

ART RIVER PROJECT



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ANNUAL REPORT 1984-85

Highlights

REVENUES/EXPENSES (See Page 20)

Total operating revenues (\$000)	
Total operating expenses (\$000)	
Net operating revenues (\$000)	
Financing costs (less AFJDC) (\$000)	
Total other income (\$000)	
Extraordinary item (\$000)	
Reinvested (\$000)	

Fiscal 1985

785,032
559,504
225,528
16,674
6,823

215,677

Fiscal 1984

683,993
484,728
199,265
28,961
(9,764)
27,636
188,176

POWER OPERATIONS (See Page 27)

Energy customers at year end	
Total kilowatt-hour sales (000)	
Average annual kWh usage per residential customer	
Avg. annual kWh revenue/residential customer (cents)	

422,774
14,130,952
12,963
7.11

391,142
12,612,241
12,535
7.06

WATER OPERATIONS (See Page 26)

Assessed water accounts	
Water runoff (acre-feet)	
Water in storage, Dec. 31 (acre-feet)	
Water deliveries (acre-feet)	

Calendar 1984

181,083
1,100,100
1,781,671
881,501

Calendar 1983

180,455
2,829,613
1,717,407
1,014,772

SELECTED OTHER DATA (See Page 26)

Gross plant investment (\$000)	
Long-term debt (\$000-Page 23)	
Taxes & tax equivalents (\$000)	
Electric-revenue contributions to support water operations (\$000)	
Employees at year end	

Fiscal 1985

4,185,919
2,743,688
75,028
9,866
5,568

Fiscal 1984

3,777,893
2,610,026
67,745
12,094
5,434

BACKGROUND

Salt River Project, named for the major river that supplies water to the Phoenix metropolitan area, has played a leading role in the growth of the Salt River Valley, providing water and power to area residents. SRP is composed of two organizations—the Salt River Valley Water Users' Association (the Association) and the Salt River Project Agricultural Improvement and Power District (the District).

The Association is a private Arizona corporation. It participates in the management of the 13,000-square-mile watersheds of the Salt and Verde rivers, in cooperation with the U.S. Forest Service. The Association administers water rights of SRP's 240,000-acre area and operates and maintains the irrigation transmission and distribution system which carries water to agricultural, municipal, industrial and residential users.

The District, a political subdivision of Arizona, operates under contract with the United States and provides electricity to residential, commercial, industrial and agricultural power users in a 2,900-square-mile service area in parts of Maricopa, Gila and Pinal counties.

In line with the long-standing reclamation principle, SRP uses a portion of its electric revenues to help support its water operations. This practice helps keep water-delivery charges to farmers, cities and homeowners at reasonable levels. At the same time, SRP maintains electric rates that are competitive with those of other utilities in the area.

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IN APPRECIATION

Special thanks go to the staff at The Heard Museum, located in Phoenix, who selected and displayed the Indian artifacts for this report. Care was taken to use Southwest items representative of the Salt River Project. Above, top, is a Navajo Indian rug with a lightning pattern we chose to indicate SRP's power group. Also on the cover is a reproduction of a Hopi water canteen which represents our Water Group. The individuals locked hand in hand encircling the Papago basket portray the importance of working with the community. And, turn-of-the-century Navajo jewelry stands for SRP's financial interests.

TO OUR SHAREHOLDERS AND BONDHOLDERS:

By all measures of corporate performance, the Salt River Project experienced an exceptionally good year.

Perhaps the most important accomplishment was the successful implementation of a major reorganization concurrent with the retirement of Deputy General Manager Robert F. Amos. After an extensive participative process, we produced a reorganization plan to improve management efficiency, further develop younger executives and re-emphasize customer service.

The focus of the Salt River Project remains on our customers. Our elected officials and the management team are dedicated to providing our customers reliable supplies of water and power at the lowest reasonable cost. At the same time, we are committed to quality service. Evidence of our commitment to service excellence is reflected in a new Customer Service Pledge and an Employees' Goal Statement shown in the Community Section of this report. These recognize that excellence in external relations goes hand in hand with open and honest internal dealings. They also reflect our belief that, while we have recorded a string of very good years, there are always opportunities for improvement.

Another significant occurrence during fiscal year 1984-85 was the continued urbanization of the Salt River Valley. For the first time in the history of the Salt River Project, urban water deliveries on SRP member lands exceeded deliveries for farm uses 52.7 percent to 47.3 percent. As of Dec. 31, 1984, only 89,268 acres of the 238,171 acres in the SRP water service territory received water deliveries for agricultural purposes.

We also registered an 8 percent increase in the number of SRP electric customers. The 31,632 new customers added to our electric system brought the total number of retail customers served to 422,774. With the additional SRP customers and a robust local economy, we established a new high of 14.1 billion kilowatt-hours of electricity sold and we reached a new electric system peak of 2,487 megawatts Aug. 30.

Our financial performance mirrored the year's electric sales as we recorded a 14.6 percent increase in net revenues for a total of \$215.7 million. Since SRP is a not-for-profit, quasi political subdivision, net revenues are reinvested to replace equipment and to finance construction of new facilities. Debt-service coverage ended at 2.09 and we further improved our debt-equity mix to 70 percent and 30 percent, respectively. SRP remains financially sound, which contributed to our electric revenue bonds being among the highest rated in the country for a public power utility.

Significantly, we were able to accomplish these excellent financial results without an electric rate increase. We implemented our latest rate increase of about 5.5 percent in April 1983. We will not need another rate increase before October 1985, and we are committed to keep the proposed increase less than an average of 6 percent.

The short-term water supply is excellent. Another wetter-than-normal year filled SRP's six reservoirs in the spring. Lakes contained more than 2 million acre-feet of water. Yet, despite the bountiful year, water conservation remains a priority goal. We are working with the Arizona Municipal Water Users Association and

others to help promote the wise and efficient use of water in our semi-arid valley.

We also are working diligently with all community interests toward completion of the Central Arizona Project and Plan 6. The U.S. Bureau of Reclamation continues to make good progress on the CAP aqueduct, which will bring Colorado River water into central and southern Arizona. CAP water deliveries into the Phoenix area will begin in the fall of 1985.

Timely completion of Plan 6, which involves increasing the height of Theodore Roosevelt Dam on the Salt River and constructing new dams on the Verde and Aqua Fria rivers, is a top concern for the Salt River Valley. Plan 6 will enable regulatory and conservation storage for the CAP, will provide flood control on the Salt and Verde rivers, and will resolve safety of dams concerns identified by the Bureau of Reclamation under unlikely, but possible, floods and earthquakes. SRP is represented on Arizona Governor Bruce Babbitt's 17-member task force to evaluate the possibility of up-front local funding to assure the timely completion of Plan 6.

Recognizing the increasing public concern about water quality, SRP's Board of Directors committed to assuming a greater role in helping manage water quality on behalf of our shareholders. During fiscal year 1985-86, we will be developing specific objectives to achieve this goal.

Construction and start-up activities are going well for the Palo Verde Nuclear Generating Station west of Phoenix. The Nuclear Regulatory Commission granted Arizona Public Service Co., Palo Verde managing partner, a full-power operating license for Unit 1. Progress to date indicates the APS Unit 1 commercial operation date of Dec. 31, 1985 is a reasonable schedule. Construction of Palo Verde Unit 2 is 99 percent complete and is proceeding in the early start-up phase. Salt River Project's ultimate 17.49 percent interest in Palo Verde will provide nearly a 19 percent increase (641 megawatts) in our electric generation resources, which is necessary to satisfy customer electric demand through the 1980s.

SRP's expected 4 percent annual load growth requires the addition of another base-load electric generating unit by 1991. During fiscal year 1984-85, we resumed design and procurement activities for a third, 350-megawatt, coal-fired unit at our Coronado Generating Station at St. Johns. We also are well along on studies to site another coal-fired generating station in Arizona to help furnish power our customers will require through the 1990s.

On the first day of the fiscal year 1985-86, we brought on line a new Financial Information System. The computer system, which took four years to design and install, provides SRP management current financial, accounting and performance information in a more convenient manner. The installation of this system represents a continuation of our desire to take full advantage of available technology. We also established an information management department to better control data as a corporate resource.

It, indeed, was a fine year for the Salt River Project and we express our appreciation to our employees for their contributions to this record-setting year. We also express our appreciation to you, our shareholders and bondholders, for your interest and support.

John R. Lassen *Marcel J. Bouleau* *A. J. Hester*

Salt River Project President John R. Lassen

General Manager A. J. Pfister



Vice President Marcel J. Boulais

OFFICERS

Elected Officers

John R. Lassen *President*

Marcel J. Boulais *Vice President*

Principal Officers and Other Executives

A.J. Pfister *General Manager*

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

Trent O. Meacham *Assistant General Manager, Power Construction & Maintenance*

John O. Rich *Assistant General Manager, Power Operations*

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

Stephen M. Chalmers *Director, Engineering Services*

Phil G. Booker *Manager, Project Management*

John M. Evans *Manager, Electric System*

Timothy N. Stanton *Manager, Civil Engineering*

Reid W. Teeples *Associate General Manager, Water Group*

Don L. Weesner *Assistant General Manager, Water Operations & Maintenance*

Richard Juetten *Assistant General Manager, Water Resources & Services*

Robert W. Mason *Director, Water Group Management Staff*

Don G. Parlett *Associate General Manager, Corporate Services*

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

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

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

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

Oren D. Thompson *Assistant General Manager, Customer Services*

Mark B. Bonsall *Corporate Treasurer, Treasurer's Office*

Leroy Michael Jr. *Associate General Manager, Planning & Resources*

Darrell E. Smith *Director, Resource Planning*

Stanley E. Hancock *Assistant General Manager, Communications & Public Affairs*

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

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

C.A. Howlett *Director, Special Projects*

Paul D. Rice *Corporate Secretary*

Consultants

Legal Advisers **Jennings, Strouss & Salmon**

Auditors **Arthur Andersen & Co.**

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

Financial Consultant **Lazard Freres & Co.**

Executive Management Staff



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

Reid Teeples
*Associate General Manager,
Water Group*

Don G. Parlett
*Associate General Manager,
Corporate Services*



C. M. Perkins
*Associate General Manager,
Customer, Financial
& Information Services*

Leroy Michael Jr.
*Associate General Manager,
Planning & Resources*

Stanley E. Hancock
*Assistant General Manager,
Communications
& Public Affairs*



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

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

C. A. Howlett
*Director,
Special Projects*

*Joined SRP June 1985



BUILDING ACTIVITY LEADS TO RECORD ENERGY DEMAND



Salt River Project business boomed during fiscal year 1984-85. Construction in the SRP service territory led to a record number of new electric customers, with corresponding peaks in electric demand.

The total number of SRP electric customers reached the 400,000 mark in October and by fiscal year end totaled 422,774, compared to 391,142 the previous year. SRP added 28,975

residential electric customers. The continued bullish economy aided the business community, with the number of commercial and industrial customers increasing by 2,584 to 32,508. Other electric customers, including municipal street light contracts and irrigation pumping customers, increased by 73 to 8,176.

SRP's electric system expanded approximately 60 percent more than during fiscal

Coronado Generating Station near St. Johns includes state-of-the-art environmental protection equipment.

year 1983-84. SRP installed about 130 miles of new overhead electric distribution line, 427 miles of underground conductor and five electric distribution substations.

