Briefing Paper
Market Indicators Quarterly Report

August 22nd, 2012

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.

Overall, the economic situation appears to continue to improve, both at a national and a state level, although the pace of recovery has decreased in recent months according to a majority of the economic measures reported here.

Both the national unemployment rate and Oregon's rate have fallen a full percentage point since June 2011, as the labor market has continued to strengthen since the peak of the recession. However, the pace of recovery has decelerated slightly from the end of 2011 and the first quarter of 2012, which may indicate a 'leveling' of the labor market around the current 8% unemployment rate (national).

Despite slow income growth, energy price declines have contributed to relatively stronger real consumer purchasing power, and GDP continues to grow as the US economy recovers slowly from the 2009 recession. Unfortunately, the pace of that growth has slowed from 2.0% in the first quarter of 2012 to 1.5% in Q2[1], and overall consumer confidence remains low because of uncertain income and employment prospects

The level of seasonally adjusted (SA) single-family home sales and construction expenditures (SA) across the nation climbed steadily throughout 2011 and the beginning of 2012, and construction spending in the first 5 months of 2012 was 9.4% higher than the same 5 months in 2011. However, the overall health of the housing market remains a concern;

> "The depressed housing market has also been an important drag on the recovery. Despite historically low mortgage rates and high levels of affordability, many prospective homebuyers cannot obtain mortgages, as lending standards have tightened and the creditworthiness of many potential borrowers has been impaired. At the same time, a large stock of vacant houses continues to limit incentives for the construction of new homes, and a substantial backlog of foreclosures will likely add further to the supply of vacant homes"
> - Ben Bernanke before the Joint Economic Committee, US Congress 6/7/12

The Federal Reserve Bank continues to pursue accommodative monetary policy in attempts to stimulate economic activity, but the European sovereign debt crisis has hampered GDP growth in the US by creating downward pressure on US exports. Fiscal spending has also slowed in 2012, creating further drag on the US economy.

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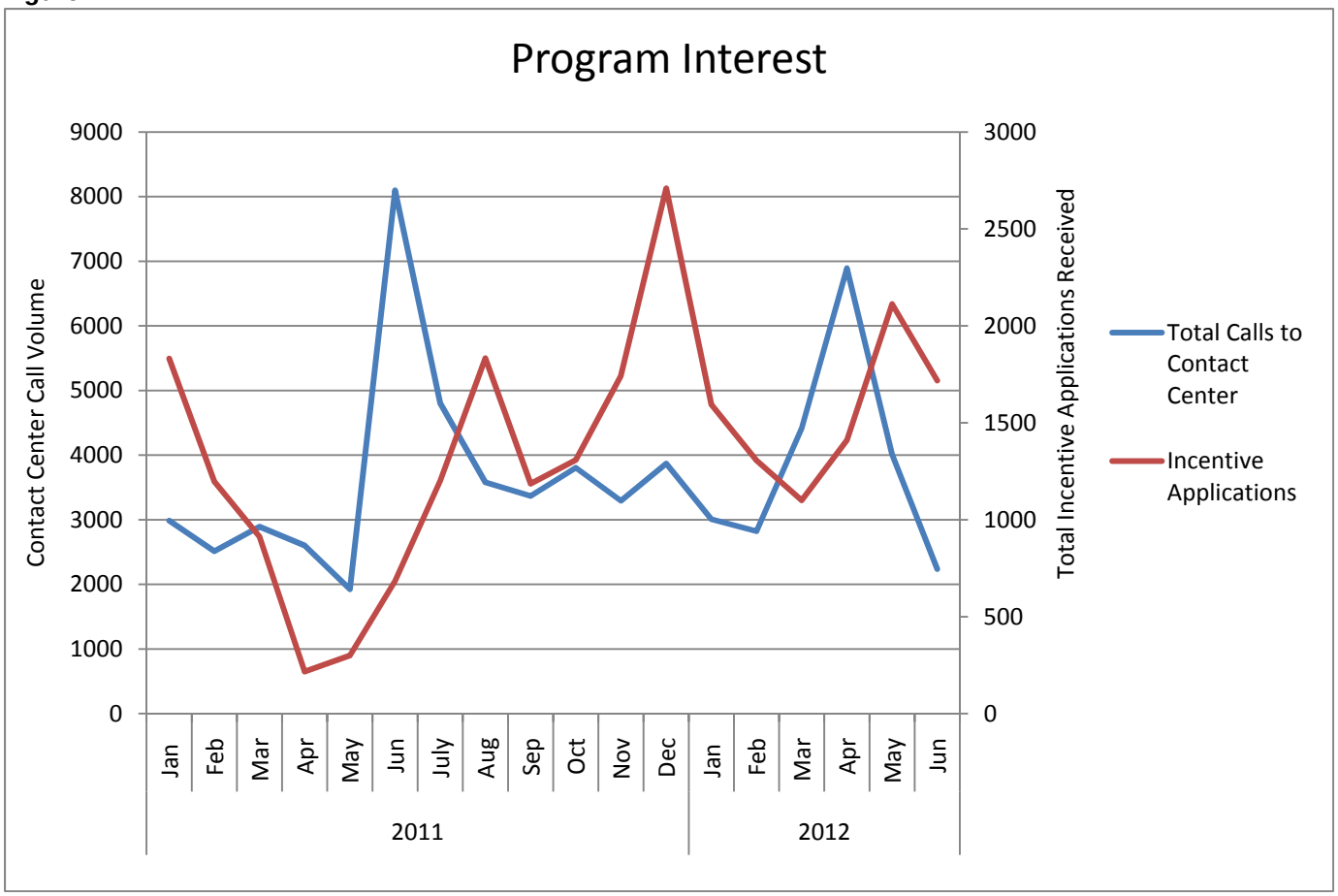
[1] Bureau of Economic Analysis, U.S. Department of Commerce, *GDP Highlights Press Release.* July 27, 2012.

