



NEWS RELEASE

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FOR IMMEDIATE RELEASE

Allegheny Power Files for Rate Increase in West Virginia

GREENSBURG, Pa., July 26, 2006 – Allegheny Power, the electric delivery subsidiary of Allegheny Energy, Inc. (NYSE: AYE) today announced that it has asked the Public Service Commission of West Virginia for a rate increase of \$100 million (annualized), primarily due to the significant rise in the cost of fuel used to generate electricity.

This is the first base rate case filed by Allegheny since January 1994, and the first adjustment to fuel-related rates in eight years. Over the eight-year period, Allegheny's cost of coal has increased by 21 percent, natural gas prices have increased by 88 percent and the Consumer Price Index has increased by 24 percent. The amount requested in Allegheny's filing represents an increase of 10.3 percent for the typical residential customer.

The filing requests:

- a \$126 million increase in rates related to fuel and purchased power costs, including reinstatement of a cost recovery clause, adjustable annually, to reflect upward or downward changes in the cost of fuel and purchased power; and
- a \$26 million decrease in base rates, driven primarily by successful cost control and improved efficiency.

The rate adjustments also reflect the impact of a commission-approved generation ownership exchange under which Monongahela Power will gain an additional 593 megawatts of power plant capacity.

“We’ve worked hard to control costs and keep our rates low while improving service. Since 2002, we have reduced the average amount of time customers are without power by 33 percent and our customer satisfaction now ranks among the top utilities in the country,” stated Paul J. Evanson, Chairman, President and Chief Executive Officer of Allegheny Energy. “But, after eight years without a fuel rate increase, we can no longer continue to absorb escalating fuel costs. We remain committed to improving the quality of service and supplying reliable power to our West Virginia customers at the lowest possible price.”

Currently, Allegheny's West Virginia residential rates are among the lowest in the nation. After the proposed rate increase, the monthly bill for a residential customer using 1,000 kilowatt-hours will be approximately \$77, an increase of about \$7 compared to current rates.

Allegheny Power continues to improve the quality of service to customers. In 2006, Allegheny was ranked number one nationally by the American Customer Satisfaction Index and number one in the East Region by J.D. Power & Associates.

Earlier this year, the commission authorized Allegheny to install environmental control equipment (scrubbers) at the company's Fort Martin power plant in West Virginia. The commission also authorized an environmental surcharge to repay bonds issued to finance the project.

The filing announced today was made jointly by Monongahela Power Company and The Potomac Edison Company, both subsidiaries of Allegheny Energy. The filing requests a return on equity of 11.75 percent and also requests that the new rates be applied to bills beginning 30 days after the filing. However, the commission may suspend the new rates up to a maximum of 270 days.

Allegheny Energy

Headquartered in Greensburg, Pa., Allegheny Energy is an investor-owned utility consisting of two major businesses. Allegheny Energy Supply owns and operates electric generating facilities, and Allegheny Power delivers low-cost, reliable electric service to customers in Pennsylvania, West Virginia, Maryland, and Virginia. For more information, visit our Web site at www.alleghenyenergy.com.

Forward-Looking Statements

In addition to historical information, this release contains a number of "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Words such as anticipate, expect, project, intend, plan, believe, and words and terms of similar substance used in connection with any discussion of future plans, actions, or events identify forward-looking statements. These include statements with respect to: rate regulation and the status of retail generation service supply competition in states served by Allegheny Energy's distribution business, Allegheny Power; financing plans; demand for energy and the cost and availability of raw materials, including coal; provider-of-last-resort and power supply contracts; results of litigation; results of operations; internal controls and procedures; capital expenditures; status and condition of plants and equipment; capacity purchase commitments; regulatory matters; and accounting issues. Forward-looking statements involve estimates, expectations and projections and, as a result, are subject to risks and uncertainties. There can be no assurance that actual results will not materially differ from expectations. Actual results have varied materially and unpredictably from past expectations. Factors that could cause actual results to differ materially include, among others, the following: plant performance and unplanned outages; changes in the price of power and fuel for electric generation; general economic and business conditions; changes in access to capital markets; complications or other factors that render it difficult or impossible to obtain necessary lender consents or regulatory authorizations on a timely basis; environmental regulations; the results of regulatory proceedings, including proceedings related to rates; changes in industry capacity, development and other activities by Allegheny Energy's competitors; changes in the weather and other natural phenomena; changes in customer switching behavior and their resulting effects on existing and future load requirements; changes in the underlying inputs and assumptions, including market conditions used to estimate the fair values of commodity contracts; changes in laws and regulations applicable to Allegheny Energy, its markets or its activities; the loss of any significant customers or suppliers; dependence on other electric transmission and gas transportation systems and their constraints or availability; changes in PJM, including changes to participant rules and tariffs; the effect of accounting policies issued periodically by accounting standard-setting bodies; and the continuing effects of global instability, terrorism and war. Additional risks and uncertainties are identified and discussed in Allegheny Energy's reports filed with the Securities and Exchange Commission.

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