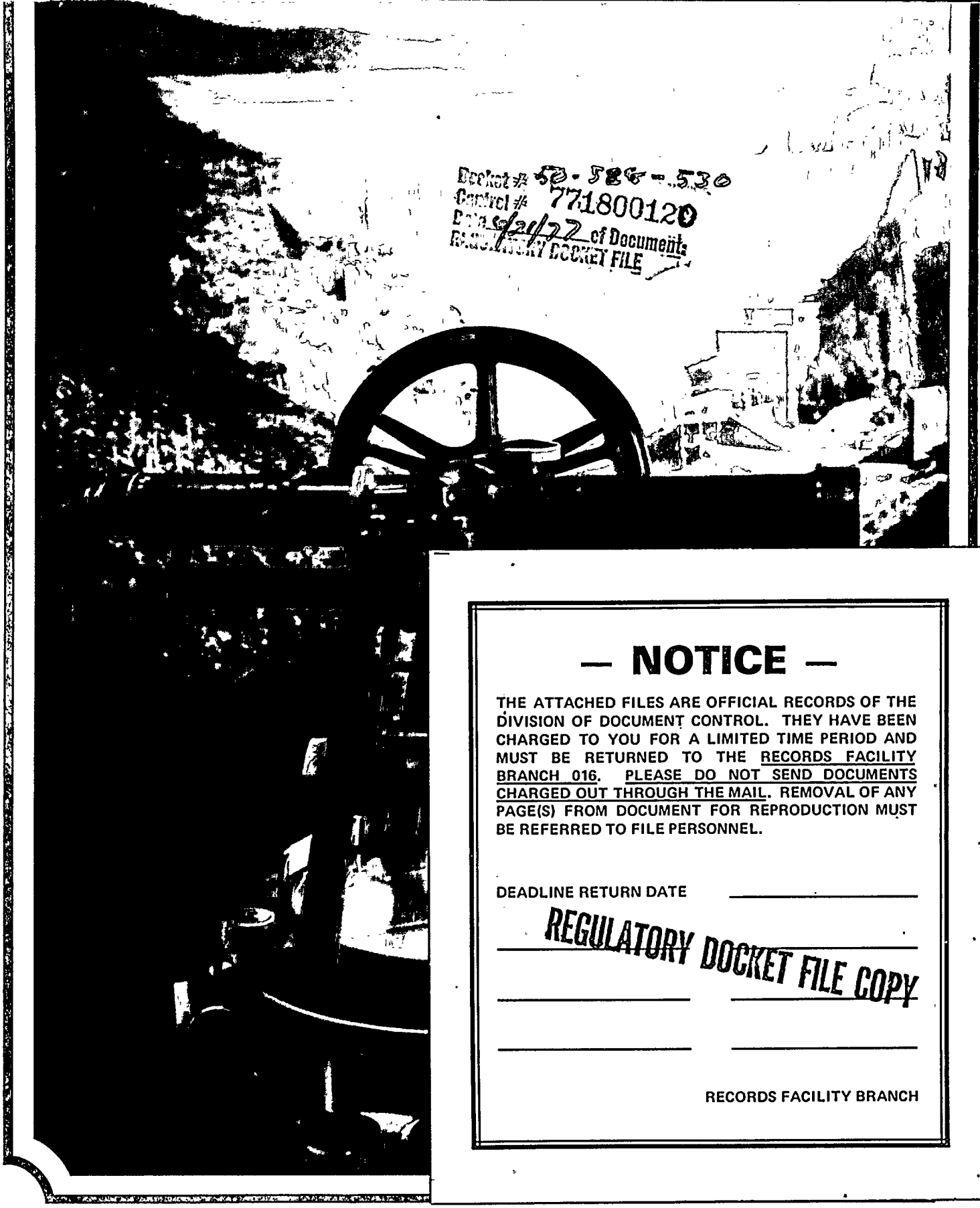
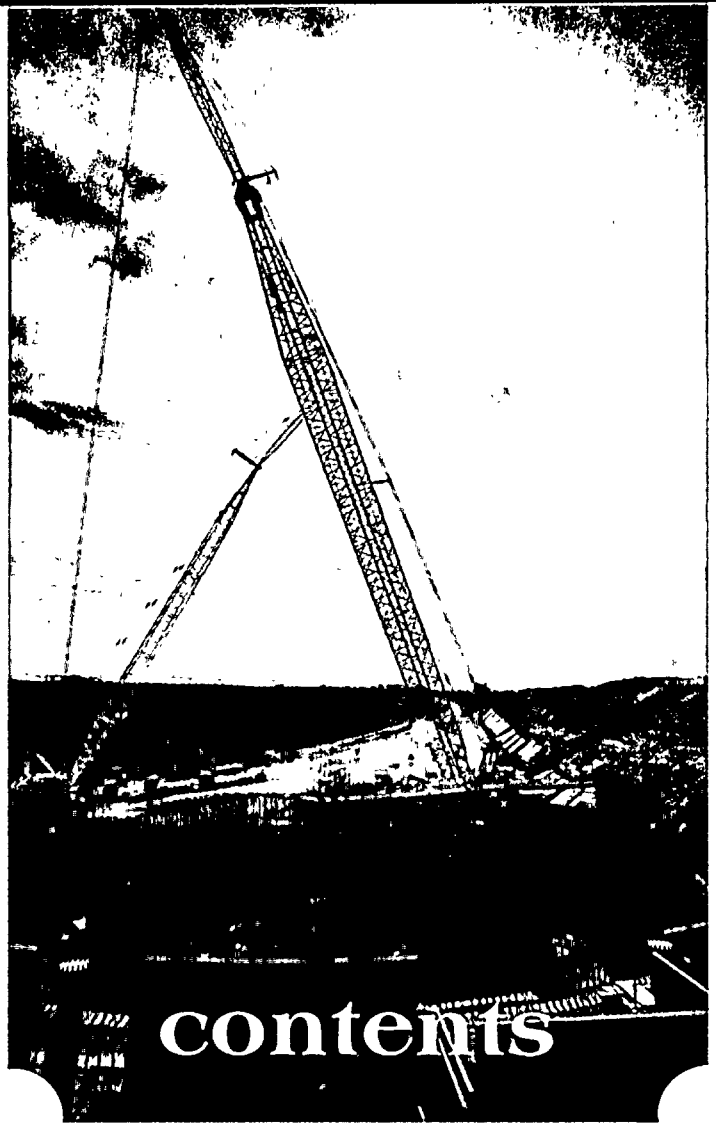


SALT RIVER PROJECT

ANNUAL REPORT 1976



contents

highlights & background

OPERATIONS	1976	1975
Assessed water accounts	166,048	163,869
Water runoff (acre-feet)	817,679*	870,203
Water storage, year-end (acre-feet)	976,725	1,039,004
Water diverted into canals and pumped (acre-feet)	1,190,720	1,194,212
Number of power customers	257,941	248,926
Average annual use per residential customer (kwh)	12,597	12,843
Average annual kwh cost per residential customer (cents)	3.51	3.29
Energy generated, purchased, interchanged, and wheeled (kwh)	9,260,530,000	9,046,629,000
Peak load for Project customers (kw)	1,732,000	1,634,000

REVENUES		
Electric	$ 220,961,215	$211,016,136
Water and irrigation	4,307,032	2,821,516
Total operating revenues	$ 225,268,247	$213,837,652
Taxes and tax equivalents	$ 30,869,311	$ 26,278,119
Total operating expenses	182,662,201	180,048,472
Net revenues	11,287,259	10,413,662
Plant investment, year-end, gross	1,229,617,294	984,756,114
Long-term debt	1,186,565,170	796,569,943

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

BACKGROUND

The Salt River Project, the first multi-purpose project authorized under the Federal Reclamation Act of 1902, is comprised of the Salt River Project Agricultural Improvement and Power District and the Salt River Valley Water Users' Association.

The District is an agricultural improvement district organized under the laws of the State of Arizona. It operates the Salt River Project under contracts with the United States of America, and provides electric service to residential, commercial, industrial and agricultural power users in a 2,900 square-mile service territory in parts of Maricopa, Gila and Pinal counties.

The Association, a private Arizona corporation, encourages and participates in the management of the 13,000 square-mile watershed of the Salt and Verde rivers, in cooperation with the U.S. Forest Service. The Association administers water rights of the Project's 250,000 acre area, and operates and maintains the irrigation transmission and distribution system which provides Project water for agricultural, municipal and industrial uses.

Following the long-standing reclamation principle, the Project uses electric revenues to support its water and irrigation operations, thereby keeping water delivery charges at reasonable levels. At the same time, the Project maintains competitive rates for the electric service it provides.

management letter

Salt River Project entered the final quarter of the 20th Century on a solid foundation. The energy mix used to produce electricity continued to change in ways designed to keep power production costs to a minimum and promote energy independence.

This was accomplished through completion of two new coal-fired generating units, continued construction of four more, and the start of construction of the Project's first nuclear power source.

At the same time the Project's program to promote load management appeared to produce beneficial results. This was reflected by the fact that the 1976 weather-adjusted peak demand was below the forecasted level. Several large industrial customers shifted their energy use to off-peak periods, taking advantage of a new time-of-day rate instituted by the Project. Many residential customers also reduced their usage at time of peak. Average annual use by residential customers declined by 246 kilowatt-hours (kwh).

SRP municipal revenue bonds were accorded higher ratings, reflecting the Project's strong financial position. At the beginning of the year Standard & Poor's Corporation increased the Project's rating from "A" to "A+" and Moody's Investors Service, Inc., raised their rating from "A-1" to "Aa." The ratings helped reduce the interest rates SRP will pay on the $405 million of revenue bonds sold during 1976.

The year's operating revenues exceeded $225 million, operating expenses totaled more than $182 million, and net revenues topped $11 million.

Although residential customers' average annual electric usage decreased slightly, electric bills were considerably below originally projected levels due to negative fuel cost adjustment factors in effect throughout all of 1976.

In keeping with the reclamation principle, a basic operating tenet followed by the Project since its inception in 1903, a relatively small percentage of power revenues was applied to defray costs of operating the water system. Despite this, water charges had to be increased an average of 42 percent to keep up with rising operating costs.

There were no electric rates increases during the year. However, in December the board authorized a rate increase to be effective in February 1977. The increase is designed to produce additional revenues of approximately $48 million in 1977 to meet increasing operating costs and to aid financing of the very substantial future construction programs.

The composition of the SRP service area continued to change. At year-end almost 49 percent of land within the Project was dedicated to urban use, while land used for agriculture decreased to slightly more than 51 percent.

Responding to this change, the state legislature enacted a law which added four new members to the Power District's board. Two of those were appointed in 1976 and will be up for reelection in 1978; the other two will be elected in 1980. All four new members will be elected at large on a one landowner, one vote basis, ensuring that the decision making of the District's board will continue to reflect the needs of the growing urban population.

A second law passed in 1976 codified steps the Project must take when changing electric rates.

Both laws were supported by Project management.

Many problems face SRP during the years ahead. They include the availability of fuel and the huge quantities of capital needed to finance facilities to meet the needs of our customers. To meet these future challenges SRP is involved in extensive research and planning efforts.

In 1976 those efforts were coupled with the solid financial and operational background the company developed during the first three-quarters of the century. Together they will enable SRP to adapt to its changing environment so that it can continue to deliver water at reasonable charges and serve its electric customers with a reliable supply of competitively priced power.

left to right:
A. J. Pfister,
who became General Manager July 1, 1976
Karl F. Abel, President
John R. Lassen, Vice President

The year 1976 was characterized by moderate growth. The number of power customers increased by 9,014, bringing the total at year-end to 257,941. They used a total of 8.1 billion kilowatt-hours (kwh) compared to 8 billion kwh in 1975. Demand on the Project's electrical system reached a new peak in July – 1,732,000 kilowatts (kw). Average annual use by residential customers declined from 12,843 kwh in 1975 to 12,597 kwh in 1976. The average cost per kwh for those customers rose from 3.29 cents in 1975 to 3.51 cents in 1976.

Good planning helped SRP keep pace with increases in customers and their electrical needs as two coal-fired units were added to SRP's generating capability in 1976.

These were the Navajo Power Project's third 750,000 kw unit and a 261,000 kw unit at Hayden Generating Station in northwest Colorado.

SRP is construction manager and operating agent for the Navajo Generating Station, which has six participants. SRP owns 21.7 percent of the station, located near Page.

SRP owns 80 percent of Hayden Generating Station's second unit. Colorado-Ute Electric Association, operator of the station, owns the remainder. However, under the terms of the participation agreement, in 1982 Colorado-Ute will purchase an additional 30 percent of the unit capability from SRP. The Project and Colorado-Ute then will share the unit evenly.

