

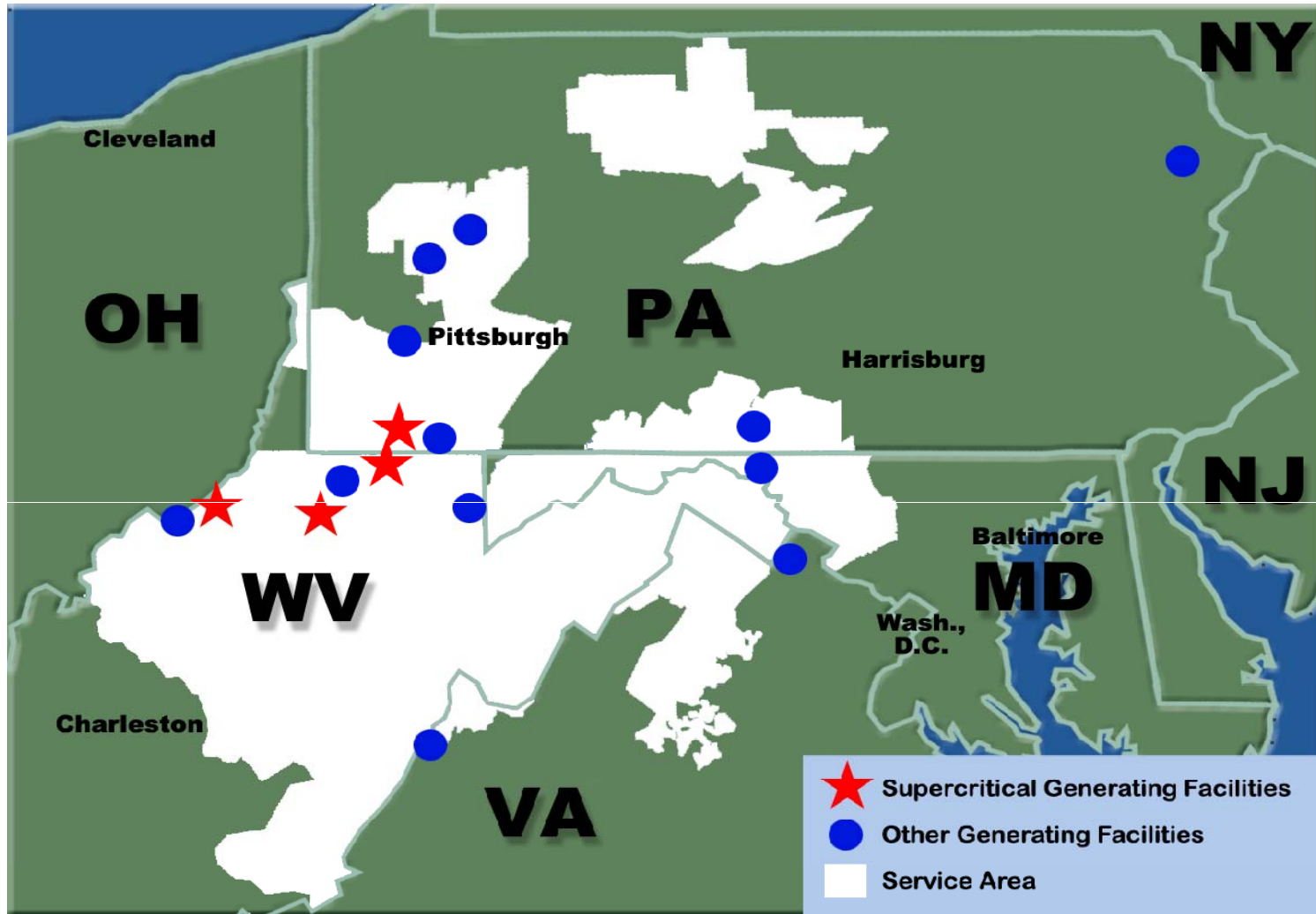
***Paul Evanson, President and CEO
Allegheny Energy***



