

FOR IMMEDIATE RELEASE**Allegheny Energy, Inc. Earnings Per Share Up 13% Over 1998—
Record Earnings Reported**

Hagerstown, Md., January 26, 2000 -- Allegheny Energy, Inc. (NYSE: AYE) today reported record 1999 earnings per share of \$2.64 (\$307.2 million), before extraordinary and other charges, an increase of nearly 13 percent over comparable 1998 earnings per share of \$2.34 (\$286.7 million). Included in the positive earnings per share growth were benefits of the Company's common stock repurchase program of \$.11 per share. Earnings, before extraordinary and other charges, were up 7.2 percent (\$20.5 million) over last year, reflecting an increase of 9 percent in operating revenues and lower depreciation expense.

According to Senior Vice President and Chief Financial Officer Michael P. Morrell, Allegheny Energy finished the year with very positive results.

"We are very pleased with our successes in 1999," according to Morrell. "We had growth in earnings per share, in net income, and in sales, primarily due to an expanding competitive energy supply business, stable earnings from our regulated energy delivery business, improved performance from our ventures business, and benefits achieved from the common stock repurchase program. These strong results demonstrate that Allegheny Energy continues to make progress in implementing our high-level strategy to grow our energy generation and distribution businesses, while seeking new opportunities related to our core business strengths."

According to Morrell, net income for 1999, after extraordinary and other charges, was \$2.22 per share (\$258.4 million), compared with a 1998 consolidated net loss of \$.10 per share (\$12.4 million). The Company's 1999 net income reflects extraordinary charges of \$.23 per share (\$27.0 million), net of taxes, due to electric utility restructuring in Maryland and the cost of retiring debt in connection with the securitization of Pennsylvania transition costs. Net income for 1999 also reflects a write-off of \$.19 per share (\$21.8 million), net of taxes, which includes merger-related costs and expenditures related to the long dormant Davis pumped-storage generation project.

Excluding the extraordinary and other charges described above, earnings for the fourth quarter of 1999 were \$.66 per share (\$73.6 million) as compared to 1998 earnings of \$.58 per

share (\$71.8 million), before Pennsylvania restructuring and settlement costs. This increase is due to higher nonutility sales of electricity and lower depreciation expense. Also, earnings per share increased \$.02 in the quarter due to the common stock repurchase program. Net income for the three months ended December 31, 1999, was \$.22 per share (\$24.8 million), compared with \$.31 per share (\$38.2 million) for the corresponding 1998 period.

Per share earnings for the comparable 1999 and 1998 periods are:

	<u>Full Year</u>		<u>Fourth Quarter</u>	
	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
Earnings before extraordinary and other charges	\$2.64	\$2.34	\$.66	\$.58
Extraordinary charges	(.23)	(2.25)	(.24)	(.08)
Other charges:				
Merger-related costs	(.10)		(.11)	
Davis pumped-storage project costs	(.09)		(.09)	
Pennsylvania settlement costs		(.19)		(.19)
Net income	<u>\$2.22</u>	<u>\$(.10)</u>	<u>\$.22</u>	<u>\$.31</u>

The 1999 extraordinary charge of \$.23 per share (\$27.0 million), net of taxes, reflects write-offs by The Potomac Edison Company as a result of the December 1999 settlement agreement with the Maryland Public Service Commission and by West Penn Power Company related to debt redemption as shown below:

	Millions of Dollars	
	<u>Gross</u>	<u>Net of Tax</u>
Impairment of generating assets	\$14.5	\$ 9.9
Unrecoverable regulatory assets	12.4	7.1
Debt call premiums and Unamortized costs	<u>17.0</u>	<u>10.0</u>
1999 Extraordinary Charges	<u>\$43.9</u>	<u>\$27.0</u>

Allegheny Energy reached several milestones in 1999, furthering our high-level growth strategy, adding to revenues, and increasing shareholder value.

Acquisitions and growth

- Allegheny Energy completed the purchase of West Virginia Power from UtiliCorp United, adding 26,000 electric distribution customers and 24,000 natural gas customers, diversifying the Company's energy options, and providing a valuable entry into the natural gas distribution business.

