Briefing Paper
Market Indicators Quarterly Report

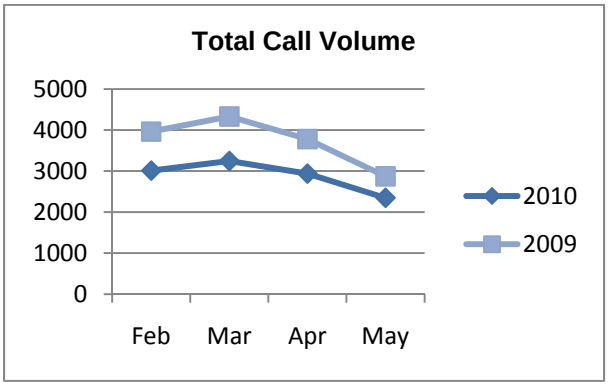
July 28, 2010

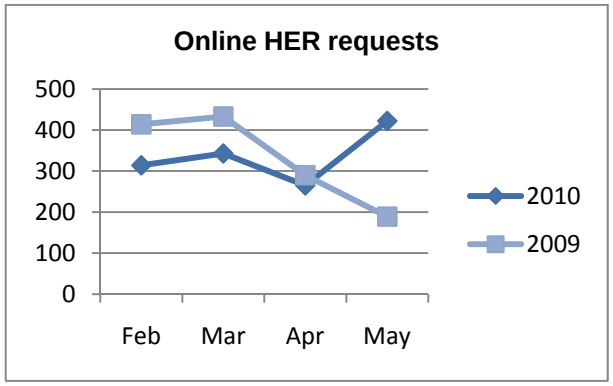
The purpose of this report is to track and assess changes in key economic indicators in an attempt to gain a better understanding of how demand for Energy Trust programs will respond to changing market dynamics. National and local economies continue to feel the effects of the 2008 economic recession, and by monitoring the behavior of several widely used macro-level indicators we hope to stay closely attuned to any signs of emergence from the recession, or further worsening of economic conditions, thereby providing Energy Trust program managers with the ability to respond to changes accordingly. At the time this report was completed, key indicators suggested the 'bottom' of the recession was likely reached in summer 2009, with the state of the economy steadily improving since, although the pace of improvement has seemed to slow in recent months. Although improvements in many indicators suggest cause for optimism, necessary conditions for strong and rapid growth are still absent. This report focuses primarily on the time period from April 2010 to June 2010.

1.1 Energy Trust Programmatic Indicators

Existing Homes Report

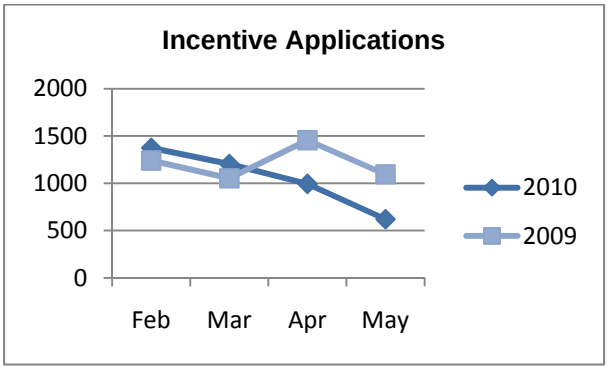
Figures 1.1 & 1.2

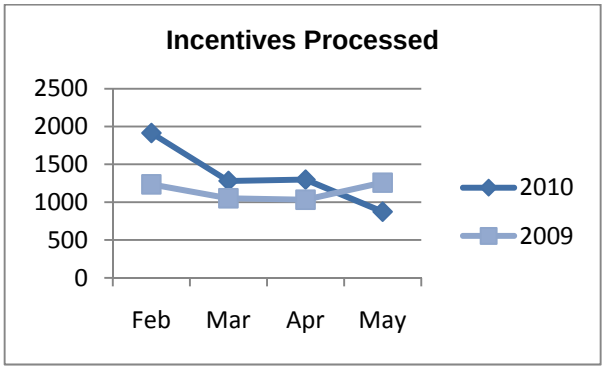




The volume of inbound calls to the contact center during period February to May has fallen by over 20 percent, as compared to the same time period in 2009 (shown above, Fig. 1.1). Online HER requests were also lower in the first part of the year compared to last year but have since increased substantially, also s above. A significant portion of this increase in online HER requests during May can be attributed to PGE's May online newsletter release, which links customers directly to the HER request form on the Energy Trust website. This link will be also be featured in PGE's June newsletter, hopefully driving continued increases in HER request volume into the near future. The slowing trend in contact center call volume can be partially attributed to both the continued effects of the recession and warmer than normal weather in recent months.