SSEB 50th Annual Meeting

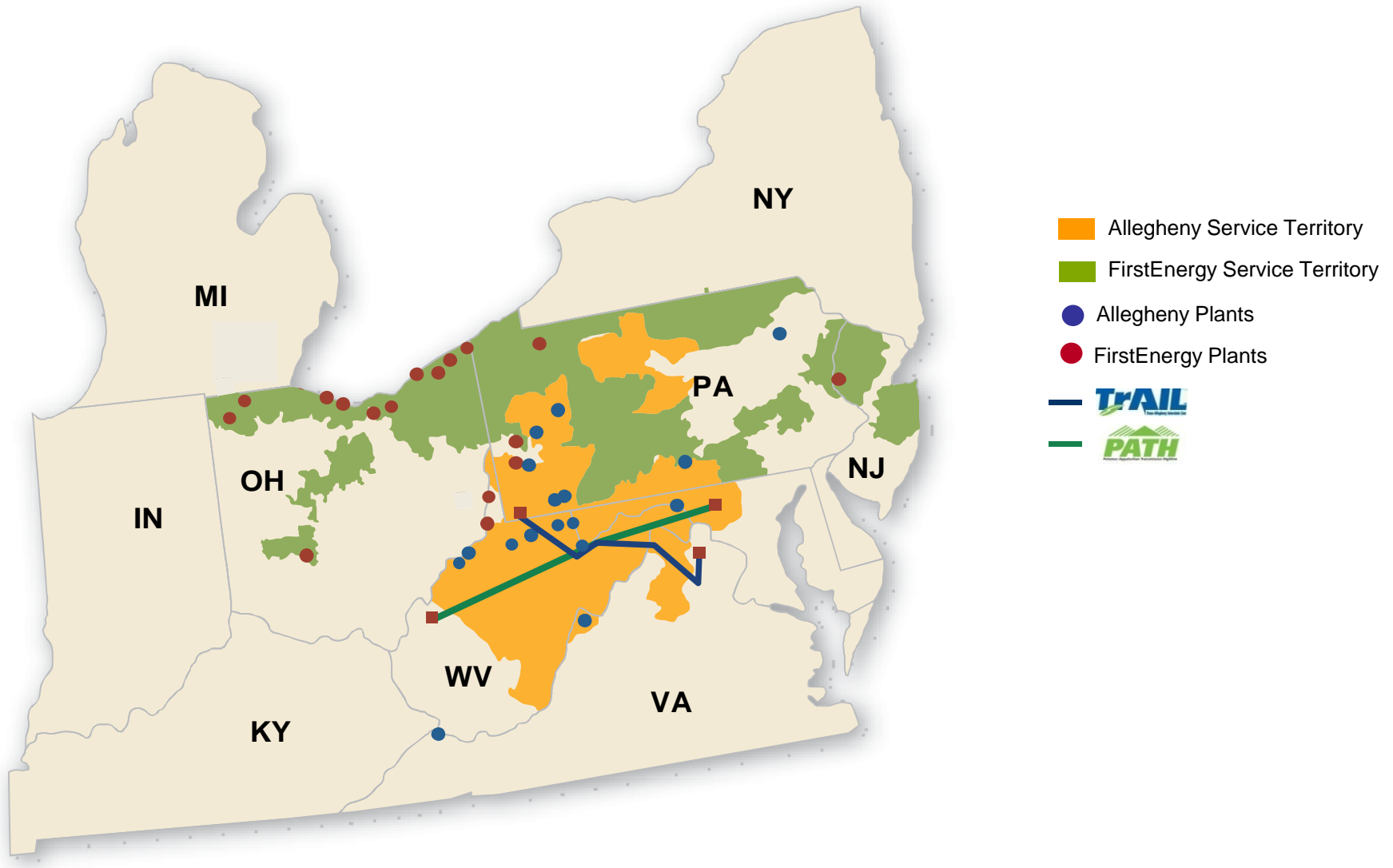


AYE Service Area and Generation Plants





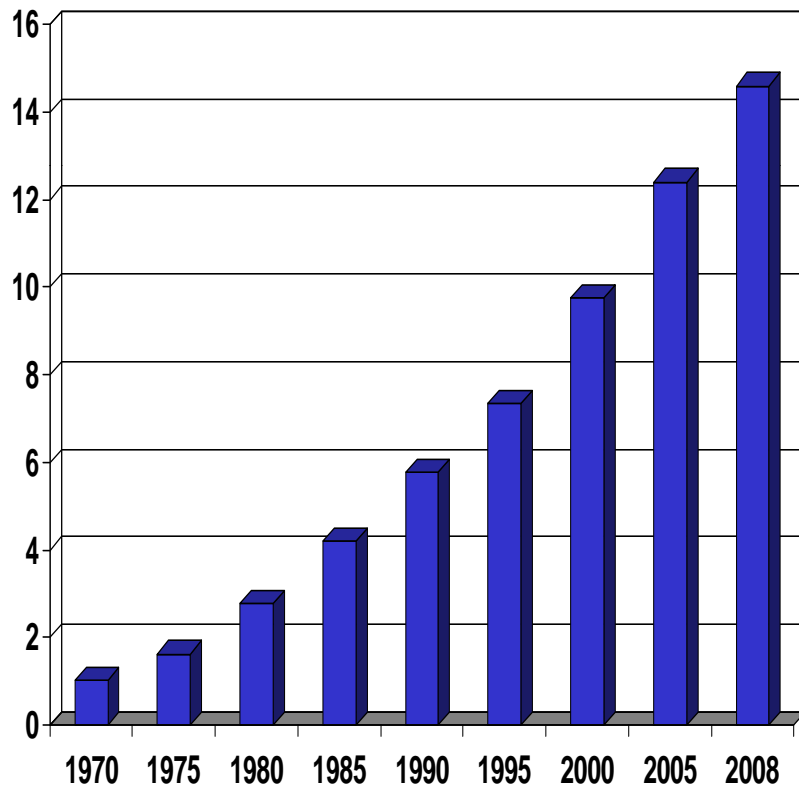
Service Area and Generation Plants



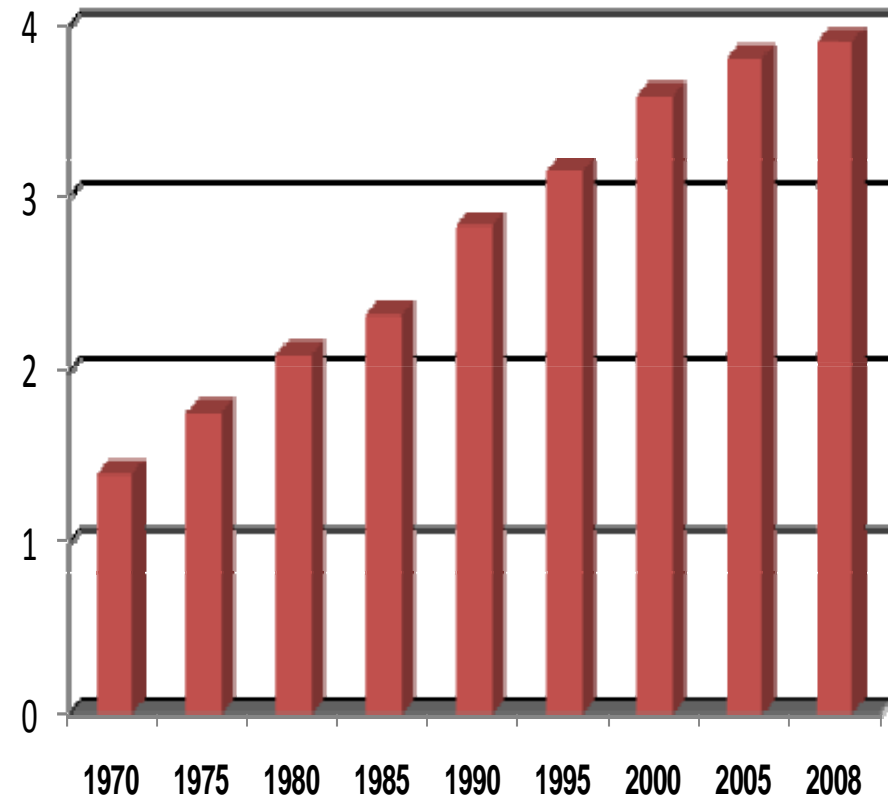


U.S. Economic and Electricity Demand Growth

