

**ALLEGHENY ENERGY, INC.**  
**NOMINATING AND GOVERNANCE COMMITTEE CHARTER**

**Composition**

The Nominating and Governance Committee (the “Committee”) of the Board of Directors (the “Board”) of Allegheny Energy, Inc. (the “Company”) shall be comprised of three or more members of the Board, who meet the independence requirements of the New York Stock Exchange, Inc. (“NYSE”), and who do not have any material relationship which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of the Committee.

Members of the Committee shall be appointed by the Board. Members shall serve at the pleasure of the Board and for such term or terms as the Board may determine. One of the members of the Committee shall be its Chairperson, either by designation by the Board or, in the absence of such designation by the Board, by the Committee itself. The Committee may, as it deems necessary and appropriate, delegate any or all of its duties to subcommittees comprised solely of members of the Committee.

**Mission**

The mission of the Committee is to assist the Board in fulfilling its oversight responsibilities with respect to matters of corporate governance, and to identify and recommend individuals to the Board for nomination as directors.

**Meetings**

The Chairperson of the Committee will preside at each meeting and, in consultation with the other members of the Committee, will set the frequency and length of each meeting. The Chairperson will prepare the Committee’s agenda for each meeting, in consultation with the other Committee members and appropriate members of the Board and management. The Chairperson of the Committee shall ensure that the agenda for each meeting is circulated to each Committee member in advance of the meeting. The Committee shall meet at least two times annually, with further meetings to occur when deemed necessary or desirable by the Committee or the Chairperson. The Committee shall meet at such times and upon such notice as it may determine, shall report all proceedings to the Board and shall keep regular minutes of its meetings.

**Responsibilities**

In furtherance of its mission, the Committee shall have authority and responsibility to:

- (1) recommend to the Board a set of corporate governance principles and a code of business conduct and ethics applicable to the Company, and review and reassess the adequacy of such guidelines annually and recommend to the Board any changes deemed appropriate;
- (2) monitor changes in the rules of the Securities and Exchange Commission (the “SEC”) relating to corporate governance and the NYSE corporate governance standards, as well as developments in the corporate governance field generally;
- (3) review periodically Board leadership and all committees of the Board and make recommendations thereon;
- (4) establish procedures for the evaluation of the Board and management, and assess on a regular basis the effectiveness of the Board as a whole and the contributions of the directors;
- (5) recommend that the Board establish such special committees as may be necessary or appropriate to address ethical, legal or other matters that may arise;

- (6) recommend to the Board standards to be applied in making determinations with respect to material relationships between the Company and a director;
- (7) review and approve all transactions between the Company or any of its subsidiaries and any related person that are required to be disclosed pursuant to the applicable Securities and Exchange Commission rules and regulations;
- (8) consider questions of possible conflicts of interest of Board members and of senior executives, and make recommendations to the Board;
- (9) assess any significant conflict of interest issues relating to external advisors;
- (10) annually review compensation and benefits of directors;
- (11) identify individuals believed to be qualified to become Board members, consistent with criteria approved by the Board, and recommend to the Board the nominees to stand for election as directors at the annual meeting of stockholders or, if applicable, at a special meeting of stockholders. In the case of a vacancy in the office of a director (including a vacancy created by an increase in the size of the Board), the Committee shall recommend to the Board an individual to fill such vacancy either through appointment by the Board or through election by stockholders. In selecting or recommending candidates, the Committee shall take into consideration the criteria approved by the Board, which are set forth in the Company's Corporate Governance Guidelines and such other factors as it deems appropriate. These factors may include integrity, compatibility, judgment, independence, experience and background in a relevant field, willingness to commit time and energy, and a genuine interest in the electric industry. The Committee shall consider all candidates recommended by the Company's stockholders in accordance with the procedures set forth in the Company's annual proxy statement. The Committee may consider candidates proposed by management, but is not required to do so;
- (12) identify Board members qualified to fill vacancies on any committee of the Board (including the Committee) and to recommend that the Board appoint the identified member or members to the respective committee. In nominating a candidate for committee membership, the Committee shall take into consideration the criteria approved by the Board, which are set forth in the Company's Corporate Governance Guidelines, and the factors set forth in the charter of that committee, if any, as well as any other factors it deems appropriate, including without limitation the consistency of the candidate's experience with the goals of the committee and the interplay of the candidate's experience with the experience of other committee members;
- (13) annually assess Board size, and skills represented therein, and recommend supplementing the Board if appropriate;
- (14) oversee that a mechanism exists for the handling of shareholder and employee communications to the Board;
- (15) make recommendations to the Board as it deems appropriate with respect to shareholder issues;
- (16) prepare and review with the Board an annual performance evaluation of the Committee, which evaluation shall compare the performance of the Committee with the requirements of this charter. The performance evaluation shall also recommend to the Board any improvements to the Committee's charter deemed necessary or desirable by the Committee. The performance evaluation by the Committee shall be conducted in such manner as the Committee deems appropriate. The report to the Board may take the form of an oral report by the Chairperson of the Committee or any other member of the Committee designated by the Committee to make this report;

- (17) assist management in the preparation of the disclosure in the Company's annual proxy statement regarding the operations of the Committee;
- (18) report to the Board on a regular basis, and not less than once per year; and
- (19) perform any other duties or responsibilities expressly delegated to the Committee by the Board from time to time relating to the nomination of Board and committee members.

**Resources and Authority**

The Committee shall have the resources and authority appropriate to discharge its duties and responsibilities, including the authority to select, retain, terminate, and approve the fees and other retention terms of special counsel or other experts or consultants, as it deems appropriate, without seeking the approval of management. With respect to consultants or search firms used to identify director candidates, the authority shall be vested solely in the Committee.