1.1 Energy Trust Programmatic Indicators

Incentive applications received by ETO have averaged 1,540 per month in the first six months of 2012, compared to only 858 applications per month, on average, during the same six months in 2011. Contact center call volume has declined from the previous month in both May and June after a peak of 6,893 inbound calls in April, but this follows historical call volume patterns, since consumer interest in ETO offerings has typically tended to wane during summer months.

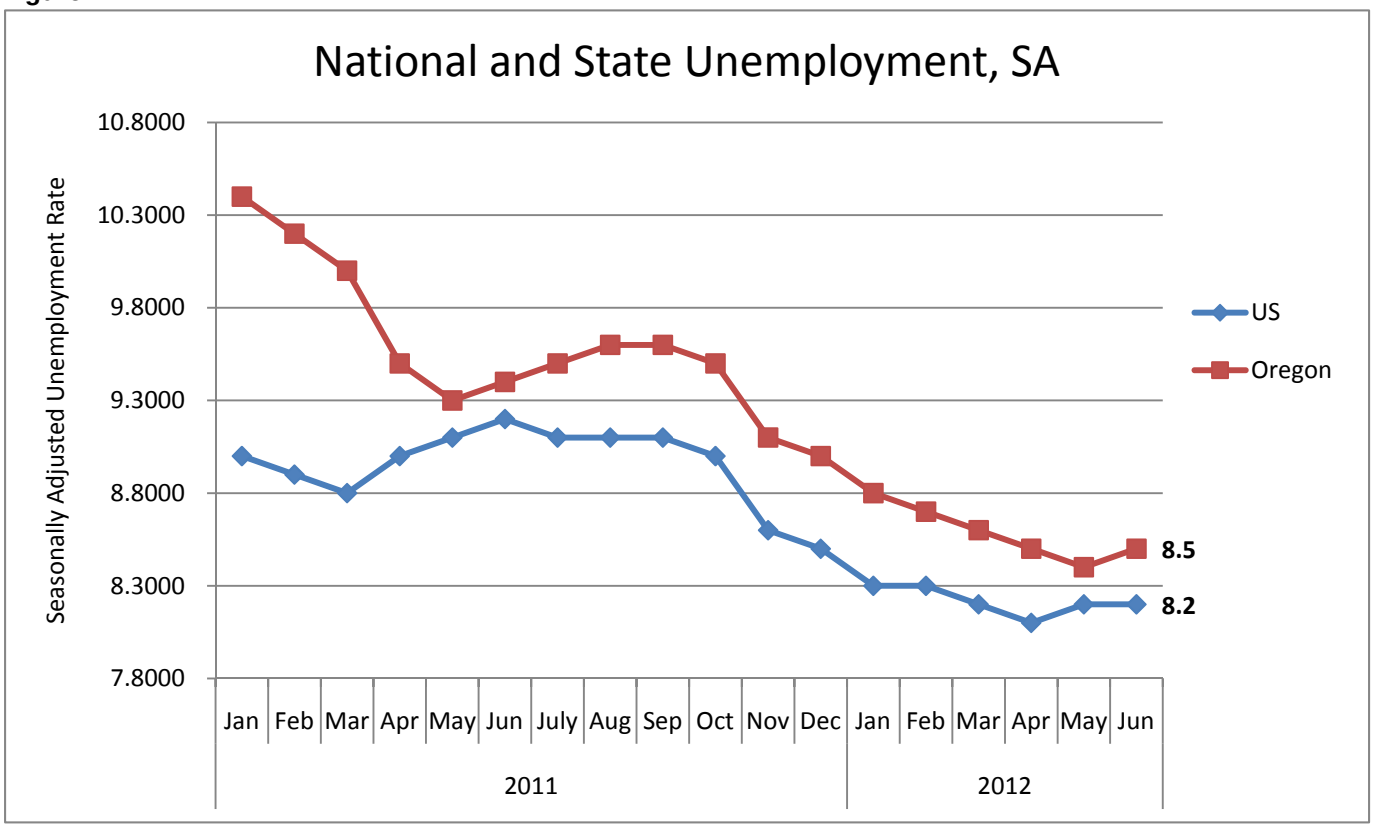
Figure 1.1



2.1 Macroeconomic Indicators

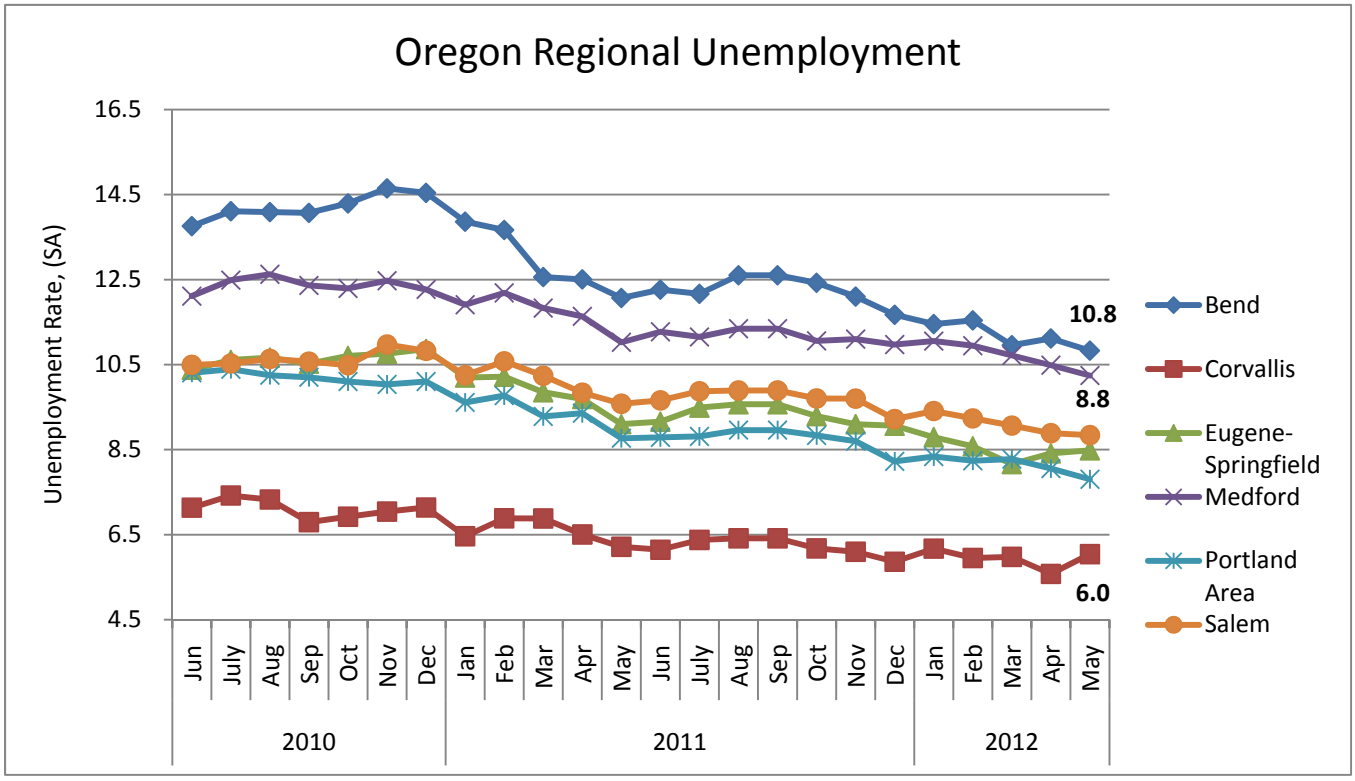
Oregon's seasonally adjusted unemployment rate in June (8.5%) was more than three full percentage points below the recessionary peak of 11.6% in May and June of 2009, although it rose slightly in June from the previous month (8.4%). The national unemployment rate (seasonally adjusted) remained unchanged at 8.2% in June.

Figure 2.1



All major regions within the state have seen improvements in their unemployment rates, and the level of employment in nearly all regions has stopped falling. However, the Portland Metro area is the only region where the labor forced has not declined over the past three years (labor force declines are due to discouraged/marginally attached workers, those returning to school, and those moving out of the area). This implies that the Portland Metro area is driving the overall employment growth within the state[2]. The Gorge and the Portland area are the only regions in the state that have seen continued job gains since reaching the 'bottom' of the recession[3].

Figure 2.2



[2] http://oregoneconomicanalysis.wordpress.com/2012/07/24/regional-unemployment-rates/
[3] http://oregoneconomicanalysis.wordpress.com/2012/03/13/oregons-regional-employment/

Housing permit activity is increased at both the national and state level so far in 2012, with movements in the number of Oregon permits seeing slightly greater volatility than the national data series. The Oregon Office of Economic Analysis forecast for new construction in Oregon shows modest growth in 2012 and 2013, followed by a return to historical levels of new home construction in 2014 - 2016[4].

