------------------------------------------------------|-----------------------------------------|-------------------------------------------|
|                                                         |                                         |                                           |

| (d) Enter name and EIN (address) of source of indirect compensation | (e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation. |
|---------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                     |                                                                                                                                                                    |

| (a) Enter service provider name as it appears on line 2 | (b) Service Codes<br>(see instructions) | (c) Enter amount of indirect compensation |
|---------------------------------------------------------|-----------------------------------------|-------------------------------------------|
|                                                         |                                         |                                           |

| (d) Enter name and EIN (address) of source of indirect compensation | (e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation. |
|---------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                     |                                                                                                                                                                    |

**Part II Service Providers Who Fail or Refuse to Provide Information**

**4** Provide, to the extent possible, the following information for each service provider who failed or refused to provide the information necessary to complete this Schedule.

| (a) Enter name and EIN or address of service provider (see instructions) | (b) Nature of Service Code(s) | (c) Describe the information that the service provider failed or refused to provide |
|--------------------------------------------------------------------------|-------------------------------|-------------------------------------------------------------------------------------|
|                                                                          |                               |                                                                                     |
| (a) Enter name and EIN or address of service provider (see instructions) | (b) Nature of Service Code(s) | (c) Describe the information that the service provider failed or refused to provide |
|                                                                          |                               |                                                                                     |
| (a) Enter name and EIN or address of service provider (see instructions) | (b) Nature of Service Code(s) | (c) Describe the information that the service provider failed or refused to provide |
|                                                                          |                               |                                                                                     |
| (a) Enter name and EIN or address of service provider (see instructions) | (b) Nature of Service Code(s) | (c) Describe the information that the service provider failed or refused to provide |
|                                                                          |                               |                                                                                     |
| (a) Enter name and EIN or address of service provider (see instructions) | (b) Nature of Service Code(s) | (c) Describe the information that the service provider failed or refused to provide |
|                                                                          |                               |                                                                                     |
| (a) Enter name and EIN or address of service provider (see instructions) | (b) Nature of Service Code(s) | (c) Describe the information that the service provider failed or refused to provide |
|                                                                          |                               |                                                                                     |

**Part III Termination Information on Accountants and Enrolled Actuaries (see instructions)**  
(complete as many entries as needed)

|                    |                     |
|--------------------|---------------------|
| <b>a</b> Name:     | <b>b</b> EIN:       |
| <b>c</b> Position: |                     |
| <b>d</b> Address:  | <b>e</b> Telephone: |
|                    |                     |

Explanation:

|                    |                     |
|--------------------|---------------------|
| <b>a</b> Name:     | <b>b</b> EIN:       |
| <b>c</b> Position: |                     |
| <b>d</b> Address:  | <b>e</b> Telephone: |
|                    |                     |

Explanation:

|                    |                     |
|--------------------|---------------------|
| <b>a</b> Name:     | <b>b</b> EIN:       |
| <b>c</b> Position: |                     |
| <b>d</b> Address:  | <b>e</b> Telephone: |
|                    |                     |

Explanation:

|                    |                     |
|--------------------|---------------------|
| <b>a</b> Name:     | <b>b</b> EIN;       |
| <b>c</b> Position: |                     |
| <b>d</b> Address:  | <b>e</b> Telephone: |
|                    |                     |

Explanation:

|                    |                     |
|--------------------|---------------------|
| <b>a</b> Name:     | <b>b</b> EIN;       |
| <b>c</b> Position: |                     |
| <b>d</b> Address:  | <b>e</b> Telephone: |
|                    |                     |

Explanation:



**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity  
code**e** Dollar value of interest in MTIA, CCT, PSA, or  
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity  
code**e** Dollar value of interest in MTIA, CCT, PSA, or  
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity  
code**e** Dollar value of interest in MTIA, CCT, PSA, or  
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity  
code**e** Dollar value of interest in MTIA, CCT, PSA, or  
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity  
code**e** Dollar value of interest in MTIA, CCT, PSA, or  
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity  
code**e** Dollar value of interest in MTIA, CCT, PSA, or  
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity  
code**e** Dollar value of interest in MTIA, CCT, PSA, or  
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity  
code**e** Dollar value of interest in MTIA, CCT, PSA, or  
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity  
code**e** Dollar value of interest in MTIA, CCT, PSA, or  
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity  
code**e** Dollar value of interest in MTIA, CCT, PSA, or  
103-12 IE at end of year (see instructions)

**Part II Information on Participating Plans (to be completed by DFEs)**

(Complete as many entries as needed to report all participating plans)

**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN

|                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                      |                                               |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|
| <b>SCHEDULE H</b><br><b>(Form 5500)</b><br>Department of the Treasury<br>Internal Revenue Service<br>Department of Labor<br>Employee Benefits Security Administration<br>Pension Benefit Guaranty Corporation | <b>Financial Information</b><br>This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code).<br><b>► File as an attachment to Form 5500.</b> | OMB No. 1210-0110                             |
|                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                      | <b>2009</b>                                   |
|                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                      | <b>This Form is Open to Public Inspection</b> |

For calendar plan year 2009 or fiscal plan year beginning 01/01/2009 and ending 12/31/2009

|                                                                                                              |                                                                    |
|--------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------|
| <b>A</b> Name of plan<br><u>ALLEGHENY ENERGY EMPLOYEE STOCK OWNERSHIP AND SAVINGS PLAN</u>                   | <b>B</b> Three-digit plan number (PN) <u>002</u>                   |
| <b>C</b> Plan sponsor's name as shown on line 2a of Form 5500<br><u>ALLEGHENY ENERGY SERVICE CORPORATION</u> | <b>D</b> Employer Identification Number (EIN)<br><u>13-1993896</u> |

|               |                                      |
|---------------|--------------------------------------|
| <b>Part I</b> | <b>Asset and Liability Statement</b> |
|---------------|--------------------------------------|

**1** Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. **Round off amounts to the nearest dollar.** MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.

| Assets                                                                                             |                 | (a) Beginning of Year | (b) End of Year |
|----------------------------------------------------------------------------------------------------|-----------------|-----------------------|-----------------|
| <b>a</b> Total noninterest-bearing cash .....                                                      | <b>1a</b>       | 44796                 | 34823           |
| <b>b</b> Receivables (less allowance for doubtful accounts):                                       |                 |                       |                 |
| <b>(1)</b> Employer contributions .....                                                            | <b>1b(1)</b>    |                       |                 |
| <b>(2)</b> Participant contributions .....                                                         | <b>1b(2)</b>    |                       | 1068207         |
| <b>(3)</b> Other .....                                                                             | <b>1b(3)</b>    | 30000                 | 30000           |
| <b>c</b> General investments:                                                                      |                 |                       |                 |
| <b>(1)</b> Interest-bearing cash (include money market accounts & certificates of deposit) .....   | <b>1c(1)</b>    |                       |                 |
| <b>(2)</b> U.S. Government securities .....                                                        | <b>1c(2)</b>    |                       |                 |
| <b>(3)</b> Corporate debt instruments (other than employer securities):                            |                 |                       |                 |
| <b>(A)</b> Preferred .....                                                                         | <b>1c(3)(A)</b> |                       |                 |
| <b>(B)</b> All other .....                                                                         | <b>1c(3)(B)</b> |                       |                 |
| <b>(4)</b> Corporate stocks (other than employer securities):                                      |                 |                       |                 |
| <b>(A)</b> Preferred .....                                                                         | <b>1c(4)(A)</b> |                       |                 |
| <b>(B)</b> Common .....                                                                            | <b>1c(4)(B)</b> |                       |                 |
| <b>(5)</b> Partnership/joint venture interests .....                                               | <b>1c(5)</b>    |                       |                 |
| <b>(6)</b> Real estate (other than employer real property) .....                                   | <b>1c(6)</b>    |                       |                 |
| <b>(7)</b> Loans (other than to participants) .....                                                | <b>1c(7)</b>    |                       |                 |
| <b>(8)</b> Participant loans .....                                                                 | <b>1c(8)</b>    | 13128279              | 14032395        |
| <b>(9)</b> Value of interest in common/collective trusts .....                                     | <b>1c(9)</b>    | 107350979             | 121327201       |
| <b>(10)</b> Value of interest in pooled separate accounts .....                                    | <b>1c(10)</b>   |                       |                 |
| <b>(11)</b> Value of interest in master trust investment accounts .....                            | <b>1c(11)</b>   |                       |                 |
| <b>(12)</b> Value of interest in 103-12 investment entities .....                                  | <b>1c(12)</b>   |                       |                 |
| <b>(13)</b> Value of interest in registered investment companies (e.g., mutual funds) .....        | <b>1c(13)</b>   | 290485437             | 405360093       |
| <b>(14)</b> Value of funds held in insurance company general account (unallocated contracts) ..... | <b>1c(14)</b>   |                       |                 |
| <b>(15)</b> Other .....                                                                            | <b>1c(15)</b>   |                       |                 |

**1d** Employer-related investments:

|                                                                      |              | (a) Beginning of Year | (b) End of Year |
|----------------------------------------------------------------------|--------------|-----------------------|-----------------|
| (1) Employer securities .....                                        | <b>1d(1)</b> | 148529974             | 103594950       |
| (2) Employer real property .....                                     | <b>1d(2)</b> |                       |                 |
| <b>e</b> Buildings and other property used in plan operation .....   | <b>1e</b>    |                       |                 |
| <b>f</b> Total assets (add all amounts in lines 1a through 1e) ..... | <b>1f</b>    | 559569465             | 645447669       |

**Liabilities**

|                                                                           |           |       |     |
|---------------------------------------------------------------------------|-----------|-------|-----|
| <b>g</b> Benefit claims payable .....                                     | <b>1g</b> |       |     |
| <b>h</b> Operating payables .....                                         | <b>1h</b> | 24286 | 184 |
| <b>i</b> Acquisition indebtedness .....                                   | <b>1i</b> |       |     |
| <b>j</b> Other liabilities .....                                          | <b>1j</b> |       |     |
| <b>k</b> Total liabilities (add all amounts in lines 1g through 1j) ..... | <b>1k</b> | 24286 | 184 |

