

## **SALT RIVER PROJECT'S CORPORATE MISSION:**

To be the low-cost supplier among our competitors of high-value energy and water services.

## **SALT RIVER PROJECT'S ENVIRONMENTAL POLICY:**

We operate our business in a manner which minimizes negative impact on our natural resources through their wise use and development. We have a stewardship role in regard to our land, water and air, and we are committed to preserving them for present and future generations. This means we manage our operations, facilities and properties with the proper regard for the rights of others.

As a guiding principle, we hold to the rational use of natural resources to achieve the greatest good for the largest number of people for the longest period of time.

We are committed to providing energy and water services to our customers in an environmentally responsible manner. We work to eliminate in our operations the release of any pollutants that may cause damage to our natural resources. We dispose of wastes through safe and responsible methods. We protect habitats in rivers and lakes, and in other areas where we operate. We protect cultural resources, wherever possible, when our facilities and operations may impact their integrity.

We conserve resources. We work to minimize the creation of waste and we recycle materials whenever possible. We invest in improved energy efficiency and conservation in our operations.

## **THIS IS THE SALT RIVER PROJECT:**

Named after the Salt River, which supplies water to the metropolitan Phoenix area, the Salt River Project is the oldest and most successful multi-purpose reclamation development in the United States.

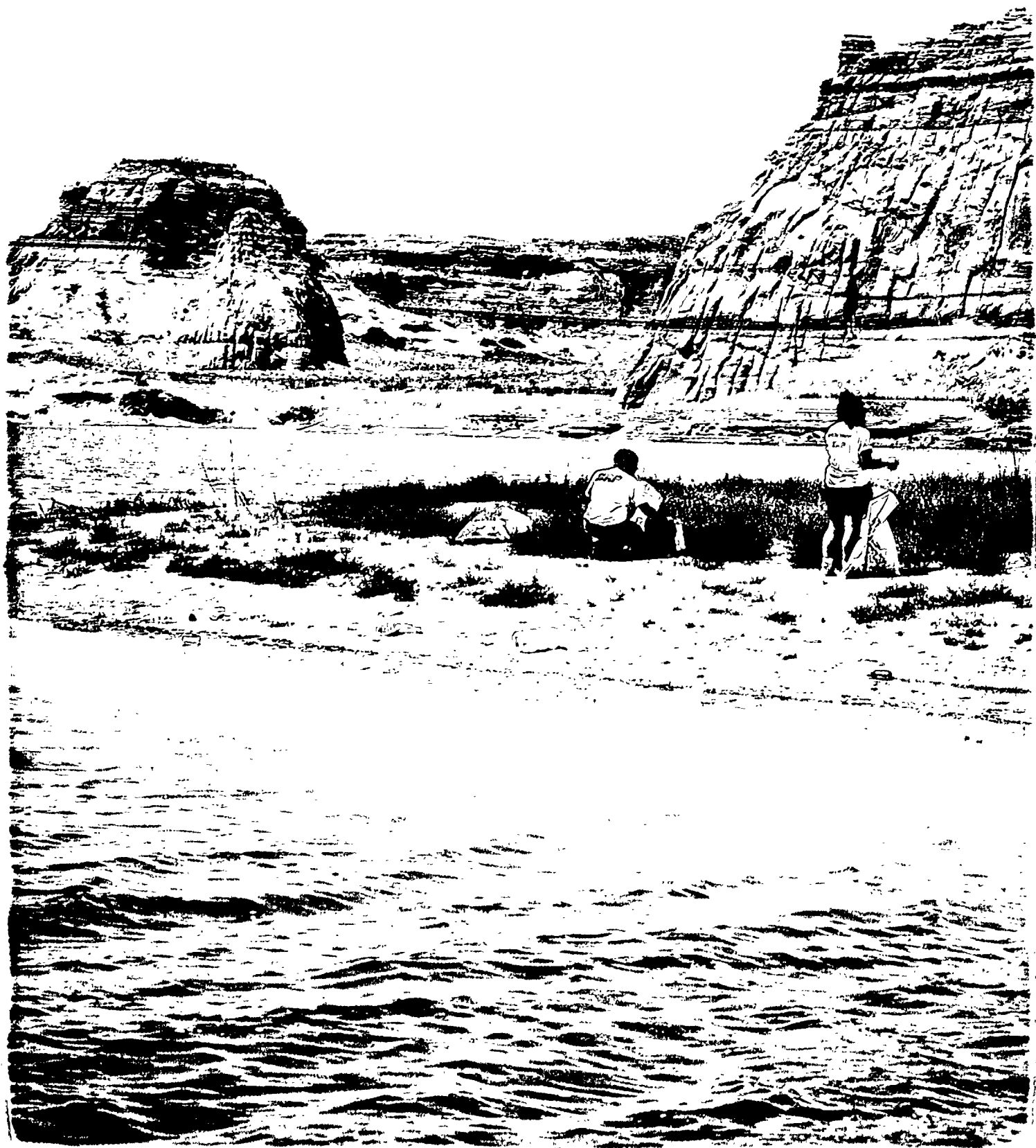
SRP began in 1903 when individual landowners pledged their property as collateral for a government loan to build the Theodore Roosevelt Dam. Throughout the decades we have grown to become Arizona's largest water supplier and the nation's third largest public power utility.

The Project consists of two compatible organizations — the Salt River Valley Water Users' Association and the Salt River Project Agricultural Improvement and Power District.

The Association is a private Arizona corporation. It administers water rights of SRP's 240,000-acre area, and operates and maintains the irrigation transmission and distribution system. This system carries water to municipal, industrial, agricultural and residential users.

The District is a public power utility and a political subdivision of Arizona. It provides electricity to approximately 520,000 residential, industrial and agricultural power users in a 2,900-square-mile service area in parts of Maricopa, Gila and Pinal counties.

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**Our cover:** This design represents the significance of the many environmental programs implemented, organized and supported by Salt River Project in fulfilling our stewardship role in regard to our land, water and air.

The photograph was taken at Lake Powell, near Page in Northern Arizona. SRP sponsors the annual Page Attacks Trash cleanup program in which citizens clean up areas around Page and the lake. The program has been designated one of President George Bush's "Daily Points of Light."

**Our report:** The paper stock used throughout this report meets the EPA requirements for recycled paper. The spiral binding is made entirely from recycled metal.



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**TO OUR  
BONDHOLDERS AND  
SHAREHOLDERS:**



*John R. Lassen President*



*William P. Schrader Vice President*



*A.J. Pfister General Manager*

The year 1990 brought about the 20th anniversary of Earth Day. Therefore, we think it is appropriate to dedicate a significant portion of our 1989-90 Annual Report to discussing our continuing environmental efforts. As you will read, we at Salt River Project believe environmental protection to be critically important. And, we have demonstrated our environmental commitment for many years.

As we enter the decade of the 1990s, we realize we are encountering an electric utility industry unlike any we have seen before.

SRP's Executive Management has long recognized that the electric utility industry would undergo profound changes. We now believe that these changes will bring significant competitive forces upon SRP.

In response, we completed an extensive corporate reorganization during fiscal year 1988-89. It was a top-down reorganization, designed to provide us with the personnel and procedural efficiency necessary for continued success in the future.

We, in essence, designed and structured a new organization. With the theme of Maximum Effectiveness, we are working to instill in our employees a continuous quality improvement work ethic. We've made significant advances this past fiscal year, but we still have a ways to go.

Our vision of a more competitive future has become reality much quicker than we thought. This past fiscal year included efforts by a Northwest electric utility company, PacifiCorp, to purchase Arizona's largest electric utility, Arizona Public Service Co. (APS), and an aggressive, local marketing campaign by Southwest Gas Co. to promote dual-energy homes.

APS, to date, has rebuffed PacifiCorp's overtures, and we in turn, offered to purchase APS assets within service areas located within our water service territory. However, our offer was refused by APS parent company Pinnacle West Capital Corp.

We believe that our reorganization and our Maximum Effectiveness efforts have positioned us to successfully address these new challenges for the utility industry.

Through our reorganization we realized savings of \$29.4 million this past year which enhanced our financial position. And, because of those savings, we were able to better handle significant, unexpected expenses incurred this past year. These included paying our share for extensive outages and increased operating expenses at Palo Verde Nuclear Generating Station.

The reorganization savings also allowed us to postpone a planned rate increase from October 1989 to May 1990. This was our first rate increase since October 1987. The 7.5 percent overall increase in our electric rates falls within our goal of keeping rate increases at or below the national inflation rate.

Our mission is to be the low-cost supplier among our competitors of high-value energy and water services. We are committed to providing those services in an environmentally responsible manner. We operate to minimize negative impacts on our natural resources through their wise use and development. This means we are committed to manage our operations, facilities and properties with the proper regard for the environment.

We are excited about the challenges and opportunities that this new decade offers. With the new foundation we have built, we look forward to prospering in the decade ahead.

*John Lassen*  
*William P. Schrader*  
*Jack Pfister*

## 1989-90 HIGHLIGHTS

### REVENUES/EXPENSES

(See Page 18)

	<u>Fiscal 1990</u>	<u>Fiscal 1989</u>
Total operating revenues (\$000)	1,121,935	1,063,306
Total operating expenses (\$000)	<u>918,058</u>	<u>832,316</u>
Net operating revenues (\$000)	203,877	230,990
Other income (\$000)	30,622	4,571
Net financing costs (\$000)	<u>247,691</u>	<u>223,798</u>
Net revenues (\$000)	(13,192)	11,763

### POWER OPERATIONS

(See Page 19)

Energy customers at year-end	526,333	518,889
Total kilowatt-hour sales (000)	17,009,214	17,789,940
Average annual kilowatt-hour use/residential customer	13,171	13,184
Average annual residential revenues/kilowatt-hour (cents)	8.27	8.03

### WATER OPERATIONS

(See Page 18)

	<u>Calendar 1989</u>	<u>Calendar 1988</u>
Assessed water accounts	181,873	182,226
Water runoff (acre-feet)	454,471*	1,136,727
Water in storage, Dec. 31 (acre-feet)	990,838	1,598,989
Water deliveries (acre-feet)	939,921	951,693

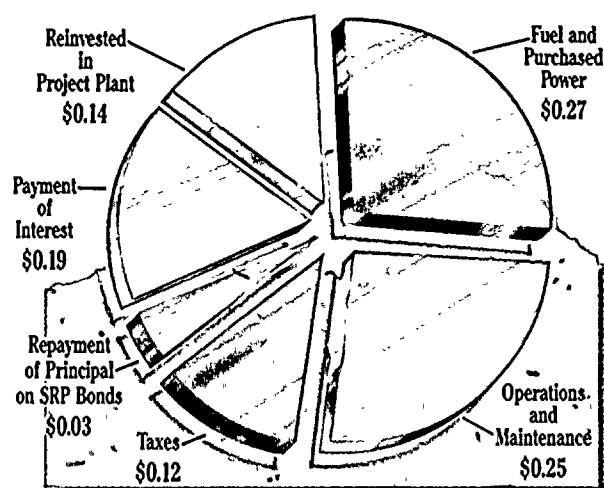
### SELECTED OTHER DATA

(See Page 18)

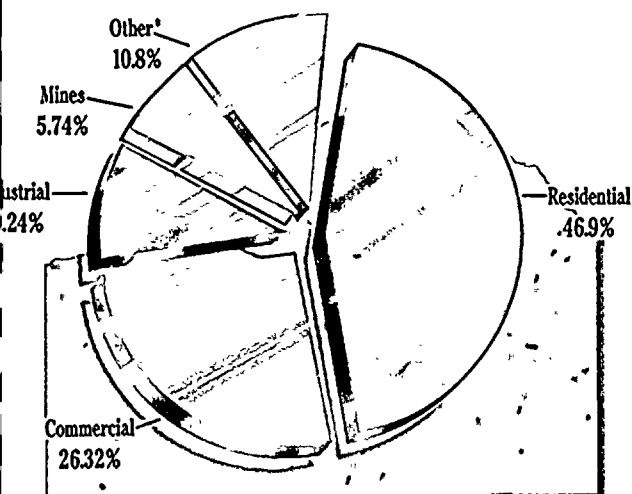
	<u>Fiscal 1990</u>	<u>Fiscal 1989</u>
Gross plant investment (\$000)	5,712,380	5,560,160
Long-term debt (\$000)	3,603,430	3,505,163
Taxes & tax equivalents (\$000)	138,609	125,171
Electric-revenue contributions to support water operations (\$000)	33,850	34,069
Employees at year-end	5,055	5,599

\* Based on U.S.G.S. provisional records and subject to adjustment.