Figure 2.3

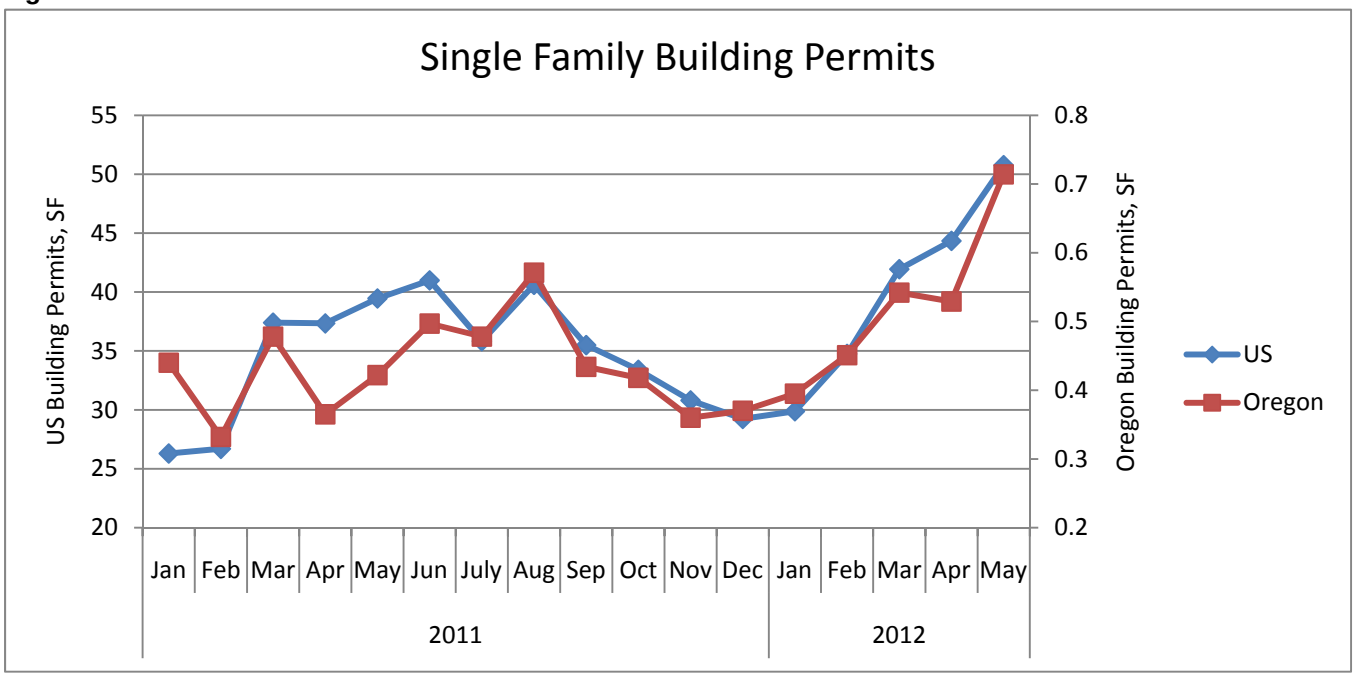
