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

* *

NOTICE OF STATUS OF LIQUIDATION OF NATIONAL ENERGY & GAS TRANSMISSION, INC. (Case No. 03-30459-PM)

PLEASE TAKE NOTICE that annexed hereto as Exhibit A is a Summary of Cash Sources and Uses, and a Summary of Estimated Creditor Recoveries (the "Financial Disclosures").

PLEASE TAKE FURTHER NOTICE that the Financial Disclosures are for information purposes only, and are subject to change. Actual results may vary significantly from the projected amounts based on one or more factors, including the factors listed on the last page of the Financial Disclosures.

Dated: March 21, 2006

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and

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Co-Counsel for NEGT

Financial Disclosures to Creditors / Shareholders

As of March 2006

National Energy & Gas Transmission, Inc. ("NEGT or the Company") has prepared the following "Summary of Cash Sources and Uses" and "Summary of Estimated Creditor Recoveries" for the benefit of its creditors and shareholders. The analyses presented herein are for information purposes only, and are subject to change. Actual results may vary significantly from the projected amounts based on the factors discussed on the last page herein.

NEGT and its agents, attorneys and financial advisors do not guarantee or warrant the accuracy or completeness of the data that is provided herein and shall not be liable for any loss or injury arising out of or caused in whole or in part by the acts, errors or omissions, whether negligent or otherwise, in procuring, compiling, collecting, interpreting, reporting, communicating or delivering the information contained herein. While every effort has been made to provide accurate and complete information herein, inadvertent errors or omissions may exist. NEGT and its agents, attorneys and financial advisors expressly do not undertake any obligation to update, modify, revise or re-categorize the information provided herein, or to notify any third party should the information be updated, modified, revised or re-categorized. In no event shall NEGT and its agents, attorneys and financial advisors be liable to any third party for any direct, indirect, incidental, consequential or special damages (including, but not limited to, damages arising from the disallowance of a potential claim against NEGT or damages to business reputation, lost business or lost profits), whether foreseeable or not and however caused, even if NEGT and its agents, attorneys and financial advisors are advised of the possibility of such damages.

National Energy & Gas Transmission, Inc.
Financial Disclosure to Creditors / Shareholders
As of March 2006

Summary

- **Summary of Cash Sources & Uses:** The Company approved creditor distributions of approximately $1,825 million in the form of note redemptions and Class 3 cash distributions (90% of these distributions have been paid to allowed claimholders and the remainder is being held by a third party trustee pending the resolution of disputed claims). Future distributions, which will be considered by the NEGT Board of Directors as excess cash becomes available, are expected to range from approximately $230 to $490 million depending on the resolution of several contingent issues.

- **Summary of Estimated Creditor Recoveries:** The Class 3 Creditor Recovery has already reached 44% and is expected to range from 51% - 62%. The range of potential recoveries is caused by the uncertainty of the amount of certain potential cash inflows and the impact of several unresolved claims, which include ET tolling guarantees and other disputed claims. The following table summaries the estimated creditor recovery ranges:

($ in 000s)	**Unfavorable Scenario**		**Favorable Scenario**
Distributions	**Expected Distribution Range**		
Actual Distributions (Through December 2005)	$1,825,000	-	$1,825,000
Projected Distributions (January 2006 & Thereafter)	231,347	-	491,348
Total Distributions	2,056,347	-	2,316,348
Class 3 Creditor Claims	**Expected Claims Range**		
Allowed Claims	3,763,774	-	3,763,774
Valid Claim / Contingent Amount	181,209	-	0
Disputed Claims	118,019	-	0
Total Claims	$4,063,002	-	$3,763,774
	Projected Creditor Recovery Range		
Total Class 3 Creditor Recovery	**51%**	-	**62%**
Distributions Received by Allowed Claimholders as of February 28, 2005	44%		

National Energy & Gas Transmission, Inc.
Summary of Cash Sources and Uses
As of March 2006

