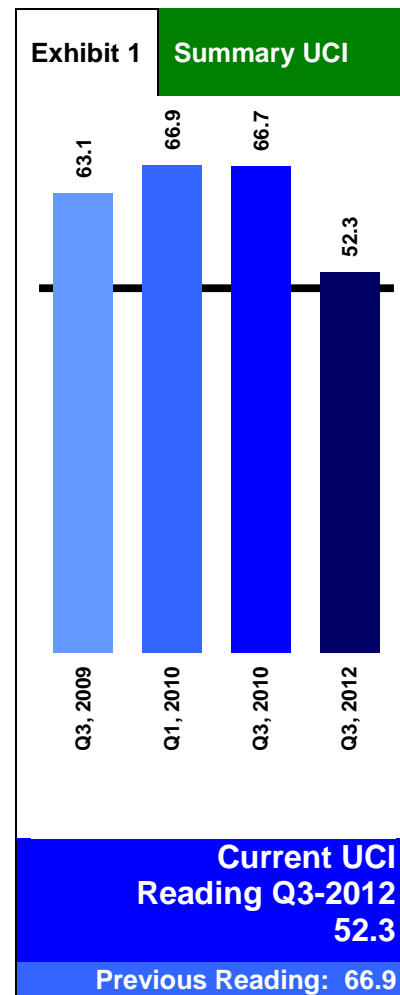


PCCA Utility Construction Index Summary

UTILITY CONSTRUCTION INDEX THIRD QUARTER 2012 EXECUTIVE SUMMARY

The Summary Utility Construction Index (UCI) peaked in 2010/2011 and has fallen since this point approaching a 50.0 figure. This movement represents a shift from optimism towards pessimism about this market place. The 3rd Quarter 2012 UCI suggests an essentially flat market perspective. Improvement is unlikely until the November 2012 election is complete and there is greater clarity in the economic, tax, regulatory, and energy policies that are likely to be pursued.

Of the nine economic factors tested, four are rated as pessimistic or worsening, four are rated slightly optimistic and improving, and one is flat. Of greatest concern is the overall economy. Of the four optimistic economic factors, the improving residential construction markets made the most positive move. PCCA member's construction business, favorable utility construction market, along with reported improvement in productivity offer reasons for optimism.



Overall Economy	DOWN
Overall Economy Where We Do Business	FLAT
Our Construction Business	UP
Residential Building Construction Market Where We Do Business	UP
Utility Construction Market Where We Do Business	UP
Our Expected Backlog	DOWN
Cost of Construction Materials	HIGHER
Cost of Labor	HIGHER
Productivity	HIGHER

ABOUT THE POWER & COMMUNICATION CONTRACTORS ASSOCIATION (PCCA)

The Power & Communication Contractors Association (PCCA) is the national trade association for companies constructing electric power facilities, including transmission and distribution lines and substations and telephone, fiber optic, and cable television systems. Other areas of members' business activities include directional drilling, local area and premises wiring, water and sewer utilities, gas and oil pipelines. Since its founding in 1945, the membership has grown to include hundreds of companies located throughout the United States, Canada, and Mexico. These companies are the leading construction, manufacturing, supply, and service firms within the power and communication construction industry. They frequently serve as prime sources of information, news and background on the design and construction of power and communications infrastructure. If you are interested in obtaining more information about the Power & Communication Contractors Association (PCCA), please call Tim Wagner, Executive Director at (800) 542-7222, contact us by e-mail at twagner@pccaweb.org, or visit the website at www.pccaweb.org.



PCCA serves its members by actively providing resources to support profitable growth and staff development within the member firms. As part of this support, PCCA led the way in helping to develop the PCCA Utility Construction Index.

UTILITY CONSTRUCTION INDEX

The Utility Construction Index is a semi-annual survey of members of PCCA. It is designed to test perspectives of infrastructure and utility construction industry firms and establish the degree of optimism or pessimism prevalent in this market sector. The survey is conducted and results published during the first and third quarters of each calendar year. For press contact or questions about the Utility Construction Index, contact Tim Wagner at twagner@pccaweb.org.