- Allegheny Energy announced an agreement to purchase Mountaineer Gas Company from Energy Corporation of America. The acquisition of West Virginia's largest natural gas provider will provide Allegheny with 11.7 billion cubic feet of gas storage and 200,000 new natural gas customers in a region where the Company already provides energy services. The purchase is expected to be completed later this year.

Dividend Policy

- This year, Allegheny revised its dividend policy, which allows us to retain more of our incremental increase in earnings for reinvestment. This will strengthen Allegheny Energy's financial position and broaden our ability to make investments in deregulated markets. Such investments will increase future earnings and enhance shareholder value as earnings reinvestment gathers momentum.

Generation assets

- Allegheny Energy formed an unregulated generating company, Allegheny Energy Supply Company, LLC, with more than 4,100 megawatts (MW) of generation to sell into unregulated markets. The new Company will add additional generation to its growing portfolio as other states in our region implement deregulation.
- Allegheny Energy Supply went on-line with two new 44-MW, simple-cycle gas combustion turbines on the site of its Springdale, Pa., Power Station. The units will sell peaking power into the competitive marketplace as part of the Company's strategy to grow its generation business. Additional units are expected to be added during 2000.
- The Company announced the construction of a \$235-million combined-cycle generating plant at its Springdale, Pa., Power Station which will add 540 MW to our generating fleet.

Restructuring and customer choice

- Allegheny Energy's Maryland utility subsidiary reached a positive and equitable settlement with parties to its electric restructuring proceeding in that state. The settlement allowed the Company to recover purchased power costs and transfer an additional 1,180 MW of generation to Allegheny Energy Supply at book value.
- Allegheny Energy Supply was licensed to sell electricity into the newly deregulated retail markets in Delaware and New Jersey and opened an office in Lawrenceville, N.J., with reach into New York and the East Coast. The Company was awarded bids to provide more than 200 MW of electricity to a group of chemical companies in New Jersey – one of the largest committed energy aggregation projects in the United States.

Nonregulated ventures

- Allegheny Communications Connect (ACC) continued to expand its fiber optic network by 290 miles to provide greater access to high-bandwidth, advanced data, voice, and video communications services across portions of 16 states.

- We are partnering once again with Adelphia Business Solutions to expand our fiber network by another 600 miles throughout western Pennsylvania, northern West Virginia, western and central Maryland, and northern Virginia. ACC is retaining a portion of this network capacity to meet future needs.
- We announced an investment of \$3.1 million to acquire a minority ownership in Genosys Technology Management, Inc., a network operation center services provider. This alliance will allow ACC to participate in an emerging segment of the telecommunications market and enable us to offer this service to our customers.

Customer service

- Allegheny Power was ranked among the top-rated electric utilities in a national residential customer satisfaction study conducted by a nationally known research firm. Allegheny was ranked second in the eastern United States and 16th nationally. The Company also received a national award for providing restoration assistance to neighboring utilities following storms.

Other highlights

Allegheny Energy announced the appointment of three presidents to run its principal businesses. Paul M. Barbas joined the Company as President of Allegheny Ventures. Jay S. Pifer was named President of Allegheny Power. Peter J. Skrgic was named President of Allegheny Energy Supply.

Allegheny Energy, Inc. is a diversified energy company headquartered in Hagerstown, Md. The Allegheny Energy family includes *Allegheny Power*, which delivers electric energy to about three million people in parts of Maryland, Ohio, Pennsylvania, Virginia, and West Virginia; *Allegheny Energy Supply*, which operates and markets competitive retail and wholesale electric generation and operates regulated electric generation for its affiliates; and *Allegheny Ventures*, which actively invests in and develops energy-related and telecommunications projects. For more information about Allegheny Energy, Inc., visit our web site at www.alleghenyenergy.com.

Certain statements above 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, and prices. Such factors include, among others, the following: general and economic and business conditions; industry capacity; changes in technology, changes in political, social, and economic conditions; regulatory matters; integration of the operations of Allegheny Energy; regulatory conditions applicable to the transaction; the loss of any significant customers; and changes in business strategy or business plans.