



NEWS RELEASE

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FOR IMMEDIATE RELEASE

Allegheny Energy Announces Proposed Settlement in West Virginia

GREENSBURG, Pa., January 11, 2006 – Allegheny Energy, Inc. (NYSE: AYE) announced today that it has reached agreement with a group of interested parties regarding the installation and financing of flue gas desulfurization equipment (scrubbers) at its Fort Martin, W.Va. power station.

In a settlement agreement filed today, the parties asked the Public Service Commission of West Virginia to:

- Authorize Allegheny to construct and operate scrubbers and related facilities at the coal-fired power plant;
- Authorize Allegheny to finance the construction of the scrubbers and related facilities using the securitization financing mechanism, which the parties agree is the lowest-cost approach to addressing environmental improvements; and
- Approve a generation ownership restructuring plan, which would give the company's regulated utility, Monongahela Power, 100 percent ownership of the Fort Martin station. To achieve this ownership alignment, Monongahela Power and Allegheny's unregulated generation subsidiary, Allegheny Energy Supply, will exchange ownership interests in a number of Allegheny's jointly owned power plants.

Installing scrubbers at Fort Martin would allow Allegheny Energy to use more West Virginia coal and create more than 350 construction jobs.

“Installing scrubbers at Fort Martin is an important part of our environmental stewardship program,” said Paul J. Evanson, Chairman, President and Chief Executive Officer of Allegheny Energy.

“Implementation of this settlement will lower costs for our customers, help West Virginia's economy, and improve air quality in the region.”

Parties to the settlement agreement include the staff of the Public Service Commission, the Consumer Advocate Division and other interested groups. The Commission has scheduled a hearing on the proposed settlement to begin on January 17. If authorized by the appropriate regulatory bodies, Allegheny will move forward with its plans to install scrubbers at Fort Martin. The design, permitting

and construction of the project would occur over three to four years, with an estimated in-service date before 2010.

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; regulatory matters; and asset sales or transfers. 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: 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; any failure to consummate, or delay in the consummation of, any contemplated asset sales or transfers; 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 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 accounting issues facing our company; 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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