MARKET INDICATORS REPORT
October 2009

ENERGY TRUST PROGRAMMATIC INDICATORS:

Existing Homes Report

- The PMC received 331 Online Home Energy Review (HER) requests in August and 444 online HERs in September. Due to increased marketing, the number online HER requests exceeded to the number of called in HER requests in September.
- The PMC received 1,397 incentive applications in August and 1,423 incentive applications in September.
  ↑ 61.19% compared to the 863 applications received August 2008 and ↑51.2% compared to the 941 applications received in September of 2008.
- The Contact Center answered 2,846 inbound calls in August and 3,249 inbound calls in September:
  ↑9.21% from 2,606 calls August 2008, and ↓3.10% from September 2008; the decrease in September calls year over year is attributable to Energy Saver Kits offered by Pacific Power in September 2008.
- The PMC completed 9 Multifamily projects in August and 11 Multifamily projects in September, capturing over 245,491 kWh and 53 therms in August and 105,288 kWh and 839 therms in savings in September.
- The PMC established a pipeline of an additional 49 projects. Energy savings projections for 2009 are set to reach over 6 million kWh and over 58,000 therms, with forecasted incentive payments of $555,403 in the pipeline for 2009.

New Homes Report

- 567 new homes permits were issued in Oregon in the month of August; this is ↓13.44% compared to August 2008.
- S&P Case Shiller Home Price Index ↓14.0% compared to last year; though ↑0.52% from last period.
- Though national home sales are down year over year, and new homes inventory is higher; National Home Builders Association data shows a strong recent trend of decline in new homes inventory, which forecasts a more favorable sellers' market, and a slight trend upward for new homes sales month over month.

New Buildings Report

- While the construction market remains depressed throughout the state, Central and Southern Oregon remain the most depressed with Bend and Medford showing unemployment rates of 15.8% and 13.2% respectively.
- Lack of financing continues to limit private development; stalling or cancelling several large projects in the New Buildings program.
- Public Sector construction figures continue to be stronger than in the private sector due to anticipated stimulus funding.
- The value of construction put in place for non-residential construction continues to decrease.
  ↓0.77% year over year in June, and ↓2.6% year over year in July.
- The AIA Architecture Bilings Index shows little change from the 2nd quarter of 2009. Remaining below 50, it has consistently been in the 40s, with a score of

41.7 in August. The Bilings Index for the West continues to be lower than the rest of the country.

- Oregon's population is expected to grow at a slower pace in the near future, with an annual growth rate of 1.14% between 2008 and 2015.
- Construction employment is estimated to decrease annually by 16.9% in 2009 and 9.2% in 2010, though begin to stabilize in 2011.
- Professional and business services are expected to lose 6.8% of jobs in 2009, consistent with trends that began in 2007. However, a rebound is forecasted with a gain of 1.1% of jobs in Oregon in 2010, and 7.1% in 2011.

MACROECONOMIC DATA

University of Oregon Index of Leading Economic Indicators

The University of Oregon Index of Economic Indicators rose 0.5% in August to 84.4. This increase follows a trend of stabilization over the past few months; which can be interpreted as a sign for a brighter Oregon economy in the second half of 2009. The economic improvement is largely due to increases in Oregon's weight-distance tax, a measure of trucking activity which indicates broader economic recovery, and consumer confidence. The housing market continues to face challenges as prices fall and access to credit remains limited; however, new home starts in Oregon remained mostly unchanged from July to August, a potential signal that this summer marked "the bottom" of hardships in the housing market. Orders for non-defense goods confirmed to decrease in August, and labor market conditions continue at a weak state; discouraging large gains in consumer spending despite broader economic recovery.