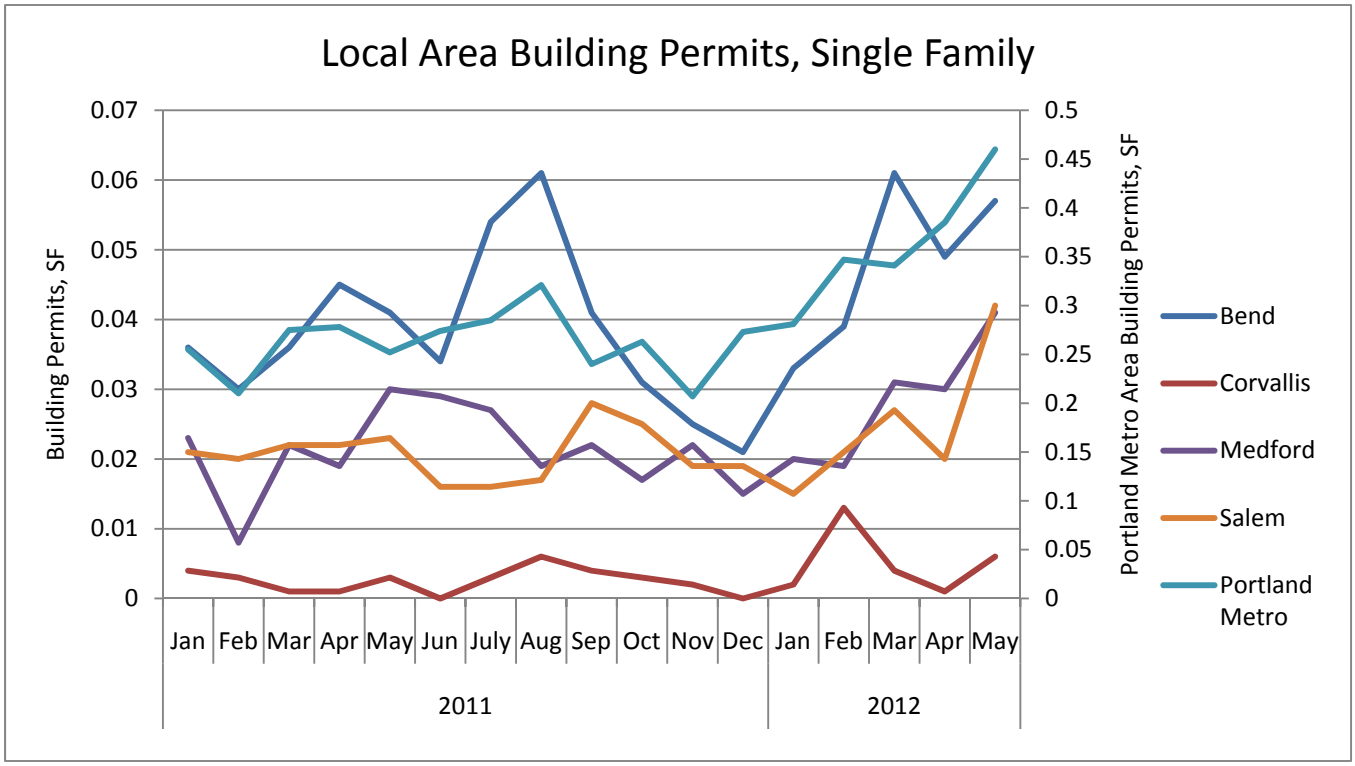
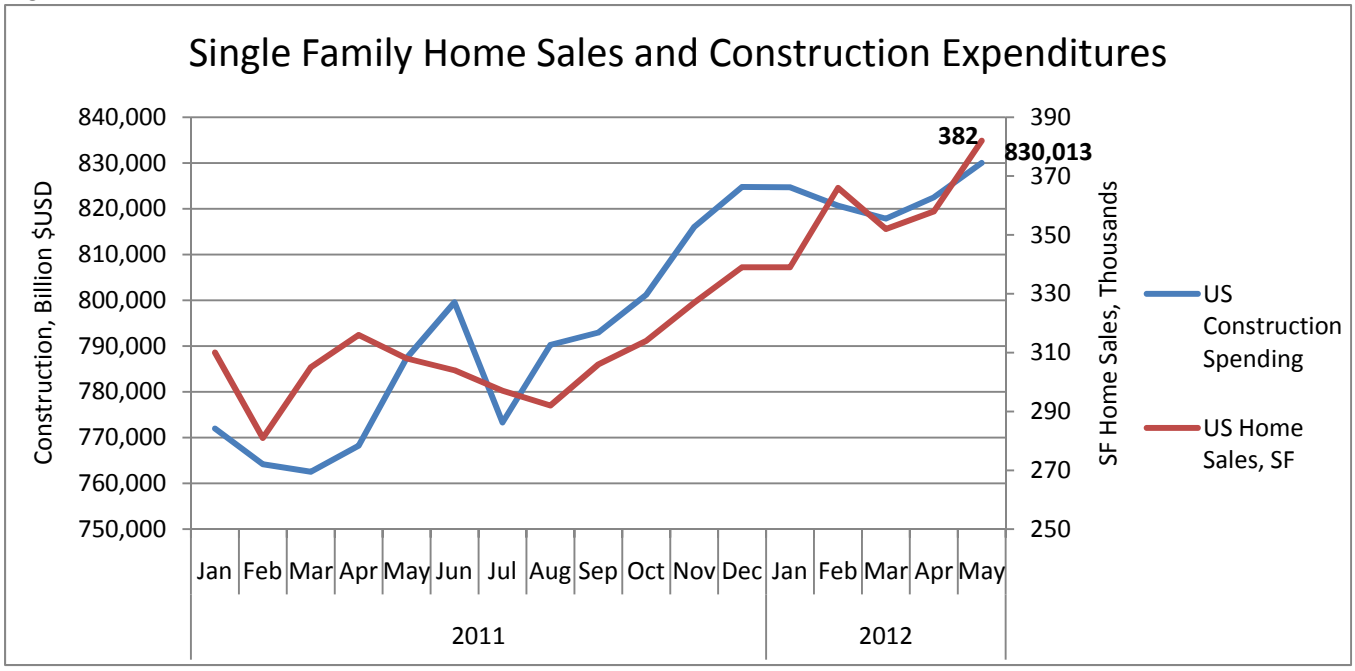