Coal leads as 1976 energy source

During 1976, 60 percent of the energy delivered to Project electric customers was generated by coal-fired generating units, compared to about 48 percent in 1975. The increase reflects the Project's plan to use coal because of its low cost in comparison to oil and its availability in the Southwest.

The portion of SRP energy produced by oil decreased to 12 percent in 1976, compared to 18 percent in 1975. The Project's use of oil to produce electricity declined from 2.84 million barrels during 1975 to 2.07 million barrels in 1976. Fuel oil is used in thermoelectric generators in the Valley primarily to meet intermediate and peak load requirements.

Unexpected availability of natural gas resulted in an increase in the percentage of power produced using that fuel; during 1976 seven percent of the Project's power was produced by natural gas, compared to four percent in 1975. Natural gas remains the least expensive fuel for SRP's generators in the Salt River Valley. However, its availability is limited and oil is the predominant fuel for those generators.

The remaining energy for both years came from hydroelectric production and purchases.

By filling the majority of customers' present energy needs with coal-fired power and relying on nuclear energy for a substantial portion of power in the future, the Project is striving to keep energy costs in line and is working toward national energy independence.

PROJECT FUEL SOURCES

Actual 1976, Estimated 1977-1982

Year	[1]Hydro	Gas	Oil	Coal	Nuclear	Misc. Purchases
1976	15%	7%	12%	60%	–	6%
1977	12	1	17	62	–	8
1978	12	–	17	68	–	3
1979	12	–	7	78	–	3
1980	12	–	2	83	–	3
1981	11	–	2	84	–	3
1982	10	–	2	77	8	3

[1]Includes hydro purchases

A new computerized system was installed in 1976 to improve service to SRP electric customers. One function of this multi-faceted system is to help power dispatchers determine the least expensive sources of electricity available at any time.

Fuel cost adjustments reduce power bills

No rate increases were necessary in 1976, and negative fuel cost adjustments in 1976 reduced the effect of the previous year's 25 percent increase to 13-15 percent.

Reasons for the negative fuel cost adjustments were:

– Increased reliance on coal-fired generation;

– A warm winter and a cool spring, which reduced the quantity of costly oil required to produce electricity for heating and cooling;

– Good runoff into reservoirs and, consequently, abundant availability of hydroelectric power from other utilities in the West;

– Conservation efforts, and shifting of electrical usage from peak demand periods.

New dispatching system shows least expensive power sources

Finding the least expensive source of energy and dispatching it to customers were simplified in 1976 with the installation of a new computerized system to aid power operations.

The system serves two main functions. The first part of the system, called automatic generation control (AGC), helps dispatchers determine available power and its cost, and control the amount of power being produced at Valley generating stations.

The second part, called supervisory control and data acquisition (SCADA), makes it possible for dispatchers in the Power Operations building to open and close substation circuit breakers by remote control. This means more rapid restoration of electric service, should interruptions occur.

Installation of the new system was a move to improve service to customers in 1976 and future years.

Messages support load management, safety programs

The main thrust of messages to customers in 1976 was toward load management – shifting power use from times of peak demand. Characteristically, this peak period has been from 3 to 8 p.m. during summer months. The Project's "Power Saver Time" campaign encouraged customers to shift power use to before 3 p.m. or after 8 p.m. Messages to customers also encouraged conservation with the slogan, "Save a Little for Tomorrow."

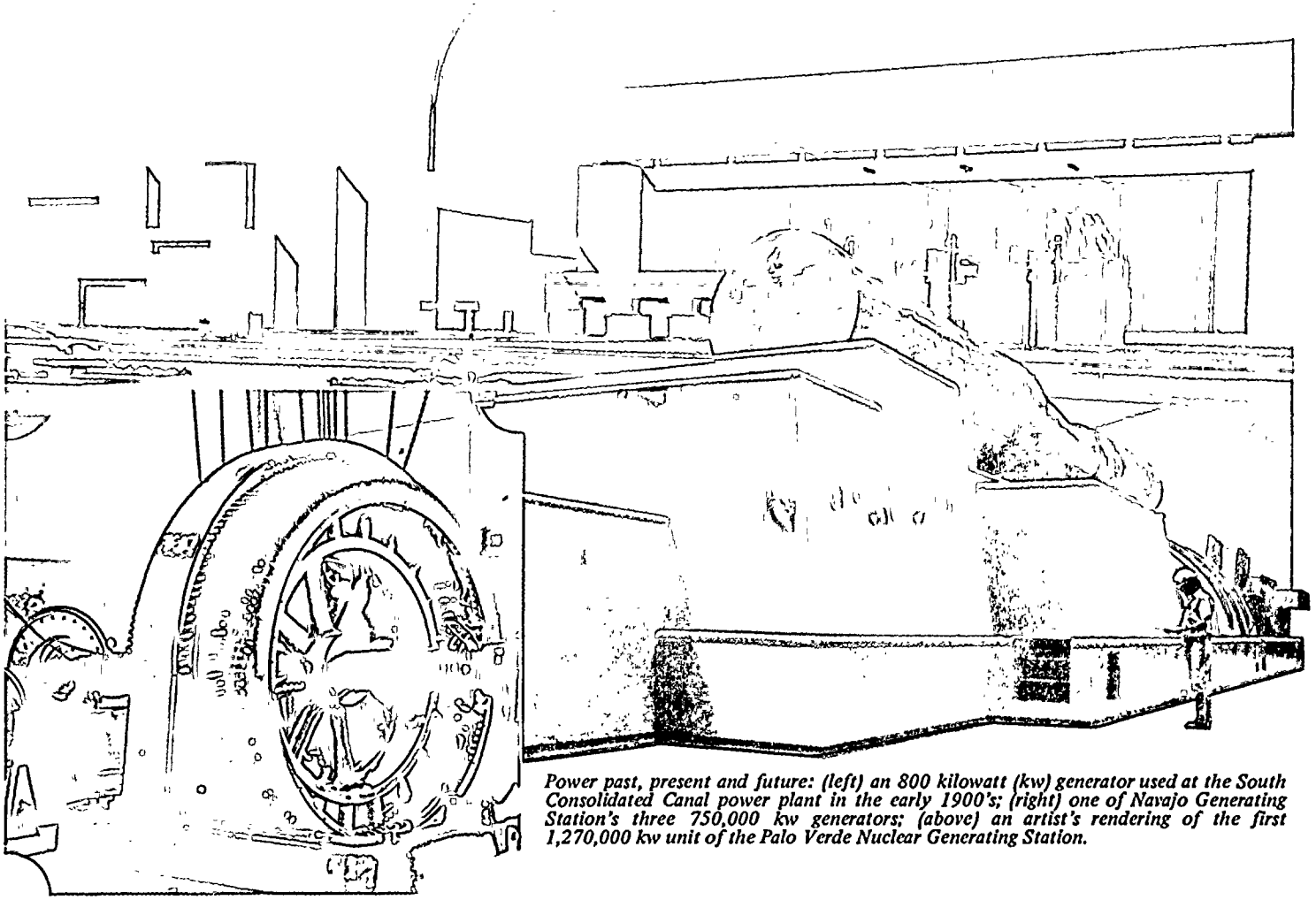
The Project's continuing marketing programs also focused on load management. These included:

– the Remarkable Energy Value Home Program, a joint effort of the electric utility and home building industries to increase the energy efficiency of new homes;

– industrial development programs, designed to attract high load factor industries; and

– programs promoting heat pumps, re-insulation and security lighting.

Other messages during the year emphasized water and power safety. The Project was instrumental in formation of Arizona Life Preservers, a coalition of organizations involved in lifesaving, recreation or water storage and distribution, and dedicated to safe use of water for recreation.



Power past, present and future: (left) an 800 kilowatt (kw) generator used at the South Consolidated Canal power plant in the early 1900's; (right) one of Navajo Generating Station's three 750,000 kw generators; (above) an artist's rendering of the first 1,270,000 kw unit of the Palo Verde Nuclear Generating Station.

Coal, nuclear power to fill future electrical needs

Construction progressed on Coronado Generating Station, SRP's wholly owned source of coal-fired power near St. Johns.

Rights of way were secured for deep wells and a pipeline to supply water to the station. Associated work included design of the 21-mile Concho field pipeline, completion of three production wells, drilling of four more wells to observe the effects of pumping on the groundwater supply, installation of 10.9 miles of pipeline, and construction of roadways.

Coronado's first 350,000 kw unit is scheduled for commercial operation in April 1979, the second in April 1980. Cost of the station's first two units is expected to be $646.7 million. The long-range plan includes possible addition of a third unit about 1993. Transmission lines and substations needed to bring power from Coronado to the Valley are expected to cost about $90 million.

Construction continued on the coal-fired Craig Generating Station in the Yampa Valley in Colorado. Salt River Project is a 29 percent participant in this $585.1 million station, which will consist of two 380,000 kw units, scheduled to be operational in 1979.

The Arizona Nuclear Power Project, of which SRP is a 29.1 percent participant, in May received approval from the Nuclear Regulatory Commission to begin construction. The first of three 1,270,000 kw pressurized water nuclear reactor units is scheduled to be in operation in 1982, with the other two units following in 1984 and 1986. Cost of the station is estimated at $2.8 billion.

Voters expressed their approval of nuclear power in Arizona when they defeated an anti-nuclear initiative in November elections by a margin of 70 percent to 30 percent. Nuclear power will further decrease reliance on oil and natural gas as energy sources.

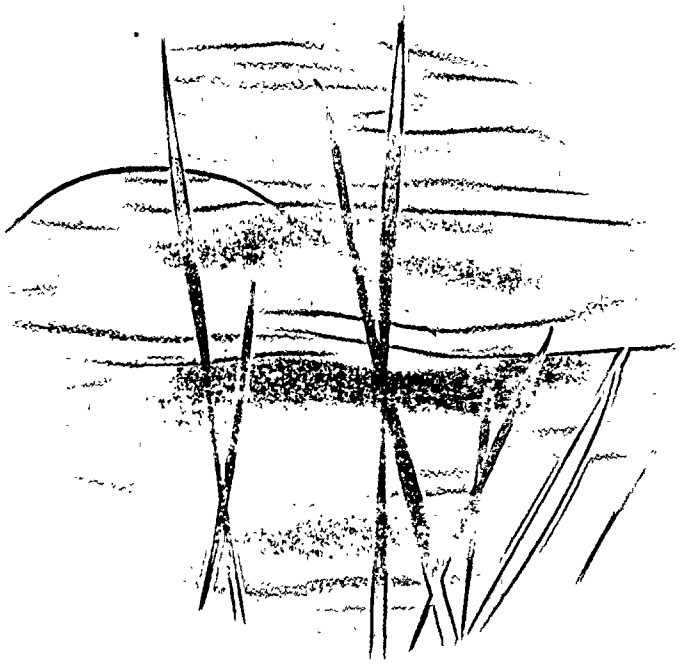
Participants in the Montezuma Pumped-Storage Project mutually agreed to defer construction indefinitely due to reduced load growth and other economic factors.

Environment – an important concern

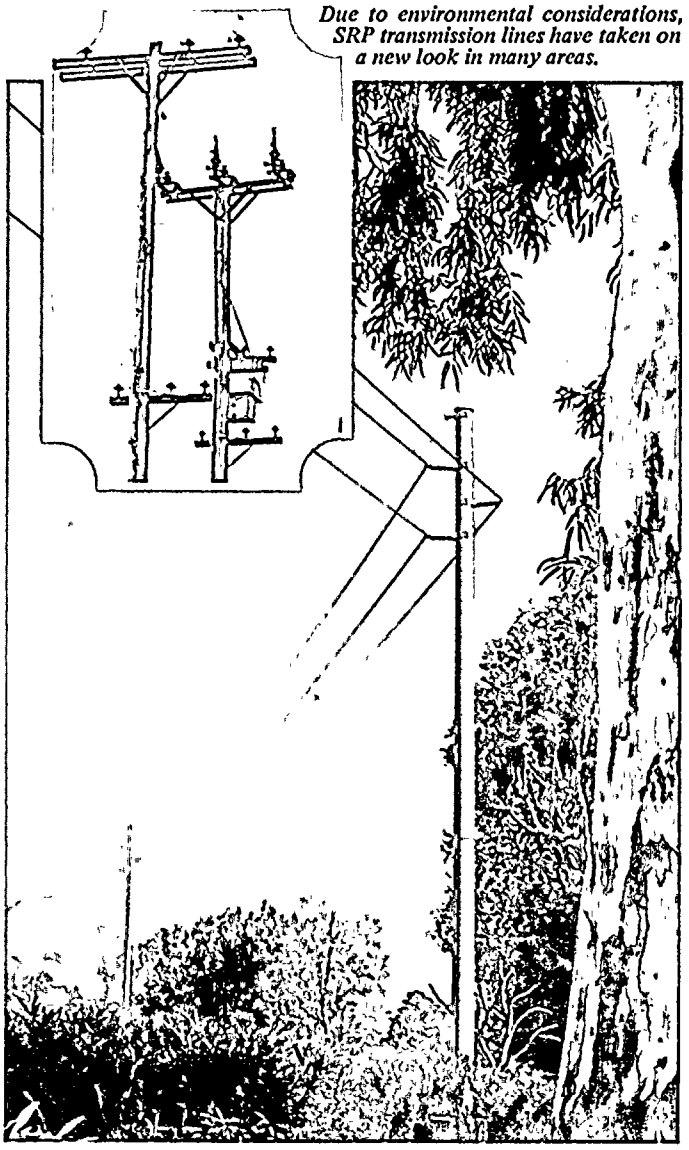
A sizeable percentage of generating construction costs is attributed to environmental protection. More than $200 million was spent at the Navajo Generating Station for this purpose.