University of Oregon Index of Leading Economic Indicators

Table 1: Summary Measures	2009					
	Mar	April	May	June	July	August
U of O Index of Economic Indicators (1997 = 100)	84.8	85.1	85.0	84.3	84	84.4
% Change	-0.7	0.2	-0.1	-0.7	-0.5	0.5
Diffusion Index	28.6	57.1	64.3	71.4	35.7	50.0
6 Month % Change, Annualized	-11.8	-9.4	-8.0	-4.0	-5.4	-2.5
6 Month Diffusion Index	14.3	0.0	21.4	42.9	57.1	64.3

Table 2: Index Components	2009					
	Mar	April	May	June	July	August
OR Initial Unemployment Claims, SA	13,820	12,564	12,308	11,915	11,793	11,288
OR Employment Services Payrolls, SA	27,870	27,134	26,936	26,269	26,361	25,759
OR Residential Building Permits, SA, 5 MMA	836	166	672	469	411	401
OR Weight Distance Tax, $ Thousands, SA, 3 MMA	17,424	18,285	17,441	17,966	17,376	18,831
U of Michigan US Consumer Confidence, 5 MMA	58.0	60.0	61.7	63.6	65.6	67.3
Real Manufacturers' New Orders for Non-defense, Non-aircraft Capital goods, $ Millions, SA	31,840	30,707	32,116	33,166	32,803	32,415
Interest Rate Spread, 10 yr Treasury Bonds Less Fed Funds Rate	2.64	2.78	3.11	3.51	3.40	3.43

Institute for Supply Management Manufacturing Index

Month	***PMI***
Sept-09	52.6
Aug-09	52.9
July-09	48.9
June-09	44.8
May-09	42.8
April-09	40.1

Growth in the manufacturing sector was up for the second consecutive month in September, rated as 52.6 in the PMI index. The PMI index tracks growth in products and manufacturing on a running index of 1-100. Indices greater than 50 indicate growth while those less than 50 indicate contraction. The rate of growth was down slightly from August; however, the reported growth broadened in September as the number of industries reporting growth increased from 11 to 13.

Unemployment

	Oregon (SA)	US (SA)
September 2009	11.5%	9.8%
August 2009	12.0%	9.7%
September 2008	6.8%	6.1%

Oregon unemployment fell to 11.5% in September from 12% in August. This 0.5% decrease both counters and exceeds the National trend for unemployment which rose 0.1% to 9.8% in September. Oregon's departure from the National trend has been interpreted by most economists not as a sign of labor market recovery in the region, but the result of a shrinking labor force as discouraged job-seekers leave the labor market. Year over year, employment by sector for September is shown below:

- Total non-farm employment: 6.1% decrease.
- Construction: 13.7% decrease.
- Manufacturing: 27.2% decrease.
- Accommodation and Food Services employment: 6.6% decrease.

As change in the unemployment rate in Oregon may be misleading; seasonally adjusted job loss in the region may be a better indicator of the health of Oregon's labor market. 1,000 jobs, seasonally adjusted, were added to construction; though this increase is mostly due to Government stimulus money which since January has created the equivalent of 8,000 jobs in Oregon. In other good news, there were seasonally adjusted increases in both manufacturing and temp-agency employment; both of these sectors taken to be strong indicators for general economic conditions. Conversely, back to school employment in the both the public and private sectors decreased; a large portion of the 4,400 seasonally adjusted Government job losses in Oregon are due to constricted public school budgets. Private education and health services also saw a loss of 1,900 jobs, seasonally adjusted. Employment levels in the Institute of Supply Management's September PMI report contraction in the face growth in the broader manufacturing sector. This information strengthens overall concerns that as broader economic conditions turn positive, job loss continues.

Consumer Price Index (CPI)

On a seasonally adjusted basis, the Consumer Price Index for All Urban Consumers (CPI-U) rose 0.2% in September. The increase was less than the 0.4% rise in August; however, continues the trend upward which, with the exception of March, started in January of this year. The index has decreased 1.3% over the last twelve months; though this decrease is mostly due to large declines in the Index in October through December of 2008. The energy index rose 0.6% in September after increasing 4.6% in August. The electricity index rose 0.6%, while the natural gas index decreased 1.6%. Over the past twelve months, the energy index has fallen 21.6%, with all its major components showing decline.

Seasonally Adjusted Consumer Price Index						Unadjusted 12 months end S September 2009
	May '09	June '09	July '09	Aug '09	Sept '09	
All Items	0.1	0.7	0	0.4	0.2	-1.3

SUMMARY REVIEW

While University of Oregon Economist Time Duy forecasts the end of recession in Oregon at the end of 2009, the quarterly Oregon Economic and Revenue Forecast does not put *recovery* in Oregon until late 2010. The decrease in Oregon's unemployment is not the result of overall gains in the labor market. While Oregon's shrinking job market may pose a concern as it signals that the distressed unemployed are giving up, it also may forecast better economic conditions to come as many unemployed people have left the job market to return to school or, in the case of retirees, leave willingly due to overall gains in the stock market. It seems the "jobless recovery" Tim Duy warned of is realizing in the region; and thus the question is begged: What effect does continued job loss in the region have on Oregon, and more specifically what effect will it have on the ETO? While an appropriate model to forecast the effect movement in macroeconomic variables has on Energy Trust programs has not yet been developed, if the overall trend of the economy continues upward, while employment continues downward, it may be appropriate to more closely examine the effect long term unemployment has on citizen participation driven energy efficiency programs.

