



NEWS RELEASE

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FOR IMMEDIATE RELEASE

Allegheny Categorically Rejects California Suit Allegations: Pledges It Will Hold CDWR Accountable for Legal Maneuver

Hagerstown, Md., January 30, 2003 – Allegheny Energy, Inc. (NYSE: AYE), responding to a lawsuit filed by the California Department of Water Resources (CDWR), announced that it categorically rejects the matters alleged by CDWR, allegations which represent a continuation of the agency's ongoing efforts to invalidate a fair and binding contract. The CDWR has alleged that the Company defaulted on its electricity supply contracts with the agency.

“This is a transparent attempt by the CDWR to escape its financial obligations and injure our shareholders, employees, and the Company,” said Michael P. Morrell, President, Allegheny Energy Supply, a subsidiary of Allegheny Energy, Inc.

“Allegheny will explore every avenue available to it to respond to the suit and to hold the CDWR accountable for any losses resulting from a complaint that is nothing more than an attempt to renegotiate a contract that is already fair to both parties,” added Morrell. “It is in the best interests of our Company and its shareholders to pursue this matter vigorously and to hold the CDWR fully accountable for both its obligations under its contract and for the manner in which it has conducted its negotiations with the Company.”

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Morrell noted that Allegheny has continued good faith negotiations with California officials with respect to the contract. A complaint brought by two California agencies against Allegheny and other suppliers is currently pending before the Federal Energy Regulatory Commission (FERC).

“In Allegheny’s opinion, the filing of this lawsuit at this time is a show of bad faith on the part of the State of California,” added Morrell. “By its action, the CDWR is now attempting an ‘end run’ around the Federal Energy Regulatory Commission because it fears the Commission will confirm the validity of the contract. We find it particularly disturbing that California is challenging an assignment of the contract that the FERC has found to be proper and ‘in the public interest,’ a finding which California did not appeal.”

The CDWR is well aware that Allegheny has met, and will continue to meet, all of its obligations under the terms of the contract, added Morrell.

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. More information about the Company is available at www.alleghenyenergy.com.