Pollution control equipment and installation costs will add more than $200 million to the cost of Coronado Generating Station.

Electrostatic precipitators, water processing, solid waste disposal and noise abatement equipment account for $35.5 million, or approximately 30 percent of the total cost of Unit 2 of the Hayden Generating Station in Colorado. Expenditures for pollution control equipment at Craig Generating Station will account for an estimated $150 million of the station's $585.1 million total cost.



Due to environmental considerations, SRP transmission lines have taken on a new look in many areas.



Construction started on Coronado-Kyrene transmission line

During 1976 construction began on SRP's 500 kilovolt (kv) power transmission system from Coronado Generating Station to the Valley.

Right of way clearing and tower staking began in the Superior area along the 100-mile, north-south transmission corridor which will be shared by Arizona Public Service Co. (APS) and SRP. The corridor runs from APS's Cholla Generating Station, located northwest of Coronado. By sharing a portion of this corridor, SRP intends to reduce the environmental impact associated with separate line construction activities, as well as the costs of right of way.

A contract for 156 miles of the transmission system was awarded. One line covered by the contract runs from Coronado to APS's Cholla plant west of Holbrook. This line will help to intertie generating sources for system reliability. The other section runs from Coronado to the SRP-APS common transmission line corridor. Construction on these two segments of the line is expected to begin in March 1977 and should be finished by June 1978.

The remainder of the Coronado transmission system is scheduled for completion by January 1, 1979. Environmental considerations for the 26.5 mile section of the line running through the Valley have added approximately $2.1 million to the cost of the line, based on 1976 estimates.

New facilities built to deliver additional power

Existing transmission and distribution facilities were updated to meet additional requirements resulting from customer growth in 1976 and future years. Work included: addition of 640 cable miles of underground distribution lines; installation of two new substations; and increasing the capacities of four substations.

The investment in new transmission and distribution facilities in 1976 totaled $31.5 million, compared to $26.9 million in 1975.

Construction improves water service

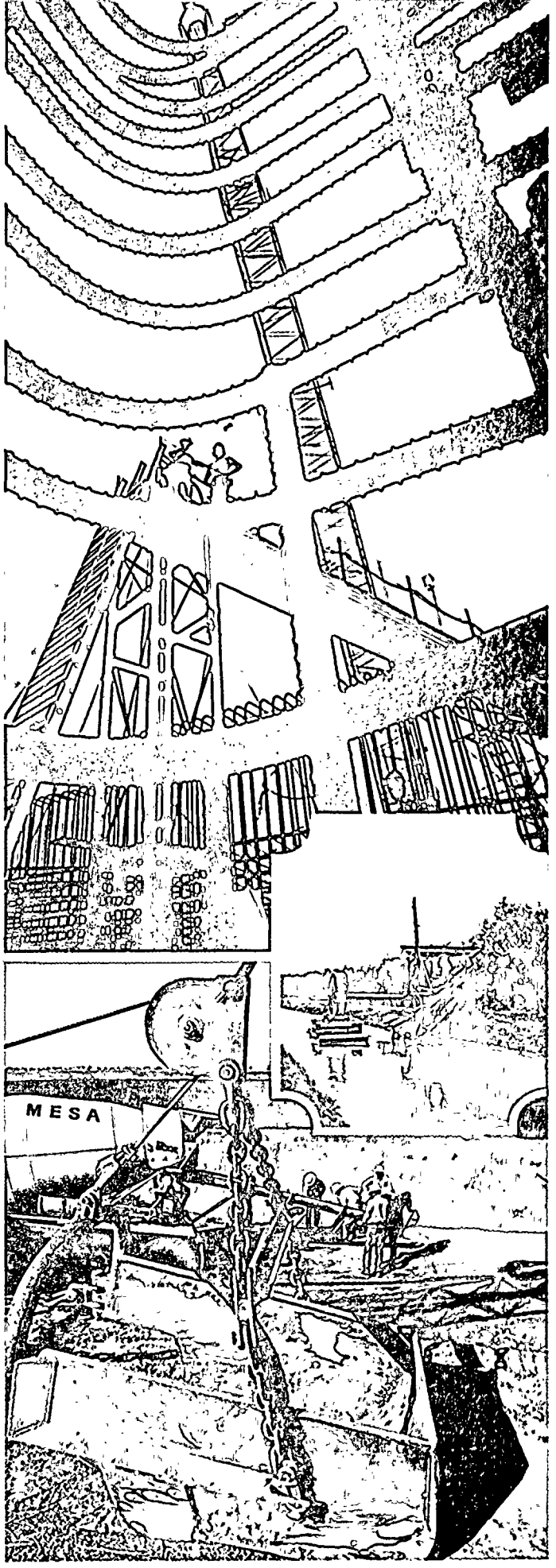
SRP continued its program for improving its water distribution system to reduce the quantity of water lost to seepage and facilitate more accurate measurement and control.

Major water construction and maintenance projects completed in the Valley in 1976 included installing 10.5 miles of irrigation pipeline, 4.9 miles of slipform lining and 145 lateral turnout structures.

One and one-half miles of the Arizona Canal were lined and a new radial gate structure was installed in the canal during its annual dry-up. During dry-up of canals south of the Salt River, structural improvements were made to improve the delivery of water to customers. Also during this period SRP relocated a portion of the Tempe Canal to accommodate a planned extension of the Superstition Freeway. This project was carried out in cooperation with the Arizona Department of Transportation, which paid design and construction costs.

SRP's cost of work performed during fall dry-ups totaled approximately $465,000.

SRP made the right of way of the Old Crosscut Canal available to the Maricopa County Flood Control District. The canal, which SRP no longer used for normal water delivery, was modified by the county organization and the City of Phoenix to become part of the flood control system.



Growth in the Valley has dictated an increase in construction and maintenance activities. Reinforcing steel bars (above) begin to give form to the Palo Verde Nuclear Generating Station. Dredgers like this one (center) removed silt from Project waterways in SRP's earlier days. Today, modern equipment (below) is used to clear canals. Then the bottoms are covered with concrete and the sides gunited to conserve precious water and to improve flow.

Research and development look to the future

During 1976 SRP participated in several projects to research future sources of power, develop present sources, and study power system loads. The Project was directly involved in four major programs and contributed to several others.

The four programs in which the Project participated directly were:

– A research program to analyze the nature of electrical loads. It is designed to answer questions relating to the quantity of high energy use appliances, when they are used most, and to what degree combinations of their use affect SRP's system peak.

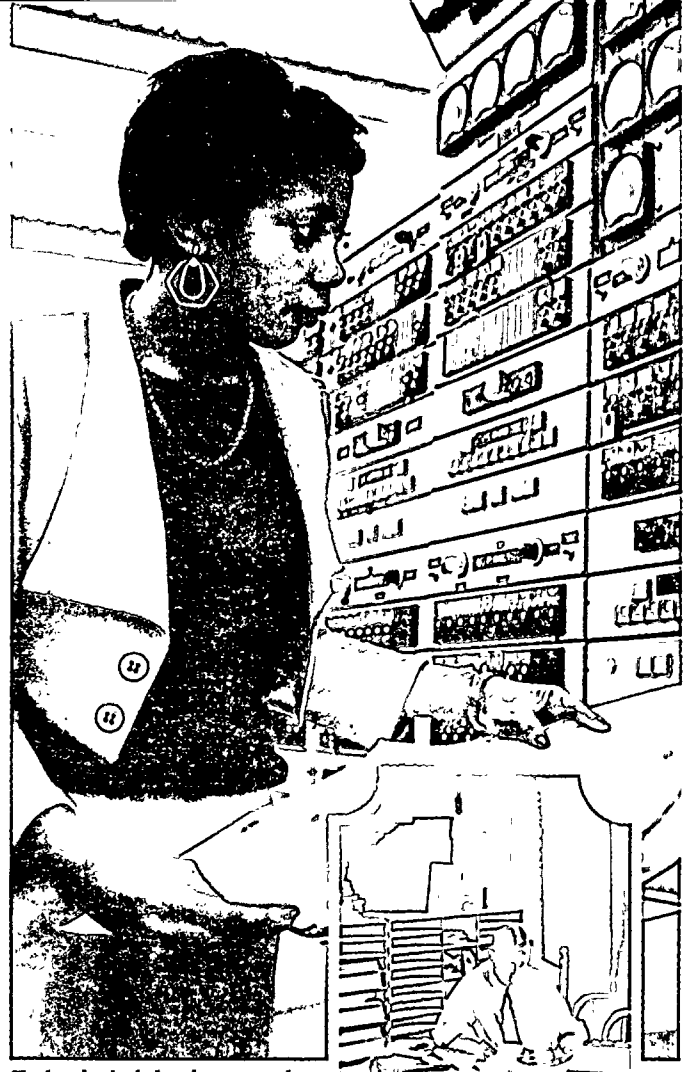
– A distribution transformer load management program, in its third year. Purpose of this continued program is to determine areas of growth in SRP's electric service area, and help the Project plan facilities to deliver power to those areas in the future.

– A small area load forecasting and distribution modeling program, which seeks better ways to predict system loads in areas as small as a quarter section (160 acres) and to plan SRP's distribution system to meet these loads. Electric Power Research Institute (EPRI) is funding the three-year program, which began in June 1975. EPRI commissioned Westinghouse Electric Corporation for this program. SRP, acting as subcontractor to Westinghouse, will receive $159,341 for its work on the program in 1976.

– A program designed to monitor solar radiation. SRP has ordered approximately $12,000 worth of equipment for two stations to measure the sun's energy. Utilities in Arizona, California, New Mexico, Colorado and Nevada are participating in the project, which will include 40 to 50 such stations. The program is being coordinated by Western Energy Supply and Transmission (WEST) Associates. In 1976 SRP contributed $6,700 to WEST for development of solar monitoring equipment specifications and software necessary to analyze the data, as well as for other WEST research and development programs.

In addition, Salt River Project made a $566,349 contribution to EPRI to support a broad spectrum of research and development of present and future energy sources such as: coal gasification; fusion; solar; geothermal; and nuclear power. Other research included studies of electro-chemical and thermal-mechanical energy conversion and storage. The funds also support EPRI efforts in transmission and distribution research.

SRP made its fifth contribution of $108,023 as part of a 10-year pledge to aid development of the nation's first liquid metal fast breeder reactor demonstration plant.

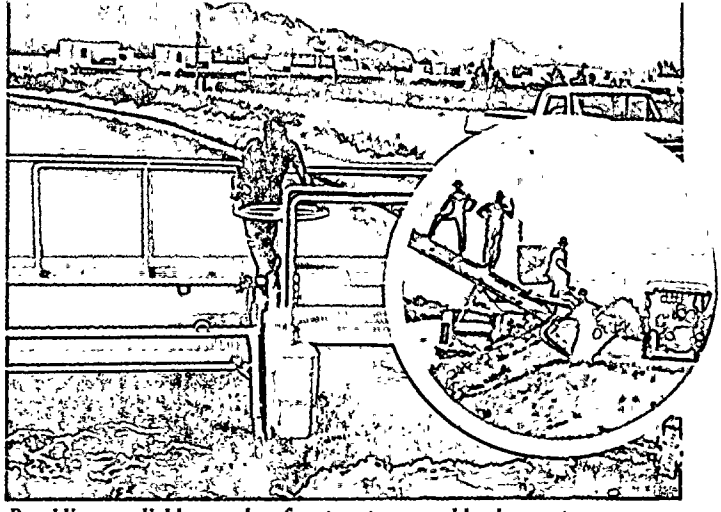


Technological developments have improved facilities and equipment, but people continue to be important in providing the services needed by the growing number of SRP power and water customers.

