

Breaking News

The September 9 explosion of a residential natural gas pipeline in San Bruno, California is spurring a new call for stronger regulatory oversight of American pipelines.

More on page 3.

Market Recap:

Storage Outlook

by Matt Lanfear
CEO, Great Eastern Energy

In order to meet seasonal load variations for natural gas supplying utilities, gas is injected into storage during periods of low demand and withdrawn during periods of peak demand. Gas storage is also used for a variety of secondary purposes, including balancing, market speculation, reducing price volatility and meeting regulatory obligations.

The U.S. Energy Information Administration estimates that as of October 1, total working gas currently in storage is 3,499 Bcf. While this is above the comparable five year average (3,279 Bcf), it is down from last year at this time (3,648 Bcf). This drop can be generally attributed to warmer-than-normal summer temperatures, and a subsequently higher demand for natural gas in the power sector.

Storage has been recently increasing at a high rate, however, exceeding both 2009's implied net injection and the five year average for the last four weeks. The EIA expects the injection season to end at 3,687 Bcf by the end of October.

Feature

Will Natural Gas Always Be A Seasonal Fuel?

As half of the homes in America are heated by natural gas, demand for the fuel has traditionally followed the need for heat. Prices rise in winter as supply contracts, and then lower in summer as demand shifts to coal-fired electricity for cooling needs.

But will this always be the case? Will seasonality always define the behavior of the natural gas market?

Throughout the 20th century, seasonality played the central governing role in natural gas prices in America, creating a highly predictable market dynamic. While gas production remains relatively consistent throughout the year, the massive North American heating requirements between November and March place demands on fuel inventories in excess of production.

To offset this - and to keep inventory costs low - natural gas distribution companies purchase fuel during the low-demand summer months to place into storage facilities. Storage is then tapped during the peak heating months of November through March, supplementing gas supply when cold weather places an economic premium on heating fuel.

As technology advances and more uses become economically viable for natural gas, a variety of factors today are beginning to challenge the traditional role of seasons in natural gas pricing. Our analysts see several factors that, over the long term, have the potential to diminish seasonal price influences and change these market dynamics in the 21st century.

• Liquidified Natural Gas (LNG)

Traditionally, natural gas is extracted from the ground and injected into pipelines or reservoirs for storage. However, this makes gas a local commodity, transportable generally only to areas within reach of a pipeline distribution network. That is changing with the advent of liquified natural gas, or LNG.

Natural gas, when chilled to approximately -259 degrees Fahrenheit, changes into a liquid and can be safely stored and transported in tankers and trucks. On receipt, it can either be further stored in large cold tanks, or else re-vaporized back into a gaseous state for traditional storage injection. Though only accounting for a few percent of U.S. usage today, LNG supplies are an important niche in the North American natural gas market - and likely will continue to grow in prominence.

The compactness of LNG - occupying less than 1/600th of the space required to store the same fuel in a gaseous state - makes it an attractive energy option in areas, such as New England and the coastal Mid-Atlantic U.S., that lack significant underground storage facilities. The ability to quickly transport the fuel by truck, rail or tanker makes LNG a highly useful response to cold snaps and other abrupt demand peaks.



An LNG tanker delivering natural gas to consumers.

Most prominently, LNG supplies are often purchased from overseas suppliers, making natural gas a globally traded commodity.

In the United States, liquidified natural gas has been a niche fuel, accounting for only a few percent of its annual gas inventories. However, as energy demand increases and supply becomes more varied and more flexibly stored and transported, we believe that LNG will become a larger player in the U.S. gas markets in the future.

More on page 3.



Powered by Choice - And Now Offering Electric.

Two for \$250. Ask us about it today!

For a limited time only, current Great Eastern Energy natural gas customers receive a \$250 credit when they sign up for our new electricity service.

Call us today at 718-648-0900 or visit us at www.greasternenergy.com for details!



Introducing Our New Electricity Program - And Energizing Even Greater Savings.

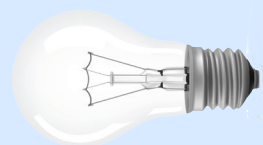
Businesses throughout New York, New Jersey and New England today rely on Great Eastern Energy for their natural gas service. Flexible plans, high quality service, lower rates and great customer support: our commercial natural gas programs deliver exceptional reliability, with customer cost advantages normally only available to public utilities. Instead, we deliver those savings to you.