GDP in Trillion Dollars



Electricity Demand in Billion Kilowatt-hours

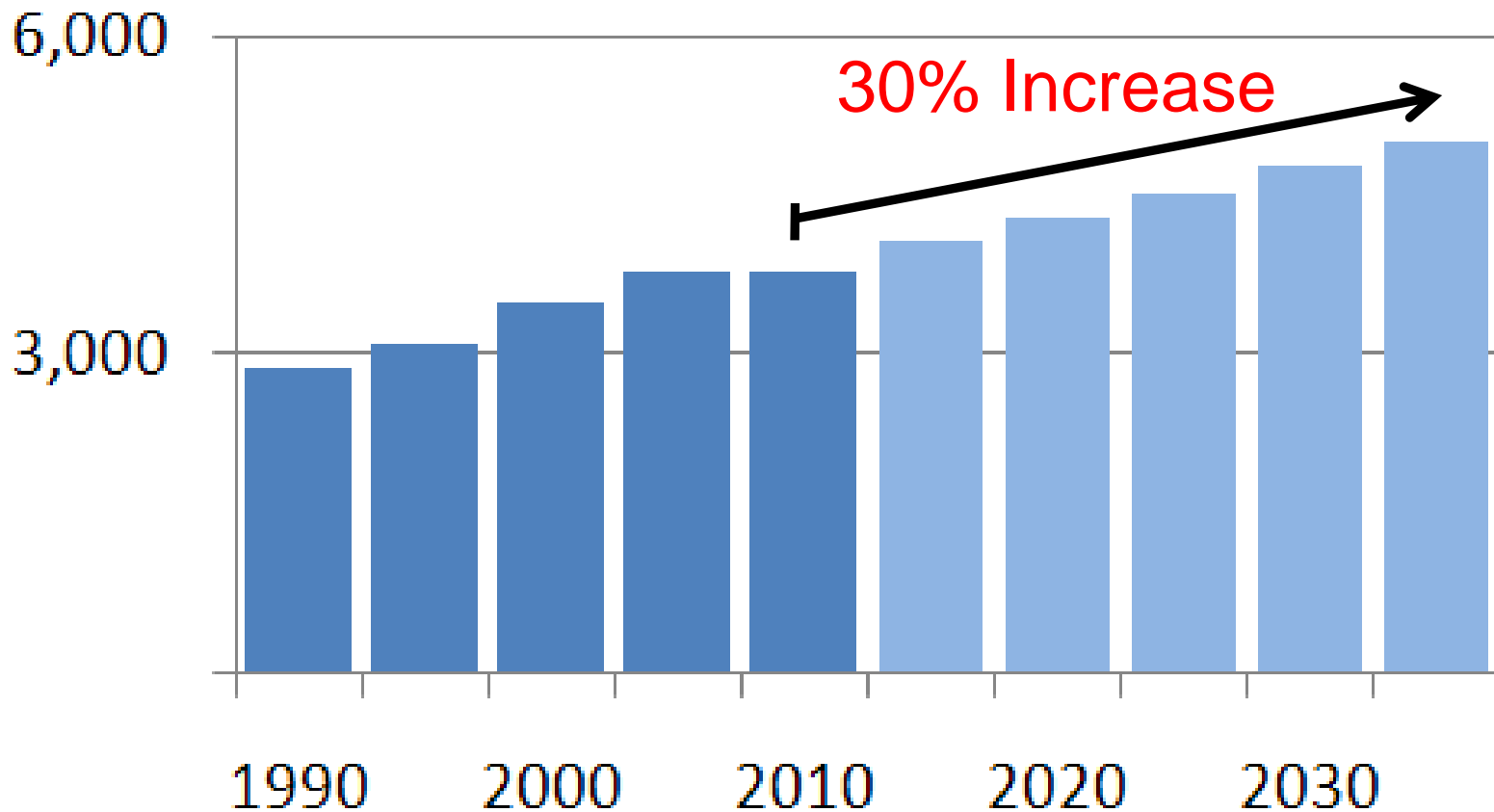


Data source: World Bank, World Development Indicators , U.S. Energy Information Agency



U.S. Electricity Demand Projected to Grow

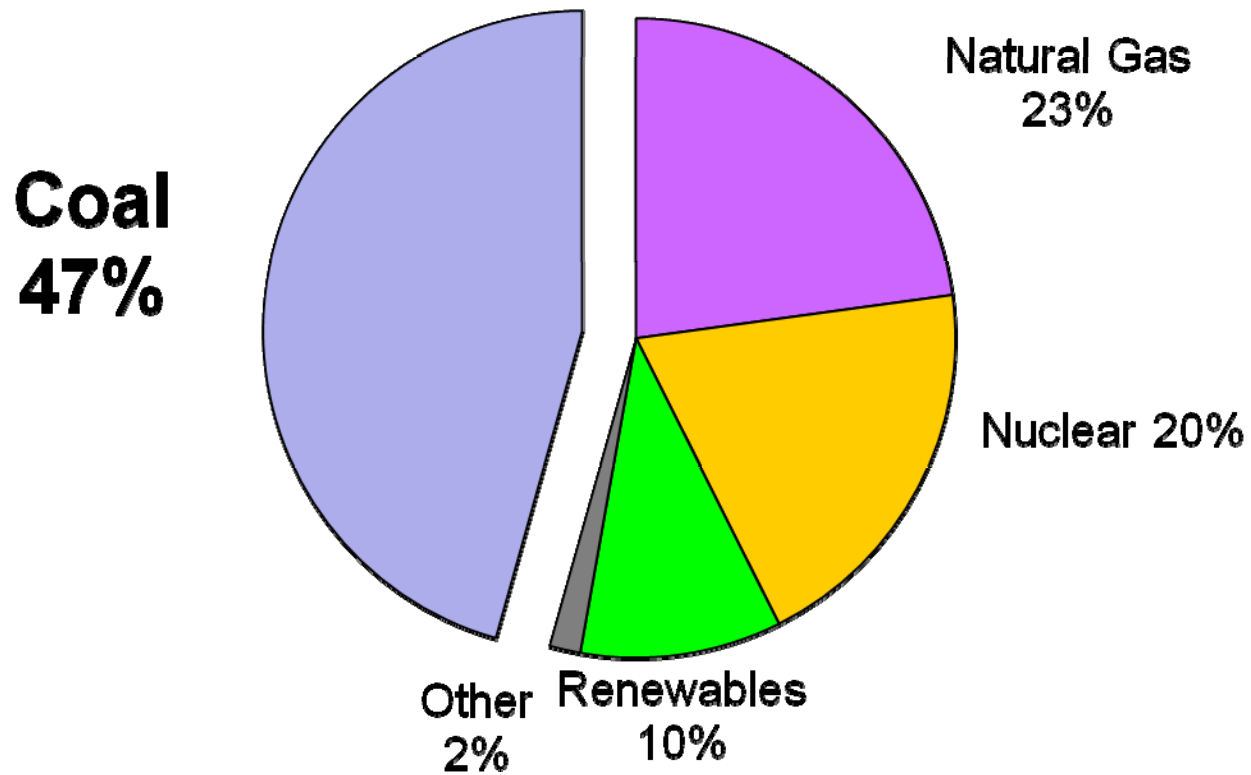
(Billion kilowatthours)



Source: Energy Information Administration, Annual Energy Outlook 2010



Coal Provides Almost 50% of U.S. Electricity



Source: U.S. Department of Energy, Energy Information Administration, Power Plant Operations Report (EIA-923); 2009 preliminary data.