	Footnote Reference	Actuals: Nov 2004 - Dec 2005	Forecast: Q1 2006	Forecast: Q2 2006	Forecast: Q3 2006	Forecast: Q4 2006 & Thereafter	Total
Cash Sources							
GTN / N. Baja Sale	[a]	$ 1,141,771	$ 10,000	$ 20,000	$ -	$ -	$ 1,171,771
IPP Sale	[b]	528,252	-	-	-	-	528,252
Hermiston Sale	[c]	47,619	-	-	-	-	47,619
Properties Sale	[d]	68,955	-	-	-	-	68,955
Spruce Power Sale	[e]	15,500	-	-	-	-	15,500
Sale of Miscellaneous Assets	[f]	-	3,000	-	-	-	3,000
Repayment of Intercompany Notes Receivable	[g]	24,381	2,200	-	-	-	26,581
Dividends from NEGT, Inc. Subsidiaries	[h]	155,169	1,182	579	-	-	156,931
Interest Income at NEGT, Inc.	[i]	12,528	3,579	2,895	2,189	4,618	25,809
PG&E Corporation Tax Settlement	[j]	20,000	-	-	-	-	20,000
Tax Payments from USGenNE	[k]	8,454	-	-	-	-	8,454
Bear Swamp Claim Recovery from USGenNE	[l]	71,160	-	-	-	-	71,160
USGenNE Remaining Distributions	[l]	36,057	-	10,000	-	32,343	78,400
Recovery of Allowed Claims against Energy Trading ("ET")	[m]	3,864	-	49,000	-	72,219	125,083
Recovery of ET Tolling Guarantees (Caledonia / Southaven)	[n]	17,500	TBD	TBD	TBD	TBD	17,500
Total Cash Sources		2,151,209	19,962	82,474	2,189	109,181	2,365,015
Cash Uses							
G&A (Net of Subsidiary Reimbursements)	[o]	(8,826)	402	(2,133)	(275)	(1,325)	(12,158)
Severance and Retention (Net of Subsidiary Reimbursements)	[p]	(8,713)	-	-	-	-	(8,713)
Professional Fees	[q]	(24,950)	(1,340)	(957)	(468)	(1,406)	(29,121)
Transaction / Emergence Costs	[r]	(23,192)	-	-	-	-	(23,192)
Estimated Tax Payments (State & Federal)	[s]	(26,517)	(860)	(4,300)	-	(5,000)	(36,677)
IRS Interest Expense	[t]	-	(10,160)	-	-	-	(10,160)
Interest on Notes	[u]	(8,556)	-	-	-	-	(8,556)
Total Cash Uses		(100,754)	(11,958)	(7,390)	(743)	(7,731)	(128,576)
Net Cash Flow Prior to Creditor / Shareholder Distributions		2,050,455	8,004	75,084	1,446	101,450	2,236,439

Rollforward of Cash Balances

	Footnote Reference	Nov 2004 - Dec 2005	Q1 2006	Q2 2006	Q3 2006	Q4 2006 & Thereafter	Total
NEGT, Inc. Beginning Cash Balance		29,909	255,364	263,368	218,475	219,921	29,909
Net Cash Flow Prior to Creditor / Shareholder Distributions		2,050,455	8,004	75,084	1,446	101,450	2,236,439
Note Redemptions (12/04)	[v]	(1,000,000)	-	-	-	-	(1,000,000)
2004 Payments to Class 3 Claimants / Shareholders	[w]	(130,000)	-	-	-	-	(130,000)
2005 Payments to Class 3 Claimants / Shareholders	[w]	(695,000)	-	-	-	-	(695,000)
2006 & Thereafter Payments to Class 3 Claimants / Shareholders	[x]	-	-	(119,977)	-	(111,370)	(231,347)
NEGT, Inc. Projected Ending Cash Balance *		$ 255,364	$ 263,368	$ 218,475	$ 219,921	$ 210,000	$ 210,000

Notes:

* Any residual cash would be paid to creditors / shareholders following the resolution of contingent liabilities.

National Energy & Gas Transmission Inc.
Summary of Cash Sources and Uses
As of March 2006

<table>
<tr><th>Footnote Reference</th><th>Actuals
(November 2004 – December 2005)</th><th>Forecast
(January 2006 & Thereafter)</th></tr>
<tr><td>[a] GTN / N. Baja Sale</td><td>▪ In May 2004, the Bankruptcy Court approved the sale of NEGT’s ownership interest in GTN, which included the N. Baja pipeline assets, to TransCanda Corporation (“TCPL”). The sale, which closed in November 2004, provided approximately $1,200 million of cash and the assumption of $500 million of debt by TCPL.

▪ The Summary of Cash Sources and Uses (the “Forecast”) reflects approximately $1,142 million of sales proceeds received through December 2005, which includes $1,095 million of net sale proceeds that were paid at closing and $47 million of sale holdbacks that were subsequently released.

▪ The net sales proceeds received at closing include the following:
– Purchase price ($1,200 million) <u>less</u>
– Required holdbacks ($241 million), <u>plus</u>
– Cash dividends received from the subsidiary prior to the sale that would have otherwise been a favorable purchase price adjustment ($138 million), <u>less</u>
– Final working capital adjustments ($2 million).

▪ At the time of the sale closing, proceeds of $241 million were being held in escrow until various GTN guarantees of NEGT affiliate liabilities were released and / or settled. The guaranteed contingent liabilities are all subject to negotiation with third parties and, in some instances, are in arbitration.

▪ NEGT has received a release of $47 million of the holdbacks, including El Paso ($12 million) and BP ($35 million).

▪ The Forecast does not include the release of the Liberty holdback ($140 million) based on an arbitration panel’s award to Liberty for $140 million plus interest. NEGT has asserted a</td><td>▪ The Forecast reflects the release of $30 million related to GTN guarantees of claims made against the Energy Trading subsidiary, as follows:
– GPU: $5 million in Q1 2006
– BP: $5 million in Q1 2006
– Mirant: $20 million in Q2 2006

▪ The Forecast does not include the release of the $24 million holdback related to the DTE Georgetown claim due to the uncertainty of pending litigation if ET elects to pursue avoidance actions against this counterparty. If the funds are not released to NEGT, there will be an opportunity for NEGT to pursue a claim against ET.</td></tr>
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<table>
<tr><th>Footnote Reference</th><th>Actuals
(November 2004 – December 2005)</th><th>Forecast
(January 2006 & Thereafter)</th></tr>
<tr><td></td><td>claim against its Energy Trading (“ET”) subsidiary for the payment of this liability on its behalf. Please see further discussion of the Liberty claim at “Summary of Estimated Creditor Recoveries” section herein.</td><td></td></tr>
<tr><td></td><td></td><td></td></tr>
<tr><td>[b] IPP Sale</td><td>▪ In January 2005, NEGT completed the sale of its indirect equity interests in twelve power plants and a natural gas pipeline to GS Power Holding II LLC, which is a wholly-owned subsidiary of the Goldman Sachs Group. The sale resulted in gross sale proceeds of $656 million.

