



NEWS RELEASE

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FOR IMMEDIATE RELEASE

Allegheny Energy, Inc. Reports Strong Third Quarter 2001 Earnings of \$1.33 Per Share

Hagerstown, Md., October 25, 2001 -- Allegheny Energy, Inc. (NYSE: AYE) today reported a 93 percent increase in earnings per share to \$1.33, compared to third quarter 2000 earnings per share of \$.69. Net income increased 118 percent in the third quarter of 2001 to \$165.7 million, compared to third quarter 2000 net income of \$76.1 million.

According to Alan J. Noia, Allegheny Energy Chairman, President, and Chief Executive Officer, the third quarter results reflect increased revenues and sales from regulated operations, higher net revenues from the Company's unregulated generation operations—including the energy trading activities of the recently acquired Allegheny Energy Global Markets—and the continued execution of the Company's growth strategy.

"I am pleased with our solid performance during the quarter and year-to-date, which enabled us to again deliver on our promise to grow earnings and provide value to shareholders," said Noia. "Our strategically located, low-cost generating assets, combined with a world-class trading and marketing business and a financially strong energy delivery business, have helped us achieve top-line revenue and net income growth.

"Allegheny Energy has consistently tackled the challenges of a changing energy industry," added Noia. "We have remained focused on our strategy despite downward movement in energy prices and continued change in our sector. Our performance in the third quarter and so far in 2001 puts us on a clear path toward delivering earnings within our guidance range of \$3.80-\$4.10 per share this year."

Earnings for the nine months ended September 30, 2001, were \$384.4 million (\$3.24 per share), excluding the first quarter after-tax charge of \$31.1 million (\$.26 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 nine months ended September 30, 2000, were \$233.9 million (\$2.12 per share), excluding a first quarter extraordinary charge of \$70.5 million (\$.64 per share) associated with electric utility restructuring orders. This 53 percent increase in comparable year-to-date earnings per share is attributed to our unregulated generation operations, including energy trading activities.

Excluding the accounting change and extraordinary and other charges as shown on the following chart, earnings for the twelve months ended September 30, 2001, were \$464.1 million (\$3.99 per share), compared to \$305.7 million (\$2.77 per share) for the twelve months ended September 30, 2000. This 44 percent increase in comparable earnings per share was mainly due to higher net revenue.

Per share earnings for comparable 2001 and 2000 periods were:

	<u>Third Quarter</u>		<u>9 Months Ended</u>		<u>12 Months</u>	
			<u>September</u>		<u>Ended</u>	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
Income before accounting change and extraordinary and other charges	\$1.33	\$.69	\$3.24	\$2.12	\$3.99	\$2.77
Accounting change: adoption of SFAS 133			(.26)		(.27)	
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						(.09)
Refund of license fee for cancelled pumped-storage project						<u>.02</u>
Earnings per share	<u>\$1.33</u>	<u>\$.69</u>	<u>\$2.98</u>	<u>\$1.48</u>	<u>\$3.66</u>	<u>\$1.71</u>

During the third quarter of 2001, Allegheny Energy actively pursued a number of opportunities aimed at providing shareholder value. The following are some of the quarter's milestones:

- Allegheny Energy Supply is building 88 megawatts (MW) of natural gas-fired merchant generating capacity in south central Pennsylvania as part of its plan to own or control more than 14,500 MW of generating capacity by 2005. The new units will operate primarily at times of peak electrical demand and are expected to be in commercial operation by year's end, giving the Company further access to East Coast electricity markets and enhancing the region's power supply.
- In the environmental arena, Allegheny Energy Supply dedicated its second biomass co-firing demonstration project at its coal-fired Albright Power Station in West Virginia. The project embraces the Company's environmental stewardship philosophy by reducing emissions from the generating facility and qualifying a portion of the output as a renewable generation source.
- Allegheny Energy Supply also received the 2001 West Virginia Business Environmental Leadership Award for the Gypsum Processing Facility at its Pleasants Power Station. Recognized in the Pollution Prevention category, the Gypsum Processing Facility converts waste slurry from the flue gas desulfurization (scrubber) system into synthetic gypsum that is then sold to make wallboard. More than 200,000 tons of synthetic gypsum have been produced and sold this year.

- Allegheny Energy and its employees have donated \$340,000 to aid in disaster relief efforts in the wake of the September 11 terrorist attacks. The contribution includes \$240,000 in Company and employee cash contributions to the American Red Cross and \$100,000 worth of portable generators for use by rescue workers in New York City.

Allegheny Energy is continuing to work toward obtaining necessary regulatory approvals for a proposed 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. Under current market conditions, however, the Company would not proceed with the IPO. The Company will remain integrated until market conditions are such that demonstrated value can and will be created for its shareholders.

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.

Allegheny plans to hold its analyst conference call to discuss earnings results at 11:00 a.m. (Eastern Time) on October 26, 2001. Investors, the news media, and others may listen to a live internet broadcast of the call at www.alleghenyenergy.com or 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 contained herein constitute forward-looking statements with respect to Allegheny Energy, Inc., including as to the status of the IPO and development activities by Allegheny Energy Supply. 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; the consequences of the separation of the operations of Allegheny Energy; regulatory approvals and conditions; the loss of any significant customers; litigation; and changes in business strategy or business plans.