Contracts ensure work force stability

On January 1, 1976, new two-year labor contracts went into effect between Salt River Project and International Brotherhood of Electrical Workers Local 266. The agreements provided for: changes in work practices to improve efficiency of SRP operations; increased medical coverage; establishment of dental coverage; an additional holiday; improved early retirement benefits and retirees' life insurance; and wage increases comparable to those throughout the utility industry.

The total number of employes increased from 3,205 at year-end 1975 to 3,325 at the end of 1976. Most of the additional employes were hired for positions at Navajo Generating Station, which began full-scale operation in 1976.



Providing a reliable supply of water at reasonable charges to consumers in the Valley of the Sun was the Project's prime purpose in the early 1900's. It still is.

New legislation affects SRP

Legislation passed in June 1976 enlarged the Power District's board from 10 to 14 members and extended the terms of office for District board members from two to four years. Two of the four new board members were appointed to their seats in October 1976, in accordance with the law. Their positions will be up for election in 1978. The other two seats are to be filled in the SRP election in April 1980. All four new board members will be publicly elected at large on the basis of one landowner, one vote. The remaining 10 members will continue to be publicly elected on a debt-proportionate basis of one acre, one vote, with one member representing each of the 10 geographic voting areas in the District. The law, which applies to the Power District and not to the Association, staggers the terms so that at any given election only half the board will be elected. The law also states that candidates for president and vice president will run for four-year terms beginning in 1978.

Another law passed in 1976 formalized the actions SRP has been taking when changing electric rates.

DOMESTIC WATER USE
in acre-feet

	1976	1975	% of Change
Phoenix	135,807.97	118,606.64	14.5
Tempe	20,856.31	20,938.93	(0.4)
Glendale	9,446.18	9,462.58	(0.2)
Mesa	15,519.81	5,978.03	159.6
Scottsdale	2,491.91	2,791.76	(12.0)
Chandler	1,064.27	1,506.25	(41.5)
Peoria	983.73	890.87	10.4
Gilbert	874.12	823.41	6.2
Total	187,044.30	160,998.47	11.1

Water use shows continuing urbanization

Water deliveries for 1976 totaled 804,964 acre-feet (af), compared to 767,869 af in 1975. Of the total water required during 1976, 71.3 percent was from Project lakes.

Water storage in Project lakes declined slightly in 1976. Reservoirs contained 50.1 percent of their 2,072,050 af capacity at the beginning of the year and were 47.1 percent full at year-end. This represents a difference of about 64,500 af in storage. Reduction in the amount of storage was due to increased water use and decreased runoff, which resulted from reduced precipitation on the Project's watershed. Runoff for 1976 totaled 817,679 af, 88 percent of the yearly average.

SRP water used for non-agricultural purposes, including municipal and industrial uses, and parks, playgrounds and residential irrigation, totaled 295,123 af in 1976, compared to 265,591 af in 1975.

Deliveries to cities during 1976 totaled 187,044 af compared to 160,998 af the previous year. Other non-agricultural uses required 108,079 af during the year, up from the 104,592 af used in 1975.

Of the cities, Phoenix used the greatest amount of water, consuming 135,808 af, up 14.5 percent from 1975. Mesa, which consumed nearly 6,000 af in 1975, almost tripled its domestic water use for a total of 15,520 af in 1976, while Chandler used 41.5 percent less water. Other cities (Tempe, Glendale, Scottsdale, Peoria and Gilbert) received about the same amount of water from SRP as they did in 1975.

Water used by decreed lands, which include Indian reservations, totaled 58,464 af.

Agricultural water orders for 1976 totaled 451,377 af, compared to 447,042 af in 1975.

The Project's role as a major contributor to the Salt River Valley's economy was reinforced by the values of crops and livestock produced, largely made possible through the Project's dependable supply of water. Although the amount of water delivered to agricultural accounts decreased, the combined values of crops and livestock increased 9.5 percent from $131.3 million in 1975 to $143.8 million in 1976.

A total of 2,693 acres was converted from agricultural to urban use during 1976, compared to 1,289 acres in 1975 and 9,033 acres in 1974. At year-end there were 121,761 acres in the Project area being used for agricultural purposes and 116,505 acres being used for other purposes.

Assessments and other water charges rise to keep pace with costs

Water assessment and delivery fees were increased an average of 42 percent in 1976. The increases, which took effect in January 1976, produced an additional $1.1 million in water revenues. This offset increases in water operating costs and helped to reduce the contribution of power revenues to water operations.

Electric revenues contributed to water operations decreased from $10.5 million in 1975 to $10.4 million in 1976. The effect was a reduction in the water subsidy from 4.9 percent of electric revenues in 1975 to 4.7 percent in 1976.

The SRP board set the 1976 water assessment at $7.50 per acre – 30 percent higher than in the 1975 assessment of $5.75 per acre. Since 1969, SRP water assessments have increased 200 percent, from $2.50 to $7.50 per acre.

Charges for water delivered to the cities also increased during 1976. The Project delivers water to eight cities in the Valley, in accordance with municipal water contracts. Cities, under these contracts, pay each account's assessment plus a shareholder fee, which was increased from 50 cents to 75 cents per account, a 50 percent increase. Cities, rather than property owners, pay the assessment for land no longer receiving irrigation. Then, acting as agents for the Project, cities deliver treated water to city consumers.

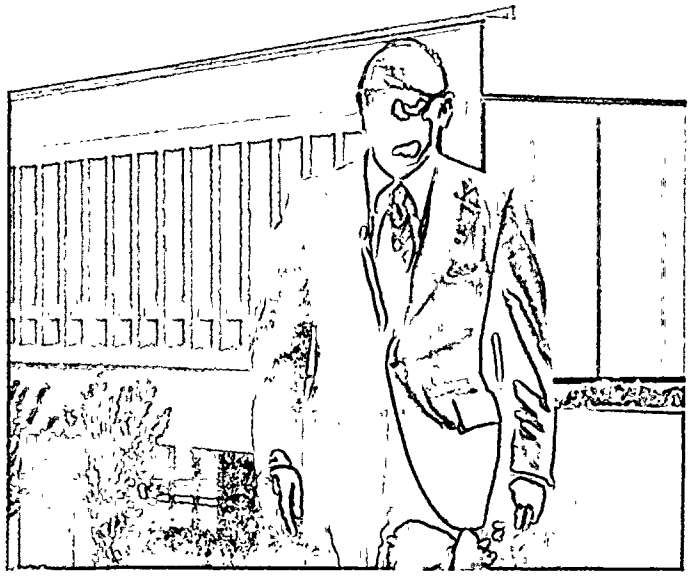
SRP water delivery charges for irrigation water increased from $18 to $25 for active field accounts and from $10 to $14 for active subdivision accounts.

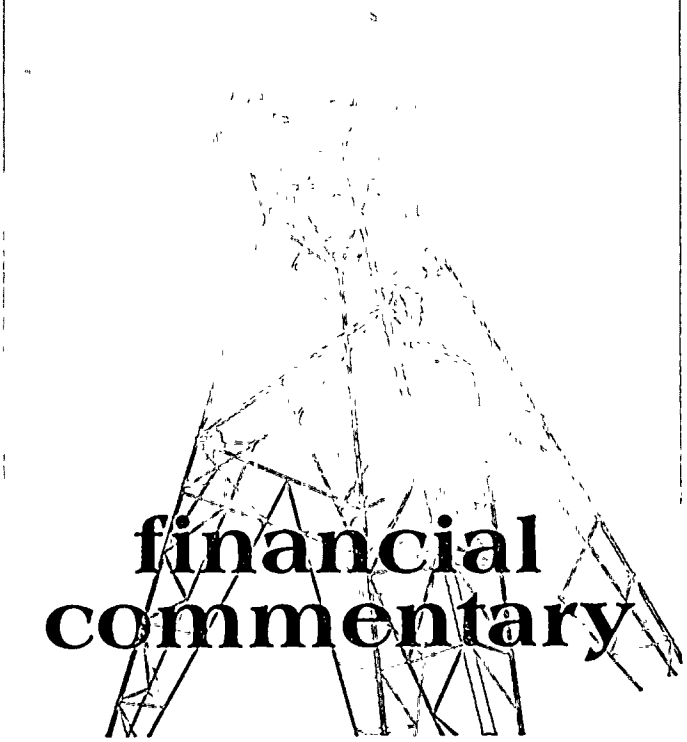
This cool, clear water, delivered by SRP to the new Val Vista Water Treatment Plant in Mesa, is treated and then delivered to homes in the Valley. SRP supplies more than half the water used by Valley cities.

A.J. Pfister named general manager

1976 was a year of top management changes. A. J. Pfister, former deputy general manager, succeeded Rod J. McMullin, who retired after serving 19 years as general manager. In other executive management changes, Robert F. Amos was promoted to deputy general manager and John R. McNamara was promoted to associate general manager for power.

A.J. Pfister





financial commentary

Uncertainties in the national economy during 1976 were reflected in the results of Project operations.

Sales of electric energy were only slightly higher than in 1975. Although there was a substantial improvement in the fuel cost picture, other costs continued to show the effects of inflation. Expenditures for capital improvements reached a new high as work continued on facilities required to meet estimated future loads. The Project retained its high credit rating and successfully marketed $405 million of revenue bonds.

Operating revenues increase

Operating revenues for 1976 totaled $225.3 million, up $11.4 million from 1975. Electric sales provided $221.0 million, an increase of $10.0 million or 4.7 percent over 1975. Water revenues grew 52.6 percent from last year and totaled $4.3 million. The modest increase in electric revenues was the result of the lowest energy sales and customer growth rate in recent years coupled with various weather factors and consumers' efforts to conserve.

The large increase in water revenues was due primarily to an increase in water charges.

Operating expenses reach $182.7 million

Operating expenses of $182.7 million were only $2.6 million, or 1.5 percent, greater in 1976 than in 1975. This very modest increase in expenses was made possible by an actual decrease of $14.8 million (compared with 1975) in the cost of fuel and purchased power. This was due in part to the Project's continuing program of converting to coal-fired power generation to replace higher cost oil-fired generation. In addition, there was increased availability of low-cost hydroelectric power from outside sources and greater availability of natural gas than had been planned. These lower fuel costs were passed along to customers during the year through negative fuel cost adjustments.

All other operating expenses were higher than in 1975. Depreciation expenses totaled $27.1 million, an increase of $4.1 million or 17.9 percent. Taxes and tax equivalents rose by 17.5 percent to $30.9 million. Other operation expenses were up 16.4 percent to $38.8 million. These included costs for salaries, wages, supplies and services. Maintenance costs increased by 20.3 percent to $19.6 million. The higher maintenance cost is largely the result of new coal-fired generating units going into service and the increasing costs to maintain the older facilities already in service. However, in 1976 maintenance costs declined to 2.1 cents per dollar of plant in service, compared with 2.2 cents in 1975.

Plant value exceeds $1 billion

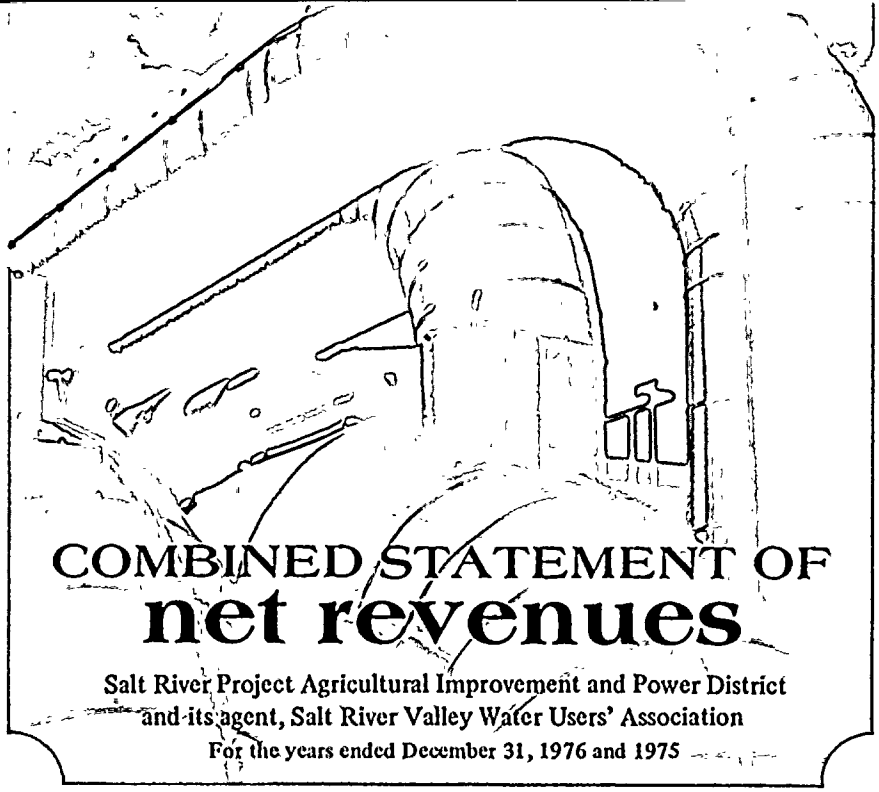
Gross investment in plant and equipment, including construction in progress, was $1.2 billion, up 24.9 percent from 1975. Funds required for additions to plant amounted to $234.0 million, a 51.6 percent increase from 1975. Of the funds required, $199.4 million, or 85.2 percent, came from new financing. The remaining 14.8 percent came from accumulated net revenues.

