



NEWS RELEASE

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FOR IMMEDIATE RELEASE

FERC judge dismisses Nevada contract case against Allegheny Energy Supply

Hagerstown, Md., December 20, 2002 – Allegheny Energy Supply, a subsidiary of Allegheny Energy, Inc. (NYSE: AYE), is pleased that a Federal Energy Regulatory Commission (FERC) administrative law judge has dismissed a complaint by Nevada utilities against the Company. The judge's decision will now go to three FERC commissioners who can approve, reject, or modify the decision.

“This decision by the administrative law judge is definitely positive news for the Company and for the power industry as a whole,” said Michael P. Morrell, President, Allegheny Energy Supply. “It confirms for the financial markets that the FERC judge understands the importance of contract sanctity.”

The ruling said that the Nevada utilities had failed to show that modification of the long-term contracts was in the public interest. The judge also said that the Nevada utilities failed to prove that the dysfunctional California energy spot market materially affected forward markets in the Western region during the energy crisis of 2000-2001.

“We have said all along that the claims asserted against our contracts were without merit,” said Morrell. The notional value of the contracts is estimated to be \$31.4 million.

“Allegheny is hopeful that the Nevada Power decision is a harbinger of future FERC rulings respecting the sanctity of contracts,” Morrell added.

The decision is the first of several pending before FERC in which the Commission has been asked to determine the validity of long-term contracts entered into during the California energy crisis. A similar complaint brought by two California agencies to overturn long-term contracts between the California Department of Water Resources and Allegheny Energy Supply, among other suppliers, is currently pending and is expected to be decided in the first quarter of 2003.

With headquarters in Hagerstown, Md., Allegheny Energy is an integrated 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.