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FOR IMMEDIATE RELEASE

Allegheny Power announces innovative pilot program in Pennsylvania

Program will help manage residential customer electricity demand

Greensburg, Pa., June 18, 2001--Allegheny Power, the energy delivery business of Allegheny Energy, Inc., today announced the launch of a new pilot program for its Pennsylvania residential customers. The *Electricity Price Response Pilot Program* will provide the Company and its customers with a real-time electricity pricing mechanism, using internet-based technology, that will lower costs to consumers by reducing the peak demand for electricity.

“We are excited about this new initiative,” said Ronald A. Magnuson, Vice President of Customer Affairs for Allegheny Power. “This program gives consumers the ability to exercise control over their electric bill and helps them understand how the electricity market works. If they can reduce their power needs during peak electricity price periods, they can lower their bills. Additionally, the pilot program advances customer education by sending price signals to customers that will encourage energy conservation and give us valuable feedback on how prices affect conservation and the demand for electricity. Pennsylvania remains the leading model for deregulation in the country, and we applaud the Public Utility Commission’s support of this key initiative.”

During the pilot program, equipment installed in the participants’ homes will enable Allegheny Power, as the local electric distribution company, to send a signal to the home that will automatically reduce the customer’s electricity consumption when market prices cross a high-wholesale electricity price threshold. Under the *Electricity Price Response Pilot Program*:

- Allegheny Power will select 300 residential customers to participate.
- Each customer will receive \$50 for participating.
- Allegheny Power will provide each participant an Internet accessible, programmable thermostat for the home’s central heating and air conditioning system and pay for the installation of the thermostat.

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- When high wholesale electricity price periods are predicted, Allegheny Power will notify the participants, in advance, by e-mail.
- When the high-electricity price period begins, Allegheny will send a signal to the thermostat, the settings are changed, and a light on the unit will be activated to indicate an event is under way.
- Each participant has the option to override the change in thermostat settings either on the unit or via the Internet.
- Customers who allow the reduced electricity consumption to occur will earn a monthly incentive for each hour they participate.

“I am excited about Allegheny Power’s innovative pilot program,” stated Terrance J. Fitzpatrick, Commissioner of the Pennsylvania Public Utility Commission. Commissioner Fitzpatrick has been leading an effort to encourage demand-side response in order to help consumers reduce their on-peak use.

“Pennsylvania leads the nation with its successful deregulated electricity market, and part of our success is due to continued customer education about competition and the role consumers play in the electricity market,” said Fitzpatrick. “This program will measure how responsive residential customers are to market-based price signals. It is vital for customers to receive information about the true cost of the electricity they use. With that, they can make informed buying decisions and realize the benefits of competition.”

The wholesale market price for electricity during peak periods significantly affects the overall cost of electricity to consumers. Creating a mechanism to send price signals to customers will lead to savings if consumers will reduce their electricity consumption during high-priced, peak demand periods. These lower demands will, in turn, reduce the wholesale market prices for power.

Allegheny Power will be contacting prospective participants beginning this week. The program will be phased in as customers are recruited. Customers interested in the *Electricity Price Response Pilot Program* can check Allegheny Power’s web site, www.alleghenypower.com/EPRPilot.

Allegheny Power, an Allegheny Energy company, delivers low-cost energy to three million people in parts of Maryland, Ohio, Pennsylvania, Virginia, and West Virginia. For more information about Allegheny, visit our web site at www.alleghenypower.com.