Financing costs up

Financing costs, less allowance for funds used during construction, were $31.1 million in 1976, an increase of $7.2 million, or 30.4 percent, since 1975. Interest on long-term debt rose by $18.5 million, an increase of 44.5 percent over 1975. This was partially offset by an increase of $5.3 million in interest earned on temporary investments. Repayments of long-term debt required $10.5 million in 1976 compared with $11.1 million in 1975.

Net revenues increase slightly

Net revenues for the year were $11.3 million, an increase of $874,000, or 8.4 percent, over 1975. The increase, though modest, shows that earnings have been maintained by moderating operating costs in the face of economic uncertainties, lower growth rates and continued inflation. The results help to fulfill the expectations held for increasing energy independence as the Project continues its transition to more coal-fired generation.



COMBINED STATEMENT OF net revenues

Salt River Project Agricultural Improvement and Power District
and its agent, Salt River Valley Water Users' Association
For the years ended December 31, 1976 and 1975

	1976	1975
OPERATING REVENUES:		
Electric	$220,961,215	$211,016,136
Water and irrigation	4,307,032	2,821,516
Total operating revenues	$225,268,247	$213,837,652
OPERATING EXPENSES:		
Power purchased	$ 18,103,516	$ 32,230,873
Fuel used in electric generation	48,285,472	49,007,365
Other operation expenses	38,786,480	33,309,186
Maintenance	19,562,273	16,265,728
Depreciation and amortization (Note 1)	27,055,149	22,957,201
Taxes and tax equivalents (Note 5)	30,869,311	26,278,119
Total operating expenses	$182,662,201	$180,048,472
Net operating revenues	$ 42,606,046	$ 33,789,180
FINANCING COSTS:		
Interest on bonds at coupon rates	$ 60,074,044	$ 41,585,531
Amortization of bond discount	657,176	544,801
Amortization of bond issue expense	167,854	151,228
Interest on other obligations	294,059	1,064,051
Interest earned on investments and deposits	(12,775,619)	(7,517,472)
Net financing costs	$ 48,417,514	$ 35,828,139
Less—Allowance for funds used during construction (Note 1)	(17,357,802)	(12,007,218)
Financing costs less allowance for funds used during construction	$ 31,059,712	$ 23,820,921
OTHER DEDUCTIONS (REVENUES), NET	259,075	(445,403)
NET REVENUES FOR THE YEAR	$ 11,287,259	$ 10,413,662

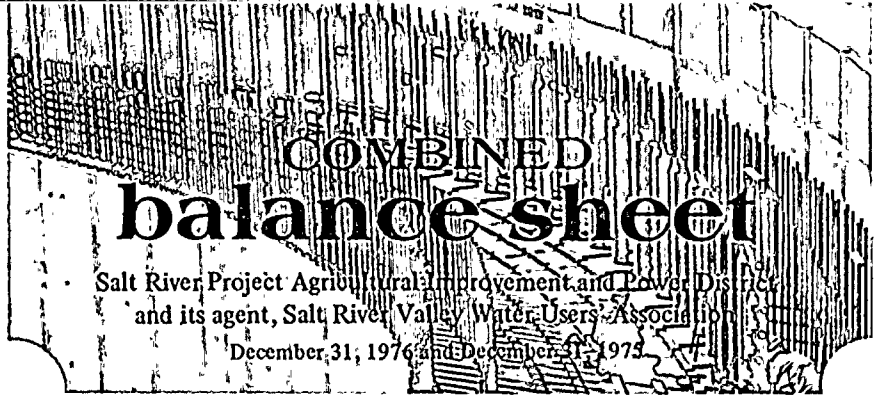
The accompanying notes to combined financial statements are an integral part of this statement.

COMBINED STATEMENT OF sources of funds

For additions to utility plant
Salt River Project Agricultural Improvement and Power District
and its agent, Salt River Valley Water Users' Association
For the years ended December 31, 1976 and 1975

	1976	1975
GROSS ADDITIONS TO UTILITY PLANT, excluding allowance for funds used during construction	$234,011,818	$154,321,134
FUNDS GENERATED FROM OPERATIONS:		
Net revenues for the year	$ 11,287,259	$ 10,413,662
Add – Depreciation and other charges not requiring current funds	29,919,879	26,737,369
Deduct – Allowance for funds used during construction not providing current funds	(17,357,802)	(12,007,218)
Total funds generated from operations before retirement of debt	$ 23,849,336	$ 25,143,813
Less – Repayment of long-term debt	10,527,234	11,121,486
Net funds generated from operations	$ 13,322,102	$ 14,022,327
FUNDS OBTAINED FROM FINANCING:		
Proceeds of bond issues	$398,749,762	$168,108,201
Advances from U.S. Government for rehabilitation of irrigation plant	1,126,874	1,704,239
Other advances and contributions in aid of construction	3,062,146	2,746,483
Other long-term obligations	--	108,649
Short-term borrowings, net of repayments	(40,000,000)	(20,000,000)
Total funds obtained from financing	$362,938,782	$152,667,572
Less –		
Increase in segregated funds set aside for debt service	(16,023,299)	(10,747,293)
Increase in segregated funds set aside for construction	(96,825,635)	(473,402)
Increase in temporary investments held primarily for construction	(50,652,353)	(10,026,145)
Net funds obtained from financing	$199,437,495	$131,420,732
CHANGES IN OTHER ITEMS AFFECTING FUNDS:		
Reduction in advances for dedicated capacity in electric plant	$ --	$ 12,627,615
Increase in deposits for payment of accrued interest on bonds	(11,122,078)	(6,458,315)
Increase in accrued interest payable	10,991,331	6,046,033
(Increase) Decrease in fuel stocks and materials and supplies	7,416,227	(3,192,102)
(Increase) Decrease in cash	6,544,295	(115,599)
Increase in accounts payable	6,888,304	4,313,309
Decrease (increase) in other assets and liabilities, net	534,142	(4,342,866)
Net changes in other items	$ 21,252,221	$ 8,878,075
FUNDS USED FOR ADDITIONS TO UTILITY PLANT	$234,011,818	$154,321,134

The accompanying notes to combined financial statements are an integral part of this statement.



COMBINED balance sheet

Salt River Project Agricultural Improvement and Power District and its agent, Salt River Valley Water Users' Association

December 31, 1976 and December 31, 1975

Assets

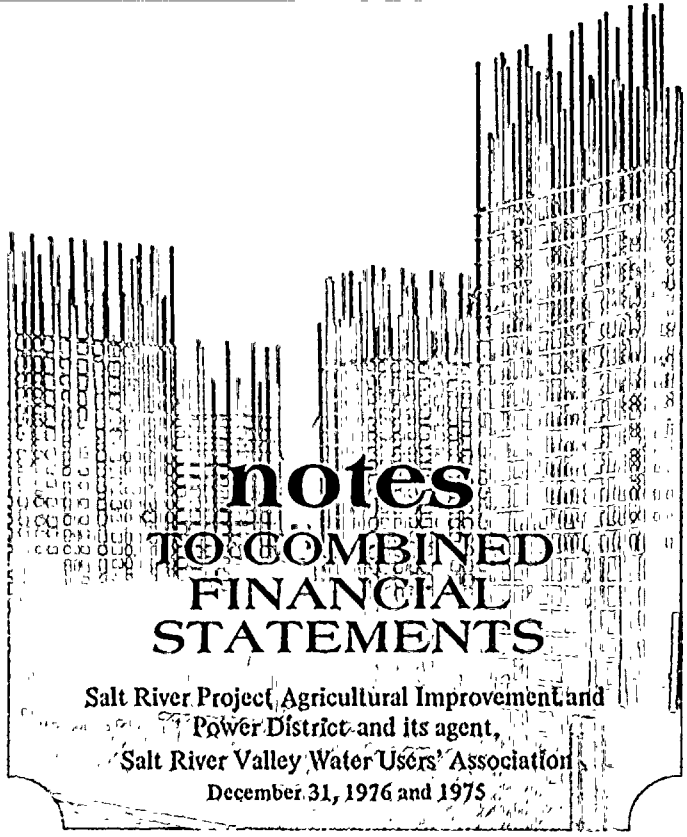
	1976	1975
UTILITY PLANT, at original cost (Notes 1, 2 and 3):		
Plant in service—		
Electric	$ 812,169,386	$ 626,893,594
Irrigation	62,549,894	60,513,571
General	39,483,750	37,431,992
Total plant in service	$ 914,203,030	$ 724,839,157
Less – Accumulated depreciation on plant in service	192,839,319	167,179,412
	$ 721,363,711	$ 557,659,745
Construction work in progress	315,414,264	259,916,957
	$1,036,777,975	$ 817,576,702
SEGREGATED FUNDS, consisting of cash and U.S. Government obligations set aside in accordance with resolutions of bond issues:		
Debt service funds excluding $33,481,000 in 1976 and $22,359,000 in 1975 for payment of accrued interest (Note 10)	$ 86,902,964	$ 70,879,665
Construction funds	97,582,811	757,176
	$ 184,485,775	$ 71,636,841
CURRENT ASSETS:		
Cash	$ 399,692	$ 6,943,987
Temporary investments, at cost, held primarily for construction	106,090,055	55,437,702
Deposit in debt service fund for payment of accrued interest on bonds	33,481,367	22,359,289
Accounts receivable from insurance carriers (Note 9)	1,887,870	--
Trade and other accounts receivable, less reserves of $967,000 in 1976 and $927,000 in 1975 for doubtful accounts	18,325,360	21,149,691
Fuel stocks, at average cost	11,133,659	18,549,886
Materials and supplies, at average cost	15,296,886	15,186,066
Prepayments, interest receivable and other	7,788,908	3,074,780
	$ 194,403,797	$ 142,701,401
OTHER ASSETS:		
Nonutility plant, less accumulated depreciation of $500,000 in 1976 and $458,000 in 1975	$ 2,389,661	$ 2,418,024
Bond expense being amortized	2,725,782	2,201,207
Miscellaneous deferred charges (Note 9)	5,934,333	7,417,115
	$ 11,049,776	$ 12,036,346
	$1,426,717,323	$1,043,951,290

The accompanying notes to combined financial

Liabilities and Capitalization

	1976	1975
LONG-TERM DEBT (Note 10):		
General obligation bonds	$ 278,915,016	$ 287,219,590
Electric system revenue bonds	893,317,068	495,065,557
Obligations to U.S. Government	12,570,867	12,225,830
Other obligations	1,762,219	2,058,966
	$1,186,565,170	$ 796,569,943
ACCUMULATED NET REVENUES, invested principally in utility plant:		
Balance beginning of year	$ 146,394,829	$ 135,981,167
Net revenues for the year	11,287,259	10,413,662
Balance end of year	$ 157,682,088	$ 146,394,829
Total capitalization, consisting of long-term debt and accumulated net revenues	$1,344,247,258	$ 942,964,772
CURRENT LIABILITIES, excluding $15,260,000 in 1976 and $10,491,000 in 1975 representing current portion of long-term debt which is to be paid from segregated funds:		
Notes payable to banks (Note 7)	$ 1,000,000	$ 41,000,000
Accounts payable	25,461,503	18,573,199
Accrued taxes and tax equivalents (Note 5)	12,822,109	10,698,544
Accrued interest	33,483,423	22,492,092
Customers' deposits	3,340,486	2,565,951
Other current and accrued liabilities	2,710,770	2,519,269
	$ 78,818,291	$ 97,849,055
DEFERRED CREDITS AND RESERVES:		
Irrigation assessments levied for subsequent year	$ 2,690,660	$ 2,159,711
Advances for construction	397,342	473,112
Other	563,772	504,640
	$ 3,651,774	$ 3,137,463
COMMITMENTS AND CONTINGENCIES (Notes 3, 4, 5 and 6)	$1,426,717,323	$1,043,951,290

statements are an integral part of this balance sheet.



