WSJ.com THE WALL STREET JOURNAL.

Allegheny Energy CEO Plugs Into Firm's Stock

By Tony Cooke
Dow Jones Newswires

WASHINGTON—When **Enron** Corp. was a stock-market star, **Allegheny Energy** Inc. "tried to be a mini-Enron," says Allegheny Chairman and Chief Executive Paul J. Evanson.

After Enron's bankruptcy filing, Allegheny went through its own accounting imbroglio and a brush with insolvency. Mr. Evanson said that he was willing to take the helm at Allegheny last year because he was convinced that, unlike Enron, Allegheny's accounting problems weren't the result of fraud, but of inadequate procedures. "We've corrected most of those and we've got processes and procedures and controls to correct the balance of it," Mr. Evanson said.

Now, Mr. Evanson says the contrasts between his electric utility and Enron are more illuminating than the similarities, and he backed up that contention last week with the purchase of nearly $1 million worth of Allegheny Energy shares.

Mr. Evanson was one of six Allegheny insiders who bought shares last week. Together, the insiders paid an average price of $12.26 a share to buy 100,000 shares. In 4 p.m. composite trading yesterday on the New York Stock Exchange, Allegheny was at $12.83, up 43 cents. "I just believe in this company and the changes that we've made," said Mr. Evanson.

Mr. Evanson said that he and the other members of Allegheny's new management team, which was put in place last year, were unable to buy shares before now because of legal considerations. The accounting problems had rendered the Hagerstown, Md., company unable to provide financial reports to investors on time, and so company insiders were required to hold off on conducting transactions in company stock until all the required disclosures were complete.

INSIDE TRACK

That restriction was lifted last Thursday, shortly after the company filed its annual report.

"The first day the general counsel said to buy, I was in that morning buying," said Mr. Evanson, who bought 80,000 shares for an average price of $12.25 a share on Thursday.

Mr. Evanson, who was named Allegheny's chairman and chief executive in June 2003, said he believes the company went astray when it, like Enron, got involved in the energy-trading business and other businesses that weren't part of its core businesses of power generation and the transmission and distribution of electricity and natural gas.

Last year, in the company's delayed annual report for 2002, auditor **PricewaterhouseCoopers** raised doubt about Allegheny's ability to continue as a going concern. The company was obliged to reclassify $3.7 billion in long-term debt as current debt because of its failure to meet its reporting requirements.

Since then, the company has taken steps to get its balance sheet in order. Allegheny's debt is down $500 million since late last year, the company's credit rating has improved, and PricewaterhouseCoopers is no longer questioning the company's viability. Mr. Evanson said the company plans to cut its debt by a further billion dollars by the end of 2005.

However, PricewaterhouseCoopers warned in Allegheny's most recent annual report that the company's accounting controls remain inadequate. Also, stock analysts remain unconvinced. Allegheny is among the lowest-rated stocks tracked by Thomson First Call—both among utilities and in the market at large.

Nevertheless, Michael Painchaud, research director for Market Profile Theorems, said isn't unusual for insiders to spot a turnaround before the analysts do.

"There's an information flow in the marketplace," said Mr. Painchaud. Insiders, he said, tend to have information before the rest of the market. Furthermore, he said, analysts tend to be reluctant to reverse their opinions. Mr. Painchaud said trackers of insider transactions can get an edge over analysts.