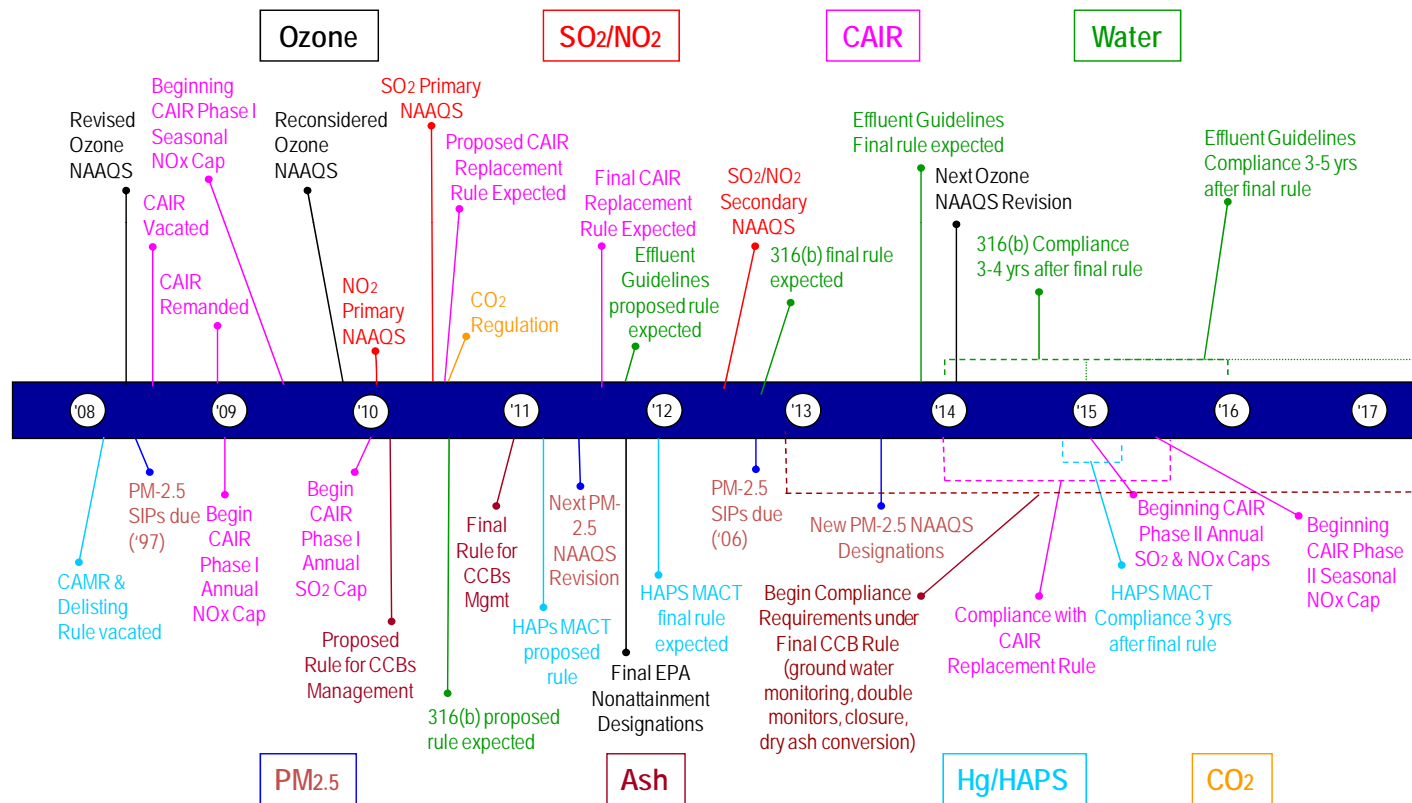
Congressional Attempts to Stifle Coal Generation

- Several cap-and-trade bills introduced which, if enacted, will add energy costs to Americans.
 - example: Waxman-Markey would cost taxpayers approximately \$393 billion per year.
- Other coal related bills introduced which, if enacted, will be detrimental to coal generation.
- Federal legislation will most likely not pass this year.
- Regardless, the industry will have a challenge meeting federal regulations.



Pending EPA Regulations

The maze of regulations over the next five years...



...will force nearly all coal plants to retrofit or retire.



