



NEWS RELEASE

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FOR IMMEDIATE RELEASE

Allegheny Energy Reports First and Second Quarter 2003 Financial Results

Hagerstown, Md., December 19, 2003 – Allegheny Energy, Inc. (NYSE: AYE) today announced financial results for the first and second quarters of 2003 and stated that it has filed the related quarterly financial reports on Form 10-Q with the Securities and Exchange Commission (SEC). Allegheny expects to file its third quarter financial reports in January.

Paul J. Evanson, Chairman and CEO, said, “As expected, results for the first six months of 2003 reflect major losses in Allegheny’s trading activities in the Western United States energy markets, including the write-down from renegotiating the California contract. By selling that contract in September and closing out other positions, we are now largely out of Western financial trading.

“We remain on track in rebuilding Allegheny. The year 2004 will be a time of transition for the Company as we focus on becoming timely with our SEC filings, refinancing our debt, and creating a high-performance culture that will improve both quality and cost. I am confident that we are taking the right steps for long-term success,” concluded Mr. Evanson.

Consolidated Financial Results

First Six Months

Allegheny reported a consolidated loss for the first six months of 2003 of \$290.3 million (\$2.29 per share) compared with a consolidated loss of \$87.9 million (\$0.70 per share) for the first six months of 2002. Before cumulative effect of accounting changes, the consolidated loss for the first six months of 2003 was \$269.6 million (\$2.13 per share) compared with consolidated income of \$42.6 million (\$0.34 per share) for the first six months of 2002. Major items in the first six months of 2003 which affected earnings include:

- A write-down in value of the renegotiated California Department of Water Resources (CDWR) power supply contract of \$152.2 million (\$89.8 million, net of income taxes). Allegheny sold the CDWR contract in September 2003 and has largely exited the Western energy markets;

- Other unrealized losses and net realized losses for the first six months of 2003 of \$198.5 million (\$117.1 million, net of income taxes) and \$37.3 million (\$22.4 million, net of income taxes), respectively, as compared with unrealized gains of \$128.1 million (\$76.9 million, net of income taxes) and realized losses of \$21.7 million (\$13.0 million, net of income taxes) in the first six months of 2002, from Allegheny's trading business;
- Recognition of a gain of \$75.8 million (\$56.7 million, net of income taxes) for the reapplication of Statement of Financial Accounting Standards (SFAS) No. 71, "Accounting for the Effects of Certain Types of Regulation," because of the reapplication of regulatory treatment to certain assets in West Virginia; and
- Impairment charges of \$28.5 million (\$17.1 million, net of income taxes) for assets held for sale, including the Conemaugh Generating Station, which was sold in June 2003.

Operation expenses for the first six months of 2003 increased by \$80.8 million (\$46.5 million, net of income taxes) as compared with the first six months of 2002, due, in part, to higher costs for employee benefits and outside services, as well as to the impairment charges described above. Interest charges for the first six months of 2003 increased \$68.1 million (\$39.2 million, net of income taxes) over the same period of 2002. The increase reflects both higher interest rates and the increase in average long-term debt outstanding, including debt incurred in connection with Allegheny's refinancing in February 2003.

Second Quarter

Allegheny reported a consolidated loss for the second quarter of 2003 of \$231.5 million (\$1.82 per share) compared with a consolidated loss of \$33.5 million (\$0.27 per share) for the second quarter of 2002. The increase in consolidated loss of \$198.0 million was due primarily to reduced net revenues in the Generation and Marketing segment resulting from continuing losses in its trading business and the continued price volatility in energy markets in the Western United States.

Reported results for the second quarter reflect the write-down in value of the CDWR power supply contract of \$152.2 million as described above and unrealized losses on commodity contracts of \$153.3 million (\$88.9 million, net of income taxes) offset, in part, by realized gains of \$19.7 million (\$11.6 million, net of income taxes) on trading operations, primarily from the sale of power purchase hedge agreements. In addition, interest charges increased \$38.1 million (\$22.3 million, net of income taxes) over the second quarter of 2002 for the reasons described above.

First Quarter

Allegheny recorded a consolidated loss for the first quarter of 2003 of \$58.8 million (\$0.46 per share) compared with a consolidated loss of \$54.4 million (\$0.43 per share) for the first quarter of 2002. Results of operations for the first quarter were reduced by \$12.1 million, net of income taxes, reflecting cumulative effect of an accounting change associated with the adoption of Emerging Issues Task Force (EITF) Issue No. 02-3, "Accounting for Contracts Involved in Energy Trading and Risk Management," and by \$8.6 million, net of income taxes, reflecting cumulative effect of an accounting change associated with the adoption of SFAS No. 143, "Accounting for Asset Retirement Obligations." Before cumulative effect of accounting changes, the consolidated loss for the first quarter was \$38.0 million (\$0.30 per share) compared with consolidated income of \$76.1 million (\$0.61 per share) for the first quarter of 2002.

The decrease in earnings (before cumulative effect of accounting changes) of \$114.1 million was due primarily to reduced net revenues in the Generation and Marketing segment as a result of unrealized losses and realized losses on commodity contracts of \$45.2 million (\$27.6 million, net of income taxes) and of \$72.6 million (\$44.4 million, net of income taxes), respectively, in 2003 as described above in the results for the first six months. Earnings were also reduced by impairment charges on assets held for sale as described above. Interest charges increased \$30.0 million (\$15.3 million, net of income taxes) over the first quarter of 2002 for the reasons described above. These charges were offset, in part, by the recognition of a gain from the reapplication of SFAS No. 71 also as described above.

