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))

* * * * * * * * * * * * * * * *

NEGT'S RESPONSE TO ET POWER'S MOTION FOR SUMMARY JUDGMENT

TO THE HONORABLE UNITED STATES BANKRUPTCY JUDGE:

National Energy & Gas Transmission, Inc. ("NEGT") responds to the Motion for Summary Judgment filed by NEGT Energy Trading Power – L.P. ("ET Power") and would show the Court the following:

I. SUMMARY OF ARGUMENT

ET Power does not argue that NEGT waived subrogation rights against it. Instead, ET Power argues that NEGT waived the right to take an assignment of the subrogation rights of Gas Transmission Northwest Corporation ("GTN") against ET Power. Thus, ET Power takes the position that:

NEGT could have pursued its own subrogation claim against ET Power	**GTN could have pursued its own subrogation claim against ET Power**	**BUT, NEGT cannot pursue a subrogation claim against ET Power assigned by GTN**

How does ET Power try to justify this perverse and inequitable position? There are four ways:

1) ET Power takes language out of context.

Making use of a generous helping of "….," ET Power strings bits and pieces of language from ***NEGT's guarantee*** (which NEGT is not suing on) to concoct what it claims to be a "clear and unambiguous" (although inexplicable) waiver of ***assigned*** subrogation rights. When read in context, however, the way contracts are supposed to be read, what is clear and unambiguous is that the cited provision simply limits NEGT's ability to require the creditor to pursue other guarantors before making a claim against ET Power.

2) ET Power relies on language in a contract to which it was neither a party nor an intended beneficiary.

ET Power is not a party to the NEGT guarantee it relies on. Nor is it an intended beneficiary of the enforcement provisions of that guarantee, which instead were designed to benefit ET Power's creditor.

3) ET Power relies on language in a contract that is not relevant.

The language ET Power relies on is contained in NEGT's guarantee to ET Power's creditor. But NEGT is not suing on or under that guarantee. Instead, it is suing as assignee of GTN's subrogation rights, and it stands entirely in the shoes of GTN, subject only to defenses that could have been asserted against GTN.

4) ET Power ignores its prior conduct that is inconsistent with its proffered reading.

When GTN paid $140 million into an escrow fund to cover ET Power's obligations to ET Power's creditor, ET Power continued to treat those obligations as its own and disclosed them as

such to all of its creditors and to this Court in its disclosure statement. And, when GTN assigned its subrogation rights to NEGT as part of the sale of GTN approved by this Court, ET Power never argued that the assignment effectively released ET Power from its subrogation obligation. ET Power should be equitably estopped from offering its newly disclosed interpretation of the guarantee language.

Ultimately, ET Power's motion for summary judgment should be denied, and NEGT should be awarded summary judgment for the reasons shown in its independent Motion for Summary Judgment filed February 5, 2010. ET Power's reading of the guarantee language is simply wrong. Moreover, ET Power is not permitted to assert such language in response to NEGT's subrogation claim.[1]

II. ET POWER READS THE WAIVER LANGUAGE OUT OF CONTEXT

On February 6, 2001, NEGT and GTN provided separate guarantees (the "NEGT Guarantee" and "GTN Guarantee," respectively) to Liberty Electric Power, LLC ("Liberty"), guaranteeing ET Power's obligations to Liberty under an April 14, 2000 Tolling Agreement. Those guarantees are attached as Exhibits 1 and 2 to the NEGT Motion.

Section 9 of the NEGT Guarantee provided as follows:

> 9. Subrogation. [NEGT] waives any rights of subrogation or reimbursement from [ET Power] or [GTN] that may accrue to [NEGT] under this Guarantee until the time that all Obligations owing to [Liberty] are fully and indefeasibly paid to [Liberty]. Upon such full and indefeasible payment of all the Obligations owing to [Liberty]**, [NEGT] shall be subrogated to the rights of [Liberty] against [ET Power], and [Liberty] agrees to take at [NEGT]'s expense such steps as [NEGT] may reasonably request to implement such subrogation.**

[1] NEGT's Motion for Summary Judgment and its supporting evidence are incorporated in this Response by reference for all purposes. Evidentiary references to the "NEGT Motion" refer to NEGT's Motion for Summary Judgment; references to the "ET Motion," to ET Power's Motion for Summary Judgment.

(emphasis added). The GTN Guarantee contains an almost identical provision, changing only the names of the parties involved.

Thus, ET Power acknowledges that "***Under the NEGT Guaranty, NEGT is entitled to assert subrogation rights on its own behalf.***" Objection of ET Power, filed April 20, 2009, ¶ 19 (emphasis added). The same logic would mean that GTN was entitled to assert subrogation rights on its own behalf as well. So why can't NEGT assert subrogation rights as assignee on behalf of GTN?

ET Power's answer relies on bits and pieces of Section 4 of the NEGT Guarantee, covering "Enforcement." For the ease of the Court, Exhibit A to this Response presents a more legible version of Section 4 – none of the content has been changed, except to name the parties involved and to highlight the portions of the section stitched together by ET Power. Of the 350 or so words in Section 4, ET Power quotes about 30, ignoring more than 90 percent of the section. The issue presented thus is one of basic contractual interpretation: should segments of a contract be read by themselves, independent of the rest of the document, or should the contract be read as a whole, considering the context?

The NEGT Guarantee is governed by New York law per Section 12, and New York law is clear that contractual provisions must be read in context, pursuant to the principle of *noscitur a sociis*, defined as, "A word is known by the company it keeps." *Popkin v. Security Mut. Ins. Co. of New York*, 48 A.D.2d 46, 48 (N.Y. App. Div. 1975). "*Noscitur a sociis* is an old fundamental maxim which summarizes the rule both of law and of language that associated words explain and limit each other. In effect, it is a rule of construction whereby the meaning of a word in a provision may be ascertained by a consideration of the company in which it is found and the

meaning of the words which are associated with it." *Id.*; *see also SR Int'l Business Ins. Co. Ltd. v. World Trade Ctr. Prop., LLC*, 445 F.Supp.2d 320, 352 (S.D.N.Y. 2006) (applying doctrine to a contract governed by New York law); *Gustafson v. Alloyd Co.*, 513 U.S. 561, 575 (1995) (defining term); *Dole v. United Steelworkers of Am.*, 494 U.S. 26, 36 (1990) ("The traditional canon of construction, *noscitur a sociis*, dictates that words grouped in a list should be given related meaning").

