MARKET INDICATORS REPORT

ENERGY TRUST PROGRAMMATIC INDICATORS:

Existing Homes Report

- The PMC received 1598 incentive applications in October 2009.
    - ↑ 35.77% compared to the 1177 applications received in October of 2008.
- The PMC received 625 online Home Energy Review (HER) requests in October, 2009.
- The Contact Center answered 5,230 inbound calls in October:
  ↑10.87% from 4,717 calls October 2008.
- In October, 172 participants attended workshops and presentations by the HES program.
- In October, the PMC completed eleven Multifamily projects, capturing 290,151 kWh and 1,647 therms in savings.
- In addition to completing eleven Multifamily projects in October, the PMC has an established pipeline of an additional forty-nine projects.
- The PMC decreased momentum in incentive forecasting in October compared to last month having only reached 87% of the forecasted total incentive goals.
    - Multifamily realized incentives were down across all three participating utilities with PAC dollars being the furthest at only 22% of goal.
- In community outreach news, the PMC launched the Energy Saver Kit campaign via a direct mail postcard to 62,149 Cascade Natural Gas customers. The goal is to receive 4,000 kit requests. As of Oct. 31, the PMC has received 3,500 kit requests. The PMC stopped accepting requests on Nov. 16, 2009.

New Homes Report

- 527 new homes permits were issued in Oregon in the month of September; this is ↓16.48% compared to September 2008.
- S&P Case Shiller Home Price Index ↓12.63% compared to last year; though ↑0.19% from August.
- New single family home sales in the region are ↓10.62% from last period and ↓0.98% from last year, while existing single family home sales are ↑13.33% from last period and ↑4.39% from last year.

MACROECONOMIC DATA

University of Oregon Index of Leading Economic Indicators

The University of Oregon Index of Economic Indicators rose 0.1% in September to 84.4, from a revised 84.3 in August. General improvement was widespread, with over half the components of the index improving over the month of September. Overall, the pattern of the index in recent months is consistent with the end of the recession in Oregon in late 2009; yet activity remains too weak to suggest a full economic recovery including job growth.

The pace of improvement in job growth over the past seven months has been categorized as “anemic”. Though jobless claims decrease each month, they still remain well above levels that have been consistent with job growth in the past. Similar to national trends, new construction entered a period of relative stabilization over the summer, yet activity in the sector is forecasted to remain depressed due to stricter

underwriting conditions. The Oregon weight-distance tax—a measure of trucking activity—fell after gains in August; while orders for non-defense non-aircraft capital goods increased in September, reversing losses over the previous months.

Consumer confidence was up again in September, though is still below its pre-recession high. In general, the U of O index continues to follow a pattern of improvement similar to the improvement that preceded the end of the 2001 recession.

Table 1: Summary Measures	2009					
	April	May	June	July	August	Sept.
U of O Index of Economic Indicators (1997 = 100)	85.1	85.0	84.3	84.0	84.3	84.4
% Change	0.2	-0.1	-0.7	-0.5	0.5	0.1
Diffusion Index	57.1	64.3	71.4	35.7	50	57.1
6 Month % Change, Annualized	-9.4	-8.0	-4.0	-5.4	-2.6	-1.0
6 Month Diffusion Index	0.0	21.4	42.9	57.1	71.4	71.4

Table 2: Index Components	2009					
	April	May	June	July	August	Sept.
OR Initial Unemployment Claims, SA	12,564	12,308	11,915	11,793	11,288	10,954
OR Employment Services Payrolls, SA	27,134	26,936	26,269	26,361	25,559	25,623
OR Residential Building Permits, SA, 5 MMA	766	672	469	411	401	398
OR Weight Distance Tax, $ Thousands, SA, 3 MMA	18,285	17,441	17,966	17,376	18,831	18,116
U of Michigan US Consumer Confidence, 5 MMA	60.0	61.7	63.6	65.5	67.3	68.9
Real Manufacturers' New Orders for Non-defense, Non-aircraft Capital goods, $ Millions, SA	30,707	32,096	33,166	32,803	32,446	33,107
Interest Rate Spread, 10 yr Treasury Bonds Less Fed Funds Rate	2.78	3.11	3.51	3.40	3.43	3.25