Figures 1.3 & 1.4

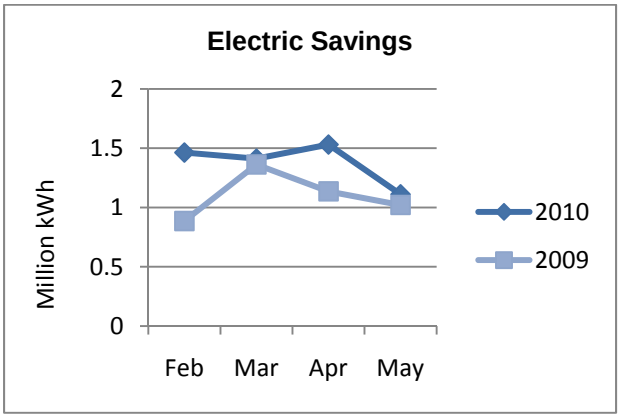


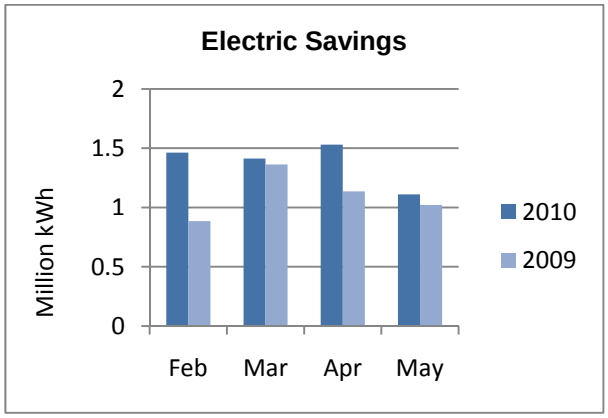


Both incentive applications and processed incentives have been lower during the period April-June compared to the same period last year due to the discontinuation of gas furnace incentives. To combat this decrease in incentive demand, the program has proposed increasing the Home Comfort Bonus (for air sealing plus wall, floor, and ceiling insulation done at one time) from $150 to $300.

