



NEWS RELEASE

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FOR IMMEDIATE RELEASE

Institutional Shareholder Services Recommends Allegheny Energy Stockholders Vote For Elimination of Preemptive Rights

Hagerstown, Md., February 20, 2003 – Allegheny Energy, Inc. (NYSE: AYE) announced today that Institutional Shareholder Services (ISS) has recommended that Allegheny Energy stockholders vote **FOR** the Company's proposal to amend its charter to eliminate preemptive rights of stockholders.

ISS is widely recognized as the leading independent proxy advisory firm in the nation. Its recommendations are relied upon by hundreds of major institutional investment firms, mutual funds, and other fiduciaries throughout the country.

Allegheny Energy Chairman, President, and Chief Executive Officer Alan J. Noia said, "We are pleased with ISS's decision. By removing the preemptive rights provision, Allegheny Energy will have greater flexibility to raise additional capital as our Board of Directors and Management work to restore the Company's financial health."

In reaching its decision to recommend that Allegheny stockholders vote **FOR** the elimination of preemptive rights, ISS noted in its February 13, 2003, report that: "Preemptive rights allow shareholders to purchase shares of new issues in order to maintain their relative equity interest in a company. The absence of these rights could cause shareholders' equity interest to be diluted by the sale of new shares, while such sale could have terms that are unfavorable to shareholders' best interests.

"Given the current situation of difficult capital markets for public offerings and the recent credit crunch in the energy sector, the most likely alternative for Allegheny is to raise capital in the private equity markets. Therefore, it is important for Allegheny to have the ability to sell equity privately. Preemptive rights place Allegheny at a disadvantage when competing for financing in the private equity markets. The company has been approached by potential investors interested in making equity investments, but given the existence of the preemptive rights, it will be difficult to negotiate and close a transaction.

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“ISS recognizes shareholders’ concerns regarding dilution, but the company ... needs the ability to raise financing in the private markets. Preemptive rights are a significant impediment in raising private equity financing.”

As previously noted, Allegheny Energy is continuing negotiations with its bank lenders and other creditors about a new secured financing facility and expects that any agreement will require that the Company begin to reduce its level of indebtedness by December 2003. This will be accomplished through the application of cash flow or from the proceeds of asset sales or equity sales. While efforts to sell selected assets are under way, Allegheny Energy believes it is important to have the additional flexibility to sell equity privately. With the removal of preemptive rights, which are a significant impediment to any private sale of equity securities, Allegheny Energy will have available more capital-raising alternatives.

Allegheny Energy reiterated that before deciding to sell equity in any form, the Company will carefully consider the effects on current stockholders and will seek to adopt an approach that protects the value of its stockholders’ existing investment in the Company.

Allegheny Energy will hold a special meeting of Allegheny Energy stockholders to consider the proposal on March 7, 2003, at 9:30 a.m. (local time) in the Mercury Ballroom on the third floor of the New York Hilton, 1335 6th Avenue, New York, NY 10019. Allegheny Energy stockholders of record as of the close of business on January 27, 2003, the record date, are entitled to vote at the special meeting.

Allegheny Energy’s Board of Directors continues to urge all stockholders to vote **FOR** the proposal to amend its charter and eliminate preemptive rights. Stockholders with questions on how to vote their shares can contact the Company’s proxy solicitor, MacKenzie Partners, Inc., at (800) 322-2885 (toll free) or (212) 929-5500 (call collect) or via e-mail at proxy@mackenziepartners.com.

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.