▪ The Forecast reflects approximately $528 million of sales proceeds received through December 2005, which includes $513 million of net sale proceeds that were paid at closing and $15 million of sale holdbacks that were subsequently released.

▪ The net sale proceeds paid at closing of approximately $513 million included the following:

– Purchase price ($656 million) <u>less</u>

– Adjustment for the separate sale of the Hermiston facility as outlined in Footnote [c] ($40 million), <u>less</u>

– Dividends received by NEGT from the IPP entities prior to the closing date as required by the sale agreement ($73 million), <u>less</u>

– Contractually required escrows ($18 million), <u>less</u>

– Other contractual adjustments for working capital and change of control provisions ($12 million)

▪ Subsequent to the closing date, NEGT has obtained the release $15 million of the escrow funds for the following items: purchase price adjustment escrow, PG&E Corporation claim escrow and employee claims escrow.</td><td>▪ The remaining escrow funds of $3 million are related to employee and other contingent claims that have a termination date of 2008. Due to the uncertainty regarding the resolution of the remaining escrow accounts, the Forecast does not reflect the additional release these funds. It should be noted that this reflects a conservative estimate for cash flow forecasting purposes and NEGT will continue to pursue the full release of these escrow funds.</td></tr>
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National Energy & Gas Transmission Inc.
Summary of Cash Sources and Uses
As of March 2006

Footnote Reference	Actuals (November 2004 – December 2005)	Forecast (January 2006 & Thereafter)
[c] Hermiston Sale	NEGT sold its equity interest in the Hermiston facility to a wholly-owned subsidiary of Sumitomo Corporation for approximately $47 million in November 2004. As a result of the sale, Hermiston's equity interest was removed from the IPP portfolio sold to GS Power Holdings and the total sale price was adjusted by $40 million as discussed in Footnote [b].	Not applicable.
[d] Properties Sale	▪ Represents the proceeds from the sale of the Marengo and Conaway Ranches. The Marengo Ranch sale closed in November 2004 and resulted in net proceeds of $10 million. The Conaway Ranch sale closed in December 2004 and resulted in approximately $49 million of net proceeds. ▪ The Forecast also reflects approximately $10 million of cash on hand that was transferred from these subsidiaries to NEGT in conjunction with the sales.	Not applicable.
[e] Spruce Power Sale	In March 2005, NEGT sold its common stock of Spruce Power Corporation to American Consumer Industries Inc. for $15.5 million. Spruce Power Corporation is an NEGT subsidiary that owns a 25% interest in Colstrip Energy Limited Partnership, a 37 MW waste coal fired facility located in Colstrip, Montana. There were no holdbacks associated with the sale.	Not applicable.
[f] Sale of Miscellaneous Assets	Not applicable.	Reflects the sale of two peaking facilities near San Diego, CA and the disposal of the Liberty Generating development site in Q1 2006.
[g] Repayment of Intercompany	Reflects the repayment of intercompany notes from NEGT subsidiaries to NEGT Inc. These payments were authorized in	Represents the return of a $2.2 million deposit from a wholly-owned subsidiary to NEGT Inc. for payroll and corporate office expenses.

National Energy & Gas Transmission Inc.
Summary of Cash Sources and Uses
As of March 2006

Footnote Reference	Actuals (November 2004 – December 2005)	Forecast (January 2006 & Thereafter)
Notes from Subsidiaries	order to transfer cash from the subsidiaries to NEGT Inc. for potential distribution to creditors pursuant to the NEGT Plan of Reorganization.	
[h] Dividends from NEGT Inc. Subsidiaries	Represents dividends that have been approved by various Boards of NEGT subsidiaries to NEGT Inc. These dividends were authorized in order to transfer cash from the subsidiaries to NEGT Inc. for potential distribution to creditors pursuant to the NEGT Plan of Reorganization.	Reflects the dividend of all residual cash from NEGT subsidiaries to NEGT Inc.
[i] Interest Income at NEGT Inc.	Represents interest earned on the cash balances held at NEGT Inc. as a result of its investments in money market funds and other short-term, conservative holdings.	Represents interest earned on the cash balances held at NEGT Inc. as a result of its investments in money market funds and other short-term, conservative holdings.
[j] PG&E Corporation Tax Settlement	▪ Pursuant to the NEGT – PG&E Corporation ("PG&E") Tax Settlement, NEGT made representations regarding its 2004 taxable income prior to deconsolidation from PG&E (January – October 2004). If NEGT's taxable income exceeded the threshold, it would be required to make payments to PG&E based on the cash impact of the higher taxable income. ▪ Pursuant to the Tax Settlement, NEGT was required to reserve $20 million cash for a period that expired 60 days after the delivery of information to PG&E. Based on NEGT's actual taxable income for the period, the reserve was fully released to the Company in Q3 2005.	Not applicable.
[k] Tax Payments from USGenNE	Pursuant to the NEGT – USGenNE Tax Sharing Agreement that was approved by the Bankruptcy Court, the parties agreed, among other things, that USGenNE would be a component of NEGT's consolidated tax return and that NEGT would reimburse USGenNE for any tax losses that it utilized from this subsidiary in the NEGT	NEGT expects to utilize substantial tax losses from the final write-off of this subsidiary that would cause payments due from NEGT to USGenNE. Since these payments would result in a transfer of cash to USGenNE that would ultimately be returned to NEGT (due to the 100% recovery in the USGenNE bankruptcy), the parties do not