While new customers came on line, demands on the electric generation system grew. SRP recorded a new system peak of 2,487 megawatts (MW) on August 30, surpassing the previous high of 2,451 MW established just 56 days earlier on July 5. The peaks shattered a three-year-old record

Growth in the SRP service territory is expected to outpace population increases in the overall Phoenix area.

of 2,266 MW established in August 1981.

Winter peak demand records broke, as well. Customer electric demand reached 2,143 MW on Feb. 1, which topped the previous winter demand high of 1,822 MW established in January 1984.

Total kilowatt-hour sales to SRP customers during the year increased by more than 1.5 billion kWh to 14.1 billion kWh.

With reliable service and competitive electric rates, customer growth in the SRP service territory is expected to outpace population increases in the overall metropolitan Phoenix area. SRP planners predict a 6 percent increase in the number of new customers during the new fiscal year, compared to about 4 percent growth forecast areawide by Maricopa County population planners.

Employee productivity will be put to the test, because power construction and maintenance workload is expected to increase 50 percent. More than 35,000 new residential hook-ups are forecast, which will require 26 miles of 69-kilovolt transmission line and eight new distribution substations during the year.

Palo Verde reaches milestones

SRP management is counting on the Palo Verde Nuclear Generating Station west of Phoenix to help meet increasing electric demand. SRP will be entitled to 17.49 percent (641 MW) of the three 1,222-MW PVNGS units, or nearly a 19 percent increase in generating capacity.

Under the management of Arizona Public Service Co., work at PVNGS reached several milestones during fiscal year 1984-85. Significantly, at the beginning of the fiscal period, Unit 1 began low-power physics testing. Other milestones included:

- In July, the Nuclear Regulatory Commission judged PVNGS Unit 1 operational during demonstration tests.

- Sept. 26, APS successfully displayed its ability to communicate timely information to local emergency-services agencies and members of the news media. The NRC validated APS' Emergency Response Plan.

- Dec. 31, the NRC issued an operating license for Unit 1.

- Jan. 7, fuel loading began on Unit 1. All of the 241 reactor core fuel assemblies were installed by Jan. 11.

APS continued toward its scheduled Unit 1 commercial operation date of Dec. 31, 1985. Work continues on Units 2 and 3, as well. With construction activities at 99 and 97 percent complete, respectively, Units 2 and 3 are scheduled to be available for commercial operation by late 1986 and mid-1987.

During the year, the Arizona Corporation Commission raised the specter of possible construction misappropriations at Palo Verde. The Arizona commission, with the backing of utility regulatory agencies in other Palo Verde participation states, requested a construction audit.

As a not-for-profit, municipal-type electric utility, Salt River Project is not regulated by the ACC. But, in an effort to maintain public confidence in Palo Verde, the SRP board of directors voted to fund up to \$1.2 million in costs associated with a planned construction audit. The funding ceiling is

(continued)



Power construction and maintenance workers installed about 130 miles of overhead electric distribution lines.

SRP is making sound decisions today to help meet the energy needs this young pair will need in years to come.



proportionate with SRP's 17.49 percent ownership of the power facility.

SRP will need additional sources of power

In addition to the Palo Verde Nuclear Generating Station, SRP must plan timely, affordable sources of power to satisfy ratepayers' needs in the 1990s and beyond.

At the beginning of the 1985-86 fiscal year, the SRP board of directors selected Black & Veatch of Overland, Kan. as construction managers of a third 350-MW coal-fired unit at the Coronado Generating Station at St. Johns.

With a flexible construction schedule, Unit 3 can be ready for commercial operation in 1990 or 1991, depending on need.

The new unit will include some design enhancements not found in Units 1 and 2. Design of the first two Coronado generating units occurred in the early 1970s with the best technology available at that time. With state-of-the-art technology, the third unit is expected to reduce boiler fuel costs by about \$30 million during the 35-year life of the unit.

SRP's commitment to protect the environment continues with its plan to further improve the pollution-control system on Unit 3. Still, more than \$200 million was spent for air-quality-control equipment on Coronado Units 1 and 2, making them among the cleanest in the country.

It generally takes a decade to plan, license, construct and start up a new generating station. With that in mind, SRP's employees already are undertaking preliminary siting studies for another coal-fired power station.

SRP is prospecting for coal

Even after commercial power is available from the Palo Verde Nuclear Generating Station, low-sulfur Western coal will remain the mainstay of SRP's fuel diet. In 1988, when power from all three PVNGS units is available to SRP, more than 67 percent of SRP's generation will be fueled by coal.

To keep up with increasing need for coal, SRP hired a consulting firm to design a potential test mine on a 320-acre coal exploration site in western New Mexico. The design work is part of an ongoing effort to study the feasibility of large-scale mining operations.

SRP holds coal leases on 14,000 acres of land near Fence Lake, N.M., which is 40 miles east of the Coronado Generating Station. SRP is still in a

The Mead-Phoenix DC Project would improve SRP's ability to exchange energy with other Western utilities.

study phase in the region, but if a 100,000-ton-a-year test mine seems economically and environmentally feasible, SRP will take further steps to develop this resource.

DC line would help carry power

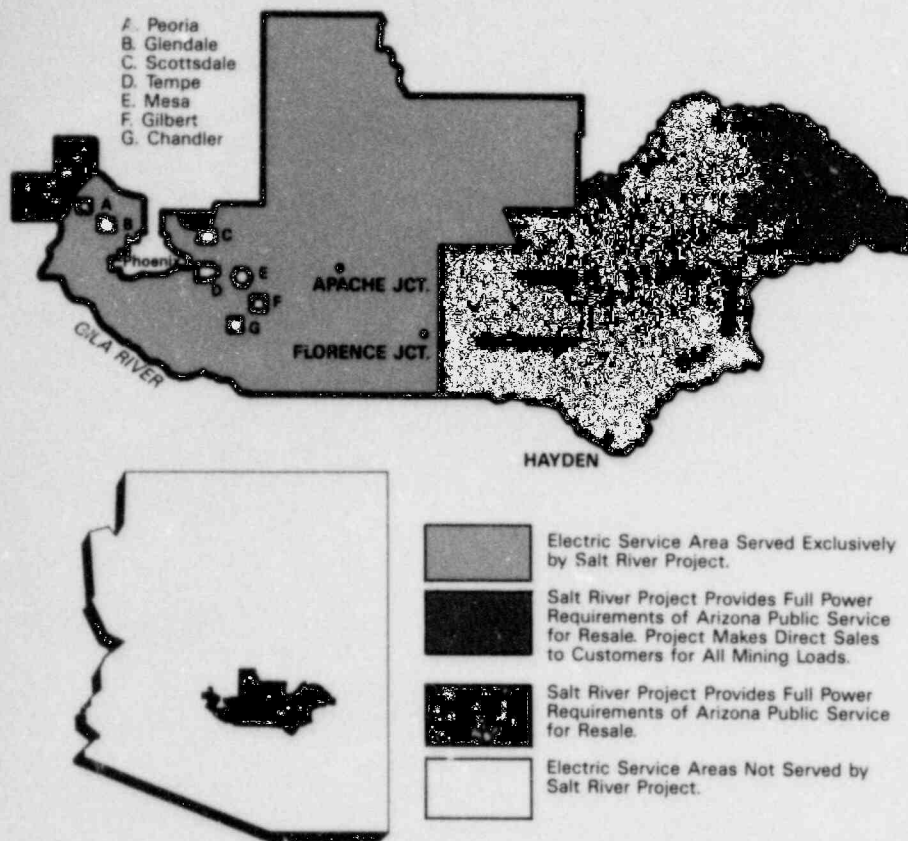
SRP completed technical studies for a high-voltage direct current (DC) transmission system which would link the Phoenix area with existing bulk transmission facilities in southern Nevada. The 500-kilovolt Mead-Phoenix DC Project is being considered by a group of four utilities and the Western Area Power Administration, marketing

Quality workmanship helps keep SRP facilities in top condition.



SALT RIVER PROJECT ELECTRIC SERVICE AREA

Project Energy Sources



Year Ending April 30,	Hydro ¹	Gas	Oil	Coal ²	Nuclear	Misc. Purch.
1982	8.3	10.8	0	79.4	0	1.5
1983	11.5	5.8	0	81.1	0	1.6
1984	15.8	3.9	0.5	78.6	0	1.2
1985	12.8	8.9	0.4	76.2	0	1.7

¹ includes hydro purchases

² includes WAPA Navajo Entitlement

agent for federal hydroelectric power.

The 240-mile system is proposed to carry energy between the Mead Receiving Station near Hoover Dam and Phoenix. If completed, it would improve SRP's ability to exchange energy with other Western electric utilities and may reduce the need to add new generating stations. Further, DC power transmission could save considerably more money than a conventional alternating current transmission line. Advantages include better control of power flow, more compact transmission construction and enhanced system reliability.

Feasibility studies began during the fiscal year to determine the potential for extending the DC line from Boulder City, Nev., to a Los Angeles Department of Water & Power switchyard in Southern California.

SRP adds facilities to meet customer growth

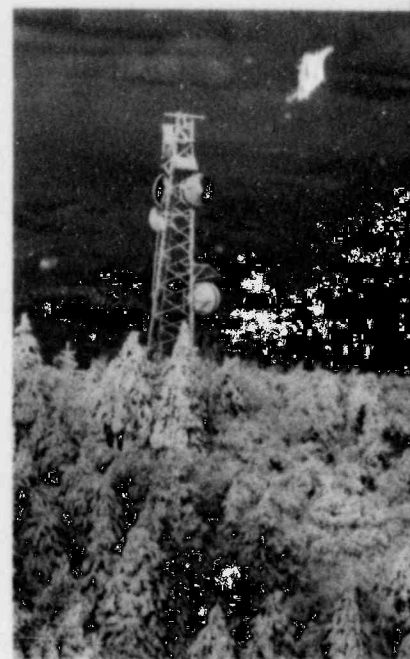
In December, some employees began working at the new \$14 million Power Operations

building. When fully equipped and staffed in 1986 the 68,458-square-foot structure will contain the latest in computer technology to control energy from the generating station to individual customers' homes and businesses.

The number of employees and the need for new office technology will expand as the number of customers grows. Administrative technical needs require a new facility for SRP's computer service employees. In March, SRP awarded a contract to design an information systems building to be located on the newly acquired Legend City property on the Tempe-Phoenix border.

SRP also awarded a contract to design the Tolleson Regional Center in the west Valley. Regional centers enable SRP to cut response time to customer service areas in the sprawling Salt River Valley. Scheduled to open in December 1986, the 130,000-square-foot Tolleson facility will provide space for field and shop employees, transportation and warehouse facilities, a business office, customer service office and an employee credit union.

Advanced communications techniques, exemplified by the microwave repeater tower, aid utility efficiency.





TRICKLE TURNS TO TORRENT IN A YEAR OF EXTREMES



What began as a trickle ended as a torrent in a year of weather extremes.

Sunny skies prevailed early in 1984, with a record 91 days without moisture in the Phoenix area. But, a fickle Mother Nature served notice of change at midyear and 1984's 14.91 inches of precipitation replaced 1980 as the area's fourth wettest year on record.