Gas and Electric Savings

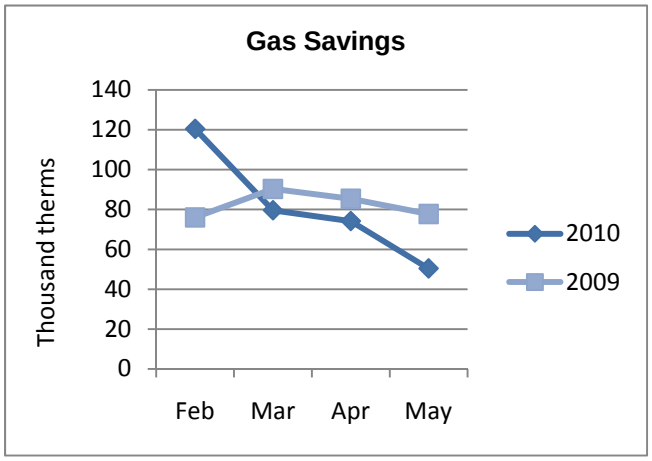
Figures 1.5 & 1.6

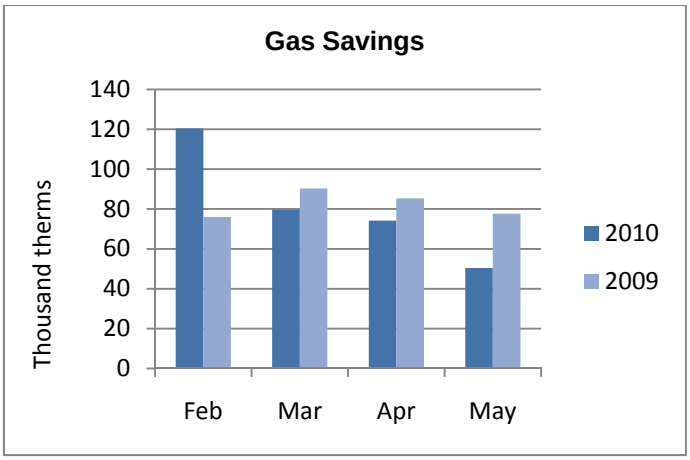




Although electric savings have grown from 2009 in each month this year, growth is still not as strong as was forecasted. Alternatively, gas savings have only seen growth in monthly therm savings during February, with weaker savings experienced in March, April and May of this year. Total therm savings have been slipping largely because gas furnace incentives have ceased. Manufactured Housing air and duct sealing continue to contribute significant electric savings towards the program goal, beating the forecast amount of 275,900 kWh for May 2010. The PMC is currently working with Energy Trust staff to deliver 40,000 Energy Saver Kits during the summer to increase savings in 2010. Solar Thermal measures beat the savings forecast of 34,600 kWh for May 2010 by 46.6%. (source: ETO monthly reports)

Figures 1.7 & 1.8





2.1 Macroeconomic Indicators

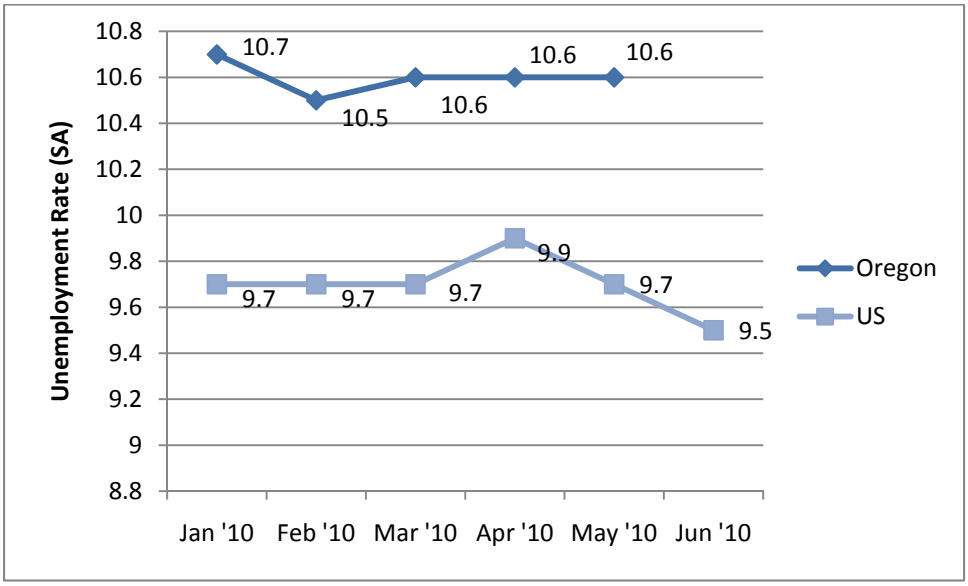
Unemployment

Oregon's seasonally adjusted unemployment rate was essentially unchanged at 10.6 percent in March, April, and May. Nationally the seasonally adjusted unemployment rate has held constant at 9.7 percent since the beginning of the year, with slight increase to 9.9 in April. Regionally, the West continues to struggle with the highest jobless rate in the nation, at 10.9 percent in May (SA). As measured by state, Oregon claimed the 11th highest unemployment rate in the nation as of May. (source: Bureau of Labor Statistics)