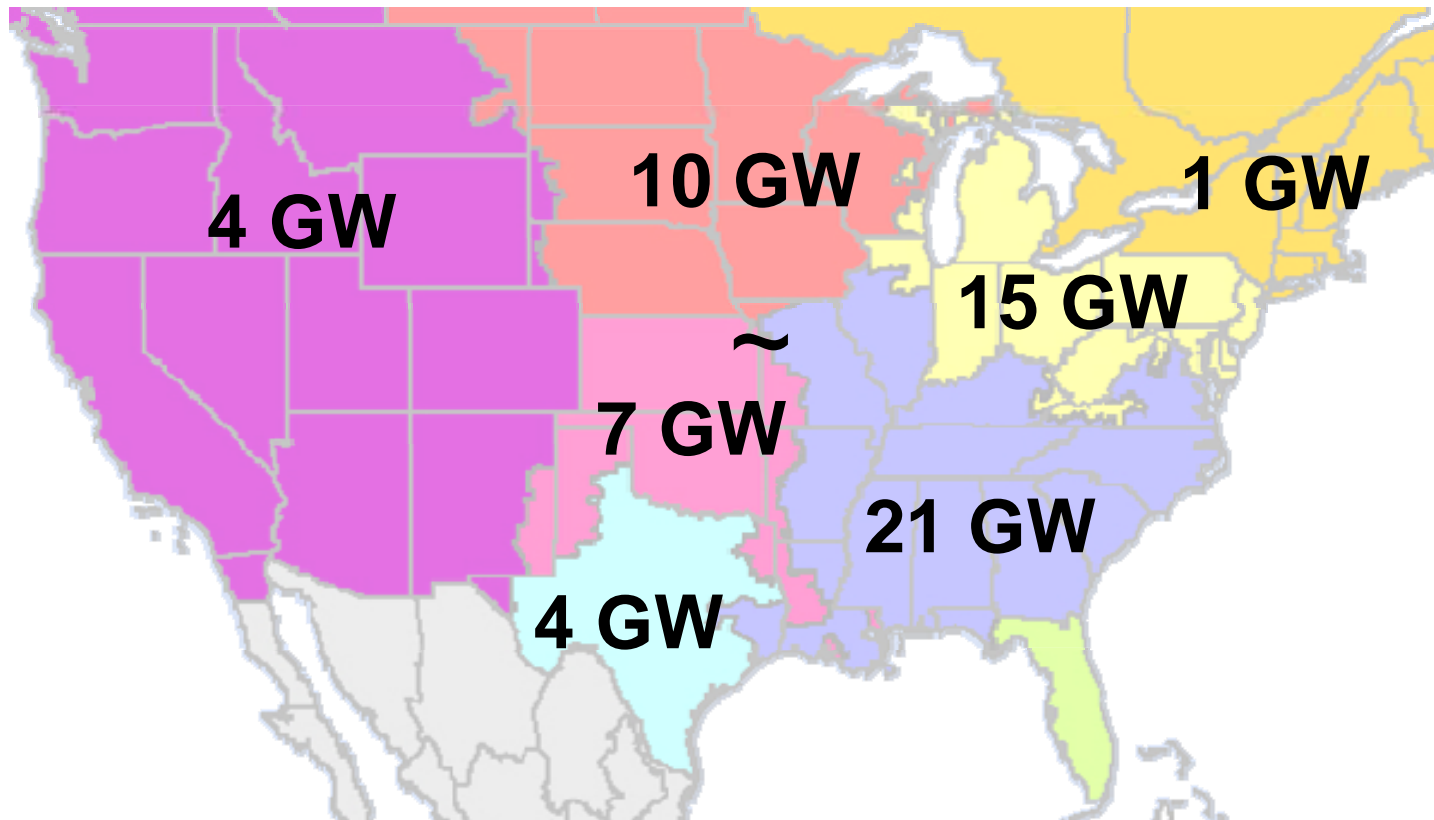
Regulations Will Require Significant Retrofits

- 40% of US coal capacity is scrubbed.
- 33% of US coal capacity has an SCR.
- Therefore, to survive the train wreck, about 2/3 of US coal capacity would have to invest in either a scrubber and/or an SCR, plus other controls.
- AE has already invested ~\$3 Billion in clean air controls.



Regulations Could Negatively Impact Reliability and Consumer Rates

67 GW of U.S. coal capacity could potentially close...



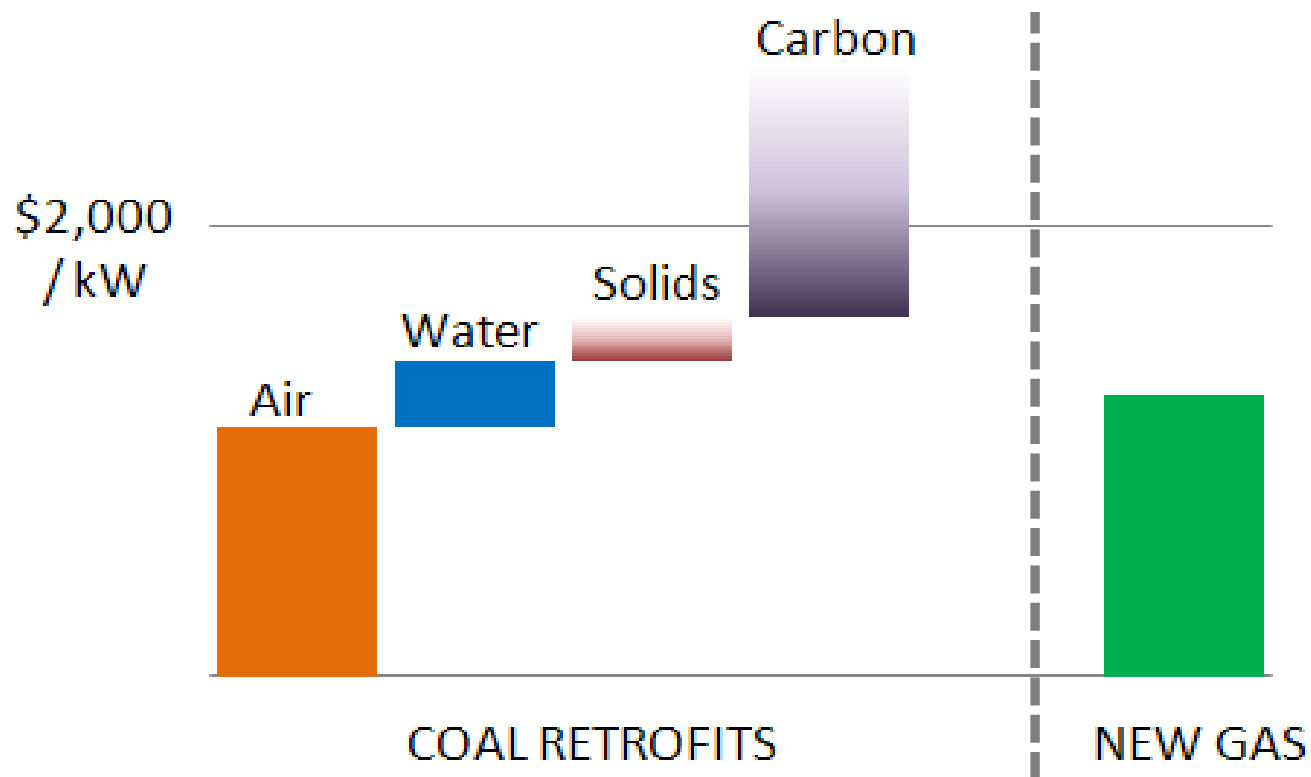
...27 GW of which is in SSEB states.