River flow into Salt River Project's six

reservoirs followed the dry-wet cycle. Runoff totaled 1,100,100 acre-feet* for the year, or 184 percent of normal. Beginning in mid-December, winter storms prompted long-term, low-volume water releases from SRP dams. Flows past Granite Reef Diversion Dam through Phoenix reached a peak of 32,000 cubic feet per second** Dec. 28. Water releases totaled 1.0 million af between Dec. 17 and April 30.

Calendar 1984 began with 1,717,407 af of

* An acre-foot is the amount of water needed to cover one acre to a depth of one foot. It is equivalent to 325,850 gallons.

** A cubic foot of water is equal to 7.48 gallons.

The snowpack on SRP's watershed determines how much water is in storage the next season.

water in storage. Uncharacteristically, the supply of water in the reservoirs decreased through spring. But at year's end, the reservoirs contained 1,781,671 af, which is 88 percent of capacity and 172 percent of normal.

Fortunately, the abundance of surface water promises to help reduce the need to pump groundwater during 1985. Reduced pump operating expenses can help hold down future water charges. At the same time, Valley residents move closer to the state mandated goal of balancing underground pumping and water recharge.

Water use patterns are changing

Significantly, water usage is shifting as the Valley urbanizes. For the first time in the 81-year history of the Salt River Valley Water Users' Association, annual water deliveries to urban users on SRP member lands outpaced agricultural deliveries by nearly 40,000 af. Urban deliveries to Project lands totaled 393,851 af compared to agricultural deliveries of 353,916 af. The trend is expected to continue with little agricultural water demand in the Valley after the year 2035.

Water supplies to municipal, industrial and agricultural users in 1984, including decreed deliveries to non-member lands, totaled 881,501 af, compared with 1,014,772 af the year before. Deliveries to the cities totaled 281,439 af, a 12.0 percent increase from 1983.

Although agricultural acreage decreased by 6.3 percent to 89,268 acres in 1984, crops produced in the SRP area increased in value to \$92.3 million from \$87.0 million the previous year. The increase in value is attributed to a reduction in the federally funded Payment in Kind program, which restricted some crop production.

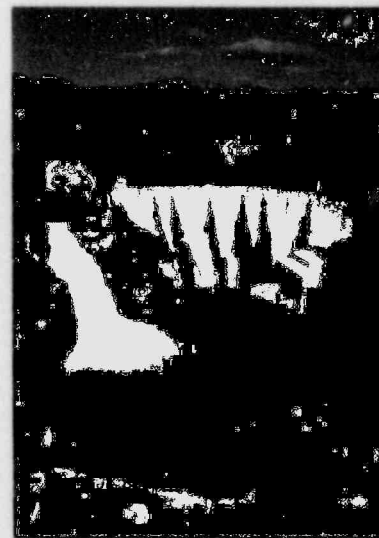
In November, the SRP Board of Governors increased water charges for 1985 to help keep pace with the rising costs of water delivery. Pump water rates increased 5 percent, from \$26.75 to \$28 per acre-foot. Water delivery fees increased 9 percent from \$27.92 to \$30.46 per account plus the existing 21 cents per acre. The board voted to keep the existing water assessment rate of \$16 per acre. Payment entitles landowners to use two acre-feet of water per acre.

Water operations continue to improve

Emergency operations were in effect the latter portion of the year, first coping with locally heavy summer rains, then contending with winter storms and rapidly filling reservoirs. A quick response according to SRP's Emergency Reservoir Operating Procedure is essential to reduce the chances of flooding downstream of the dams.

Sound decision-making requires a continual flow of updated weather and runoff information. SRP worked closely with the National Weather Service and the U.S. Soil Conservation Service to produce accurate weather forecasts and improved estimates of potential river flows on the watershed. In addition, SRP purchased equipment to help modernize the automated water-gauging system. For example, an experimental device will more efficiently measure snowpack moisture content.

The equipment is linked to satellite-relay gauging stations capable of updating SRP management at a moment's notice about runoff



Theodore Roosevelt Dam on the Salt River helps meet the Valley's water needs.

SRP crews complete a four-year canal improvement program

conditions on the 13,000-square-mile watershed.

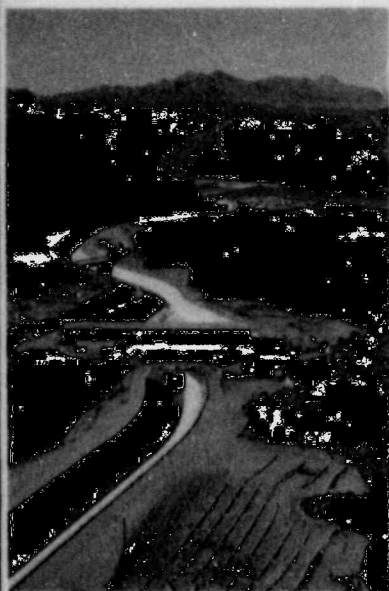
SRP continued its long-term war against water losses. During the annual canal dryups, SRP lined about four miles of major canals with concrete material at a cost of about \$2.6 million. To date, SRP has improved more than 50 percent of its 131 miles of major canals and 85 percent of its 880 miles of smaller water laterals.

In related work, SRP crews completed a four-year canal improvement program by installing a record 342 safety steps and 146 ladders. Although entrance into SRP waterways is prohibited, these devices provide the public and stray animals a quick exit from SRP canals in the event of an emergency.

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SRP reservoirs provide recreational opportunities, too.





Central Arizona Project canal construction continues near SRP's Granite Reef Diversion Dam.

SRP provides experts on water quality

Groundwater quality is an emerging issue throughout Arizona.

Recently, the Arizona Department of Health Services said there is statewide "concern but not alarm" about organic groundwater contaminants. The ADHS ordered scores of Maricopa and Yuma county water companies to conduct groundwater tests similar to those performed voluntarily by SRP since 1979.

Past dumping of industrial solvents and misuse of chemical sprays have led to detectable levels of some suspected carcinogens. Traces of Dibromochloropropane (DBCP), Trichloroethylene (TCE), Trichlorethane (TCA) and Tetrachloroethylene (PERC) have been discovered in SRP and non-SRP water wells.

SRP groundwater production has not been affected. The natural dilution process of mixing groundwater with larger quantities of surface water in the canal system makes it safe for all downstream uses.

Cleaning up the underground water supplies is a community concern, and SRP is offering technical expertise to help strike at the root of the problem. SRP employees serve on numerous Valley task forces aimed at identifying sources of pollutants, studying the extent of groundwater contamination and determining future actions.

CAP water, dam safety are top concerns

Nearly two decades after passage of authorizing legislation, Colorado River water is about to flow into Central Arizona. In cooperation with Valley CAP interests, the SRP Board of Governors in the fall approved a CAP-SRP interconnection of water-delivery facilities. Construction activity is proceeding near the Granite Reef Diversion Dam east of Phoenix in anticipation of CAP flow in early 1986.

During the past year, the first of three phases to formulate a computer simulation model of the existing reservoir system was completed to study potential elements of the Central Arizona Project Plan 6.

Plan 6 is the preferred choice among nine options developed by the Central Arizona Water Control Study as the best way to provide CAP water storage, regional flood control and implement federally mandated Safety of Dams Act modifications. The plan calls for:

- a New Waddell Dam and an enlarged Lake Pleasant on the Agua Fria River;
- Cliff Dam on the Verde River. Horseshoe Dam will be breached when Cliff Dam is completed; and
- an enlarged Roosevelt Dam and structural modifications to Stewart Mountain Dam on the Salt River.

SRP management actively is involved with Arizona Governor Bruce Babbitt's 17-member task force studying local funding options to expedite

SRP actively pursues safety of dams modifications

flood-control and water conservation elements of the \$1.1 billion Plan 6.

SRP actively is pursuing safety of dams modifications, too. For the first time, the U.S. Bureau of Reclamation appointed an outside agency (SRP) to a development team. The team is responsible for design work concerning Roosevelt and Stewart Mountain dams.

Shortly before the end of the fiscal year, the federal Office of Management and Budget approved SRP's Safety of Dams Modification report for the Salt and Verde rivers. Congressional approval will send more than \$271 million in construction funds to Arizona.

Recognizing the importance of timely completion of needed dam repairs, SRP agreed to provide nearly \$2 million in up-front funding for work on Stewart Mountain Dam. The appropriation enabled the U.S.B.R. to do drilling and pre-design activities as part of preliminary work on the federally owned dam. The funds will be credited to SRP's share of local cost-sharing for the project.

SALT RIVER PROJECT IRRIGATED AREA

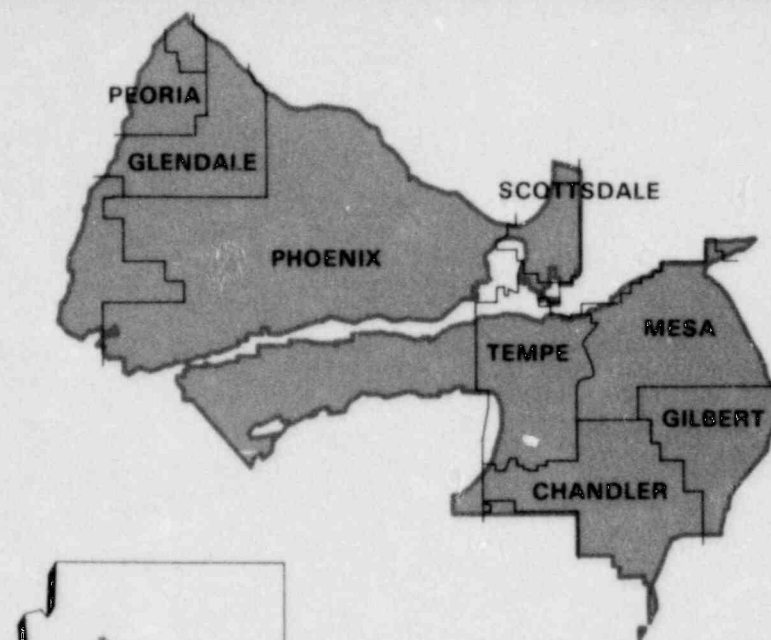
River studies show need for dam modifications

During the year, preliminary results of research on the Salt and Verde rivers indicated some historic floods were indeed large enough to create safety hazards for SRP-operated dams if the floods occurred today. The information confirmed the need to proceed promptly with flood-control measures.

A University of Arizona professor leading the research said the studies involved inspection of flood-deposited evidence datable for almost 2,000 years. According to the paleoflood studies, historic flows reached approximately 240,000 cfs on the Salt River and about 200,000 on the Verde River.

By comparison, the largest upstream flow this century occurred on the Salt River in March 1978, with 170,000 cfs recorded near Roosevelt Dam.

Follow-up studies will be performed on the two rivers during 1985. If the research is validated, the U.S. Bureau of Reclamation proposes to include the results among information being analyzed in federal Safety of Dams studies.



Salt River Project Irrigated Area
 13,000 Sq. Mile Project Watershed

Domestic Water Deliveries

	1984	1983	change
Chandler	6,739	4,665	+44.5%
Gilbert	2,372	1,959	+21.1%
Glendale	21,805	18,614	+17.1%
Mesa	39,108	35,203	+11.1%
Peoria	3,714	3,499	+6.1%
Phoenix	171,732	153,260	+12.0%
Scottsdale	4,253	4,639	-8.3%
Tempe	31,716	29,271	+8.3%
Total	281,439	251,110	+12.0%

All numbers are in acre-feet, except percents of change.