National Energy & Gas Transmission Inc.
Summary of Cash Sources and Uses
As of March 2006

Footnote Reference	Actuals (November 2004 – December 2005)	Forecast (January 2006 & Thereafter)
	consolidated return. Alternatively, USGenNE agreed to reimburse NEGT its portion of taxable income that was included in the NEGT consolidated tax return. As a result of this agreement, USGenNE paid NEGT approximately $8 million for taxable income that it generated during the period.	expect such payments would be made.
[l] Bear Swamp Claim Recovery / USGenNE Remaining Distributions	NEGT is forecast to receive total distributions of approximately $150 million for its allowed claim against USGenNE and for the remaining distributions to which it is entitled as USGenNE's indirect parent. Pursuant to the Bear Swamp Settlement Agreement, NEGT received an allowed claim against USGenNE for approximately $71 million, which was fully paid in July 2005. NEGT also received $36 million of residual cash from the USGenNE estate in November 2005.	NEGT is expected to receive additional residual cash from the USGenNE estate as disputed claim reserves are reduced through settlements and other dispute resolution protocols. An additional $42 million of distributions to NEGT is forecast based on the low-case recovery analysis for USGenNE, and there may be an opportunity to increase the final distributions received by NEGT from USGenNE based on the favorable settlement of several disputed claims which total approximately $100 million.
[m] Recovery of Allowed Claims Against Energy Trading ("ET")	Approximately $4 million was paid to NEGT for an allowed claim against ET-Gas.	▪ NEGT expects to recover approximately $50 million from ET-Gas for its allowed claims against the debtor, which include letters of credit issued by NEGT on behalf ET and tax balances owed to NEGT by ET. Pursuant to the ET-Gas Plan of Liquidation, allowed claims are projected to receive a 100% recovery. ▪ The Forecast also reflects a recovery of approximately $70 million from ET-Power on account of its intercompany balances due to NEGT. The claims result from letters of credit / guarantees issued on behalf of ET and other intercompany transactions. Pursuant to its Plan of Liquidation, allowed claims against ET-Power are entitled to receive a recovery between 35% - 90%. The final recovery rate for ET-Power will vary significantly based on the resolution of several significant claims, including the Southaven Tolling Claim ($500 million claim) and California / FERC claims ($250 million). These claims are subject to

Footnote Reference	Actuals (November 2004 – December 2005)	Forecast (January 2006 & Thereafter)
		arbitration and other resolution protocols and may not be determined until Q4 2006. ▪ The Forecast assumes an arbitrarily selected 50% recovery rate on claims against ET-Power. However, the actual recoveries may be substantially different due to the wide range of potential recoveries on allowed claims against ET-Power. If the remaining claims against ET-Power are favorably resolved, NEGT's recovery from this entity is expected to increase.
[n] Recovery of ET Tolling Guarantees (Caledonia / Southaven)	▪ In December 2005, the Bankruptcy Court approved a Settlement between NEGT / ET (the "NEGT parties") and Caledonia and an accompanying Intercompany Agreement between the NEGT parties. ▪ Under the terms of the Caledonia Settlement, the NEGT parties agreed to grant Caledonia an allowed claim that would provide not more than $275 million cash. The settling parties agreed that the allowed claim amounts would equal $375 million against ET-Power and $250 million (the guarantee cap) against NEGT. ▪ Pursuant to the Intercompany Agreement, ET-Power paid NEGT a consent fee of $17.5 million in order to provide the necessary inducement to enter into the Caledonia Settlement. Please see further discussion of the Caledonia Settlement and Intercompany Settlement in the "Summary of Estimated Creditor Recoveries" section herein.	▪ The Intercompany Agreement between NEGT and ET provides a mechanism to determine if additional amounts are due from ET-Power to NEGT with regards to the Caledonia Settlement. The purpose of the calculation is to ensure that each NEGT party pays its appropriate portion of the settlement based on their final recovery rate. Since the Caledonia Settlement requires simultaneous payments on allowed claims from the NEGT parties up to the settlement amount, the initial funding by the parties may be disproportionate to the level of their final recoveries. The Intercompany Agreement is intended to resolve this issue by providing a "look-back" mechanism to determine each party's share of the obligation. ▪ Pursuant to the Intercompany Agreement, the payment is determined by comparing the amount of the final recovery on a $275 million claim against ET-Power to the portion of the Caledonia Settlement that was initially funded by ET-Power. If ET-Power would have been required to pay more than it funded based on its final recovery rate, the difference is remitted from ET to NEGT. ▪ Assuming a 50% recovery rate on NEGT's $250 million guarantee to Caledonia, Management estimates that payments from ET-Power to NEGT would be triggered when ET-Power's recovery rate exceeds approximately 55%. Under this scenario,