Institute for Supply Management Manufacturing Index

Month	*PMI*
Oct-09	55.7
Sept-09	52.6
Aug-09	52.9
July-09	48.9
June-09	44.8
May-09	42.8

The recovery in manufacturing strengthened in October as the Producers Manufacturing Index (PMI) registered 55.7 percent, which is 3.1 percentage points higher than the 52.6 percent reported in September, and the highest reading for the index since April 2006 (56 percent). A reading above 50 percent indicates that the manufacturing economy is generally expanding; below 50 percent indicates that it is generally contracting. A listing of improvement by index component is as follows:

- New Orders Index was at 58.5 percent in October,
  - ↓2.3 percentage points from 60.8 percent registered in September. This is the fourth consecutive month of growth in the New Orders Index.
- Production Index was at 63.3 percent in October,
  - ↑ 7.6 percentage points from the September reading of 55.7 percent.

- Employment Index registered 53.1 percent in October,
    - ↑ 6.9 percentage from 46.2 percent reported in September. This is the first month of growth in manufacturing employment following 14 consecutive months of decline.

Unemployment

	Oregon (SA)	US (SA)
September 2009	11.3%	10.2%
August 2009	11.3%	9.8%
September 2008	7.2%	6.5%

Oregon unemployment remained unchanged in October from a revised 11.3% in September. National unemployment however, rose to 10.2%, the highest it has been in twenty-six years. Manufacturing took the biggest hit, seasonally adjusted, with 3,100 jobs cut in Oregon in a month when 700 jobs cut would have been normal. Construction also continued its trajectory of job loss with 3,000 jobs cut in a month when 1,100 is the norm. The construction job loss in Oregon was concentrated in non-residential (-600 jobs) and specialty trade contractors (-2,400 jobs). Improvement was seen in both business and professional services, and financial activities. Financial activities added 300 jobs in October, when a loss of 1,100 is the normal seasonal pattern. Year over year, employment by sector for September is shown below:

- Total non-farm employment: 5.2% decrease.
- Construction: 14.8% decrease.
- Manufacturing: 13.9% decrease.
- Accommodation and Food Services employment: 8.1% decrease.

Consumer Price Index (CPI)

On a seasonally adjusted basis, the Consumer Price Index for All Urban Consumers (CPI-U) rose 0.3% in October. The seasonally adjusted all items increase largely reflected advances in the indexes for energy and for new and used motor vehicles. The energy index rose for the fifth time in the last six months, increasing 1.5% as the indexes for gasoline, fuel oil, natural gas, and electricity all increased. The indexes for airline fares and medical care also increased, while the shelter index was unchanged and the indexes for apparel and recreation declined.

The electricity index in October increased 0.6% while the index for natural gas rose 1.9% in October after declining 1.75% in September. Over the past 12 months, the energy index has fallen 14.0% with the gasoline index declining 17.9%.

	Seasonally Adjusted Consumer Price Index					Unadjusted 12 months end September 2009
	June '09	July '09	Aug '09	Sept '09	Oct '09	
All Items	0.7	0	0.4	0.2	0.3	-0.2

ECONOMIC FORECAST 2010

The State Office of Economic Analysis (OEA) has declared that Oregon's recession is either over or is very close to ending. Their latest report however; forecasts that Oregon, along with the nation, will experience a jobless recovery in the initial stages. Though economic recovery coinciding with high levels of unemployment seems contradictory, economic recovery is defined by changes in total economic output; a force most strongly contributed to by GDP, income, industrial production, and sales. While employment levels play an important part in total economic output, it is possible to see significant increases in output without adding new jobs as many companies will react to increased demand by increasing existing workers' hours and better utilizing existing technology and capital stock.

