



NEWS RELEASE

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FOR IMMEDIATE RELEASE

Allegheny Energy Reports Unaudited Consolidated Financial Data For Nine Months Ended September 30, 2002

Hagerstown, Md., December 19, 2002 – Allegheny Energy, Inc. (NYSE: AYE) today released unaudited consolidated financial data for the nine months ended September 30, 2002. This information was prepared for delivery to its lenders in the course of the Company's ongoing comprehensive financial review disclosed on November 4, 2002, when the Company announced it was delaying the release of third quarter results.

The Company reported a consolidated net loss of \$334.4 million (or a \$2.67 loss per share) for the nine-month period, which includes a reduction in the market value of its energy trading portfolio to reflect changes in valuation model assumptions and market conditions; the cumulative effect of an accounting change related to the adoption of the Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets"; workforce reduction expenses; and other items.

In the course of the comprehensive review of its financial records, Allegheny Energy has identified a number of required adjustments with respect to its 2002 financial statements that resulted from accounting errors. These adjustments are fully reflected in the unaudited financial data released today. Based on the results of this comprehensive review, the Company has determined that it and certain of its subsidiaries will have to restate their first and second quarter financial statements for 2002. The Company will release third quarter 2002 earnings data when the comprehensive review has been completed and will issue restated financial statements for the first and second quarters of 2002 as soon as possible thereafter.

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The Company completed an analysis of the potential impairment of goodwill related to the acquisition of its energy trading business in accordance with SFAS No. 142, as well as the potential impairment of its investment in its Midwest generating assets in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." The Company concluded that these assets are not impaired.

Allegheny Energy's unaudited consolidated financial data for the nine months ended September 30, 2002, includes the following items that contributed to the Company's reported net loss:

(In millions)	Pre-tax Amount	After-Tax Amount	Earnings per Share
• Reduction in the market value of the energy trading portfolio	\$(356.3)	\$(217.6)	\$(1.73)
• Cumulative effect of accounting change related to the adoption of SFAS No. 142	(210.1)	(130.5)	(1.04)
• Workforce reduction expenses	(104.2)	(62.6)	(.50)
• Charges related to generating plant cancellations	(51.8)	(31.4)	(.25)
• Impairment of unregulated investments	(38.8)	(22.9)	(.18)
• Gain on Canaan Valley land sale	14.3	11.9	.09

The comparative prior period ended September 30, 2001, included the following item that reduced net income:

(In millions)	Pre-tax Amount	After-Tax Amount	Earnings per Share
• Cumulative effect of accounting change related to the adoption of SFAS No. 133	\$(52.3)	\$(31.1)	\$(.26)

Allegheny Energy is continuing discussions with banks, other lenders, and trading counterparties regarding outstanding defaults, needed amendments to existing agreements, and obtaining additional secured financing. As announced on October 21, 2002, the Company has received authority from the U.S. Securities and Exchange Commission (SEC) to borrow up to \$2 billion on a secured basis, related to the refinancing. Additional approvals needed to implement this refinancing are still pending. In addition, the Company's subsidiaries, Allegheny Energy Supply Company, LLC (Allegheny Energy Supply), and Allegheny Generating Company, have received extensions through December 31, 2002, on waivers from bank lenders under their credit agreements. The Company continues to negotiate with these and other lenders and is also working with the St. Joseph County generating facility lenders concerning financial obligations related to this facility. If the Company is unable to successfully complete negotiations with these lenders, including arrangements with respect to inter-creditor issues, it would likely be obliged to seek bankruptcy protection.

As previously announced, Allegheny Energy has already taken steps to reduce its cost structure, preserve cash, and strengthen its balance sheet, including reducing the Company's reliance on its wholesale energy trading business; significantly reducing pre-tax operating expenses in 2002; cancelling the development of several generating facilities, saving \$700 million in capital expenditures over the next several years; reducing the workforce by approximately 10 percent through a voluntary early retirement option, normal attrition, and selected staff reductions; and suspending the dividend on its common stock.

The Company actively continues its work to resolve the following issues which are critical to its financial stability and long-term performance:

- satisfactory completion of asset sales and/or the issuance of equity;
- satisfactory outcome of Federal Energy Regulatory Commission proceedings in which the validity of the Company's contracts with the California Department of Water Resources is challenged;
- satisfactory resolution of litigation with Merrill Lynch regarding the Allegheny Energy Global Markets acquisition (in which Merrill Lynch is claiming \$115 million plus interest and the Company has filed counter claims against Merrill Lynch);
- satisfactory resolution of trading counterparties' current and future demands in settlement of terminated trades and collateral in respect of ongoing positions; and
- continued transition of the Company to refocus on its core businesses.

Information regarding results for Allegheny Energy Supply for the first nine months of 2002 is included in the Company's Form 8-K filed today with the SEC.

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, energy procurement and management, and energy 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.