Table 2.1

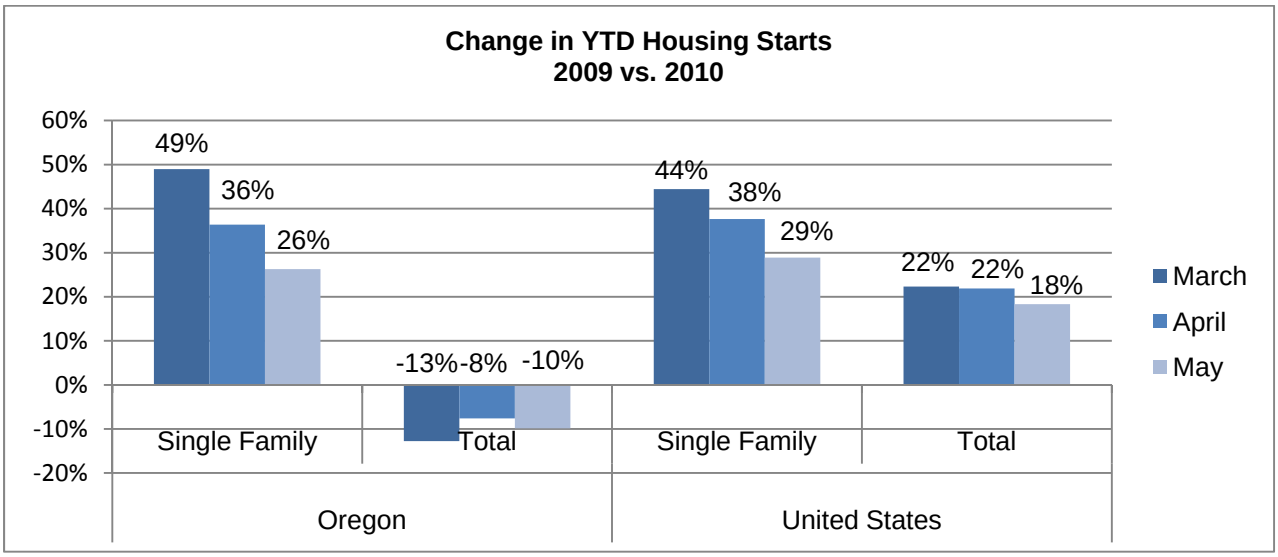
Unemployment Rate (seasonally adjusted)							
	Year	Jan	Feb	Mar	Apr	May	Jun
Oregon	2010	10.7	10.5	10.6	10.6	10.6	-
	2009	9.9	10.6	11.2	11.5	11.6	11.6
US	2010	9.7	9.7	9.7	9.9	9.7	9.5
	2009	7.7	8.2	8.6	8.9	9.4	9.5

Figure 2.1



New Homes Report

Figure 2.2 - Housing starts as measured by building permits issued (March-May)



Residential construction activity has generally seen much needed improvements since 2009. Figure 2.2 above, shows that single family housing starts in Oregon have increased compared to the same months in 2009, but total housing starts have fallen. Nationally, both single family and total YTD housing starts have increased compared to last year, in each of the months March, April and May.

Table 2.2 - Single Family Housing Starts (thousands)

	Single Family Starts			Total Starts		
	YTD May 2010	YTD May 2009	YTD % Change	YTD May 2010	YTD May 2009	YTD % Change
Oregon*	2.69	2.13	**26.3%**	3.06	3.40	**-9.9%**
Bend	0.16	0.14	**16.7%**	0.17	0.16	**3.0%**
Corvallis	0.02	0.01	**7.1%**	0.03	0.01	**135.7%**
Eugene-Springfield	0.23	0.16	**46.5%**	0.24	0.21	**17.5%**
Medford	0.12	0.12	**0.0%**	0.14	0.13	**6.1%**
Portland-Vancouver-Beaverton	1.65	1.11	**49.4%**	1.90	1.56	**21.8%**
Salem	0.19	0.11	**70.9%**	0.21	0.20	**3.9%**

*The Oregon total includes rural areas not individually listed above. The total starts decreased while starts in urban areas increased.