Specific to Oregon, the OEA's latest report predicts that overall employment in the state will have decreased 5.1% in the state in 2009; with all sectors, other than private health and education, seeing decline. Construction and Manufacturing will prove the hardest hit with forecasted losses of 16.3% and 13.9% respectively. The 2010 forecast expects job loss in Oregon to continue to decrease mildly in the first quarter, followed by slow to moderate job recovery through the rest of the year. The pace of job recovery is expected to remain insignificant until 2011 though, with employment levels not reaching their pre-recession levels until as late as 2013.

An interesting point to consider as we struggle through the end of recession is that while Oregon lost jobs at a pace far faster than the nation in 2008 and 2009; once recovery is established in our state, our growth rates are again expected to exceed the nation.

SYNOPSIS of Recent Market Activity (October 10, 2009)

• PV Powered, a solar products manufacturer in Bend, has added 30 employees since June. It expects to hire more due to demand for its 260-kilowatt inverter. *Bend Bulletin, 11-6-09*

• Marten Law PLLC, a Seattle-based environmental and energy law firm, opened an office in Portland. It will provide clients with regulatory and litigation services in energy, environmental, and climate change. The 12-attorney team will be the area's largest environmental and energy legal team. *Portland Business Journal, 11-9-09*

• AOP Technologies Inc. – a provider of solutions for automation, production, and sealing applications – will open at the Quad 205 Business Park in Vancouver. *The Columbian,*
10-19-09

• Klamath Falls-based Jeld-Wen Inc. cut 16 positions at Brasada Ranch in Powell Butte and 11 at Eagle Crest Resort west of Redmond. *KTVZ.com, 11-2-09*

• Lakewood, Colo.-based ZeaChem Inc. will build a cellulosic ethanol demonstration plant at the Port of Morrow. Modular components will be constructed in fabrication shops and later transported to the port. Ground breaking will occur after the first components are shipped to the site for assembly. It will employ 75 workers during plant construction and assembly and 20 once the plant is operational. It is expected to produce up to 1.5 million gallons of ethanol per year. *East Oregonian, 10-31-09*

• Sunnyvale, Calif.-based chip-maker Allvia Inc. has acquired the 178,000-square-foot Hillsboro manufacturing plant once operated by Etec Systems Inc. It will acquire the equipment to start chip-production in the plant sometime next year. It is not known how many people it will employ. *Portland Business Journal, 10-23-09*

• Oregon Health & Science University will receive at least $51.5 million in stimulus funding to pay for research, equipment, and new employees. The funds provide a significant boost to research at Portland-based OHSU, which already receives more than $200 million each year from the National Institutes of Health. *Portland Business Journal, 10-19-09*

• The Port of Astoria expects fewer cruise ships to call in 2010. The port said only nine ships are scheduled for next year, down from 20 visits in 2009. The general economy and changes in Alaskan regulations were cited as reasons for the reduction. *Daily Astorian, 11-18-09*

• Costco plans to open a store in Roseburg by November 2010. *The News-Review, 9-29-09*

• Prineville-based Ochoco Lumber Company received a $4.89-million federally funded economic recovery grant to develop a wood pellet fuel facility in John Day. The new plant will mean the retention of 80 full-time jobs and creation of 11 new ones. *Blue Mountain Eagle, 11-18-09*

• Karsten Homes, a maker of manufactured and modular homes in Stayton, is closing. Its
parent company, Tennessee-based Clayton Homes, is consolidating operations at its Oregon home-building facilities in Albany. Some of the employees will offered jobs at the Albany plant. *Statesman Journal, 11-24-09*

• Bulk Handling Systems, a Eugene manufacturer of recycling equipment, was awarded a
$15.7-million contract to design, manufacture, and install sorting equipment for a new state of the art materials recovery facility in San Carlos, Calif. It employs 140 people and will add an undetermined number of workers. *Register-Guard, 11-1-09*