SYNOPSIS of Recent Market Activity (October 10, 2009)

- The Swanson Group, a wood product manufacturer in Glendale, received a $100,000 grant from the U.S. Economic Development Administration. It will be used to implement new software to maximize log use efficiency and conduct market research to develop new products. *The News-Review, 9-24-09*

- The City of Bend will lay off six more people in the Community Development Department. *Bend Bulletin, 10-3-09*

- Canron Western Constructors will significantly curtail operations at its northeast Portland location this fall, laying off 106 workers, mostly mechanics and equipment operators. *The Oregonian, 10-7-09*

- Oregon Crystal Technologies, a Chinese solar component manufacturer, plans to build its first U.S. plant in Gresham. It expects to employ 10 workers and grow to 20. The firm, known as China Crystal Technologies in Beijing, aims to become one of the world's leading companies in gallium arsenide, an alternative technology to silicon in solar panels. *The Oregonian, 10-5-09*

- Arcimoto, a Eugene electric car company, unveiled a prototype called the Pulse. It has a top speed of 55 mph and gets about 50 miles between charges. The company

employs 14 people. It plans to start production of 200 to 300 vehicles with 30 to 40 workers by October 2010. *Register-Guard, 9-19-09*

• Regence Blue Cross Blue Shield in Medford hired dozens of workers recently and plans to do so again, but they need people to apply. They say many potential employees are so discouraged by the unemployment rate and don't realize how many local opportunities exist. *KTVL.com 9-16-09*

• Uni-Chem, a South Korean manufacturer is buying the closed Hynix computer chip plant in Eugene and plans to renovate it for solar cell manufacturing. The plant could employ up to 1,000 workers. *Register-Guard, 9-27-09*

• Daimler Trucks North America will keep its Swan Island plant open, shelving earlier plans to close it by 2010. However, its long-term viability may depend on whether it can reach a labor contract agreement providing cost reductions and flexibility with work rules to remain competitive. It employs about 606 union workers, following retirements and a round of 200 layoffs earlier this year. *Portland Business Journal, 9-28-09*

• Plans to build The Westin Portland at the Convention Center, a 600-room hotel at the Oregon Convention Center, have been shelved. *Portland Business Journal, 9-21-09*

• Benchmark Electronics Inc. will close its Beaverton plant by the end of the year, laying off 183 people. It manufactures electronic circuit boards and provides system assembly, repair, and testing services for manufacturers of medical, telecommunications, industrial, and computer products. *Portland Business Journal, 9-17-09*

• Waste Management Inc. broke ground on a $10 million plant in McMinnville that will create enough electricity from garbage to power 2,500 homes. It is expected to be operational in mid-2010. As waste decomposes naturally, the new energy plant will collect the resultant methane gas and use it to power engines to generate electricity. The power will then be sold to McMinnville Power & Light. *Portland Business Journal, 9-23-09*

• Tinitron in Hillsboro has begun construction on a new factory where it will manufacture a hybrid car – the neutron3 – a two-passenger, three-wheeled vehicle that can get up to 150 miles per gallon. It plans to hire 50 to 100 people. *Hillsboro Argus, 9-15-09*

• ReVolt Technology LLC, a Swiss company developing a rechargeable zinc battery technology for electric vehicles, will locate its U.S. headquarters in Portland. It hopes to be operating by December 1 and initially employ 75 while in development stages and 250 once it reaches pilot and production phases. *Portland Business Journal, 9-1-09*

• Washington State University Vancouver will break ground on a $43.5 million Applied Technology classroom building that is part of an economic development project to boost Southwest Washington's semiconductor industry. When it opens in the fall of 2011, it will house a new undergraduate electrical engineering program. *The Columbian, 8-18-09*