Figure 2.4



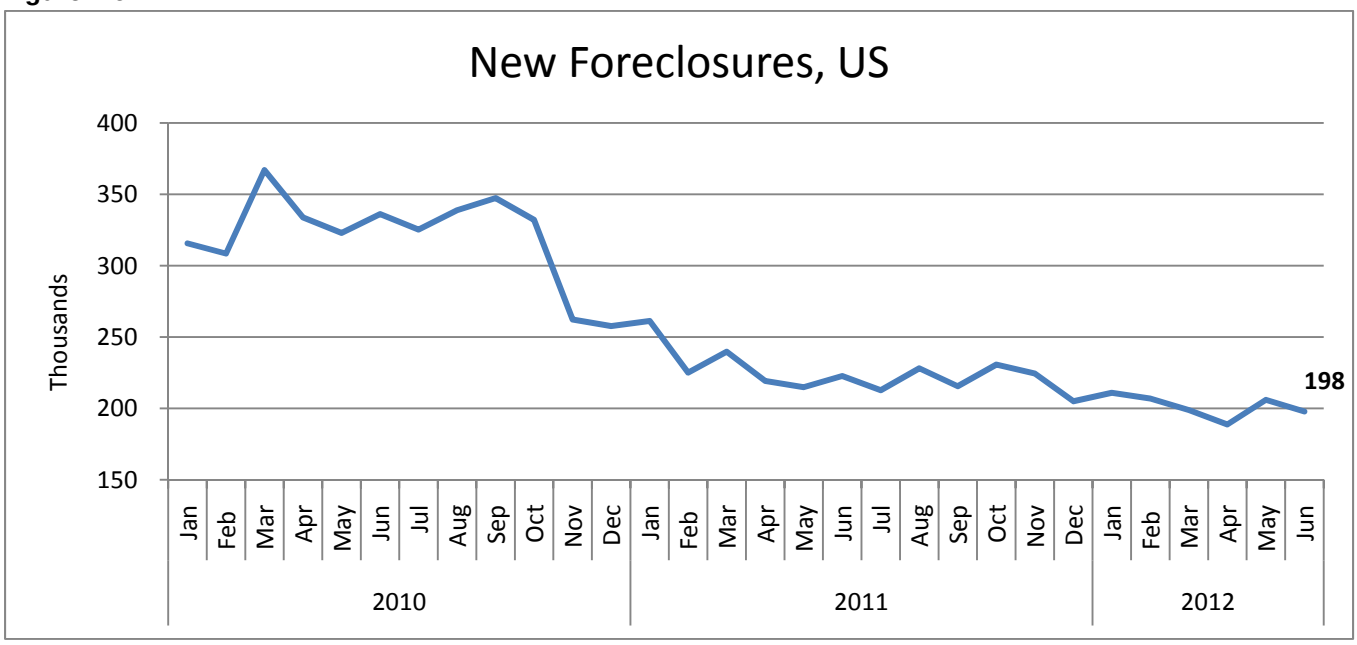
[4] http://oregoneconomicanalysis.wordpress.com/2012/05/30/update-on-housing/

