



**NEWS RELEASE**

Debra A. Beck  
General Manager, Corporate Communications  
10435 Downsville Pike  
Hagerstown, MD 21740-1766  
Phone: (301) 790-6177

**FOR IMMEDIATE RELEASE**

**Allegheny Energy, Inc. Reports Record Second Quarter 2001  
Earnings of \$1.01 Per Share – Up 55 Percent Over 2000 Results**

**Hagerstown, Md., July 26, 2001** – Allegheny Energy, Inc. (NYSE: AYE) today reported a 55 percent increase in second quarter 2001 earnings per share to a record \$1.01, compared to second quarter 2000 earnings per share of \$.65. Net income increased 70 percent in the second quarter of 2001 to \$121.3 million, compared to second quarter 2000 net income of \$71.5 million.

The second quarter increase in earnings per share mainly reflects higher net revenue from unregulated operations, primarily related to the energy trading activities of Allegheny Energy Global Markets, which was acquired on March 16, 2001. The Company also attributes the increase to the successful expansion of its energy delivery business through the acquisition of Mountaineer Gas, a natural gas distribution company in West Virginia. In addition, the second quarter 2001 earnings per share reflect Allegheny Energy's sale of 14.26 million shares of common stock on May 2, 2001, which reduced the earnings per share by \$.08.

Earnings for the six months ended June 30, 2001, were \$221.8 million (\$1.93 per share), excluding the first quarter after-tax charge of \$31.1 million (\$.27 per share) associated with the cumulative effect of an accounting change due to the adoption of the Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities." Earnings for the six months ended June 30, 2000, were \$157.9 million (\$1.43 per share), excluding a first quarter extraordinary charge of \$70.5 million (\$.64 per share). This 35 percent increase in year-to-date earnings per share is attributed to unregulated operations reflecting gains from energy trading activities and the continued improvement and expansion of the Company's energy delivery business through the acquisition of Mountaineer Gas.

"Our 55 percent increase in second quarter earnings per share and 35 percent growth in year-to-date earnings per share demonstrate that Allegheny Energy's strategy and focus is adding real value for our shareholders," said Alan J. Noia, Chairman, President, and Chief Executive Officer of Allegheny Energy. "The strong performance of our Allegheny Energy Global Markets marketing and trading operation has, as we had anticipated, enhanced the value of our competitive portfolio of generating assets located across the country. Add to that a growing energy delivery business, which continues to provide value, and Allegheny has a very solid combination, poised for even greater success as we continue our transformation into a national energy merchant."

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Excluding the accounting change and extraordinary and other charges as shown on the following chart, earnings for the twelve months ended June 30, 2001, were \$377.6 million (\$3.35 per share), compared to \$300.9 million (\$2.71 per share) for the twelve months ended June 30, 2000. The increase in earnings per share was mainly due to higher net revenue from energy marketing and trading and the improved performance and expansion of the Company's energy delivery business through the acquisition of Mountaineer Gas.

"We are pleased with our second quarter and year-to-date results," added Noia. "In addition, we are confident that our unwavering commitment to a proven growth strategy and solid performance year to date will allow us to achieve our 2001 earnings guidance of \$3.80-\$4.10 a share. Our portfolio of energy businesses is providing shareholder value today, and we will work to continue to deliver positive results for shareholders in the future."

Per share earnings for comparable 2001 and 2000 periods were:

	<u>Second Quarter</u>		<u>6 Months</u>		<u>12 Months</u>	
	<u>2001</u>	<u>2000</u>	<u>Ended June</u>		<u>Ended June</u>	
			<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
Income before accounting change and extraordinary and other charges	\$1.01	\$ .65	\$1.93	\$1.43	\$3.35	\$2.71
Accounting change: adoption SFAS 133			(.27)		(.28)	
Extraordinary charges for electric utility restructuring orders				(.64)	(.06)	(.79)
Extraordinary charge for reacquired debt						(.09)
Merger-related costs						(.11)
Cancelled pumped-storage project costs						(.07)
<b>Reported earnings per share</b>	<u>\$1.01</u>	<u>\$ .65</u>	<u>\$1.66</u>	<u>\$ .79</u>	<u>\$3.01</u>	<u>\$1.65</u>

During the second quarter of 2001, Allegheny Energy actively pursued a number of opportunities aimed at increasing revenue and improving shareholder value. The following are some of the quarter's milestones:

**Allegheny Energy Seeks Approval for IPO**

- On July 23, Allegheny Energy filed a U-1 application with the Securities and Exchange Commission (SEC), seeking approval of an initial public offering (IPO) of up to 18 percent of the common stock in a new holding company, which would own 100 percent of its unregulated generating subsidiary, Allegheny Energy Supply Company, LLC. The Company expects, subject to market and other conditions, to distribute to shareholders of Allegheny Energy, Inc., common stock the remaining ownership of the Allegheny Energy Supply holding company during 2002 in a tax-free distribution.