As seen in Table 2.2 above, all major regions in the ETO service territory have seen some growth in both single family, and total housing starts compared to 2009, except Medford. Salem and the Portland Metro area have seen the largest increases in single family housing starts so far this year, with growth of 70.9 and 49.4 percent respectively. Although housing starts are up compared to last year, the pace of growth is beginning to fall off, possibly corresponding with expiration of the home buyer tax credits this year, discussed in more detail below. Regional data for June is not yet available. (source: NAHB- National Association of Home Builders)

Homebuyer Tax Credits Expire

Home construction and applications for building permits fell considerably in May compared to the substantial growth seen in previous months this year, pointing to decreased demand as the $8,000 tax credit for first-time home buyers and the $6,500 tax credit for repeat home buyers expired. Nationally, new-home production declined 10 percent, and the number of building permits issued fell 5.9 percent as builders ‘tapped the brakes’ on new home production in anticipation of a lull in buyer demand resulting from the expiration of the tax credits. (NAHB)

Foreclosures and Home Prices

Although the rate of foreclosures in Oregon fell in the fourth quarter of 2009, following the national foreclosure trend, the number of delinquent mortgages then jumped back up by almost 20 percent in the first quarter of 2010 (Fig 2.3). This relatively large increase in the rate of foreclosures resulted in Oregon’s move to the # 3 position in terms of states with the highest foreclosure rates in the nation. This dismal foreclosure news coincides with further slipping of the FHFA housing price index for all major regions in Oregon, with the price of single-family stick built homes falling most sharply in the Bend/ Central Oregon region, pictured below in Fig 2.4. Josh Harwood, senior economist for the State of Oregon, was quoted as saying “Oregon was later to enter the recession, and it stands to reason that its foreclosure rate will stay higher longer than other states that crashed earlier”. The U.S. Treasury Department has recognized Oregon as one of the 20 states hit hardest by the foreclosure wave, and has tentatively allocated $88 million in federal assistance to struggling homeowners.

Fig 2.3- Oregon Foreclosure Rate

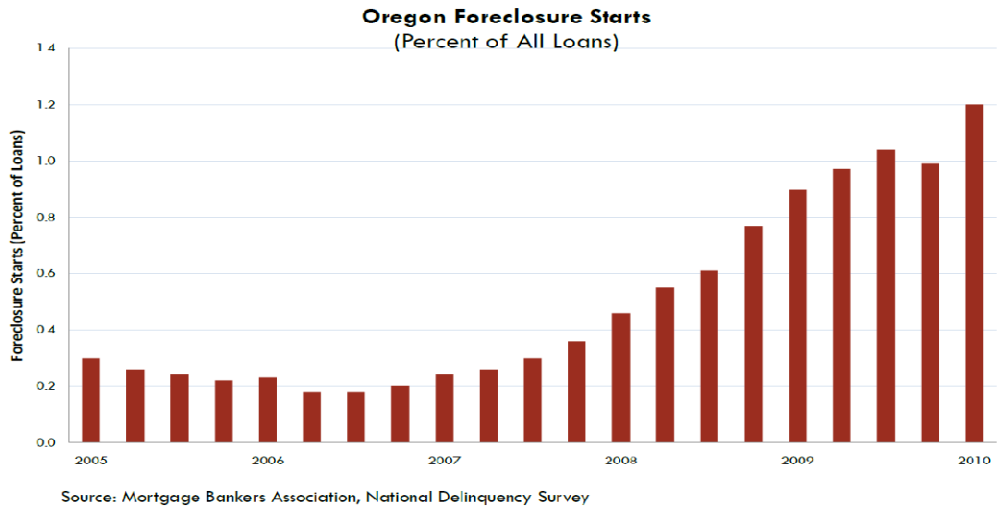
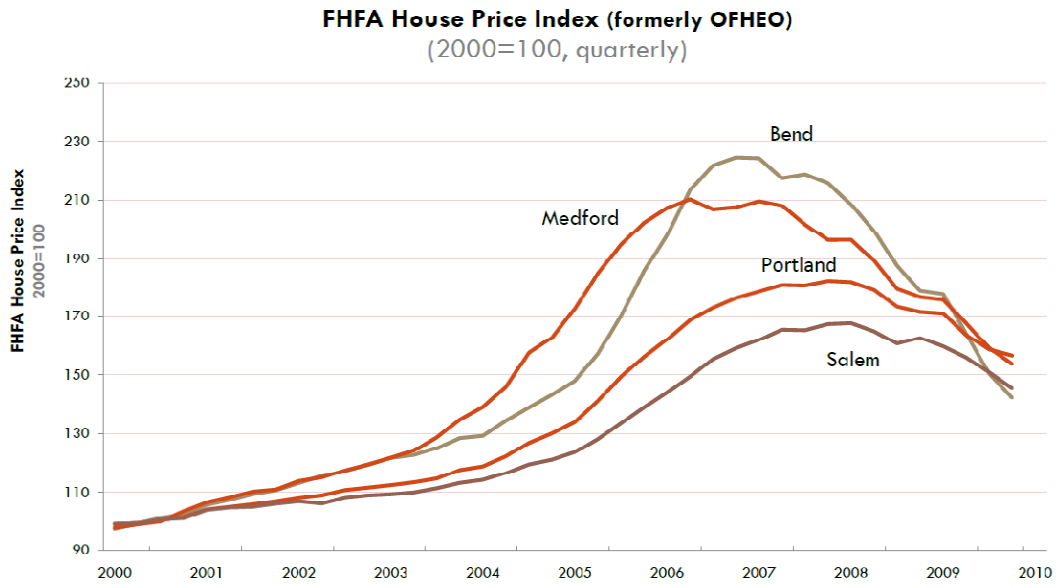
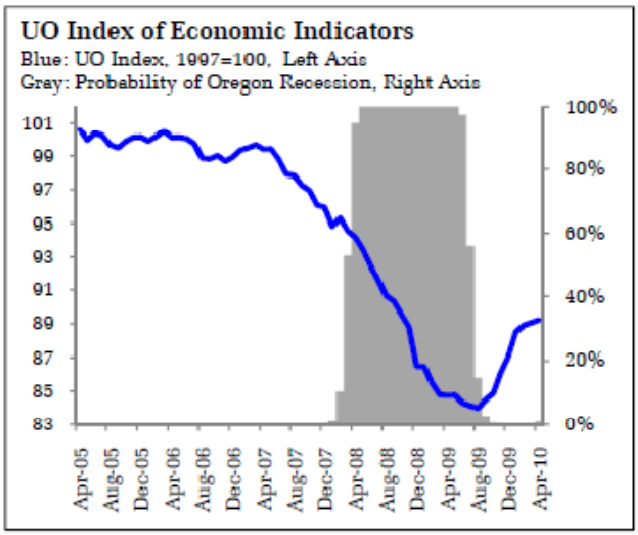


