Fresh New Financing For Energy Efficiency

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AGENDA

I. Introduction
   - Pinnacle West Capital Corporation
   - National Bank of Arizona
II. Gap Analysis
III. Opportunity
IV. Collaboration
V. Program Overview
VI. Next Steps
VII. Conclusion
VIII. Questions
PINNACLE WEST CAPITAL CORP

- Ticker symbol: PNW
- Phoenix – based company
- Consolidated revenues in 2009 of over $3.2 billion
- Consolidated assets in 2009 of over $12 billion
- Subsidiaries - Generate, sell and deliver electricity
  - Sell energy-related products and services to retail and wholesale customers in the Western US
PINNACLE WEST CAPITAL CORP

- Largest electric utility in Arizona
- Serves approximately 1.1 million customers
- Over 6,800 employees

- Competitive Energy Services Provider
- Venture Investments
- Real Estate Developer
NATIONAL BANK OF ARIZONA

- NB|AZ assets - $4.5 billion
- Over 76 offices in 56 communities
- Fully-owned subsidiary of Zions (ticker: ZION)
- Affiliates include: California Bank & Trust, Amegy, Nevada State Bank, and Vectra Bank
- Zions Assets - $50 billion, $2.7 billion in 2009 revenue

Energy Programs:
- Funded over $200 million in renewable and energy efficiency programs over the last 12 months
- Launched the largest private/public partnership in 2009 resulting in close to 500 residential solar installations
Energy Efficiency is not a fad or a faze, it is intertwined with who we are and what is most important to Arizonans.
APS has an aggressive push to reduce consumption, per user.

APS offers rebates to business and municipal customers. Nonetheless, given the economic times and lack of funds for capital improvements, it quickly became apparent that a financing program was needed.
COLLABORATION

TIMELINE

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
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<tbody>
<tr>
<td>May-09</td>
<td>APS began researching providers for a financing program</td>
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<td>Jun-09</td>
<td>10 financial institutions were approached</td>
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<td>Sep-09</td>
<td>Two of the 10 financial institutions accepted the opportunity to present a solution</td>
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<td>Oct-09</td>
<td>APS selected National Bank of Arizona as a partner</td>
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<td>Implementation begins</td>
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<td>May-10</td>
<td>Program launched</td>
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COLLABORATION

- Energy efficiency – NB|AZ “walks the talk”
- Strong corporate relationship with APS
- Economically sound financial planning
- Innovator status – brand halo effect
- Life after solar
- Under served niche
- Provides a new product to our “green conscious” customers
- Commercial, consumer, public and non-profit opportunities
COLLABORATION

Part of the implementation program was getting approval from the Arizona Corporation Commission. Arizona is a unique state in that the Corporation Commission is an elected body (verses appointed) that regulates utilities. The team made a formal Proposal to the ACC and eventually obtained approval from the five-party body.
COLLABORATION

• Legal
• Treasury
• Marketing
• Demand Side Management
• Accounting
• Business Solutions Program Managers
• KEMA (3rd party administrator)

• Program Management
• Retail Banking
• Corporate Banking
• Legal
• Public Finance
• Sales & Marketing
• Executive Management
PROGRAM OVERVIEW

TERMS

- Non-revolving term loans to schools, municipalities, and small business
- 12-60 month principal and interest payments
- Fully amortized loan payment
- Primarily unsecured
- Loan amounts from $1,000 - $100,000
- Up to 6 months interest only if project needs time for completion
- Interest rates range from 4.0% to 8.5%
- APS provides a cash reserve account to buy down the rate and extend the amortization
The goal is to make loans “cash neutral”
ENERGY EFFICIENCY FINANCING PROCESS FLOW

Client applies for a loan by paper application for business and phone for consumer loans

Client selects financing and checks a box on the utility company rebate application

Client / contractor submit rebate/program application to the utility company. Estimated start date and end date noted.

Utility company approves project, reserves funds. Project summary and utility payment history are passed to the bank from the utility company

Loan decision completed in 1 – 5 business days

NB|AZ underwrites loans and collects any supporting loan documents from the client

NB|AZ notifies the client of the loan decision

Client informs the contractor of the loan status

Client signs loan documents

Contractor installs energy improvements

Initial loan draw may be available for loans greater than?

Post installation audit performed if applicable

Final rebate application reviewed by utility company (post inspection if applicable)

Final rebate application sent to utility company

Contractor may perform an energy audit based on program type

Utility company sends report to NB|AZ with final project data

Rebate is sent to the contractor.

NB|AZ confirms with the client the project is complete

NB|AZ funds the loan proceeds to the client / contractor **

NB|AZ submits reporting to the utility company of approved, declined and funded loans, loans past due, and loans charged off.

Client and contractor discuss proposal and financing options

Utility Company

NB|AZ

Contractor/Client

** If the final project costs are greater than the rebate and the loan, the customer and contractor will need to work out the difference. If the project costs are less than the initial proposal, the loan will be reamortized and the monthly payment will be recalculated.
PROGRAM OVERVIEW

Marketing

Website
- APS and NB|AZ websites tied together
- Joint seminars, newsletters

Sales
- Special sales campaign led by the NB|AZ loan officers with extra rate buy down from APS

Ads
- Newspaper, business journal, industry magazine, newspaper, radio spots

Training
- Trade ally outreach
- Contractor and Banker training

Collateral
- Flyers, brochures
PROGRAM OVERVIEW

Advertisement

Three More Reasons to Increase Energy Efficiency.

Bigger Rebates: APS has temporarily raised the rebate for three easy measures: variable speed washers, specialty CFLs and LED conversions.

3.99% Financing. Eligible businesses can apply for the special interest rate with National Bank of Arizona when participating in the Solutions for Business program.

Free CFLs. Schedule a free energy assessment with an expert solutions contractor and get up to 10 CFLs installed for free during the assessment.

Limited Time Offers! These specials are only guaranteed through the end of November. You must be an eligible APS business customer to participate.

For more information visit aps.com/businessrebates or call 866-377-5601.

The Solutions for Business program is funded by APS customers and approved by the Arizona Corporation Commission.

REDUCE. SAVE. CONTROL.

In partnership with APS, we are proud to offer low interest rate financing for customers participating in the APS Solutions for Business program.

• Save on monthly electric bills with energy efficiency upgrades
• Reduce project costs with APS rebates
• Loans from $1,000 – $250,000
• For small businesses, governments and schools

For details available in a limited-time offer.

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Flyer
NEXT STEPS

• Residential Financing Program
• Expand to other utilities within the state
• Open up to large corporate customers
• Make it a pre-cursor for any solar installation
QUESTIONS/CONTACTS

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