



## NEWS RELEASE

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### **FOR IMMEDIATE RELEASE**

#### **Allegheny Energy In Technical Default Under Credit Agreements; Company In Discussions With Senior Lenders**

**Hagerstown, Md., October 8, 2002** – Allegheny Energy, Inc. (NYSE: AYE) today announced that it is in technical default under its principal credit agreements and those of its subsidiaries, Allegheny Energy Supply Company, LLC, and Allegheny Generating Company, after it declined to post additional collateral in favor of several trading counterparties. Those counterparties declared Allegheny Energy Supply in default under their respective trading agreements, which triggered cross-default provisions under the credit agreements and other trading agreements. These collateral calls followed the downgrading of the Company's credit rating by Moody's Investors Service last week.

Allegheny Energy is in ongoing discussions with its bank lenders, with a view toward obtaining required waivers and additional funding. Allegheny believes that its underlying businesses remain fundamentally sound, and that it will ultimately be able to obtain the necessary liquidity to resolve its current situation. The Company announced, however, that it has determined not to post additional collateral with trading counterparties pending resolution of its bank discussions.

Allegheny Energy also announced that, based on preliminary results for the third quarter and continued weakness in the wholesale energy market, it anticipates that 2002 and 2003 earnings per share will be lower than previously expected. The Company anticipates that it will provide revised earnings guidance no later than the time it releases third quarter earnings in early November.

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.*