(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

(a) Principles Underlying Combined Statements

The combined financial statements include the accounts of the Salt River Project Agricultural Improvement and Power District and the accounts of its agent, the Salt River Valley Water Users' Association, together referred to as the Salt River Project, and a wholly owned subsidiary, Salt River Generating Company. All significant intercompany transactions have been eliminated.

(b) Utility Plant, Depreciation and Maintenance

The accounting records of Salt River Project are maintained substantially in accordance with the Uniform System of Accounts prescribed for electric utilities by the Federal Power Commission. 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 is capitalized as a part of the electric and general plant. This allowance is deducted from net financing costs in the combined statement of net revenues and added to utility plant. A capitalization rate of 6% was used for several years but was changed to 7.25% on July 1, 1975.

Depreciation expense is computed on the straight-line basis over estimated useful lives of the various classes of plant. Rates in effect during the years 1976 and 1975 resulted in provisions approximating 3.71% for 1976 and 3.68% for 1975 on the average cost of depreciable electric plant, and 1.90% for 1976 and 1.90% for 1975 for depreciable irrigation plant. When property representing a retirement unit is replaced, removed, or abandoned, the cost of such property is credited to the appropriate utility plant account, and such cost together with removal costs less salvage is charged to accumulated depreciation.

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

(c) Bond Expense

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

(d) Employes' Retirement Plan

The Project has a retirement plan covering substantially all employes. The plan is funded entirely from employers' contributions and the earnings of the invested assets. The estimated unfunded past service liability, as determined by the plan's actuary using the "entry age normal cost" valuation method, with frozen initial liability, was $7,720,585 as of July 1, 1976, and is being funded over a period ending in 2001. The employers' cash contributions to this plan totaled $4,552,082 in 1976 and $4,323,770 in 1975.

At July 1, 1976, the plan's assets exceeded the actuarially computed value of the vested benefits at the same date.

(e) Revenues

Meters for residential, commercial and small industrial customers are read cyclically and sales recorded only when billed. This system of billing results in earned but unbilled revenues which amounted to $8,769,000 at December 31, 1976, and $8,102,000 at December 31, 1975. For large industrial customers, meters are read near month-end and billings recorded on the accrual basis. Electric revenue billings are adjusted periodically for changes in costs of fuel and purchased power. Revenues from water and irrigation operations are recorded when earned.

(2) POSSESSION AND USE OF UTILITY PLANT:

The United States of America retains a paramount right or claim in the Salt River Project which arises from the original construction and operation of the Project's facilities as a Federal Reclamation Project. The Project'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) CONSTRUCTION PROGRAM:

Balances shown for construction work in progress represent expenditures for new facilities required to serve anticipated customer needs, and consist of:

	December 31 1976	1975
Electric generating facilities	$276,195,260	$222,994,877
Transmission and distribution	32,176,139	30,706,351
Irrigation plant	2,807,137	2,530,106
Other construction	4,235,728	3,685,623
Total	$315,414,264	$259,916,957

Construction expenditures planned for 1977 approximate $400 million, which includes $350 million to be expended in 1977 on the major projects shown below.

At December 31, 1976, substantial commitments had been entered into for delivery of materials and services on construction projects. In addition, various firm commitments exist under coal and fuel oil supply contracts.

Based on prior agreement, the major portion of advances for dedicated capacity in Unit One of the Hayden Generating Station was recaptured during 1975. The remainder, representing common plant attributable to Unit Two of the Hayden Generating Station, was transferred to construction work in progress.

Recent forecasting studies have caused management to reduce projections of future power resources requirements, and to explore possible reductions in the range of $250 million to $500 million to the schedule of construction expenditures shown below. Options presently under consideration include sale of partial ownership interests in the Coronado and/or Palo Verde stations, or a delay in construction of the Coronado Generating Station combined with sales of excess capacity on a prepayment basis. Management expects that any action taken with regard to these matters would result in full realization of all costs currently invested in the construction program.

(4) ENVIRONMENTAL LITIGATION:

Various pending lawsuits involving environmental matters could affect interests owned by Salt River Project in present generating facilities and in proposed generating facilities and transmission lines. In general, these lawsuits seek to impose higher air quality standards for generating plants. If ultimately decided adversely to the interest of Salt River Project, the outcome of the lawsuits could result in increased construction costs, increased future operating costs, and a possible loss in the operational reliability of certain generating plants. All of these effects would increase the costs to be passed on to customers through increased electric rates.

(5) PROPERTY VALUATION LITIGATION:

Salt River Project makes voluntary contributions to taxing bodies in lieu of payment of property taxes. The Department of Revenue of the State of Arizona has filed lawsuits requesting increases in the values used to compute the voluntary contributions for the years 1970, 1971, 1972, 1973 and 1974. No lawsuits or claims have been filed concerning 1975 and 1976 valuations.

The general effect of the claims made under the lawsuits would be to increase the contributions for the years in dispute by a total of approximately $3,650,000. In 1973, in connection with a portion of the lawsuits, the Superior Court of Arizona granted a summary judgment in favor of Salt River Project.

EXPECTED CONSTRUCTION EXPENDITURES (Note 3)

	Expected In-Service Date	($000) Expenditures Prior to 1977	Expected in 1977	Expected After 1977	Overall
Navajo Generating Station	1974-76	$142,269	$ 2,678	$ 3,484	$ 148,431
Navajo Railroad	1974-76	18,351	309	-	18,660
Hayden Generating Station—Unit 2	1976	93,234	2,520	-	95,754
Craig Generating Station	1979	82,539	51,267	59,715	193,521
Coronado Generating Station	1979-80	131,397	180,557	404,677	716,631
Coronado Railroad	1979	5,189	18,414	22,188	45,791
Coronado Transmission System	1979-80	25,493	38,256	41,453	105,202
Palo Verde Nuclear Generating Station	1982-86	42,300	53,975	984,986	1,081,261
Palo Verde Transmission System	1982-86	659	1,625	43,132	45,416
		$541,431	$349,601	$1,559,635	$2,450,667

This summary judgment was later reversed in part in appellate decisions within Arizona, and this reversal is now in process of appeal to the United States Supreme Court. If the reversal is upheld, the claims will be litigated in Superior Court with the decision of that court possibly subject to the appellate process.

Under Arizona law, the amount of each voluntary contribution made by Salt River Project to taxing bodies in lieu of payment of property taxes is subject to review and approval, or disapproval, by the Secretary of the Interior of the United States of America. In the opinion of legal counsel, any additional contributions required as a result of the above litigation would be subject to the approval or disapproval of the Secretary prior to payment.

No reserve for additional contributions has been provided at December 31, 1976. If any liability were to result from this litigation, management expects that the amount of such liability would be recovered when paid through increased rates collected from electric customers.

(6) OTHER LITIGATION:

Principally as a result of certain water flooding in 1970 and 1972, various lawsuits and claims have been filed against Salt River Project alleging that the Project has a responsibility in regard to flood control and a liability in regard to flood damage. The ultimate liability, if any, is not determinable, but management expects that a significant portion of any liabilities which might result from flood damage claims will be covered by insurance.

(7) LINE OF CREDIT:

The District has a line-of-credit agreement with 13 banks, which provides for a maximum commitment of $60,000,000 with interest on borrowings at a rate equal to 75% of the banks' prime rate as established from time to time by the lead bank. No compensating balances nor commitment fees are required under the line of credit; in lieu thereof the District has agreed to use the full amount of the line for a specified minimum number of days during the year. The current agreement terminates on October 15, 1977. The line-of-credit borrowings are borrowed in the name of and payable from the General Fund and rank junior to payments required for the Prior Lien Bonds and the Revenue Bonds. At December 31, 1976, there were no outstanding borrowings on the line of credit. Other bank borrowings totaled $1,000,000 at December 31, 1976, and carried an interest rate of 4.17%. The average interest rate on bank borrowings for 1976 was 4.69%. On January 21, 1977, the District borrowed the full $60,000,000 at an interest rate of 4.69%, repayable in full on or before October 15, 1977.

(8) IRRIGATION AND WATER OPERATIONS:

The expenses, including depreciation, for irrigation and water operations exceeded the assessments, delivery fees, and other revenues therefrom by approximately $7,341,000 in 1976 and $7,248,000 in 1975. These amounts do not include expenditures for additions and improvements to irrigation plant and for repayment of long-term debt.

(9) OTHER MATTERS:

During 1976, Salt River Project terminated its participation in the Montezuma Pumped-Storage Generation Project because of projections of reduced capacity requirements. The Board of Directors approved the deferral of approximately $1,800,000 of Montezuma Project costs and the amortization of this charge over a period of five years, with the intention that the costs be considered for inclusion in amounts to be recovered from consumers over the same five-year period.

A receivable from insurance carriers arises from an accident at the Kyrene Station. Damage from the accident has been fully repaired and billed to the carriers. Management believes that the amount billed will be collected.

Salt River Project is actively engaged in research and development programs related to new energy sources and improved technologies for power generation. During 1976, operating expenses included approximately $1,800,000 related to research and development projects.

(10) LONG-TERM DEBT:

Bonds outstanding are general obligation bonds and electric system revenue bonds. In all years to date, net electric revenues have been more than sufficient to meet all debt service requirements.

General obligation bonds are a lien upon the real property included in the District and are additionally secured by a pledge of revenues from the operation of the electric system. If the net electric revenues, as defined in the bond resolutions, are not sufficient to meet the principal and interest payments, the bonds and interest are payable from a levy of taxes on the real property.

Electric system 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 resolutions, subject to prior liens of general obligation bonds and amounts due the United States. In all years to date electric revenues, after deducting "operating expenses" as defined in the bond resolutions, have been more than sufficient to meet all debt service requirements.

notes

The annual maturities of bonds and other long-term debt outstanding as of December 31, 1976, due in each of the years 1977 through 1981 are: $15,260,000; $15,646,000; $16,397,000; $17,545,000 and $18,324,000 respectively.

Interest and amortization of discount on the various issues outstanding during the year resulted in an effective rate of 6.17% for 1976. This rate approximates 6.50% over the remaining terms of the bonds.

At December 31, 1976, electric system revenue bonds totaling $240,000,000 principal amount were authorized, but unissued.

The debt service portion of segregated funds includes $16,896,000 at December 31, 1976, and $16,272,000 at December 31, 1975, restricted for operating reserve requirements under bond resolutions.

Long-term debt outstanding at December 31, 1976, and December 31, 1975, was as follows:

LONG-TERM DEBT OUTSTANDING

	Interest Rate	Issued In Year	($000) Outstanding 12/31/76	12/31/75	Future Maturities
General Obligation Bonds:					
Issue No. 4	2-5/8	1950	$ 700,000	$ 1,400,000	1977
Issue No. 5	2-1/2	1951	2,500,000	3,000,000	1977-80
Issue No. 6	2-3/4 to 3-5/8	1953	8,000,000	8,500,000	1977-82
Issue No. 7	3.1 to 3.4	1956	7,045,000	7,095,000	1977-87
Issue No. 8	3.6 to 3-5/8	1959	3,830,000	3,950,000	1977-87
Issue No. 9	1 to 4-1/4	1960	22,805,000	23,860,000	1977-92
Issue No. 10	1 to 3.6	1962-65	15,730,000	16,575,000	1977-94
Issue No. 11	3-1/4 to 3-1/2	1965	10,900,000	11,400,000	1977-87
Issue No. 12	3 to 5	1968-69	37,000,000	38,650,000	1977-99
Issue No. 13	4 to 5	1969	7,900,000	8,250,000	1977-99
Issue No. 14	3-1/2 to 6	1970-72	165,900,000	168,300,000	1977-2003
			$282,310,000	$290,980,000	
Unamortized bond discount			(3,394,984)	(3,760,410)	
Total general obligation bonds outstanding			$278,915,016	$287,219,590	
Electric System Revenue Bonds:					
1973 Series A	5 to 6-1/2	1973	$ 74,210,000	$ 75,000,000	1977-2010
1973 Series B	5 to 6-1/2	1973	75,000,000	75,000,000	1977-2011
1974 Series A	5.7 to 7.2	1974	90,000,000	90,000,000	1983-2012
1974 Series B	6.1 to 7.6	1974	50,000,000	50,000,000	1983-2012
1974 Series C	6-1/2 to 7-3/4	1974	40,000,000	40,000,000	1983-2012
1975 Series A	7.1 to 8-1/8	1975	60,000,000	60,000,000	1983-2013
1975 Series B	7.0 to 7.6	1975	75,000,000	75,000,000	1983-2015
1975 Series C	7.2 to 8-1/8	1975	35,000,000	35,000,000	1983-2015
1976 Series A	5.0 to 7.2	1976	100,000,000	--	1985-2016
1976 Series B	4.7 to 6-5/8	1976	140,000,000	--	1984-2016
1976 Series C	6.0 to 6-3/4	1976	40,000,000	--	1982-2016
1976 Series D	4.0 to 6.4	1976	125,000,000	--	1980-2016
			$ 904,210,000	$500,000,000	
Unamortized bond discount			(10,892,932)	(4,934,443)	
Total electric system revenue bonds outstanding			$ 893,317,068	$495,065,557	
Total bonds outstanding			$1,172,232,084	$782,285,147	
Obligations to U.S. Government for irrigation plant	None	1935-76	12,570,867	12,225,830	1977-2001
Equipment contracts	6-7/8 & 7-1/2	1974-75	1,728,048	2,013,444	1977-82
Other obligations	None	1950	34,171	45,522	1977-79
Total long-term debt			$1,186,565,170	$796,569,943	

