Briefing Paper
Market Indicators Quarterly Report

April 15th, 2011

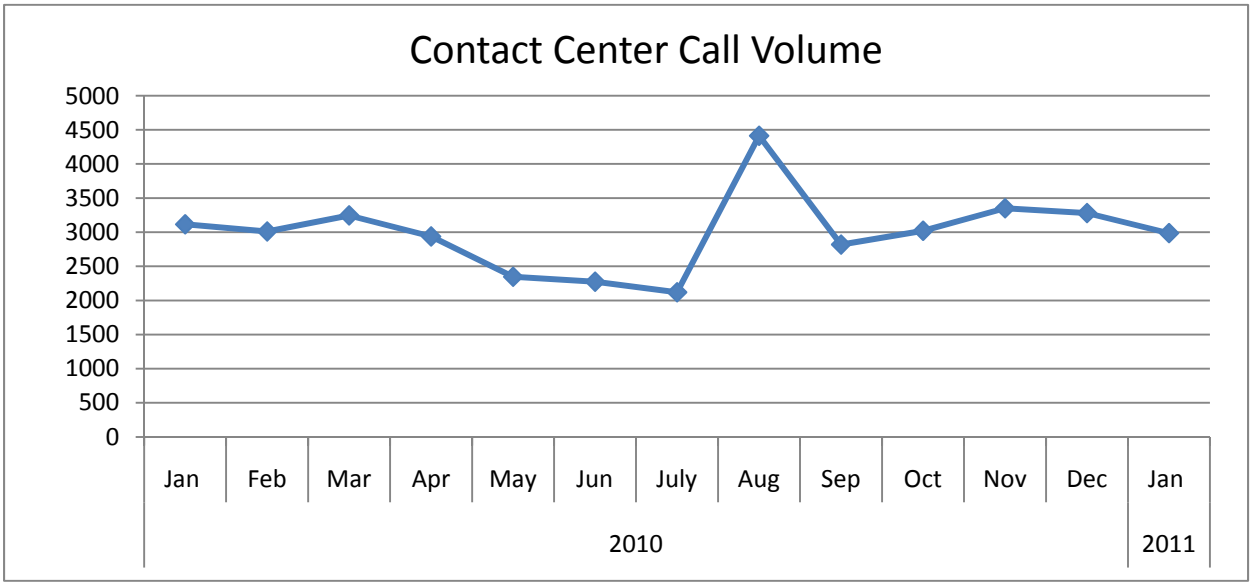
The purpose of this report is to track and assess changes in key economic indicators in an attempt to gain a better understanding of how demand for Energy Trust programs will respond to changing market dynamics. By monitoring the behavior of several widely used macro-level indicators we hope to stay closely attuned to any signs of improvement 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, several of the economy wide indicators featured in this report were improving at a pace greater than what we had seen in the later months of 2010. The movements in these indicators suggest that although the economy has yet to emerge from the depths of the recession, relatively substantial headway has been made in terms of unemployment, manufacturing, and consumer confidence. Alternatively, the housing market continues to struggle against little or no growth in new construction, although the number of foreclosures fillings nationwide has generally been in decline for over 6 months. This report focuses on the period from December 2010 to March 2011.