Footnote Reference	Actuals (November 2004 – December 2005)	Forecast (January 2006 & Thereafter)
		NEGT would have funded $125 million of the settlement and ET-Power's total contribution should have been approximately $151 million. ET-Power would then reimburse NEGT the $1 million in excess of the $275 million settlement amount (or allow NEGT to initially fund $1 million less of the Caledonia Settlement depending on the timing of payments under each debtor's Plan). ▪ The amount of additional recoveries from ET, if any, depend on the final recovery rate of ET-Power which cannot be accurately determined at this time due to the factors described in footnote [m] herein.
[o] G&A (Net of Subsidiary Reimbursement)	Reflects corporate level expenses for functions such as accounting, information technology, insurance, human resources, legal, tax and treasury. During the period, NEGT was able to recover a portion of these costs from its IPP, USGenNE and ET operating subsidiaries.	Represents the expected cost to complete the liquidation of NEGT and its subsidiaries. Significant items that are required to support the ongoing tax and accounting functions include contract employee fees, long-term storage, insurance and rent expense.
[p] Severance & Retention (Net of Subsidiary Reimbursement)	▪ Represents the court-approved severance and retention plan payments for the Company's corporate level employees. ▪ On average, severance payments equal to three to six months of salary were paid to terminated employees. The severance payments also include each employee's pro-rata share of contractual incentive payments based on the number of months of service in the current fiscal year. ▪ Employees were also eligible to participate in the Company's court-approved retention plan, which provided payments equal to 10% - 75% of annual salary based on the employee's expected level of responsibility in the liquidation efforts. ▪ All remaining employees were severed on December 16, 2005. Any employees that are needed beyond this time became	Not applicable.

Footnote Reference	Actuals (November 2004 – December 2005)	Forecast (January 2006 & Thereafter)
	contract employees that are paid at negotiated hourly rates.	
[q] Professional Fees	Reflects professional fees for all ordinary course and bankruptcy professionals, including legal, financial advisors and audit services. These payments include approximately $4 million of fee holdbacks that were required by the Bankruptcy Court pending final approval of the invoices. In addition, there was a significant amount of payments related to pre-emergence professional fees that were paid during this period due to timing differences in the billing cycle.	Reflects professional fees for all professionals who will be required for the wind-up of NEGT operations, including legal, tax and restructuring advisors.
[r] Transaction / Emergence Costs	Primarily reflects transaction fees paid upon emergence from bankruptcy and the closure of asset sales, as follows: Lazard ($15 million), Alvarez & Marsal ($6 million), Houlihan Lokey ($2 million).	Not applicable.
[s] Estimated Tax Payments (State & Federal)	▪ NEGT generated taxable income in 2004 primarily due to gains from its asset sales during the year. The Company believes that it will be able to offset a majority, if not all, of the 2004 taxable income with tax losses generated in 2005. ▪ Through consultation with its tax advisor, NEGT has elected to adopt a Section 6164 extension whereby it was allowed to pay only the portion of its 2004 Federal taxes which is not expected to be offset by 2005 Federal tax losses (related to Federal AMT). ▪ As a result, NEGT remitted a tax payment of approximately $14 million for Federal AMT. Separately, NEGT remitted approximately $12 million for state taxes in 2005.	The Forecast includes a $5 million estimate for 2005 state taxes, which are expected to be paid in 2006, and $5 million for all state taxes thereafter.
[t] IRS Interest Expense	Not applicable.	Pursuant to the Section 6164 extension strategy outlined in Footnote [s] above, NEGT is required to pay interest on the unpaid federal tax balance until the 2005 tax return is filed in 2006. Based on the estimated IRS interest rate, NEGT would pay approximately $10

National Energy & Gas Transmission Inc.
Summary of Cash Sources and Uses
As of March 2006

Footnote Reference	Actuals (November 2004 – December 2005)	Forecast (January 2006 & Thereafter)
		million of interest.
[u] Interest on Notes	Represents interest paid on the Tranche A/B Notes that were issued to Class 3 claimholders pursuant to the NEGT Plan of Reorganization.	Not applicable.
[v] Note Redemptions	Reflects the December 2004 redemption of the Tranche A/B Notes that were issued to Class 3 claimholders pursuant to the NEGT Plan of Reorganization.	Not applicable.
[w] Payments to Class 3 Claimants / Shareholders	NEGT has made $825 million of Class 3 creditor distributions. The Company estimates that approximately 90% of these funds have been paid to allowed Class 3 claimholders and the remainder is being held by a third party trustee pending the resolution of disputed claims.	Future distributions will be considered by the NEGT Board of Directors from the following sources: ▪ Distributions received from USGenNE, ▪ Payment from ET for allowed claims, ▪ Potential reimbursement of NEGT payments for ET toll guarantees, and ▪ Reduction in contingency reserve that is discussed in Footnote [x] herein.
[x] NEGT Inc. Projected Ending Cash Balance	Not applicable.	The NEGT Board has authorized the establishment of a $210 million reserve for contingent liabilities identified by the Company. All residual cash that remains upon the resolution of these contingent claims will be distributed to the NEGT creditors / shareholders.