CONFIDENTIALITY

All individual responses to this survey are confidential.

Utility Construction Index Third Quarter 2012 Highlights

- **Overall Economy:** The overall economy is viewed pessimistically and is expected to get more challenging. The 2010 rating was 58.9 and has fallen to 40.9 indicating a belief this factor is getting worse and unlikely to improve in the short term.
- **Overall Economy Where Panelists Do Business:** Panelists perceive the market is flat with a rating of 51.5 falling from 58.9 in 2010. The comparison to the overall economy indicates that panelists believe the economic conditions are worse in places where they do not do business.
- **Panelists' Construction Business:** This rating has fallen significantly from 71.4 to 55.9. It is still positive however indicating that panelists are optimistic about the current situation of their business.
- **Utility and Residential Construction Sectors:** The residential building market rating is the only assessment that changed direction and improved its raw rating from 2010 from 40.7 to 57.6. The Utility construction market saw its rating fall from 71.4 to 52.9 indicating that there is a belief the utility construction market is in transition.
- **Cost of Materials:** The cost of construction materials is perceived to be increasing as well with a lowered rating of 28.1 from 36.4.
- **Cost of Labor:** Like materials, the perceived cost of labor is also increasing at a very slow rate. The rating fell from 35.0 to 32.1 between 2010 and today.
- **Productivity:** Productivity continues to rise and is rated 57.1 this quarter compared with 69.0 in 2010. While still improving, the rate of improvement has fallen.
- **Delays and Cancellations:** Project delays and cancellations are reported at two-three times the normal rate at approximately 15% of all projects pursued. This figure has fallen dramatically from the 2009/2010 time period where it was as high as 20% of all projects pursued.
- **Staffing Changes:** Over 30% of the respondents indicate they have no plans for staffing increases or hiring in the near future. Only 5% of the respondents anticipated shrinking staffing levels. The remainder of respondents expect some level of increasing staffing or hiring. Thirty five percent expect a 0-5% staffing increase; greater than ten percent expect a 5-10% staffing increase; and greater than ten percent expect at 10+% staffing increase. The greatest staffing growth is expected from firms with less than \$50 million in revenue and operations in the West or South US.

Staffing Changes

25% of panelists anticipate staffing additions of greater than 5%.

PROJECT CANCELLATIONS AND DELAYS CONTINUE

Since the start of the economic and financial crisis in 2008/2009, the cancellation and delay rate for projects spiked reaching at high point in 2010. Since this point, this cancellation and delay rate has been falling and is getting closer to what the panelist believe is a normal rate (Exhibit 2).

Biggest Change in Perspectives
The Residential Building Markets where PCCA Members Do Business is the only factor tested where the raw score increased. The 3rd Quarter 2010 result was 40.7 indicating that the market was still perceived to be getting worse where the 3rd Quarter 2012 rating is 57.6 indicating the market is improving.