**Net Assets**

|                                                           |           |           |           |
|-----------------------------------------------------------|-----------|-----------|-----------|
| <b>l</b> Net assets (subtract line 1k from line 1f) ..... | <b>1l</b> | 559545179 | 645447485 |
|-----------------------------------------------------------|-----------|-----------|-----------|

**Part II Income and Expense Statement**

**2** Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

**Income****a Contributions:**

|                                                                                                            |                 | (a) Amount | (b) Total |
|------------------------------------------------------------------------------------------------------------|-----------------|------------|-----------|
| (1) Received or receivable in cash from: <b>(A)</b> Employers .....                                        | <b>2a(1)(A)</b> | 8972933    |           |
| <b>(B)</b> Participants .....                                                                              | <b>2a(1)(B)</b> | 28774454   |           |
| <b>(C)</b> Others (including rollovers) .....                                                              | <b>2a(1)(C)</b> | 182850     |           |
| (2) Noncash contributions .....                                                                            | <b>2a(2)</b>    |            |           |
| (3) Total contributions. Add lines <b>2a(1)(A)</b> , <b>(B)</b> , <b>(C)</b> , and line <b>2a(2)</b> ..... | <b>2a(3)</b>    |            | 37930237  |

**b Earnings on investments:****(1) Interest:**

|                                                                                                      |                 |        |        |
|------------------------------------------------------------------------------------------------------|-----------------|--------|--------|
| <b>(A)</b> Interest-bearing cash (including money market accounts and certificates of deposit) ..... | <b>2b(1)(A)</b> |        |        |
| <b>(B)</b> U.S. Government securities .....                                                          | <b>2b(1)(B)</b> |        |        |
| <b>(C)</b> Corporate debt instruments .....                                                          | <b>2b(1)(C)</b> |        |        |
| <b>(D)</b> Loans (other than to participants) .....                                                  | <b>2b(1)(D)</b> |        |        |
| <b>(E)</b> Participant loans .....                                                                   | <b>2b(1)(E)</b> | 943060 |        |
| <b>(F)</b> Other .....                                                                               | <b>2b(1)(F)</b> |        |        |
| <b>(G)</b> Total interest. Add lines <b>2b(1)(A)</b> through <b>(F)</b> .....                        | <b>2b(1)(G)</b> |        | 943060 |

|                                                                                           |                 |          |          |
|-------------------------------------------------------------------------------------------|-----------------|----------|----------|
| (2) Dividends: <b>(A)</b> Preferred stock .....                                           | <b>2b(2)(A)</b> |          |          |
| <b>(B)</b> Common stock .....                                                             | <b>2b(2)(B)</b> | 2452524  |          |
| <b>(C)</b> Registered investment company shares (e.g. mutual funds) .....                 | <b>2b(2)(C)</b> | 10821701 |          |
| <b>(D)</b> Total dividends. Add lines <b>2b(2)(A)</b> , <b>(B)</b> , and <b>(C)</b> ..... | <b>2b(2)(D)</b> |          | 13274225 |

|                 |              |  |  |
|-----------------|--------------|--|--|
| (3) Rents ..... | <b>2b(3)</b> |  |  |
|-----------------|--------------|--|--|

|                                                                                           |                 |          |          |
|-------------------------------------------------------------------------------------------|-----------------|----------|----------|
| (4) Net gain (loss) on sale of assets: <b>(A)</b> Aggregate proceeds .....                | <b>2b(4)(A)</b> | 13183242 |          |
| <b>(B)</b> Aggregate carrying amount (see instructions) .....                             | <b>2b(4)(B)</b> | 17149367 |          |
| <b>(C)</b> Subtract line <b>2b(4)(B)</b> from line <b>2b(4)(A)</b> and enter result ..... | <b>2b(4)(C)</b> |          | -3966125 |

|                                                                                                          |                 | (a) Amount | (b) Total |
|----------------------------------------------------------------------------------------------------------|-----------------|------------|-----------|
| <b>2b</b> (5) Unrealized appreciation (depreciation) of assets: <b>(A)</b> Real estate.....              | <b>2b(5)(A)</b> |            |           |
| <b>(B)</b> Other .....                                                                                   | <b>2b(5)(B)</b> | -41456895  |           |
| <b>(C)</b> Total unrealized appreciation of assets.<br>Add lines <b>2b(5)(A)</b> and <b>(B)</b> .....    | <b>2b(5)(C)</b> |            | -41456895 |
| <b>(6)</b> Net investment gain (loss) from common/collective trusts .....                                | <b>2b(6)</b>    |            | 13288334  |
| <b>(7)</b> Net investment gain (loss) from pooled separate accounts .....                                | <b>2b(7)</b>    |            |           |
| <b>(8)</b> Net investment gain (loss) from master trust investment accounts .....                        | <b>2b(8)</b>    |            |           |
| <b>(9)</b> Net investment gain (loss) from 103-12 investment entities .....                              | <b>2b(9)</b>    |            |           |
| <b>(10)</b> Net investment gain (loss) from registered investment<br>companies (e.g., mutual funds)..... | <b>2b(10)</b>   |            | 89852241  |
| <b>c</b> Other income.....                                                                               | <b>2c</b>       |            | 476438    |
| <b>d</b> Total income. Add all <b>income</b> amounts in column (b) and enter total.....                  | <b>2d</b>       |            | 110341515 |

**Expenses**

|                                                                                            |              |          |          |
|--------------------------------------------------------------------------------------------|--------------|----------|----------|
| <b>e</b> Benefit payment and payments to provide benefits:                                 |              |          |          |
| <b>(1)</b> Directly to participants or beneficiaries, including direct rollovers .....     | <b>2e(1)</b> | 24065341 |          |
| <b>(2)</b> To insurance carriers for the provision of benefits .....                       | <b>2e(2)</b> |          |          |
| <b>(3)</b> Other .....                                                                     | <b>2e(3)</b> |          |          |
| <b>(4)</b> Total benefit payments. Add lines <b>2e(1)</b> through <b>(3)</b> .....         | <b>2e(4)</b> |          | 24065341 |
| <b>f</b> Corrective distributions (see instructions) .....                                 | <b>2f</b>    |          |          |
| <b>g</b> Certain deemed distributions of participant loans (see instructions).....         | <b>2g</b>    |          | 239223   |
| <b>h</b> Interest expense.....                                                             | <b>2h</b>    |          |          |
| <b>i</b> Administrative expenses: <b>(1)</b> Professional fees .....                       | <b>2i(1)</b> | 73056    |          |
| <b>(2)</b> Contract administrator fees .....                                               | <b>2i(2)</b> | 24495    |          |
| <b>(3)</b> Investment advisory and management fees .....                                   | <b>2i(3)</b> | 30000    |          |
| <b>(4)</b> Other .....                                                                     | <b>2i(4)</b> | 7094     |          |
| <b>(5)</b> Total administrative expenses. Add lines <b>2i(1)</b> through <b>(4)</b> .....  | <b>2i(5)</b> |          | 134645   |
| <b>j</b> Total expenses. Add all <b>expense</b> amounts in column (b) and enter total..... | <b>2j</b>    |          | 24439209 |

**Net Income and Reconciliation**

|                                                                               |              |  |          |
|-------------------------------------------------------------------------------|--------------|--|----------|
| <b>k</b> Net income (loss). Subtract line <b>2j</b> from line <b>2d</b> ..... | <b>2k</b>    |  | 85902306 |
| <b>l</b> Transfers of assets:                                                 |              |  |          |
| <b>(1)</b> To this plan.....                                                  | <b>2l(1)</b> |  |          |
| <b>(2)</b> From this plan .....                                               | <b>2l(2)</b> |  |          |

**Part III Accountant's Opinion**

**3** Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

**a** The attached opinion of an independent qualified public accountant for this plan is (see instructions):

(1) ☒ Unqualified (2) ☐ Qualified (3) ☐ Disclaimer (4) ☐ Adverse

**b** Did the accountant perform a limited scope audit pursuant to 29 CFR 2520.103-8 and/or 103-12(d)? ☐ Yes ☒ No

**c** Enter the name and EIN of the accountant (or accounting firm) below:

(1) Name: DELOITTE & TOUCHE LLP

(2) EIN: 13-3891517

**d** The opinion of an independent qualified public accountant is **not attached** because:

(1) ☐ This form is filed for a CCT, PSA, or MTIA. (2) ☐ It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

**Part IV Compliance Questions**

- 4** CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete 4j and 4l. MTIAs also do not complete 4l.