Examples of application of *noscitur a sociis* are abundant. For example, in *Open Software Found., Inc. v. U.S. Fid. & Guar. Co.*, the insured argued that tortious interference claims were claims for "unfair competition" that were included as "advertising injuries." The court disagreed, noting that, regardless of the interpretation given to "unfair competition" as a standalone term, in the contract at issue it was part of a list: "libel, slander, defamation, violation of right of privacy, piracy, unfair competition, or infringement of copyright, title or slogan." 307 F.3d 11, 19 (1st Cir. 2002). What all those items had in common was that they "exclusively denote communicative harms (injuries that occur *as a direct result of* communication)." *Id.* (emphasis in original). Tortious interference claims fell outside that category. Thus, regardless of the "plain meaning" dictionary definition of "unfair competition," the court found that, in the context of the contract, it was limited to the same sort of harms as the other claims with which it was listed.

Similarly, in *Smedley Co. v. Employers Mut. Liability Ins. Co. of Wisconsin*, insurance coverage was excluded for goods "manufactured, sold, handled, or distributed by the named insured." The court rejected an effort by the insurer to apply a "plain meaning" definition to the term "handled," stating:

> It is true that the verb "handle" means to "touch; to feel with the hand; to hold, take up, move, or otherwise affect, with the hand." … Words, however, do not always have the same import, and frequently nuances of meaning are sharply revealed by their association with other words, for, under the maxim "*noscitur a sociis,*" they are known by the company they seek. … Webster also defines "handle" as "to buy and sell; to deal, or trade, in." That the intention of the insurer was to restrict the word "handled" to this meaning is apparent from the words "manufactured, sold *** or distributed," with which it is linked.

123 A.2d 755, 758 (Conn. 1956). *See also Resource Bank v. Progressive Cas. Ins. Co.*, 503 F.Supp.2d 789, 796 (E.D. Va. 2007) (list of items in contract should be read in such a manner as to allow them to be grouped together coherently).

Applying the principles of *noscitur a sociis* to Section 4 of the NEGT contract similarly reveals the limited manner in which the language quoted by ET Power should be read. Each of the four sentences in Section 4 is unquestionably directed to one purpose – limiting the defenses that NEGT could raise in any enforcement action brought by Liberty on the guarantee. Thus, NEGT agreed not to raise defenses such as notice, exhaustion or remedies, lack of diligence, and presentment.

The language ET Power points to occurs in the third sentence of Section 4, which begins "***Without limiting the generality of the foregoing …"*** That language can only be understood as meaning that the first and second sentences of Section 4 express general principles, for which the third sentence then provides specific examples. Thus, the ***first sentence*** provides that Liberty can enforce the guarantee without first "exhausting any other remedies." The ***second sentence*** buttresses that by providing that NEGT waive "any rights it may have to require any such exhaustion of remedies." The ***third sentence*** then provides ***specific examples*** of remedies that Liberty need not exhaust, by waiving NEGT's right to "have the benefit of any lien, security interest or other guaranty."

The only reasonable construction that can be given to that clause is that NEGT waived any right to require Liberty to first foreclose on any lien, pursue and dispose of any security interest, or sue on any other guaranty before going after NEGT. The only way NEGT could "have the benefit" of any lien or security interest is by requiring Liberty to foreclose that lien or security interest so that NEGT would only be responsible for the resulting deficiency. The only similar way NEGT could "have the benefit" of any other guarantee is by requiring Liberty to pursue that other guarantee before pursuing NEGT. The principle of *noscitur a sociis* requires that the "benefit" referred to be construed as a defense or barrier to Liberty's maintenance of any action against NEGT.

ET Power's construction, on the other hand, violates not only the principle of *noscitur a sociis* but also the rule that contracts should not be given absurd readings when an alternative and reasonable reading is available. *Matter of Lipper Holdings v. Trident Holdings, LLC*, 1 A.D.3d 170, 171, 766 N.Y.S.2d 561 (N. Y. App. Div. 2003) ("A contract should not be interpreted to produce a result that is absurd, commercially unreasonable or contrary to the reasonable expectations of the parties"). ET Power's reading is absurd and unreasonable. There is no reason a guarantor would agree that it could assert its own subrogation rights but that it would not accept an assignment of the subrogation rights of co-guarantors. There is no reason a creditor would want such a provision. ET Power itself has been unable to articulate any reason the parties to the guarantee (which did not include ET Power) would include such an absurd provision. Deposition of Chas. Goldstein, at 157-160, Exhibit 16 to the NEGT Motion.

Moreover, to the extent multiple interpretations of the guarantee language are possible, that language should be construed in favor of NEGT. *Abart Holdings LLC v. Laasch*, 2007 WL

1558625, at * 1 (N.Y. Sup. App. Term May 30, 2007) ("Under New York law, the terms of a guarantee are to be strictly construed in favor of the guarantor."); *Tilden Fin. Corp. v. Malerba, Abruzzo, Downes & Frankel*, 393 N.Y.S.2d 499, 500 (1977) (under New York law, "A waiver clause is to be construed strictly and any ambiguity will be interpreted against the contract's author.").

ET Power's interpretation of the guarantee violates fundamental principles of contract construction. ET Power's motion for summary judgment should therefore be denied.

III. ET POWER WAS NOT A PARTY TO THE NEGT GUARANTEE

ET Power is not a party to the NEGT Guarantee. Although ET Power was a party to the Tolling Agreement with Liberty, that Tolling Agreement was entered into almost a year before NEGT provided its guarantee to Liberty. In order to take advantage of the alleged waiver provisions in the NEGT Guarantee, ET Power must demonstrate that it was a third-party beneficiary of the agreement. The ET Motion makes no effort to even address its standing to rely on the NEGT Guarantee.

In order to assert the provisions of the NEGT Guarantee against NEGT, ET Power must establish that it was an intended beneficiary of the contract. *Edge Management Consulting, Inc. v. Blank*, 25 A.D.3d 364, 368 (1st Dep't 2006). Under New York law, "One is an intended beneficiary if one's right to performance is appropriate to effectuate the intention of the parties' to the contract and either the performance will satisfy a money debt obligation of the promisee [here, Liberty] to the beneficiary [here, ET Power] or the circumstances indicate that the promisee intends to give the beneficiary the benefit of the promised performance." *Id.* The Guarantees did not include any promises by Liberty to pay ET Power, nor is any other benefit to

ET Power contemplated under the NEGT Guarantee. ET Power is therefore, at best, merely an incidental beneficiary, which status is insufficient under New York law to give a third party rights under a contract. *See Braten v. Bankers Trust Co.*, 60 N.Y.2d 155 (N.Y. 1983). Accordingly, ET Power cannot rely on its tortured reading of language in the NEGT Guarantee to prevent NEGT from recovering the amounts paid to Liberty on ET's behalf.