Source: EnergyVelocity database. U.S. coal units without either NO_x or SO₂ controls and heat rates greater than 10,500 mmBtu/MWh.



Regulations Will Be Costly

Utilities/Generators in SSEB states may need \$50 to \$100 billion to retrofit or replace coal generation...



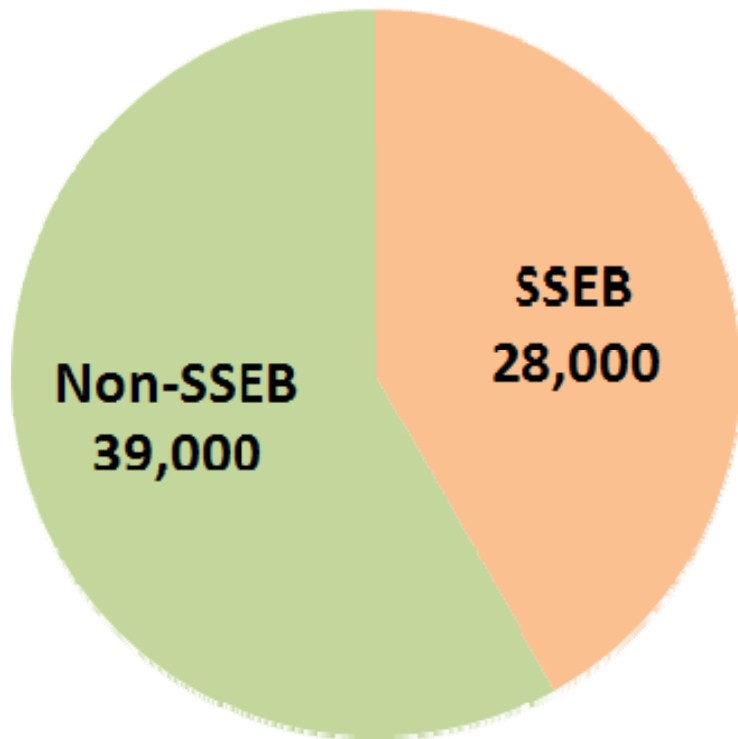
...and these costs will be borne by utility customers.

Source: Air costs per EEI Coal Fleet Initiative study. Water & solids cost per AYE internal estimates. Carbon costs per EIA AEO 2010.