During the plan year:

|                                                                                                                                                                                                                                                                                                                 | Yes | No | Amount   |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|----|----------|
| <b>a</b> Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.).....                 |     | X  |          |
| <b>b</b> Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.)..... |     | X  |          |
| <b>c</b> Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.) .....                                                                                                                            |     | X  |          |
| <b>d</b> Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.).....                                                                                                                  |     | X  |          |
| <b>e</b> Was this plan covered by a fidelity bond?.....                                                                                                                                                                                                                                                         | X   |    | 15000000 |
| <b>f</b> Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty? .....                                                                                                                                                                         |     | X  |          |
| <b>g</b> Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser? .....                                                                                                                                      |     | X  |          |
| <b>h</b> Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser? .....                                                                                                                            |     | X  |          |
| <b>i</b> Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.).....                                                                                                                                                   | X   |    |          |
| <b>j</b> Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked, and see instructions for format requirements.).....                                                                                    |     | X  |          |
| <b>k</b> Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?.....                                                                                                                                              |     | X  |          |
| <b>l</b> Has the plan failed to provide any benefit when due under the plan? .....                                                                                                                                                                                                                              |     | X  |          |
| <b>m</b> If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.).....                                                                                                                                                                                     | X   |    |          |
| <b>n</b> If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3. ....                                                                                                                        | X   |    |          |

- 5a** Has a resolution to terminate the plan been adopted during the plan year or any prior plan year?  
If yes, enter the amount of any plan assets that reverted to the employer this year ..... ☐ Yes ☒ No Amount:

- 5b** If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

**5b(1)** Name of plan(s)

**5b(2)** EIN(s)

**5b(3)** PN(s)

| 5b(1) Name of plan(s) | 5b(2) EIN(s) | 5b(3) PN(s) |
|-----------------------|--------------|-------------|
|                       |              |             |
|                       |              |             |
|                       |              |             |
|                       |              |             |

|                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                            |                                                                                            |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|
| <b>SCHEDULE R</b><br><b>(Form 5500)</b><br><br>Department of the Treasury<br>Internal Revenue Service<br><br>Department of Labor<br>Employee Benefits Security Administration<br><br>Pension Benefit Guaranty Corporation | <b>Retirement Plan Information</b><br><br>This schedule is required to be filed under section 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6058(a) of the Internal Revenue Code (the Code).<br><br>▶ <b>File as an attachment to Form 5500.</b> | OMB No. 1210-0110<br><br><b>2009</b><br><br><b>This Form is Open to Public Inspection.</b> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|

For calendar plan year 2009 or fiscal plan year beginning 01/01/2009 and ending 12/31/2009

|                                                                                                              |                                                                    |
|--------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------|
| <b>A</b> Name of plan<br><u>ALLEGHENY ENERGY EMPLOYEE STOCK OWNERSHIP AND SAVINGS PLAN</u>                   | <b>B</b> Three-digit plan number (PN) ▶<br><u>002</u>              |
| <b>C</b> Plan sponsor's name as shown on line 2a of Form 5500<br><u>ALLEGHENY ENERGY SERVICE CORPORATION</u> | <b>D</b> Employer Identification Number (EIN)<br><u>13-1993896</u> |

|               |                      |
|---------------|----------------------|
| <b>Part I</b> | <b>Distributions</b> |
|---------------|----------------------|

All references to distributions relate only to payments of benefits during the plan year.

|                                                                                                                                                                                                                                                                                                                                       |          |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|
| <b>1</b> Total value of distributions paid in property other than in cash or the forms of property specified in the instructions.....                                                                                                                                                                                                 | <b>1</b> |
| <b>2</b> Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, enter EINs of the two payors who paid the greatest dollar amounts of benefits):<br><br>EIN(s): _____<br><br><b>Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.</b> |          |
| <b>3</b> Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year.....                                                                                                                                                                                                       | <b>3</b> |

|                |                                                                                                                                                                              |
|----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Part II</b> | <b>Funding Information</b> (If the plan is not subject to the minimum funding requirements of section 412 of the Internal Revenue Code or ERISA section 302, skip this Part) |
|----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

|                                                                                                                                                                                                                                                                                                                                                                           |                              |                             |                              |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|-----------------------------|------------------------------|
| <b>4</b> Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)?.....                                                                                                                                                                                                                                                       | <input type="checkbox"/> Yes | <input type="checkbox"/> No | <input type="checkbox"/> N/A |
| <b>If the plan is a defined benefit plan, go to line 8.</b>                                                                                                                                                                                                                                                                                                               |                              |                             |                              |
| <b>5</b> If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions and enter the date of the ruling letter granting the waiver. <b>Date:</b> Month _____ Day _____ Year _____<br><b>If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.</b> |                              |                             |                              |
| <b>6 a</b> Enter the minimum required contribution for this plan year .....                                                                                                                                                                                                                                                                                               | <b>6a</b>                    |                             |                              |
| <b>b</b> Enter the amount contributed by the employer to the plan for this plan year .....                                                                                                                                                                                                                                                                                | <b>6b</b>                    |                             |                              |
| <b>c</b> Subtract the amount in line 6b from the amount in line 6a. Enter the result (enter a minus sign to the left of a negative amount).....                                                                                                                                                                                                                           | <b>6c</b>                    |                             |                              |
| <b>If you completed line 6c, skip lines 8 and 9.</b>                                                                                                                                                                                                                                                                                                                      |                              |                             |                              |
| <b>7</b> Will the minimum funding amount reported on line 6c be met by the funding deadline? .....                                                                                                                                                                                                                                                                        | <input type="checkbox"/> Yes | <input type="checkbox"/> No | <input type="checkbox"/> N/A |
| <b>8</b> If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change?.....                                                                                                                   | <input type="checkbox"/> Yes | <input type="checkbox"/> No | <input type="checkbox"/> N/A |

|                 |                   |
|-----------------|-------------------|
| <b>Part III</b> | <b>Amendments</b> |
|-----------------|-------------------|

|                                                                                                                                                                                                                                |                                   |                                   |                               |                             |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|-----------------------------------|-------------------------------|-----------------------------|
| <b>9</b> If this is a defined benefit pension plan, were any amendments adopted during this plan year that increased or decreased the value of benefits? If yes, check the appropriate box(es). If no, check the "No" box..... | <input type="checkbox"/> Increase | <input type="checkbox"/> Decrease | <input type="checkbox"/> Both | <input type="checkbox"/> No |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|-----------------------------------|-------------------------------|-----------------------------|

|                |                                                                                                                                                   |
|----------------|---------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Part IV</b> | <b>ESOPs</b> (see instructions). If this is not a plan described under Section 409(a) or 4975(e)(7) of the Internal Revenue Code, skip this Part. |
|----------------|---------------------------------------------------------------------------------------------------------------------------------------------------|

|                                                                                                                                                                                              |                              |                             |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|-----------------------------|
| <b>10</b> Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan?.....                                                       | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <b>11 a</b> Does the ESOP hold any preferred stock? .....                                                                                                                                    | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <b>b</b> If the ESOP has an outstanding exempt loan with the employer as lender, is such loan part of a "back-to-back" loan? (See instructions for definition of "back-to-back" loan.) ..... | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <b>12</b> Does the ESOP hold any stock that is not readily tradable on an established securities market? .....                                                                               | <input type="checkbox"/> Yes | <input type="checkbox"/> No |

For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500.

Schedule R (Form 5500) 2009  
v.092308.1

**Part V Additional Information for Multiemployer Defined Benefit Pension Plans**

**13** Enter the following information for each employer that contributed more than 5% of total contributions to the plan during the plan year (measured in dollars). See instructions. *Complete as many entries as needed to report all applicable employers.*

**a** Name of contributing employer

**b** EIN

**c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month \_\_\_\_\_ Day \_\_\_\_\_ Year \_\_\_\_\_

**e** Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) \_\_\_\_\_

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): \_\_\_\_\_

**a** Name of contributing employer

**b** EIN

**c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month \_\_\_\_\_ Day \_\_\_\_\_ Year \_\_\_\_\_

**e** Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) \_\_\_\_\_

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): \_\_\_\_\_

**a** Name of contributing employer

**b** EIN

**c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month \_\_\_\_\_ Day \_\_\_\_\_ Year \_\_\_\_\_

**e** Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) \_\_\_\_\_

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): \_\_\_\_\_

**a** Name of contributing employer

**b** EIN

**c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month \_\_\_\_\_ Day \_\_\_\_\_ Year \_\_\_\_\_

**e** Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) \_\_\_\_\_

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): \_\_\_\_\_

**a** Name of contributing employer

**b** EIN

**c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month \_\_\_\_\_ Day \_\_\_\_\_ Year \_\_\_\_\_

**e** Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) \_\_\_\_\_

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): \_\_\_\_\_

**a** Name of contributing employer

**b** EIN

**c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month \_\_\_\_\_ Day \_\_\_\_\_ Year \_\_\_\_\_

**e** Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) \_\_\_\_\_

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): \_\_\_\_\_

- 14** Enter the number of participants on whose behalf no contributions were made by an employer as an employer of the participant for:

|                                                                          |            |  |
|--------------------------------------------------------------------------|------------|--|
| <b>a</b> The current year .....                                          | <b>14a</b> |  |
| <b>b</b> The plan year immediately preceding the current plan year ..... | <b>14b</b> |  |
| <b>c</b> The second preceding plan year .....                            | <b>14c</b> |  |

- 15** Enter the ratio of the number of participants under the plan on whose behalf no employer had an obligation to make an employer contribution during the current plan year to:

|                                                                                                       |            |  |
|-------------------------------------------------------------------------------------------------------|------------|--|
| <b>a</b> The corresponding number for the plan year immediately preceding the current plan year ..... | <b>15a</b> |  |
| <b>b</b> The corresponding number for the second preceding plan year .....                            | <b>15b</b> |  |

- 16** Information with respect to any employers who withdrew from the plan during the preceding plan year:

|                                                                                                                                                                        |            |  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|--|
| <b>a</b> Enter the number of employers who withdrew during the preceding plan year .....                                                                               | <b>16a</b> |  |
| <b>b</b> If item 16a is greater than 0, enter the aggregate amount of withdrawal liability assessed or estimated to be assessed against such withdrawn employers ..... | <b>16b</b> |  |

- 17** If assets and liabilities from another plan have been transferred to or merged with this plan during the plan year, check box and see instructions regarding supplemental information to be included as an attachment. .... ☐

**Part VI Additional Information for Single-Employer and Multiemployer Defined Benefit Pension Plans**

- 18** If any liabilities to participants or their beneficiaries under the plan as of the end of the plan year consist (in whole or in part) of liabilities to such participants and beneficiaries under two or more pension plans as of immediately before such plan year, check box and see instructions regarding supplemental information to be included as an attachment ..... ☐

- 19** If the total number of participants is 1,000 or more, complete items (a) through (c)

**a** Enter the percentage of plan assets held as:  
 Stock: \_\_\_\_\_% Investment-Grade Debt: \_\_\_\_\_% High-Yield Debt: \_\_\_\_\_% Real Estate: \_\_\_\_\_% Other: \_\_\_\_\_%

**b** Provide the average duration of the combined investment-grade and high-yield debt:  
☐ 0-3 years ☐ 3-6 years ☐ 6-9 years ☐ 9-12 years ☐ 12-15 years ☐ 15-18 years ☐ 18-21 years ☐ 21 years or more

**c** What duration measure was used to calculate item 19(b)?  
☐ Effective duration ☐ Macaulay duration ☐ Modified duration ☐ Other (specify): \_\_\_\_\_

## INDEPENDENT AUDITORS' REPORT

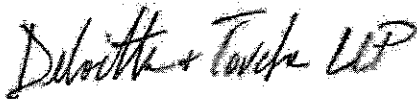
To the Trustees and Participants of  
the Allegheny Energy Employee Stock  
Ownership and Savings Plan  
Greensburg, Pennsylvania

We have audited the accompanying statements of net assets available for benefits of the Allegheny Energy Employee Stock Ownership and Savings Plan (the "Plan") as of December 31, 2009 and 2008, and the related statement of changes in net assets available for benefits for the year ended December 31, 2009. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2009 and 2008, and the changes in net assets available for benefits for the year ended December 31, 2009 in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) as of December 31, 2009 is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This schedule is the responsibility of the Plan's management. Such schedule has been subjected to the auditing procedures applied in our audit of the basic 2009 financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.