1.1 Energy Trust Programmatic Indicators

Existing Homes Report

ETO Contact Center –

Figure 1.1



Incentive Applications-

Figure 1.2

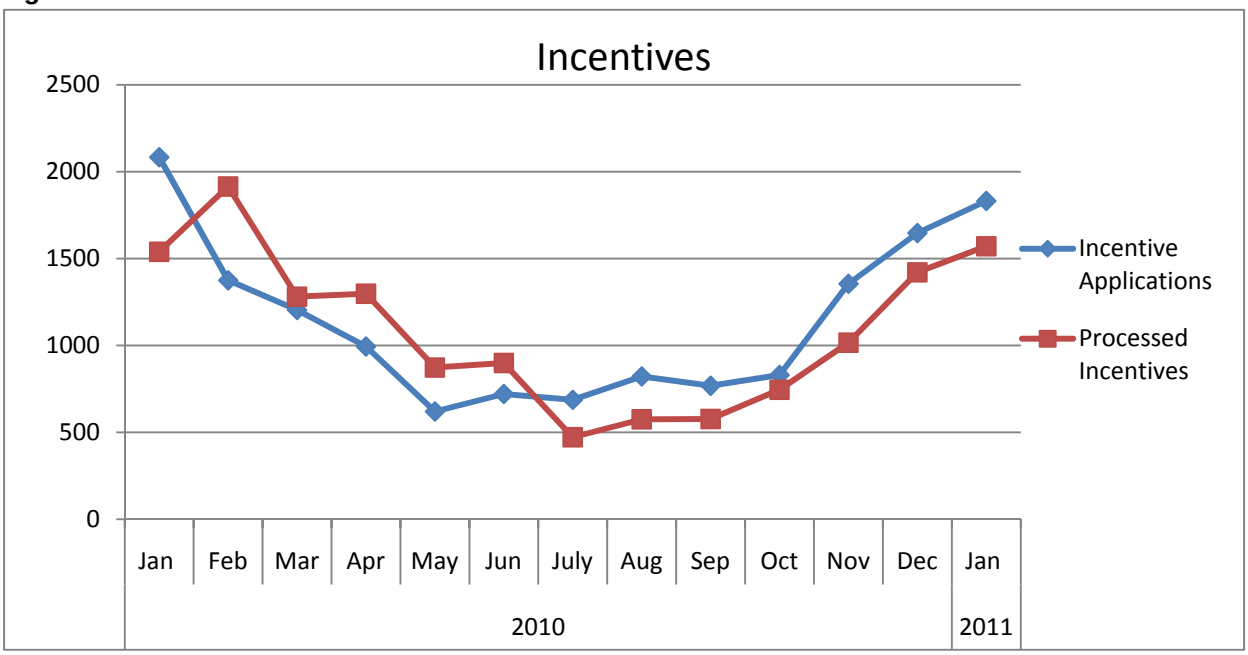
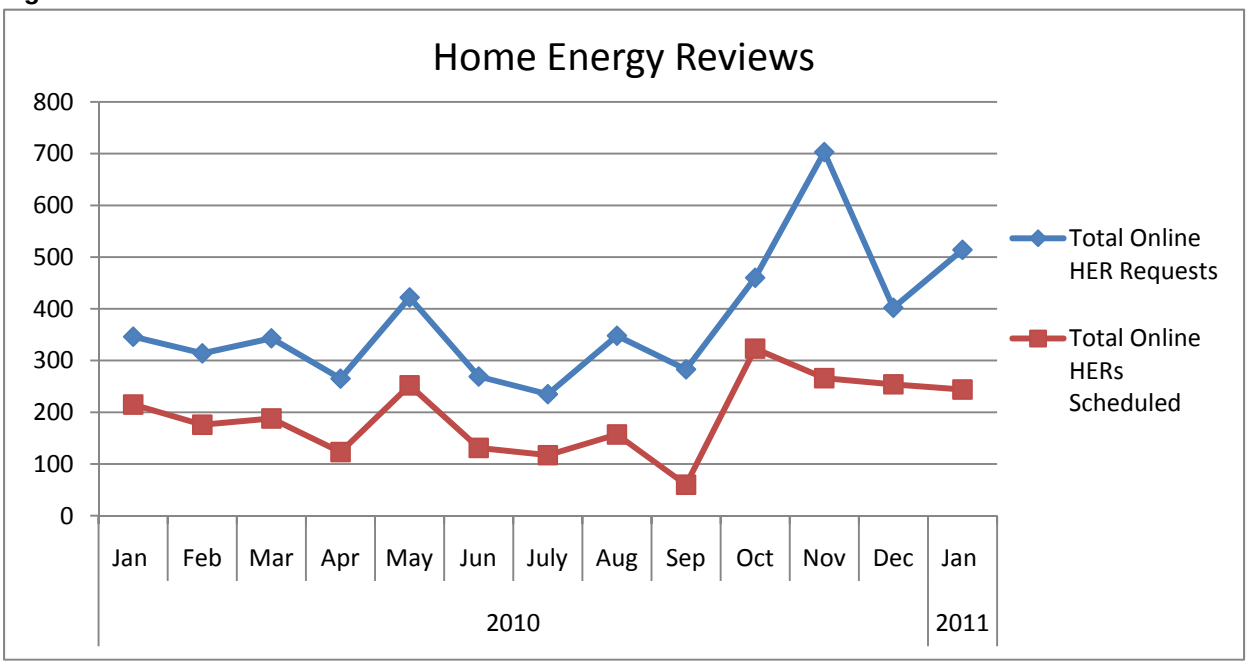
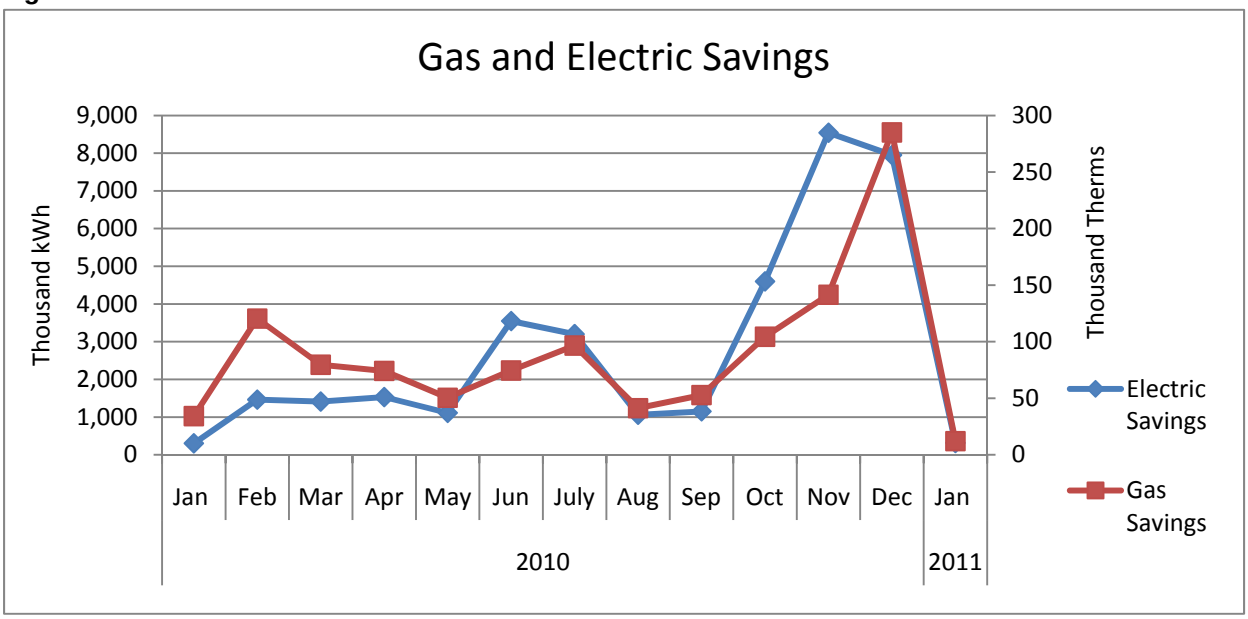


Figure 1.3



Gas and Electric Savings-

Figure 1.4



Both gas and electric savings were down significantly in January (figure 1.4) due primarily to an extended timeframe for 2010 incentive processing, which made the portion of the month in which January 2011 savings were recognized unusually short. Additionally, no Living Wise Kits (LWKs) or Energy Saver Kits (ESKs) were recognized in January 2011. LWKs and ESKs have historically contributed a substantial amount of savings towards monthly savings goals.