Fig 2.4- Housing Price Index- Major Oregon Regions



University of Oregon Index of Leading Economic Indicators



In April, all indicators improved compared to six months ago, with Oregon's recovery from the recession still appearing to be intact although the pace of improvement is slowing. The level of initial unemployment claims in Oregon has dropped dramatically since the height of the recession, but they still remain at a level consistent with persistent job weakness, and national trends are similar, with growth remaining insufficient to drive rapid employment gains. An addition of 1,022 intermittent census workers boosted the number of government jobs in April, which is reflected in an increase in Oregon employment services payrolls.

Much of the recent macro-economic news points to signs that the bottom of recent recession was finally reached in summer 2009, indicated most recently by sharp declines in the number of mass layoff events. Table 2.3 below describes the components of the UO index. (source: Oregon Economic Forum)

Table 2.3

Table 1: Summary Measures	2009		2010			
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
University of Oregon Index of Economic Indicators 1997= 100	86.1	87.1	88.5	88.9	89.1	89.2
Percent Change	1.5	1.1	1.7	0.5	0.2	0.2
Diffusion Index	85.7	71.4	85.7	57.1	42.9	50
6-Month Percent Change, Annualized	3.2	6.6	10.6	12	11.1	10.5
6-Month Diffusion Index	71.4	78.6	100	85.7	100	100.0