June 25, 2010

**ALLEGHENY ENERGY EMPLOYEE STOCK  
OWNERSHIP AND SAVINGS PLAN**

Plan Number: 002

Employer Identification Number: 13-1993896

Form 5500, Schedule H, Part IV, Line 4(i): Schedule of Assets (Held At End of Year)  
as of December 31, 2009

| (a) | (b)                                                                                                   | (c)                                                                                            | (d)                  |
|-----|-------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|----------------------|
|     | Identity of Issue, Borrower,<br>Lessor or Similar Party                                               | Description of Investment, Including Maturity Date,<br>Rate of Interest, Par or Maturity Value | Current<br>Value     |
|     | <b>Common stock:</b>                                                                                  |                                                                                                |                      |
| *   | Allegheny Energy, Inc.                                                                                | Common Stock                                                                                   | \$103,594,950        |
|     | <b>Common trust funds:</b>                                                                            |                                                                                                |                      |
| *   | T. Rowe Price                                                                                         | Stable Value Fund                                                                              | 71,791,180           |
| *   | T. Rowe Price                                                                                         | Equity Index Trust                                                                             | 49,536,021           |
|     | <b>Registered investment companies:</b>                                                               |                                                                                                |                      |
|     | Equity funds:                                                                                         |                                                                                                |                      |
| *   | T. Rowe Price                                                                                         | Blue Chip Growth Fund                                                                          | 113,132,241          |
| *   | T. Rowe Price                                                                                         | Spectrum Growth Fund                                                                           | 36,190,473           |
|     | Fidelity Investments                                                                                  | Fidelity Spartan Int'l Index Fund                                                              | 28,188,205           |
|     | Mellon Institutional Funds                                                                            | Dreyfus/Boston Company Small Cap Value Fund                                                    | 23,051,130           |
|     | Allianz Global Investors                                                                              | Allianz NFJ Dividend Value Fund                                                                | 18,274,420           |
| *   | T. Rowe Price                                                                                         | Mid Cap Growth Fund                                                                            | 9,718,388            |
|     | Goldman Sachs                                                                                         | Goldman Sachs Mid Cap Value Fund                                                               | 7,431,257            |
| *   | T. Rowe Price                                                                                         | Small Cap Value Fund                                                                           | 4,629,712            |
|     | Sentinel                                                                                              | Sentinel Small Company Fund                                                                    | 3,687,330            |
|     | Principal                                                                                             | Principal Small Cap S&P 600 Index Fund                                                         | 2,272,278            |
|     | Principal                                                                                             | Principal Mid Cap S&P 400 Inst Fund                                                            | 445,452              |
|     | Subtotal Equity funds                                                                                 |                                                                                                | <u>247,020,886</u>   |
|     | Target date retirement funds:                                                                         |                                                                                                |                      |
| *   | T. Rowe Price                                                                                         | Retirement 2020 Fund                                                                           | 24,940,654           |
| *   | T. Rowe Price                                                                                         | Retirement 2015 Fund                                                                           | 18,776,857           |
| *   | T. Rowe Price                                                                                         | Retirement 2025 Fund                                                                           | 13,764,569           |
| *   | T. Rowe Price                                                                                         | Retirement 2010 Fund                                                                           | 11,962,516           |
| *   | T. Rowe Price                                                                                         | Retirement 2030 Fund                                                                           | 11,189,852           |
| *   | T. Rowe Price                                                                                         | Retirement 2035 Fund                                                                           | 5,340,942            |
| *   | T. Rowe Price                                                                                         | Retirement 2040 Fund                                                                           | 2,854,313            |
| *   | T. Rowe Price                                                                                         | Retirement Income Fund                                                                         | 2,346,469            |
| *   | T. Rowe Price                                                                                         | Retirement 2045 Fund                                                                           | 1,911,391            |
| *   | T. Rowe Price                                                                                         | Retirement 2005 Fund                                                                           | 1,372,529            |
| *   | T. Rowe Price                                                                                         | Retirement 2050 Fund                                                                           | 806,778              |
| *   | T. Rowe Price                                                                                         | Retirement 2055 Fund                                                                           | 172,509              |
|     | Subtotal Target date funds                                                                            |                                                                                                | <u>95,439,379</u>    |
|     | Fixed income funds:                                                                                   |                                                                                                |                      |
|     | PIMCO                                                                                                 | PIMCO Total Return Fund                                                                        | 37,556,069           |
|     | Fidelity Investments                                                                                  | Fidelity Advisor Strategic Income Fund                                                         | 24,551,086           |
|     | Vanguard                                                                                              | Vanguard Inf Protected Sec Fund                                                                | 792,673              |
|     | Subtotal Fixed income funds                                                                           |                                                                                                | <u>62,899,828</u>    |
|     | Total investments at fair value                                                                       |                                                                                                | 630,282,244          |
| *   | Participant Loans with range of interest rates from 4.25% to 11.5%, with maturities from 2010 to 2035 |                                                                                                | <u>14,271,618</u>    |
|     | Total investments at fair value including loans                                                       |                                                                                                | <u>\$644,553,862</u> |
| *   | Represents a party-in-interest for which a statutory exemption exists.                                |                                                                                                |                      |

**ALLEGHENY ENERGY EMPLOYEE STOCK  
OWNERSHIP AND SAVINGS PLAN**

**Financial Statements  
and Supplemental Schedule**

**As of December 31, 2009 and 2008 and  
For the Year Ended December 31, 2009**

**ALLEGHENY ENERGY  
EMPLOYEE STOCK OWNERSHIP AND SAVINGS PLAN**

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| <b>Supplemental Schedule:</b>                                                                                                                                                                                                                                                 |                        |
| Form 5500, Schedule H, Part IV, Line 4(i): - Schedule of Assets (Held at End of Year)<br>as of December 31, 2009                                                                                                                                                              | 18                     |
| <br>Note: All other schedules required by Section 2520.103-10 of the Department of Labor's<br>Rules and Regulations for Reporting and Disclosure under the Employee<br>Retirement Income Security Act ("ERISA") of 1974 have been omitted because<br>they are not applicable. |                        |

## INDEPENDENT AUDITORS' REPORT

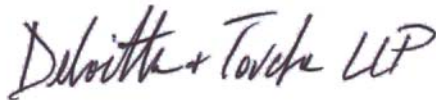
To the Trustees and Participants of  
the Allegheny Energy Employee Stock  
Ownership and Savings Plan  
Greensburg, Pennsylvania

We have audited the accompanying statements of net assets available for benefits of the Allegheny Energy Employee Stock Ownership and Savings Plan (the "Plan") as of December 31, 2009 and 2008, and the related statement of changes in net assets available for benefits for the year ended December 31, 2009. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2009 and 2008, and the changes in net assets available for benefits for the year ended December 31, 2009 in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) as of December 31, 2009 is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This schedule is the responsibility of the Plan's management. Such schedule has been subjected to the auditing procedures applied in our audit of the basic 2009 financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.



June 25, 2010

**ALLEGHENY ENERGY EMPLOYEE STOCK  
OWNERSHIP AND SAVINGS PLAN**

**Statements of Net Assets Available for Benefits**

| <u>(In thousands)</u>                                                                          | <b>As of December 31,</b> |             |
|------------------------------------------------------------------------------------------------|---------------------------|-------------|
|                                                                                                | <b>2009</b>               | <b>2008</b> |
| <b><u>ASSETS</u></b>                                                                           |                           |             |
| Cash and cash equivalents                                                                      | \$ 35                     | \$ 45       |
| Investments at fair value                                                                      | 644,554                   | 559,494     |
| Total cash and investments                                                                     | 644,589                   | 559,539     |
| Receivables:                                                                                   |                           |             |
| Contributions receivable from participants                                                     | 1,068                     | -           |
| Other                                                                                          | 30                        | 30          |
| Total receivables                                                                              | 1,098                     | 30          |
| Total Assets                                                                                   | 645,687                   | 559,569     |
| <b><u>LIABILITIES</u></b>                                                                      |                           |             |
| Accrued expenses                                                                               | -                         | 24          |
| Net assets available for benefits at fair value                                                | 645,687                   | 559,545     |
| Adjustment from fair value to contract value for<br>fully benefit-responsive stable value fund | (2,156)                   | 629         |
| Net assets available for benefits                                                              | \$ 643,531                | \$ 560,174  |

See accompanying Notes to Financial Statements.

