



NEWS RELEASE

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FOR IMMEDIATE RELEASE

Allegheny Energy Reports Fourth-Quarter and Full-Year 2003 Results

Hagerstown, Md., March 11, 2004 – Allegheny Energy, Inc. (NYSE: AYE) today announced financial results for the fourth quarter and full-year 2003 and filed its annual report on Form 10-K with the Securities and Exchange Commission.

For the fourth quarter of 2003, Allegheny reported a consolidated net loss of \$13.7 million, or \$0.11 per share, compared to a consolidated net loss of \$281.8 million, or \$2.23 per share, for the fourth quarter of 2002. For the year ended 2003, Allegheny reported a consolidated net loss of \$355.0 million, or \$2.80 per share, compared to a consolidated net loss of \$632.7 million, or \$5.04 per share, for the same period in 2002.

Consolidated income before income taxes and minority interest was \$3.3 million for the fourth quarter of 2003, compared to a consolidated loss before income taxes and minority interest of \$483.6 million for the same period in 2002.

Paul J. Evanson, Chairman and CEO, said, “With the filing of our 10-K on a timely basis and the refinancing of our debt earlier this week, Allegheny has achieved two significant milestones on the road to financial recovery. As a result, we received a clean audit opinion from our independent public accountants on our 2003 financial statements.”

“For the balance of 2004, we can concentrate on further reducing leverage and building a high-performance organization. I am optimistic that we can succeed in rebuilding Allegheny,” added Mr. Evanson.

Allegheny’s consolidated income before income taxes and minority interest improved by \$486.9 million for the fourth quarter of 2003, compared to the same period in 2002, and the factors contributing to the results included:

- Net losses on energy trading decreased by \$277.4 million, compared to the fourth quarter of 2002, primarily due to reduced trading activities in the Western United States energy markets, which Allegheny exited in 2003, and the termination or sale of speculative energy trading positions held in other national energy markets. Allegheny recorded a net trading loss of \$0.9 million for the fourth quarter of 2003, compared to a loss of \$278.3 million for the same period in 2002.
- Non-recurring charges for the fourth quarter of 2002 for a suspended generation project (\$192.0 million), the sales of Alliance Energy Services and Fellon-McCord (\$31.5 million) and the relocation of trading operations from New York City to Monroeville, Pa. (\$25.1 million).

- Interest charges increased by \$43.7 million, compared to the same period in 2002, primarily due to an increase in debt outstanding, including debt associated with a refinancing in February 2003 and the issuance of convertible trust preferred securities in July 2003.

Fourth quarter of 2003 net results were also affected by an income tax expense of \$15.0 million, compared to an income tax benefit of \$192.9 million for the fourth quarter of 2002. The 2003 expense included charges relating to changes in estimates of the deferred tax impact of regulatory depreciation and other matters.

Fourth-Quarter Results by Segment

Delivery and Services: The Delivery and Services segment reported net income of \$29.0 million for the fourth quarter of 2003, compared to net income of \$42.2 million for the fourth quarter of 2002. Income before taxes was \$60.4 million for the fourth quarter of 2003, compared to income before taxes of \$49.7 million for the fourth quarter of 2002. The increase in income before taxes of \$10.7 million compared to the prior year was primarily due to a non-recurring loss on the sales of Alliance Energy Services and Fellow-McCord of approximately \$31.5 million in 2002. This year-to-year benefit was partially offset by an increase of approximately \$22.4 million in insurance, taxes (other than income taxes) and other operating expenses.

Generation and Marketing: The Generation and Marketing segment reported a net loss of \$42.7 million for the fourth quarter of 2003, compared to a net loss of \$324.0 million for the comparable period in 2002. The loss before income taxes and minority interest was \$57.2 million for the fourth quarter of 2003, compared to the loss before income taxes and minority interest of \$533.3 million for the fourth quarter of 2002. The decrease in losses before income taxes and minority interest of \$476.1 million was primarily due to reduced energy trading losses of \$277.4 million as described above and lower operations expense in 2003 due to the non-recurring fourth quarter 2002 charges for a suspended generation project and the relocation of the trading operations as described above, as well as lower workforce reduction costs, salaries and outside services. Partially offsetting these items was an increase in interest expense for the segment of \$40.8 million compared to the same period in 2002. The previously announced outage at Hatfield's Ferry Power Station Unit No. 2 in November 2003 reduced results for the segment by approximately \$14.4 million related to net revenue losses and repair costs. Allegheny expects the unit to return to service in May 2004.

Year-End Financial Results

The consolidated loss before the cumulative effect of accounting changes was \$334.2 million, or \$2.64 per share, for the year ended 2003, compared to a consolidated loss before the cumulative effect of accounting changes of \$502.2 million, or \$4.00 per share, for the same period in 2002. The attached financial tables include a summary of results.

Analyst Conference Call

Allegheny will comment further on these results in an analyst conference call on Friday, March 12, at 9:30 a.m. Eastern Time. To listen to a live Internet broadcast of the call, visit www.alleghenyenergy.com. A taped replay of the call will be available after the live broadcast.

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 Allegheny Energy 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 Allegheny Energy's delivery business, Allegheny Power; the closing of various agreements; execution of restructuring activity and liquidity enhancement plans; results of litigation; financing and plans; 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 accounting issues; 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 filed with the Securities and Exchange Commission.

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