



NEWS RELEASE

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FOR IMMEDIATE RELEASE

Allegheny Announces West Virginia Rate Case Decision

GREENSBURG, Pa., May 23, 2007 –Allegheny Energy, Inc. (NYSE: AYE) today announced that the Public Service Commission of West Virginia issued an order regarding the company's July 2006 rate request.

In its July 2006 filing with the Commission, Allegheny had requested, for its Monongahela Power and Potomac Edison subsidiaries:

- a \$100 million revenue increase, consisting of a \$126 million increase in rates related to fuel and purchased power, and a \$26 million decrease in base rates; and,
- reinstatement of a fuel cost recovery clause.

The Commission's order, which is effective May 23, 2007:

- reduces revenues by \$6 million on an annualized basis, consisting of a \$126.0 million increase in rates related to fuel and purchased power costs, and a \$132.2 million decrease in base rates which includes changes in authorized depreciation rates which will reduce depreciation expense by about \$16 million, compared to 2006.
- reinstates the fuel cost recovery clause, adjustable annually, to reflect both increases and decreases in the cost of fuel and purchased power. Future rate adjustments under the fuel clause mechanism will occur annually, beginning January 1, 2009.

The increase in fuel and purchased power rates is due to the significant rise in the cost of fuel used to generate electricity. This is the first adjustment to Allegheny's West Virginia fuel-related rates since 1998. Over that same period, Allegheny's cost of coal, the primary fuel used to generate electricity, increased by more than 20 percent.

The order approved a 10.5% return on equity and rate base of \$1.18 billion.

"The commission's decision is a major disappointment," said David E. Flitman, President of Allegheny Power. "We particularly disagree with the commission's treatment of income tax matters and plan to appeal the order.

"Our rates were already among the lowest in the nation; we've reduced non-fuel costs and improved efficiency while achieving outstanding customer satisfaction ratings. We'll continue to work hard for our West Virginia customers."

As a result of this order, the contribution to pre-tax income associated with the West Virginia rate case, as reflected in the company's summary of 2007 earnings growth drivers, is revised from \$60 million (the prorated "as filed" request) to \$5 million (prorated "as ordered" amount).

Allegheny Energy

Headquartered in Greensburg, Pa., Allegheny Energy is an investor-owned electric utility with total annual revenues of over \$3 billion and more than 4,000 employees. The company owns and operates generating facilities and delivers low-cost, reliable electric service to over 1.5 million 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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