**Electric Dollar**



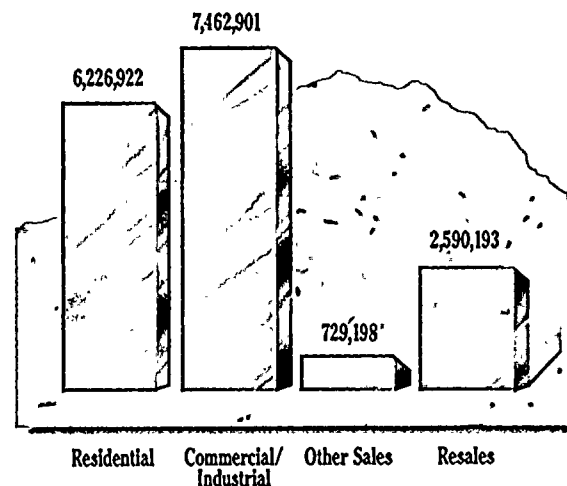
**Electric Sales Revenues**



\*Does not include interdepartmental sales.

**Total Electric Sales**

\* of Kilowatt-Hours (in thousands)



**W**e work to eliminate in our operations the release of any pollutants that may cause damage to our natural resources."

As evidenced by this statement in our environmental policy, SRP management is committed to maintaining a quality environment in which to live and work.

As metropolitan Phoenix grows, air quality suffers from the influx of residents. With efforts of concerned citizens and companies like SRP, we're making strides to reduce automobile emissions.

Large cities are not the only areas with which we are concerned. We manage two coal-fired generating stations in remote locations of Arizona and we take painstaking measures to ensure they meet environmental requirements.

### NGS: A Tradition In Air Quality

Navajo Generating Station (NGS) is a coal-fired, 2,250 megawatt station located on the Navajo Reservation, about four miles from Page. We manage the plant, of which we own 21.7 percent.

NGS currently is the focus of a debate concerning its contribution to visibility impairment within the Grand Canyon National Park. The main area of the park is located about 70 miles southwest of NGS.

The U.S. Environmental Protection Agency (EPA) has published a proposed rule that visibility impairment reasonably can be attributed to NGS emissions of sulfur dioxide (SO<sub>2</sub>).

While we recognize the Grand Canyon's significance as a natural treasure, we are concerned that the EPA rule is based on a National Park Service draft report which, because of flawed methods and inappropriate analytical techniques, provided unvalidated conclusions.

The Park Service report draws data from a six-week Winter Haze Intensive Tracer Experiment (WHITEX) study, in which we participated. The study

## AIR QUALITY

evaluated the use of a gas tracer only as a means of tracking emission sources. It never was intended to identify and quantify sources of visibility impairment.

Using independent researchers, we are conducting a separate \$12 million study to quantify NGS' contribution to Grand Canyon haze. The EPA was asked to participate in this study, but declined. It has, however, agreed to consider the results in evaluating the need to install additional pollution control equipment.

Our study, designed with input from the country's top atmospheric scientists, includes:

- 26 monitoring stations
- four identifiable chemical tracers to track direction and age of emissions
- ground-level and upper-air sampling and monitoring to characterize the atmosphere
- extensive local and regional-scale meteorological assessment.

Currently, the National Academy of Sciences is conducting a critical review of the Park Service report and other atmospheric research to determine if the methods used support the conclusions.

Should it be determined that NGS is a significant contributor to canyon visibility impairment, we are prepared to take the necessary remedial actions.

Our concern for air quality extends to the outset of NGS. We have burned coal with a very low average sulfur content, about one-half of one percent, since the first unit became operational in 1974. This allows NGS to be within state limits for SO<sub>2</sub> emissions and meet federal new source performance standards established while the plant was under construction.

We've demonstrated that our concern regarding SO<sub>2</sub> emissions goes beyond just burning clean coal. During the past 16 years we willingly participated in nine different studies to determine NGS' regional environmental effects.

Conducted 1978-1980, the Visibility Impairment due to Sulfur Transport and Transformation in the Atmosphere study concluded that the majority of Grand

Canyon haze originates to the west and southwest of the canyon.

Other studies in which we have or are participating include:

- Zero Emissions Regional Observation
- SO<sub>2</sub> Field Monitoring Project
- Source Emission And Plume Characterization.

### New Coal Technology Burns For A Cleaner Tomorrow

We recognize that innovations in coal-fired electrical generation technology require work force and monetary commitments.

We participate in a technical advisory for a large-scale atmospheric fluidized-bed combustion (AFBC) project at Colorado-Ute Electric Association's Nucla, Colo., generating station. Our contributions have included more than \$50,000 and the loan of two engineers on a full-time basis.

AFBC technology offers a potentially economical alternative for reducing air pollution in that it reduces SO<sub>2</sub> and nitrogen oxide emissions. It also allows for using alternative fuels, including refuse-derived waste products.

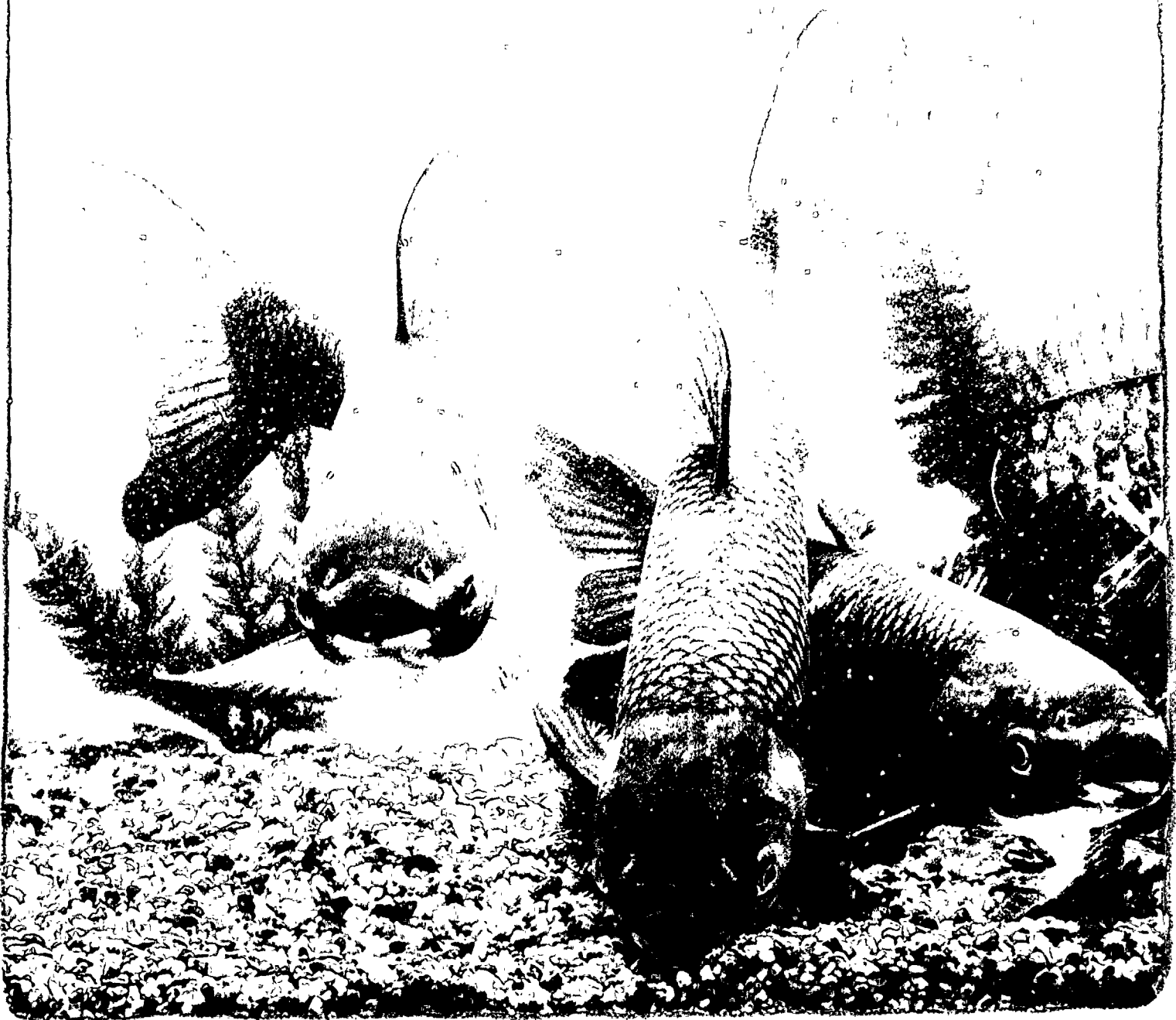
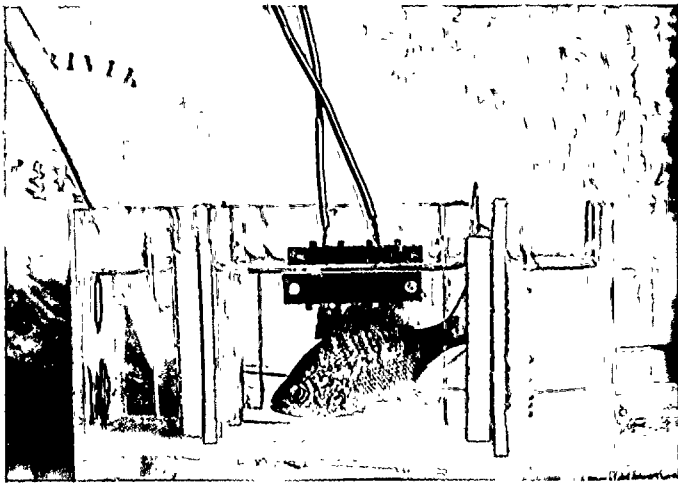
### Fewer Vehicles Drive Cleaner Air

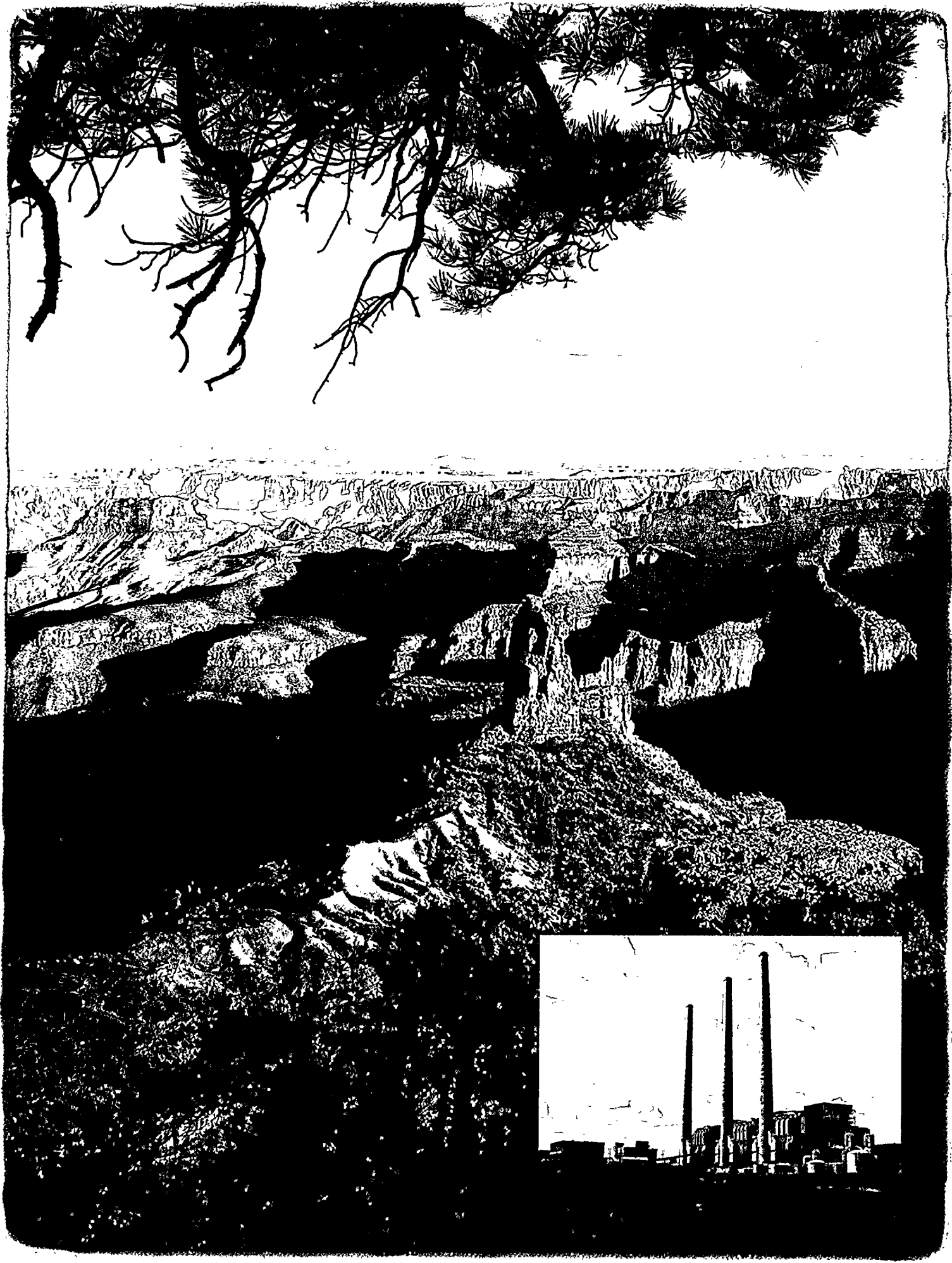
Metropolitan Phoenix continues to experience significant air quality problems, exceeding federal carbon monoxide standards on numerous days during winter months.