SRP shares information on an international scale

SRP eagerly greets opportunities to share the experience and technical know-how that have made it a success. SRP management confirmed the importance of sharing these on an international scale when it opened the Office of International Affairs in January 1984.

The OIA staff coordinates tours of SRP facilities for foreign visitors; arranges on-the-job training programs about water and power operations and management; and develops employee exchange programs with other countries. During its first year, the office hosted more than 400 visitors and presented 11 training programs to representatives of 53 countries around the world.

Among SRP's proudest international accomplishments is the Professional Employees Exchange Program (PEEP) with the Ministry of Irrigation in Egypt. The program began in 1981 under the auspices of the U.S. Agency for International Development as a part of the Egypt

Water Use and Management Program. The exchange of SRP managers and Egyptian officials enhanced the friendly relationship enjoyed by the United States and Egypt.

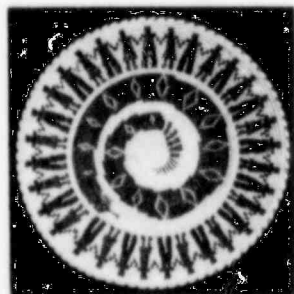
Phase I of PEEP (April 1982 through June 1984) provided a forum for exchange of water operation procedures and management practices. A proposed Phase II involves concentration on Egypt's technical needs and management development.



Water construction and maintenance crews also help build electric facilities.



EMPLOYEES ACHIEVE EXCELLENCE OFF AND ON THE JOB



Put simply, top performance continued after quitting time. Many SRP employees participated in a great number of worthwhile community endeavors. Achievements ranged from donations of 988 pints of blood to Arizona Blood Services through employee contributions of more than \$256,000 for the Valley of the Sun United Way and other charitable organizations.

Coronado Generating Station Plant Manager Marshall Rice was selected Outstanding Citizen of the Year by the St. Johns Regional Chamber of Commerce. Rice, who is chairman of the St. Johns Economic Development Committee, was cited for "personal activities in the community and support provided by SRP."

At the beginning of fiscal year 1985-86, 508

Page residents declare war on trash. And, a Navajo Generating Station employee and his son (inset) pitch in.

runners participated in an SRP-sponsored Coronado Generating Station Run. Proceeds resulted in a \$660 contribution to the St. Johns Senior Citizen Association.

Salt River Project helped sponsor an anti-litter program in Page that was so successful it won first place in the 1984 Keep America Beautiful awards competition. About 3,300 Page residents—65 percent of the population—picked up 91 tons of trash in the community. Because of work with the Keep America Beautiful organization and other civic undertakings, the City of Page-Lake Powell Chamber of Commerce named SRP Sr. Information Specialist Jerry Jones its Citizen of the Year.

A citizens' advisory panel picked 15 SRP employees to receive Karl F. Abel Volunteer Recognition Awards. Abel awards are presented annually to individuals who distinguish themselves through community efforts. The award is named after the retired SRP president, who remains an active participant in civic and community organizations.

SRP honors 48 outstanding students.

Employees further pledged their time through trade and civic organizations such as the Better Business Bureau, the Arizona Alliance of Business and the American Public Power Association, as well as functioned as loaned executives to three Valley United Way agencies. SRP workers also assisted science-minded high school students in the SRP-sponsored Tempe Scout Explorer Post.

In another community endeavor, SRP and Arizona Public Service Co. co-sponsored the Sixth Annual Energy Fair. A total of 104 young scientists helped celebrate 106 years of energy progress since Thomas Alva Edison invented the incandescent light bulb.

Later in the year, the limelight shifted to the third-annual Spotlight on Excellence program. SRP provided a pat on the back for academic excellence

to 48 outstanding high school seniors from around the state. And, a Phoenix-area community college student received SRP's first Young Adult of the Year Award for work with the handicapped.

Excellence was a part of doing the job

Beginning with the general manager's staff, a program of achieving and recognizing outstanding performance reverberated throughout SRP. The focus of a continuing executive management social issues lecture series shifted at the beginning of the fiscal year to motivational tones intended to "make excellence happen."

And, happen it did.

Employees' performance improved through an expanded "quality circles" program. Workers attended weekly meetings to help find solutions to work-place problems. In its first full year, the program grew to 26 from four quality circles.

Some suggestions paid dividends. As part of the general excellence program, management emphasized an improved suggestion program. During the year, 34 employees received awards of up to \$1,000 for ideas about how to improve productivity and save costs. Employees earned a total of \$9,400 for cost savings estimated at more than \$200,000.

Training and development opportunities continued to increase. A record 1,046 workers—about 20 percent of the work force—participated in employee development programs including supervisory training and advanced management classes. Interviewing by a management steering committee continued at year's end to select a second group of 10 employees for a management development rotation program. Those selected earn valuable supervisory experience through four, six-month job rotations.

Another 1,938 employees took part in computer-related courses to keep up with burgeoning administrative and technical needs. Computer technology is helping SRP employees save manhours and increase productivity on the job. The number of computer terminals in service increased to about 1,650 from approximately 1,180 during the year. That number is expected to expand to about 2,900 by the end of 1986.

(continued)

Customer Service Pledge

In Serving YOU,

Our Water and Power Customers:

We pledge

- To be readily available to serve you.
- To provide prompt, reliable and courteous service.
- To treat you as we would want to be treated.
- To listen to your concerns and to react responsibly.
- To keep you informed.
- To be sensitive to costs in all we do.
- To search for new ways to do our jobs better.
- We make this pledge so that you will know exactly what you can continue to expect from us.

THE EMPLOYEES OF

THE SALT RIVER PROJECT

Employees' Goal Statement

We are reaffirming our commitment to achieve a work environment where:

- Employees are individually and as a team committed to quality work and service.
- Employees are treated with dignity and respect.
- The needs and expectations of employees are a major consideration in the decision-making process.
- The opinions and efforts of employees are recognized as essential to meeting the goals and objectives of the Salt River Project.

SRP MANAGEMENT



A young SRP award recipient has her day.

The American Public Power Association ranked SRP third nationally in annual safety competition among member utilities. Significantly, SRP employees earned the rating during a swirl of activity in connection with a record number of new electric customers. However, the death of an employee during storm clean-up in April 1985 was a tragic reminder of the risks associated with providing electric service, and the need to keep employee safety the top priority.

Customers pleased with SRP

Survey results show 95 percent of SRP's electric customers served in March rated SRP's service good to excellent. And, although it may seem impossible, our goal is to satisfy every customer.

Excellent service includes a responsibility to help save our resources. SRP customers learned ways to conserve water and power through billing inserts and brochures. The public also received answers to energy questions through employees at SRP's Customer Information Center and business offices.

SRP's Power Saver Store presented formal instruction.

The Power Saver Store rotated among major shopping centers where employees offered expert advice about the efficient use of our water and power. Approximately 10,000 area residents received do-it-yourself tips about how to install insulation, weatherstripping, caulking, water heater jackets and other conservation materials. SRP conducted microwave cooking classes and discussed water sprinkler systems, with methods to improve household water efficiency.

Valley residents learned about water and power conservation through a record number of speakers' bureau presentations and school education programs. During the year, SRP's all-volunteer speakers' bureau members addressed 42,959 residents during 759 talks on a variety of subjects. About 70,000 schoolchildren participated in 675 water and power safety discussions.

SRP listened, as well. Management solicited public comments during the various planning and licensing phases of major projects to ensure plans

are compatible with community needs. For instance, the City of Tempe honored SRP with an award of distinction for planning and landscaping at the new Tempe Regional Center, work station for construction, maintenance and customer service employees. Public input will be sought during the new fiscal year for a planned Tolleson Regional Center in the west Valley.

Other community services included:

- **Project Outreach.** SRP business offices provided free credit counseling to 8,632 customers with credit problems. As a result of this referral service, SRP customers received about \$800,000 in federal energy funds administered by the state during the fiscal year.

- **Power Saver Service Home Audits.** At customers' request, energy advisers conducted 1,166 thorough home inspections to determine ways to increase energy efficiency. Savings associated with energy conservation recommendations typically far exceed the \$15 charge of the audit.

- **Project S.H.A.R.E.** SRP collected \$128,913 in donations from electric customers to help thousands of needy residents with energy expenses. Joggers in SRP's second-annual 10-kilometer "S.H.A.R.E. Affair" run contributed another \$2,011, a three-fold increase from \$650 in the inaugural year. The Salvation Army administers SRP and Arizona Public Service Co. customer donations for the Service to Help Arizonans with Relief on Energy.

Research and development hold promise of tomorrow

Salt River Project explores research and development options today to assist power customers in getting the most for their future energy dollars. That commitment includes continued solar research to try to take advantage of an abundance of sunshine in central Arizona.

Solar energy is proving to be an efficient, cost-effective way to meet the hot water needs of many Arizona families.

Last fall, SRP began a two-year project testing a residential energy system designed to reduce peak load on an SRP-owned test home. The system produces and stores thermal energy in the form of

Providing information about energy conservation techniques is part of SRP's job.

chilled water during lower electric demand hours. The stored energy later satisfies part of the home's cooling needs during SRP's high energy-use periods.

If the system does help reduce peak electric demand, it can be refined for residential and commercial applications-possibly mass-produced. It may prove economical and efficient for SRP and its customers, especially those on experimental time-of-day rates.

With time-of-day rates, the cost of electricity is lower during off-peak hours of the day, when electric demand is lowest. Conversely, rates are higher during on-peak hours, when demand is highest and it's more costly for SRP to produce power. During on-peak hours, SRP must supplement less-expensive coal-fired and hydroelectric generating units with more expensive oil- and gas-fired generation.

A 50-ton solar air conditioning experiment that began in 1981 to cool an SRP administration building concluded in 1984. Results indicate solar energy units can stand up to the demands of commercial electric usage, but equipment and installation costs are high. The federal Department of Energy underwrote about half of the \$750,000 research project and turned the equipment over to SRP for continued operation.

SRP continues to explore new technologies

The equipment will continue to furnish a portion of the air conditioning requirements of the facility.

For the third year, SRP contributed \$100,000 under a five-year commitment to energy research endeavors at Arizona State University. And, research continues on an 18-month joint SRP/Sandia Laboratories photovoltaic solar research project involving tests of up to six power conditioning units. Power conditioners convert direct current produced



by a photovoltaic array into alternating current. SRP is testing the compatibility with conventional AC electric systems.

Salt River Project continued to meet its goal of exploring new technologies through contributions to the Electric Power Research Institute, the research arm of the electric utility industry.

Overall, EPRI managed 1,500 active research projects representing in excess of \$1.7 billion over five years. Participation in EPRI avoids costly duplication of research and allows extensive development far beyond the capabilities of any one utility.

EPRI, founded in 1973, recorded savings of more than \$300 million in 1984 alone for SRP and the other 472 member utilities. These savings were accomplished by the use of EPRI developed equipment, power plant maintenance and operation procedures and improved technologies. SRP contributed \$1,920,986 last year.

SRP also renewed its membership in a nationwide energy research effort sponsored by the American Public Power Administration. The program, called DEED (Demonstration of Energy-Efficiency Developments), focuses on near-term development of technologies that increase public power system efficiency and cost-effectiveness.

SRP's Time Machine, with President Theodore Roosevelt on board (inset), takes history to the young and old. This mobile museum has portions dedicated to SRP's past, present and future.