IV. NEGT'S CAPACITY IS AS ASSIGNEE OF GTN

The ET Motion also ignores another critical fact: NEGT is not seeking subrogation pursuant to the NEGT Guarantee, but instead as assignee of GTN. As assignee, NEGT "stands in the shoes" of GTN. *See, e.g.*, *RTC v. Gallagher*, 1992 WL 370248, at * 4 (N.D. Ill. Dec. 2, 1992). "A general principle of assignment provides that the assignee steps into the shoes of the assignor upon assignment of the interest and takes the assignment subject to the defenses ***assertable against the assignor."*** *Id*. (emphasis added). Defenses that would be assertable against the assignee if it were suing in its individual capacity may not defeat a claim brought in its capacity as an assignee. *Id*. Thus, defenses such as waiver, that might have been raised against NEGT were it seeking subrogation in its individual capacity under the NEGT Guarantee cannot be raised against NEGT standing in the shoes of GTN asserting claims that have nothing to do with the NEGT Guarantee. *See also Logan v. JKV Real Estate Services* (*In re Bogdan*), 414 F.3d 507, 514 (4th Cir. 2005) ("As assignee, the trustee stands in the shoes of the mortgage lenders, thereby assuming all rights and interests that the mortgage lenders have in the causes of action and becoming subject to all defenses that could have been asserted against the mortgage lenders, not Bogdan."). The waiver language in the NEGT Guarantee is simply irrelevant to

NEGT's claims against ET Power as assignee of GTN's rights, and the ET Motion dependent on that waiver should be in all things denied.

V. ET POWER IS BARRED FROM ASSERTING ITS ARGUMENT

ET Power's argument violates this Court's May 13, 2004 order approving the sale of GTN to TransCanada, attached as Exhibit B hereto. Paragraph 17 of that Order provides that "the terms and provisions of the Purchase Agreement, the Related Agreements and this Sale Order shall be binding in all respects upon, and shall inure to the benefit of, the Seller Parties, NEGT's estate, the Buyer Parties, and their respective affiliates, successors and assigns, and any Third Parties …" The Asset Purchase Agreement, attached to NEGT's February 27, 2004 motion for approval of the sale and portions of which are attached hereto as Exhibit C, defined "Related Agreements" to include the Post-Closing Escrow Agreement. Section 7 of the Post-Closing Escrow Agreement specifically provided for GTN's subrogation rights against ET Power to be assigned to, ultimately, NEGT. NEGT Motion, Exhibit 5. By this Court's May 13, 2004, that assignment is "binding in all respects upon" ET Power and "shall inure to the benefit of" NEGT. ET Power should not be permitted today to argue that it is not bound by this Court's Order.

Moreover, ET Power itself has recognized that it is bound by the assignment of subrogation rights to NEGT, and it is equitably estopped from arguing to the contrary. A party is equitably estopped under general bankruptcy law if: 1) the party to be estopped knew the relevant facts; 2) the party estopped intended for its conduct to be acted or relied upon, or the party acting reasonably believed the conduct was intended; 3) the party acting was ignorant of the true facts; and 4) the party acting relief on the conduct to its injury. *First Union Comm. Corp. v. Nelson, Mullins, Riley & Scarborough (In re Varat Enterprises, Inc.)*, 81 F.3d 1310, 1317 (4th Cir.

1996). New York and Maryland both recognize the doctrine of equitable estoppel, and while they articulate their standards in somewhat different terms, the general application is the same. *General Elec. Capital Corp. v. Armadora*, 37 F.3d 41, 45 (2d Cir. 1994) (applying New York law); *Petroleum Traders Corp. v. Baltimore Cty.*, No. 06-cv-444, 2009 WL 2982942, at * 6 (D. Md. Sept. 14, 2009). Under either standard, silence by one who has a duty to speak up or knows that another is making a contrary assumption may constitute a concealment of facts or false misrepresentation for estoppel purposes. *First Union*, 81 F.3d at 1317; *General Elec.*, 37 F.3d at 45 (estopping party from offering competing interpretation of contractual language).

Here, ET Power affirmatively represented early on that it would ultimately bear the responsibility for any payments made to Liberty under the GTN Guarantee. For example, in its Disclosure Statement filed in connection with its Plan of Liquidation, ***after GTN paid $140 million into an escrow fund to cover ET Power's obligations to Liberty,*** ET Power discussed at length the potential effect of several tolling agreements, including the agreement with Liberty. NEGT Motion, Exhibit 7, pp. 21-24. After discussing the details of the Liberty dispute, as well as disputes with others, ET Power analyzed the potential "Impact on Creditor Recoveries" of such matters:

> The outcome of the arbitrations against Liberty, Southaven and Caledonia (collectively, the "Tolling Arbitrations") likely will be the single most decisive factor in determining the percentage recoveries to creditors of ET Power (Class 6) and ET Holdings (Class 5). As noted above, the Liberty arbitrator will select one of the parties' baseball arbitration offers. . . . If the Debtors prevail entirely in the Tolling Arbitrations . . . then the percentage recovery for holders of Allowed Class 5 Claims likely will range from 90% to 100% and the percentage recovery for holders of Allowed Class 6 Claims likely will range from 90% to 100%. Conversely, if the Debtors are entirely unsuccessful in the Tolling Arbitrations (*i.e.*, Liberty's baseball arbitration offer is selected and the Southaven/Caledonia arbitrators determine that ET Power must satisfy the asserted claims in full), then the percentage recovery for holders of Allowed Class 5 Claims likely will range

> from 25% to 30% and the percentage recovery for holders of Allowed Class 6 Claims likely will range from 35% to 45%.