Automobiles are major contributors to this problem. To address the problem, we are involved in a countywide plan to reduce miles traveled and commuter trips by single occupant vehicles.

Our employees are encouraged to rideshare. We offer access to two computer databases of individuals looking for rideshare partners. Other alternative transportation methods we subsidize or support are vanpooling, bicycling and mass transit use.

In the case of a personal emergency or approved emergency overtime, employees using these alternatives are guaranteed a ride home from work.







**W**e hold to the rational use of natural resources to achieve the greatest good for the largest number of people for the longest period of time."

More than just rhetoric, this phrase from our environmental policy is part of our daily operations.

Key to the success of Arizona's Salt River Valley has been a dependable water supply. Originally used primarily for crop irrigation, today more than 60 percent of the water delivered by SRP is for domestic consumption.

However, we believe there's more to it than just delivering enough water to meet the needs of thirsty Arizonans. We strive to ensure that water delivered is of sufficient quality, and that we make best use of the water we have.

### **Laboratory Ensures Adequate Quality Water Supply**

Our Environmental Laboratory is licensed by Arizona's Department of Health Services. This certifies our capability to perform complex analytical tests of our water supplies. Data determined through the testing helps us identify potential water quality problems, and supports our goal of providing adequate quality water.

We have monitored our water storage and distribution system for more than 50 years. In the past, we focused more on assessing the water in regard to agricultural uses. Today, we work to ensure an adequate water supply for all of our customers.

We monitor water on our watershed, in our canals and from our groundwater wells. Monitoring permits us to detect pollution sources, allowing for assessment and remediation of potential water quality problems.

### **Real-Time Water Quality Monitoring Provides Checks**

In cooperation with the cities of Chandler, Phoenix and Tempe, we constructed a real-time water quality

## **WATER QUALITY**

monitoring station prototype on the Arizona Canal. On a 24-hour basis, this facility samples and tests water being delivered through the canal.

Physiochemical elements of the water including pH, temperature and turbidity are measured by sensors.

A fully automated biological monitor, which measures breathing patterns of juvenile bluegill fish, provides early warning of potential contamination events. Should a contamination event occur, or the sensors exceed a preset range, this information will be radioed to our water control center and to water treatment plants downstream.

Information gained from our first station will be used to develop stations throughout our water distribution system.

### **Nature To Control Nature**

Uncontrolled, algae and weeds within our canals could consume up to 45 percent of the water we deliver annually. In our quest for better ways to maintain the canals, we're beginning to use triploid white amur fish instead of herbicides.

Bred specifically for weed control, white amur can eat their own weight daily in aquatic weeds.

In our test program, which we began in 1989, we placed 1,788 of the fish in nine miles of our Tempe and New Crosscut canals. The results have been outstanding, helping us realize a \$152,152 savings in canal weed control costs, and all without adding chemicals to the water.

### **Nature's Water Storage Facility**

In years of low precipitation and runoff, groundwater can be an important factor in meeting the water needs of Valley residents. During periods of above-normal precipitation and runoff, water can be lost because of a lack of storage space. Additionally, demand for water varies seasonally.

When we combined these simple facts, we determined that there had to be a way to resolve the dilemma — use natural water storage areas beneath the ground. We are experimenting with two

types of groundwater recharge, which means placing surface water into an underground aquifer.

Our Granite Reef Underground Storage and Recovery Project is a joint effort among SRP, the Salt River Pima-Maricopa Indian Community and the cities of Chandler, Gilbert, Mesa, Phoenix, Scottsdale and Tempe.

Still in the testing and permitting stages, the project calls for recharging up to 200,000 acre-feet (af) of water through the normally dry Salt River bed below our Granite Reef Diversion Dam. Water would be directed through a network of berms to permit increased infiltration into the underground aquifer.

Our efforts also include a well injection experiment in which we recharge groundwater supplies by pumping on-site treated surface water into the ground through one of our wells.

This artificial groundwater recharge allows storage of excess surface water, delivered by canal, in an environment which reduces evaporation loss.

We estimate that this technology will enable us to store up to 60,000 af of water in 150 of our wells, enough to meet the annual needs of 40,000 families.

### **Water Conservation Program For McDonnell Douglas**

We're working with McDonnell Douglas Helicopter Co. to develop water conservation programs at its manufacturing plant in Mesa.

Our preliminary program entails using groundwater from an existing well at the plant site to cool the facility. Groundwater replaces more costly, treated drinking water from the city of Mesa.

Untreated well water is pumped into the plant's cooling towers and passed through heat exchangers to cool the plant. It is returned to the well where the temperature cools, lessening the potential for evaporation.

Our conservation program recharges the groundwater supply and negates the need to dispose of normally resulting waste water.

**W**e have a  
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present and future generations."

## LAND QUALITY

This phrase from our environmental policy exemplifies our company for SRP has played a major role in the development of the Salt River Valley. We've seen it grow from a predominantly agricultural community to a thriving metropolis. Farm fields have given way to homes, populations have increased, and city boundaries have edged further into the surrounding desert.

While this growth has been beneficial in many ways, we also realize the importance of preserving the integrity of open natural areas and their inhabitants.

### Recycling Programs Save More Than Dollars

To operate our company, we were producing 250 tons a month of solid waste, enough garbage to fill 825 cubic yards of landfill space. And, we were spending \$16,000 per month to haul away what was considered merely trash.

Upon further review, we realized that an office paper recycling program could not only save money, but also reduce the amount of landfill space required. At the same time we could save thousands of trees per year. For every ton of paper we recycle, we could save 3.3 cubic yards of landfill space and 17 trees.

Early this fiscal year we instituted a pilot program to include office paper with our existing computer paper recycling project and found it to be very successful. During the year, we removed from the waste stream 432,430 pounds of paper products. This resulted in approximately \$25,600 in revenues alone.

Metal and wood products have been recycled at SRP for many years. In fiscal year 1989-90, we returned about 2,362 tons of metal products, and almost 160,000 feet of wood poles and 340 wooden reels for recycling. These figures

represent additional income of approximately \$976,000.

### One Company's Ash Is Another Company's Treasure

Fly ash, the powdery flue dust residue from coal burned in our steam generating units, continues to be disposed of in an environmentally sound way.

Left uncaptured, some 1,330 tons of fly ash per day could leave our coal-fired Navajo Generating Station stacks and enter uncontrolled into the environment. But electrostatic precipitators at our Navajo and Coronado generating stations reclaim 99.5 percent and 99.8 percent, respectively, of the ash for safe disposal.

We sell fly ash to concrete manufacturers. Used in concrete, it improves workability and increases strength. More importantly, it provides for an environmentally safe use of the fly ash and reduces the amount of natural resources used in concrete production.

In 1984, the U.S. Environmental Protection Agency issued guidelines giving preference to federal construction job bids that included the use of fly ash.

### Cleanup Programs Capture Communities' Commitment

Community involvement and cleanup programs long have been the SRP way. We recently joined more than 4,300 Page citizens in celebrating the 10th anniversary of the Page Attacks Trash cleanup (PAT). This year's campaign bagged and properly disposed of more than 180 tons of trash.

As one of the originators of the cleanup program, we took great pride when in 1989 President George Bush proclaimed PAT as his 85th "Daily Point of Light." Points of Light are individuals or initiatives exemplifying Bush's commitment to making community service central to the life of every American.

We annually sponsor several cleanups. Many this year were held in conjunction with Earth Day. At the Fowler School Cleanup more than 400 participants collected approximately 300 tons of trash.

We also sponsor and participate in these community programs: Lower Salt River Cleanup, Phoenix North and South Mountain Preserve Cleanup, Take Pride In Scottsdale and Tolleson Community Pride Day.

### E-One Exposition Promotes Environmental Concern

This past fiscal year we joined the Valley Forward Association as partners in sponsoring E-One, the state's first environmental exposition. National in scope, the event was designed to promote environmental education and provide entertainment.

More than 5,000 people attended the two-day event. It featured 84 booths from 77 exhibitors ranging from recycling companies and waste management firms to the Arizona Humane Society and the Maricopa Audubon Society.

In conjunction with E-One we held our 11th annual Energy Fair for children grades K through 12. This year's theme was "Energy and the Environment" and we presented \$4,135 in awards, including a \$1,000 grand prize. More than 200 students participated in this year's fair, making it the state's second-largest event of its kind.

### SRP Supports Bald Eagles

We are a member of the Southwestern Bald Eagle Management Committee, a consortium dedicated to the study and conservation of bald eagles in Arizona. A symbol of freedom in the United States, the bald eagle, unfortunately, had nearly vanished from Arizona.

Arizona now serves as habitat for more than 20 breeding pairs of bald eagles. With our help, the committee's nest watch program ensures that remaining desert bald eagles are free from harassment during the crucial nesting season.

Our efforts were recognized when we received the U.S. Fish & Wildlife Service Director's Outstanding Contribution Award for our involvement with the committee.



## POWER

The 1920s and 1930s saw continued transformation of the Salt River Valley, with modernization of its cities. During this time, Valley farmers sought the same electric service private utility companies provided city residents.

Private utilities found it too expensive to build distribution lines to serve those rural customers. To meet the farmers' demands for electric service, SRP began to build lines to supply those customers.

This was the beginnings of the Salt River Project Agricultural Improvement and Power District, which was formed in 1937 after passage of enabling legislation by the Arizona Legislature. By 1947, the District had only 12,400 electric customers. Today, we serve the electrical needs of more than 520,000 residential, commercial, industrial, mining and agricultural customers.

### A Year of Records, Outages and Changes

At 6 p.m., July 19, 1989, our power customers set a new peak demand of 3,289,000 kilowatts. To meet this demand, we relied on our coal-fired, Valley and hydroelectric generating stations, and selected power purchases.

Optimal performance of our facilities was paramount to our meeting demand.

Throughout the year we experienced stellar performances by our generating facilities. The Navajo Generating Station achieved its highest annual output since 1982. Similarly, Coronado Generating Station (CGS) produced its highest level of annual output since 1986.

Our three Valley generating stations continued to improve their performance, posting nearly a 1 percent improvement in fuel efficiency.

During the early 1970s, we became a participant in the Palo Verde Nuclear Generating Station (PVNGS), located 50 miles west of Phoenix, to provide power to our rapidly growing customer base. We now own 17.49 percent of the plant, which includes three 1,270 megawatt (MW) electric generating units and is managed by Arizona Public Service Co.

In 1988, Unit III set an industry performance record for the longest continuous run—the greatest number of days on line—by an American manufactured nuclear plant in the world during its first year of operation. However, the performance of PVNGS has not been as reliable since then.

Toward the end of 1988, operational problems started to become apparent. The Nuclear Regulatory Commission (NRC) expressed concerns regarding operations and indicated a need to strengthen the nuclear management team.

1989 was a year of continued operating problems and a year for major changes at Palo Verde.

Unit I shut down on March 5, 1989, and subsequently entered a scheduled refueling outage in April of that year. It returned to service in July 1990. In addition to the refueling, a significant amount of backlogged work and other corrective actions had to be completed during the outage before the NRC

would approve restart of the unit.

Unit II was shut down in February 1990 for its second scheduled refueling and also returned to service in July. Unit III was in an extended refueling outage from March 1989 to January 1990. Like Unit I, a significant amount of additional work had to be done during the outage.

During 1989, APS strengthened the PVNGS management team through changing or adding approximately 20 management positions, including the executive in charge of the facility. This new management team implemented numerous programs to address identified shortcomings at the plant.

While much remains to be accomplished, we believe that APS has turned the corner and is moving in the right direction to demonstrate that PVNGS is a safe plant, capable of achieving high production performance.