HIGH BOND RATINGS HIGHLIGHT A BANNER YEAR



Solid economic growth in the Salt River Project service territory cast a healthy glow on SRP's finances during fiscal year 1984-85. The number of SRP electric customers grew by about 8 percent and sparked record revenues during the year.

A 15 percent increase in gross revenues contributed to continued sound debt service coverage, which climbed to 2.09 compared to last year's 1.85 ratio. The debt service coverage ratio measures the number of times the sum of principal and interest due on outstanding debt during the year is covered by revenues available after payment of operating expenses.

Bond ratings continued high. SRP is one of only two large public power utilities in the United States with a rating of AA by Standard & Poor's Register of Corporations and Aa by Moody's

Investor Services, Inc. SRP's general obligation bonds, which have not been issued since 1972, continue to be rated AAA and Aa1, respectively.

These healthy bond ratings reflect SRP's credit worthiness, and the business community's confidence in management. The high bond ratings also mean lower interest paid by SRP ratepayers for necessary long-term debt.

Net revenues totaled \$215.7 million. Revenues were bolstered by the sale of excess energy to other utilities and proceeds from the sale of part interest in a railroad line serving the Coronado Generating Station. SRP gained \$2.6 million in principal and \$14.3 million in interest income for the sale to Tucson Electric Co., which will share the line to haul coal to its Springerville Generating Station.

Unlike investor-owned utilities, SRP is a not-for-profit improvement district. SRP does

**SRP's zero-coupon minibonds
can help meet future financial
needs.**

not issue stock or pay dividends. Net revenues are reinvested to help replace equipment and finance construction of new facilities.

SRP took advantage of the high bond ratings and reasonable interest rates to sell \$100 million in revenue bonds in January at an effective rate of 9.96 percent.

Arizona residents purchased an additional \$23.1 million of \$500 denomination "minibonds" in February at an effective rate of 9.30 percent. The bonds had a face value of \$42.2 million. These included \$6.7 million of zero-coupon minibonds with a face value of \$25.8 million. Zero-coupon bonds pay no semi-annual interest, as other bonds do. Instead they are purchased at a discount and interest income is included in the face value received at maturity.

SRP's tax-free minibonds are proving popular among Arizona's smaller investors with more than \$65 million worth issued by fiscal year end. Another minibond sale may take place in late 1985, but an additional revenue bond sale to finance continuing SRP construction is not expected until calendar year 1986.

In August, the SRP board of directors authorized an increase to \$300 million from \$275 million in the maximum combined amount of tax-exempt commercial paper and credit-line borrowings. Pioneered among public utilities by SRP, this short-term financing method provides low interest funds for construction work in progress and for fuel inventories.

SRP's debt-to-total-capitalization ratio continued to improve, as it has since 1977. The ratio equals 69.7 percent, compared to 72.7 percent a year ago. SRP established a goal of lowering the ratio to between 60 percent and 65 percent in the coming years.

Electric rates holding; water fees increase

Electric rates remained unchanged for the second consecutive year. But, SRP management told the board of directors that an electric rate increase averaging less than 6 percent will be needed next October. If the board approves a rate increase, it will be SRP's first since April 1983, when rates rose an average of 5.5 percent.

The increase is necessary to help meet increased costs of doing business since spring 1983 and ease the impact of construction financing. Management cited two wage and salary increases averaging 6 percent each and anticipated financing costs of building new coal-fired facilities.

Water charges increased on Jan. 1 to keep pace with the rising costs of delivering water.

Water delivery fees rose 9 percent to \$30.46 per account, plus the existing rate of 21 cents per acre. Valley cities receiving water under contract with SRP, or cities acting as agents for landowners within their boundaries still are charged delivery fees of \$2.13 per account.

The SRP Board of Governors approved an increase in pump water rates to \$28 from \$26.75 per acre-foot. The board kept the existing water assessment rate of \$16 per acre, which entitled landowners to use two acre-feet of water per acre each year. An acre-foot equals 325,850 gallons.

The assessment helps pay the cost of SRP water operations. All 238,171 acres of member land within SRP's water service area are assessed at the same rate regardless of whether the water is used for municipal, industrial or agricultural purposes.

Operating revenues rise—so do expenses

An 8 percent increase in the number of Salt River Project electric customers and stabilizing effects from the rise in the fuel cost adjustment factor contributed to operating revenues of \$785.0 million, up from \$684.0 million in fiscal year 1983-84.

Electric operating revenues, which were 99 percent of total revenues, increased 15 percent to \$778.0 million, up from \$678.7 million the year before.

DEBT-SERVICE COVERAGE RATIO



Revenues from residential sales, which totaled \$340.3 million, accounted for most of the increase in revenues. Commercial and industrial sales rose 17 percent to \$297.7 million, compared to \$253.5 million the year before.

A strong economy helped electric sales for resale rebound from fiscal year 1983-84. Revenues from this customer class rose 16 percent to \$103.4 million for the fiscal year, an increase from \$89.3 million the year before.

During the year, SRP added 31,632 new customers. SRP electric customers totaled 422,774 at year's end, compared to 391,142 April 30, 1984. Average electric use per residential customer increased to 12,963 kWh from 12,535 kWh. Due to the slight increase in the fuel cost adjustment factor, the average cost of electricity for residential customers was 7.11 cents per kWh in fiscal year 1984-85, compared to 7.06 cents the previous year.

Revenues from water deliveries increased 32 percent to \$7.0 million, up from \$5.3 million the previous fiscal year. The increase is attributed to the 1985 rise in water charges and revenues from additional water entitlements during the year.

Costs of operation increased, due largely to additional customers, increased demand and the effects of inflation. Total SRP operating expenses increased to \$559.5 million from \$484.7 million. Expenses for fuel and purchased power rose to \$229.5 million from \$185.5 million. Increases in the cost of materials, supplies and labor contributed to a \$9.4 million increase in other operating expenses to \$116.8 million.

During the fiscal year, SRP paid about \$635,500 to 2,657 individuals through an SRP shareholder compensation program. Average payment was \$239. Shareholders are private landowners within the SRP water-service territory whose land was pledged as collateral for borrowings to build SRP facilities. Some receive electricity from Arizona Public Service Co. In 1928, SRP amended its bylaws to provide compensation for shareholders who pay substantially more for APS electricity than they would for SRP power. The courts ruled that the substantial difference is 15 percent or more.

Payments were made to eligible SRP shareholders who were APS electric customers from Jan. 1, 1969 to Dec. 31, 1981. In total, SRP received 13,693 applications under the program. Deadline for filing applications was June 21, 1985. SRP is beginning to process applications for a similar compensation program covering calendar year 1983.

Maintenance expenses grew by \$12.3 million to \$68.4 million for the year, and uncontrollable expenses such as in lieu and ad valorem taxes, sales and payroll taxes and depreciation rose \$9.1 million to \$144.9 million.

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

Combined Balance Sheets

As of April 30, 1985 and 1984

Assets

	1985	1984
(\$000)		
UTILITY PLANT, at original cost (Notes 1, 2, 3 and 4):		
Plant in service		
Electric	\$2,072,124	\$1,975,073
Irrigation	80,498	79,061
General	107,381	92,704
Total plant in service	2,260,003	2,146,838
Less - Accumulated depreciation on plant in service	616,008	550,725
	1,643,995	1,596,113
Construction work in progress	1,925,916	1,631,055
	3,569,911	3,227,168
SEGREGATED FUNDS, consisting of cash and U.S. Government obligations set aside in accordance with resolutions of bond issues:		
Debt service funds, excluding \$59,718,000 in 1985 and \$59,563,000 in 1984 for payment of accrued interest (Note 5)	101,355	96,556
CURRENT ASSETS:		
Cash	543	6,571
Temporary investments, at cost, held primarily for construction	212,934	199,441
Deposit in debt service fund for payment of accrued interest on bonds	59,718	59,563
Trade and other accounts receivable, less reserves of \$1,298,000 in 1985 and \$1,363,000 in 1984 for doubtful accounts	49,439	40,086
Fuel stocks, at last-in, first-out cost	52,193	65,092
Materials and supplies, at average cost	36,190	38,375
Prepayments, interest receivable and other	8,019	8,243
	419,036	417,371
DEFERRED CHARGES AND OTHER ASSETS		
(Note 1)	69,380	59,092
	\$4,159,682	\$3,800,187

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

Capitalization and Liabilities

	(\$000)	
	1985	1984
LONG-TERM DEBT (Note 5):		
Electric system revenue bonds	\$2,433,328	\$2,324,108
Commercial paper and other	310,360	285,918
	<u>2,743,688</u>	<u>2,610,026</u>
ACCUMULATED NET REVENUES , invested principally in utility plant:		
Balance, beginning of year	977,911	789,735
Net revenues for the year	215,677	188,176
Balance, end of year	<u>1,193,588</u>	<u>977,911</u>
Total capitalization	<u>3,937,276</u>	<u>3,587,937</u>
CURRENT LIABILITIES , excluding \$17,626,000 in 1985 and \$12,861,000 in 1984, representing current portion of long-term debt which is to be paid from segregated funds:		
Accounts payable	66,724	65,743
Accrued taxes and tax equivalents	34,361	36,131
Accrued interest	62,215	61,445
Customers' deposits	15,407	13,324
Other current and accrued liabilities	25,000	18,094
	<u>203,707</u>	<u>194,737</u>
DEFERRED CREDITS AND RESERVES	<u>18,699</u>	<u>17,513</u>
COMMITMENTS AND CONTINGENCIES (Notes 3 and 6)		
	<u>\$4,159,682</u>	<u>\$3,800,187</u>

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

Combined Statements of Net Revenues

For the Years Ended April 30, 1985 and 1984

	(\$000)	
	1985	1984
OPERATING REVENUES:		
Electric	\$777,993	\$678,698
Water and irrigation	7,039	5,295
Total operating revenues	785,032	683,993
OPERATING EXPENSES:		
Power purchases	27,839	26,456
Fuel used in electric generation	201,645	159,025
Other operation expenses	116,792	107,370
Maintenance	68,359	56,086
Depreciation and amortization (Note 1)	69,841	68,046
Taxes and tax equivalents	75,028	67,745
Total operating expenses	559,504	484,728
Net operating revenues	225,528	199,265
FINANCING COSTS:		
Interest on bonds at coupon rates	171,979	159,129
Amortization of bond discount, issue and refinancing expenses	1,970	2,765
Interest on other obligations	18,646	15,833
Interest earned on investments and deposits (Note 9)	(52,024)	(35,101)
Net financing costs	140,571	142,626
Less: Allowance for funds used during construction (AFUDC) (Note 1)	(123,897)	(113,665)
Financing costs less allowance for funds used during construction	16,674	28,961
OTHER INCOME (DEDUCTIONS):		
Other deductions, net	(619)	(9,764)
Gain on sale of electric generating facilities (Note 9)	7,442	
Total other	6,823	(9,764)
NET REVENUES BEFORE EXTRAORDINARY ITEM	215,677	160,540
EXTRAORDINARY ITEM:		
Gain on defeasance of bonds (Note 5)		27,636
NET REVENUES	\$215,677	\$188,176