Figure 2.5



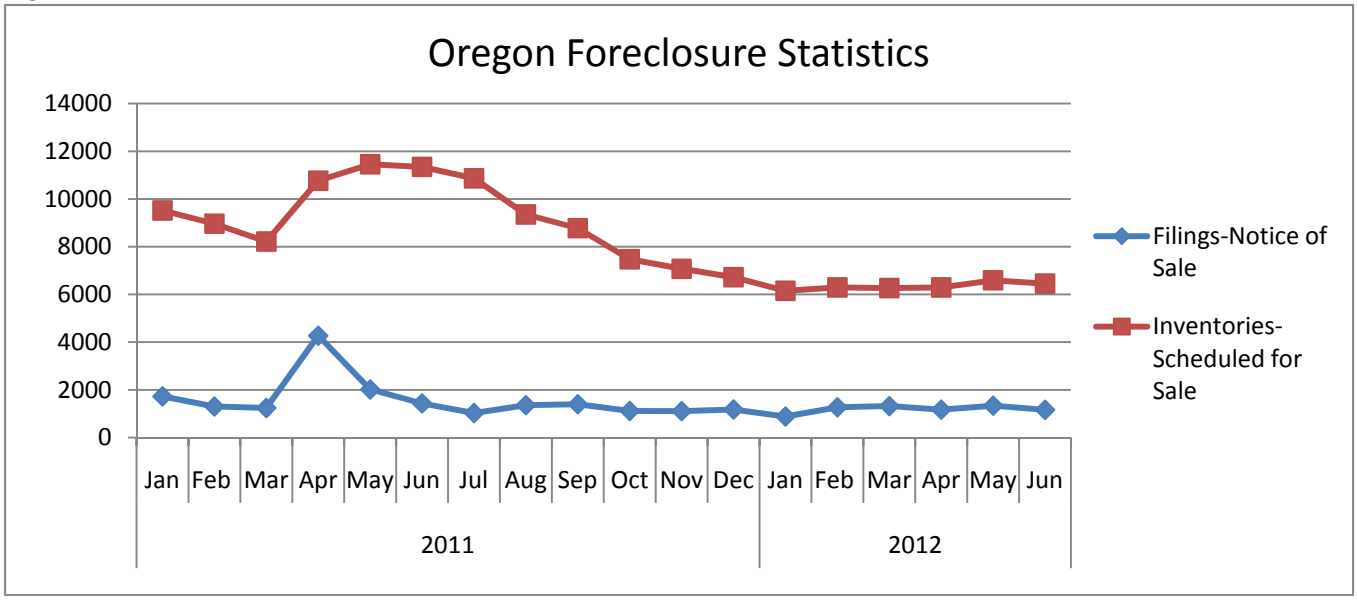
During the first half of 2012, new foreclosures activity increased in 59 percent of the nation's major metropolitan areas. According to the latest Case-Shiller Home Price Index release, home prices in the Portland Metro area increased by 2.6% in April from the previous month, which came on the heels of 2.0% increase from March to April[5]. Within Oregon, the number of foreclosure inventories and foreclosure filings has remained essentially flat during the first six months of 2012.

