



NEWS RELEASE

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FOR IMMEDIATE RELEASE

Allegheny Energy Sells Fellon-McCord and Alliance Energy Services to Constellation Energy Group

Hagerstown, Md., January 2, 2003 – Allegheny Energy, Inc. (NYSE: AYE) today announced that it has sold Fellon-McCord & Associates, Inc., its natural gas and electricity consulting and management services firm, and Alliance Energy Services, LLC (formerly Alliance Energy Services Partnership), a provider of natural gas supply and transportation services, to Constellation Energy Group (NYSE: CEG). The sale of the two Louisville, Ky.,-based businesses is part of Allegheny Energy's ongoing efforts to increase financial flexibility and refocus its business on fundamental strengths and core assets.

As a result of the transaction, Allegheny Energy's contingent obligations and working capital support have been reduced. The Allegheny Energy Board of Directors approved the transaction.

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. 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.