2.1 Macroeconomic Indicators

Unemployment-

Figure 2.1

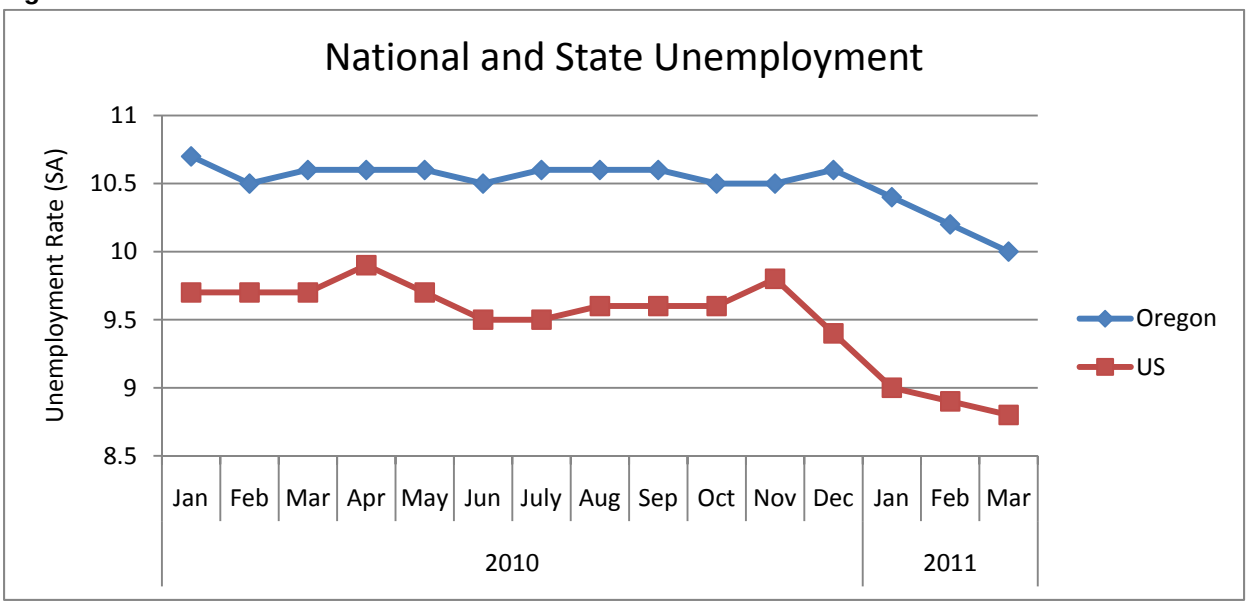
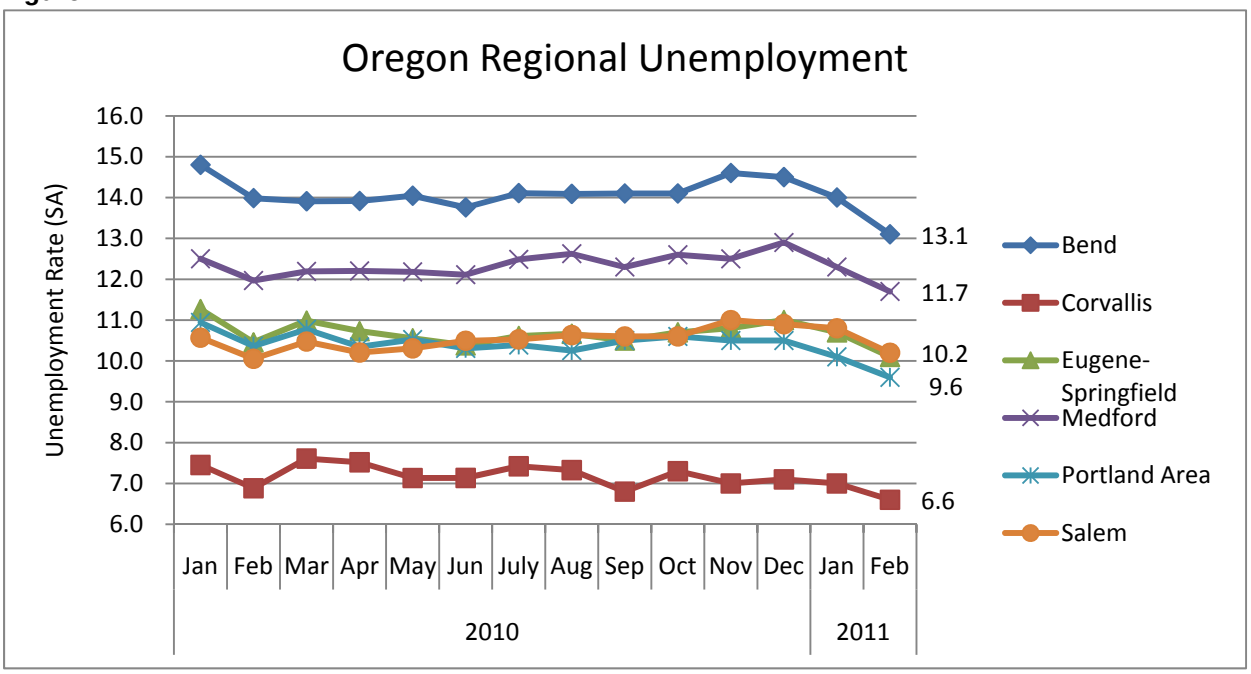


Figure 2.2



Oregon's statewide unemployment rate fell to 10.0% in March, the lowest it has been since January 2009 (26 months ago, 9.9%). Regional unemployment rates have also fallen in each of the last three months in all of major regions that the Oregon Employment Department reports data for. The professional and business services sector grew by 2,000 jobs in March, and has been the fastest growing sector in Oregon's economy over the last 12 months, with over 4 percent growth. Despite this strong growth in professional and business services jobs, the overall Oregon economy did not grow by as many jobs as was expected in March, with the pace of growth slowing from that seen in January and February.

