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**FOR IMMEDIATE RELEASE**

**Allegheny Energy Supply Signs Supplemental Agreement  
with U.S. Department of Interior for Potomac River Hydroelectric Dams**

**Hagerstown, Md., July 16, 2002** – Allegheny Energy Supply, a subsidiary of Allegheny Energy, Inc. (NYSE: AYE), today signed a supplemental agreement with the National Park Service (NPS) and the U.S. Fish and Wildlife Service (FWS) to share annual maintenance costs for two hydroelectric dams on the Potomac River in West Virginia and to fund environmental projects in the area.

The supplemental agreement permits Allegheny to use the dams, owned by the NPS. The agreement is necessary as part of the relicensing process with the Federal Energy Regulatory Commission for two of Allegheny's seven small hydroelectric generating facilities on the Potomac and Shenandoah rivers in Virginia and West Virginia. The Company is working to renew licenses, which expire in 2003, for Dam No. 4 (1.9 megawatts) near Shepherdstown, W.Va., and Dam No. 5 (1.2 megawatts) near Hedgesville, W.Va.

“Allegheny Energy Supply is pleased to enter into this cooperative agreement with the National Park Service and the Fish and Wildlife Service,” said David C. Benson, Vice President, Production & Sales for Allegheny Energy Supply. “Allegheny is committed to its role as a good environmental steward. This type of investment will help protect the historic dams and the environmental resources in the Potomac Watershed for years to come and will enhance the quality of life in the region.”

In the supplemental agreement, Allegheny will pay a one-time dam usage fee and then share annual dam maintenance costs with the C&O Canal, which is operated by the NPS. Allegheny's yearly share will be \$25,000 per dam.

In addition, Allegheny will fund other environmental projects, totaling nearly \$300,000 for:

- Installation of an eel ladder at Dams No. 4 and No. 5 to allow for upstream passage of the American Eel;
- An upstream fish passage study on the Potomac River to be performed by the FWS;
- A recreational usage study on the Potomac River to be performed by the NPS; and
- Installation of educational signage at both Dams No. 4 and No. 5.

With headquarters in Hagerstown, Md., Allegheny Energy is an integrated *Fortune* 500 energy company with a balanced portfolio of businesses, including Allegheny Energy Supply, which owns and operates electric generating facilities and supplies energy and energy-related commodities in selected domestic retail and wholesale markets; Allegheny Power, which delivers low-cost, reliable electric and natural gas service to about three million people in Maryland, Ohio, Pennsylvania, Virginia, and West Virginia; and a business segment offering fiber-optic and data services, energy procurement and management, and energy services. More information about the Company is available at [www.alleghenyenergy.com](http://www.alleghenyenergy.com).