



## 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](mailto: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](mailto: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](mailto:mstraka@alleghenyenergy.com)

### **FOR IMMEDIATE RELEASE**

#### **Allegheny Energy Comments on Moody's Rating Action**

**Hagerstown, Md., October 1, 2002** – Allegheny Energy, Inc. (NYSE: AYE) today issued the following statement in response to a Moody's Investors Service decision to change the senior unsecured debt ratings of Allegheny Energy and its subsidiaries, Allegheny Energy Supply Company, LLC, Monongahela Power Company, The Potomac Edison Company, West Penn Power Company, Allegheny Generating Company, and the Allegheny Energy Supply Statutory Trust 2001.

“We are disappointed with Moody's decision. However, we understand that the credit rating agencies are dealing with unprecedented challenges facing the energy marketplace,” said Allegheny Energy Chairman, President, and Chief Executive Officer Alan J. Noia. “We intend to continue to work closely with Moody's to address its concerns.”

Noia added, “The Company has taken significant steps and continues to take actions that we believe will enable us to operate our business successfully and deliver on our commitments to shareholders and customers. We've refocused our strategy on managing our two asset-backed businesses in a balanced fashion; are taking a conservative approach to managing each of our businesses; have significantly reduced our energy trading activities; and will maintain our focus on aggressive cost management, creating additional operating efficiencies, and rigorously reviewing our planned expenditures.”

In light of Moody's action, the Company will be reviewing all current financing plans and options.

-more-

The Company affirmed that the rating changes do not trigger any defaults or prepayment obligations under the Company's debt agreements.

The Company also said that it is working with its senior lenders and fully expects to be able to maintain adequate liquidity.

Allegheny Energy has taken steps to reduce its cost structure, preserve cash, and strengthen its balance sheet, including:

- Significantly reducing reliance on the wholesale energy trading business and refocusing on fundamental strengths and core assets – delivering energy to native load customers and operating the Company's low-cost fleet of legacy generation assets – while modifying its trading activities to focus on lowering risk, optimizing assets, reducing the effect and amount of mark-to-market earnings, and prudently managing and protecting the value associated with existing positions in its portfolio;
- Reducing pre-tax operating expenses by \$45 million in 2002;
- Cancelling a number of generation projects, thereby reducing capital expenditures by approximately \$700 million over the next several years; and
- Reducing the Allegheny Energy workforce by approximately 10 percent as a result of an early retirement option offered earlier this year, resulting in an estimated additional \$5 million of expense reductions this year and ongoing annualized savings of \$40 million to \$50 million. The Company will determine if any selected staff reductions will be needed after it completes staffing for its newly redesigned organization during the first quarter of 2003.

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).

*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.*