New Homes Report-

Figure 2.3

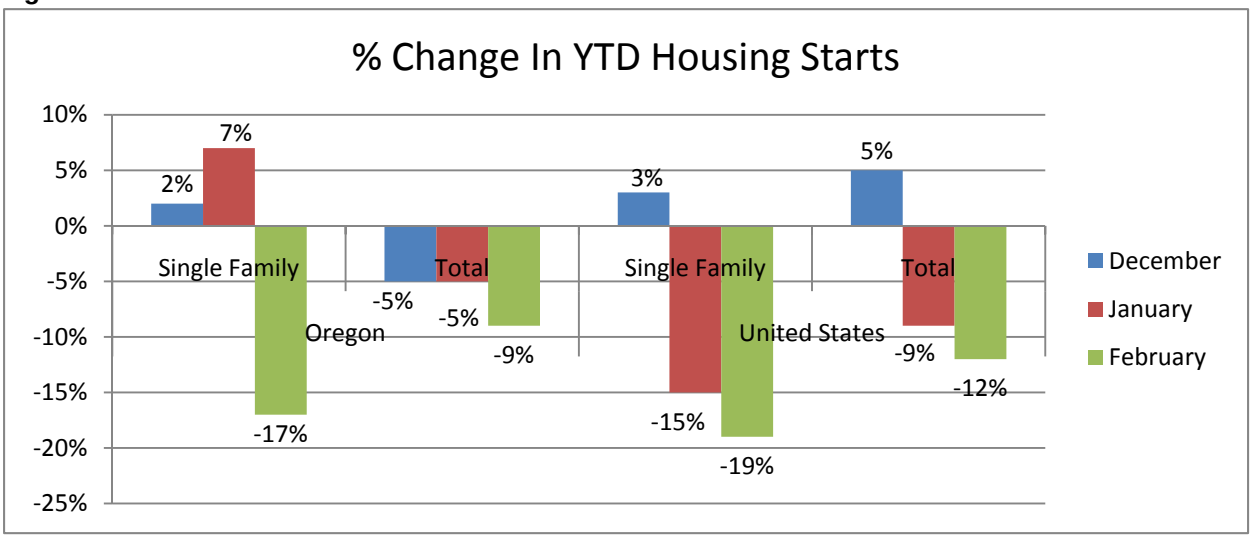
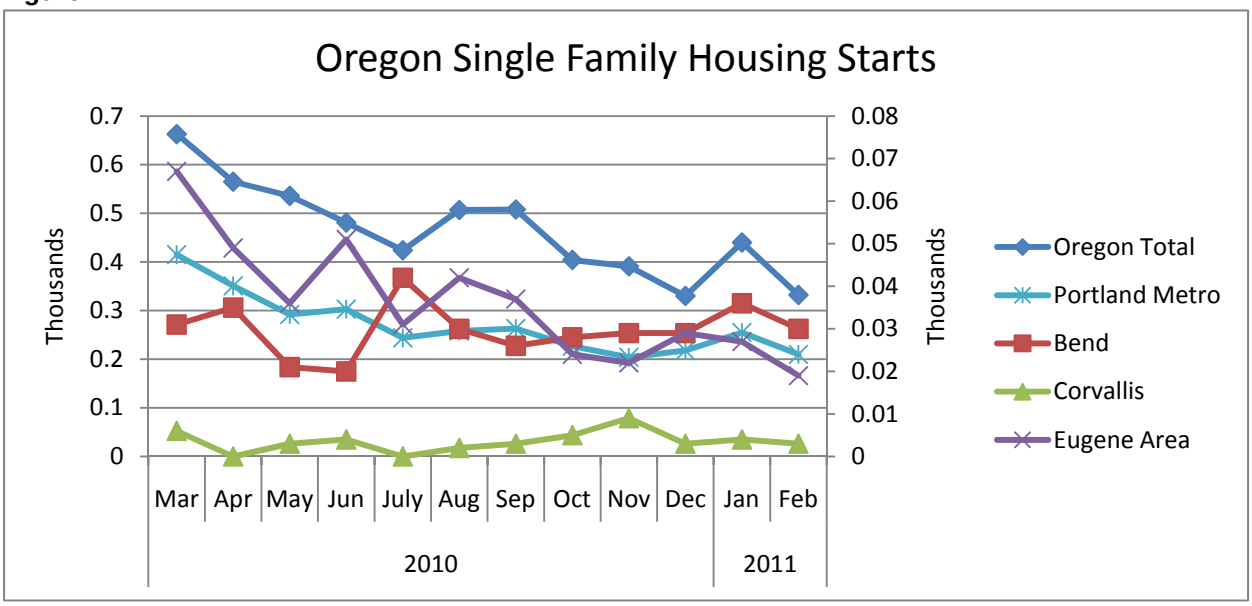