auditors' report

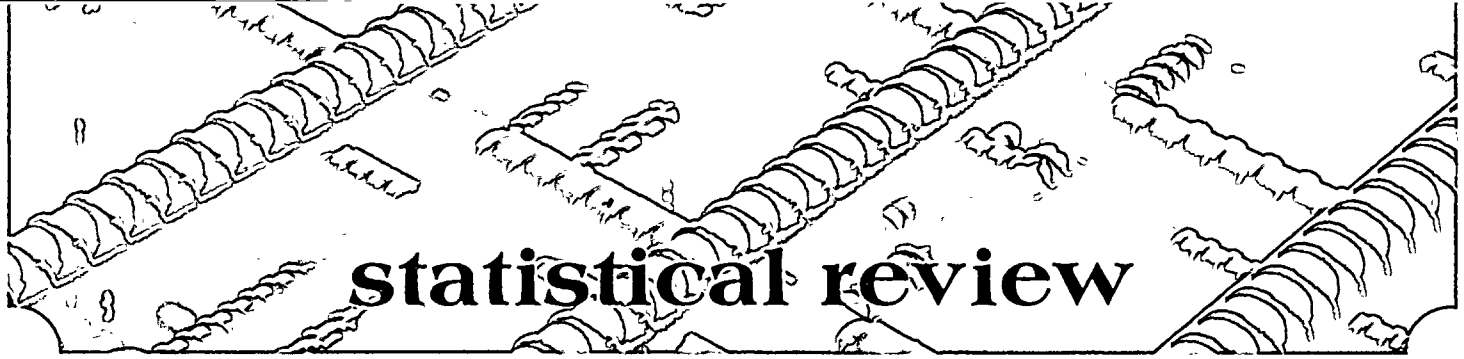
To the Board of Directors,
Salt River Project Agricultural Improvement and Power District, and
Board of Governors,
Salt River Valley Water Users' Association:

We have examined the combined balance sheet of SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT (a political subdivision of the State of Arizona) and its agent, SALT RIVER VALLEY WATER USERS' ASSOCIATION, together referred to as the SALT RIVER PROJECT, as of December 31, 1976, and December 31, 1975, and the related combined statements of net revenues and sources of funds for additions to utility plant for the years then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of the Salt River Project as of December 31, 1976, and December 31, 1975, and the results of its operations and sources of funds for additions to utility plant for the years then ended, in conformity with generally accepted accounting principles consistently applied during the periods.

Arthur Andersen & Co.

Phoenix, Arizona
February 23, 1977



statistical review

PROJECT GENERAL	1976	1975	1971	1966
Operating revenues	$ 225,268,247	$213,837,652	$ 85,422,463	$ 47,639,572
Electric	220,961,215	211,016,136	83,335,209	46,231,776
Water and irrigation	4,307,032	2,821,516	2,087,254	1,407,796
Operating expenses	182,662,201	180,048,472	74,856,121	39,862,336
Net financing costs				
Less capitalized interest	31,059,712	23,820,921	5,148,087	2,459,249
Other deductions (revenues), net	259,075	(445,403)	193,829	(108,546)
Net revenues	11,287,259	10,413,662	5,224,426	5,426,533
Construction expenditures	223,448,000	166,328,352	74,702,708	15,647,300
Electric and irrigation plant, gross	1,229,617,294	984,756,114	433,573,063	233,213,665
Contributions of power revenues to support water operations	7,341,000	7,248,000	9,600,000	6,000,000
Taxes and tax equivalents	30,869,311	26,278,119	9,570,688	3,474,924
Employes at year-end	3,325	3,205	2,522	1,959

WATER	1976	1975	1971	1966
Total storage and pumping capacity (acre-feet)	2,841,818	2,869,649	2,896,542	2,843,863
Storage capacity (six reservoirs)	2,072,050	2,072,050	2,072,050	2,072,050
Installed pumping capacity	769,768	797,599	824,492	771,813
Water in storage January 1 (acre-feet)	1,040,000	1,056,410	1,090,552	1,991,240
Project storage only	771,440	798,815	784,312	1,678,488
Runoff (acre-feet)	817,679*	870,511	693,147	1,237,127
Released from storage (acre-feet)	826,546*	809,063	729,008	1,128,138
Water in storage December 31 (acre-feet)	976,725	1,040,000	1,014,578	1,667,772
Project storage only	711,353	771,440	723,247	1,341,588
Water diverted into canals and pumping (acre-feet)	1,190,720	1,194,212	1,207,201	1,235,933
From gravity sources	848,734	849,875	723,493	1,059,325
From pumping by Association pumps	335,988	337,516	476,924	171,672
From pumping by others	5,998	6,821	6,784	4,936
Contract deliveries (acre-feet)	121,058	112,599	113,004	110,316
From gravity sources	99,229	91,556	91,368	89,336
From pumping	21,829	21,043	21,636	20,980
Canals, total (miles)	131	131	131	138
Miles lined	59	57	50	47
Laterals, total (miles)	878	876	880	873
Miles lined or piped	715	702	594	444
Drainage and waste ditches (miles)	251	254	279	284
Miles lined or piped	52	53	47	34
Assessed area	238,266	238,264	238,264	238,252
Number of assessed accounts	166,048	163,869	146,541	133,046
Number of individual water deliveries	500,607	469,071	477,079	505,472

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

POWER	1976	1975	1971	1966
Sources: (kwh)				
Net steam generation	5,637,595,000*	4,050,267,000*	3,400,750,000*	1,396,832,000
Net diesel generation	--	--	--	--
Net combustion turbine generation	93,811,000	144,899,000	3,485,000	--
Net combined cycle generation	459,155,000	706,469,000	--	--
Net run of river hydro generation**	243,951,000**	297,858,000**	144,635,000**	326,778,000
Pumped-storage generation	89,536,000	81,916,000	24,610,000	--
Total net generation	6,524,048,000*	5,281,409,000*	3,573,480,000*	1,723,610,000
Purchased	2,561,076,900	3,515,476,241	2,256,408,845	1,266,859,922
Interchange received	162,016,000	211,365,000	525,764,177	369,430,884
Wheeling received	13,389,100	38,378,759	38,802,965	29,360,340
Total energy sources	9,260,530,000*	9,046,629,000*	6,394,455,987*	3,389,261,146
Disposition: (kwh)				
Residential	2,931,444,260	2,878,957,582	1,911,775,663	1,039,717,668
Commercial and industrial	3,594,531,963	3,387,045,196	2,362,228,051	1,336,308,822
Irrigation pumping	282,916,839	310,750,959	234,805,839	189,554,725
Street and highway lighting	36,456,046	39,259,768	31,507,462	22,614,624
Public authorities	288,417,414	260,297,826	203,198,169	157,147,272
Interdepartmental	186,729,026	176,855,758	231,383,473	96,908,267
Sales for resale	818,405,306	988,241,889	850,215,920	93,221,250
Total sales	8,138,900,854	8,041,408,978	5,825,114,577	2,935,472,628
Interchange delivered	384,440,000	279,381,000	105,476,100	187,550,764
Wheeling delivered	12,643,696	34,847,914	421,909,991	26,902,960
Energy losses	598,785,450	574,735,108	35,582,319	239,334,794
Energy for pumped-storage operations	125,760,000	116,256,000	6,373,000	--
Total disposition of energy	9,260,530,000	9,046,629,000	6,394,455,987	3,389,261,146
Peak overall power system (kw)	2,089,000	1,939,000	1,291,000	752,000
Date and time (MST)	July 7, 6 p.m.	July 10, 5 p.m.	June 30, 6 p.m.	June 16, 6 p.m.
Peak, Project customers (kw)	1,732,000	1,634,000	1,120,000	652,000
Date and time (MST)	July 7, 6 p.m.	Aug. 6, 3 p.m.	July 28, 6 p.m.	July 18, 6 p.m.
[1] Generating capability (kw)				
[2] Steam	1,548,250*	1,181,900*	774,400*	532,200
Diesel	--	--	--	7,900
Combustion turbine	[3]378,000	424,800	--	--
Combined cycle	[3]288,000	292,000	--	--
Hydroelectric, conventional	[3] 94,000	94,300	21,200	73,700
Hydroelectric, pumped-storage	[3]140,000	147,200	50,000	--
Total operating capability	2,448,250*	2,140,200*	845,600*	613,800
Contracted purchase at time of peak	325,563	450,500	607,410	353,050
Total resources	2,773,813*	2,590,700*	1,453,010*	966,850
Electric customers, year-end				
Residential	238,989	230,712	172,217	124,644
Commercial and industrial	17,591	16,918	13,117	11,134
Other	1,361	1,296	992	839
Total	257,941	248,926	186,326	136,617
Average annual kwh use—residential	12,597	12,843	11,738	8,522
Average annual kwh price—residential (cents)	3.51	3.29	1.95	1.97

[1]Unit ratings reported in earlier years were nameplate capacities.

[2]208,000 kw added September 1, 1976, as Hayden Unit II began commercial service.

[3]Figures reported indicate unit capabilities during the summer peak. Combustion turbine and combined cycle capabilities under actual operating conditions proved to be less than previously reported figures, which were based on manufacturers' data and test conditions. Hydroelectric unit capabilities for 1976 are less than 1975 because tests showed that excessive wear occurs at or near previously reported operating capabilities. These capabilities will be utilized while units are under automatic generation control and may vary periodically due to system requirements and seasonal variations in temperature.

*Includes SRP participation in jointly owned projects **Includes run of river generation by pumped-storage units

financial highlights

SOURCES	DOLLARS	PERCENT
Residential energy sales	$102,912,463	45.7%
Commercial and industrial	85,420,402	37.9
Sales for resale	18,702,594	8.3
Agricultural pumping, street and highway lighting, and public authorities	11,745,596	5.2
Water and irrigation revenues	4,307,032	1.9
Other	2,180,160	1.0
Total	$225,268,247	100.0%

USES		
Fuel used for generation	$ 48,285,472	21.5%
Other operating expenses	38,786,480	17.2
Purchased power	18,103,516	8.0
Taxes and tax equivalents	30,869,311	13.7
Depreciation and amortization	27,055,149	12.0
Net interest on indebtedness	31,059,712	13.8
Maintenance	19,562,273	8.7
Reinvested	11,287,259	5.0
Miscellaneous deductions	259,075	0.1
Total	$225,268,247	100.0%

board & officers

BOARD MEMBERS *(Pictured below)*

The 10 members of the Board of Governors of the Salt River Valley Water Users' Association are elected biennially from among the shareholders of the Association.

The Board of Directors of the Salt River Project Agricultural Improvement and Power District consists of 12 members and will be expanded to 14 in 1980. One District board member is elected from each of the 10 SRP voting areas. In addition, the District's board includes two members to be elected at large. These board members were appointed to the District's board in 1976 as prescribed by state law. Their positions will be up for election to four-year terms in 1978. The new state law also provided that two additional at large representatives will be added in 1980, bringing the total number of District board members to 14.

The boards establish the policies for the management and conduct of the business affairs of the Project.

COUNCIL MEMBERS *(Pictured next page)*

Three council members are elected for two-year terms from among the shareholders in each of the 10 district areas of the Salt River Valley Water Users' Association and from among the members in each of the 10 division areas of the Salt River Project Agricultural Improvement and Power District. The state law passed in 1976 provides that beginning in 1978 District council members will be elected to four-year terms with half the council seats up for election every two years.

The councils enact and amend bylaws relating to the management and conduct of business affairs of the Project.

