

**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
DISTRIBUTION 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 71% (of the total for each Tranche) was issued to holders of Allowed Class 3 Claims entitled thereto, and the balance of approximately 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 (including the payment of accrued interest) by NEGТ. 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 (inclusive of the \$20,000,000), of which approximately 71% was distributed on December 30, 2004 to holders of Allowed Class 3 Claims entitled thereto, and the balance of approximately 29% is being 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.

Dated: January 6, 2005

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and

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