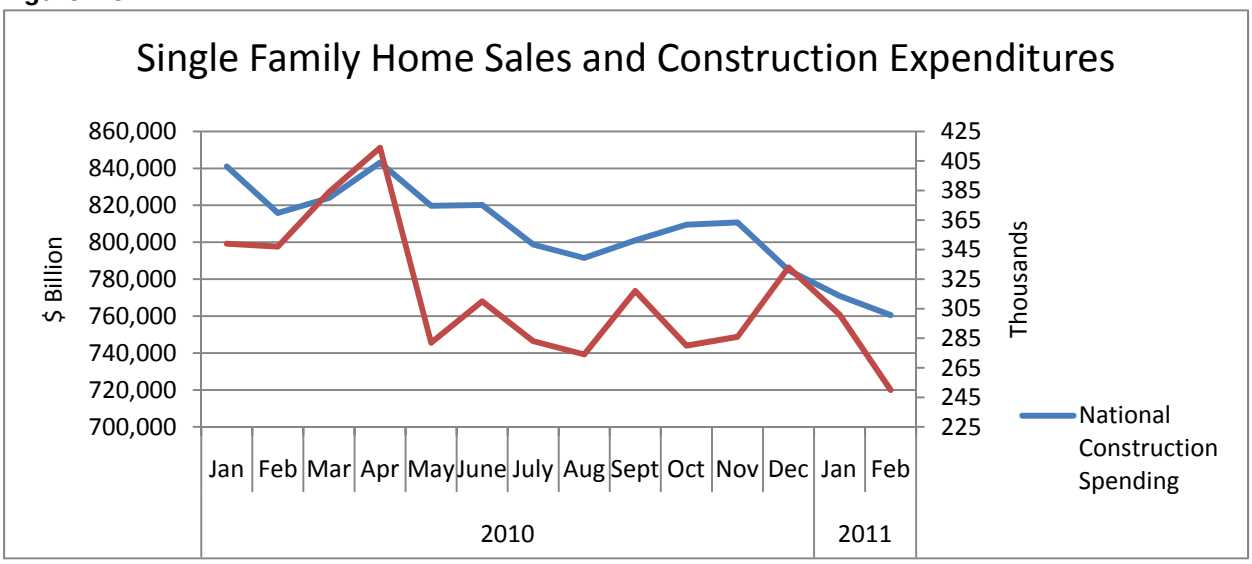
Figure 2.4[1]



Figures 2.3 and 2.4 depict recent trends in new construction for both Oregon and the entire US. Figure 2.3 is especially disheartening, showing evidence of a depressed housing sector that has yet to experience strong growth in any months since the beginning of the recession. The regional trends, featured in figure 2.4, show that the volume of new construction in the severely affected Bend/Central Oregon area has been holding steady with slight gains in some months. On the other hand, it is clear that in the Eugene area and Oregon as a whole, the housing markets have yet to show the kind of robust growth necessary for full emergence from the recession.

[1] Oregon and Portland Metro data measured on primary vertical axis, other data shown on secondary vertical axis.

Figure 2.5



Foreclosures-

Although the number of new foreclosures nationwide edged up slightly to 239,795 foreclosure fillings in March (shown in figure 2.6 below), this most recent number represents a 31% fall in foreclosures from September 2010, where we saw over 347,000 fillings nationwide. This trend is also evident in the foreclosure data for Oregon, where both the number of foreclosure fillings and properties in pre-foreclosure have been in steady decline since late summer 2010.