### Expanding To Meet Demand

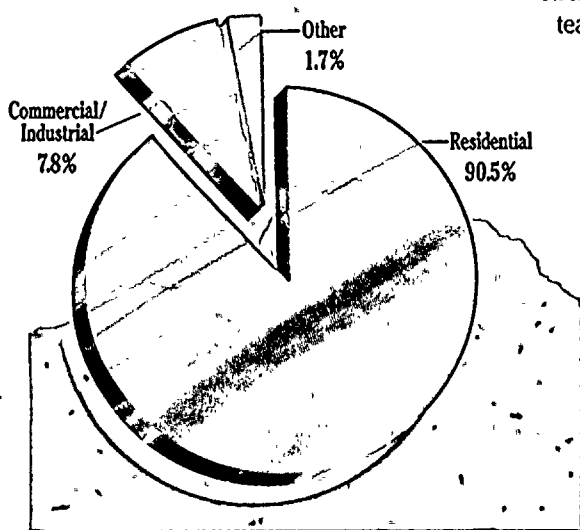
While the explosive new customer growth we experienced in the mid-1980s has slowed, we still grew by more than 7,400 customers. Many of our new customers located in outlying areas of our service territory, which requires us to continually expand our facilities.

During 1989-90 we installed approximately 289 miles of overhead and underground distribution lines. Our transmission system also expanded with 40 miles of new 69 kilovolt (kV) lines and 30 miles of 230 kV lines. Four new distribution stations were constructed to meet customer demand and seven existing substations were modified for added capacity.

### Demand-Side Marketing Targets Customers' Needs

A rapidly changing and increasingly competitive utility industry requires us to look at new ways to meet our markets' needs. We now find it effective to influence how our customers use our product rather than just to build generating capacity to meet demand.

Electric Customers



This concept of demand-side management benefits our financial position and our operating economics. Just as important, it produces increased customer satisfaction.

Our larger customers are looking at alternatives to our services such as cogeneration, other forms of self-generation and wheeling, that is, using one utility's transmission lines to deliver power purchased from another utility. Many customers also have the choice of natural gas for certain functions.

In response to these competitive influences, we developed a long-term, demand-side marketing program designed to improve levels of customer service and produce cost savings for us and our customers. Our plan will reduce our peak demand and improve our system load factor by encouraging energy usage during off-peak periods.

Critical to the success of our plan is the implementation of services that provide customers with tangible benefits. One such service is our Climate Crafted Home program.

Climate Crafted homes are less expensive to heat and cool than conventional total-electric or dual-energy homes. To qualify as Climate Crafted, subdivisions must meet only two criteria: the homes must be total-electric and they must meet our energy efficiency standard.

With support of the mortgage lending industry, our program also features the Home Stretch Mortgage. It allows buyers to qualify for loans as much as 7 percent larger than for non-Climate Crafted homes because of the lower utility bills.

Other services in our plan include Electric Savings Time rates for both residential and commercial customers; the Cash Back Program for residential customers who install high efficiency heat pumps; the Commercial Efficient Lighting Program, which provides cash incentives for installation of energy-efficient lighting equipment; and the Thermal Energy Storage Rebate Program, which offers

financial incentives for installing load-shifting cool storage systems.

### Continuing Our Customer Service Tradition

Quality customer service long has been our commitment. We work hard to develop and maintain quality relationships with our customers. To do so, we must understand and meet our customers' needs in a competent and caring manner.

Substantial improvements in cooperation among areas within the company were made in our corporate reorganization to provide enhanced customer service. We developed a Single Point of Contact program for our external customers through which they promptly can receive answers and resolve problems.

Other improvements to our Customer Services effort include installation of a new telephone system at our Customer Telephone Center to better handle customer calls, and the implementation of an electronic, hand-held meter reading device system.

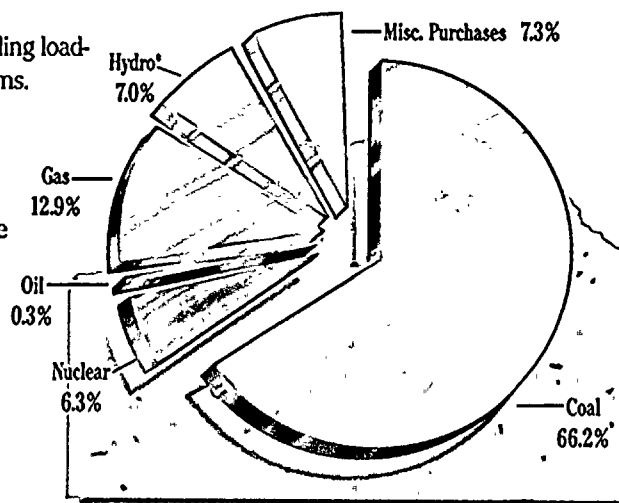
With the new hand-held device, we have increased our meter readers' accuracy and productivity. It also allowed meter readers to reprogram the meters of our 25,000 Electric Savings Time customers, and we avoided a very costly program of changing out the meters.

### Kyrene And CGS Celebrate Anniversaries

Two of our generating stations celebrated significant anniversaries this past year. CGS, a coal-fired plant near St. Johns, recognized its 10th anniversary. The 700 MW facility is one of the most environmentally sound, coal-fired generating stations in the United States.

Approximately 30 percent of the

### Fuel Sources



\*Includes hydro purchases

plant's \$700 million cost was spent for environmental protection equipment. Devices installed include scrubbers, electrostatic precipitators and emission monitors, each designed to reduce the plant's environmental impact.

Kyrene Generating Station, in Tempe, celebrated its 35th anniversary. With six dual-fuel generating units, the 300 MW facility today is used primarily as a back-up station during times when extra power is needed. Our crews ensure that Kyrene is ready to operate at any time to meet customer demand.

### Fence Lake Project Continues

An affordable supply of clean coal is necessary for the continued operation of CGS. We are continuing efforts to secure a federal coal lease and mining permits for our Fence Lake, N.M., coal development project.

The Fence Lake site could yield more than 100 million tons of coal which burns well in CGS' two 350 MW units. The coal has a 0.66 percent sulfur content, which meets our strict environmental standards.

We currently hold lease rights for 11,000 acres at the site, 43 miles east of CGS, and we are applying to lease an adjacent 6,840 acres of federal land. Our efforts also include identifying the most economical and efficient means to mine and transport the coal.

## WATER

In 1903, the Salt River Valley Water Users' Association was incorporated to ensure that available water could be stored and distributed equitably to its members. Eighty-seven years later, the Salt River Project still is working to meet the water needs of Valley residents, operating dams, maintaining the water distribution system and helping to ensure water quality.

### Dry Conditions Return To Arizona

After several years of abundant rainfall and runoff, dry conditions returned to the 13,000-square-mile Salt and Verde river watershed (a natural drainage area into the two rivers). Runoff from the watershed during 1989 was 62 percent of normal, while watershed precipitation totaled 71 percent of normal.

Through careful planning and use of our extensive system of groundwater wells, SRP has allowed metropolitan Phoenix area residents to avoid the immediate threats of drought recently experienced by residents of other states.

We manage the water from the Salt and Verde rivers, which is stored behind six dams and released as needed. Water is distributed through 133 miles of main canals and 1,132 miles of laterals, which branch off the main canals to deliver water to users.

Eight cities receive much of the water, treat it and deliver it to Valley residents. We also provide water for irrigation purposes to farmers and certain urban irrigators.

We began calendar year 1989 with 1,598,526 acre-feet (af) in our six reservoirs. (An acre-foot is enough water

to cover one acre of land to a depth of one foot, or approximately 325,850 gallons.)

Inflows to SRP's six reservoirs during 1989 totaled 454,471 af, which was 682,256 af less than 1988. This was the least amount of runoff we have received since 1977.

As a result, we ended 1989 with 990,838 af of water in storage, which is 23 percent below normal and 49 percent of capacity. Total Project water supplied to the Valley in 1989 was 1,062,241 af. Of that total, 1,001,252 af was surface water and 60,989 af was groundwater.

After losses to evaporation, seepage and other factors, we delivered 939,921 af in 1989 to users, compared to 951,693 in 1988. Of the deliveries, 450,557 af went for non-agricultural uses including municipal and industrial contracts, parks,

churches, schools and residential irrigation. Agricultural accounts received 286,676 af while 58,106 af were used for decreed deliveries including Indian reservations. Off-Project and non-member deliveries totaled 144,582 af.

Interestingly, SRP witnessed a net return of 114 acres to agricultural use from urban in 1989. This is a reverse from the trend set for the past few years. In 1988, 2,070 acres were transferred to urban use from agricultural uses, and in 1987, 3,501 acres were converted to urban use.

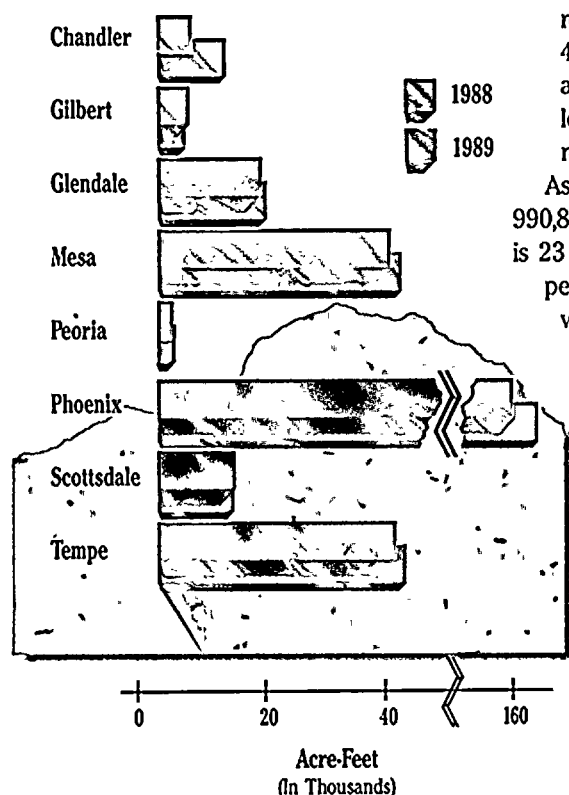
### Groundwater: A Vital Resource To Be Managed

Pumped groundwater played a role in SRP meeting customer demand in 1989, with a 16 percent increase in the number of acre-feet of water pumped compared to 1988. And it is expected to play a very significant role in 1990. We estimate that it will be necessary to pump more than 300,000 af of groundwater to meet demand in 1990.

A major concern for SRP and our customers is the Arizona Groundwater Management Act. SRP developed recommended revisions of the act that would allow for more accurate measurement of groundwater withdrawals, for development of a methodology that provides incentives for use of alternative supplies and to facilitate improved accounting requirements for all users.

In serving our customers, SRP developed and mailed information to all shareholders having certified groundwater rights. Our communications provided water-use information pertaining to each certificate, which shareholders could use to react to water allocations assigned by the Arizona Department of Water Resources for its Second Groundwater Management Plan.

Domestic Water Deliveries





## FINANCIAL PERFORMANCE

The past few years brought about many changes in the electric utility industry. Mergers and acquisitions have become commonplace and the industry as a whole is more competitive in nature. We underwent a corporate reorganization in 1988-89 to prepare our company for new financial and operational challenges. Our mission is to be the low-cost supplier among our competitors of high-value energy and water services.

### **New Labor Agreement Signed**

In November, we reached a new labor agreement with the International Brotherhood of Electrical Workers Local Union 266. The union represents clerical, shop and field workers at SRP. Effective through Nov. 15, 1992, the three-year contract includes wage adjustments.

### **Rate Increase Approved**

Our first rate increase in two and one-half years was approved by SRP's Board of Directors and became effective May 15. The overall 7.5 percent increase was within our financial plan parameters, which call for rate increases, when combined with adjustments to the fuel escalator, to not exceed the compound rate of inflation over time. This increase originally was scheduled for Oct. 15, 1989, but was delayed because of anticipated savings from our reorganization.

### **Revenues Pass \$1 Billion Mark**

We once again passed the billion dollar mark, with combined operating revenues this fiscal year of \$1.12 billion. This is a 6 percent increase compared to 1988-89 revenues of \$1.06 billion. However, 1989-90 net revenues were \$25 million less than those of 1988-89. This year we experienced a net loss of \$13.2 million, while in 1988-89 we realized \$11.8 million in net revenues.

While many factors contributed to this loss, the largest single influence was the Palo Verde Nuclear Generating Station outages. These outages resulted in operations and maintenance expenses \$16.8 million more than budgeted, and

\$23.8 million more than in 1988-89.

Our average customer count increased by 11,355 or 2.2 percent compared to 1988-89 figures. More customers, plus warmer temperatures during peak summer months resulted in an electric revenues increase of \$58.1 million.

### **Internal Indicators Relatively Strong Despite Palo Verde**

Our six-year financial plan includes several internal indicators to measure our financial viability. They include Debt Service Coverage Ratio, Funds Available for Corporate Purposes (FACP) and our Debt Ratio. Despite the financial impact of Palo Verde's outages, these measures indicate that we are financially healthy.

For 1989-90, our Debt Service Coverage Ratio was 1.85, close to the budgeted amount of 1.86 and better than our plan goal of not less than 1.80.

FACP, the cash basis bottom line from operations, was \$122 million for 1989-90, a strong figure despite the accrual basis net operating loss. While 1989-90 FACP is lower than the 1988-89 amount, it was \$2 million better than we budgeted.