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

Combined Statements of Changes in Financial Position

For the Years Ended April 30, 1985 and 1984

	(\$000)	
	1985	1984
SOURCES OF FUNDS:		
Funds generated from operations before debt service:		
Net operating revenues	\$225,528	\$199,265
Add-Depreciation and other charges not requiring current funds	77,661	74,139
Total funds generated from operations before debt service	303,189	273,404
Funds obtained from financing:		
Proceeds of bond issues	120,784	282,226
Other long-term borrowings, net of repayment	25,267	25,307
Increase in accrued interest	770	10,926
Total funds obtained from financing	146,821	318,459
Other items providing funds:		
Proceeds from sale of electric generating facilities	18,089	
Contributions in aid of construction	16,528	14,757
Interest earned on investments and deposits	52,024	35,101
Decrease (increase) in fuel stocks and material and supplies	15,084	(6,796)
Changes in other liabilities, net	10,175	13,629
Increase in accounts payable	981	21,343
Miscellaneous revenues	1,915	1,772
Total funds obtained from other items	114,796	79,806
Total net funds available before debt service	564,806	671,669
APPLICATION OF FUNDS:		
Debt service:		
Repayment of principal and interest on bonds and U.S. debt	186,008	185,207
Repayment of principal and interest on short-term borrowings	18,646	15,833
Defeasance of General Obligation Bonds		121,752
Total application of funds for debt service	204,654	322,792
Other items requiring funds:		
Gross additions to utility plant, net of AFUDC	323,682	298,669
Gross additions to non-utility plant		23,414
Decrease (increase) in accrued taxes	1,770	(16,127)
Other expenses	2,534	11,536
Increase in other assets, net	19,902	6,661
Total application of funds for other items	347,888	324,153
Total net application of funds	552,542	646,945
INCREASE IN CASH, TEMPORARY INVESTMENTS AND SEGREGATED FUNDS	12,264	24,724
BALANCE AT BEGINNING OF YEAR IN CASH, TEMPORARY INVESTMENTS AND SEGREGATED FUNDS	302,568	277,844
BALANCE AT END OF YEAR IN CASH, TEMPORARY INVESTMENTS AND SEGREGATED FUNDS	\$314,832	\$302,568

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

Notes to Combined Financial Statements

For The Years Ended April 30, 1985 and 1984

(1) Summary of Significant Accounting Policies

(a) Principles of Combination

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

(b) The District's Board of Directors serves as its regulatory agent.

(c) Utility Plant, Depreciation and Maintenance

The accounting records of the Project are maintained substantially in accordance with the Uniform System of Accounts prescribed for electric utilities by the Federal Energy Regulatory 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 statements of net revenues and added to utility plant. Capitalization rates of 9.7% and 10.1% were used for the years ended April 30, 1985 and 1984, respectively.

Depreciation expense is computed on the straight-line basis over estimated useful lives of the various classes of plant. Rates in effect resulted in provisions approximating 3.28% for 1985 and 3.44% for 1984 on the average cost of depreciable electric plant, and 1.38% for 1985 and 1.99% for 1984 for depreciable irrigation plant. Several depreciation rates were changed during the year as a result of a comprehensive study. 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.

(d) Bond Expense

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

(e) Employees' Retirement Plan

The Project has a retirement plan covering substantially all employees. The Plan is funded entirely from employers' contributions and the earnings of the invested assets. Contributions to this plan and the related expense totaled \$11,690,909 for fiscal year 1985, and \$10,927,225 for fiscal year 1984, and include amortization of past service costs over the period ending in 2012. A comparison of accumulated plan benefits and plan net assets is presented below:

	January 1,	
	1985	1984
Actuarial present value of accumulated plan benefits:		
Vested	\$93,787,963	\$78,058,944
Nonvested	9,918,192	14,339,446
	<u>\$103,706,155</u>	<u>\$92,398,390</u>
Net assets available for benefits	<u>\$150,308,282</u>	<u>\$129,462,565</u>

The average assumed rate of return used in determining the actuarial present value of accumulated plant benefits was 8% for the plan years ended December 31, 1984 and 1983.

In addition to providing pension benefits, the District provides certain health care and life insurance benefits for retired employees. Substantially all of the District's employees may become eligible for those benefits if they reach normal retirement age while working for the company. 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 1985, those costs totaled \$1,030,641.

(f) 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 \$17,300,000 at April 30, 1985, and \$16,200,000 at April 30, 1984. For large industrial customers, meters are read near monthend 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.

(g) Electric Rates

Under Arizona law, the District Board of Directors has the exclusive authority to establish electric rates. The District is required to follow certain procedures, including certain public notice requirements and holding a special Board meeting, before implementing any changes in the standard electric rate schedules. No rate increases have been implemented since April 1, 1983.

(2) Possession and use of utility plant:

The United States of America retains a paramount right or claim in the 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:

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

	(\$'000)	
	1985	1984
Electric generating facilities.....	\$1,789,436	\$1,536,823
Transmission and distribution.....	75,108	48,324
Irrigation plant.....	12,472	9,128
Other construction.....	48,900	36,780
Total.....	\$1,925,916	\$1,631,055

Construction expenditures planned for fiscal years 1986 through 1990 are shown below. In 1987 construction expenditures are shown net of estimated proceeds resulting from the Los Angeles Department of Water and Power (LADWP) exchange as explained in Note 3(b).

	(In Thousands)		
	Construction	Allowance for Funds Used During Construction	Total
1986	\$374,019	\$133,153	\$507,172
1987	111,105	58,666	169,771
1988	338,323	40,556	378,879
1989	490,453	35,130	525,583
1990	507,191	51,343	558,534

Construction of Coronado Unit 3, a planned 350,000 kW coal-fired unit, which is wholly owned by the District, is proceeding on a schedule for commercial operation during the first half of calendar year 1991. The total estimated construction costs for Unit 3, including allowance for funds used during construction (AFUDC), is approximately \$893 million.

These expenditures will be financed in part from the sale of certain of the District's properties, from funds currently on hand and from future net revenues. The balance of required funds will be provided by the sale of revenue bonds.

At April 30, 1985, necessary 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.

(b) The District has a 23.19% interest in Palo Verde Nuclear Generating Station (PVNGS). In 1986, the District anticipates paying LADWP an estimated \$300.2 million for LADWP's share of Coronado Generating Station and the District anticipates receiving an estimated \$486.2 million from LADWP in exchange for a 5.7% ownership interest in PVNGS. The LADWP exchange results in a net settlement of \$186.0 million. The Nuclear Regulatory Commission (NRC) issued construction permits for all three PVNGS units in May, 1976. On May 30, 1985, the NRC issued the full power operating license for Unit 1. It is anticipated that Unit 1 will be fully commercial by or before April, 1986.

Units 2 and 3 are scheduled for commercial operation later in 1986 and 1987, respectively.

Projected construction expenditures include contingency allowances to reflect potential cost increases.

(4) Interest 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 and furnish the financing for its ownership share. The following schedule reflects the District's ownership interest (at cost) in jointly owned electric utility plants at April 30, 1985:

	(In Millions)			
Plant Name	Ownership Share Percent	Plant in Service	Accumulated Depreciation	Construction Work in Progress
Four Corners (New Mexico).....	10.00	\$67.8	\$11.9	\$9.2
Mohave (Nevada).....	10.00	36.5	13.8	2.7
Navajo (Arizona).....	21.70	207.5	63.2	7.3
Hayden (Colorado).....	50.00	65.0	19.6	1.4
Coronado (Arizona).....	70.00	651.8	107.4	22.8
Craig (Colorado).....	29.00	223.6	34.7	1.1
Palo Verde (Arizona)				
(Note 3).....	23.19	18.2	1.4	1,587.3
		\$1,270.4	\$252.0	\$1,631.8

The District acts as the operating agent for the participants in the Navajo and Coronado Projects, and, as operating agent, pays the costs of operations for each project and bills each participant including itself for its share of such costs.

The District's share of direct expenses of the jointly owned plants is included in the corresponding operating expenses in the attached combined statements of net revenues.

(5) Long-term debt:

Series	Interest Rate	(\$'000)		Future Maturities
Electric System Revenue Bonds (a):		1985	1984	
1973 A & B.....	5 to 6.5%	\$131,190	\$133,625	1986-2011
1974 A & B.....	5.7 to 7.6	136,600	137,850	1986-2012
1976 A,B,C & D.....	5 to 7.2	397,400	399,220	1986-2016
1977 A, B Refund- ing & C.....	4.5 to 6.125	383,915	386,215	1986-2017
1978 A,B & C.....	4.9 to 7	309,390	311,335	1986-2018
1979 A,B & C.....	4.75 to 7.25	275,133	277,119	1986-2019
1980 A,B & C.....	6.5 to 9.25	225,806	227,003	1986-2020
1981 A, B & C(b).....	9 to 14	86,266	86,366	1986-2021
1983 A, B, C & D.....	6 to 9.625	254,836	255,115	1989-2023
1984 A(b).....	8.6 to 9.625	150,000	150,000	1995-2023
1985 A, B, & C.....	8.4 to 9.75	123,228	—	1995-2025
		2,473,764	2,363,848	
Unamortized bond discount.....		(40,436)	(39,740)	
Total electric system revenue bonds outstanding.....		2,433,328	2,324,108	
United States Government debt, non-interest bearing.....		9,441	10,266	1985-2004
Commercial paper classified as long-term debt, 4.25% to 5.25% (Note 7).....		299,981	274,979	1985
Other, 9.11% to 10.5%.....		938	673	1985-1988
Total long-term debt.....		\$2,743,688	\$2,610,026	

(continued)

(a) 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 amounts due the United States of \$9,441,295. 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.

The debt service coverage ratio is used by bond rating agencies to help determine the financial health of the District and other bond issuers. For the years ended April 30, 1985 and 1984, the debt service coverage was calculated as follows:

	(\$000)	
	1985	1984
Revenues available for debt service	\$391,363	\$336,684
Total debt service requirements	187,141	182,185
Debt service coverage ratio	2.09	1.85

(b) \$170,405,000 of general obligation bonds were defeased on February 9, 1984, by using a portion of the proceeds from the 1984 Series A electric system revenue bonds. As the District has chosen to recognize all gains and losses that result from defeasances of debt in the period incurred, the gain on defeasance of \$47,565,000 is shown net of unamortized refinancing expenses of \$19,929,000 relating to the defeasance of certain electric system revenue bonds issued in 1977 and 1978. Although the lien of the general obligation bonds on revenues has been defeased, the general obligation bonds continue to be general obligations of the District, secured by a lien upon the real property included in the District, a guarantee by the Salt River Valley Water Users' Association, and by the District's taxing authority. As of April 30, 1985, the amount of defeased general obligation bonds outstanding was \$156,900,000.

The annual maturities of bonds and other long-term debt outstanding (excluding commercial paper) as of April 30, 1985, due in each of the fiscal years ending April 30, 1986, through 1990 are \$25,569,000, \$17,764,000, \$24,590,000, \$24,502,000 and \$29,045,000, respectively.

Interest and amortization of discount on the various issues outstanding during the year resulted in an effective rate of 7.33% for 1985 and 6.97% for 1984. This rate approximates 7.84% over the remaining terms of the bonds.

The debt service portion of segregated funds includes \$5,000,000 at April 30, 1985 and 1984, restricted for operating reserve requirements under bond resolutions.

Electric system revenue bonds totaling \$74,903,760 principal amount are authorized, but unissued. Electric system refunding revenue bonds not to exceed \$747,331,260 principal amount are also authorized, but unissued.