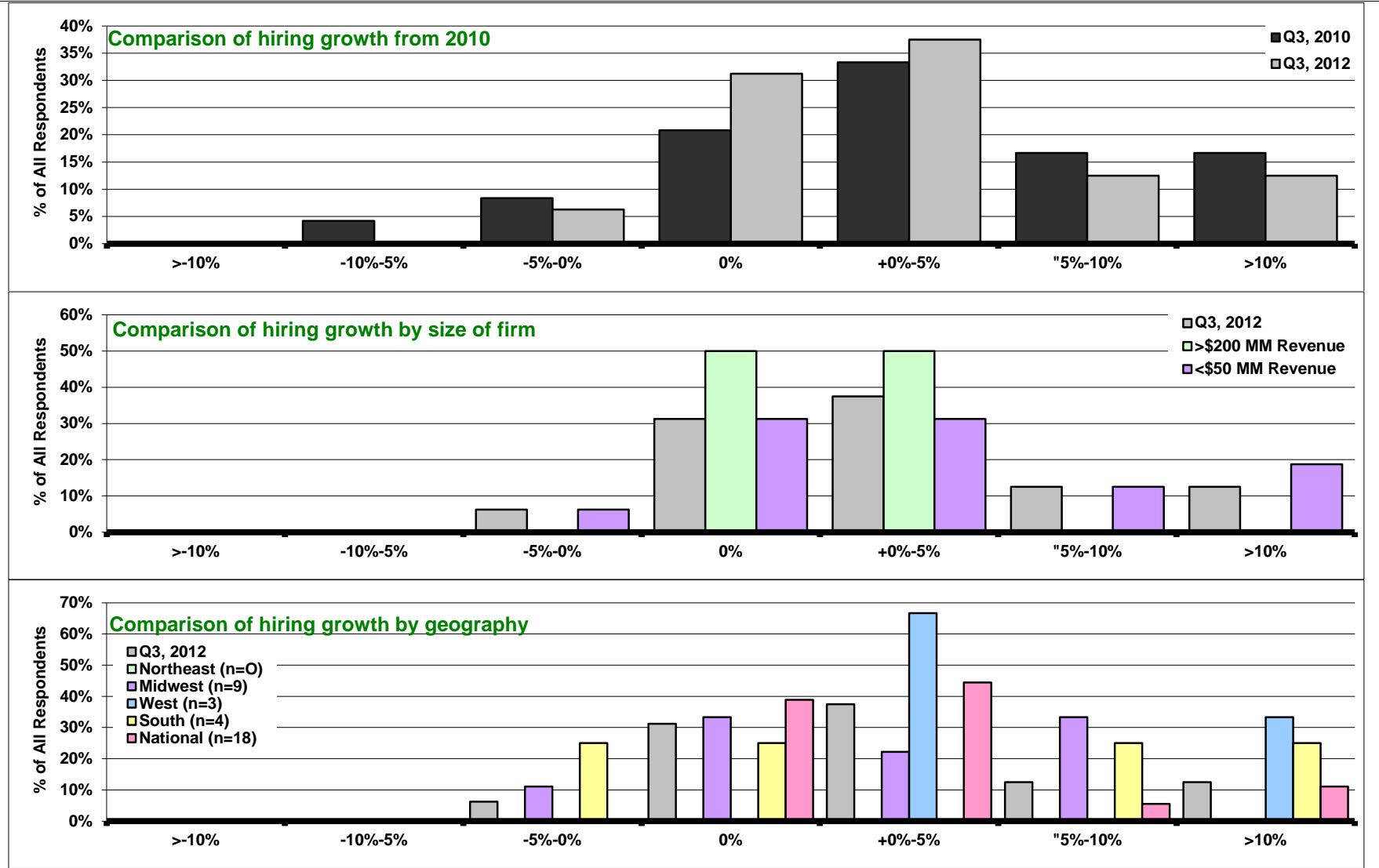
Exhibit 2 Delays and Cancellations			
Conclusion: Delays peaked in 2010 and are falling since this point. They still exceed perceptions of historically normal delay or cancellation rates.			
	PCCA Q1, 2010	PCCA Q3, 2010	PCCA Q3, 2012
What percentage of all potential projects do you estimate are currently delayed, cancelled, or will be cancelled?	23%	10%	15%
What percentage of potential projects do you estimate are delayed or cancelled due to owner financing?	18%	10%	15%
What is your normal rate of project delays as a percentage of annual projects?	10%	5%	5%
What is your normal rate of cancellations as a percentage of annual projects?	5%	5%	4%

STAFFING ISSUES

The utility construction market, particularly telecom and gas pipeline markets were buoyed during 2010 and 2011 by a combination of stimulus spending, regulatory activity, and other factors. The telecom market is slowing since this point while the gas pipeline market continues to accelerate. This growth led to improved hiring during this time period and the feedback for 3rd Quarter 2012 remains very positive (Exhibit 3). Over 30% of the respondents indicate they have no plans for staffing increases or hiring in the near future. Only 5% of the respondents anticipated shrinking staffing levels. The remainder of respondents expect some level of increasing staffing or hiring. Thirty five percent expect a 0-5% staffing increase; greater than ten percent expect a 5-10% staffing increase; and greater than ten percent expect at 10+% staffing increase. The greatest staffing growth is expected from firms with less than \$50 million in revenue and operations in the West or South United States.