Our Debt Ratio, targeted in our financial plan to be 75 percent or less, was 71.4 percent at the end of the year.

### **Reorganization Savings Help Offset Unexpected Expenses**

Through our reorganization we have eliminated 603 positions to date, with 71 more reductions to occur through attrition or scheduled cutbacks.

While any reorganization involving personnel reductions is very painful, we believe that SRP is in better position now to address the future. In addition, savings from our reorganization, estimated to be \$29.4 million this year, improve our ability to cope with future financial challenges.

We experienced a challenge this year with the accrual of \$8 million in unexpected expenses. The expenses resulted from the proposed settlement of a lawsuit determining the validity of our method of compensating certain

Association shareholders served electricity by Arizona Public Service Co. (APS). Of that amount, \$5.7 million relates to prior years, and is shown on our Combined Statements of Net Revenues as an Unusual Item. The remaining \$2.3 million relates to this fiscal year.

We compensate for cost differentials between what shareholders' electric bills would be if served by SRP and what they are paying to APS when its residential electric rates are 15 percent or more higher than ours.

This \$8 million in unexpected expenses and the additional costs from Palo Verde's outages were not in our original budget. Our situation would have been more difficult if we had not realized the savings from our reorganization.

### **Capital Expenditures Include NGS Contingency**

Our six-year financial plan projects direct capital expenditures of \$2.1 billion through 1996. These include contingencies to meet specific needs, if they arise. The most notable is a \$116.2 million contingency for our portion of the costs of additional pollution control equipment at our Navajo Generating Station (NGS). A definitive study is underway to determine if NGS is a significant contributor to Grand Canyon haze and if installation of additional equipment is warranted.

The \$2.1 billion also includes a general contingency of \$173.9 million.

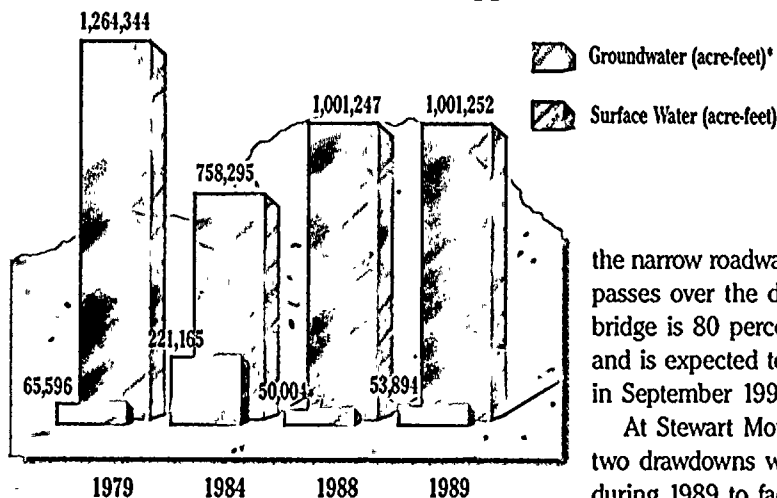
### **Bond Sales Represent Source for Future Growth**

We issue tax-exempt electric system revenue bonds to finance the construction and equipment necessary to provide power to our service area. During this past year we had two bond sales, \$22 million in minibonds at 7.15 percent in December and \$100 million in revenue bonds at 7.35 percent in February.

Both sales were rated AA and Aa by Standard & Poor's Corporation and Moody's Investors Service, respectively.



## Surface Water vs Groundwater Supplies



\*Groundwater supply pumped by SRP

### Regional Service Centers Allow For Improved Customer Service

To better serve our water customers, we reshaped portions of SRP's Water Group. The three new departments — Southside, Central and Northside Water Service Centers — resulted from the merger of Water Operations and Water Construction & Maintenance functions.

These new service centers locate employees near the areas they serve and increase work efficiency.

### Plan 6 Work Continues on the Salt River System

We continue to support the U.S. Bureau of Reclamation's (USBR) efforts to complete Plan 6 construction activities at Theodore Roosevelt Dam and Stewart Mountain Dam on the Salt River.

Plan 6 is the flood control and water storage feature of the Central Arizona Project (CAP). Approved in 1984, Plan 6 is Arizona's alternative to the controversial Orme Dam, proposed to be built below the confluence of the Salt and Verde rivers.

Planning continues for modifications to Roosevelt Dam, which include increasing the height by 77 feet, revamping the spillways and constructing a river outlet works in the dam's left abutment. The Arizona Department of Transportation (ADOT) is constructing a suspended-arch bridge over the lake to replace

the narrow roadway which now passes over the dam. The bridge is 80 percent complete and is expected to be finished in September 1990.

At Stewart Mountain Dam, two drawdowns were required during 1989 to facilitate repair work on the dam. Work is 80 percent complete, and the

project is scheduled to conclude in August 1991. Modifications to the dam include a new spillway, increased height of the dam, drainage of the foundation and grouting, power plant protection, penstock replacement and post-tensioned steel tendons.

### CAP/SRP Interconnection Agreement Signed

During the year, we signed an intergovernmental agreement with eight cities for joint participation in the construction, operation and maintenance of the CAP/SRP Interconnection Facility.

The facility allows CAP water to be diverted three ways: into the Arizona Canal, for distribution to water users north of the Salt River; into the South Canal, for distribution to water users south of the Salt River; and into the Salt River bed for groundwater recharge.

### SRP Negotiates CAP Water Transportation Agreements

Negotiations are under way with the Arizona Municipal Water Users' Association (AMWUA) for SRP to transport AMWUA-member city water. We propose using our transmission system to deliver the cities' CAP water allotments and water from the new conservation storage space planned behind the enlarged Roosevelt Dam.

### Valley Growth Results In New Construction Projects

We have been actively involved in numerous construction projects resulting from the Valley's rapid growth. From the planning and engineering functions, to completing actual construction, SRP employees have played key roles. We continue to successfully coordinate ADOT's aggressive Urban Highways construction program with its effects on our water transmission and distribution facilities.

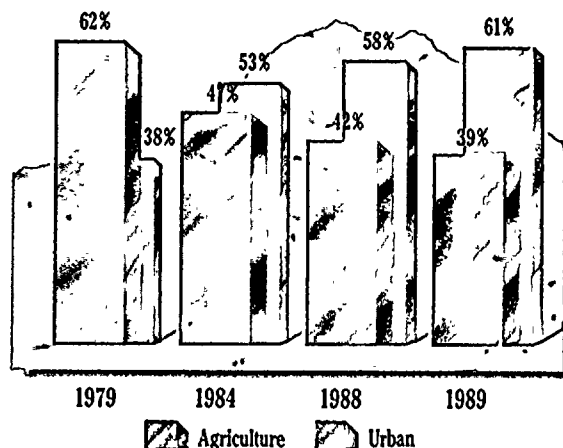
Construction of the Price Road Freeway necessitates the relocation of part of the Tempe Canal into two, 10-foot diameter underground pipelines. This is SRP's largest underground canal project.

ADOT's Hohokam Freeway project requires the relocation and expansion of SRP's Old Crosscut Canal, from a 2,000 cubic feet per second (cfs) channel to a 4,100 cfs flood control facility.

Construction projects performed by our crews included:

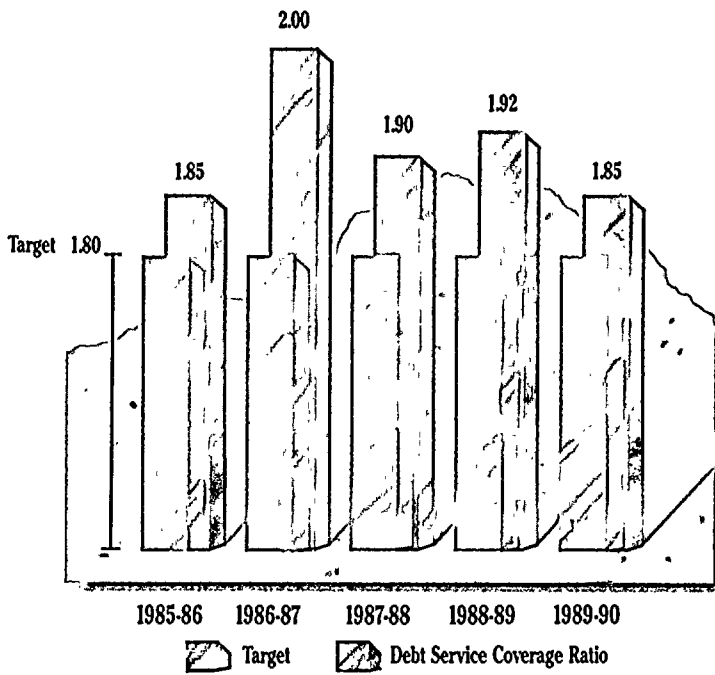
- multi-structures for the inlet and outlet of Tempe Canal pipelines
- a 670-by-110 foot sedimentation basin for Tempe Canal pipelines
- a bypass of the Western Canal
- relocation of the Grand Canal and 1,600 feet of new canal
- relocation of a well site.

### Agricultural vs Urban Water Deliveries

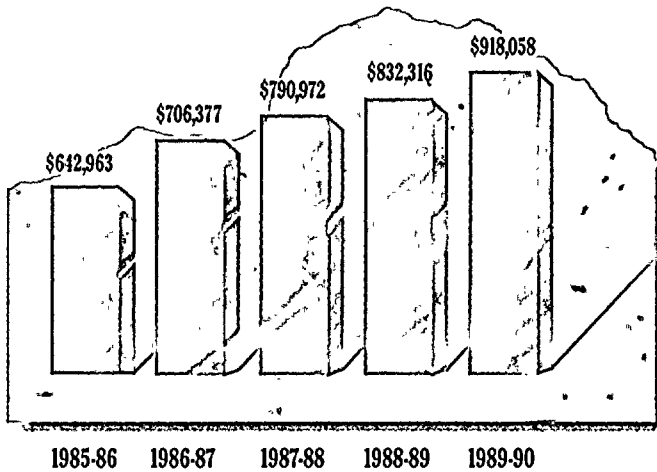




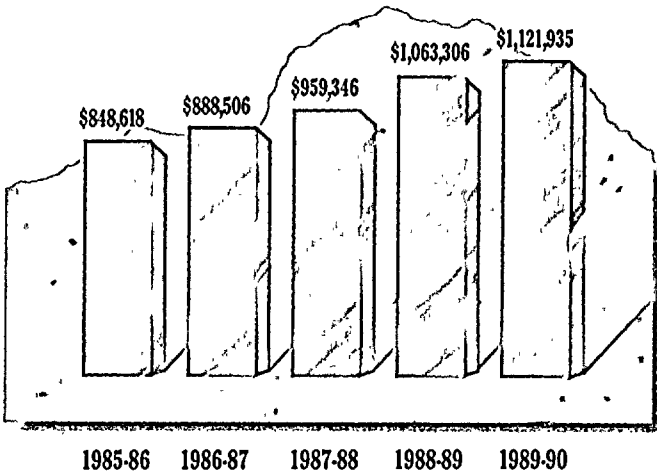
### Debt Service Coverage Ratio



### Total Operating Expenses



### Total Operating Revenues



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# STATISTICAL REVIEW

(thousands of dollars)	12 Months Ended April 30			12 Months Ended December 31
	1990	1989	1984	1979
<i>Project General</i>				
Operating revenues	\$1,121,935	\$1,063,306	\$683,993	\$417,789
Electric	1,113,184	1,055,042	678,698	413,066
Water and irrigation	8,751	8,264	5,295	4,723
Operating expenses	918,058	832,316	484,728	291,610
Other income	30,622	4,571	17,872	(574)
Net financing costs	247,691	223,798	28,961	25,170
Net revenues (loss)	(13,192)	11,763	188,176	100,435
Additions to plant, excluding allowances for funds used during construction	238,014	341,617	298,669	394,728
Utility plant, gross	5,712,380	5,560,160	3,777,893	2,355,783
Contributions of electric revenues to support water operations	33,850	34,069	12,094	6,183
Taxes and tax equivalents	138,609	125,171	67,745	42,859
Employees at year end	5,055*	5,599	5,434	4,197

\*Does not include temporary employees.

