

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF MARYLAND
(Greenbelt Division)**

In re:

**NATIONAL ENERGY & GAS
TRANSMISSION, INC. (f/k/a PG&E
NATIONAL ENERGY GROUP, INC.), et
al.**

Debtors.

*
* Case No.: 03-30459 (PM) and 03-30461 (PM)
* through 03-30464 (PM) and 03-30686 (PM)
* through 03-30687 (PM)
* Chapter 11
*
* (Jointly Administered under
* Case No.: 03-30459 (PM))

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**NOTICE REGARDING ISSUANCE OF PLAN SECURITIES AND CASH
DISTRIBUTIONS PURSUANT TO MODIFIED THIRD AMENDED
PLAN OF REORGANIZATION FOR NATIONAL ENERGY & GAS
TRANSMISSION, INC. (Case No. 03-30459-PM)**

PLEASE TAKE NOTICE that in accordance with the confirmed Modified Third Amended Plan of Reorganization for National Energy & Gas Transmission, Inc. (“NEGT”) (Case No. 03-30459), dated April 28, 2004, (the “Plan”),¹ the New Tranche A Notes and New Tranche B Notes (collectively, the “Notes”) were issued in the principal amount of \$500,000,000 each. Of the amounts so issued, approximately \$355 million, or 71% (of the total for each Tranche), was issued to holders of Allowed Class 3 Claims entitled thereto, and the balance of approximately \$145 million, or 29% (of the total for each Tranche), was held in custody for the benefit of holders of Disputed Class 3 Claims. On December 13, 2004, the Notes were redeemed in full, together with accrued interest, by NEGТ (such proceeds from the redemption of the Notes, the “Redemption Proceeds”). Concurrently with the issuance of the Notes, approximately 19,305,000 shares of New Common Stock were issued to holders of Allowed Class 3 Claims entitled thereto, and additional shares (representing approximately 29% of the 27,000,000 shares authorized for issuance pursuant to the Plan) were reserved for the benefit of holders of Disputed Class 3 Claims.

PLEASE TAKE FURTHER NOTICE that on December 14, 2004, NEGТ gave notice in accordance with the Plan that it would be making a Cash Distribution on or about December 30, 2004, in an amount not less than \$20,000,000, to holders of Allowed Class 3 Claims entitled to such Distribution. NEGТ ultimately made a Cash Distribution in the amount of \$130,000,000 (the “December Cash”) (inclusive of the \$20,000,000), of which approximately \$92.3 million, or 71%, was distributed on December 30, 2004 to holders of Allowed Class 3 Claims entitled thereto, and the balance of approximately \$37.7 million, or 29%, was held in a reserve account for the benefit of holders of Disputed Class 3 Claims.

¹ Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Plan.

PLEASE TAKE FURTHER NOTICE that on January 26, 2005, NEGT gave notice in accordance with the Plan that on or about February 17, 2005 it would, principally as a result of the disallowance of certain Disputed Class 3 Claims totaling approximately \$250 million, distribute (i) approximately \$5.8 million in December Cash, previously held in a reserve account, (ii) approximately \$21.8 million (for each Tranche of the Notes) in Cash, previously held in custody accounts, representing Redemption Proceeds and (iii) approximately 1.2 million shares of New Common Stock, in each case to holders of Allowed Class 3 Claims entitled to such distributions in accordance with the provisions of the Plan (the "February 2005 Distribution"). Holders of Allowed Class 3 Claims or their agents will be sent individual letters regarding the February 2005 Distribution. After the February 2005 Distribution, an aggregate of approximately 76% of (i) the 27,000,000 authorized shares of New Common Stock, (ii) the Redemption Proceeds and (iii) the December Cash will have been distributed to holders of Allowed Class 3 Claims. A balance of approximately 24% of each of the foregoing will continue to be held in reserve or custody accounts for the benefit of holders of Disputed Class 3 Claims. After adjustment for the disallowance of certain Disputed Class 3 Claims (as described above), total claims are approximately \$4.6 billion, of which at least \$1.1 billion remains in dispute.

Dated: February 15, 2005

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