Figure 2.6

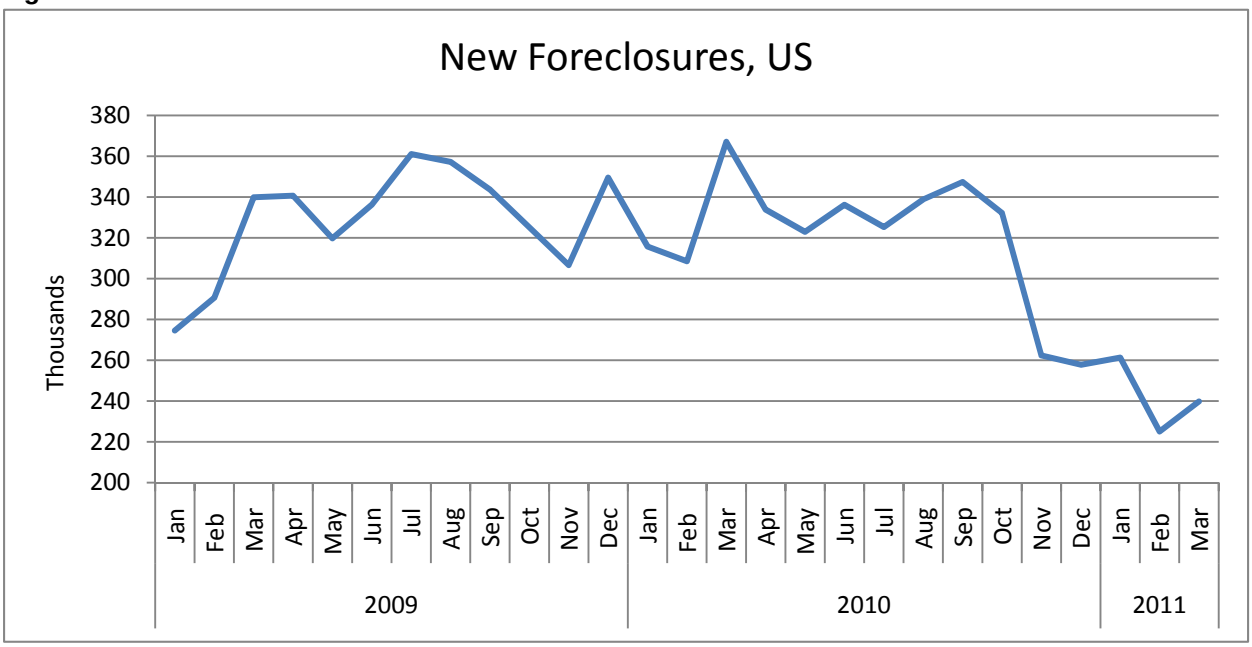


Figure 2.7

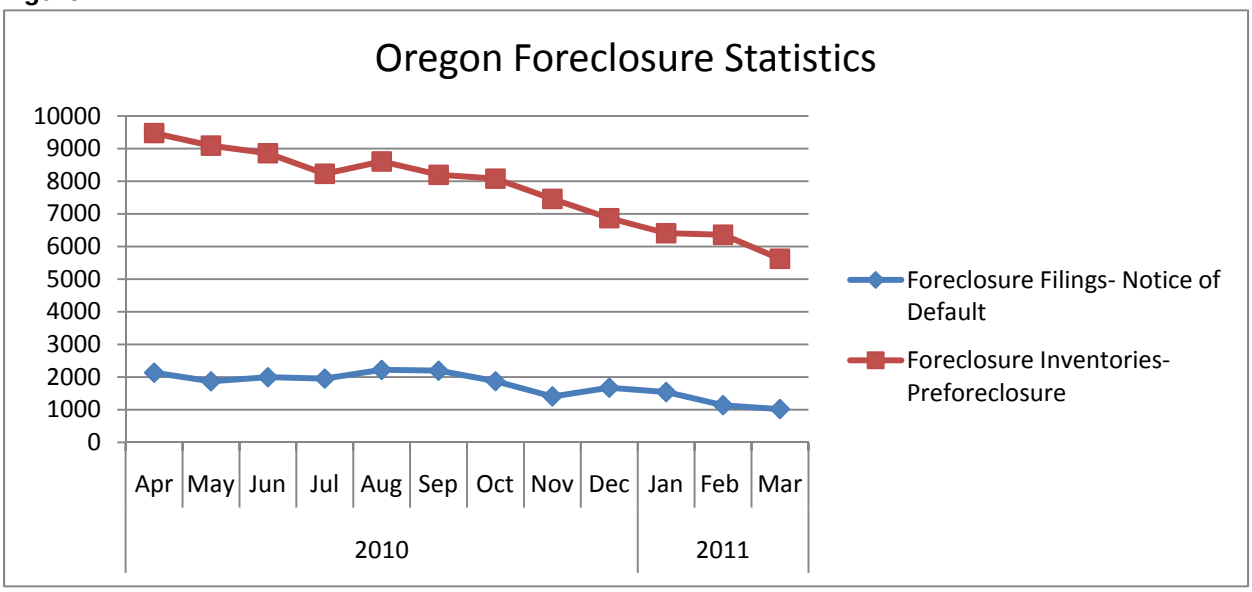
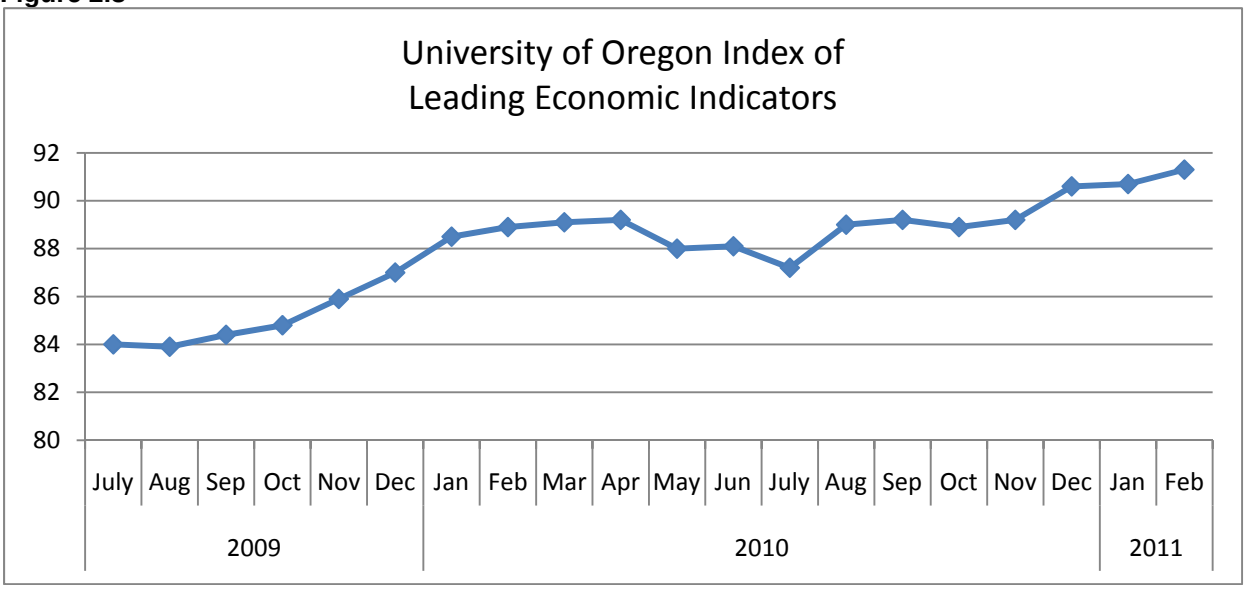


