



NEWS RELEASE

For Media, contact:

Cynthia A. Shoop
Vice President, Corporate Communications
10435 Downsview Pike
Hagerstown, MD 21740-1766
Phone: 301-665-2718
Media Hotline: 1-888-233-3583
E-Mail: cshoop@alleghenyenergy.com

For Investor Relations, contact:

Gregory L. Fries
General Manager, Investor Relations
10435 Downsview Pike
Hagerstown, MD 21740-1766
Phone: (301) 665-2713
E-Mail: gfries@alleghenyenergy.com

M. Beth Straka
General Manager, Investor Relations
4350 Northern Pike
Monroeville, PA 15146-2841
Phone: (412) 856-3731
E-Mail: mstraka@alleghenyenergy.com

FOR IMMEDIATE RELEASE

Allegheny Energy Issues Statement With Regard to Lawsuit Filed By Merrill Lynch

Hagerstown, Md., September 24, 2002 – Allegheny Energy, Inc. (NYSE: AYE) has issued the following statement in response to a lawsuit filed today by Merrill Lynch (NYSE: MER).

According to the Company, “In early 2001, Merrill Lynch sold its energy trading business to Allegheny Energy. We were disturbed by recently published reports of improprieties in the dealings of Merrill’s energy trading business with Enron Corporation prior to the sale of that business to Allegheny Energy, as well as by other matters relating to Merrill Lynch’s conduct of that business. We have been seeking to obtain information from Merrill Lynch about these reported improprieties. Rather than provide the information requested, Merrill Lynch filed this lawsuit. We intend to defend against Merrill Lynch’s allegations vigorously and to prosecute our own claims concerning the transaction.”

Allegheny Energy’s counsel, Stanley S. Arkin of Arkin Kaplan & Cohen, said, “There are serious issues concerning the adequacy and accuracy of Merrill Lynch’s disclosures and representations about the energy trading business it sold to Allegheny Energy – particularly as they pertain to Merrill’s dealings with Enron. These are issues that go to the very validity of the transaction itself, and we intend to get to the bottom of them very soon. Merrill Lynch’s lawsuit is nothing more than a gambit to divert Allegheny from its appropriate inquiries.”

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 offering fiber-optic and data services, energy procurement and management, and energy services. More information about the Company is available at www.alleghenyenergy.com.

Certain statements contained herein 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, capital expenditures, development activities, and future plans. Such factors include, among others, the following: changes in general, economic, and business conditions; changes in the price of electricity and natural gas; changes in industry capacity; changes in technology; changes in financial and capital market conditions; changes in political and social conditions, deregulation activities and the movement toward competition in the states served by our operations; the effect of regulatory and legislative decisions; regulatory approvals and conditions; the loss of any significant customers; litigation; and changes in business strategy or business plans.

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