



## NEWS RELEASE

800 Cabin Hill Drive, Greensburg, PA 15601-1689

**Media contact:**

David Neurohr  
Director, External Communications  
Phone: (724) 838-6020  
Media Hotline: (888) 233-3583  
E-mail: [dneuroh@alleghenyenergy.com](mailto:dneuroh@alleghenyenergy.com)

**Investor contact:**

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

### **FOR IMMEDIATE RELEASE**

#### **Allegheny Energy Files Proposed Settlement Agreement for Transmission Project**

**GREENSBURG, Pa., March 17, 2008** — Allegheny Energy, Inc. (NYSE: AYE) announced today that its subsidiary, Trans-Allegheny Interstate Line Company (TrAILCo), has filed a settlement agreement with the Federal Energy Regulatory Commission for a formula rate treatment for the proposed TrAIL line and other transmission-related projects. All active parties to the proceeding either support or do not oppose the settlement agreement.

The settlement agreement, which requires FERC approval and would resolve all issues previously set for hearing, includes the following:

- an incentive return on equity rate of 12.7 percent for the TrAIL project;
- an incentive return on equity rate of 12.7 percent for the static VAR compensator installed at the existing Black Oak Substation; and
- a return on equity rate of 11.7 percent, which includes a 50 basis point adder for membership in PJM Interconnection, for any other projects TrAILCo may undertake for which no incentive return on equity has been requested.

Incentive rate treatment is intended to encourage new investment in electric transmission projects that will improve the reliability of electric service. PJM, the regional grid operator for a 13-state area, warns that without TrAIL, the stability of the grid and reliable flow of electricity within the region cannot be reasonably assured. This could result in blackouts, voltage disruptions, and brownouts throughout the mid-Atlantic region as soon as 2011.

In 2006, PJM approved construction of the proposed line. The project includes approximately 180 miles of 500-kilovolt (kV) transmission spanning portions of Allegheny's service territory in southwestern Pennsylvania, West Virginia and Virginia; additional 138-kV transmission lines to address local reliability concerns in southwestern Pennsylvania; and related substation facilities. TrAIL is estimated to cost \$820 million.

TrAILCo is seeking regulatory approvals from the utility commissions in the respective states the line crosses.

## **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 1.6 million customers in Pennsylvania, West Virginia, Maryland and Virginia. For more information, visit the company's Web site at [www.alleghenyenergy.com](http://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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