Table 2: Index Components	2009		2010			
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
Oregon Initial Unemployment Claims, SA*	10,819	10,754	10,081	9,216	9,188	9,656
Oregon Employment Services Payrolls, SA	26,735	26,810	28,403	28,311	27,905	28,962
Oregon Residential Building Permits, SA, 5 MMA*	575	678	756	820	798	769
Oregon Weight Distance Tax, $Thousands, SA, 3 MMA	18,325	18,311	18,890	18,186	18,252	18,371
Univ. of Michigan U.S. Consumer Confidence, 5 MMA	68.6	69.9	71.7	71.7	72.3	73.3
Real Manufacturers' New Orders for Nondefense, Nonaircraft Capital Goods, $ Millions, SA	35,540	35,854	34,718	35,772	38,111	37,131
Interest Rate Spread, 10-Year Treasury Bonds Less Federal Funds Rate	3.28	3.47	3.62	3.56	3.57	3.65

Price Indices

Tables 2.4 and 2.5 below show the percent change in key price indices, before seasonal adjustment, for the 12-Months ending May 2010, and also for the most recent 5 months. From this we can see that the prices of consumer goods, finished producer goods, as well as energy products and services have generally increased in the last year. Economists point to this positive movement in prices as another indicator that the National economy is maintaining its recovery from the 2008 recession, although the pace of recovery has slipped slightly, as indicated in figure 2.5 below. Noteworthy changes can be seen in the index for 'Energy' (all energy products and services), which has seen a relatively large increase in prices in the last 12 months (14.7%), but negative growth in prices (-2%) since the beginning of the year. (source: Bureau of Labor Statistics)

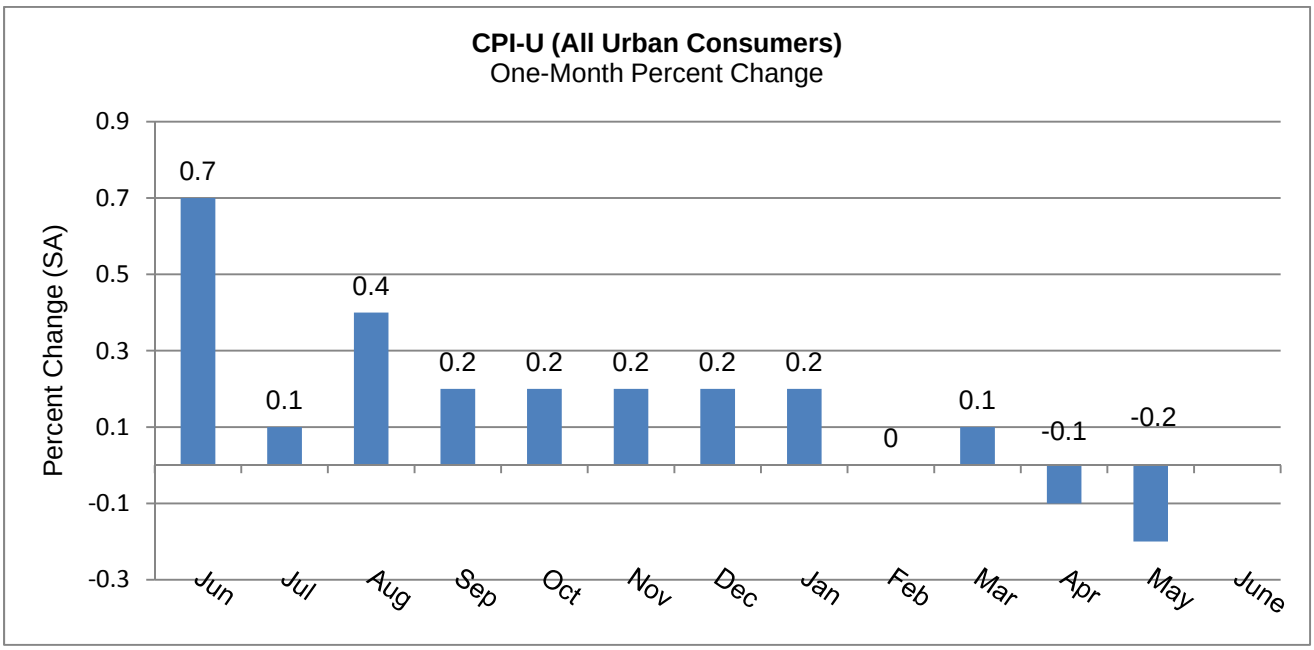
Table 2.4 - Key Indices

	12-Month Percent Change (Unadjusted)	**5- Month Percent Change** (Unadjusted)
CPI-U	2%	0.0%
PPI- Fin. Goods	5.3%	1.3%
Energy	14.7%	-2.0%
Energy Services	1.1%	0.9%
Electricity	0.7%	0.8%
Utility (piped) gas	2.3%	1.3%