The purpose of the IPO and equity distribution is to permit the Company's energy delivery company and Allegheny Energy Supply to focus on their respective businesses and market opportunities and, in particular, to allow Allegheny Energy Supply to pursue its growth strategy for the electric power generation business. The filing of a U-1 application marks the Company's first official step in the IPO process. Later in the third quarter, Allegheny Energy expects to file an S-1 Registration Statement with the SEC.

#### **Common Stock Offering**

- On May 2, Allegheny Energy closed the public offering of its common stock, selling a total of 14.26 million shares. Net proceeds totaled approximately \$667 million, which were used to fund the Company's acquisition of generating facilities in the Midwest and for other corporate purposes. The total offering, which was announced in April, was priced at \$48.25 per share.

#### **Former FERC Chairman Elected to Allegheny Energy Board**

- James J. Hoecker, immediate past Chairman of the Federal Energy Regulatory Commission (FERC), has been elected to the Allegheny Energy, Inc. Board of Directors. Hoecker, currently a Partner in the law firm of Swidler Berlin Shereff Friedman, LLP, was appointed a FERC Commissioner in 1993 and served as its Chairman from 1997 until he departed the agency in 2001.

#### **Generating Assets, Marketing, and Trading**

- Allegheny Energy Supply has signed a 15-year, natural gas tolling agreement with Las Vegas Cogeneration II for 222 megawatts (MW) of generating capacity. Under the terms of the contract, Allegheny Energy will have control of a 222-MW natural gas-fired, combined-cycle generating facility in Las Vegas, Nev., beginning in the third quarter of 2002. The output will be sold into the Western Systems Coordinating Council by Allegheny Energy Global Markets.
- Allegheny Energy announced a joint venture with CONSOL Energy, Inc. to construct an 88-MW generating facility in Virginia. Each company will own a 50-percent interest in the facility, which is expected to be in operation by mid-2002. Allegheny Energy Supply will operate the facility and the output will be sold into the competitive marketplace.
- Allegheny Energy Supply has received air permits for the construction of two simple-cycle natural gas combustion turbines in Chambersburg, Pa., which will generate 88 MW of electricity. The facility is expected to be in operation by year's end.

### Other Highlights

- Allegheny Power, the energy delivery business of Allegheny Energy, tied for second place in the nation in the American Customer Satisfaction Index (ACSI), an independent study of residential customers produced by the National Quality Research Center at the University of Michigan's Business School. The study ranks the 30 largest investor-owned gas and electric companies in the nation on various attributes of customer satisfaction.

Allegheny Energy, Inc. is a diversified energy company headquartered in Hagerstown, Md. It has been named to the *Fortune* 500 list, the Standard and Poor's 500 index, and the *Forbes* "Platinum 400" list. The Allegheny Energy family includes *Allegheny Power*, which delivers electric energy and natural gas to about three million people in parts of Maryland, Ohio, Pennsylvania, Virginia, and West Virginia; *Allegheny Energy Supply Company, LLC*, which develops, owns, and operates electric generating facilities and supplies and trades energy and energy-related commodities in selected domestic retail and wholesale markets; and *Allegheny Ventures*, which invests in and develops telecommunications and energy-related projects. For more information, visit our web site at [www.alleghenyenergy.com](http://www.alleghenyenergy.com).

Allegheny plans to hold its analyst conference call to discuss earnings results at 11:00 a.m. (Eastern Time) on July 27, 2001. Investors, the news media, and others may listen to a live internet broadcast of the call at [www.alleghenyenergy.com](http://www.alleghenyenergy.com) or [www.streetevents.com](http://www.streetevents.com) by clicking on an available audio link. The call will also be archived for replay purposes for 10 business days after the live broadcast on both of these web sites. Supporting financial data will also be available on the Company's web site for review.

*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, prices, capital expenditure and development activities, and its plans for an IPO and distribution. Such factors include, among others, the following: changes in general and economic and business conditions; changes in the price of electricity and natural gas; industry capacity; changes in technology; changes in financial market conditions; changes in political, social, and economic conditions; deregulation activities and the movement toward competition in the states served by our operations; the effect of regulatory and legislative decisions; the consequences of the separation of the operations of Allegheny Energy; regulatory approvals and conditions applicable to the transaction; the loss of any significant customers; capital market conditions; and changes in business strategy or business plans.*