Figure 2.6



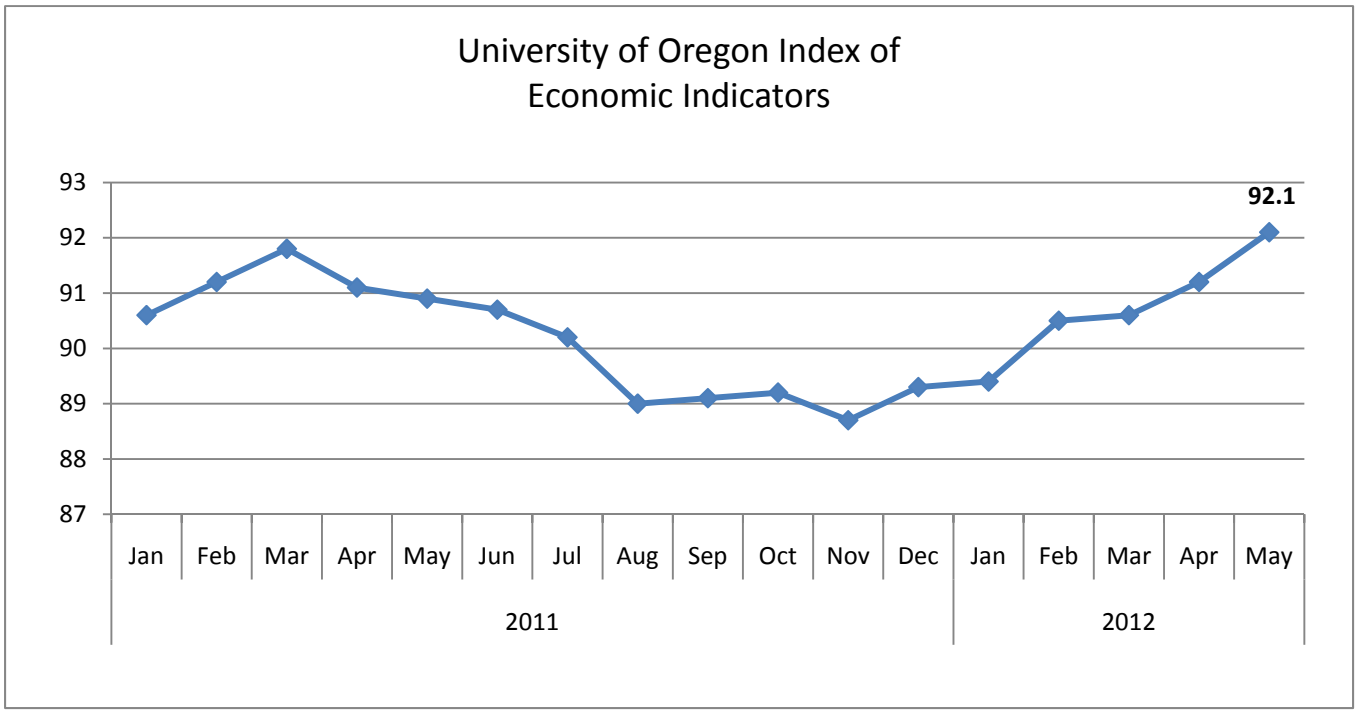
[5] http://www.standardandpoors.com/indices/sp-case-shiller-home-price-indices/en/us/?indexId=spusa-cashpidff--p-us----

Figure 2.7



The University of Oregon Index of Economic Indicators increased by 1.0 percent from April to May. All components of the index increased in May except the interest rate spread. Improvements were seen in measures related to labor and housing markets, construction, manufacturing, and consumer confidence

Figure 2.8



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The nation has seen energy prices fall in recent months since a price peak in March 2012. The decline, which should serve as a much needed boost to real consumer purchasing power, was driven primarily by a decrease in volatile crude oil prices. As can be seen in figure 2.9 below, the relatively less volatile price indices for gas & electric services have declined steadily, albeit at a slow pace, continuously throughout 2012.