Exhibit 3 What changes do you foresee in the number of full time direct employees in your organization for 2012? (excluding natural attrition, retirements, etc.)

Conclusion: Improving employment conditions; small firms more aggressive from a percentage hiring standpoint; West and South firms are more aggressive.



Dangerously Low		Very Low/Significant Drop					Low		Remains the Same			Growth		Positive Growth Indicator			Very Positive Growth Indicator			
5.3- 0.0	5.4- 10.8	10.9- 16.2	16.3- 21.7	21.8- 27.1	27.2- 32.6	32.7- 38.0	38.1- 43.5	43.6- 48.9	49.0- 51.0	51.1- 55.9	56.0- 60.8	60.9- 65.7	65.8- 70.6	70.7- 75.5	75.6- 80.4	80.5- 85.3	85.4- 90.2	90.3- 95.1	95.2- 100.0	

Exhibit 4 Utility Construction Index (UCI) Detailed Results by Market Sector

Conclusion: Electric distribution and transmission are improving and growing with acceleration increasing in both 1 year and 3 year time horizons. Telecom is deteriorating and shrinking at an accelerating rate in both a 1 year and 3 year time horizon.

	Overall Quarter 3, 2010				Overall Quarter 3, 2012				Interpretation
	Improving over last quarter	Remains the same as last quarter	Worse compared with last quarter	UCI Q3 2010	Improving over last quarter	Remains the same as last quarter	Worse compared with last quarter	UCI Q3 2012	
Business Outlook - 3 Months									
Electric Power Distribution	23.8%	61.9%	14.3%	54.8	32.0%	52.0%	16.0%	58.0	Improving at a slightly faster rate
Electric Power Transmission	25.0%	66.7%	8.3%	58.3	25.0%	62.5%	12.5%	56.3	Improving at a slightly slower rate
Telecommunications	68.2%	31.8%	0.0%	84.1	19.4%	74.2%	6.5%	56.5	Improving at a dramatically slower rate
Business Outlook - 1 Year									
Electric Power Distribution	50.0%	45.0%	5.0%	72.5	45.8%	33.3%	20.8%	62.5	Improving at a slower rate
Electric Power Transmission	66.7%	33.3%	0.0%	83.3	46.7%	40.0%	13.3%	66.7	Improving at slower rate
Telecommunications	77.3%	22.7%	0.0%	88.6	16.7%	46.7%	36.7%	40.0	Change in direction, getting worse at a faster rate
Business Outlook - 3 Years									
Electric Power Distribution	73.7%	26.3%	0.0%	86.8	62.5%	29.2%	8.3%	77.1	Improving at a slightly slower rate
Electric Power Transmission	72.7%	27.3%	0.0%	86.4	53.3%	33.3%	13.3%	70.0	Improving at a slightly slower rate
Telecommunications	52.6%	42.1%	5.3%	73.7	20.0%	33.3%	46.7%	36.7	Change in direction, much worse at a faster rate

Utility Construction Index
> 50 Indicates Growth (Better)
< 50 Indicates Slowing (Worse)

Interpretive Note: A diffusion index is designed to establish whether participants perceive a positive and optimistic business environment versus a negative or pessimistic business environment. A reading above 50.0 indicates improving or expansion, a rating at 50.0 indicates remaining the same, and below 50.0 indicates worse or contracting. Therefore, if a reading goes from 30.0 to 40.0, then the result still implies a decline from the previous quarter because 40.0 is below 50.0; but the decline is not as great as the previous decline because 40.0 is above 30.0. As another example, if the diffusion index changes from 35.0 to 70.0, it implies improvement over the previous quarter, not because 70.0 is above 35.0, but because 70.0 is above 50.0.