Our new commercial electricity program offers the same great options and features as our commercial natural gas plans. With pricing offered on a managed, fixed or variable basis, our new individualized electricity rate plans can deliver 7% to 12% lower electricity costs than with a comparable plan from a major utility.

For a limited time only, we are offering a great deal for our current commercial natural gas customers. With our new "Two For \$250" incentive program, simply switch to Great Eastern Energy for your business electricity needs and start saving right away with a \$250 credit on your next bill.

Are you ready to start saving on your business electricity bill? Contact us today and ask about our "Two For \$250" program!

Cut Your Business Energy Bill Today.



Watch Your Light and Heat!

Saving money on your energy bills doesn't have to be difficult or complicated. Taking a few easy steps today can make an immediate significant impact on your monthly business energy expenses.

Lighting and air climate control account for most of the regular energy costs incurred by businesses. Where possible and practical, use natural lighting and ceiling fans to reduce the need for incandescent lamps and air conditioning. Where natural light use is not practical, consider switching to T-8 fluorescent lights. During cold months, reverse the flow on ceiling fans to blow air up towards the ceiling - the redirected air flow promotes heating efficiency in winter.

For more great tips for saving on your monthly energy bill, visit our website at <http://www.greasternenergy.com/resources/ways-to-save-energy/>

Seasonal, cont. from page 1

- Improvements in gas storage technology and methods.

During summer months, when American energy demand generally tilts away from natural gas, gas distribution companies can depend on a significant drop in prices. During this period, they refill their inventories, injecting gas into storage to be tapped when the cold of winter drives demand up again. This pattern is primarily responsible for the seasonal behavior of natural gas prices.

Today, most existing natural gas storage in America happens underground. During off-peak summer months, excess gas production is injected into depleted oil and gas fields that have been reconditioned to serve as gas storage reservoirs. In many areas, underground aquifers have also been used to store natural gas inventories.

A variety of research projects are currently underway to find more economical methods to store natural gas, from chilled salt cavern injections to suspending it in solid gas hydrates. As gas storage technology becomes less expensive and more efficient, supply should generally become more reliable at lower cost. Reliable low supply costs earlier in the refill season should reduce much of the volatility in summer gas purchase prices.

- Gas fired electric generation.

Fundamentally, the traditional seasonal cycle of natural gas prices is driven by the need for heat, leading to high demand in winter and low demand in summer. But that trend is rapidly changing.

Today, coal accounts for the largest percentage of electricity generated in the United States, accounting for approximately half of current nameplate generation capacity. Behind that - and growing in proportion - is natural gas, nationally accounting for 21%. In southern states such as Florida and Texas, however, the numbers are almost exactly opposite: half of all electricity generated in the South comes from power plants fueled by natural gas, pipelined mainly from Texas. Clean and efficient, natural gas is proving to be an attractive alternative to coal, oil and nuclear energy for providing electricity to America.

As states rely more and more on natural gas for their electricity, the summer demand peaks of air conditioning are creating more demand pressure in traditionally off-season periods. Today, in fact, the demand for summer natural gas is rising faster than that for winter heating. As more gas-fired power plants are brought online and market pressures continue to drive the adoption of natural gas for electricity generation, the seasonal pricing effect will probably start to diminish as a result.

Be A Great Neighbor. Make Great Connections.

Ask us today about Great Eastern Energy's customer referral programs - a great new way to save with the power of choice!

1-718-648-0900

Breaking News:

San Bruno Explosion Drawing Increasing Pipeline Scrutiny

The September 9th explosion of a residential natural gas pipeline in San Bruno, California, resulting in the deaths of eight people and the destruction of dozens of homes, is leading to new scrutiny of the safety of America's pipeline network.

A preliminary NTSB report, released on October 12, attributed the explosion at least in part to a sudden drop in electrical power in a Pacific Gas & Electric pipeline control system. A final NTSB report on the cause of the explosion is not expected until next year.

Legislation proposals have been introduced in Congress to address safety concerns in the American natural gas pipeline network. In addition to mandating the installation of remote shutoff valves on pipelines around the nation, proposed safety measures would require the use of advanced pipeline inspection technology and increased Federal authority over natural gas pipelines.

PG&E has announced plans to raise rates for California natural gas service early in 2011, in order to fund pipeline-related safety upgrades required by new Federal regulations.

Passage of any new federal legislation is unlikely before the 2010 mid-term elections.