National Energy & Gas Transmission Inc.
Summary of Estimated Creditor Recoveries
As of March 2006

Claims	Footnote Reference	Original Claim Amount	Expected Claims Range	
			Unfavorable	Favorable
Allowed				
Previous Allowed Claims (As of July 2005)	[aa]	$ 3,572,662	$ 3,464,864	$ 3,464,864
Caledonia Tolling Guarantee	[bb]	250,000	250,000	250,000
Attala Tax Indemnification	[cc]	240,091	48,754	48,754
All Other		1,082	156	156
	[aa]	4,063,835	3,763,774	3,763,774
Valid Claim / Contingent Amount				
Southaven Tolling Guarantee	[dd]	176,209	176,209	0
All Other	[ee]	5,000	5,000	0
		181,209	181,209	0
Disputed Items				
Merchant Project Interest / Fee Claims	[ff]	101,489	101,489	0
Liberty Interest Claim	[gg]	20,477	0	0
All Other	[hh]	2,089,552	16,530	0
		2,211,518	118,019	-
Total Claims		6,456,562	4,063,002	3,763,774

Creditor Distributions	Footnote Reference	Expected Creditor Distribution	
Note Redemptions (Dec 2004)	[ii]	1,000,000	1,000,000
Actual Payments to Class 3 Claimants / Shareholders	[jj]	825,000	825,000
Future Payments to Class 3 Claimants / Shareholders	[kk]	231,347	491,348
Total Distributions		$ 2,056,347	$ 2,316,348

	Projected Creditor Recovery Range	
Total Class 3 Creditor Recovery	**51%**	**62%**
Memo: Distributions Received by Allowed Claimholders as of 2/06	44%	

Footnote Reference	Comment
[aa] Allowed Claims	Represents claims which have been allowed by the Bankruptcy Court pursuant to the NEGT Plan of Reorganization and other approved settlements. Through February 2006, holders of these claims have received distributions equal to approximately 44 cents for every claim dollar.
[bb] Caledonia Tolling Guarantee	ET-Power entered into a tolling agreement with Caledonia Generating (the "Agreement"), dated as of September 20, 2000. Pursuant to the Agreement, Caledonia was to deliver and sell to ET-Power, and ET-Power was to purchase, all of the electrical capacity, ancillary services, fuel conversion services and various other products from electric generating facilities in Mississippi. The Agreement provides for damages in the event of material breach (*i.e.*, a termination payment), subject to a $500 million cap against ET Power. NEGT guaranteed ET Power's obligations under the Agreement in an amount up to $250 million. On November 12, 2002, ET-Power notified Caledonia of an event of default as a result of their failure to meet certain requirements and believed that Caledonia was not able to cure its defaults within the period specified in the Agreement. Accordingly, on February 4, 2003, ET-Power provided notice to Caledonia of its termination of the Agreement. Subsequent to the notice, there were numerous legal petitions filed by the parties against each other and the matter was scheduled to be resolved pursuant to an arbitration process. In October 2005, NEGT / ET and Caledonia agreed to settle their dispute for not more than $275 million prior to the commencement of the arbitration hearings (the "Caledonia Settlement"). The settlement amount is to be paid through an allowed claim of $250 million against NEGT and up to $375 million against ET-Power. The Caledonia Settlement and a related Intercompany Agreement between NEGT and ET (the "Intercompany Agreement") was approved by the Bankruptcy Court in December 2005. The Intercompany Agreement provided NEGT the necessary inducement to enter into the Caledonia Settlement. Pursuant to this agreement, ET was required to pay NEGT a $17.5 million consent fee and the parties agreed to a mechanism to calculate additional potential recoveries by NEGT on account of its guarantee payments to Caledonia. See further discussion of NEGT recoveries from ET under this agreement in the "Summary of Cash Sources and Uses" section herein.
[cc] Attala Tax Indemnification	The Attala Facility was purchased in September 2000 by Attala Generating Company, LLC ("AGC"), an NEGT affiliate. In May 2002, AGC entered into two complex leveraged sale/leaseback transactions, which included multiple agreements between several different entities, which agreements included several NEGT guaranties. Ten proofs of claim related to the Attala Facility remain outstanding. The six claimants are VCC Attala OP LLC and TCC Attala OP LLC (the "Owner Participants"); VCC Attala OL LLC and TCC Attala OL LLC (the "Owner Lessors"); and BATCL-1987 II, Inc., and Newcourt Capital USA, Inc. (the "Sole Owners," together with the Owner Participants and Owner Lessors, the "Attala Owner Entities"). The two claims filed by each Owner Participant and Sole Owner relate primarily to a Tax Indemnity Agreement, which was guaranteed (with certain exceptions) in the Indemnity Guaranties from NEGT to the Owner Participants. The Owner Participant claims are

