



NEWS RELEASE

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FOR IMMEDIATE RELEASE

Allegheny Energy Subsidiary Reaches Agreement to Terminate Tolling Agreement with Williams

Hagerstown, Md., August 1, 2003 - Allegheny Energy, Inc. (NYSE: AYE) subsidiary Allegheny Energy Supply Company, LLC, announced today that it has signed an agreement to terminate the 1,000-megawatt (MW) tolling agreement it holds with Williams Energy Marketing & Trading Company, a unit of Williams (NYSE: WMB).

Paul J. Evanson, Chairman, President, and Chief Executive Officer of Allegheny Energy, said, "This agreement is another significant step in our ongoing efforts to reduce our financial exposure to energy trading, particularly in the West, and refocus our business on our core assets."

Allegheny, under this agreement, will make a \$100-million initial payment to Williams upon closing the previously announced sale of its long-term energy supply contract with the California Department of Water Resources (CDWR). Allegheny's obligation to make such payment is contingent on the successful closing of such sale. Following that payment, Allegheny will pay Williams two \$14-million installments -- one 6 months after the initial payment and the other 12 months after the initial payment. Allegheny payments under the tolling agreement will be suspended as of the initial payment, but termination of the tolling agreement will occur when the final \$14-million payment is made.

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The agreement is subject to various closing conditions, including the consent of a majority of Allegheny's bank lenders.

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, and 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. 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.