	1989	1988	1984	1979
<i>Water*</i>				
Total storage and pumping capacity (acre-feet)	2,886,832	2,880,369	2,853,519	2,858,261
Storage capacity (six reservoirs)	2,019,102	2,019,102	2,019,102	2,063,948
Installed pumping capacity	867,730	861,267	834,417	794,313
Water in storage Jan. 1 (acre-feet)	1,598,526	1,624,272	1,717,407	1,839,399
Project storage only	1,325,684	1,391,376	1,455,375	1,548,741
Runoff (acre-feet)	454,471**	1,136,727	1,100,100	2,402,641
Water in storage Dec. 31 (acre-feet)	990,838	1,598,989	1,781,671	1,563,309
Project storage	768,728	1,329,773	1,543,571	1,290,971
Sources of water for deliveries (acre-feet)	1,062,241	1,053,717	999,979	1,338,008
Gravity supply	1,001,252**	1,001,247	758,295	1,264,344
Groundwater supply (pumping by SRP)	53,894	50,004	221,165	65,596
Groundwater supply (pumping by others)	7,095	2,466	20,519	8,068
Use of water (acre-feet)	939,921	951,693	881,501	1,100,467
Agricultural	286,676	311,338	353,916	535,046
Urban	450,557	428,146	393,851	334,309
City domestic	330,854	313,997	281,439	222,098
Subdivision irrigation	66,386	62,669	61,019	55,063
Other non-agricultural irrigation (schools, parks, churches, etc.)	53,317	51,480	51,394	57,148
Decreed deliveries	58,106	54,537	51,704	64,505
Contract deliveries	144,582	157,673	84,942	120,854
Seepage and evapotranspiration	122,320	102,024	126,842	286,761
Canals, total (miles)	133	133	132	131
Lined	101	96	72	64
Laterals, total (miles)	912	907	890	880
Lined and piped	830	817	777	740
Drainage and waste ditches (miles)	230	232	240	247
Lined and piped	90	88	75	58
Assessed area (acres)	238,400	238,266	238,171	238,221
Number of assessed accounts	181,873	182,226	181,083	174,603
Number of times water delivered to users	508,068	486,307	478,325	444,157

\*Water statistics are computed on a calendar year basis.

\*\*Based on U.S.G.S. provisional records and are subject to adjustment.

	12 Months Ended April 30		12 Months Ended December 31	
	1990	1989	1984	1979
<b>Power</b>				
Energy sources (kWh)				
Net nuclear generation	1,185,427,000	3,864,274,000	-0-	-0-
Net steam generation*	13,758,883,000	12,691,834,000	10,655,441,000	8,335,201,000
Net gas turbine generation	24,816,000	28,239,000	19,399,000	65,867,000
Net combined cycle generation	1,279,637,000	875,447,000	190,299,000	165,285,000
Net run of river generation	277,575,000	348,404,000	521,180,000	581,793,000
Pumped storage generation	44,344,000	168,280,000	206,036,000	79,674,000
Total net generation*	16,570,682,000	17,976,478,000	11,592,355,000	9,227,820,000
Purchased	1,516,600,292	1,064,999,431	2,262,454,908	2,078,926,504
Interchange received	516,820,660	273,883,905	69,424,000	182,335,000
Wheeling received	355,947,960	82,847,540	18,970,092	7,778,496
Total energy sources*	18,960,050,912	19,398,208,876	13,943,204,000	11,496,860,000
Energy disposition (kWh)**				
Residential	6,226,922,136	6,095,740,065	4,290,081,354	3,583,579,831
Commercial & Industrial	7,462,901,578	7,201,161,575	4,880,684,473	4,319,978,092
Irrigation pumping	181,530,135	276,195,168	260,180,664	195,422,631
Street & highway lighting	110,995,460	106,249,527	85,698,006	42,194,885
Public authorities	299,164,401	314,981,553	232,660,889	291,489,443
Interdepartmental	137,507,236	95,397,871	73,212,740	64,785,898
Sales for resale	2,590,193,220	3,700,213,776	2,789,722,423	1,923,770,250
Total sales	17,009,214,166	17,789,939,535	12,612,240,549	10,421,221,030
Interchange delivered	548,209,000	231,546,000	54,666,000	224,507,000
Wheeling delivered	338,359,867	243,539,088	15,450,467	7,101,769
Energy losses	995,887,045	1,059,865,370	966,513,984	728,465,201
Energy for pumped storage operation	68,382,000	234,685,000	294,333,000	115,565,000
Total disposition of energy	18,960,050,912	19,398,208,876	13,943,204,000	11,496,860,000
Peak overall power system (kW)	3,784,000	3,476,000	2,605,000	2,437,000
Date and time (MST)	July 19, 6 p.m.	July 25, 5 p.m.	Sept. 2, 6 p.m.	Sept. 5, 6 p.m.
Peak Project customers (kW)	3,289,000	3,060,000	2,260,000	1,911,000
Date and time (MST)	July 19, 6 p.m.	July 25, 5 p.m.	Aug. 31, 5 p.m.	June 27, 5 p.m.
Generating capability (kW)***				
Nuclear	642,000	641,190	-0-	-0-
Steam*	2,428,000	2,411,115	2,211,250	1,553,250
Gas turbines	397,000	393,000	393,000	393,000
Combined cycle	292,000	288,000	288,000	288,000
Hydroelectric conventional	94,000	96,400	96,400	95,000
Hydroelectric pumped storage	148,000	137,000	137,000	137,000
Total operating capability*	4,001,000	3,966,705	3,125,650	2,466,250
Contract purchase at peak	459,000	237,544	329,547	328,661
Total resources*	4,460,000	4,204,249	3,455,197	2,794,911
Electric customers — year-end**				
Residential	476,309	469,330	353,115	287,293
Commercial & Industrial	41,061	40,556	29,924	20,766
Other	8,963	9,003	8,103	1,643
Total	526,333	518,889	391,142	309,702
Average annual kWh use/residential customer**	13,171	13,184	12,535	13,038
Average annual residential revenues/kWh (cents)	8.27	8.03	7.06	5.07

\*Includes SRP participation in jointly owned projects.

\*\*Energy disposition kWh through total sales, electric customers year-end, average kWh use and average annual revenue are estimated figures.

\*\*\*Unit capabilities during summer peak.

# COMBINED BALANCE SHEETS

Salt River Project as of April 30, 1990 and 1989  
(thousands of dollars)

	1990	1989
<i>Assets</i>		
UTILITY PLANT, at historical cost (NOTES 1, 2, 3 and 4):		
Plant in service:		
Electric	\$4,652,286	\$4,587,139
Irrigation	116,523	107,119
Common	338,634	220,123
Total plant in service	5,107,443	4,914,381
Less—Accumulated depreciation on plant in service	1,266,656	1,135,244
	3,840,787	3,779,137
Plant held for future use (NOTE 6)	298,904	298,934
Construction work in progress	229,414	267,027
Nuclear fuel, net of amortization	76,619	79,818
	4,445,724	4,424,916
OTHER PROPERTY AND INVESTMENTS:		
Non-utility property and other investments	36,273	34,448
Segregated funds, net of current portion (NOTE 4)	117,892	111,656
	154,165	146,104
CURRENT ASSETS:		
Cash and temporary investments, at cost	227,317	261,855
Current portion, segregated funds (NOTE 4)	85,268	82,145
Trade and other accounts receivable, net, including unbilled revenue in 1990 (NOTE 1)	105,033	57,960
Fuel stocks, at last-in, first-out cost	51,492	86,554
Materials and supplies, at average cost	86,476	80,509
Other current assets (NOTE 5)	31,352	24,809
	586,938	593,832
DEFERRED CHARGES AND OTHER ASSETS (NOTE 4)	226,476	212,791
	\$5,413,303	\$5,377,643

The accompanying notes are an integral part of these combined balance sheets.

	1990	1989
<i>Capitalization and Liabilities</i>		
LONG-TERM DEBT (NOTE 4):		
Electric system revenue bonds, net of current portion	\$3,222,689	\$3,129,380
Commercial paper and other	380,741	375,783
	3,603,430	3,505,163
ACCUMULATED NET REVENUES:		
Balance, beginning of year	1,454,689	1,442,926
Net revenues (loss) for the year	(13,192)	11,763
Balance, end of year	1,441,497	1,454,689
TOTAL CAPITALIZATION	5,044,927	4,959,852
CURRENT LIABILITIES:		
Current portion, long-term debt (NOTE 4)	35,162	34,794
Accounts payable	68,664	93,076
Accrued taxes and tax equivalents	57,662	45,477
Accrued interest	76,523	74,425
Customers' deposits	26,945	23,765
Other current liabilities	34,278	25,429
Accrued reorganization costs (NOTE 9)	5,235	31,613
Accrued plant deferral costs, current portion (NOTE 6)	1,523	25,448
	305,992	354,027
DEFERRED CREDITS AND OTHER NON-CURRENT LIABILITIES (NOTES 6 and 7)	62,384	63,764
COMMITMENTS AND CONTINGENCIES (NOTES 3, 6 and 7)	—	—
	\$5,413,303	\$5,377,643

The accompanying notes are an integral part of these combined balance sheets.

# COMBINED STATEMENTS OF NET REVENUES

Salt River Project for the years ended  
April 30, 1990 and 1989 (thousands of dollars)

	1990	1989
OPERATING REVENUES (NOTE 1):		
Electric	\$ 1,113,184	\$1,055,042
Water and irrigation	8,751	8,264
Total operating revenues	1,121,935	1,063,306
OPERATING EXPENSES:		
Power purchased	30,681	15,327
Fuel used in electric generation	273,589	254,907
Other operating expenses	214,527	193,925
Maintenance	108,608	92,334
Depreciation and amortization	152,044	150,652
Taxes and tax equivalents	138,609	125,171
Total operating expenses	918,058	832,316
Net operating revenues	203,877	230,990
OTHER INCOME:		
Allowance for equity funds used during construction	578	4,694
Interest income	37,403	29,585
Other deductions, net	(14,054)	(45)
Total other income	23,927	34,234
Net revenues before financing costs	227,804	265,224
FINANCING COSTS:		
Interest on bonds	220,490	204,378
Amortization of bond discount, issue and refinancing expenses	7,254	7,005
Interest on other obligations	24,395	22,668
Less—Allowance for borrowed funds used during construction	(4,448)	(10,253)
Net financing costs	247,691	223,798
NET REVENUES (LOSS) BEFORE UNUSUAL AND EXTRAORDINARY ITEMS AND CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE	(19,887)	41,426
UNUSUAL ITEMS:		
Expenses of corporate reorganization program (NOTE 9)	(6,927)	(32,687)
Settlement of litigation (NOTE 7)	(5,700)	—
NET REVENUES (LOSS) BEFORE EXTRAORDINARY ITEM AND CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE	(32,514)	8,739
EXTRAORDINARY ITEM—Gain on extinguishment of debt (NOTE 4)	—	3,024
NET REVENUES (LOSS) BEFORE CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE	(32,514)	11,763
CUMULATIVE EFFECT ON PRIOR YEARS (TO APRIL 30, 1989) OF ACCRUING UNBILLED REVENUE (NOTE 1)	19,322	—
NET REVENUES (LOSS)	\$ (13,192)	\$ 11,763

The accompanying notes are an integral part of these combined statements.

# COMBINED STATEMENTS OF CASH FLOWS

Salt River Project for the years ended  
April 30, 1990 and 1989 (thousands of dollars)

	1990	1989
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net revenues (loss) before cumulative effect of accounting change	\$ (32,514)	\$ 11,763
Noncash items included in net revenues (loss) —		
Depreciation and amortization	152,044	150,652
Amortization of bond-related expenses	7,254	7,005
Gain on sale of plant and debt extinguishment	(959)	(4,390)
Decrease (increase) in — Fuel stocks and materials and supplies	29,095	3,616
Other assets, net	(67,367)	(19,694)
Increase (decrease) in — Accounts payable	(24,412)	13,750
Accrued taxes and tax equivalents	12,184	1,172
Accrued interest	2,098	4,044
Accrued reorganization costs	(26,378)	31,613
Other liabilities, net	22,886	2,189
Termination of coal contract	—	(59,410)
Cumulative effect of accounting change (NOTE 1)	19,322	—
<b>Net cash provided by operating activities</b>	<b>93,253</b>	<b>142,310</b>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Additions to utility plant, net of AFUDC	(238,014)	(341,617)
Allowance for funds used during construction	(5,026)	(14,947)
Additions to non-utility property	(1,825)	(4,226)
Contributions in aid of construction	28,486	40,527
Proceeds from sale of plant	6,500	2,342
<b>Net cash used by investing activities</b>	<b>(209,879)</b>	<b>(317,921)</b>
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds of bond issues	120,547	264,614
Proceeds of other long-term debt, net of repayments	4,340	22,333
Repayment of principal on bonds	(33,440)	(27,229)
Repayment of principal on U.S. debt (NOTE 5)	—	(3,859)
Increase in segregated funds	(9,359)	(16,512)
<b>Net cash provided by financing activities</b>	<b>82,088</b>	<b>239,347</b>
<b>NET INCREASE (DECREASE) IN CASH AND TEMPORARY INVESTMENTS</b>	<b>(34,538)</b>	<b>63,736</b>
<b>BALANCE AT BEGINNING OF YEAR IN CASH AND TEMPORARY INVESTMENTS</b>	<b>261,855</b>	<b>198,119</b>
<b>BALANCE AT END OF YEAR IN CASH AND TEMPORARY INVESTMENTS</b>	<b>\$ 227,317</b>	<b>\$ 261,855</b>

# NOTES TO COMBINED FINANCIAL STATEMENTS

Salt River Project  
As of April 30, 1990 and 1989

## (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

### Principles of Combination

The combined financial statements include the consolidated accounts of the Salt River Project Agricultural Improvement and Power District and its subsidiaries (the District) and the accounts of its agent, the Salt River Valley Water Users' Association (the Association), together referred to as Salt River Project (SRP). The District's subsidiaries are Papago Park Center, Inc. (PPCI), a real estate management company, and Salt River Generating Company which is currently inactive. All significant intercompany transactions have been eliminated.