**ALLEGHENY ENERGY EMPLOYEE STOCK  
OWNERSHIP AND SAVINGS PLAN**

**Statement of Changes in Net Assets Available for Benefits**

(In thousands)

**Year Ended  
December 31, 2009**

**ADDITIONS**

Additions to net assets:

Investment income:

Net appreciation in fair value of investments

\$ 54,933

Dividends and interest income

14,217

Other

477

Contributions:

Participant

28,774

Employer

8,973

Rollovers

183

Total additions

107,557

**DEDUCTIONS**

Deductions from net assets:

Benefits paid to participants or beneficiaries

24,065

Administrative expenses

114

Loan administration fees paid from participants accounts

21

Total deductions

24,200

Net increase

83,357

Net assets available for benefits:

Beginning of year

560,174

End of year

\$ 643,531

See accompanying Notes to Financial Statements.

## **ALLEGHENY ENERGY EMPLOYEE STOCK OWNERSHIP AND SAVINGS PLAN**

Notes to Financial Statements  
As of December 31, 2009 and 2008 and  
For the Year Ended December 31, 2009

### **NOTE 1 - DESCRIPTION OF PLAN**

The following brief description of the Allegheny Energy Employee Stock Ownership and Savings Plan (the “Plan”) is intended to give a general summary of its principal provisions. Participants should refer to the Plan document for a more complete description of the Plan’s provisions.

#### **General**

The Plan is a defined contribution plan and is subject to the provisions of the Employee Retirement Income Security Act of 1974 (“ERISA”). The Plan has two segments: a savings segment and a stock ownership segment. The savings segment entitles participants to make pre-tax and after-tax contributions from their eligible earnings with additional matching contributions as described below provided directly by Allegheny Energy Service Corporation (“AESC”), the Plan sponsor and a wholly owned subsidiary of Allegheny Energy, Inc. (“Allegheny” or “Company”). The AESC contributions are subsequently reimbursed to AESC by its affiliates for which it provides staffing services. Company contributions to the employee stock ownership segment of the Plan ceased with the Plan year 1986.

#### **Administration**

The Plan is administered by the Employee Benefits Committee (“Fiduciary”), which is appointed by the Company’s Chief Executive Officer. Plan assets are held in trust under an arrangement with T. Rowe Price Trust Company (“Trustee” and “Custodian”) and the record keeping with respect to individual participant accounts is maintained by T. Rowe Price Retirement Plan Services, Inc., (both wholly-owned subsidiaries of T. Rowe Price Associates, Inc. which is wholly owned by T. Rowe Price Group, Inc.) based on information furnished by AESC and the participants. The investments of the Plan are managed by the Investment Committee.

#### **Participation**

All full-time employees of AESC not represented by a collective bargaining unit are eligible to participate in the Plan. Part-time and temporary employees are eligible to participate if they are scheduled to work at least 1,000 hours in a year.

Employees represented by a collective bargaining unit that has entered into a written agreement with AESC that provides for participation in the Plan are also eligible to participate.

New employees who do not make an affirmative election to make (or not make) pre-tax contributions to the Plan shall be deemed to have made an election to contribute 3% for each payroll period the employee is eligible to participate in the Plan. A new employee who has automatically enrolled in the Plan and who has not made an affirmative election as to the investment of his or her account shall have his or her account invested in the age appropriate “Target Fund” made available to employees under the Plan. The Target Fund is an investment alternative that provides a mixture of fixed income and equity investments that are matched to an individual’s age and an assumed retirement age of 65. The Investment Committee (“Fiduciary”), appointed by the Company’s Chief Executive Officer, has designated the Target Fund as the appropriate investment alternative for employees who have failed to make an affirmative contribution election under the Plan.

#### **Contributions**

Subject to Internal Revenue Code (“IRC”) limitations, the Plan allows each participating employee to contribute through payroll deductions from 2% to 25% of their earnings to any investment option within the Plan. These contributions may be made on a pre-tax or Roth 401(k) contribution basis. Under federal law, the maximum contribution from pre-tax or Roth after-tax earnings was \$16,500 and \$15,500 for 2009 and 2008, respectively, as long as that amount does not exceed 25% of the employee’s compensation. Participants who have attained age 50 before the close of the plan year are eligible to make additional catch-up contributions. An individual’s total catch-up contributions during 2009 could not exceed \$5,500 on a pre-tax or a Roth 401(k) contribution basis. AESC makes a matching contribution of 50% of the first 6% of participants’ pre-tax earnings deferrals and Roth 401(k)

## **ALLEGHENY ENERGY EMPLOYEE STOCK OWNERSHIP AND SAVINGS PLAN**

Notes to Financial Statements (continued)  
December 31, 2009 and 2008

contribution deferrals into the Plan. Participants can also elect after-tax contributions up to 6% of their compensation in 1% increments. AESC does not match after-tax contributions. The Plan also permits employee rollover contributions.

Participant pre-tax and post-tax contributions are paid directly to the Trustee two to three business days after payroll is paid. AESC's matching contribution is made to the trustee on a quarterly basis. AESC's contributions were made in cash in 2009 and 2008. AESC's contributions are invested in accordance with each participant's investment election.

### **Allegheny Common Stock**

Participants with one or more years of service have the option to have any dividend payable with respect to Allegheny common stock held on the record date for such dividend, credited to the participant's account or paid in cash directly to the participant. Participants have voting rights for shares allocated to their accounts.

All participants have the option of either continuing to hold Allegheny common stock previously credited to their account through employer match or pre-1987 Employee Stock Ownership and Savings Plan ("ESOSP") shares, or selling any or all of those shares and reinvesting in other investment options in the Plan.

### **Participant Accounts**

Individual accounts are maintained for each plan participant. Each participant's account is credited with the participant's and the Company's contributions and allocations of plan earnings. All amounts in participant accounts are participant directed.

### **Vesting**

Participants are immediately fully vested in all participant contributions and earnings attributable to such contributions. Participants are fully vested in AESC's contribution after one year of service.

### **Forfeitures**

Any participant who terminates employment with AESC will forfeit the nonvested portion of his/her account. A forfeiture will occur at the earlier of the date the participant has received a distribution from the Plan or after five consecutive one-year breaks in service. Such forfeitures will be applied to reduce contributions made by AESC to the Plan or to offset reasonable expenses of the Plan. AESC's employer match for 2009 was reduced by \$11,123 and for 2008 was reduced by \$23,174 by using forfeited contributions. At December 31, 2009 and 2008, the forfeited nonvested account totaled \$38 and \$4,991, respectively.

### **Participant Loans**

An employee who has participated in the savings segment for at least one year may borrow against his or her account balance. The aggregate principal amount of an employee's loans may not exceed the lesser of 50% of the employee's pre-tax earnings deferrals, Roth 401(k) contributions and rollover account balance or \$50,000, reduced by the difference between the highest outstanding loan balances during the preceding 12-month period and the outstanding loan balances on the date the new loan is to be made.

The loans are secured by the balance in the participant's account. The interest rate of each loan is set at a rate 1% above the prime rate published in The Wall Street Journal on the effective date of the loan. Currently, the interest rates on outstanding loans are between 4.25% and 11.5%. Interest and principal payments are deposited into the employee's account from payroll deductions and interest amounts paid are shown in the dividends and interest income line on the Statement of Changes in Net Assets Available for Benefits.

### **Payment of Benefits**

A participant's account in the savings and/or employee stock ownership segment of the Plan will be distributed to the participant or the participant's designated beneficiary in a lump-sum payment either upon election to receive distribution of a deferred account or, unless deferral has been elected, upon termination of employment, retirement, or death. The participant may elect to make a withdrawal of post-tax contributions and earnings at any time. A withdrawal of an active participant's pre-tax contribution can be made, provided that (1) the participant first

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withdraws all amounts in the post-tax account and (2) the withdrawal is based on an immediate financial need created by hardship.

A participant, who retires or terminates employment (excluding death) and whose total account balance is \$1,000 or more (excluding rollover contributions), may elect to defer receipt of his/her distribution no later than April 1 of the calendar year after the calendar year in which the participant attains age 70 1/2 (at which time such participant's deferred account will be automatically distributed in the absence of his/her distribution election). Upon death, a deferred account is distributed in a lump sum to the participant's beneficiary.

A participant who defers retirement and who has attained age 70 1/2 may elect to defer commencement of benefits to a date no later than April 1 of the calendar year following the calendar year in which his/her employment terminates.

### **NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of Presentation**

The Plan's financial statements are presented on the accrual basis of accounting and in accordance with U.S. generally accepted accounting principles ("GAAP"). Management has evaluated subsequent events through June 25, 2010, the date on which the financial statements were included in a Form 11-K filed with the Securities and Exchange Commission. See Note 13.

#### **Investments**

The Plan's investments consist primarily of investments in Allegheny common stock, shares of registered investment companies, common trust funds, and participant loans.

Purchases and sales of securities are recorded on a trade-date basis. Dividend income is recorded on the ex-dividend date and interest income is recorded on an accrual basis. Net appreciation in fair value of investments includes the Plan's gains and losses on investments bought and sold as well as held during the year.

#### **Fair Value Measurements**

The Plan's investments are generally stated at their fair values. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 4 for additional information regarding fair value measurements. Shares in registered investment companies are valued at the net asset value ("NAV") of fund units held by the Plan at year-end based on quotes of the underlying securities in an active market. The units of common trust funds are valued at the NAV as calculated by the investment manager based upon the fair value of the underlying investments. The Company's common stock is valued at the closing price reported by the New York Stock Exchange on the last business day of the Plan year. The stable value fund is stated at fair value and then adjusted to contract value as described below. Fair value of the stable value fund is based on the fair value of its underlying investments, and contract value represents contributions made to the fund, plus earnings, less participant withdrawals and administrative expenses. Participant loans are valued at their outstanding loan balances, which approximates fair value.

In accordance with GAAP, the stable value fund is included at fair value in the statements of net assets available for benefits, and an additional line item is presented representing an adjustment from fair value to contract value. The statement of changes in net assets available for benefits is presented on a contract value basis.

Management fees and operating expenses charged to the Plan for investments in the registered investment companies and common trust funds are deducted from income earned on a daily basis and are not separately reflected. Consequently, management fees and operating expenses are reflected as a reduction of investment return for such investments.