Footnote Reference	Comment
	related to the Tax Indemnity Agreement and total $240.1 million. The Owner Participants also seek $2.3 million for fees and expenses incurred as a result of AGC's alleged breaches under a general indemnity. The Sole Owners' claims duplicate the Owner Participant Claims and also seek $240.1 million under the Tax Indemnity Agreement and $2.3 million under a general indemnity. The remaining two claims, filed by the Owner Lessors, do not deal with the Tax Indemnity Agreement issues and are very similar to the resolved Attala claims. The Owner Lessors claim they are owed $300 million under a Tolling Guarantee. The Debtors filed objections to the claims of each Attala Owner Entity on January 27, 2005 (the "Attala Objections"). In the Attala Objections, NEGT objected to the Sole Owners' claims because they are entirely duplicative of the Owner Participants' claims and the Sole Owners are not parties to NEGT's Indemnity Guaranties. NEGT objected to the Owner Lessors' claims because they duplicate claims that were settled in the Attala Settlement and because the Owner Lessors have no standing to make a claim under the Tolling Guaranty. NEGT objected to the claims of the Owner Participants for several reasons, including but not limited to the facts that AGC's obligations under the TIA and/or NEGT's obligations under the Indemnity Guaranties have not been triggered; and, even if the obligations are triggered, the Owner Participants' calculations are improper and would result in a windfall. For litigation purposes, Management took the position that if NEGT owed money under the TIA and Indemnity Guaranty, then it should be limited to the after-tax cash benefits that the equity lost, which are approximately $7.6 million. On April 4, 2005, the Attala Owner Entities filed a response to the Debtors' Attala Objections and Motion for Partial Summary Judgment. On June 1, 2005, the Debtors filed a Reply Brief in Further Support of their Attala Objections and a Response to the Attala Owner Entities' Motion for Partial Summary Judgment. The Attala Owner Entities filed a reply in support of their Motion on June 15, 2005. Following a hearing on the objections in August 2005, the Bankruptcy Court issued a tentative ruling and requested that the parties submit additional memoranda. Upon consideration of the filings and hearings, the Bankruptcy Court decided to sustain NEGT's objection to the Owner Lessors and Sole Owner Claims. The Court also decided to overrule, in part, NEGT's objection to the Owner Participant claims and allow these claims in a substantially reduced amount of $48.8 million. Subsequent to the decision, the Owner Participants filed a motion to reconsider the decision, which was later denied by the Bankruptcy Court.
[dd] Southaven Tolling Guarantee	ET Power entered into a Tolling Agreement with Southaven (the "Agreement"), dated as of June 1, 2000. Pursuant to the Agreement, Southaven was to deliver and sell to ET-Power, and ET-Power was to purchase, all of the electrical capacity, ancillary services, fuel conversion services and various other products from electric generating facilities in Mississippi. NEGT guaranteed ET Power's obligations under the Agreements. On November 12, 2002, ET-Power notified Southaven of an event of default as a result of their failure to meet certain requirements respecting the ability of the facility to inject output into the applicable control area. ET-Power contended that Southaven was not able to cure their defaults within the period specified in the Agreements and, accordingly, on February 4,

Footnote Reference	Comment
	2003, ET-Power provided notice to Southaven of its termination of the Agreement. On February 7, 2003, Southaven filed an emergency petition against ET-Power in the Circuit Court for Montgomery County, Maryland (the "State Court Action") to compel arbitration or, in the alternative, for a temporary restraining order. On March 3, 2003, Southaven obtained an order requiring ET-Power to continue to perform its obligations under the Agreement. ET-Power filed an appeal and, on March 24, 2003, ET-Power commenced arbitration proceedings against Southaven. The arbitration and the State Court Action were stayed as of the Petition Date. The Agreement provides for damages in the event of material breach (*i.e.*, a termination payment), subject to a $500 million cap against ET Power. As part of the Agreement, NEGT provided payment guarantees, which are capped at approximately $176 million. Determination of the termination payment is based on a formula that takes into account a number of factors, including such market conditions as the price of power and the price of fuel. Because of changes in market conditions over time, it is difficult to precisely quantify the amount of any potential termination payment. NEGT, by way of defense, has claimed that Southaven breached the tolling agreement by failing to provide adequate assurances of future performance (including failure to ensure interconnection) when such assurances were requested by ET Power starting in the fall of 2002. NEGT also asserts these parties failed to post a $50 million letters of credit as required by the Agreement, and they are, therefore, ineligible to receive a termination payment due to its default. Finally, as to the amount of the termination payment (should one be due), NEGT asserts that Southaven is using a methodology that overstates the amount under the terms of the tolling agreement. The Southaven arbitration hearings commenced in October 2005 and were adjourned to February 2006. Upon the completion of the February hearings, the arbitration panel established a date in May 2006 to hear oral arguments on the potential liability issues and agreed to issue a decision shortly thereafter. If it is determined that the NEGT parties are liable to Southaven, there will be hearings in late June 2006 to hear testimony regarding damage valuations. Due to the complexity of the issues regarding the Agreement, both parties have agreed to waive the customary deadline for the arbitration panel's final decision so it is difficult to predict when the Southaven arbitration process may ultimately conclude.
[ee] All Other	Represents several claims related to guarantees made by NEGT Inc. on behalf of its subsidiaries. Although the Company does not dispute the validity of these assertions, the claim amount is contingent on the outcome of settlement negotiations and creditor recoveries at the NEGT subsidiary level.
[ff] Merchant Project Interest / Fee Claims	Prior to the claims bar date in January 2004, Lake Road and La Paloma filed a proof of claim against NEGT in the amount of approximately $625 million plus additional unliquidated and contingent amounts. Pursuant to Section 4.03 of the NEGT Plan of Reorganization, these claims were allowed as a general unsecured claim against NEGT.

