

**FOR IMMEDIATE RELEASE**

**ALLEGHENY ENERGY FILES U-1 WITH SEC, SEEKING APPROVAL OF  
INITIAL PUBLIC OFFERING OF SUBSIDIARY ALLEGHENY ENERGY SUPPLY**

**Transaction Positions the Company for Continued Growth and  
Increases Financial Flexibility**

**Hagerstown, Md., July 23, 2001** – Allegheny Energy, Inc. (NYSE: AYE), following approval by its Board of Directors, announced today that it has filed a U-1 application with the Securities and Exchange Commission (SEC), seeking approval of an initial public offering (IPO) of up to 18 percent of the common stock in a new holding company, which would own 100 percent of its unregulated generating subsidiary, Allegheny Energy Supply Company, LLC. Allegheny Energy also announced that it expects, subject to market and other conditions, to distribute to the holders of Allegheny Energy common stock its remaining equity ownership of the Allegheny Energy Supply holding company during 2002 in a tax-free distribution.

The U-1 application seeks the authorizations required under the *Public Utility Holding Company Act*. The purpose of the IPO and distribution is to permit Allegheny Energy's energy delivery business and Allegheny Energy Supply to focus on their respective businesses and market opportunities and, in particular, to allow Allegheny Energy Supply to pursue its growth strategy for the electric power generation business.

These transactions would create two independent companies, strategically positioned to capitalize on the opportunities in the rapidly evolving energy marketplace:

- **Allegheny Energy**, which will include its utility operating subsidiaries doing business as Allegheny Power, as well as its Allegheny Ventures subsidiary. Allegheny Power is a diversified energy and energy services company that delivers electric energy and natural gas to about three million people in parts of Maryland, Ohio, Pennsylvania, Virginia, and West Virginia. Allegheny Ventures is a growing business development company that invests in and develops telecommunications and energy-related projects; and
- A new holding company, which will own the businesses of **Allegheny Energy Supply**, an unregulated energy company that develops, owns, and operates electric generating facilities and supplies and trades energy and energy-related commodities in selected domestic retail and wholesale markets.

Alan J. Noia, Chairman of the Board, President, and Chief Executive Officer of Allegheny Energy, said, "Today's announcement is historic for our Company. Over the past several years, we have transformed ourselves from a regional energy supplier into a national energy merchant by expanding our efficient, low-cost generating fleet and broadening our energy marketing and trading expertise. The IPO and distribution of the common stock of the Allegheny Energy Supply holding company is the next

logical step in our transformation. It is the right direction for both Allegheny Energy and Allegheny Energy Supply, with each company going forward to compete in two distinct markets that have emerged in our industry over the past several years.”

Noia continued, “Our separation into two companies will sharpen the strategic focus of both, enabling each to hone in on core competencies, determine the best means of serving customers, and respond to the changing business landscape.”

The filing of the U-1 application marks the Company’s first official step in the IPO process. Later this quarter, Allegheny Energy expects to file an S-1 Registration Statement with the SEC.

### **About Allegheny Energy**

Allegheny Energy, Inc. is a diversified energy company headquartered in Hagerstown, Md. It has been named to the *Fortune* 500 list, the Standard and Poor’s 500 index, and the *Forbes* “Platinum 400” list. The Allegheny Energy family includes *Allegheny Power*, which delivers electric energy and natural gas to about three million people in parts of Maryland, Ohio, Pennsylvania, Virginia, and West Virginia; *Allegheny Energy Supply Company, LLC*, which develops, owns, and operates electric generating facilities and supplies and trades energy and energy-related commodities in selected domestic retail and wholesale markets; and *Allegheny Ventures*, which invests in and develops telecommunications and energy-related projects. For more information, visit our web site at [www.alleghenyenergy.com](http://www.alleghenyenergy.com).

### **About Allegheny Energy Supply**

Allegheny Energy Supply develops, owns, and operates electric generating facilities and supplies and trades energy and energy-related commodities in selected domestic retail and wholesale markets. With its recently announced acquisitions and expansion plans, Allegheny Energy Supply will have ownership or control of generating capacity totaling more than 14,500 megawatts by 2005, with assets strategically located throughout the United States.

### ***Private Securities Litigation Reform Act Safe Harbor Statement***

Certain statements above constitute forward-looking statements with respect to Allegheny Energy, Inc. Such forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause the actual results, performance, or achievements of Allegheny Energy to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements. Such factors may affect Allegheny Energy’s operations, markets, products, services, prices, and capital expenditure and development activities. Such factors include, among others, the following: changes in general and economic and business conditions; changes in the price of electricity and natural gas; industry capacity; changes in technology; changes in financial market conditions; changes in political, social, and economic conditions; deregulation activities and the movement towards competition in the states served by our operations; the effect of regulatory and legislative decisions; separation of the operations of Allegheny Energy; regulatory approvals and conditions applicable to the transaction; the loss of any significant customers; and changes in business strategy or business plans.

An initial public offering and distribution of a holding company, which would include Allegheny Energy Supply, would be subject to the development of definitive separation terms, further corporate approvals, market and other conditions, and government actions, including receipt of a favorable Internal Revenue Service ruling that the separation would be tax-free to Allegheny Energy and its shareholders for U.S. federal income tax purposes. There can be no assurance that an initial public offering will be completed as described above.

This news release does not constitute an offer to sell or the solicitation of an offer to buy any securities.

**Press Teleconference Information:**

Allegheny Energy will host a press teleconference today at 11:00 a.m. (EDT) to discuss the transaction. The dial-in number is (800) 252-8298 (within the U.S.) and (212) 346-6501 (internationally). Members of the press may also find useful information about the Company in the News Room located on Allegheny Energy's web site at [www.alleghenyenergy.com](http://www.alleghenyenergy.com).

**July 27, 2001, Earnings Teleconference and Web Cast:**

Allegheny Energy will host a financial analyst web cast on Friday, July 27, 2001, at 11:00 a.m. (EDT) to discuss its second quarter earnings results and this announcement. A live internet broadcast of the teleconference will be available at [www.alleghenyenergy.com](http://www.alleghenyenergy.com) and at [www.streetevents.com](http://www.streetevents.com) by clicking on an available audio link. Real Network's Real Player is required to access the web cast. It can be downloaded from [www.real.com](http://www.real.com).

**Satellite Uplink for Allegheny Energy B-Roll:**

Monday, July 23, 2001  
7:30 a.m. – 8:00 a.m. (EDT)  
GE2 Transponder 11 C-Band  
Downlink Frequency 3920 Vertical

Monday, July 23, 2001  
12:30 p.m. - 1:00 p.m. (EDT)  
GE2 Transponder 11 C-Band  
Downlink Frequency 3920 Vertical

If you have any technical questions or problems with the satellite feed for B-Roll, please call Brett Curran at (212) 627-5622.

**Contacts for Allegheny Energy:**

**Investors:**

Gregory L. Fries,  
Manager, Investor Relations  
(301) 665-2713  
[gfries@alleghenyenergy.com](mailto:gfries@alleghenyenergy.com)

**Media:**

Cynthia A. Shoop,  
Vice President, Corporate Communications  
(301) 665-2718  
[cshoop@alleghenyenergy.com](mailto:cshoop@alleghenyenergy.com)

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