Exhibit 4 demonstrates a very negative perspective on the telecom market and that this perspectives is getting worse the farther out the participants look. Both electric distribution and electric transmission are anticipated to strengthen and improve at an accelerating rate over a three year time horizon.

Dangerously Low		Very Low/Significant Drop					Low		Remains the Same			Growth		Positive Growth Indicator			Very Positive Growth Indicator			
5.3- 0.0	5.4- 10.8	10.9- 16.2	16.3- 21.7	21.8- 27.1	27.2- 32.6	32.7- 38.0	38.1- 43.5	43.6- 48.9	49.0- 51.0	51.1- 55.9	56.0- 60.8	60.9- 65.7	65.8- 70.6	70.7- 75.5	75.6- 80.4	80.5- 85.3	85.4- 90.2	90.3- 95.1	95.2- 100.0	

Exhibit 5 UCI Component Indexes – Summary Comparison of Results for Q3, 2010 versus Q3, 2012			
Conclusion: General reduction in positive perspectives with biggest negative move in overall economic perspectives. Residential market demonstrates the only positive movement.			
Economic Conditions	UCI Q3, 2010	UCI Q3, 2012	Interpretation
Overall Economy	58.9	40.9	Change in direction, getting worse at a faster rate
Overall Economy Where Panelists Do Business	58.9	51.5	Positive, improving at very slow rate
Panelists' Construction Business	71.4	55.9	Positive, improving at a slower rate
Residential Building Markets where Panelists Do Business	40.7	57.6	Changing in direction, Improving at a faster rate
Utility Construction Markets where Panelists Do Business	71.4	52.9	Positive, improving at a very slow rate
Resource & Productivity Conditions			
Cost of Construction Materials	36.4	28.1	Becoming more expensive at a faster rate
Cost of Labor	35.0	32.1	Becoming more expensive at a faster rate
Productivity	69.0	57.1	Improving at a slower rate
Backlog Conditions			
Expected Change in Backlog	76.3	45.5	Change in direction, shrinking in size
Approximate Current Signed Backlog in Months (Median)	6.0	5.5	Reduction in backlog

Utility Construction Index
 > 50 Indicates Growth (Better)
 < 50 Indicates Slowing (Worse)

Interpretive Note: A diffusion index is designed to establish whether participants perceive a positive and optimistic business environment versus a negative or pessimistic business environment. A reading above 50.0 indicates improving or expansion, a rating at 50.0 indicates remaining the same, and below 50.0 indicates worse or contracting. Therefore, if a reading goes from 30.0 to 40.0, then the result still implies a decline from the previous quarter because 40.0 is below 50.0; but the decline is not as great as the previous decline because 40.0 is above 30.0. As another example, if the diffusion index changes from 35.0 to 70.0, it implies improvement over the previous quarter, not because 70.0 is above 35.0, but because 70.0 is above 50.0.

Exhibit 5 depicts a reduction in optimism and positive perspectives across the board with the exception of the residential construction market. The economic factors of local economy, construction business, and utility construction markets are all still slightly positive with above 50.0 ratings. Cost of both construction materials and labor are expected to continue to increase with only modest improvement in productivity to offset this increasing cost.

PARTICIPANT DEMOGRAPHICS

The participants in the UCI define their work in the utility construction markets (Exhibit 7) as predominately telecommunications (34.7%) related. Electric power distribution (27.6%) and electric power transmission (18.4%) are nearly the same size. Other type of construction (19.4%) is predominately gas pipeline related and makes up the final type of construction. In terms of revenue size, firms with \$10-50 million in revenue lead the participant pool with 47.1% of responses (Exhibit 6). The geographic spread shows National and Midwest firms comprise the bulk of responses with 74% of all responses (Exhibit 8).

