

**NEW APPLICATION
ORIGINAL**



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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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Arizona Corporation Commission

DOCKETED

JUN 26 2008

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AZ CORP COMMISSION
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E-01345A-08-0323

APPLICATION OF ARIZONA PUBLIC
SERVICE COMPANY FOR APPROVAL
OF BANK OF NEW YORK MELLON
AS TRUSTEE FOR PALO VERDE
NUCLEAR DECOMMISSIONING
TRUST

DOCKET NO. E-01345A-08-___

APPLICATION

INTRODUCTION

Under provisions of Decision No. 55931 (April 1, 1988), Arizona Public Service Company ("APS" or "Company") was required to establish one or more external decommissioning trusts to receive customer funding for the decommissioning of APS's share of the Palo Verde Nuclear Generating Station ("Palo Verde"). Decision No. 55931 further ordered APS to select an independent trustee and submit that trustee for approval by the Arizona Corporation Commission ("Commission"). In Decision No. 56047 (July 13, 1988), the Commission approved APS's choice of Harris Trust & Savings Bank as Palo Verde decommissioning trustee.

Although not explicitly set forth in Decision No. 55931, by implication any proposal by APS to change the Commission-approved trustee would also require Commission approval. Thus, in Decision No. 57426 (June 19, 1991), APS received permission to change the Palo Verde decommissioning trustee to Mellon Bank.

MELLON BANK MERGER

As noted in the letter to APS dated March 31, 2008, attached hereto at Attachment 1, the parent companies of Mellon Bank and The Bank of New York ("BNY") merged during mid-2007. Subsequently, there will be a consolidation of the two banks themselves, with the

1 merged entity being called BNY Mellon. It is anticipated that this subsidiary consolidation
2 will become final July 1, 2008, assuming approvals are received from the appropriate bank
3 regulators.

4 BNY Mellon will assume, by operation of law, all the assets, liabilities and
5 obligations of both Mellon Bank and BNY. This will include the obligations to APS under
6 the current decommissioning trustee agreement for Palo Verde, which agreement will not be
7 modified or affected in the slightest by the consolidation of Mellon Bank with BNY. As is
8 also stated in the attached letter, none of the people currently responsible for the APS
9 decommissioning trust accounts will change as a result of the consolidation, and thus the
10 consolidation will be, in the words of the letter, "largely transparent" to APS.

11 The qualifier "largely" is appropriate in a single but important respect. One of the
12 reasons Mellon Bank was chosen as trustee to begin with was its willingness to stand
13 financially behind its obligations as decommissioning trustee. *See* Decision No. 57426 at 2.
14 BNY Mellon will assume an identical liability but has substantially more financial ability to
15 satisfy, if necessary, that liability. Mellon Bank has roughly \$40 billion in assets and \$5
16 billion in equity as of December 31, 2007. The consolidated BNY Mellon will have \$154
17 billion in assets and \$14 billion of shareholder equity. This represents an added layer of
18 financial protection for APS and its customers.

19 APS has in no sense "chosen" a new Palo Verde decommissioning trustee, and given
20 the lack of substantive impact on APS (and certainly no potentially negative impact), APS
21 customers, or the decommissioning trusts, APS did not believe it needed to request
22 Commission approval for a "new" Palo Verde decommissioning trustee under the terms of
23 either Decision No. 55931 or Decision No. 57426.¹ The Company did, however, provide
24 notice of the Merger to the Commission on May 28, 2008, and, after consultations with
25 Commission Staff, Staff requested that APS submit the instant Application.

26
27
28 ¹ APS had previously determined that neither notice to nor permission of the Nuclear Regulatory Commission is required as a result of the consolidation of Mellon Bank into BNY Mellon.

1 **CONCLUSION**

2 The merger of Mellon Bank into BNY Mellon has no impact on the Palo Verde
3 decommissioning trusts themselves, the duties or responsibilities of the trustee, or on APS's
4 relationship with the trustee. If anything, the protections afforded by the merger to APS and
5 its customers against any failure by the trustee to fulfill its obligations under the existing
6 trust documents will be enhanced. Therefore, APS asks the Commission to find that no
7 approvals are necessary as a result of the merger, or, in the alternative, to approve BNY
8 Mellon as the trustee for the APS Palo Verde decommissioning trusts.

