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FOR IMMEDIATE RELEASE

**Allegheny Energy Supply receives \$2.4 million grant from
U.S. Department of Energy for biomass project**

Greensburg, Pa., August 28, 2000 – Allegheny Energy Supply, the unregulated generating subsidiary of Allegheny Energy, Inc. (NYSE: **AYE**), has been selected for award of a \$2.4 million research and development cooperative agreement from the U.S. Department of Energy (DOE) for a biomass project at its Willow Island Power Station in Pleasants County, W.Va., placing the Company at the forefront of renewable energy technology research.

The three-year project will adapt the 181-megawatt (MW) Willow Island Unit No. 2 to co-fire sawdust with coal and tire-derived fuel (TDF), reducing fuel costs and nitrogen oxide emissions.

“Allegheny Energy Supply is delighted to be selected for this award,” said Peter J. Skrgic, President, Allegheny Energy Supply. “It establishes Allegheny as one of the leaders in renewable energy initiatives.

“The project is significant because it tests the blending of a tri-fuel supply of coal, biomass, and TDF for commercial operation,” said Skrgic. “We have already performed studies using TDF on this unit and have been pleased with the results. We are excited to be able to expand the environmental benefits by adding biomass to the fuel mix.

“Ultimately, we expect this process to improve our environmental performance and reduce production costs,” he added.

The project is part of the DOE Office of Energy Efficiency and Renewable Energy’s Biomass Cofiring Program, managed by the National Energy Technology Laboratory. It will combine 80 percent coal with 10 percent biomass and 10 percent TDF. The output will meet Renewable Portfolio Standards (RPS), which include wind, solar, low-head hydro, landfill gas, and biomass, such as crops, trees, and other agricultural and forestry residues.

Foster Wheeler Corp., a leader in biomass burning in coal plant technology, will be the contractor for this project, overseeing equipment installation and associated monitoring and reporting.

Allegheny Energy Supply, an Allegheny Energy Company, operates and markets competitive retail and wholesale electric generation throughout competitive markets in the eastern United States and operates regulated generation for its affiliates. For more information about Allegheny Energy Supply, visit our web site at www.alleghenyenergysupply.com.