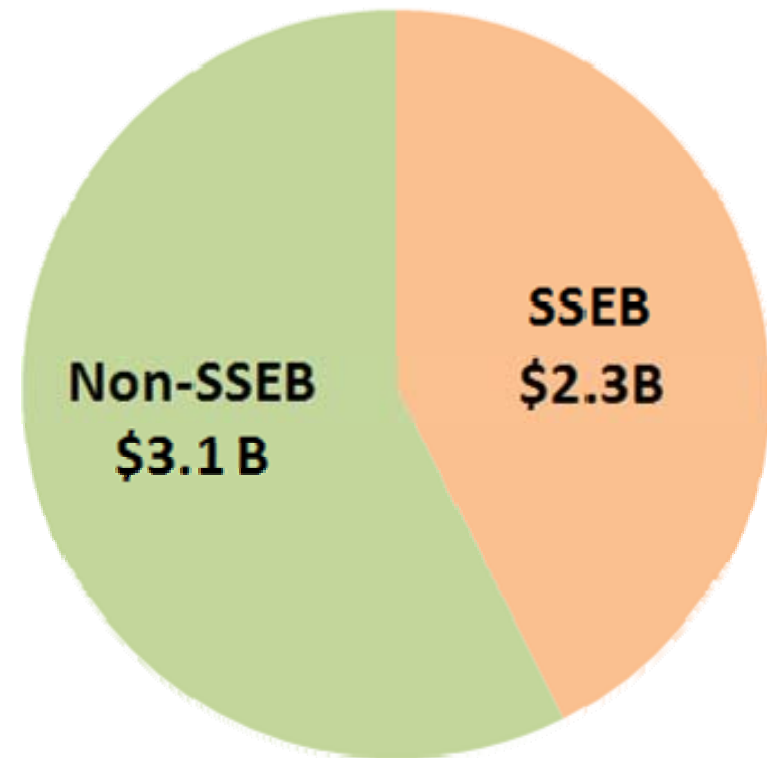


Regulations Effect on Jobs and State Economies

67,000 Jobs at Risk



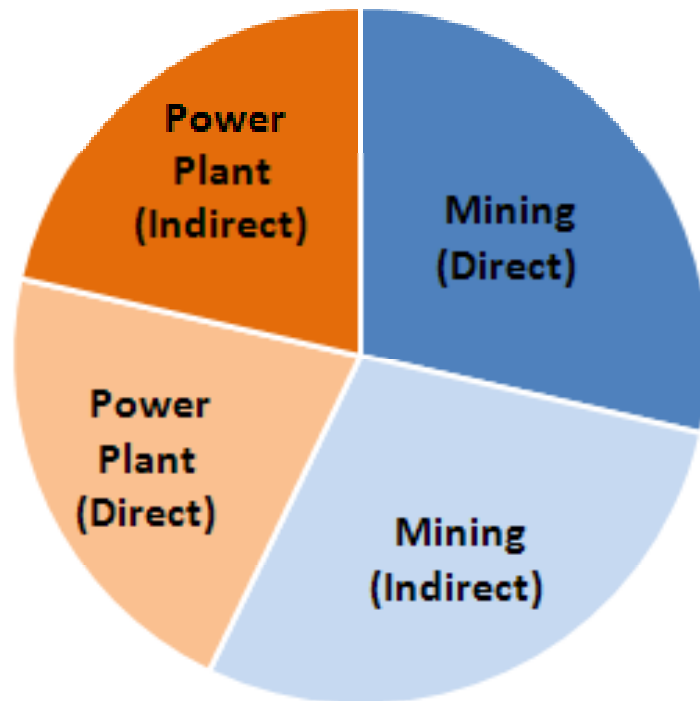
\$5.4 Billion Wages & Taxes at Risk



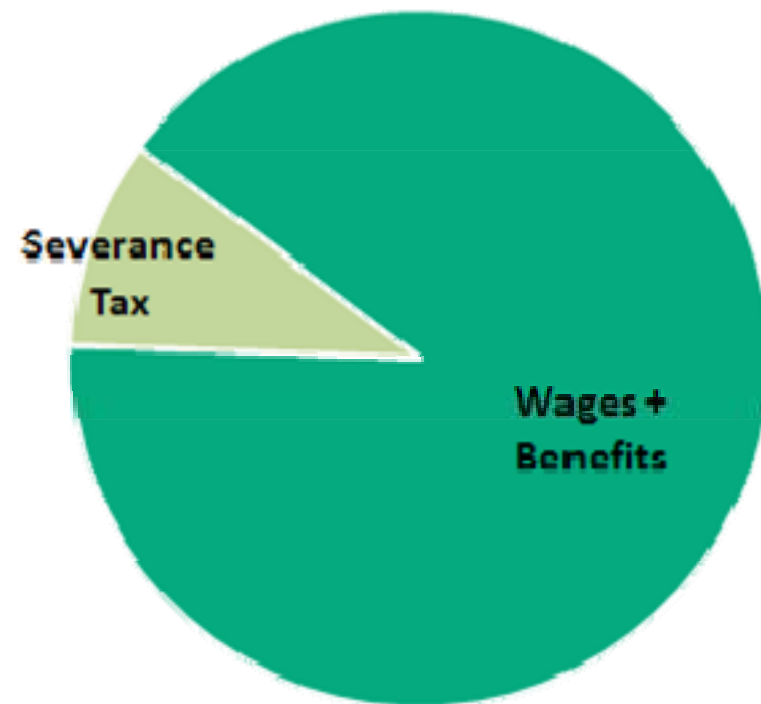


Regulations Will Affect SSEB States

28,000 Jobs at Risk



\$2.3 Billion Wages & Taxes at Risk





What Must Be Done

- We must work with Congress and the EPA to mitigate the Train Wreck by coming up with regulations that:
 - Provide a better time line for implementation of regulations;
 - Balance reducing emissions with keeping the lights on limit cost impact on customers; and
 - That support the long-term development of clean coal technologies.
- If we do not find solutions, then we face:
 - A rash of generation retirements;
 - Loss of jobs in the utility/generation sectors; and
 - Increased costs for utilities and their customers.