9 RESPECTFULLY SUBMITTED this day of 26th day of June, 2008.

10
11 PINNACLE WEST CAPITAL CORPORATION
12 LAW DEPARTMENT

13 By: Meghan H. Gabel
14 Thomas L. Mumaw
15 Meghan H. Gabel

16 Attorneys for Arizona Public Service Company

17 ORIGINAL and thirteen (13) copies
18 of the foregoing filed this 26th day of
19 June, 2008, with:

20 Docket Control
21 ARIZONA CORPORATION COMMISSION
22 1200 West Washington Street
23 Phoenix, Arizona 85007

24 Donna Turner
25
26
27
28



March 31, 2008

Ms. Janice Emery, CFA
Director, Trust Investments
Pinnacle West Corporation
400 N. 5th Street
19th Floor,
Phoenix, AZ 85004

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APR 3 2008

Dear Janice,

I'd like to inform you of upcoming activities relating to your Asset Servicing accounts with Mellon Bank, N.A.

As you are aware, The Bank of New York Company and Mellon Financial Corporation completed the merger of these two holding companies this past summer, forming The Bank of New York Mellon Corporation. As part of our multi-year integration plan, we are reorganizing various banking entities. This consolidation will help us maximize operating efficiencies and make it easier for us to do business with our clients around the world.

As a result of this reorganization, your Asset Servicing accounts currently with Mellon Bank will become accounts of The Bank of New York Mellon. This consolidation should be largely transparent to you.

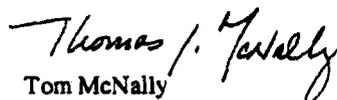
The legal migration of your accounts, along with the accounts of other clients and the business operations of Mellon Bank's Asset Servicing business, will happen automatically (by operation of law) on the date of the reorganization. Your relationship will continue to be handled by the same employees and supported by the same systems as are currently employed by Mellon Bank to provide you with Asset Servicing products and services. The Bank of New York Mellon will be the successor entity to the claims, rights, obligations and liabilities of Mellon Bank's Asset Servicing business. A brief profile of The Bank of New York Mellon is enclosed with this letter for your information.

If you invest in our common or collective funds or participate in our securities lending program which uses such funds, note also that as part of this restructuring, The Bank of New York Mellon will become successor Trustee of any common trust funds or collective investment funds maintained by Mellon Trust of New England, National Association or Mellon Bank.

For our part, The Bank of New York Mellon Corporation is working through the application and approval process with various bank regulators. We are also planning the corporate level actions that will be needed to implement the restructuring. The restructuring of the banks will not be implemented until all regulatory approvals have been received and all required actions have been taken. Our targeted implementation date for the bank restructuring is July 1, 2008.

If you have any questions or need further information regarding this reorganization, please do not hesitate to contact me.

Sincerely,


Tom McNally
(412) 234-8822

Enclosure



THE BANK OF NEW YORK MELLON

	The Bank of New York Mellon¹	BNY Mellon, National Association²
Charter	State chartered bank	Nationally chartered bank
Regulated by	The New York State Department of Banking and a member of the Federal Reserve System with deposits insured by the Federal Deposit Insurance Corporation	The Office of the Comptroller of the Currency and a member of the Federal Reserve System with deposits insured by the Federal Deposit Insurance Corporation
Established by the consolidation and combination of:	The institutional banking businesses currently conducted by various legacy Mellon banking entities with the institutional banking business currently conducted by The Bank of New York.	The private wealth and private banking businesses currently conducted by various legacy Mellon banks and trust companies. ³
Businesses served	Asset Servicing Issuer Services Treasury Services Broker / Dealer & Advisor Services Bank-advised Asset Management	Wealth Management
Headquarters	One Wall Street, New York, New York	500 Grant Street, Pittsburgh, Pennsylvania
Selected pro forma financial measures	Based on the consolidating institutional banking businesses as of December 31, 2007 (approximate):	Based on the consolidating private wealth and private banking businesses as of December 31, 2007 (approximate):
Total Assets	\$154.0 billion	\$7.9 billion
Total Deposits	\$110.0 billion	\$5.4 billion
Total Loans	N/A	\$3.1 billion
Total Equity Capital	\$14.0 billion	\$2.1 billion
Total Regulatory Capital	\$12.2 billion	\$450.0 million
Tier 1 Capital Ratio	8.4 %	9.3 %
Total Capital Ratio	11.8 %	11.8 %

¹ Based on information contained in applications currently pending with appropriate bank regulatory authorities.

² Based on information contained in applications currently pending with appropriate bank regulatory authorities.

³ In addition to the consolidation and combination of the legacy Mellon private wealth and private banking businesses, plans are currently being made to migrate The Bank of New York's private wealth and private banking business to BNY Mellon, National Association sometime during calendar year 2009.