Id. Notably, Liberty's baseball arbitration offer was precisely the amount of the GTN guarantee -- $140 million. NEGT Motion, Exhibit 6, p. 9. By including the discussion of the Liberty obligation in this analysis, ET Power acknowledged that, ***notwithstanding the fact that GTN had paid $140 million into an escrow fund to cover all of ET Power's principal obligations to Liberty,*** the outcome of the Liberty dispute would nonetheless substantially affect the recoveries of ET Power creditors. That representation to its creditors and this Court could be true only if ET Power understood that it, and not its guarantors, would be ultimately required to shoulder the burden of the Liberty obligation.

NEGT relied on ET Power's representations and conduct regarding the validity of assigned subrogation claims in numerous ways, including permitting the escrowed funds to be released to Liberty in May 2005 so that Liberty would no longer accrue interest on ET Power's debt and agreeing to the characterization of the payment as one by GTN. Had NEGT or Willkie Farr been notified of ET Power's position, the sale of GTN and the payment of the $140 million could have been structured differently to protect NEGT's subrogation rights. Deposition of Matthew Feldman, pp. 24-25, 33-34, attached to the NEGT Motion as Exhibit 17. ET Power itself, when it was arguing that the structure of the payment should not equitably be used to give Liberty greater rights than it would otherwise have had, acknowledged that the transaction could have easily been structured so as to make NEGT the payor of the $140 million under its own guarantee. NEGT Motion, Exhibit 13, p. 22 n. 17. Indeed, ET Power specifically argued that NEGT's ability to enjoy the benefits of provisions of the Bankruptcy Code "should not turn on the purely technical issue of whether the payment from the Liberty Escrow should be deemed as

having come from GTN or NEGT." NEGT Motion, Exhibit 14, p. 10. That same equitable argument applies to NEGT's rights under Section 509 of the Bankruptcy Court, and ET Power should not be heard to argue the contrary today.

Principles of equitable estoppel should preclude ET Power from pursuing the argument made in its motion for summary judgment. The ET Motion should be denied.

Dated: March 2, 2010

VINSON & ELKINS LLP

/s/ Tonya Moffat Ramsey

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CERTIFICATE OF SERVICE

I hereby certify that, on March 2, 2010, a copy of the foregoing pleading was (i) filed with the Court for the United States Bankruptcy Court of the District of Maryland by using the CM/ECF system; (ii) served electronically by the Court's CM/ECF system on all parties registered to receive electronic noticing in this case; and (iii) served by first class U.S. mail, postage prepaid, to counsel for ET Power.

/s/ Tonya M. Ramsey
One of Counsel

US 264004v.1

Exhibit A

SECTION 4: ENFORCEMENT

First: [NEGT] hereby agrees that this Guarantee may be enforced by [Liberty] (or its assigns) without first resorting to any action against [ET Power], or exhausting any other remedies against [ET Power], and without protest, presentment, notice or demand whatsoever.

Second: [NEGT] hereby waives any rights it may have to require any such prior protest, presentment, notice, demand, enforcement or exhaustion of remedies.

Third: Without limiting the generality of the foregoing, **[NEGT] unconditionally agrees that it hereby waives**

(i) **any and all rights** to be subrogated to the position of [ET Power] or **to have the benefit of any** lien, security interest or **other guaranty**, if any, **now or hereafter held by [Liberty] for the obligations guaranteed by [NEGT] hereunder** or to enforce any remedy which [Liberty] now has or hereafter may have against [ET Power, GTN] or any other person,

(ii) any acceptance of this Guarantee,

(iii) any set-offs or counterclaims against [Liberty] which would otherwise impair [Liberty]'s rights against [ET Power],

(iv) any notice of the disposition of any collateral security, if any, and any right to object to the commercial reasonableness of the disposition of any such collateral security, if any, and

(v) any requirement of diligence on the part[] of anyone.

Fourth: [NEGT] further agrees that none of the following acts, omissions or occurrences shall diminish or impair the liability of [NEGT] in any respect (all of which acts, omissions or occurrences may be done without notice to [NEGT] of any kind):

(i) any extension, modification, indulgence, compromise, settlement or variation of any of the terms of the Agreement,

(ii) the discharge or release of any obligations of [ET Power] or [GTN] by reason of bankruptcy or insolvency laws,

(iii) the acceptance or release by [Liberty] of any collateral security or other guaranty or any settlement, compromise or extension with respect to any collateral security or other guaranty (including the GTN Guarantee), and

(iv) to the extent permitted by law, any release or discharge, by operation of law, of [NEGT] from the performance or observance of any obligation, covenant or agreement contained in this Guarantee.

SO ORDERED

Date signed May 13, 2004

PAUL MANNES
U. S. BANKRUPTCY JUDGE

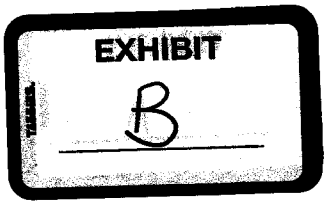
IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF MARYLAND
(Greenbelt Division)

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)
Debtors.	*	Chapter 11
	*	(Jointly Administered under Case No.: 03-30459 (PM))

* * * * * * * * * * *

ORDER PURSUANT TO SECTIONS 105(a), 363 AND 1146(c) OF THE BANKRUPTCY CODE AND RULES 2002, 6004 AND 6006 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE: (I) AUTHORIZING AND APPROVING STOCK PURCHASE AGREEMENT AND RELATED AGREEMENTS; AND (II) AUTHORIZING CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED THEREIN

Upon the motion, dated February 27, 2004 (the "Motion"), of the above-captioned debtors and debtors-in-possession (collectively, the "Debtors"), for, among other things, entry of orders approving, among other things: (a) (i) certain bid protections, including a break-up fee, auction procedures and overbid requirements (collectively, the "Bidding Procedures"), and (ii) the form and manner of notice with respect to such procedures and the hearing to consider entry of this Order (the "Sale Order"); and (b) the Sale Order pursuant to sections 105(a), 363 and 1146(c) of title 11 of the United States Code (the "Bankruptcy Code") and Rules 2002, 6004