Table 2.5 - Household Energy Product Indices

	12-Month Percent Change (Unadjusted)
Fuels and utilities	3.1%
Household energy	2.3%
Fuel oil and other fuels	21.1%
Gas (piped) and electricity	1.1%

Figure 2.5: One-Month Percent Change in CPI-U (All Urban Consumers),SA, June. 2009 - June. 2010.



Supply Management Manufacturing Index

Economic activity in the manufacturing sector expanded in June for the 11th consecutive month, and the overall economy grew for the 14th consecutive month according to the Manufacturing ISM *Report On Business*®. Recovery from the recession continues to broaden as 16 of 18 industries reported growth, although the rate of growth slowed compared to May. (source: Institute for Supply Management)

Table 2.6- Components of the Supply Management Manufacturing Index

	Series Index June	Series Index May	Percentage Point Change	Direction	Rate of Change
PMI	56.2	59.7	-3.5	Growing	Slower
New Orders	58.5	65.7	-7.2	Growing	Slower
Production	61.4	66.6	-5.2	Growing	Slower
Employment	57.8	59.8	-2	Growing	Slower
Supplier Deliveries	57.3	61	-3.7	Slowing	Slower
Inventories	45.8	45.6	0.2	Contracting	Slower
Customers' Inventories	38	32	6	Too Low	Slower
Prices	57	77.5	-20.5	Increasing	Slower
Backlog of Orders	57	59.5	-2.5	Growing	Slower
Exports	56	62	-6	Growing	Slower
Imports	56.5	56.5	0	Growing	Unchanged
OVERALL ECONOMY				Growing	Slower
Manufacturing Sector				Growing	Slower

Business Around the State- Synopsis of Recent Market Activity
(source: worksource Oregon)

- MitoSciences, a Eugene company that develops tests used to quickly identify the bad side effects of drugs, received $590,000 in federal stimulus funds. It will allow the company, which employs 25, to make some temporary and part-time jobs permanent and full-time, and possibly add jobs in the future. *Register-Guard, 6/3/10*
- IBM anticipates hiring 600 new employees in Oregon as it introduces new mortgage software tied to its recent acquisition of Beaverton-based Wilshire Credit Corp. About 90 of the new jobs are expected to be at Wilshire's office in Salem, with the remainder in Beaverton. *The Oregonian, 6/21/10*
- Ajinomoto Frozen Foods, an ethnic frozen foods manufacturer, is in the midst of a $12.5-million expansion at its north Portland facility. Once complete, the company plans to add 30 employees. It currently has 160 full-time and 40 temporary workers. *Daily Journal of Commerce, 6/23/10*
- Lowe's home improvement plans to build a store in Beaverton. It is expected to create more than 100 jobs. *The Oregonian, 6/21/10*
- Construction will begin in September on Sanford Health Foundation, a pediatric clinic in Klamath Falls. It will employ 30 to 40 people, including four pediatricians. *Herald and News, 6/11/10*
- Portland Community College will purchase five acres of industrial land on Swan Island where it plans to build a job training center for welding and other trades. *Daily Journal of Commerce, 5/6/10*
- SolarWorld plans to hire 350 more workers at its Hillsboro factories by September 30. *The Oregonian, 5/6/10*

- Swiss battery maker ReVolt Technology received a $5 million U.S. government grant that will help the company launch a Portland manufacturing and research center. It will hire about 250 people. *The Oregonian, 4/29/10*
- Chuck's Produce & Artisan Foods market will open in Vancouver in August. It will include an in-store deli, a bakery, and a butcher shop. It will employ about 90 to 95 full- and part-time workers. *The Columbian, 4-29-10*
- St. Charles Hospital in Bend will lay off 12 people. *Bend Bulletin,4/22/10*

Compiled by
Adam F. Shick
Planning and Evaluation Intern