



NEWS RELEASE

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FOR IMMEDIATE RELEASE

Allegheny Energy Reports Third Quarter Results

Greensburg, Pa., November 4, 2004 – Allegheny Energy, Inc. (NYSE: AYE) today reported a net loss of \$376.8 million, or \$2.40 per diluted share, for the third quarter of 2004, compared with a net loss of \$51.0 million, or a loss of \$0.40 per diluted share, in the third quarter of 2003. Third quarter results for 2004 include \$427.5 million in losses from discontinued operations due principally to charges taken for assets held for sale.

Allegheny Energy reported third quarter 2004 income from continuing operations of \$50.6 million, or \$0.37 per diluted share, compared with a loss from continuing operations in the third quarter 2003 of \$46.8 million, or a loss of \$0.37 per diluted share.

“As expected, our core business returned to profitability in the third quarter. Our power plants performed well, and we benefited from continued cost reductions and lower interest expense,” said Paul J. Evanson, Chairman, President and Chief Executive Officer. “In the third quarter, we also recognized non-cash charges on the sale or impairment of certain non-strategic assets, as we continued to execute on our plan to reduce debt and build a more focused company.”

To provide a better understanding of Allegheny Energy’s core results and trends, Allegheny Energy also reported adjusted financial results, which are non-GAAP financial measures. A reconciliation of these non-GAAP financial measures and results reported in accordance with GAAP is attached to this release.

Third Quarter Adjusted Results

Allegheny Energy’s income from continuing operations before income taxes and minority interest was \$70.8 million for the third quarter of 2004, an increase of \$39.1 million compared to adjusted income from continuing operations before income taxes and minority interest for the same period in 2003. Among the factors contributing to the results were:

- Operations and maintenance expense decreased by \$20.0 million from the third quarter of 2003, primarily due to reduced spending on outside services.

- Interest expense decreased by \$24.8 million from the prior year third quarter, primarily due to lower borrowing rates and lower average debt outstanding.

Earnings from continuing operations before interest, taxes, depreciation and amortization (adjusted EBITDA) for the third quarter 2004 were \$243.2 million, an increase of \$17.9 million from the third quarter 2003. EBITDA is a non-GAAP financial measure. For a reconciliation of EBITDA to GAAP financial measures and details on the calculation of EBITDA, see the reconciliation of non-GAAP financial measures attached to this release.

Third Quarter Segment Results

Delivery and Services: The Delivery and Services segment reported income from continuing operations of \$30.2 million for the third quarter of 2004, virtually unchanged from the same quarter in the prior year. The segment's operating revenues increased by \$20.7 million, primarily due to increased retail electric revenues from higher residential and commercial sales as a result of greater usage. The higher revenue was offset by higher purchased energy expense.

Generation and Marketing: The Generation and Marketing segment reported income from continuing operations of \$16.2 million for the third quarter of 2004, compared to a loss of \$82.6 million for the same period in 2003. The segment's operating revenues increased by \$119.2 million primarily due to reduced losses as a result of Allegheny Energy's exit from Western energy markets.

Interest expense for the Generation and Marketing segment in the third quarter decreased by \$23.3 million due to lower borrowing rates and lower average debt outstanding.

Discontinued Operations

For the third quarter of 2004, the \$427.5 million consolidated net loss from discontinued operations includes a non-cash asset impairment charge of \$209.4 million pre-tax (\$129.2 million after tax) from the previously announced sale of the Lincoln generating facility; a non-cash asset impairment charge of \$35.1 million pre-tax (\$20.7 million after tax) associated with the previously announced agreement to sell the West Virginia natural gas operations; and non-cash asset impairment charges of \$445.4 million pre-tax (\$274.7 million after tax) as a result of the previously announced decision to sell the Gleason and Wheatland generating facilities. Discontinued operations also included an after-tax loss of \$2.9 million from operating results at these units.

Nine-Month Consolidated Results

For the first nine months of 2004, Allegheny Energy reported a consolidated net loss of \$383.0 million, or \$2.97 per diluted share, compared with a consolidated net loss of \$341.3 million, or \$2.69 per diluted share, for the first nine months of 2003. The results for the first nine months of 2004 included \$431.5 million in losses from discontinued operations, and the first nine months 2003 results included losses of \$17.3 million from discontinued operations. Allegheny Energy's income from continuing operations for the first nine months of 2004 was \$48.5 million, or \$0.38 per diluted share, compared to a loss from continuing operations of \$303.3 million, or a loss of \$2.39 per diluted share, in the first nine months of 2003. The 2003 loss was primarily due to Allegheny Energy's participation in Western energy markets, which it exited in 2003.

A summary of nine-month results by business segment is included in the attached financial tables.

Reconciliation of Non-GAAP Financial Measures

This news release and the attached tables include non-GAAP financial measures as defined in the Securities and Exchange Commission's Regulation G. Where noted, we present certain financial information on an adjusted basis to exclude the effect of certain items as described herein. By presenting adjusted results, management intends to provide investors with a better understanding of the core results and underlying trends from which to consider past performance and prospects for the future. We also present EBITDA as an additional measure of our operating performance.

Users of this financial information should consider the types of events and transactions for which adjustments have been made. Neither the adjusted information nor EBITDA should be considered in isolation or viewed as substitutes for or superior to net income or other data prepared in accordance with GAAP as measures of our operating performance or liquidity. In addition, neither the adjusted information nor EBITDA are necessarily comparable to similarly titled measures provided by other companies.

Pursuant to the requirements of Regulation G, we have attached tables that reconcile non-GAAP financial measures, including those presented in this release, to the most directly comparable GAAP measures.

Analyst Conference Call

Allegheny Energy will comment further on these results in an analyst conference call on Friday, November 5, at 9:30 a.m. Eastern Standard 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

Headquartered in Greensburg, Pa., Allegheny Energy is an energy company consisting of two major businesses, Allegheny Energy Supply, which owns and operates electric generating facilities, and Allegheny Power, which delivers low-cost, reliable electric service to customers 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; results of litigation; financing 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. 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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