

CAPITAL CONTRIBUTION AGREEMENT

This Capital Contribution Agreement (this "Agreement") between **Allegheny Energy Transmission, LLC**, a Delaware limited liability company ("Parent"), and **Trans-Allegheny Interstate Line Company**, a Maryland and Virginia corporation ("Company") is made pursuant to §351 of the Internal Revenue Code of 1986, as amended, and is dated February 15, 2007, but effective as of January 31, 2007.

BACKGROUND

WHEREAS, the Parent is the record owner and holder of all of the issued and outstanding shares of the capital stock of the Company, which Company has issued capital stock of 1000 shares of \$1.00 par value common stock; and

WHEREAS, the Parent authorized the creation of the Company for the purpose of constructing and operating (i) an approximate 210-mile 500 kv transmission line that connects the following substations: Prexy to 502 Junction to Mt Storm to Meadowbrook to Loudoun (hereinafter, "TrAIL") and (ii) other transmission related projects (together with TrAIL, the "Transmission Projects");

WHEREAS, pursuant to the terms and conditions set forth below, Parent and Company desire to enter into a transaction in which Parent contributes to Company additional capital of up to \$550 million in one or more payments of cash (the "Capital") on or before the completion of the Transmission Projects.

AGREEMENT

NOW THEREFORE, in consideration of the above premises and the promises contained in this Agreement, and intending to be legally bound, the parties to this Agreement agree as follows:

§1. Transfer of Capital Contribution to Company

§1.1 On or before the completion of the Transmission Projects, Parent is to transfer the Capital to Company in one or more payments of cash.

§1.2 For purposes of administrative convenience only each such transfer of Capital by the Parent to the Company may be confirmed by the Parent utilizing the form of written confirmation attached hereto as Annex 1 (the "Confirmation"), which Confirmation may be in electronic or written form. Failure by the Parent to utilize the Confirmation for any transfer of Capital to the Company, or any error in such Confirmation, shall not affect the validity of any transfer of Capital by the Parent to the Company pursuant to this Agreement.

§2. Equity Interest in Company

Upon the completion of the transfers described in §1 above, Parent shall continue to own 100% of the issued and outstanding shares of stock of the Company.

§3. Warranties of Company

§3.1 Company is a corporation duly organized, validly existing and in good standing under the laws of both the State of Maryland and the Commonwealth of Virginia.

§3.2 Company has no federal, state or local tax liabilities which are past due.

§3.3 To the best of the knowledge of the undersigned officer of Company, there is no legal action or proceeding pending against Company which would inhibit the transaction of Company's ordinary business or prevent Company from validly entering into this Agreement.

§3.4 Company has the corporate power and authority to enter into this Agreement, and the officer executing the Agreement on behalf of Company has been duly authorized to do so.

§3.5 The execution and performance of the obligations contained in this Agreement do not constitute a violation, breach or default under any other agreement by which Company is bound.

§4. Warranties of Parent

§4.1 Parent is a duly organized and validly existing limited liability company under the laws of the State of Delaware.

§4.2 Parent has no federal, state or local tax liabilities which are past due.

§4.3 To the best of the knowledge of the undersigned officer of Parent, there is no legal action or proceeding pending against Parent, which would inhibit the transaction of Parent's ordinary business or would prevent Parent from validly entering into this Agreement.

§4.4 Parent has the corporate power and authority to enter into this Agreement, and the officer executing this Agreement on behalf of Parent has been duly authorized to do so.

§5. Mutuality of Consent.

Each party to this Agreement acknowledges that this Agreement, and each agreement made in connection with this Agreement, is the manifestation of direct negotiation and each agreement represents the mutual and voluntary consent and understanding of the parties thereto.

§6. Each Party Familiar with Operations of Other Party.

Each party to this Agreement acknowledges that it (i) is familiar with the operations of the other party, (ii) has been provided access to all necessary financial records, statements, accounts or other materials of the other party, which such party requested, and (iii) is competent to evaluate the risks associated with the performance of its obligations under the Agreement.

§7. Governing Law.

This Agreement is to be governed by and interpreted and enforced in accordance with Delaware law without reference to the conflict of laws provisions thereof.

§8. Non-assignability.

This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns; provided, however, that this Agreement, or any portion thereof, may not be assigned without the written consent of the non-assigning party, which consent shall not be unreasonably withheld.

§9. Severability.

If any provision of the Agreement is determined to be invalid or unenforceable, such invalidity or unenforceability shall not affect the remaining provisions of this Agreement.

§10. Entire Agreement.

This Agreement constitutes the entire understanding of the parties with respect to the subject matter hereof and supersedes all prior understandings, contracts and agreements between the parties.

§11. Amendment.

This Agreement may not be amended or modified without the written consent of each party hereto.

§12. Expenses.

Each party agrees to pay its respective expenses incurred with respect to this Agreement and the consummation of the transactions contemplated thereby.

§13. Counterparts.

This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the undersigned have duly executed this Capital Contribution Agreement dated and effective as of the dates first written above.

**TRANS-ALLEGHENY INTERSTATE LINE
COMPANY**

By: David E. Flitman
Name: David E. Flitman
Title: President

ALLEGHENY ENERGY TRANSMISSION, LLC

By: Philip L. Goulding
Name: Philip L. Goulding
Title: Vice President

ANNEX 1

Confirmation of Capital Transfer

Reference is hereby made to that certain Capital Contribution Agreement (the "Agreement") effective as of January 31, 2007, by and between Allegheny Energy Transmission, LLC, a Delaware limited liability company ("Parent"), and Trans-Allegheny Interstate Line Company, a Maryland and Virginia corporation ("Company"). Terms defined in the Agreement shall have the same meaning when used herein.

This constitutes notice that a transfer of Capital from the Parent to the Company in the amount of \$ _____ on _____, 20____, is authorized pursuant to the Agreement.

Allegheny Energy Transmission, LLC

**By: _____
Authorized Officer**