Figure 2.9

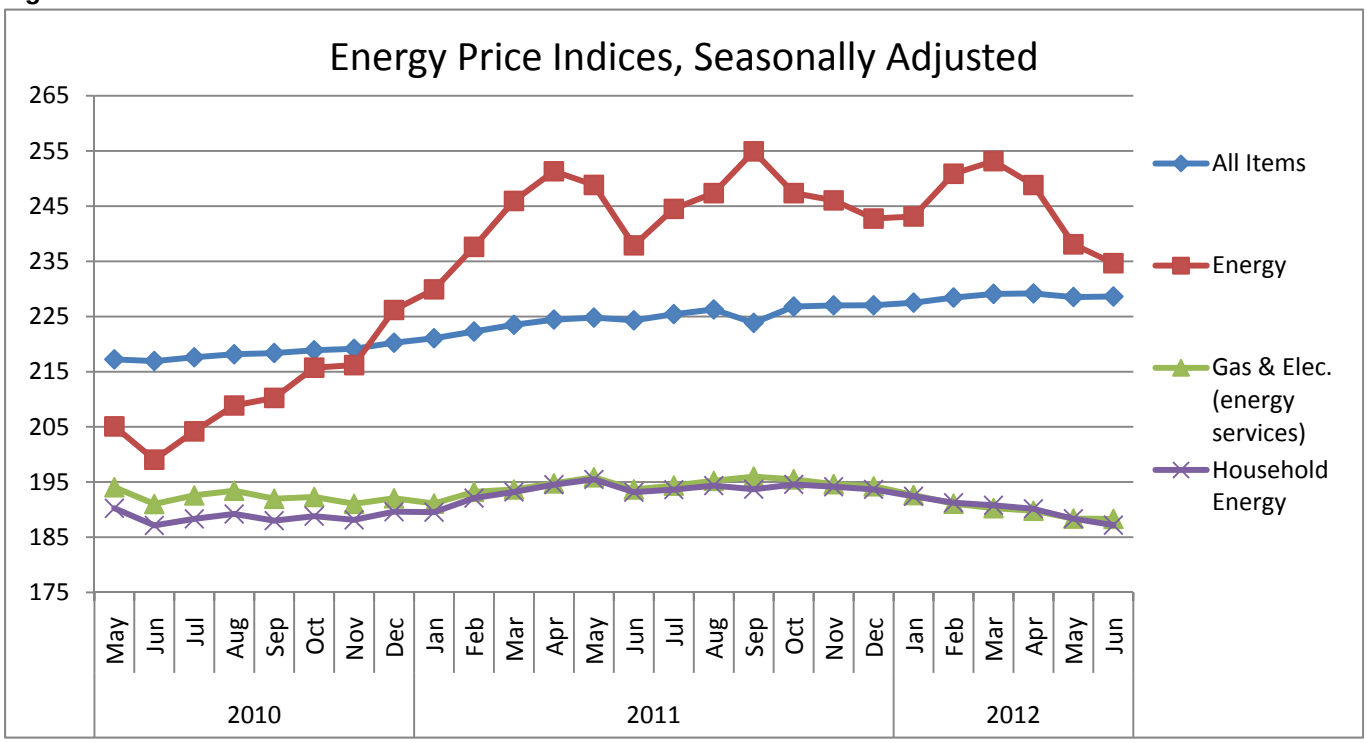
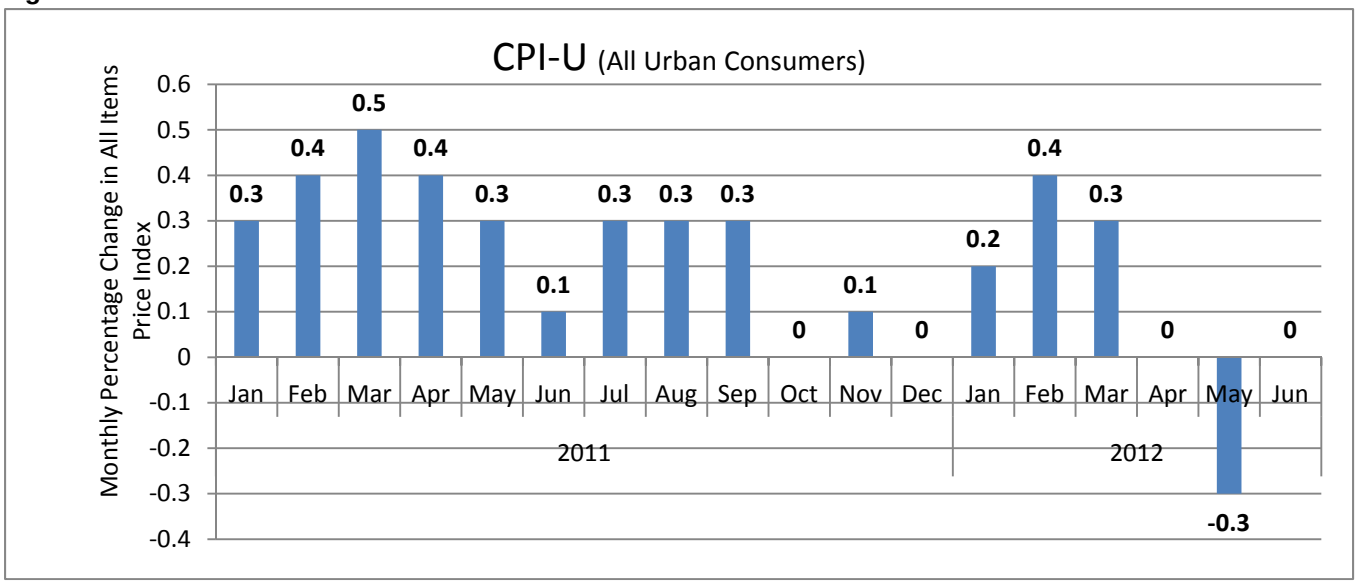


Figure 2.10



Around the State-

- Electric vehicle maker Brammo Inc. purchased the Walmart building in Talent, which could bring 130 jobs to the local economy over the next 18 to 24 months. It plans to use the facility for final production and assembly and research and development. It currently employs 65 people at three leased buildings in Ashland. *Mail Tribune, 7/14/2012*

- Columbia Phyto Technology in The Dalles, a maker of freeze-dried fruit and vegetable powders, will expand into facilities at the Port of The Dalles Industrial Park. It will move 20 to 25 employees from its Dallesport, WA facility and double that number in the next eight months. Within three to four years, it plans to employ about 150 workers. *Columbia River Gorge Business Review, 7/16/2012*

- Calico Resources started the permitting process to proceed with construction of its planned underground gold mine in Malheur County. If approved, the project is still at least three years away from completion, but the company already provides 10 to 12 local jobs and would employ 100 to 150 people when the operation gets under way. *Argus Observer, 6/22/2012*

- The Yard House will open at Pioneer Place in downtown Portland, bringing with it 130 taps of brew. The 400-seat restaurant will employ 200 people and is expected to open in late spring of 2013. *KOIN, 7/10/2012*

- Columbia County laid off 13 workers due to a $2.3-million budget shortfall. *The Chronicle, 7/4/2012*

- OnTo Technology LLC in Bend received a two-year, $1-million grant from the U.S. Department of Energy to develop a means to recycle electric car batteries on a large scale. *The Bulletin, 6/30/2012*

- The Emerald People's Utility District, a rural power company in Lane County, will eliminate 10 jobs, eight of them through layoffs. *The Register-Guard, 6/27/2012*

- Lane County will lay off eight deputies and 13 people in the prosecutor’s office in the first of several rounds of layoffs. It is expected that 12 percent of the county's total workforce will be eliminated in this year's budget. *The Register-Guard, 6/26/2012*