and 6006 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") (i) authorizing and approving the Stock Purchase Agreement (the "Purchase Agreement")[1] by and among TransCanada Corporation ("TCP"), TransCanada PipeLine USA Ltd. ("TCP USA"), and TransCanada American Investments Ltd. ("Buyer" and, collectively with TCP and TCP USA, the "Buyer Parties"), and National Energy & Gas Transmission, Inc. ("NEGT"), Gas Transmission Corporation ("GTC") and GTN Holdings LLC ("Seller" and, together with NEGT and GTC, the "Seller Parties"), dated as of February 24, 2004 (a copy of which is attached hereto as Exhibit A) for the sale by Seller to Buyer of the Shares; and (ii) authorizing the consummation of the transactions contemplated therein (the "Transaction" or "Transactions"); and this Court having entered an order on March 26, 2004 (the "Bidding Procedures Order") approving, among other things, the Bidding Procedures with respect to, and notice of, the Transaction; and no Qualified Competing Bid having been received; and the Seller Parties, upon consultation with counsel for the Official Committee of Unsecured Creditors appointed in the Debtors' chapter 11 cases and counsel for the Official Committee of Noteholders of NEGT (together, the "Committees"), having determined that the Buyer Parties have submitted the highest or otherwise best bid for the Shares; and a hearing having been held on May 12, 2004 (the "Sale Hearing") to consider approval of the sale of the Shares to Buyer pursuant to the terms and conditions of the Purchase Agreement; and adequate and sufficient notice of the Bidding Procedures, the Purchase Agreement and the Transaction and this Sale Order having been given to all parties in interest in these cases; and all such parties having been afforded an opportunity to be heard with respect to the Motion and all relief requested therein; and the Court having

[1] Capitalized terms used but not defined herein have the meanings ascribed to them in the Motion or the Purchase Agreement, as the case may be.

reviewed and considered: (i) the Motion; (ii) the objection and related pleadings filed by King Street Capital, L.P. and King Street Capital, Ltd. (the "King Objection"); (iii) the Debtors' May 11, 2004 memorandum of law in support of the Motion and in response to the King Objection; (iv) the Official Committee of Unsecured Creditors' May 10, 2004 memorandum of law in support of the Motion and in response to the King Objection; and (v) the arguments of counsel made, and the evidence proffered or adduced, at the Sale Hearing; and after due deliberation thereon; and good and sufficient cause appearing therefor, it hereby is

FOUND AND DETERMINED THAT:[2]

A. This Court has jurisdiction over the Motion under 28 U.S.C. §§ 157 and 1334, and this matter is a core proceeding under 28 U.S.C. § 157(b)(2)(A) and (N). Venue of these cases and the Motion in this District is proper under 28 U.S.C. §§ 1408 and 1409.

B. The statutory predicates for the relief sought in the Motion are sections 105(a), 363 and 1146(c) of the Bankruptcy Code, as complemented by Bankruptcy Rules 2002, 6004 and 6006.

C. This Court entered the Bidding Procedures Order on March 26, 2004.

D. As evidenced by the affidavits of service and publication filed with this Court and based on representations of counsel at the Sale Hearing: (i) due, proper, timely, adequate and sufficient notice of the Motion, the Sale Hearing, the Transaction, the Bidding Procedures Order, the Bidding Procedures Notice, and a substantially similar form of this Sale Order, has been provided in accordance with Bankruptcy Code sections 102(1), 105(a) and 363 and Bankruptcy

[2] Findings of fact shall be construed as conclusions of law and conclusions of law shall be construed as findings of fact when appropriate. See Fed. R. Bankr. P. 7052.

Rules 2002, 6004 and 6006, and in compliance with the Bidding Procedures and the Purchase Agreement; (ii) such notice was good, sufficient and appropriate under the circumstances; and (iii) no other or further notice of the Motion, the Sale Hearing, the Transaction, the Bidding Procedures Order or the Bidding Procedures Notice is or shall be required.

E. A reasonable opportunity to object and be heard with respect to the Motion and the relief requested therein has been afforded to all interested persons and entities, including: (i) the Office of the United States Trustee for the District of Maryland (Greenbelt Division); (ii) counsel to the Buyer Parties; (iii) counsel to the Committees; (iv) all entities known to have expressed an interest in acquiring the Shares since the Petition Date; (v) all entities known to have asserted any Lien (as defined herein) or Encumbrance (as defined herein) in or upon any of the Shares (or any portion thereof); (vi) all relevant federal, state and local taxing authorities; (vii) all relevant regulatory authorities or recording offices that have a reasonably known interest in the relief requested in the Motion; (viii) counsel to Gasoducto Bajanorte, S. de R.L. de C.V.; and (ix) all parties that have filed a notice of appearance and request for service of papers in these bankruptcy cases under Bankruptcy Rule 2002 as of the date of the Bidding Procedures Order.

F. No consents or approvals are required for the Seller Parties to consummate the Transaction other than the consent and approval of this Court and those set forth in the Purchase Agreement. Neither the execution of the Purchase Agreement nor the consummation of the Transaction in accordance with its terms will constitute a violation of any provision of the Seller Parties' organization documents or any other instrument, law, regulation or ordinance by which the Seller Parties are bound.

G. The bidding and related procedures established by the Bidding Procedures Order have been complied with in all material respects by the Seller Parties and the Buyer Parties. The Seller Parties did not receive any Qualified Competing Bid and, as a result, the Auction contemplated by the Bidding Procedures Order was neither required nor held.

H. Seller is the legal and equitable owner of the Shares and, upon entry of this Sale Order, the Seller Parties shall have full corporate power and authority to execute the Purchase Agreement and to consummate the Transaction contemplated by the Purchase Agreement. The Purchase Agreement and the Transaction have been duly and validly authorized by all necessary corporate or limited liability company action, as the case may be, of the Seller Parties.

I. Approval of the Purchase Agreement and consummation of the Transaction is in the best interests of the Seller Parties and NEGT's estate, creditors and other parties in interest. The Seller Parties have articulated a good and sufficient business justification supporting the sale of the Shares to Buyer, pursuant to section 363 of the Bankruptcy Code.

J. The Purchase Agreement was negotiated, proposed and entered into by the Seller Parties and the Buyer Parties without collusion, in good faith and from arm's-length bargaining positions. None of the Buyer Parties is an "insider" of any of the Seller Parties, as that term is defined in Bankruptcy Code section 101. The Seller Parties and the Buyer Parties have not engaged in any conduct that would cause or permit the Purchase Agreement to be avoided under Bankruptcy Code section 363(n).

K. The Buyer Parties are good faith purchasers under Bankruptcy Code section 363(m) and, as such, are entitled to all of the protections afforded thereby. The Buyer Parties will be acting in good faith within the meaning of Bankruptcy Code section 363(m) in consummating the Transaction and at all times after the entry of this Sale Order.