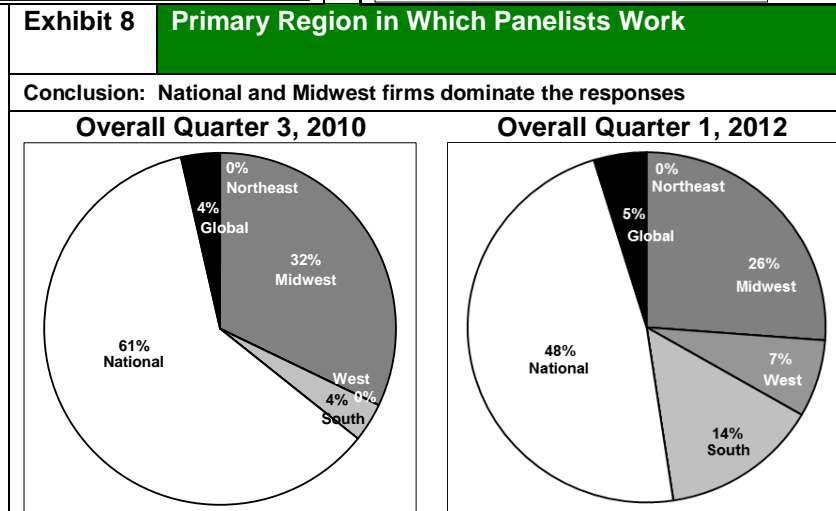
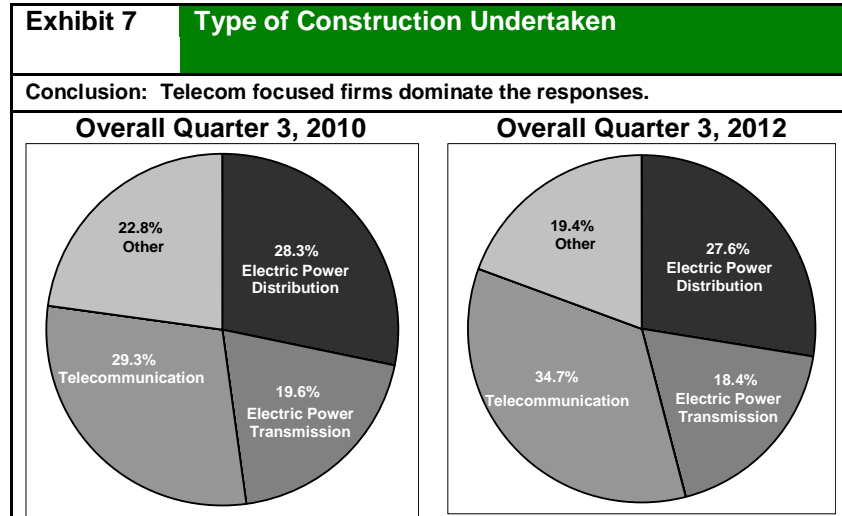
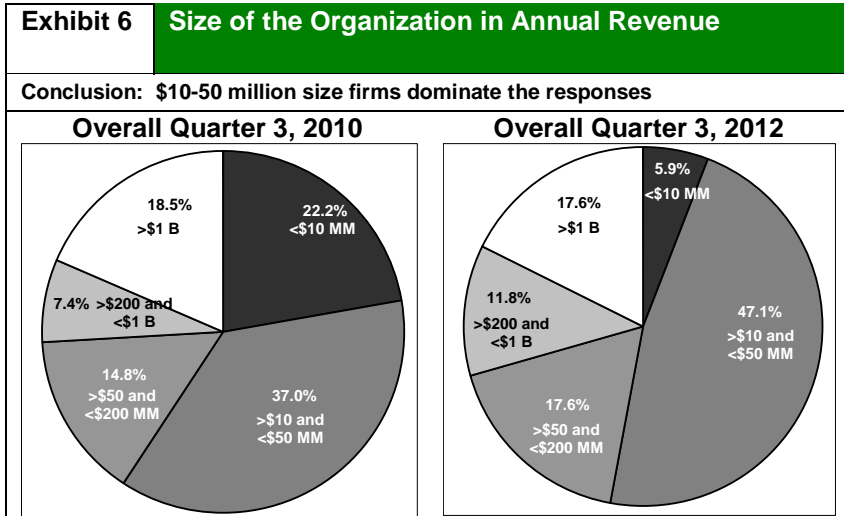