### Regulation and Accounting Principles

Under Arizona law, the District's Board of Directors (the Board) serves as its regulatory and rate setting agency. The accompanying combined financial statements reflect the rate making policies of the Board and are in accordance with generally accepted accounting principles promulgated by the Financial Accounting Standards Board.

### Utility Plant, Depreciation and Maintenance

Utility plant is stated at the historical cost of construction. Construction costs include labor, materials, services purchased under contract, and allocations of indirect charges for engineering, supervision, transportation and administrative expenses.

An allowance for funds used to finance construction work in progress (AFUDC) is capitalized as a part of the electric and general plant. This allowance is deducted from net financing costs in the combined statements of net revenues and added to utility plant. Capitalization rates of 5.83 percent and 6.70 percent were used in 1990 and 1989.

Depreciation expense is computed on the straight-line basis over the estimated useful lives of the various classes of plant. Rates in effect resulted in provisions approximating 2.95 percent and 3.10 percent for 1990 and 1989, respectively, on the average cost of depreciable electric plant, and 2.49 percent and 1.46 percent for 1990 and 1989, respectively, for depreciable irrigation plant.

As of May 1, 1989, SRP prospectively revised its estimate of the useful life of various assets to more closely approximate industry standards. This change did not significantly impact combined depreciation expense.

The cost of property that is replaced, removed or abandoned, together with removal costs less salvage, is charged to accumulated depreciation.

SRP charges to maintenance expense the cost of labor, materials, and other expenses incurred in the repair and replacement of minor items of property.

### Bond Expense

Bond discount, issue and refinancing expenses are being amortized over the terms of the related bond issues.

### Electric Rates

Under Arizona law, the Board has the exclusive authority to establish electric rates. SRP is required to follow certain procedures, including public notice requirements and holding a special Board meeting, before implementing changes in standard electric rate schedules. In April 1990 the Board authorized a 7.5 percent standard rate increase to be effective May 15, 1990. The previous rates had been in effect since October 1987.

### Nuclear Fuel

Under the provisions of the Nuclear Waste Act of 1982, the District is charged one mill per kilowatt-hour (kWh) on its share

of electricity produced by Palo Verde Nuclear Generating Station (PVNGS) for the cost to dispose of the fuel.

The District amortizes the cost of nuclear fuel, including its disposal, to fuel expense on a unit of production method.

### Decommissioning

The District reserves for the cost of decommissioning PVNGS based on an outside engineer's study. The total estimate to decommission the District's share of PVNGS is \$133 million in 1989 dollars. This estimate will be reviewed and adjusted periodically. Decommissioning funds of approximately \$9,500,000 at April 30, 1990, are maintained as a segregated fund. The corresponding liability is classified in other noncurrent liabilities. Beginning in 1991, the decommissioning funds will be maintained in an external trust in accordance with new Nuclear Regulatory Commission regulations.

### Fuel Costs

The District maintains a fuel adjustment clause balancing account to adjust operating results for variations between the recorded cost of fuel and purchased power and revenue designated for recovery of such costs. At April 30, 1990, and 1989, unrecovered (overrecovered) fuel costs totalled \$18,503,000 and \$(1,328,000), respectively, and are recorded as accounts receivable and accounts payable, respectively.

### Income Taxes

The District is exempt from federal and state income taxes.

### Statement of Cash Flows

The District considers short-term temporary cash investments to be cash equivalents. Cash payments for interest were \$239,500,000 in 1990 and \$221,600,000 in 1989.

### Reclassifications

Certain 1989 amounts have been reclassified to conform to the current year presentation.

### Change in Accounting Principle

Prior to fiscal 1990, electric operating revenues were recognized when billed. In fiscal 1990, SRP began accruing estimated revenue for electricity that had been delivered to customers but had not yet been billed. This accounting change results in a better matching of revenues with expenses.

Had this accounting method been in effect during fiscal 1989, operating revenues and net revenues would have increased in 1989 by approximately \$1,500,000.

## (2) POSSESSION AND USE OF UTILITY PLANT:

The United States of America retains a paramount right or claim in SRP which arises from the original construction and operation of certain SRP facilities as a federal reclamation project. SRP's right to the possession and use of, and to all revenues produced by, these facilities is evidenced by contractual arrangements with the United States.

## (3) INTERESTS IN JOINTLY OWNED ELECTRIC UTILITY PLANTS:

The District has entered into various agreements with other electric utilities for the joint ownership of electric generating and transmission facilities. Each participating owner in these facilities must provide for the cost of its ownership share. The District's share of expenses of the jointly owned plants is included in operating expenses in the combined statements of net revenues.

The following table reflects the District's ownership interest in jointly owned electric utility plants at April 30, 1990:



Plant Name	Ownership Share	Plant In Service	Accumulated Depreciation	CWIP
(thousands of dollars)				
Four Corners (NM)	10.00%	\$85,943	\$25,702	\$7,801
Mohave (NV)	10.00	47,313	19,989	2,612
Navajo (AZ)	21.70	221,705	97,242	6,508
Hayden (CO)	50.00	67,892	30,200	250
Craig (CO)	29.00	225,688	69,831	536
Palo Verde Nuclear Generating Station (AZ)	17.49	1,583,652	174,759	18,482
		\$2,232,193	\$417,723	\$36,189

The District acts as the operating agent for the participants in the Navajo Project.

SRP retains an option to recapture up to an additional 5.7 percent interest in PVNGS which was previously sold to another participant. The recapture, which can occur no sooner than 2001, would be based on reproduction cost new less depreciation.

#### (4) LONG-TERM DEBT:

Long-term debt consists of the following:

	Interest Rate	1990	1989
(thousands of dollars)			
Revenue Bonds (mature through 2030)	4.9-11.5%	\$3,348,752	\$3,257,583
Unamortized Bond Discount		(92,718)	(95,843)
Total Revenue Bonds			
Outstanding		3,256,034	3,161,740
Commercial Paper	5.5-6.4%	375,000	375,000
Other		7,558	3,217
Total Long-Term Debt		\$3,638,592	\$3,539,957

The annual maturities of long-term debt (excluding commercial paper) as of April 30, 1990, due in the fiscal years ending April 30, are as follows:

	(thousands of dollars)
1991	\$ 35,162
1992	41,800
1993	50,767
1994	53,425
1995	57,940
Thereafter	3,117,216
	\$3,356,310

#### Revenue Bonds

Revenue bonds are secured by a pledge of, and a lien on, the revenues of the electric system after deducting operating expenses, as defined in the bond resolution. Under the terms of the bond resolution, the District is required to maintain a debt service fund for the payment of future principal and interest. Included in segregated funds is approximately \$186,249,000 and \$181,795,000 of debt service related funds as of April 30, 1990, and 1989, respectively.

The District has \$169,567,322 of Mini-Revenue Bonds outstanding which can be redeemed at the option of the bondholder under certain circumstances. These bonds have been classified as long-term in connection with refinancing terms under an available line of credit with a commercial bank.

The debt service coverage ratio, as defined in the bond resolution, is used by bond rating agencies to help evaluate the financial stability of the District. For the years ended April 30,

1990, and 1989, debt service coverage was 1.85 and 1.92, respectively.

Interest and amortization of discount on the various issues results in an effective rate of approximately 7.32 percent over the remaining terms of the bonds.

At April 30, 1990, the Project has authority to issue additional electric system revenue bonds totalling \$367,435,893 principal amount and electric system refunding revenue bonds totalling \$1,943,405,000 principal amount.

The District has defeased several issues of revenue bonds, sometimes resulting in a loss. In accordance with the Board's resolution, the losses have been deferred and are being amortized on a monthly basis over the remaining life of the refunded bonds. Included in deferred charges and other assets is \$93,660,000 and \$96,399,000 of unamortized defeasance losses, at April 30, 1990, and 1989, respectively.

#### Commercial Paper

The District has issued \$375,000,000 of tax-exempt commercial paper at an average interest rate to the District of 5.94 percent. The commercial paper matures no more than 270 days from the date of issuance and in no event after July 12, 1991. The commercial paper has been classified as long-term in connection with refinancing terms under a revolving credit agreement with a consortium of banks which supports the commercial paper. Under the terms of the Agreement, the District may borrow up to \$375,000,000 through Oct. 29, 1993.

The commercial paper is an unsecured obligation of the District.

#### General Obligation Bonds

In 1984, the District refunded its then outstanding general obligation bonds. Although the refunding constituted an in-substance defeasance of the prior lien on revenues which secured said bonds, the general obligation bonds continue to be general obligations of the District, secured by a lien upon the real property of the District, a guarantee by the Association, and the District's taxing authority. As of April 30, 1990, the amount of defeased general obligation bonds outstanding was \$93,595,000.

#### Government Debt

In fiscal year 1989, SRP extinguished approximately \$6.9 million in outstanding debt with the U. S. Bureau of Reclamation with a payment of approximately \$3.9 million. This transaction resulted in a \$3 million gain which has been reflected as an extraordinary item in the combined statements of net revenues for 1989.

#### (5) EMPLOYEE BENEFIT PLANS:

##### Defined Benefit Plan

SRP has a defined benefit plan (the Plan) covering substantially all employees. The Plan is funded entirely from SRP contributions and the income earned on invested assets. No contributions were required to be made to the Plan in fiscal years 1990 and 1989. Plan assets consist primarily of stocks, U.S. obligations, corporate bonds, real estate funds and a guaranteed investment contract.

Net periodic pension cost (income) as of the dates of the latest actuarial report (April 30) is made up of the components listed below and was determined using the projected unit credit actuarial cost method:

	1990	1989
(thousands of dollars)		
Service cost	\$ 8,955	\$ 9,061
Interest cost	18,350	15,735
Actual return on assets	(18,399)	(47,941)
Net amortization and deferral	(13,762)	18,911
Net periodic pension income	\$ (4,856)	\$ (4,234)

The discount rate used in determining the actuarial present value of the projected benefit obligation was 9.0 percent for both 1990 and 1989. The rate of increase used to determine future compensation levels was 5.5 percent for fiscal years 1990 and 1989. The expected long-term rate of return on assets is 9.75 percent for both 1990 and 1989.

The following schedule reconciles the funded status of the Plan with amounts reported in SRP's combined financial statements as of April 30:

	1990	1989
	(thousands of dollars)	
Plan assets at fair value	\$301,655	\$293,451
Actuarial present value of projected benefit obligation:		
Vested benefit obligation	(167,548)	(145,579)
Nonvested benefit obligation	(6,970)	(6,519)
Accumulated benefit obligation	(174,518)	(152,098)
Excess of projected benefit obligation over accumulated benefit obligation	(49,555)	(51,615)
Projected benefit obligation	(224,073)	(203,713)
Plan assets in excess of projected benefit obligation	77,582	89,738
Unrecognized net assets	(52,030)	(56,366)
Unrecognized net gain	(7,958)	(21,983)
Prior service cost not yet recognized in net periodic pension cost	1,999	2,175
Prepaid Pension Cost	\$ 19,593	\$ 13,564

As a result of SRP's Organizational Assessment and Renewal (SOAR) Program, a curtailment gain of approximately \$1,172,000 was recognized as income in the current year in accordance with Statement of Financial Accounting Standards No. 88. This income was recorded as a reduction of SOAR costs incurred in the current year (Note 9).

#### Defined Contribution Plans

SRP also has two defined contribution plans, the Salaried Employees' Thrift Plan and the Hourly 401(k) Plan. Both plans receive employee contributions and partial employer matching contributions. Employees are eligible for employer matching contributions upon completion of one year of service. SRP contributions to these plans were \$2,615,000 and \$2,700,000 in the fiscal years ended April 30, 1990, and 1989.

#### Other Postemployment Benefits

SRP provides certain health care and life insurance benefits for retired persons. Substantially all of SRP's employees may become eligible for those benefits if they reach normal retirement age while working for SRP, retire and have completed a minimum of 5 years regular employment. The cost of retiree health care and life insurance benefits is recognized as expense as the premiums and/or deposits to the trustee are paid. For 1990 and 1989, those costs totaled \$2,867,000 and \$2,100,000, respectively.