L. The consideration to be provided by the Buyer Parties pursuant to the Purchase Agreement: (i) is fair and reasonable; (ii) is the highest or otherwise best offer for the Shares; and (iii) constitutes reasonably equivalent value and fair consideration under the Bankruptcy Code and under the laws of the United States, any state, territory, possession or the District of Columbia.

M. The Purchase Agreement was not entered into for the purpose of hindering, delaying or defrauding creditors under the Bankruptcy Code and under the laws of the United States, any state, territory, possession, or the District of Columbia.

N. The consummation of the Transaction (the "Closing") pursuant to the Purchase Agreement will be a legal, valid, and effective transfer of the Shares to Buyer, and vests or will vest Buyer with all right, title, and interest in and to the Shares free and clear of liens (as such term is defined in the Bankruptcy Code) (collectively, "Liens"), encumbrances, claims and interests of any kind or nature (collectively, "Encumbrances") in accordance with section 363(f) of the Bankruptcy Code because one or more of the standards set forth in sections 363(f)(1)-(5) of the Bankruptcy Code have been satisfied. All parties with Liens or Encumbrances against the Shares, if any, who did not object to the Motion and the relief requested therein, or who withdrew their objections to the Motion, are deemed to have consented pursuant to section 363(f)(2) of the Bankruptcy Code.

O. The Purchase Agreement is a valid and binding contract between the Seller Parties and the Buyer Parties, which is and shall be enforceable according to its terms.

P. All of the provisions of the Purchase Agreement are nonseverable and mutually dependent. THEREFORE IT IS

ORDERED, ADJUDGED AND DECREED THAT:

1. The Motion is granted and approved in all respects (other than with respect to matters already addressed by the Bidding Procedures Order).

2. Any objections (including the King Objection) to the entry of this Sale Order or the relief granted herein and requested in the Motion that have not been withdrawn, waived or settled, and all reservations of rights included therein, hereby are denied and overruled.

Approval of the Purchase Agreement, Transaction and Related Agreements

3. The Purchase Agreement and the Transaction are hereby approved.

4. Pursuant to Bankruptcy Code sections 363(b) and (f), the Seller Parties are authorized, empowered and, subject to the terms of the Purchase Agreement and the Related Agreements, directed to consummate the Transaction, pursuant to and in accordance with the terms and conditions of the Purchase Agreement and the Related Agreements.

5. The Seller Parties are authorized, empowered and, subject to the terms of the Purchase Agreement and the Related Agreements, directed to execute, deliver and perform under the Purchase Agreement and the Related Agreements and to take all further actions as may be requested by the Buyer Parties for the purpose of consummating the Transaction as may be necessary or appropriate to the performance of the obligations contemplated by the Purchase Agreement and the Related Agreements.

Transfer of the Shares

6. Pursuant to Bankruptcy Code sections 105(a) and 363(f), upon Closing, the Shares shall be transferred to Buyer free and clear of all Liens and Encumbrances against the Shares, in accordance with section 363(f) of the Bankruptcy Code, with any such Liens or Encumbrances to attach to the net proceeds of the Transaction, in the order of their priority, with

the same validity, force and effect which they now have against the Shares, subject to any rights, claims and defenses the Seller Parties and all interested parties may possess with respect thereto.

7. The transfer of the Shares to Buyer pursuant to the Purchase Agreement constitutes a legal, valid and effective transfer of the Shares and shall vest Buyer with all right, title and interest in and to the Shares, free and clear of all Liens and Encumbrances.

8. This Sale Order is and shall be effective as a determination that all Liens and Encumbrances shall be and are without further action by any person or entity released with respect to the Shares as of Closing.

9. Pursuant and subject to the terms of section 1146(c) of the Bankruptcy Code, the Transaction and the execution, delivery and/or recordation of any and all documents or instruments necessary or desirable to consummate the Transaction shall be, and hereby are, exempt from the imposition and payment of all recording fees and taxes, stamp taxes and/or sales, transfer or any other similar taxes.

10. Upon and following the Closing, the Seller Parties shall pay, out of the proceeds of the Transaction or other available funds, the Taxes (if any) payable by the Seller Parties as a result of the transactions contemplated by the Purchase Agreement, including, without limitation, any Taxes due as a result of a gain on the sale contemplated by the Transaction. The amount of such Taxes shall be determined from time to time in good faith by the Seller Parties based on events that have occurred as of the date of such determination rather than the potential occurrence of an event in the future; provided, however, that this provision shall not require the payment of any Tax before the date such Tax is due (including extensions).

Additional Provisions

11. The consideration provided by Buyer for the Shares under the Purchase Agreement is fair and reasonable and may not be avoided under Bankruptcy Code section 363(n).

12. The Transaction is undertaken by the Buyer Parties in good faith, as that term is used in Bankruptcy Code section 363(m) and, accordingly, the reversal or modification on appeal of the authorization provided herein to consummate the Transaction shall not affect the validity of the sale of the Shares to Buyer, unless such authorization is duly stayed pending such appeal. The Buyer Parties are good-faith purchasers of the Shares and are entitled to all of the benefits and protections afforded by Bankruptcy Code section 363(m).

13. This Court retains jurisdiction to enforce and implement the terms and provisions of the Purchase Agreement, all amendments thereto, any waivers and consents thereunder, and of each of the agreements executed in connection therewith in all respects, including, but not limited to, retaining jurisdiction to: (a) compel delivery of the Shares to Buyer subject to the terms of the Purchase Agreement; (b) resolve any disputes arising under or related to the Purchase Agreement and the Related Agreements (except as specifically set forth therein); and (c) interpret, implement and enforce the provisions of this Sale Order.

14. If any person or entity that has filed documents or agreements evidencing Liens or Encumbrances in the Shares shall not have delivered to the Seller Parties and the Buyer Parties prior to Closing, in proper form for filing and executed by the appropriate parties, releases of all such Liens and Encumbrances which the person or entity has with respect to the Shares, then: (i) the Seller Parties hereby are authorized to execute and file such statements, instruments, releases and other documents on behalf of the person or entity with respect to the Shares; and

(ii) the Buyer Parties hereby are authorized to file, register or otherwise record a certified copy of this Sale Order, which, once filed, registered or otherwise recorded, shall constitute conclusive evidence of the release of all Liens and Encumbrances or other interests in the Shares as of Closing, of any kind or nature whatsoever.