Generation and Marketing Segment

For the first six months of 2003, the segment reported a consolidated loss (before cumulative effect of accounting changes) of \$315.6 million as compared with a consolidated loss (before the cumulative effect of accounting changes) of \$19.4 million in the first six months of 2002. Wholesale revenues for the first six months of 2003 decreased \$512.0 million over the comparable period in 2002 due primarily to the factors described above in the consolidated results, including both unrealized and realized losses in trading operations.

For the second quarter of 2003, the segment reported a consolidated loss of \$240.2 million compared to a consolidated loss of \$62.0 million in the second quarter of 2002. Wholesale revenues for the second quarter of 2003 decreased \$298.5 million due primarily to the factors described above in the consolidated results. In the prior comparable period, the segment had recorded unrealized gains associated with its trading portfolio.

For the first quarter of 2003, the segment reported a consolidated loss of \$95.0 million compared with consolidated income of \$42.6 million in the first quarter of 2002. Before cumulative effect of accounting changes, the loss for the segment was \$75.4 million compared with income before cumulative effect of accounting changes of \$42.6 million for the second quarter of 2002. Wholesale revenues for the first quarter decreased \$213.5 million due primarily to the factors discussed above in the consolidated results. The losses were offset, in part, by unrealized gains from the trading operations and the recognition of a gain of \$61.7 million (\$48.1 million, net of income taxes) from the reapplication of SFAS No. 71 as discussed above in the consolidated financial results.

Delivery and Services Segment

For the first six months of 2003, the segment reported consolidated income (before cumulative effect of accounting changes) of \$53.7 million as compared with consolidated income of \$65.1 million in the first six months of 2002. The segment's regulated electric revenues increased by \$51.2 million and the segment's regulated natural gas revenues increased by \$29.0 million over the same period in 2002. Both increases were due primarily to increased sales resulting from colder winter weather across Allegheny's service territories. During the first six months of 2003, the segment's unregulated services revenues decreased \$258.0 million from the same period in 2002 due primarily to the sale of Alliance Energy Services on December 31, 2002.

For the second quarter of 2003, the segment reported consolidated income of \$4.3 million, compared with consolidated income of \$25.9 million for the second quarter of 2002. The segment's regulated electric and natural gas revenues remained relatively consistent for the second quarter over the comparable period in 2002. During the second quarter of 2003, the segment's unregulated services revenues decreased \$121.8 million from the same period in 2002 due primarily to the sale of Alliance Energy Services as described above.

For the first quarter of 2003, the segment reported consolidated income (before cumulative effect of an accounting change) of \$49.4 million compared with consolidated income of \$39.2 million for the first quarter of 2002. The segment's regulated electric revenues increased \$49.0 million and regulated natural gas revenues increased \$29.6 million in 2003 compared with the first quarter 2002, resulting from colder winter weather as described above in the results for the first six months. The segment's unregulated revenues decreased \$136.2 million to \$14.1 million in the first quarter of 2003 due primarily to the sale of Alliance Energy Services as described above. In addition, the first quarter results of 2003 include a gain of \$14.1 million (\$8.6 million, net of income taxes) from the reapplication of SFAS No. 71 as discussed above in the consolidated financial results.

Analyst Conference Call

Allegheny will comment further on these results during an analyst conference call on Monday, December 22, 2003, at 11:00 a.m. (Eastern Time). Investors, the news media, and others may listen to a live internet broadcast of the call at www.alleghenyenergy.com by clicking on an available audio link. The call will also be archived for replay purposes after the live broadcast. A news release on the earnings and supporting financial data will also be available on the Company's web site for review.

Allegheny Energy

Allegheny Energy is an integrated energy company with a portfolio of businesses, including Allegheny Energy Supply, which owns and operates electric generating facilities; and Allegheny Power, which delivers low-cost, reliable electric and natural gas service to about four million people in Pennsylvania, West Virginia, Maryland, Virginia, and Ohio. More information about the Company is available at www.alleghenyenergy.com.

Forward-Looking Statements

In addition to historical information, this release contains a number of "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Words such as anticipate, expect, project, intend, plan, believe, and words and terms of similar substance used in connection with any discussion of future plans, actions, or events identify forward-looking statements. These include statements with respect to: regulation and the status of retail generation service supply competition in states served by the Distribution Companies; the closing of various agreements; execution of restructuring activity and liquidity enhancement plans; results of litigation; financing requirements and plans to meet those requirements; demand for energy and the cost and availability of inputs; demand for products and services; capacity purchase commitments; results of operations; capital expenditures; regulatory matters; internal controls and procedures and outstanding financial reporting obligations; and stockholder rights plans. Forward-looking statements involve estimates, expectations, and projections and, as a result, are subject to risks and uncertainties. There can be no assurance that actual results will not materially differ from expectations. Actual results have varied materially and unpredictably from past expectations. Factors that could cause actual results to differ materially include, among others, the following: execution of restructuring activity and liquidity enhancement plans; complications or other factors that render it difficult or impossible to obtain necessary lender consents or regulatory authorizations on a timely basis; general economic and business conditions; changes in access to capital markets; the continuing effects of global instability, terrorism, and war; changes in industry capacity, development, and other activities by Allegheny's competitors; changes in the weather and other natural phenomena; changes in technology; changes in the price of power and fuel for electric generation; the results of regulatory proceedings, including those related to rates; changes in the underlying inputs, including market conditions, and assumptions used to estimate the fair values of commodity contracts; changes in laws and regulations applicable to Allegheny, its markets, or its activities; environmental regulations; the loss of any significant customers and suppliers; the effect of accounting policies issued periodically by accounting standard-setting bodies; additional collateral calls; and changes in business strategy, operations, or development plans. Additional risks and uncertainties are identified and discussed in Allegheny Energy's reports and registration statements filed with the Securities and Exchange Commission.

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