



NEWS RELEASE

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FOR IMMEDIATE RELEASE

West Virginia Commission Approves Fort Martin Securitization

GREENSBURG, Pa., January 19, 2007 – Allegheny Energy, Inc. (NYSE:AYE) announced today that the Public Service Commission of West Virginia has approved the company's revised plan to finance the installation of flue gas desulfurization equipment (scrubbers) at its Fort Martin Power Station near Maidsville, W.Va.

On December 18, 2006, Allegheny, along with a group of interested parties, submitted a settlement agreement to the commission outlining the revised financing plan. In an order issued on January 17, 2007, the commission authorized Allegheny to:

- securitize up to \$450 million of the scrubber construction costs, plus certain related financing costs; and
- seek recovery of a rate of return on actual construction costs exceeding \$450 million during the period prior to placing the project into commercial service (construction work in progress).

The order also indicated that Allegheny may seek recovery of actual construction costs exceeding \$450 million in a subsequent base rate proceeding.

“We appreciate the commission’s support and timely action on this very important initiative to reduce emissions while minimizing the impact on customers’ rates,” said Paul J. Evanson, Chairman, President and Chief Executive Officer of Allegheny Energy. “The use of securitization financing will result in substantial savings to consumers as compared to cost recovery through traditional ratemaking.”

The securitization will involve issuing environmental control bonds. Funds collected from customers through an environmental surcharge will be dedicated to the repayment of those bonds. The surcharge will begin once the bonds are issued, and based on the estimates stated in the order, the charges should amount to about \$3.50 per month for a typical residential customer using 1,000 kilowatt-hours of electricity. Excluding the surcharge, a typical Allegheny Power residential customer in West Virginia currently pays about \$70 per month for 1,000 kilowatt-hours, well below the national average of more than \$90.

Allegheny expects to complete the Fort Martin scrubber project by year-end 2009. The project, which is a key component of Allegheny’s environmental stewardship program, would allow Allegheny to use more West Virginia coal and create more than 350 construction jobs.

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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