#### **Use of Estimates**

The preparation of the Plan's financial statements in conformity with GAAP requires management to make

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estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein, and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

**Exempt Party-in-Interest Transactions**

The Plan invests in certain funds managed by a company affiliated with the Trustee and in Allegheny common stock; therefore, these transactions qualify as exempt party-in-interest transactions that are allowable under ERISA.

**Contributions Receivable**

According to GAAP, contributions receivable are the amounts due, as of the date of the financial statements, to the Plan from employers or participants.

**Payment of Benefits**

Benefits are recorded when paid.

**Administrative Expenses**

Administrative expenses of the Plan are paid from a nonparticipant-directed account established under the Plan and funded by T. Rowe Price and by the Plan's sponsor.

**Excess Contributions Payable**

The Plan is required to return contributions received during the Plan year in excess of the IRC limits.

**NOTE 3 – RECENTLY ADOPTED AND RECENTLY ISSUED ACCOUNTING STANDARDS**

**Accounting Standards Codification (ASC)**

In June 2009, the Financial Accounting Standards Board ("FASB") issued authoritative guidance that replaced the previous hierarchy of GAAP and established the FASB Accounting Standards Codification ("FASB Codification") as the single source of authoritative U.S. GAAP recognized by the FASB to be applied to the financial statements of nongovernmental entities for periods ending after September 15, 2009. Securities and Exchange Commission ("SEC") rules and interpretive releases are also sources of authoritative GAAP for SEC registrants. This guidance modifies the GAAP hierarchy to include only two levels of GAAP: authoritative and nonauthoritative. The FASB Codification was not intended to change or alter existing GAAP. The Plan's adoption of this guidance did not impact its financial statements.

**Subsequent Events**

In May 2009, the FASB issued ASC 855 (originally issued as FASB Statement No. 165, *Subsequent Events*) to establish general standards of accounting for and disclosing events that occur after the balance sheet date, but prior to the issuance of financial statements. ASC 855 is effective for periods ending after June 15, 2009. The Plan's adoption of this guidance did not impact its financial statements.

**Fair Value Measurements and Disclosure**

In 2009, FASB Staff Position 157-4, *Disclosures Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*, was issued and later codified into ASC 820, which expanded disclosures and required that major category for debt and equity securities in the fair value hierarchy table be determined on the basis of the nature and risks of the investments.

In September 2009, the FASB issued Accounting Standards Update ("ASU") No. 2009-12, *Fair Value Measurements and Disclosures: Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* ("ASU 2009-12"), which amended ASC Subtopic 820-10, *Fair Value Measurements and Disclosures – Overall*. ASU No. 2009-12 is effective for the first reporting period ending after December 15, 2009. ASU No. 2009-12 expands the required disclosures for certain investments with a reported NAV. ASU No. 2009-12 permits, as a practical expedient, an entity holding investments in certain entities that calculate NAV per share or its equivalent for which the fair value is not readily determinable, to measure the fair value of such investments on the

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basis of that NAV per share or its equivalent without adjustment. The ASU requires enhanced disclosures about the nature and risks of investments within its scope. Such disclosures include the nature of any restrictions on an investor's ability to redeem its investments at the measurement date, any unfunded commitments, and the investment strategies of the investee. The Plan has adopted ASU No. 2009-12 for the years ended December 31, 2009 and 2008. The effect of the adoption of the ASU had no impact on the Plan's statements of net assets available for benefits and statement of changes in net assets available for benefits.

In January 2010, the FASB issued ASU No. 2010-06, *Fair Value Measurements and Disclosures*, which provides guidance related to improving disclosures about fair value measurements. The guidance requires separate disclosures of the amounts of transfers in and out of Level 1 and Level 2 fair value measurements and a description of the reason for such transfers. In the reconciliation for Level 3 fair value measurements using significant unobservable inputs, information about purchases, sales, issuances and settlements shall be presented separately. These disclosures are effective for the Plan on January 1, 2010, except for the disclosures related to the purchases, sales, issuances and settlements in the roll forward activity of Level 3 fair value measurements, which are effective on January 1, 2011. As this guidance provides only disclosure requirements, its adoption will have no effect on the Plan's financial statements.

**NOTE 4 – FAIR VALUE MEASUREMENTS**

The Plan determines the fair value of assets and liabilities based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants and based on assumptions that market participants would use when pricing an asset or liability, including assumptions about risk and the risks inherent in valuation techniques and the inputs to valuations. This includes not only the credit standing of counterparties and the impact of credit enhancements, but also the impact of the Plan's own nonperformance risk on its liabilities. The Plan uses a fair value hierarchy based on whether the inputs to valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Plan's own assumptions about the assumptions that market participants would use. The fair value hierarchy includes three levels of inputs that may be used to measure fair value as described below.

Level 1 – Quoted prices for identical instruments in active markets.

Level 2 – Quoted prices for similar instruments in active markets;  
– quoted prices for identical or similar instruments in markets that are not active; and  
– model-derived valuations for which all significant inputs are observable market data.

Level 3 – Unobservable inputs significant to the fair value measurement supported by little or no market activity.

In some cases, the inputs used to measure fair value may meet the definition of more than one level of fair value hierarchy. The lowest level input that is significant to the fair value measurement in its totality determines the applicable level in the fair value hierarchy.

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The following tables disaggregate by level within the fair value hierarchy, the fair value of the Plan's investments by asset class as of December 31, 2009 and 2008, respectively:

| (in thousands)                           | Fair Value Hierarchy Level as of December 31, 2009 |                   |             |                   |
|------------------------------------------|----------------------------------------------------|-------------------|-------------|-------------------|
|                                          | Level 1                                            | Level 2           | Level 3     | Total             |
| Registered investment companies (a):     |                                                    |                   |             |                   |
| Equity funds:                            |                                                    |                   |             |                   |
| Domestic stock funds                     | \$ 182,642                                         |                   |             | \$ 182,642        |
| Balanced fund                            | 36,191                                             |                   |             | 36,191            |
| International stock fund                 | 28,188                                             |                   |             | 28,188            |
| Target date retirement funds             | 95,439                                             |                   |             | 95,439            |
| Fixed income funds                       | 62,900                                             |                   |             | 62,900            |
| Common trust funds (b):                  |                                                    |                   |             |                   |
| Stable value fund                        |                                                    | \$ 71,791         |             | 71,791            |
| Domestic stock fund                      |                                                    | 49,536            |             | 49,536            |
| Allegheny common stock (b)               | 103,595                                            |                   |             | 103,595           |
| Participant loans                        |                                                    | 14,272            |             | 14,272            |
| Total investments measured at fair value | <u>\$ 508,955</u>                                  | <u>\$ 135,599</u> | <u>\$ -</u> | <u>\$ 644,554</u> |

(a) \$259,110 represents a party-in-interest to the Plan

(b) Represents a party-in-interest to the Plan

| (in thousands)                           | Fair Value Hierarchy Level as of December 31, 2008 |                   |             |                   |
|------------------------------------------|----------------------------------------------------|-------------------|-------------|-------------------|
|                                          | Level 1                                            | Level 2           | Level 3     | Total             |
| Registered investment companies (a):     |                                                    |                   |             |                   |
| Equity funds:                            |                                                    |                   |             |                   |
| Domestic stock funds                     | \$ 130,559                                         |                   |             | \$ 130,559        |
| Balanced fund                            | 24,831                                             |                   |             | 24,831            |
| International stock fund                 | 22,103                                             |                   |             | 22,103            |
| Target date retirement funds             | 63,074                                             |                   |             | 63,074            |
| Fixed income funds                       | 49,918                                             |                   |             | 49,918            |
| Common trust funds (b):                  |                                                    |                   |             |                   |
| Stable value fund                        |                                                    | \$ 67,071         |             | 67,071            |
| Domestic stock fund                      |                                                    | 40,280            |             | 40,280            |
| Allegheny common stock (b)               | 148,530                                            |                   |             | 148,530           |
| Participant loans                        |                                                    | 13,128            |             | 13,128            |
| Total investments measured at fair value | <u>\$ 439,015</u>                                  | <u>\$ 120,479</u> | <u>\$ -</u> | <u>\$ 559,494</u> |

(a) \$175,024 represents a party-in-interest to the Plan

(b) Represents a party-in-interest to the Plan

**NOTE 5 - INVESTMENT OPTIONS**

Plan participants are able to invest in any combination of Allegheny common stock, investment options offered by T. Rowe Price Investment Company and in funds offered by Mellon Institutional Funds, PIMCO, Fidelity Investments, Allianz Global Investors, Goldman Sachs, Vanguard, Principal and Sentinel. Participants are able to have payroll-deducted salary deferrals invested and are able to voluntarily move their salary deferrals and AESC contributions into and out of the Allegheny common stock and the other investment options. The Company has put

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in place restrictions on the purchase or sale of Allegheny common stock to attempt to prohibit “insider trading.” “Safe harbor” periods have been established during which any transactions in Allegheny common stock by certain employees may be undertaken.

**NOTE 6 – INVESTMENTS**

The following presents investments at fair value that represent 5% or more of the Plan’s net assets (dollar amounts in thousands).

|                                                                                                         | Fair Value at December 31, |            |
|---------------------------------------------------------------------------------------------------------|----------------------------|------------|
|                                                                                                         | 2009                       | 2008       |
| Allegheny Energy, Inc. common stock, 4,412,051 and 4,386,591 shares, respectively (c)                   | \$ 103,595                 | \$ 148,530 |
| Registered investment companies:                                                                        |                            |            |
| T. Rowe Price Blue Chip Growth Fund, 3,452,311 and 3,427,637 shares, respectively (c)                   | 113,132                    | 78,870     |
| Pimco Total Return Instl Fund, 3,477,414 and 3,156,538 shares, respectively                             | 37,556                     | 32,007     |
| Spectrum Growth Fund, 2,366,937 and 2,259,471 shares, respectively (c)                                  | 36,190                     | (a)        |
| Fidelity Spartan Int’l Fund, 842,697 and 0 shares, respectively                                         | 28,188                     | n/a        |
| Common Trust Funds:                                                                                     |                            |            |
| T. Rowe Price Stable Value Common Trust Fund, 69,635,310 and 67,699,754 units, respectively (b) (c) (d) | 69,635                     | 67,700     |
| T. Rowe Price Equity Index Trust Fund, 4,311,229 and 4,441,010 units, respectively (c)                  | 49,536                     | 40,280     |

(a) - Represents less than 5% of net assets available for benefits as of this date.