(6) Litigation and other contingencies:

Environmental:

Various pending litigation or administrative proceedings involving environmental matters could affect interests of the Project in present and proposed generating facilities. In general, these lawsuits seek to impose higher air quality standards for generating plants. If ultimately decided adversely to the interest of the Project, the outcome of the lawsuits could result in increased construction costs,

increased future operating costs or 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.

Navajo Tax:

In 1977 and 1978, the Navajo Tribe promulgated three tax resolutions affecting electric generating stations in which the District has an interest, located on the Navajo Reservation. The District and other participants in the affected generating stations filed lawsuits challenging the resolutions in Federal District Courts for Arizona and New Mexico. As a result of action by the Tribe to honor its covenants not to tax the participants in the electric generating stations on the reservation, the Arizona lawsuit was dismissed as moot. No taxes are currently being imposed on the District.

Hopi Tax:

The Hopi Tribal Council has proposed a Coal Severance License Ordinance. The intent of this ordinance is to tax the mining activities of the coal supplier for generating stations in which the District owns an interest.

While the contracts with the coal supplier may permit such taxes to be passed through in whole or in part to the owners of the generating stations, the ultimate effect of such taxes cannot be determined at this time. All such taxes, if passed on to the District, would then be passed on to customers as increased fuel costs.

Other Litigation:

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

Payments to Association Shareholders Served Electric Power by Others:

The Articles of Incorporation of the Association provide that certain shareholders served electric power by others will be compensated if they are required to pay substantially more for power used for domestic or ordinary farm purposes than would be paid by them if they were furnished electric power by the Association. This provision in the Articles has been adjudicated by the Courts of the State of Arizona and found to be valid. Payments are currently being made covering the years 1969 through 1981. A reserve for these payments has been established which, in the opinion of management, adequately covers the Project's liability as of April 30, 1985.

(7) Revolving credit agreement/commercial paper program:

The District has a revolving credit agreement (the Agreement) with a group of twenty-one banks led by First Interstate Bank of Arizona, N.A. Under the terms of the Agreement, the District may borrow up to \$300,000,000 until August 15, 1986. If the Agreement is not renewed prior to August 15, 1985, the District may continue to borrow but must reduce its outstanding borrowings to not more than \$225,000,000 by August 14, 1986, and to \$125,000,000 by August 14, 1987. Following August 14, 1987, the District may not make additional borrowings

and must repay all outstanding borrowings by August 15, 1988. Borrowings under the Agreement initially bear interest at a rate equal to .70 times the weekly average rate for three month Certificates of Deposit as published in the Wall Street Journal, plus certain adjustments (the percentage required to cover the costs of Federal Deposit Insurance Corporation insurance premiums and the reserves required by Regulation D of the Board of Governors of the Federal Reserve System on an amount equal to the outstanding borrowings). No compensating balances are required under the Agreement. A commitment fee of 1/4 of 1% per annum is payable on the unborrowed portion of the \$300,000,000 principal amount.

The District's Board has authorized the issuance of up to \$300,000,000 in short-term promissory notes (the Promissory Notes). The Promissory Notes are being sold in the tax-exempt commercial paper market. The Promissory Notes will mature in no more than 270 days from the date of issuance and in no event after August 15, 1987. The Promissory Notes are issued in minimum denominations of \$50,000, in bearer or registered form without coupons, and bear interest from their date at an annual interest rate not to be in excess of 15%.

The indebtedness of the District evidenced either by the Promissory Notes or borrowings under the Agreement is an unsecured obligation of the District payable from the general funds of the District lawfully available therefor, subject in all respects to the prior lien of U.S. Government Loans, Revenue Bonds and other indebtedness of the District secured by revenues or assets of the District. No specific revenues or assets of the District are pledged to the payment of the Promissory Notes or borrowings under the Agreement and the Promissory Notes and such borrowings are not payable from taxes.

Proceeds from the sale of the Promissory Notes are

used for construction expenditures and to finance the District's fuel inventories. As of April 30, 1985, the District had no borrowings outstanding under the Agreement. As of April 30, 1985, the District had \$299,981,000 of the Notes outstanding at an average interest rate of 4.85%. Borrowings under both the Agreement and Promissory Notes are being accounted for by the District as long-term debt.

The District's Board has limited the total amount of indebtedness which may be outstanding at any one time under the Agreement and in the tax-exempt commercial paper market to an aggregate of \$300,000,000.

(8) Irrigation and water operations:

Irrigation and water operation expenses, including depreciation, exceeded the assessments, delivery fees, and other revenues therefrom by approximately \$9,866,000 for 1985 and \$12,094,000 for 1984. These amounts do not include expenditures for additions and improvements to irrigation plant and repayment of long-term debt.

(9) Sale of the Coronado Railroad Spur

In December 1934, the District sold a significant share of its interest in the Coronado Railroad Spur to Tucson Electric Power Company. This sale resulted in a gain of \$2,601,000 and interest income of \$14,327,000. The interest income recognized in the current year, accrued over five years due to delays in completion of the sales agreement. The net book value of the property sold was \$10,450,969.

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 sheets 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 April 30, 1985 and 1984, and the related combined statements of net revenues and changes in financial position for the years then ended. Our examinations were 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 April 30, 1985 and 1984, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Phoenix, Arizona,
June 26, 1985

Arthur Andersen & Co.

Statistical Review

Project General	(\$000)			
	12 Months Ended April 30 1985	1984	12 Months Ended December 31 1979	1974
Operating revenues	785,032	683,993	417,789	169,585
Electric	777,993	678,698	413,066	166,972
Water and irrigation	7,039	5,295	4,723	2,613
Operating expenses	559,504	484,728	291,610	148,958
Net financing costs less capitalized interest ...	16,674	28,961	25,170	11,397
Other deductions (revenues), net	(6,823)	(17,872)	574	372
Net revenues	215,677	188,176	100,435	8,858
Gross additions to plant, excluding allowances for funds used during construction	323,682	298,669	394,728	165,761
Utility plant, gross	4,185,919	3,777,893	2,355,783	830,592
Contributions of electric revenues to support water operations	9,866	12,094	6,183	9,971
Taxes and tax equivalents	75,028	67,745	42,859	18,949
Employees at year end	5,568	5,434	4,197	3,187

Water*

	1984	1983	1979	1974
Total storage and pumping capacity (acre-feet) .	2,853,519	2,838,906	2,858,261	2,884,556
Storage capacity (six reservoirs)	2,019,102	2,019,102	2,063,948	2,072,050
Installed pumping capacity	834,417	819,804	794,313	812,506
Water in storage January 1 (acre-feet)	1,717,407	1,631,411	1,839,399	1,498,629
Project storage only	1,455,375	1,345,252	1,548,741	1,201,943
Runoff (acre-feet)	1,100,100**	2,829,613	2,402,641	441,582
Water in storage December 31 (acre-feet)	1,781,671	1,717,407	1,563,309	1,054,710
Project storage only	1,543,571	1,455,375	1,290,971	789,158
Sources of water for deliveries (acre-feet)	999,979	1,171,097	1,338,008	1,238,484
Gravity supply	758,295**	1,124,554	1,264,344	872,007
Groundwater supply (pumping by SRP)	221,165	43,248	65,596	361,002
Groundwater supply (pumping by others) ...	20,519	3,295	8,068	5,475
Use of water (acre-feet)	881,501	1,014,772	1,100,467	861,699
Agricultural	353,916	454,516	535,046	441,088
Urban	393,851	364,435	334,309	269,636
City domestic	281,439	251,110	222,098	160,343
Subdivision irrigation	61,019	58,988	55,063	54,070
Other non-agricultural irrigation (schools, parks, churches, etc.)	51,394	54,338	57,148	55,223
Decreed deliveries	51,704	52,298	64,505	56,541
Contract deliveries	19,263	6,177	10,929	18,595
Seepage and evapotranspiration	156,313	156,325	237,541	376,785
Canals, total (miles)	132	132	131	131
Lined	72	71	64	56
Laterals, total (miles)	890	887	880	875
Lined or piped	777	766	740	683
Drainage and waste ditches (miles)	240	244	247	263
Lined or piped	75	70	58	53
Assessed area (acres)	238,171	238,172	238,221	238,264
Number of assessed accounts	181,083	180,455	174,603	161,596
Number of times water delivered to water users	467,984	468,802	444,157	516,485

* Water statistics are computed on a calendar year basis.

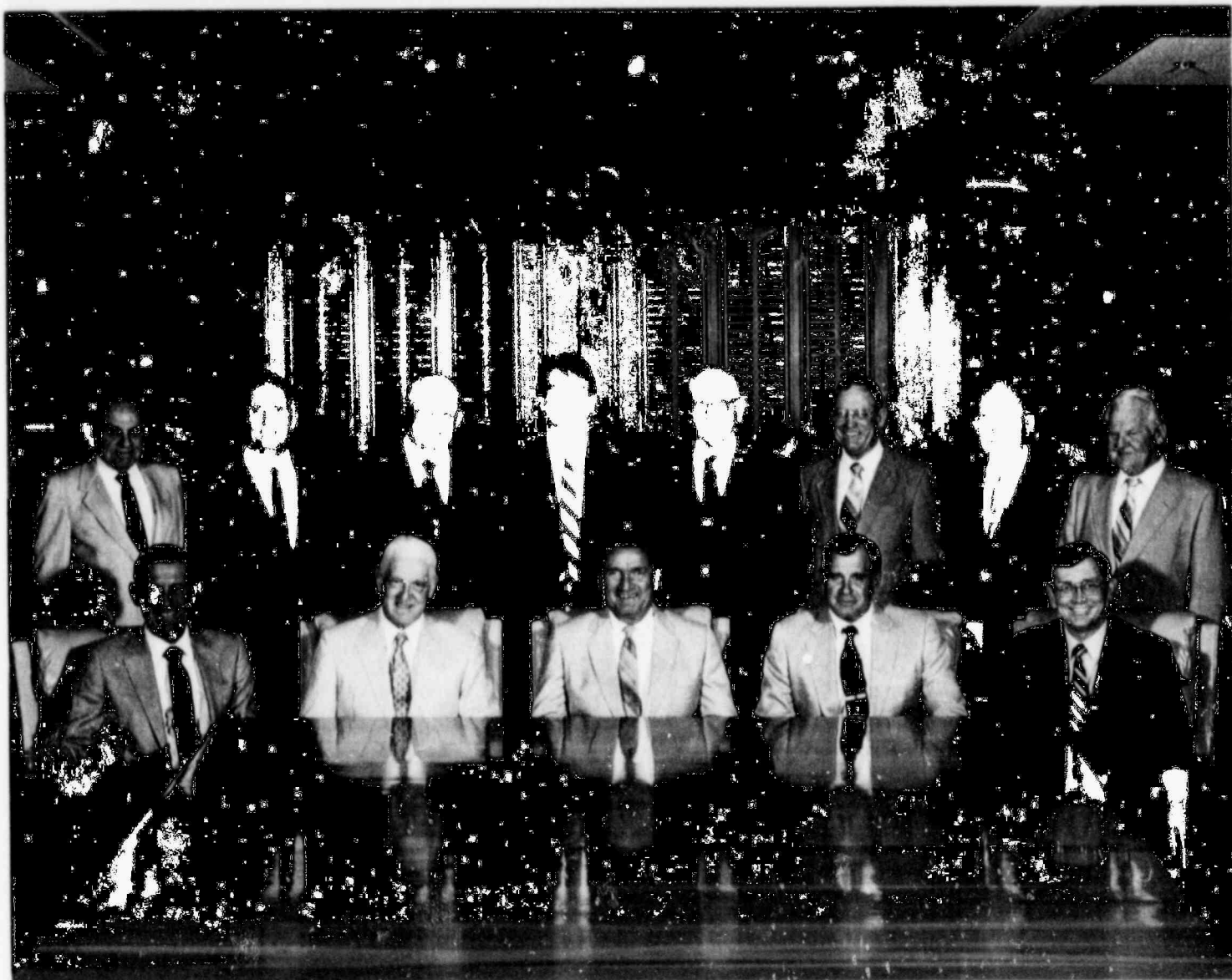
** Based on U.S.G.S. provisional records and are subject to adjustment.