PRINCIPAL OFFICERS AND OTHER EXECUTIVES

A. J. Pfister (1)	*General Manager*
Robert F. Amos (2)	*Deputy General Manager*
Kenneth J. Knauer	*Treasurer*
R. B. Ludeman	*Director, Operations Services*
E. W. Yorke	*Director, Personnel*
Reid W. Teeples	*Associate General Manager – Water*
Don L. Weesner	*Assistant General Manager – Water*
John R. McNamara (3)	*Associate General Manager – Power*
Trent O. Meacham	*Assistant General Manager – Power Construction and Maintenance*
John O. Rich	*Assistant General Manager – Power Operations*
Vaughan A. Pierce	*Assistant General Manager – Marketing and Commercial Services*
Leroy Michael, Jr. (4)	*Assistant General Manager – Law, Resources and Land*
Stanley E. Hancock	*Director, Communications and Public Affairs*
Carroll M. Perkins	*Director, Project Planning*
Paul D. Rice (5)	*Secretary*

Promoted to position (1) July 1, 1976; (2) July 12, 1976; (3) July 12, 1976; (4) March 1, 1976. Appointed to position (5) April 1, 1976

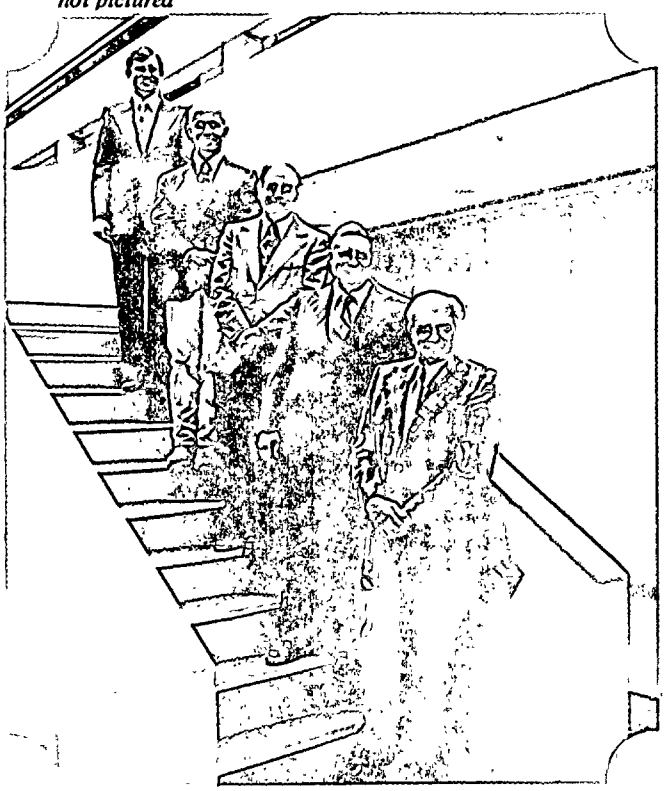
Consultants

Legal Advisors	*Jennings, Strouss & Salmon*
Auditors	*Arthur Andersen & Co.*
Consulting Engineers	*Ford, Bacon & Davis Incorporated*
Bond Counsel	*Mudge Rose Guthrie & Alexander*
Financial Consultant	*Smith Barney, Harris Upham & Co. Incorporated*

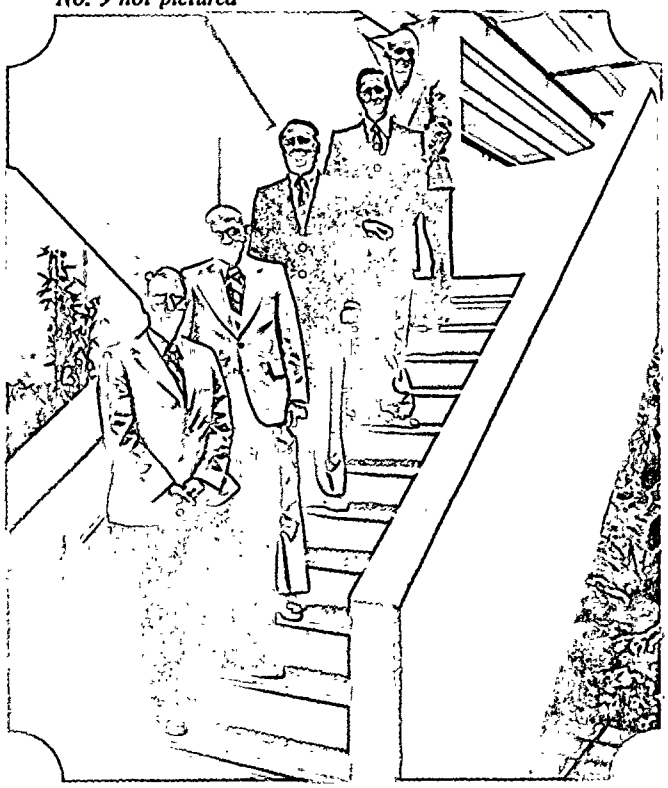
ELECTED OFFICERS

Karl F. Abel – President • • • **John R. Lassen – Vice President**

(From the top:) William W. Arnett, at large; Thomas P. Hurley, No. 6; Bill Rousseau, No. 3; John M. Williams, Jr., No. 5; Alex M. Conovaloff, No. 2; Leo C. Smith, No. 4 not pictured



(From the top:) John S. Hoopes, No. 8; William P. Schrader, No. 7; Germain H. Ball, No. 1; John L. Burton, Jr., at large; Tom Finley, No. 10; Larkin Fitch, No. 9 not pictured



council

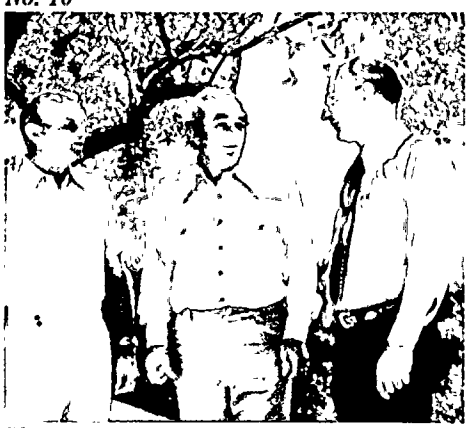
Not pictured: Wiley R. Baker, No. 4; Edmund Navarro, No. 5; James R. Marshall, No. 6

Olen Sharp, Robert W. Birchett, W. Curtis Dana, No. 9

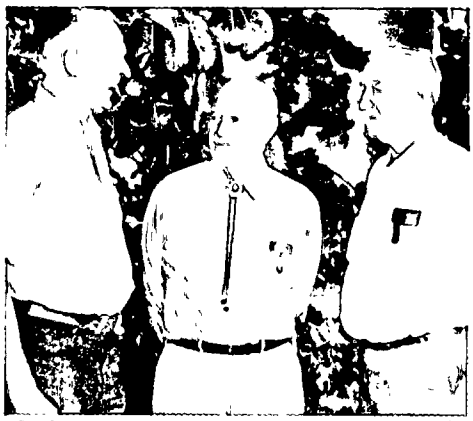
Orland R. Hatch, Otto B. Neely, L. Max Pace, No. 10

Howard W. Lydic, Rudolph Johnson, No. 1

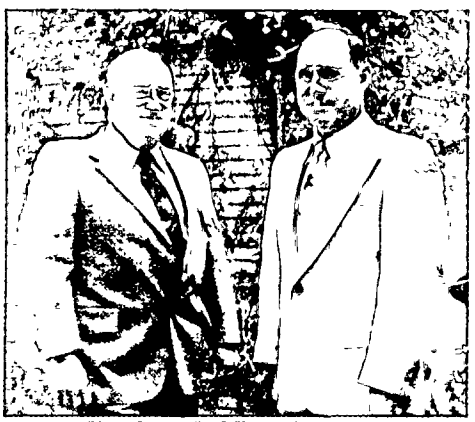
Cal A. Sutton, No. 2; Ray C. Roles, No. 6



Thomas M. Owens, Jr., No. 8; William H. Goettl, No. 7; C. C. Pendergast, Jr., No. 2



Emil M. Rovey, No. 1; A. Warren Austin, No. 7; George B. Willmoth, No. 7



Roy W. Cheatham, Carl E. Weiler, No. 5

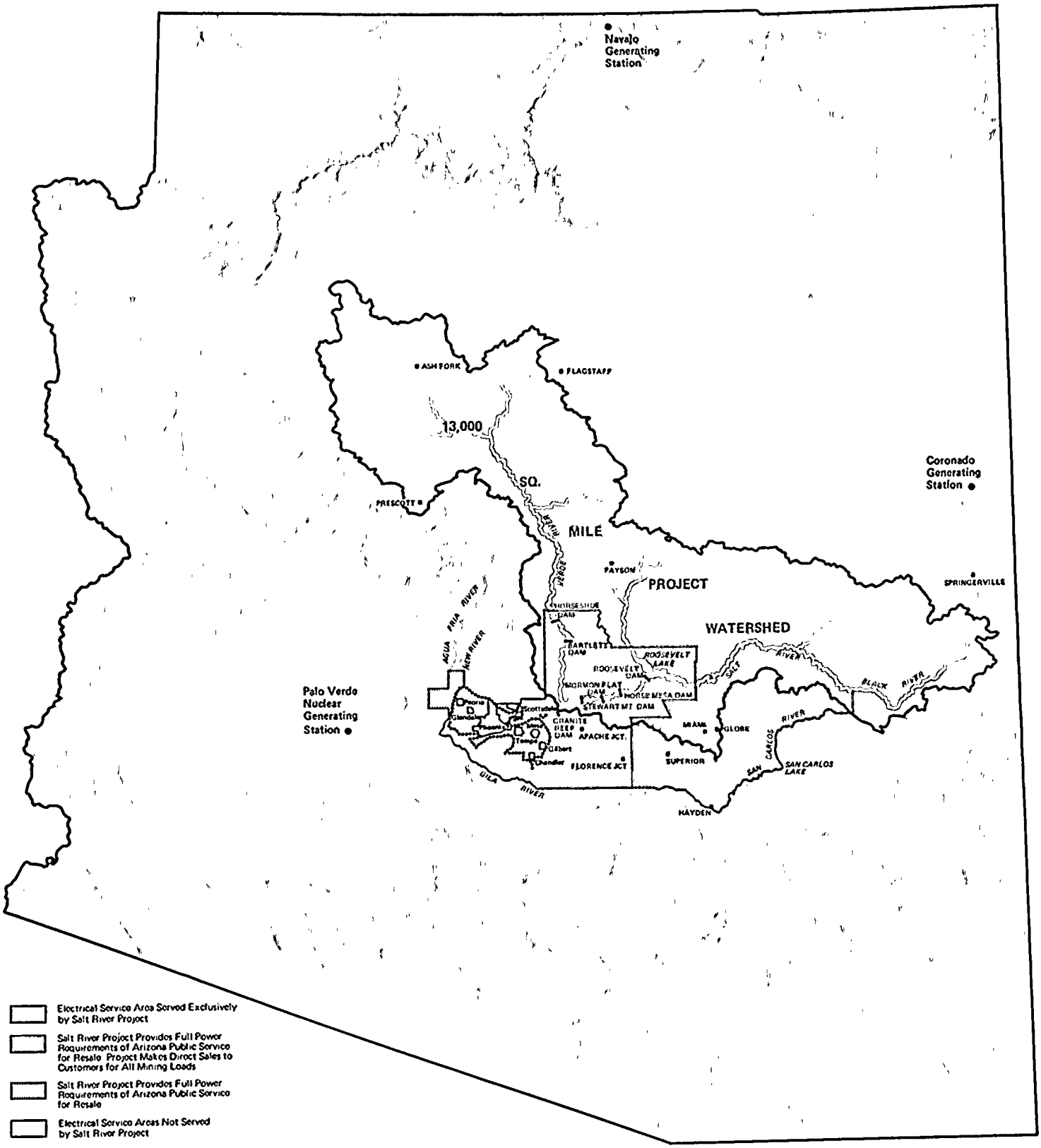
Marcel J. Boulais, No. 2; James L. Diller, No. 6

Dwayne E. Dobson, J. B. Neely, No. 8

M. B. Brooks, Jr., Elvin E. Fleming, Thayer Collier, No. 3

Ivy Wilson, Jr., Levi H. Reed, No. 4

SALT RIVER PROJECT WATERSHED, IRRIGATED AREA AND ELECTRICAL SERVICE AREA



Published by the SRP Communications & Public Affairs Department; editor Jeff Morris; design by Jim Schwedt; photographs and printing by Communications Services Division

SALT RIVER PROJECT

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