(b) - Includes \$1 and \$11, respectively, of nonparticipant-directed funds.

(c) - Represents a party-in-interest to the Plan.

(d) - Represents investment at contract value.

During 2009, the Plan’s investments appreciated (depreciated) in value, including gains and losses on investments bought and sold, as follows (dollar amounts in thousands).

| (in thousands)                                | Year Ended<br>December 31, 2009 |
|-----------------------------------------------|---------------------------------|
| Registered investment companies:              |                                 |
| Equity funds:                                 |                                 |
| Domestic stock funds                          | \$ 48,306                       |
| Balanced fund                                 | 9,773                           |
| International stock fund                      | 5,267                           |
| Target date retirement funds                  | 19,866                          |
| Fixed income funds                            | 6,640                           |
| Subtotal registered investment companies      | 89,852                          |
| Allegheny common stock                        | (45,423)                        |
| Common trust fund - domestic stock            | 10,504                          |
| Net appreciation in fair value of investments | \$ 54,933                       |

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**NOTE 7 – INVESTMENT IN STABLE VALUE FUND**

The Plan had investments at fair value in the T. Rowe Price Stable Value Fund (“Fund”) of \$71.8 million and \$67.1 million at December 31, 2009 and 2008, respectively.

The Fund is a common trust fund sponsored by T. Rowe Price Trust Company. The beneficial interest of each participant is represented by units. Units of this fund are issued and redeemed daily at the Fund’s value of \$1 per unit. Distribution to the Fund’s unit holders are declared daily from the net investment income and automatically reinvested in the Fund on a monthly basis, when paid. It is the policy of the Fund to use its best efforts to maintain a stable value of \$1 per unit, although there is no guarantee that the Fund will be able to maintain this value.

Participants ordinarily may direct the withdrawal or transfer of all or a portion of their investment at contract value. Contract value represents contributions made to the Fund, plus earnings, less participant withdrawals and administrative expenses. The Fund imposes certain restrictions on the Plan, and the Fund itself may be subject to circumstances that impact its ability to transact at contract value, as described in the following paragraphs. Plan management believes that the occurrence of events that would cause the Fund to transact at less than contract value is not probable.

The Fund invests principally in guaranteed investment contracts issued by insurance companies, investment contracts issued by banks, synthetic investment contracts issued by banks and insurance companies, and other related securities. These investment contracts are intended to maximize current income consistent with the maintenance of principal while permitting participant-initiated benefit-responsive withdrawals for certain events.

Except with respect to a plan termination, an advance notice period written request is required by the Trustee in order to withdraw units from the Fund. The advance notice period for the plan to make withdrawals is at least twelve months prior to the valuation date for plans owning less than 5% of the units of the Fund and at least thirty months prior to the valuation date for a plan owning greater than 5% of the units of the Fund. The Plan currently owns less than 5% of the total units of the Fund.

The advance notice period is reduced to one day for withdrawals to pay participant distributions in accordance with plan documents which allow for distributions for loans, death, severance of employment, or other withdrawals authorized by the plan. At the Trustee’s sole discretion, the advance notice period required for nonparticipant directed withdrawals may be reduced for some or all of the units requested to be withdrawn.

If a plan terminates for reason other than disqualification as set forth below, the sponsor of the plan may elect to withdraw amounts as of the next valuation date which is more than thirty days from the date written notice is given to the Trustee. The Trustee may value the units to be withdrawn at a value which may be less than the value of other units in the Fund. Pursuant to the contract terms, and upon “cashing in” the units, the plan may receive less than book value as proceeds.

If a participating trust is no longer a qualified trust, the Trustee shall distribute to the participating trust its entire participation in the Fund as of the next valuation date which is not more than 30 days after the date upon which the trustee is apprised of such disqualification. To the extent that the Fund must value its contracts or assets at less than book value as a result of the distribution, the value of the units will be reduced accordingly.

**Limitations on the Ability of the Fund to Transact at Contract Value:**

**Restrictions on the Plan** – Participant-initiated transactions are those transactions allowed by the Plan, including withdrawals for benefits, loans, or transfers to noncompeting funds within a plan, but excluding withdrawals that are deemed to be caused by the actions of the Plan Sponsor. The following employer initiated events may limit the ability of the Fund to transact at contract value:

- A failure of the Plan or its trust to qualify for exemption from federal income taxes or any required prohibited transaction exemption under ERISA

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- Any communication given to Plan participants designed to influence a participant not to invest in the Fund or to transfer assets out of the Fund
- Any transfer of assets from the Fund directly into a competing investment option
- The establishment of a defined contribution plan that competes with the Plan for employee contributions
- Complete or partial termination of the Plan or its merger with another plan

***Circumstances That Impact the Fund*** – The Fund invests in assets that are typically fixed-income securities or bond funds, and enters into “wrapper” contracts issued by third parties. A wrap contract is an agreement by another party, such as a bank or insurance company to make payments to the Fund in certain circumstances. Wrap contracts are designed to allow a stable value portfolio to maintain a constant NAV and protect a portfolio in extreme circumstances. In a typical wrap contract, the wrap issuer agrees to pay a portfolio the difference between the contract value and the market value of the underlying assets once the market value has been totally exhausted.

The wrap contracts generally contain provisions that limit the ability of the Fund to transact at contract value upon the occurrence of certain events. These events include:

- Any substantive modification of the Fund or the administration of the Fund that is not consented to by the wrap issuer
- Any change in law, regulation, or administrative ruling applicable to a plan that could have a material adverse effect on the Fund’s cash flow
- Employer-initiated transactions by participating plans as described above

In the event that wrap contracts fail to perform as intended, the Fund’s NAV may decline if the market value of its assets declines. The Fund’s ability to receive amounts due pursuant to these wrap contracts is dependent on the third-party issuer’s ability to meet their financial obligations. The wrap issuer’s ability to meet its contractual obligations under the wrap contracts may be affected by future economic and regulatory developments.

The Fund is unlikely to maintain a stable NAV if, for any reason, it cannot obtain or maintain wrap contracts covering all of its underlying assets. This could result from the Fund’s inability to promptly find a replacement wrap contract following termination of a wrap contract. Wrap contracts are not transferable and have no trading market. There are a limited number of wrap issuers. The Fund may lose the benefit of wrap contracts on any portion of its assets in default in excess of a certain percentage of portfolio assets.

**NOTE 8 – RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500**

The following is a reconciliation of net assets available for benefits per the financial statements to the Form 5500 (dollar amounts in thousands):

|                                                                                                                              | <u>December<br/>31, 2009</u> | <u>December<br/>31, 2008</u> |
|------------------------------------------------------------------------------------------------------------------------------|------------------------------|------------------------------|
| Net assets available for benefits per the financial statements                                                               | \$ 643,531                   | \$ 560,174                   |
| Adjustment from contract value to fair value for<br>fully benefit-responsive T. Rowe Price Stable Value<br>Common Trust Fund | 2,156                        | (629)                        |
| Loans that have been deemed distributed                                                                                      | (240)                        | -                            |
| Net assets available for benefits per the Form 5500                                                                          | <u>\$ 645,447</u>            | <u>\$ 559,545</u>            |

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The following is a reconciliation of the increase in net assets available for benefits per the financial statements to the Form 5500 (dollar amounts in thousands):

|                                                                                                                           | <u>For the Year Ended<br/>December 31, 2009</u> |
|---------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|
| Increase in net assets available for benefits per the financial statements                                                | \$ 83,357                                       |
| Adjustment from contract value to fair value for fully benefit-responsive<br>T. Rowe Price Stable Value Common Trust Fund | 2,785                                           |
| Loans that have been deemed distributed                                                                                   | <u>(240)</u>                                    |
| Net income per Form 5500                                                                                                  | <u>\$ 85,902</u>                                |

The accompanying financial statements present fully benefit-responsive investment contracts at contract value. The Form 5500 requires fully benefit-responsive investment contracts to be reported at fair value.

**NOTE 9 - PLAN TERMINATION PROVISIONS**

Although it has not expressed any intent to do so, the Board of Directors of the Company has the right to amend or terminate the Plan, subject to the provisions of ERISA, without the consent of any employee, participant, beneficiary, or other person, provided that no such amendment or other modification to the Plan shall make it possible for any part of the Plan's funds to be used for, or diverted to, purposes other than for the exclusive benefit of participants and beneficiaries under the Plan (other than such part as is required to pay administrative expenses). In the event of plan termination, all participants will become fully vested in their account balances. The Plan is neither subject to nor insured by the Pension Benefit Guaranty Corporation established by ERISA.

**NOTE 10 – FEDERAL INCOME TAX STATUS**

The Company received a favorable determination letter from the Internal Revenue Service (IRS) dated January 14, 2008, stating that the Plan and the related trust were designed in accordance with applicable sections of the IRC and remained exempt from federal income tax. The Company and the Plan administrator believe that the Plan continues to qualify and operate in accordance with applicable provisions of the IRC and accordingly no provision for income taxes has been included in the Plan's financial statements.

**NOTE 11 - RISKS AND UNCERTAINTIES**

The Plan provides for various investment instruments in participant directed funds. These investment instruments include Allegheny common stock, equity funds, target date retirement funds, fixed income funds, and a stable value fund. Investment securities, in general, are exposed to various risks, such as interest rate risk, credit risk, and overall market volatility. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is reasonably possible that changes in the near-term could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits and in the statement of changes in net assets available for benefits.