### (6) COMMITMENTS:

#### District Construction Program

Construction expenditures, including contingency allowances, planned for fiscal years 1991 through 1995 are shown below:

	(millions of dollars)
1991	\$283
1992	316
1993	315
1994	364
1995	429

These expenditures will be financed primarily by funds currently on hand, future net revenues and the sale of revenue bonds.

#### Coronado Unit III

In 1988, the Board approved deferring the in-service date of Coronado Generating Station Unit III. This action was taken as a result of a study which concluded that the deferral would allow SRP to realize savings in future revenue requirements. In accordance with the Board's resolution, Coronado Unit III costs of \$280.5 million were transferred to plant held for future use. Commercial operation is currently anticipated in 2005.

#### Long-Term Power Contracts

The District has entered into two long-term power purchase agreements to supply a portion of its projected load requirements. Each contract is for 50 megawatts (MW) of firm power starting June 1990, increasing to 100 MW beginning in June 1991 and expiring in the year 2011.

In fiscal 1990, the District entered into a long-term contract with a participant in the Navajo Generating Station to acquire an additional percentage of the output of the Station. Minimum payments under this contract will be based on 200,000 kilowatts (kW) of capacity and 760 kWh per kW per year of associated energy. This contract will commence May 1, 1993, and expire Sept. 30, 2011.

Minimum payments under these purchased power contracts are as follows for the fiscal years ending April 30:

	(thousands of dollars)
1991	\$15,895
1992	29,539
1993	28,685
1994	42,904
1995	42,904
Thereafter	740,916
	<u>\$900,843</u>

#### Fuel Supply

At April 30, 1990, minimum long-term commitments of approximately \$2.4 billion exist under fuel supply contracts. During 1989, the District paid approximately \$59 million to terminate a contract with Kaiser Coal Company. The remaining termination cost of \$54,157,000 and \$58,120,000 at April 30, 1990, and 1989, respectively, is included in deferred charges and other assets and is being amortized to fuel expense over the remaining life of the original contract. This termination cost is being recovered through the rate increase effective May 15, 1990.

#### Association Construction Program

SRP is committed to spend approximately \$42 million over the next six years for its share of a project to build or modify dams on the Salt and Verde rivers for flood control, to ensure dam safety and provide water storage associated with the Central Arizona Project.

#### Papago Park Center

SRP is currently developing a 470-acre, mixed-use commercial park called Papago Park Center in Tempe, Arizona. In connection with the infrastructure development, the District and the city of Tempe have entered into an agreement whereby the District will pay a special annual assessment of approximately \$1.75 million per year for 19 years to the city of Tempe to pay for its share of street and infrastructure improvements and right of way acquisition. The obligation of the District to make assessment payments is an unsecured obligation payable from District general funds.

The District's wholly owned subsidiary, PPCI, will serve as the real estate management company in accordance with the terms of a 99-year lease on the property.

## **(7) CONTINGENCIES:**

### **Environmental**

At any given time, litigation or administrative proceedings or studies involving environmental matters could affect SRP and its present and proposed generating and operating facilities. Many normal activities in connection with SRP's operations generate hazardous wastes, which in the last 10 years, have been the subject of substantial federal, state and local legislation imposing strict liability on generators, transporters, storers and disposers of hazardous waste for clean-up costs and damages which result from substance release or contamination, regardless of time or location. Increased operating expenses due to adverse environmental decisions would be passed on to customers through electric rates.

The District's principal generating stations, due to their proximity to large national parks, monuments and wilderness areas, may be subject to provisions relating to visibility protection. Currently, the U.S. Environmental Protection Agency is evaluating whether the Navajo Generating Station is a source of visibility impairment requiring installation of environmental controls. Installation would require significant additional expenditures, which would be passed on to customers through increased electric rates. The District has included a contingency allowance in the 5-year construction program (Note 6) for the costs of new environmental controls should they be required.

### **Payments to Certain Property Owners in the Association's Service Areas Now Provided Electric Power by Others:**

The Articles of Incorporation of the Association provide for the indemnification of certain property owners in the Association's service areas which are now provided electric power by others if they are required to pay substantially more for power than they would if they were furnished electric power by the Association. A reserve for these payments has been established which, in the opinion of management, adequately covers SRP's liability as of April 30, 1990.

The District has recently reached a tentative settlement of litigation related to the interpretation of the Articles of Incorporation. As a result of this settlement, an additional liability for previous periods of approximately \$5.7 million was established and has been presented as an unusual item in the combined statements of net revenues.

### **Indian Matters**

From time to time, SRP is involved in litigation and disputes with various Indian tribes on issues concerning royalty payments, taxes and water rights, among others. Resolution of these matters may result in increased operating expenses which would be passed on to customers.

### **Other Litigation**

In the normal course of business, SRP is a defendant in various litigation matters. In management's opinion, the ultimate resolution of these matters will not have a significant adverse effect on SRP's financial position or results of operations.

### **Nuclear Insurance**

Under existing law, public liability claims that could arise from a single nuclear incident are limited to \$7.8 billion. PVNGS participants currently insure for this potential liability through commercial insurance carriers to the maximum amount available (\$200 million) with the balance covered by an industrywide retrospective assessment program which is required by the Nuclear Regulatory Commission. The maximum assessment per reactor per nuclear incident under the retrospective program is \$63 million but not more than \$10 million per reactor may be charged in any one year for each incident subject to a 5 percent surcharge which could be applicable in certain circumstances.

Based on SRP's ownership share in PVNGS, the maximum potential assessment would be \$33.1 million but would be limited to \$6.9 million per incident in any one year, including the 5 percent surcharge.

## **(8) ASSOCIATION OPERATIONS:**

Association expenses exceeded revenues by approximately \$33,850,000 for 1990 and \$34,069,000 for 1989.

## **(9) SRP'S ORGANIZATIONAL ASSESSMENT AND RENEWAL:**

In 1989, the Board approved a program to review SRP's organizational structure in conjunction with revised growth estimates for the Phoenix metropolitan area. This program resulted in the elimination of approximately 700 salaried and hourly positions. The related estimated severance benefits have been expensed in the combined statements of net revenues as an unusual item.

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## **Report of Independent Public Accountants**

**To the Board of Directors,  
Salt River Project Agricultural Improvement and Power District,  
and Board of Governors,  
Salt River Valley Water Users' Association:**

We have audited the accompanying combined balance sheets of SALT RIVER PROJECT as of April 30, 1990 and 1989, and the related combined statements of net revenues and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Salt River Project as of April 30, 1990 and 1989, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

As explained in Note 1 to the financial statements, effective May 1, 1989, the Company changed its method of accounting for unbilled revenue.

## OFFICERS

## ELECTED OFFICERS

**John R. Lassen**  
*President*

**William P. Schrader**  
*Vice President*

## PRINCIPAL OFFICERS AND OTHER EXECUTIVES

**A.J. Pfister**  
*General Manager*

**John R. McNamara**  
*Associate General Manager  
Corporate Engineering &  
Power Group*

**David Areghini**  
*Assistant General Manager  
Power Operations*

**Robert J. Conlon**  
*Assistant General Manager  
Corporate Engineering*

**John H. Steffen**  
*Assistant General Manager  
Power Construction &  
Maintenance*

**James L. Swartz**  
*Assistant General Manager  
Operations Services*

**Carroll M. Perkins**  
*Associate General Manager  
Financial & Information  
Services Group*

**Mark B. Bonsall**  
*Corporate Treasurer  
and Assistant General Manager  
Financial Services*

**John D. Jacobs**  
*Assistant General Manager  
Information Systems*

**Oren D. Thompson**  
*Associate General Manager  
Water Group*

**Don G. Parlett\***  
*Associate General Manager  
Corporate Services Group*

**Paul G. Ahler**  
*Assistant General Manager  
Human Resources*

**D.S. Wilson Jr.**  
*Associate General Manager  
Planning & Resources*

**C.A. Howlett**  
*Associate General Manager  
Customer Services &  
Marketing Group*

**Gary W. Harper**  
*Assistant General Manager  
Customer Services*

**Helen W. Knopp**  
*Assistant General Manager  
Communications & Public Affairs*

**D. Michael Rappoport**  
*Assistant General Manager  
Government Affairs*

**Richard H. Silverman**  
*Assistant General Manager  
Law & Land*

**Paul D. Rice**  
*Corporate Secretary*

## CONSULTANTS

**Legal Advisers**  
*Jennings, Strouss & Salmon*

**Independent Public  
Accountants**  
*Arthur Andersen and Co.*

**Bond Counsel**  
*Mudge Rose Guthrie Alexander and  
Ferdon*

**Financial Consultant**  
*Lazard Frères and Co.*

*\*Effective August 1, 1990, L.J. U'Ren replaced Don G. Parlett, who retired from the company.*



Rudolph Johnson  
District/Division 1  
Association & District



Clarence C. Pendergast Jr.  
District/Division 2  
Association & District



Bruce B. Brooks  
District/Division 3  
Association & District



Gilbert R. Rogers  
District/Division 4  
Association & District

## BOARD MEMBERS



John M. Williams Jr.  
District/Division 5  
Association & District



James L. Diller  
District 6  
Association



Thomas P. Hurley  
Division 6  
District



Ann Burton  
District/Division 7  
Association & District



Joe Bob Neely  
District/Division 8  
Association & District



Robert E. Hurley  
District 9  
Association



Olen Sharp  
Division 9  
District



Dwayne E. Dobson  
District/Division 10  
Association & District



William W. Arnett  
At-large  
District



Fred J. Ash  
At-large  
District



James R. Marshall  
At-large  
District



Eldon Rudd  
At-large  
District

**B**oard members establish specific policies, and through SRP's management, conduct the business affairs of the Salt River Project in accordance with the articles of incorporation, bylaws and statutes.

The 10 members of the Board of Governors of the Salt River Valley Water Users' Association are elected every two years by the shareholders (property owners) of the Association.

The Board of Directors of the Salt River Project Agricultural Improvement and Power District consists of 14 members who serve staggered four-year terms. One District Board member is elected from each of the 10 SRP voting divisions, and four members are elected at-large.

## COUNCIL MEMBERS



Martin Kempton  
District/Division 8  
Association & District  
Council Chairman



James M. Accomazzo  
District/Division 3  
Association & District  
Council Vice Chairman



Robert L. Cook  
District/Division 1  
Association & District



Howard W. Lydic  
District/Division 1  
Association & District



Emil M. Rovey  
District/Division 1  
Association & District



Wayne A. Hart  
District/Division 2  
Association & District



Larry D. Rovey  
District/Division 2  
Association & District



John A. Vanderwey  
District/Division 2  
Association & District



John E. Anderson  
District/Division 3  
Association & District



Elvin E. Fleming  
District/Division 3  
Association & District



Lloyd Lee Banning  
District/Division 4  
Association & District



Levi H. Reed  
District/Division 4  
Association & District



Byron G. Williams  
District/Division 4  
Association & District



Roy W. Cheatham  
District/Division 5  
Association & District



Edmund Navarro  
District/Division 5  
Association & District



Carl E. Weller  
District/Division 5  
Association & District



Clarence J. Duncan  
District 6  
Association



Dean W. Lewis  
District/Division 6  
Association & District



David Rousseau  
District/Division 6  
Association & District



Dan C. McKinley Jr.  
District 7  
Association



Wayne A. Marletta  
District 7  
District



Lester R. Mowry  
District 9  
Association & District



George B. Willmoth  
District/Division 7  
Association & District



Michael K. Gantzel  
District/Division 8  
Association & District



Mark V. Pace  
District/Division 8  
Association & District



W. Curtis Dana  
District/Division 9  
Association & District



Dale C. Riggins Jr.  
District 9  
Association



Robert E. Hurley  
District 9  
District



Lee L. Tregaskes  
District/Division 9  
Association & District



Orland R. Hatch  
District/Division 10  
Association & District



Lawrence P. Schrader  
District/Division 10  
Association & District



C. Dale Willis  
District/Division 10  
Association & District

**T**he Councils set broad policy through enacting and amending bylaws relating to the management and conduct of SRP's business affairs.

Three Council members are elected by SRP shareholders to two-year terms in each of the 10 districts of the Salt River Valley Water Users' Association.

Three Council members are elected to staggered four-year terms in each of the 10 divisions of the Salt River Project Agricultural Improvement and Power District.

\*As of publication, the Power District Council seat for Division 6 had not been filled.

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# Our mission is clear:

To be the low-cost supplier among our competitors of high-value energy and water services. And, we do so in an environmentally responsible manner, which minimizes negative impact on our natural resources.

We serve a stewardship role in regard to our land, water and air. We are committed to preserving them for present and future generations.

At SRP, we're working hard to accomplish our mission and to find ways to safeguard our environment. We believe these two jobs go hand in glove.

From providing high-value energy services and ensuring an adequate supply of quality water for our customers, to preserving the integrity of Arizona's archaeological treasures, our mission is clear.