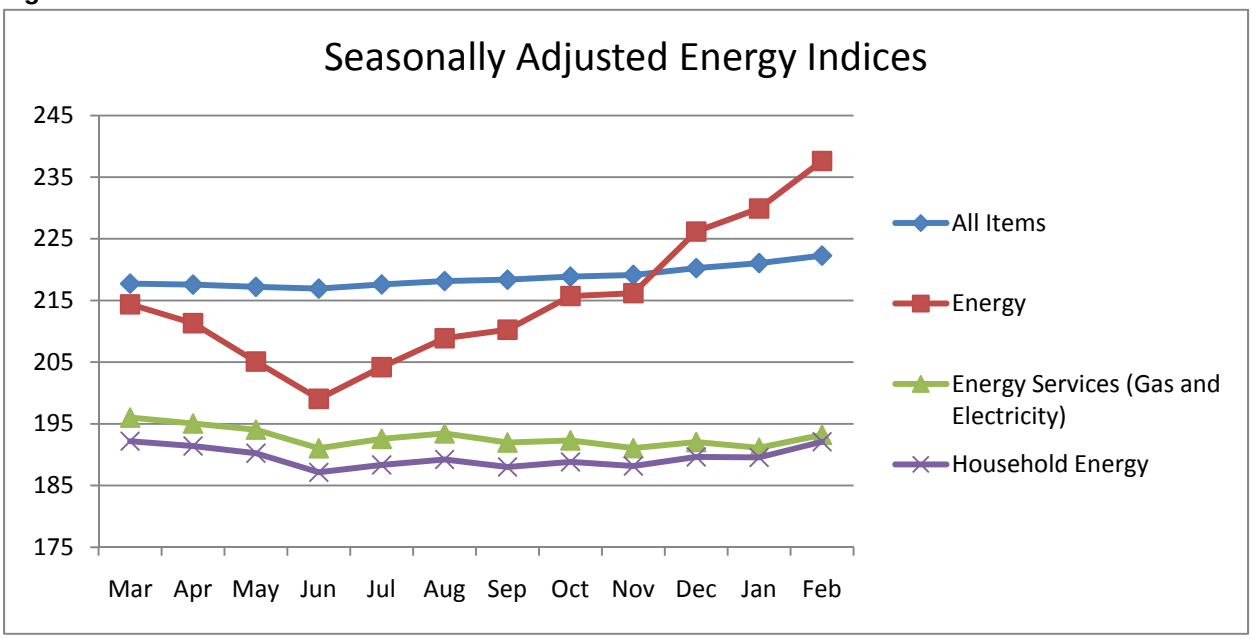
Figure 2.8



The UO Index of Leading Economic Indicators has made positive gains in each of months from October to February, signaling growing momentum in the recession recovery. The pace of improvement in the most recent months of data (December-February) was a significant improvement over the previous three months of data, with notable gains in labor markets and US consumer confidence. Since October, the Oregon economy has added an average of 5,900 jobs per month. Despite this good news, economists continue to express concern about recent increases in commodity prices, which may deter growth in consumer spending in the near term.

Price Indices-

Figure 2.9



As seen in figure 2.10 below, the months from December 2010 to February 2011 marked relatively significant increases in the All Items Consumer Price Index. A small portion of the increases in these months can be attributed to rising energy prices (shown in figure 2.9 above), but economists attribute a larger portion of these increases to rising commodity prices[2]. Given that half of the Federal Reserve's dual mandate is maintaining price stability, further increases in the CPI of equal or greater magnitude may spur the Federal Reserve Board to take action, and possibly reconsider the expansionary monetary policy used in the Fall of 2010. Similarly, the Producer Price Index for Finished Goods, shown below in figure 2.11, saw an increase of 1.4 percent in February; a gain much greater than the average movement over the preceding 11 months.

