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# **Allegheny Energy and American Electric Power to Form Joint Venture to Build 765-kV Transmission**

## ***PJM Planning Study Calls for Transmission Expansion***

GREENSBURG, Pa.--(BUSINESS WIRE)--Allegheny Energy, Inc. (NYSE:AYE) has signed a memorandum of understanding with American Electric Power (NYSE:AEP) to form a joint venture company to build and own new electric transmission assets within PJM Interconnection.

Under the terms of the memorandum, Allegheny and AEP will build 765-kV transmission lines and related facilities to link AEP's Amos substation, near St. Albans, W.Va., with Allegheny's proposed Kemptown station in Maryland. The joint venture will build and own approximately 250 miles of 765-kV transmission lines from AEP's Amos station to the Maryland border. An additional estimated 40 miles of 765-kV transmission line from the Maryland border to the Kemptown substation will be developed and owned by Allegheny.

Based on current plans, the proposed project is estimated to cost approximately \$1.8 billion, some of which would be owned by the joint venture, with other portions owned by the respective companies. Allegheny currently estimates that its total investment in the project will exceed \$1 billion. The board of the joint venture company will determine the scope of any additional transmission investments.

A PJM study released today indicates that the Amos-Kemptown 765-kV line is the preferred solution for ensuring the long-term reliability of the region's transmission system. Allegheny and AEP anticipate that the Amos-Kemptown line will be included in the next PJM Regional Transmission Expansion Plan (RTEP) scheduled for release in mid-2007. Once the project is included in the RTEP, the joint venture will seek regulatory recovery consistent with the Federal Energy Regulatory Commission's declaratory orders made July 20, 2006 for Allegheny's Trans-Allegheny Interstate Line Project and the AEP Interstate Project. The in-service date for Amos-Kemptown will be determined by PJM, with the earliest possible completion in 2012.

"We stand ready to strengthen the transmission system in accordance with PJM's findings. Its latest study confirms that further investment is critical to providing dependable electric service and keeping pace with growing demand," said Paul J. Evanson, Chairman, President and Chief Executive Officer of Allegheny Energy. "Joining forces with AEP leverages both companies' strengths for this essential project."

The joint venture will operate as a transmission utility and be subject to the rules and regulations of the Federal Energy Regulatory Commission and PJM. It will be managed by a board that includes two representatives from AEP and two from Allegheny. AEP will have lead

responsibility for engineering, designing and constructing the 765-kV elements of the project. Each company will provide services to the joint venture for siting, acquiring rights-of-way, regulatory approvals, and operations and maintenance of the project.

Allegheny's Trans-Allegheny Interstate Line (TrAIL), a separate, 210-mile project scheduled for completion in 2011, would not be part of the joint venture. The agreement also does not preclude either company from pursuing other transmission opportunities in PJM.

Allegheny and AEP expect to execute definitive agreements for the joint venture by mid-2007 and anticipate the joint venture will begin operations in the second half of 2007.