Power

	12 Months Ended April 30		12 Months Ended December 31	
	1985	1984	1979	1974
Energy Sources (kWh)				
Net steam generation*	11,859,199,000	10,655,441,000	8,335,201,000	4,473,608,000
Net combustion turbine generation	52,209,000	19,399,000	65,867,000	252,506,000
Net combined cycle generation	657,328,000	190,299,000	165,285,000	129,429,000
Net run of river generation	594,515,000	521,180,000	581,793,000	333,822,000
Pumped storage generation	200,451,000	206,036,000	79,674,000	176,128,000
Total net generation*	13,363,702,000	11,592,355,000	9,227,820,000	5,365,493,000
Purchased	2,082,962,216	2,262,454,908	2,078,926,504	3,257,052,229
Interchange received	63,848,104	69,424,000	182,335,000	207,521,040
Wheeling received	15,419,880	18,970,092	7,778,496	42,534,731
Total energy sources*	15,525,932,200	13,943,204,000	11,496,860,000	8,872,601,000
Energy disposition (kWh)				
Residential	4,783,148,400	4,290,081,354	3,583,579,831	2,751,862,961
Commercial & Industrial	5,764,993,287	4,880,684,473	4,319,978,092	3,191,339,884
Irrigation pumping	260,223,618	260,180,664	195,422,631	308,554,192
Street & highway lighting	83,646,296	85,698,006	42,194,885	38,756,879
Public authorities	241,468,602	232,660,889	291,489,443	239,776,522
Interdepartmental	114,109,620	73,212,740	64,785,898	194,652,239
Sales for resale	2,883,361,835	2,789,722,423	1,923,770,250	903,560,899
Total sales	14,130,951,658	12,612,240,549	10,421,221,030	7,628,503,576
Interchange delivered	82,226,000	54,666,000	224,507,000	255,852,000
Wheeling delivered	14,154,972	15,450,467	7,101,769	39,599,835
Energy losses	1,012,240,570	966,513,984	728,465,201	694,923,589
Energy for pumped storage op.	286,359,000	294,333,000	115,565,000	253,722,000
Total disposition of energy	15,525,932,200	13,943,204,000	11,496,860,000	8,872,601,000
Peak overall power system (kWh)				
Date and time (MST)	July 5, 6 p.m.	Sept. 2, 6 p.m.	Sept. 5, 6 p.m.	June 27, 6 p.m.
Peak Project customer (kWh)				
Date and time (MST)	Aug. 30, 5 p.m.	Aug. 31, 5 p.m.	June 27, 5 p.m.	June 27, 6 p.m.
Generating capability (kW)**				
Steam*	2,211,250	2,211,250	1,553,250	1,019,150
Combustion turbines	393,000	393,000	393,000	362,800
Combined cycle	288,000	288,000	288,000	225,000
Hydroelectric conventional	96,400	96,400	95,000	94,300
Hydroelectric pumped storage	137,000	137,000	137,000	147,200
Total operating capability*	3,125,650	3,125,650	2,466,250	1,848,450
Contract purchase at peak	329,547	329,547	328,661	629,725
Total resources*	3,455,197	3,455,197	2,794,911	2,478,175
Electric customers—year end				
Residential	382,090	353,115	287,293	221,808
Commercial & Industrial	32,508	29,924	20,766	16,393
Other	8,176	8,103	1,643	1,230
Total	422,774	391,142	309,702	239,431
Average annual kWh use				
Residential	12,963	12,535	13,038	12,808
Average annual kWh revenue				
Residential (cents/kWh)	7.11	7.06	5.07	2.62

* Includes SRP participation in jointly owned projects

** Unit capabilities during summer peak



Salt River Project Board Members (front row, left to right) Bruce B. Brooks, Stanford F. Hartman, Joe Bob Neely, Dwayne E. Dobson and William W. Arnett. (Back row, left to right) John L. Burton Jr., Thomas P. Hurley, Gilbert R. Rogers, Fred J. Ash, Clarence C. Pendergast Jr., John M. Williams Jr., W. Larkin Fitch and Rudolph Johnson. Not pictured is William P. Schrader.

Board Members

Board members establish policies for the management and conduct of Salt River Project's business affairs.

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 four-year terms. One District board member is elected from each of the 10 SRP voting divisions, and four members are elected at large.

Traditionally, members of the Association board are elected to similar positions on the District board.

District 1

Rudolph Johnson

District 2

Clarence C. Pendergast Jr.

District 3

Bruce B. Brooks

District 4

Gilbert R. Rogers

District 5

John M. Williams Jr.

District 6

Thomas P. Hurley

District 7

William P. Schrader

District 8

Joe Bob Neely

District 9

W. Larkin Fitch

District 10

Dwayne E. Dobson

At-large

William W. Arnett

Fred J. Ash

John L. Burton Jr.

Stanford F. Hartman

Council Members

The councils enact and amend 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 areas 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.

Traditionally, Association council members seek identical positions on the District Council.

District 1

Robert L. Cook
Howard W. Lydic
Emil M. Rovey

District 2

Timothy A. Conovaloff
Wayne A. Hart
Larry D. Rovey

District 3

James M. Accomazzo
John E. Anderson
Elvin E. Fleming

District 4

Wiley R. Baker
Levi H. Reed
Ivy Wilson Jr.

District 5

Roy W. Cheatham
Edmund Navarro
Carl E. Weiler

District 6

James L. Diller
Dean W. Lewis
James R. Marshall

District 7

Wayne A. Marietta
Lester Mowry
George B. Willmoth

District 8

Martin Kempton
Thomas M. Owens Jr.
Mark V. Pace

District 9

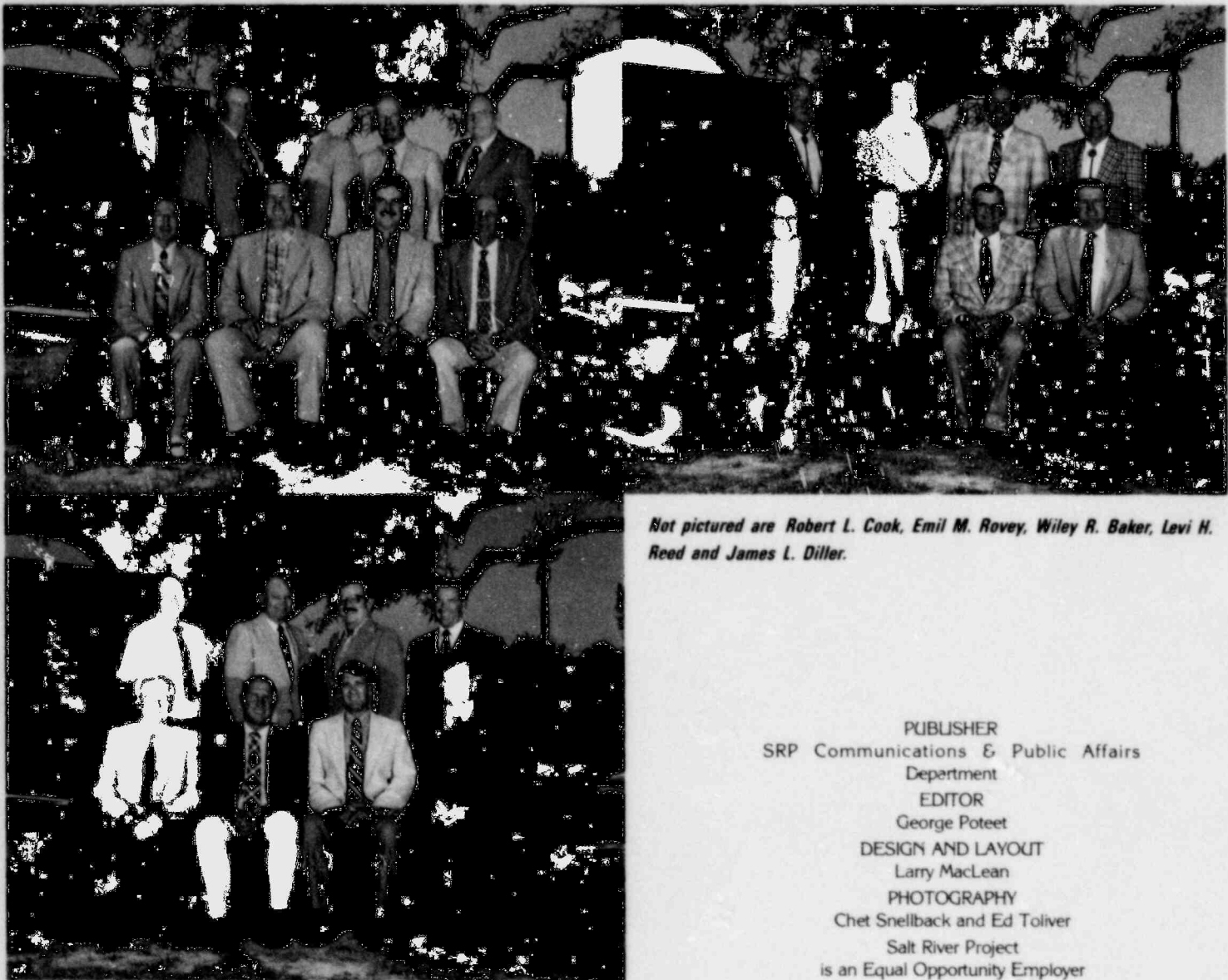
W. Curtis Dana
Olen Sharp
Lee Tregaskes

District 10

Orland R. Hatch
L. Max Pace
C. Dale Willis

SRP Council Members (seated, left to right) Howard W. Lydic, Larry D. Rovey, Timothy A. Conovaloff and Thomas M. Owens Jr. (Standing, left to right) Wayne A. Hart, Roy W. Cheatham, Edmund Navarro, Elvin E. Fleming and Ivy Wilson Jr.

SRP Council Members (seated, left to right) Olen Sharp, Orland R. Hatch, James M. Accomazzo and C. Dale Willis. (Standing, left to right) George B. Willmoth, L. Max Pace, John E. Anderson and Lester Mowry.



Not pictured are Robert L. Cook, Emil M. Rovey, Wiley R. Baker, Levi H. Reed and James L. Diller.

SRP Council Members (seated, left to right) Dean W. Lewis, Carl E. Weiler, Lee Tregaskes and Mark V. Pace. (Standing, left to right) James R. Marshall, W. Curtis Dana, Wayne A. Marietta and Martin Kempton.

PUBLISHER
SRP Communications & Public Affairs
Department
EDITOR
George Poteet
DESIGN AND LAYOUT
Larry MacLean
PHOTOGRAPHY
Chet Snellback and Ed Toliver
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Annual Report
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