



# HOW BUYING DECISIONS ARE MADE

Published by  
**Energy Solutions** INC  
natural gas buying advisors

Energy Solutions, Inc. specializes in the development of proactive natural gas buying plans through the planned purchase of natural gas into the future at predetermined price levels or buying targets. Buying recommendations are developed based on a daily analysis of a number of factors and market conditions, and then periodically communicated to both individual consulting clients and publication subscribers. This daily analysis involves the review of a wide variety of information that includes:

- **Technical Analysis.** Energy Solutions, Inc. runs five different technical analysis tests each day. The results of these tests will generate various signals. We are watching for the technical analysis models to generate “strong” or “good” buy signals and even multi-year buy signals. For example, based on multi-year cycles, some technical indicators point to significant multi-year lows tending to occur in the first quarter of the year. In addition, Energy Solutions, Inc. relies on its own developed model, *Decision 4 Methodology*, to identify buying opportunity timeframes. Overall, this model identifies the four best times during the year to consider multi-month natural gas purchases.
- **General Natural Gas Information (Fundamental Analysis).** Energy Solutions, Inc. also purchases general natural gas data from four outside sources. We also spend several hours each day researching and aggregating data and reports from applicable Internet sources. These sources provide insight into cash market prices, supply and demand calculations, the impact caused by natural gas-fired electric generation and/or a lack of hydro-power or nuclear power, growth in liquefied natural gas (LNG) imports, tropical storm activity, and long-term pricing forecasts. For example, the longer-term supply picture is anticipated to remain tight with relief finally appearing in 2009 because of growing LNG imports. However, because global LNG prices are linked to oil commodity prices, as LNG imports increase, it is very likely that natural gas prices will start to become more of a globally-priced commodity as well. This is considered when making long-term pricing recommendations.
- **Weather.** Energy Solutions, Inc. evaluates the 6-10, 8-14, 30-day, and 90-day weather forecasts from two independent sources and evaluates how weather forecasts will potentially impact natural gas prices.
- **Storage Inventories.** Energy Solutions, Inc. continually monitors storage inventories, paying close attention to storage injection or withdrawal rates and how the current pace compares to last year and the five-year average, in order to continually evaluate the projected impact of storage inventories on natural gas prices.
- **Short-Term and Long-Term NYMEX Trends.** Energy Solutions, Inc. has evaluated natural gas NYMEX expiration trends since 1991 and has documented historically when rallies and declines are most likely to occur. Energy Solutions has documented when 12-month strip lows and 12-month strip highs have historically occurred, and evaluated the NYMEX expiration price of individual months in comparison to other nearby months.
- **Commitment of Traders Report.** Energy Solutions, Inc. has evaluated pricing activity relative to the net contract positions held by non-commercial (speculators) and commercial players since November 2001. This data shows that at times there are historical pricing trends which can be anticipated when non-commercial and commercial players are either net-short or net-long a specific number of natural gas contracts. Energy Solutions, Inc. evaluates this data each week to determine if the data indicates the presence of a specific pricing trend.

Subscribers to *The Advisor* receive concise pricing recommendations in both the monthly and weekly editions. Our Buying Advisory clients receive similar price recommendations, but communication is one-on-one and recommendations are much more tailored to a company’s specific goals and objectives. For our Buying Advisory clients, we go one step further and are actively involved in the implementation of that proactive buying plan. As a result, the primary difference between buying advice provided in *The Advisor* and buying advice provided to our Buying Advisory clients is not the type of information, but rather how the information is conveyed and implemented.