**NOTE 12 – NET ASSET VALUE PER SHARE**

In accordance with ASU No. 2009-12, the Plan expanded its disclosures to include the category, fair value, redemption frequency and redemption notice period for those assets whose fair value is not readily determinable, and the fair value is estimated using the NAV per share as of December 31, 2009 and 2008.

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| (In thousands)        | Fair Value Estimated Using Net Asset Value per Share |                                           |                                               |
|-----------------------|------------------------------------------------------|-------------------------------------------|-----------------------------------------------|
|                       | December 31, 2009                                    |                                           |                                               |
| Investment            | Fair Value (a)                                       | Participant Directed Redemption Frequency | Participant Directed Redemption Notice Period |
| Common Trust Funds:   |                                                      |                                           |                                               |
| Stable Value Fund (b) | \$ 71,791                                            | Immediate (d)                             | None (d)                                      |
| Equity Index Fund (c) | 49,536                                               | Immediate (e)                             | None (e)                                      |
| Total                 | <u>\$ 121,327</u>                                    |                                           |                                               |

| (In thousands)        | Fair Value Estimated Using Net Asset Value per Share |                                           |                                               |
|-----------------------|------------------------------------------------------|-------------------------------------------|-----------------------------------------------|
|                       | December 31, 2008                                    |                                           |                                               |
| Investment            | Fair Value (a)                                       | Participant Directed Redemption Frequency | Participant Directed Redemption Notice Period |
| Common Trust Funds:   |                                                      |                                           |                                               |
| Stable Value Fund (b) | \$ 67,071                                            | Immediate (d)                             | None (d)                                      |
| Equity Index Fund (c) | 40,280                                               | Immediate (e)                             | None (e)                                      |
| Total                 | <u>\$ 107,351</u>                                    |                                           |                                               |

- (a) The fair values of the investments have been valued at the NAV as calculated by the investment manager based upon the fair value of the underlying investments.
- (b) The Stable Value Fund invests principally in guaranteed investment contracts issued by insurance companies, investment contracts issued by banks, synthetic investment contracts issued by banks and insurance companies, and other related securities. These investment contracts are intended to maximize current income consistent with the maintenance of principal while permitting participant-initiated benefit-responsive withdrawals for certain events.
- (c) The Equity Index Fund strategy seeks to provide investment results that correspond to the total return performance of common stocks publicly traded in the United States as represented by the Standard & Poor's 500 Composite Stock Index.
- (d) See Note 7 for restrictions related to nonparticipant directed withdrawals from the Stable Value Fund due to plan terminations, disqualification of a trust and advance notice period.
- (e) Under the terms of the Declaration of Trust, for nonparticipant directed withdrawals, owners of units in the T. Rowe Price Equity Index Trust ("Index Trust") are required to provide at least a ninety day advance written notice to the Trustee prior to the redemption of Index Trust units. The notice period may be shortened or waived by the Trustee in its sole discretion.

**NOTE 13 – SUBSEQUENT EVENTS**

On February 10, 2010, Allegheny entered into an Agreement and Plan of Merger (the "Merger Agreement") with FirstEnergy Corp. ("FirstEnergy") and Element Merger Sub, Inc. ("Merger Sub"), a wholly owned subsidiary of FirstEnergy. Upon the terms and subject to the conditions set forth in the Merger Agreement, Merger Sub will merge with and into Allegheny (the "Merger"), with Allegheny becoming a wholly owned subsidiary of FirstEnergy. The Merger is intended to qualify as a tax-free reorganization under the Internal Revenue Code of 1986, as amended.

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Notes to Financial Statements (continued)  
December 31, 2009 and 2008

Upon completion of the Merger, FirstEnergy will issue to Allegheny stockholders 0.667 of a share of FirstEnergy common stock for each share of Allegheny common stock held prior to the Merger. This ratio is fixed and will not be adjusted to reflect stock price changes prior to completion of the Merger.

Completion of the Merger is subject to various customary conditions, including, among others, (i) requisite approvals of Allegheny and FirstEnergy stockholders, (ii) effectiveness of the registration statement for the FirstEnergy common stock to be issued in the Merger, (iii) expiration or termination of the applicable Hart-Scott-Rodino Act waiting period, (iv) receipt of all required regulatory approvals from, among others, the Federal Energy Regulatory Commission and certain state public service and utility commissions, (v) the absence of any governmental action challenging or seeking to prohibit the Merger, and (vi) the absence of any material adverse effect with respect to either Allegheny or FirstEnergy.

FirstEnergy filed with the Securities and Exchange Commission a registration statement on Form S-4 containing a preliminary joint proxy statement and prospectus relating to the proposed Merger on March 23, 2010 and filed Amendment No. 1 to the Form S-4 on June 4, 2010. Allegheny and FirstEnergy currently anticipate completing the merger in the first half of 2011.

**ALLEGHENY ENERGY EMPLOYEE STOCK  
OWNERSHIP AND SAVINGS PLAN**

Plan Number: 002  
Employer Identification Number: 13-1993896  
Form 5500, Schedule H, Part IV, Line 4(i): Schedule of Assets (Held At End of Year)  
as of December 31, 2009

| (a) | (b)                                                                                                   | (c )                                                                                           | (d)              |
|-----|-------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|------------------|
|     | Identity of Issue, Borrower,<br>Lessor or Similar Party                                               | Description of Investment, Including Maturity Date,<br>Rate of Interest, Par or Maturity Value | Current<br>Value |
|     | <b>Common stock:</b>                                                                                  |                                                                                                |                  |
| *   | Allegheny Energy, Inc.                                                                                | Common Stock                                                                                   | \$103,594,950    |
|     | <b>Common trust funds:</b>                                                                            |                                                                                                |                  |
| *   | T. Rowe Price                                                                                         | Stable Value Fund                                                                              | 71,791,180       |
| *   | T. Rowe Price                                                                                         | Equity Index Trust                                                                             | 49,536,021       |
|     | <b>Registered investment companies:</b>                                                               |                                                                                                |                  |
|     | Equity funds:                                                                                         |                                                                                                |                  |
| *   | T. Rowe Price                                                                                         | Blue Chip Growth Fund                                                                          | 113,132,241      |
| *   | T. Rowe Price                                                                                         | Spectrum Growth Fund                                                                           | 36,190,473       |
|     | Fidelity Investments                                                                                  | Fidelity Spartan Int'l Index Fund                                                              | 28,188,205       |
|     | Mellon Institutional Funds                                                                            | Dreyfus/Boston Company Small Cap Value Fund                                                    | 23,051,130       |
|     | Allianz Global Investors                                                                              | Allianz NFJ Dividend Value Fund                                                                | 18,274,420       |
| *   | T. Rowe Price                                                                                         | Mid Cap Growth Fund                                                                            | 9,718,388        |
|     | Goldman Sachs                                                                                         | Goldman Sachs Mid Cap Value Fund                                                               | 7,431,257        |
| *   | T. Rowe Price                                                                                         | Small Cap Value Fund                                                                           | 4,629,712        |
|     | Sentinel                                                                                              | Sentinel Small Company Fund                                                                    | 3,687,330        |
|     | Principal                                                                                             | Principal Small Cap S&P 600 Index Fund                                                         | 2,272,278        |
|     | Principal                                                                                             | Principal Mid Cap S&P 400 Inst Fund                                                            | 445,452          |
|     | Subtotal Equity funds                                                                                 |                                                                                                | 247,020,886      |
|     | Target date retirement funds:                                                                         |                                                                                                |                  |
| *   | T. Rowe Price                                                                                         | Retirement 2020 Fund                                                                           | 24,940,654       |
| *   | T. Rowe Price                                                                                         | Retirement 2015 Fund                                                                           | 18,776,857       |
| *   | T. Rowe Price                                                                                         | Retirement 2025 Fund                                                                           | 13,764,569       |
| *   | T. Rowe Price                                                                                         | Retirement 2010 Fund                                                                           | 11,962,516       |
| *   | T. Rowe Price                                                                                         | Retirement 2030 Fund                                                                           | 11,189,852       |
| *   | T. Rowe Price                                                                                         | Retirement 2035 Fund                                                                           | 5,340,942        |
| *   | T. Rowe Price                                                                                         | Retirement 2040 Fund                                                                           | 2,854,313        |
| *   | T. Rowe Price                                                                                         | Retirement Income Fund                                                                         | 2,346,469        |
| *   | T. Rowe Price                                                                                         | Retirement 2045 Fund                                                                           | 1,911,391        |
| *   | T. Rowe Price                                                                                         | Retirement 2005 Fund                                                                           | 1,372,529        |
| *   | T. Rowe Price                                                                                         | Retirement 2050 Fund                                                                           | 806,778          |
| *   | T. Rowe Price                                                                                         | Retirement 2055 Fund                                                                           | 172,509          |
|     | Subtotal Target date funds                                                                            |                                                                                                | 95,439,379       |
|     | Fixed income funds:                                                                                   |                                                                                                |                  |
|     | PIMCO                                                                                                 | PIMCO Total Return Fund                                                                        | 37,556,069       |
|     | Fidelity Investments                                                                                  | Fidelity Advisor Strategic Income Fund                                                         | 24,551,086       |
|     | Vanguard                                                                                              | Vanguard Inf Protected Sec Fund                                                                | 792,673          |
|     | Subtotal Fixed income funds                                                                           |                                                                                                | 62,899,828       |
|     | Total investments at fair value                                                                       |                                                                                                | 630,282,244      |
| *   | Participant Loans with range of interest rates from 4.25% to 11.5%, with maturities from 2010 to 2035 |                                                                                                | 14,271,618       |
|     | Total investments at fair value including loans                                                       |                                                                                                | \$644,553,862    |
| *   | Represents a party-in-interest for which a statutory exemption exists.                                |                                                                                                |                  |