[2] Board of Governors of the Federal Reserve System (the Fed), 4/11/2011

Figure 2.10

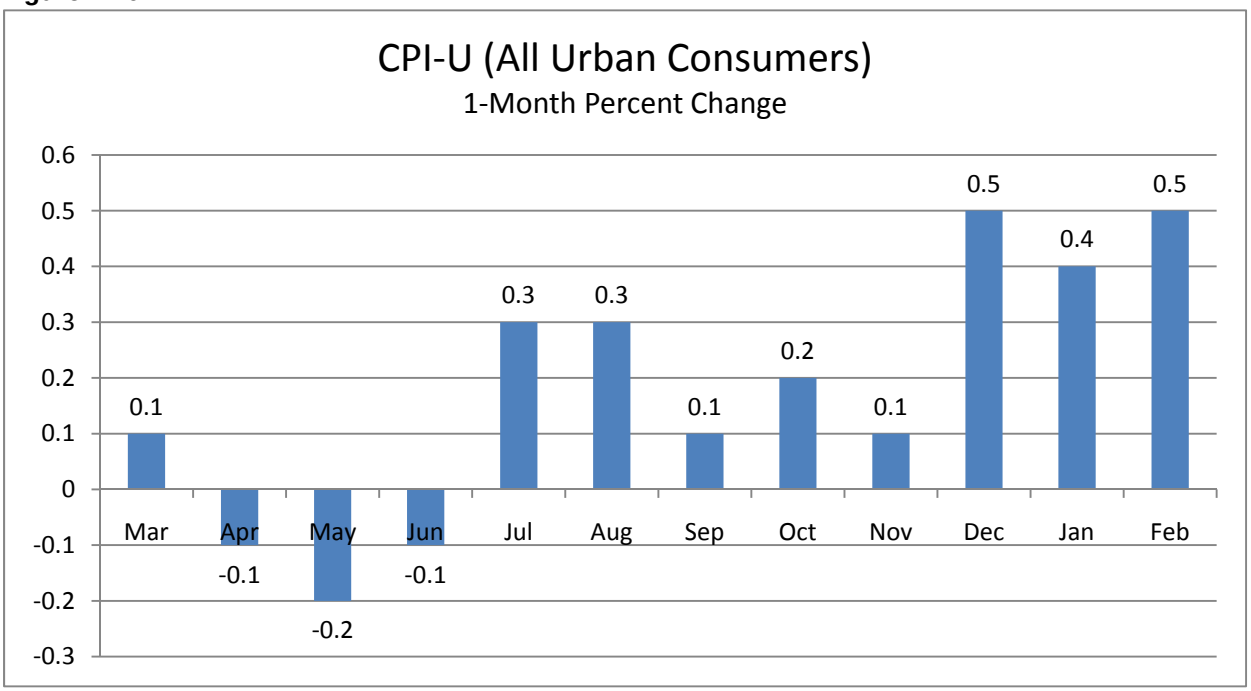
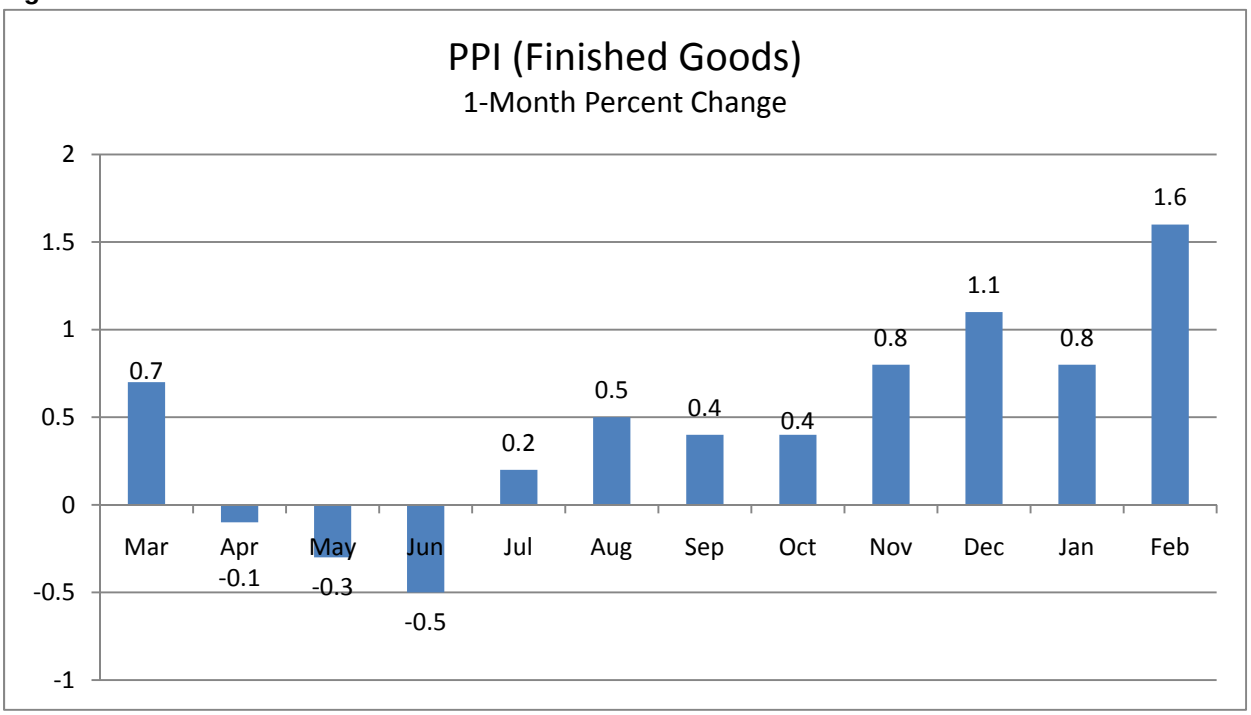


Figure 2.11



ISM Report on Business-

As of the March release of the ISM's report on business, the manufacturing sector in the US grew for the 20th consecutive month, and the overall economy grew for the 22nd consecutive month. As was mentioned in regard to the consumer price index in the preceding Price Indices section, commodity prices are also a major concern for produces as well as consumers.

> "While manufacturers are benefiting from strength in new orders and production, there is significant concern with regard to commodity prices. Many manufacturers indicate the prices they have to pay for inputs are rising, and there is concern about the impact of higher prices on their margins."
>
> *- Norbert J. Ore, Chair of the Institute for Supply Management*

Around the State-

- Investors hope to break ground on Tillamook County's second anaerobic manure digester this spring. The facility, a $4-million project of FarmPower Northwest, will accept manure from up to2,000 cows, heat it, and produce methane gas. The gas will be harvested as energy and sold to the local PUD to power 650 to 700 homes per year. *Headlight-Herald, 2/9/2011*

- NEW Corp., a call center in Klamath Falls, will add about 300 workers to its workforce this year, bringing the total number of employees close to 1,000. *Herald and News, 2/1/2011*

- NuScale Power in Corvallis is putting 30 workers on furlough and cutting pay for its remaining 70 employees as it continues to grapple with the financial fallout from federal enforcement actions against its principal investor. *Corvallis Gazette-Times, 2/1/2011*

- Powell's Books in Portland will lay off 31 employees. *Portland Business Journal, 2/8/2011*

- Home Depot will hire 500 seasonal employees at its 12 Portland-area stores this month and next as it gears up for its busy spring and summer seasons. *The Oregonian, 2/15/2011*

- Deschutes Brewery will break ground on an $8-million expansion at its Bend production facility in May. *The Bulletin, 3/16/2011*

- Officials in Wasco County have scrapped plans for a small hydropower plant at White River Falls. It would have been at the base of the falls, the site of a plant the Oregon Parks and Recreation Department says provided power from 1910 to 1960, when The Dalles Dam was completed. *Statesman Journal, 3/25/2011*