



ENERGY PROCUREMENT

Lower Your Energy Costs with Smart Purchasing Strategies

At TGV Solar our efforts to lower your energy spend doesn't stop at solar. We also provide strategic energy consulting services for electricity and natural gas procurement. Our objective is simple and straight forward: to lower your cost per kWh for the supply portion of your electricity and natural gas bills. By implementing smart energy procurement strategies, TGV Solar can create additional savings.

We believe it's crucial to place emphasis on market timing strategies to ensure maximum savings. Typically, analysts use either fundamental analysis or technical analysis to evaluate bullish and bearish market conditions and price direction. To ensure our clients execute their purchases at the right time, we go a step further and use a combination of both fundamental and technical analysis.

Demand for commodities, or in this case, electricity and natural gas, is the amount consumed at a given price level. The general rule is demand will increase when the price of a commodity moves lower, and lower prices will lead to less supply as it's less profitable to produce. Conversely, demand will decrease as the price moves higher, and supply will increase as producer's profits increase.

We are constantly looking at the fundamentals, such as natural gas production and storage levels in order to identify whether the balances are tight or loose (bullish or bearish).

An example of one our favorite indicators is the EIA natural gas storage report. When we look at the report we compare the trend of current storage levels to the 5-yr average. When we see storage levels fall below the 5-year average, as in the diagram shown to the right, it indicates demand is greater than supply. The formula describing supply and demand tells us balances are tight and we should expect higher prices in the future. With that being the case in today's environment, we would then look to the charts and technical analysis to identify a market dip to initiate a purchase for those with upcoming expiration dates.

Fundamental Analysis:

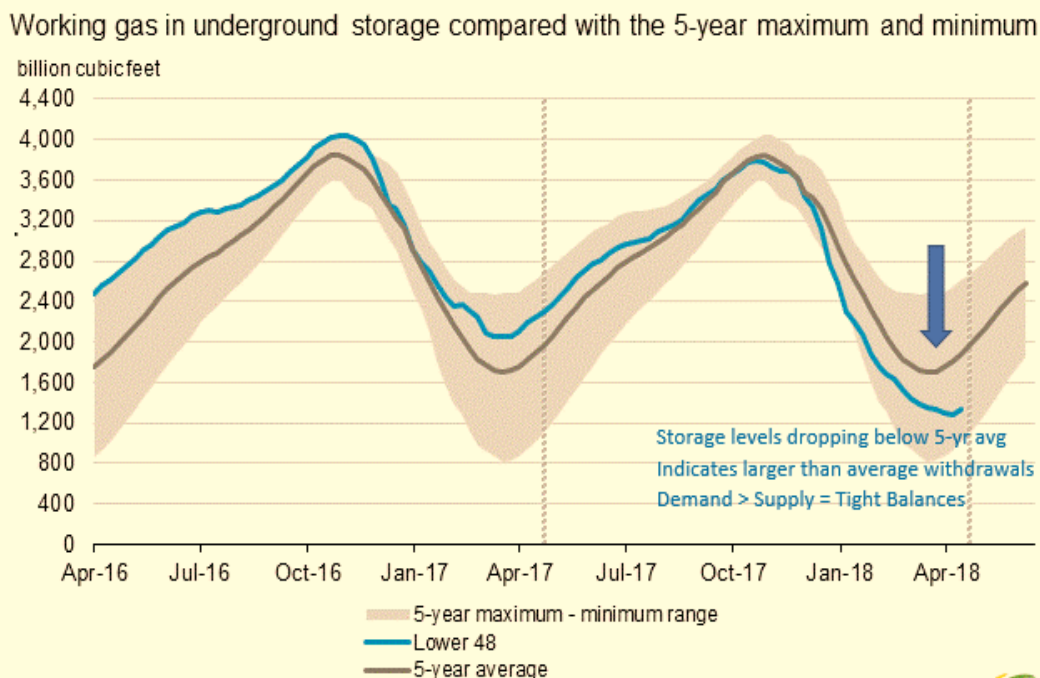
The balance of supply and demand.

Price movements in commodities can be broken down into two simple formulas:

1. Demand > Supply = Higher Prices (Tight Balances)
2. Supply > Demand = Lower Prices (Loose Balances)

Bullish: Expecting prices to rise - tight balances

Bearish: Expecting prices to fall – loose balances



Source: U.S. Energy Information Administration





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We operate under the assumption that fundamental factors set the stage for market direction and momentum. Once our assumption of market direction is determined, as mentioned earlier, we look to technical analysis to identify sound buying opportunities (market dips) so that both fundamentals and technicals indicate the odds favor higher prices.

Technical analysis is performed through the study of charts. The belief is that history repeats itself and that price behavior can be predicted by studying price patterns (in charts), and momentum. Technical analysts believe there is no reason to study fundamental data because the data is already baked into the price.

One of our favorite technical indicators is Stochastics (Stochs). It's a momentum indicator that's designed to identify overbought/oversold price levels and divergences. No matter how fast a commodity advances or declines, the indicator will always fluctuate between zero and 100. Traditional settings use 80 as overbought, and 20 as oversold. When scanning the markets for buying opportunities, we look to execute when price approaches 20 signaling the market is overbought where the odds favor the possibility of imminent buying activity and higher prices.

In summary, we look to identify market trends and buying opportunities through a combination of fundamental and technical analysis. Fundamental analysis helps us

determine the underlying strength and future trend of electricity and natural gas prices. Once we form a view, we look to technical analysis to identify sound purchasing levels that ensure maximum savings and a lower energy spend for our clients.

At TGV Solar, we don't pretend to have a crystal ball that can predict future price direction 100% of the time, no one does. If someone claims they do – RUN. Because they're lying. However, through extensive research of both fundamental and technical analysis, we provide you with strategic purchasing recommendations where both the fundamentals and technicals are on your side increasing the odds you achieve maximum savings.

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T George Vatis
Phone: 203.940.2851
Email: T@TGVSolar.com
Web: www.T@TGVSolar.com