



NEWS RELEASE

800 Cabin Hill Drive, Greensburg, PA 15601-1689

Media contact:

Allen Stagers
Manager, Corporate Communications
Phone: (724) 830-5433
Media Hotline: (888) 233-3583
E-mail: astagge@alleghenyenergy.com

Investor contact:

Max Kuniansky
Executive Director, Investor Relations
and Corporate Communications
Phone: (724) 838-6895
E-mail: mkunian@alleghenyenergy.com

FOR IMMEDIATE RELEASE

Allegheny Energy's Transmission Incentives Approved by FERC

GREENSBURG, Pa., July 21, 2006 — Allegheny Energy, Inc. (NYSE: AYE) announced today that its 500-kilovolt transmission expansion project reached a key regulatory milestone with the Federal Energy Regulatory Commission's approval of incentive rate treatment.

Allegheny filed its proposal with FERC earlier this year as part of its transmission expansion proposal. The Energy Policy Act of 2005 directed the commission to develop incentive-based rates to encourage new investment in electric transmission lines that will improve reliability and lower costs for consumers.

Allegheny requested and the commission granted four incentives:

- a return on equity on the high end of a range of reasonableness, with the specific return to be determined in a later proceeding;
- recovery of construction work in progress (CWIP) prior to the in-service date of the project;
- the ability to expense and recover pre- construction and operating costs; and
- recovery of prudently incurred development and construction costs if the project is abandoned as a result of factors beyond its control.

In June, PJM Interconnection approved construction of approximately 210 miles of 500-kV transmission lines within Allegheny's service territory extending from southwestern Pennsylvania to West Virginia to northern Virginia. Allegheny will seek regulatory approvals from the utility commissions in states the line crosses. Also, Allegheny has requested that the U.S. Department of Energy designate the project as a National Interest Electric Transmission Corridor.

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: 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 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: 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 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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