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Footnote Reference	Comment
	In November 2005, the Lake Road / La Paloma claimholders sent a letter to NEGT that requested an increase in the allowed claim amount of approximately $100 million for interest and expenses. The interest charges allegedly accrued on certain loans from July 2003 through the date of the transfer of the respective generating facilities to the claimholders. The expense claim relates to legal, consulting and financial services incurred by the lenders in conjunction with the bankruptcy case and the transition of the Lake Road and La Paloma generating facilities back to the claimholders. A hearing was held before the Bankruptcy Court on February 8, 2006 and the Court entered an order on February 22, 2006 to disallow the additional claim amount. In response the Bankruptcy Court decision, the claimholders filed an appeal on March 3, 2006 and subsequently filed a motion to compel NEGT to maintain the additional claims in its Disputed Claims Reserve until the appeal was resolved. As a result, NEGT has agreed to maintain a reserve in the Disputed Claims Reserve for this matter until April 30, 2006. A hearing on the appeal is scheduled for April 27, 2006.
[gg] Liberty Interest Claim	Liberty Electric Power, LLC ("Liberty") filed proofs of claim against ET Power and NEGT based on amounts allegedly owed with respect to a certain tolling agreement between ET Power and Liberty. NEGT and its former affiliate, Gas Transmission Northwest, Inc. ("GTN") guaranteed ET Power's obligations under the Tolling Agreement (the "Guarantee") for $140 million. Arbitration proceedings on the matter concluded and, pursuant to the arbitrator's decision, ET Power was found to be liable to Liberty in the amount of $140 million, plus interest (including post-petition periods). In accordance with the terms of the sale of GTN, the face amount of the Guarantee ($140 million) was reserved in escrow and held back from the purchase price, and this amount has been released to Liberty. However, Liberty asserted that it could first apply the Guarantee to post-petition interest and legal fees (which would total approximately $20 million) and then to the $140 million award. Liberty would then assert claims against ET Power and NEGT for the unpaid balance of the $140 million award. NEGT and ET disputed that the funds can be allocated in such a manner, and maintain that under applicable law, the Liberty claim has been fully satisfied. A hearing on this matter was held before the Bankruptcy Court on May 2005. In August 2005, the Court entered an order that, among other things, confirmed the arbitration panel's decision and allowed the application of the guarantee as outlined by Liberty. At the time, the Court also expunged the remaining claim against NEGT and determined that the residual $20 million liability should be paid by ET. Although the NEGT parties appealed the decision, the District Court affirmed the Bankruptcy Court decision in March 2006.
[hh] All Other	The original claim amount includes claims that were disputed by NEGT and have been either disallowed by the Court or withdrawn by the claimant. There are several unresolved items including claims made by former ET employees and NEGT's former investment banker. NEGT continues to dispute these claims and expects them to be resolved through the Bankruptcy Court.

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Footnote Reference	Comment
[ii] Note Redemptions	Reflects the December 2004 redemption of the Tranche A/B Notes that were issued to Class 3 claimholders pursuant to the NEGT Plan of Reorganization. As of February 2006, approximately 90% of these funds have been distributed to the allowed claimholders and the remainder is being held by a third party pending the resolution of certain contingent and disputed claims.
[jj] Actual Payments to Class 3 Claimants / Shareholders	Through February 2006, NEGT has made $825 million of Class 3 creditor distributions. Approximately 90% of these funds have been distributed to the allowed claimholders and the remainder is being held by a third party in accordance with the NEGT Plan of Reorganization pending the resolution of certain contingent and disputed claims.
[kk] Future Payment to Class 3 Claimants / Shareholders	▪ Future distributions will be considered by the NEGT Board of Directors from the following sources: – Distributions received from USGenNE, – Payment from ET for allowed claims, – Potential reimbursement of NEGT payments for ET toll guarantees, and – Unused portion of the contingency reserves authorized by the NEGT Board ▪ The incremental future payments in the Favorable Scenario are caused by the following assumptions: – The Favorable Scenario assumes that $160 million of the contingency reserve is released to the Class 3 claimants / shareholders. The Unfavorable Scenario assumes that the full reserve is used to fund contingent liabilities. – The Favorable Scenario also reflects the realization of an incremental $100 million from the potential opportunities that are identified throughout the Cash Sources and Uses analysis. These incremental cash sources may include distributions from USGenNE, incremental recoveries of intercompany balances / guarantees from ET and the release of sale holdbacks and other escrows.

Forward-Looking Statements

The "Summary of Cash Sources and Uses" and "Summary of Estimated Creditor Recoveries" may contain "forward-looking statements". Such forward-looking statements may include, without limitation, statements about the Company's market opportunities, strategies, competition and expected activities and expenditures, and at times may be identified by the use of words such as "may", "will", "could", "should", "would", "project", "believe", "anticipate", "expect", "plan", "estimate", "forecast", "potential", "intend", "continue" and variations of these words or comparable words. Forward-looking statements inherently involve risks and uncertainties. Accordingly, actual results may differ materially from those expressed or implied by these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, the following:

The outcome of various disputed claims in which the Company is litigating;

The inability to release certain sale holdbacks and other escrows;

The reduction in cash receipts from former subsidiaries in the form of allowed claims and other distributions;

The ability to achieve operating and financial targets;

The ability to retain qualified management and personnel;

Potential liabilities and other claims that may be asserted against the Company;

Changes in general economic conditions; and

The outcome of the Company's continuing efforts to monitor, maintain, and comply with appropriate laws, regulations, policies and procedures.