15. Any amounts payable by the Seller Parties pursuant to the Purchase Agreement, the Related Agreements or any of the other documents delivered by the Seller Parties pursuant to or in connection with the Purchase Agreement shall: (i) constitute administrative priority expenses of NEGT's estate pursuant to Bankruptcy Code sections 503(b) and 507(a)(1); and (ii) be paid by the Seller Parties in the time and manner provided in the Purchase Agreement, the Related Agreement or such other document, as the case may be, without further order of this Court.

16. Other than the Transaction, until the earlier of the Closing Date or valid termination of the Purchase Agreement in accordance with the provisions thereof, none of the Seller Parties, the Acquired Companies or their respective Representatives shall directly or indirectly (i) solicit inquiries, proposals, offers or bids from, (ii) negotiate or discuss with, (iii) respond to any request for information or due diligence inquiry of, (iv) make the Acquired Companies' management and employees available to, or (v) enter into any agreement or consummate any transaction with, any Third Party relating to the direct or indirect sale of the Shares or a recapitalization or similar transaction involving NEGT or any of its Affiliates, whether in one or more transactions, through a chapter 11 plan of reorganization for or involving NEGT, or otherwise.

17. The terms and provisions of the Purchase Agreement, the Related Agreements and this Sale Order shall be binding in all respects upon, and shall inure to the benefit of, the

Seller Parties, NEGT's estate, the Buyer Parties and their respective affiliates, successors and assigns, and any affected Third Parties, notwithstanding any subsequent appointment of any trustee(s) under any chapter of the Bankruptcy Code, as to which trustee(s) such terms and provisions likewise shall be binding.

18. Nothing contained in any chapter 11 plan confirmed in this chapter 11 case or any Order of this Court confirming such plan or any other order entered in this chapter 11 case shall conflict with or derogate from the provisions of the Purchase Agreement, to the extent modified by this Order, or the terms of this Order.

19. The Purchase Agreement and any related agreements, documents or other instruments may be modified, amended or supplemented by the parties thereto, in a writing signed by such parties, and in accordance with the terms thereof, without further order of the Court, provided that any such modification, amendment or supplement does not have a material adverse effect on the Seller Parties or NEGT's estate.

20. The failure specifically to include any particular provisions of the Purchase Agreement or the Related Agreements in this Sale Order shall not diminish or impair the effectiveness of such provisions, it being the intent of the Court that the Purchase Agreement and the Related Agreements be authorized and approved in their entirety.

21. To the extent of any inconsistency between the provisions of the Purchase Agreement, any documents executed in connection therewith, and this Sale Order, the provisions contained herein shall govern.

22. Notwithstanding the provisions of Bankruptcy Rule 6004(g), this Sale Order shall not be stayed for ten (10) days after the entry hereof, but shall be effective and enforceable immediately upon issuance hereof.

23. Nothing in this Sale Order, the Purchase Agreement, the Related Agreements or any of the other documents delivered by the Seller Parties pursuant to or in connection with the Purchase Agreement or the Transaction shall effect a release of, or affect in any way, any debt or other obligation owing to or from the Seller Parties or the Acquired Companies, on the one hand, and PG&E Corporation, on the other hand.

North Baja ROFR

24. In accordance with, but subject to the terms of, the Purchase Agreement, in the event that GBN exercises the North Baja ROFR, the Seller Parties shall be authorized, empowered and directed to consummate the North Baja Spinoff and to enter into the North Baja Purchase Agreement with the Buyer Parties and shall be authorized and empowered to enter into the GBN Agreement with GBN and certain of its affiliates and to consummate the transactions contemplated thereby. With respect to the subsequent transfer of the equity interests in North Baja to Buyer or GBN, as the case may be, pursuant to the terms of the North Baja Purchase Agreement or the GBN Agreement: (a) such transfer shall be free and clear of all Liens and Encumbrances against such equity interests, in accordance with section 363(f) of the Bankruptcy Code, with any such Liens or Encumbrances to attach to the net proceeds of the such transaction, in the order of their priority, with the same validity, force and effect which they now have against such equity interests, subject to any rights, claims and defenses the Seller Parties and all interested parties may possess with respect thereto; (b) such transfer shall constitute a legal, valid and effective transfer of such equity interests and shall vest Buyer or GBN, as the case may be, with all right, title and interest in and to such equity interests, free and clear of Liens and Encumbrances; (c) this Order is and shall be effective as a determination that all Liens and Encumbrances shall be and are without further action by any person or entity released with

respect to such equity interests; (d) pursuant and subject to the terms of section 1146(c) of the Bankruptcy Code, the execution, delivery and/or recordation of any and all documents or instruments necessary or desirable to consummate such transfer shall be and hereby are exempt from the imposition and payment of all recording fees and taxes, stamp taxes and/or sales, transfer and any other similar taxes; (e) the consideration paid by Buyer or GBN, as the case may be, for such equity interests shall be deemed fair and reasonable and may not be avoided under Bankruptcy Code section 363(n); (f) such transfer of the equity interests shall be deemed undertaken in good faith, as that term is used in section 363(m) of the Bankruptcy Code, and Buyer or GBN, as the case may be, shall be entitled to the benefits and protections of a good faith purchaser under Bankruptcy Code section 363(m); and (g) to the extent not otherwise expressly set forth in this paragraph, Buyer or GBN, as the case may be, otherwise shall be entitled to the benefits and protections afforded to the Buyer Parties under this Order to the extent relevant with respect the acquisition of such equity interests.

25. Nothing in this Sale Order shall be construed or interpreted in any Proceeding to limit, amend, impair or otherwise modify or affect the rights or remedies of GBN or the Seller Parties under the JODA or applicable law.

END OF ORDER

cc: Paul M. Nussbaum, Esq.
Martin T. Fletcher, Esq.
Whiteford, Taylor & Preston, L.L.P.
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Baltimore, Maryland 21202-1626

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787 Seventh Avenue
New York, New York 10019-6099

John L. Daugherty, Esq.
Assistant United States Trustee
6305 Ivy Lane, Suite 600
Greenbelt, MD 20770

1555490

STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT (this "Agreement"), dated as of February 24, 2004, is by and among National Energy & Gas Transmission, Inc., a Delaware corporation ("Parent"), Gas Transmission Corporation, a Delaware corporation ("GTC"), GTN Holdings LLC, a Delaware limited liability company ("Seller" and together with Parent and GTC, the "Seller Parties"), and TransCanada Corporation, a corporation organized under the laws of Canada ("TCP"), TransCanada PipeLine USA Ltd., a Nevada corporation ("TCP USA"), and TransCanada American Investments Ltd., a Delaware corporation ("Buyer" and, together with TCP and TCP USA, the "Buyer Parties"). The Seller Parties and the Buyer Parties are referred to herein sometimes individually as a "Party" and collectively as the "Parties."