Exhibit 9 UCI Component Indexes – Detailed Comparison of Results for Q3, 2010 versus Q3, 2012

Conclusion: General deterioration in perspective showing slowing growth and rising costs, that are not offset by productivity improvement. Perspectives on overall economy particularly negative. Residential housing market perceived as improving.

	Overall Quarter 3, 2010				Overall Quarter 3, 2012				Interpretation
	Improving over last quarter	Remains the same as last quarter	Worse compared with last quarter	UCI Q3, 2010	Improving over last quarter	Remains the same as last quarter	Worse compared with last quarter	UCI Q3 2012	
Economic Conditions									
Overall Economy	28.6%	60.7%	10.7%	58.9	3.0%	75.8%	21.2%	40.9	Change in direction, getting worse at a faster rate
Overall Economy Where Panelists Do Business	25.0%	67.9%	7.1%	58.9	17.6%	67.6%	14.7%	51.5	Positive, improving at very slow rate
Panelists' Construction Business	53.6%	35.7%	10.7%	71.4	29.4%	52.9%	17.6%	55.9	Positive, improving at a slower rate
Residential Building Markets where Panelists Do Business	7.4%	66.7%	25.9%	40.7	24.2%	66.7%	9.1%	57.6	Change in direction, improving at a faster rate
Utility Construction Market Where Panelists Do Business	46.4%	50.0%	3.6%	71.4	26.5%	52.9%	20.6%	52.9	Positive, improving at a very slow rate
Production Conditions									
Productivity	38.1%	61.9%	0.0%	69.0	21.4%	71.4%	7.1%	57.1	Improving at a slower rate
Backlog in Months									
	High	Median	Low		High	Median	Low		
Approximate Current Signed Backlog	24.0	6.0	1.5	6.0	18.0	5.5	1.0	5.5	Reduction in backlog
	Grow faster than last quarter	Stay about same as last quarter	Shrink compared with last quarter		Grow faster than last quarter	Stay about same as last quarter	Shrink compared with last quarter		
Expected Change in Backlog	57.9%	36.8%	5.3%	76.3	27.3%	36.4%	36.4%	45.5	Change in direction, shrinking in size
Resource Conditions									
	Higher than last quarter	Same as last quarter	Lower than last quarter		Higher than last quarter	Same as last quarter	Lower than last quarter		
Cost of Construction Materials	27.3%	72.7%	0.0%	36.4	50.0%	43.8%	6.3%	28.1	Change in direction, more expensive much faster
Cost of Labor	35.0%	60.0%	5.0%	35.0	35.7%	64.3%	0.0%	32.1	Change in direction, more expensive faster

Utility Construction Index
 > 50 Indicates Growth (Better)
 < 50 Indicates Slowing (Worse)

Interpretive Note: A diffusion index is designed to establish whether participants perceive a positive and optimistic business environment versus a negative or pessimistic business environment. A reading above 50.0 indicates improving or expansion, a rating at 50.0 indicates remaining the same, and below 50.0 indicates worse or contracting. Therefore, if a reading goes from 30.0 to 40.0, then the result still implies a decline from the previous quarter because 40.0 is below 50.0; but the decline is not as great as the previous decline because 40.0 is above 30.0. As another example, if the diffusion index changes from 35.0 to 70.0, it implies improvement over the previous quarter, not because 70.0 is above 35.0, but because 70.0 is above 50.0.