Recitals:

WHEREAS, Seller is a direct wholly-owned subsidiary of GTC, which is a direct wholly-owned subsidiary of Parent;

WHEREAS, Gas Transmission Northwest Corporation, a California corporation (the "Company"), is a direct wholly-owned subsidiary of Seller;

WHEREAS, Buyer is a wholly-owned subsidiary of TCP USA, which is a wholly-owned subsidiary of TCP;

WHEREAS, on July 8, 2003, Parent and certain of its subsidiaries (not including the Acquired Companies (as defined in Section 1.1)) filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code (as defined in Section 1.1);

WHEREAS, the Board of Directors or similar governing body of each of the Seller Parties has determined that a prompt sale of the Shares (as defined in Section 1.1) is necessary in order to maximize the value inherent in the Shares ultimately available to the creditors and shareholders of Parent;

WHEREAS, Seller and the Buyer Parties desire to make an election, or cause an election to be made, under Section 338(h)(10) of the Code (as defined in Section 1.1) with respect to the purchase of the Shares; and

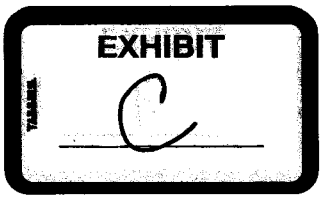
WHEREAS, Seller desires to sell to Buyer, and Buyer desires to purchase from Seller, the Shares, upon the terms and subject to the conditions in this Agreement.

NOW, THEREFORE, the Parties agree as follows:

ARTICLE 1
DEFINITIONS

1.1 Certain Defined Terms. As used in this Agreement, each of the following terms has the meaning given to it below:

"*Accepting Party*" has the meaning assigned to such term in Section 12.14.



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Canadian/Idaho border through to the Oregon/California border and from Ehrenberg, Arizona to the California/Mexico border, respectively.

"*Post-Closing Escrow Agreement*" means the escrow agreement substantially in the form of Exhibit 1.1(c) pursuant to which the Escrow Amount shall be held and disbursed, which shall be entered into among the Seller Parties, the Company, Buyer and the escrow agent thereunder at the Closing.

"*Post-Closing Tax Period*" means any taxable period beginning after the Closing Date.

"*Post-Closing Tax Return*" means any Tax Return that is required to be filed with respect to any Acquired Company with respect to a Post-Closing Tax Period.

"*Pre-Closing Tax Period*" means any taxable period ending on or before the Closing Date.

"*Pre-Closing Tax Return*" means any Tax Return that is required to be filed with respect to any Acquired Company with respect to a Pre-Closing Tax Period.

"*Preference Release Event*" has the meaning ascribed to such term in Exhibit 1.1(c).

"*Prime Rate*" means the prime interest rate reported in *The Wall Street Journal* on the Closing Date.

"*Proceedings*" means all proceedings, actions, claims, suits, investigations and inquiries by or before any arbitrator or Governmental Entity.

"*Proposed Settlement*" has the meaning assigned to such term in Section 12.14.

"*Protected Information*" has the meaning assigned to such term in Section 7.1(e)(i).

"*Purchase Price*" means the Base Purchase Price, as adjusted by the Adjustment Amount.

"*Qualified Bidder*" means a bid that meets the criteria specified in Exhibit 1.1(a).

"*Qualified Competing Bid*" has the meaning assigned to such term in Exhibit 1.1(a).

"*Real Property*" has the meaning assigned to such term in Section 4.12(b).

"*Refusing Party*" has the meaning assigned to such term in Section 12.14.

"*Related Agreements*" means the Deposit Escrow Agreement, the Post-Closing Escrow Agreement, the Transition Services Agreement, the Trademark Assignment Agreement, the North Baja Purchase Agreement, the North Baja ROFR Amendment, the Allocation Agreement and any other document, agreement, certificate or instrument delivered in connection with the transactions contemplated by this Agreement.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorized representatives, all as of the day and year first above written.

NATIONAL ENERGY & GAS TRANSMISSION, INC.

By: _____
Name: Joseph A. Bondi
Title: President, Chief Executive Officer and Chief Restructuring Officer

GAS TRANSMISSION CORPORATION

By: _____
Name:
Title:

GTN HOLDINGS LLC

By: _____
Name: Thomas E. Legro
Title: Vice President & Controller

TRANSCANADA CORPORATION

By: _____
Name:
Title:

By: _____
Name:
Title:

TRANSCANADA PIPELINE USA LTD.

By: _____
Name:
Title:

By: _____
Name:
Title:

1343023.1

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorized representatives, all as of the day and year first above written.

NATIONAL ENERGY & GAS TRANSMISSION, INC.

By: _____
Name:
Title:

GAS TRANSMISSION CORPORATION

By: _____
Name: ROBERT T. HOWARD
Title: VICE PRESIDENT

GTN HOLDINGS LLC

By: _____
Name:
Title:

TRANSCANADA CORPORATION

By: _____
Name:
Title:

By: _____
Name:
Title:

TRANSCANADA PIPELINE USA LTD.

By: _____
Name:
Title:

By: _____
Name:
Title:

1343023.1

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorized representatives, all as of the day and year first above written.

NATIONAL ENERGY & GAS TRANSMISSION, INC.

By: _____
Name:
Title:

GAS TRANSMISSION CORPORATION

By: _____
Name:
Title:

GTN HOLDINGS LLC

By: _____
Name:
Title:

TRANSCANADA CORPORATION

By: _____
Name: Russell K. Girling
Title: Chief Financial Officer, Executive Vice-President, Corporate Development

By: _____
Name: Ronald L. Cook
Title: Vice-President, Taxation

TRANSCANADA PIPELINE USA LTD.

By: _____
Name: Donald R. Marchand
Title: Vice-President, Finance and Treasurer

By: _____
Name: Ronald L. Cook
Title: Vice-President, Taxation