



Salt River Project
1992-93
Annual Report

9312220173 931201
PDR ADOCK 05000528
I PDR

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

The SRP Mission

In today's increasingly competitive and challenging environment, SRP management continues to take well-planned strategic steps positioning the company for tomorrow.

Corporate goals driving today's SRP include:

▶ **Economic Value:** Improve the value SRP provides customers, shareholders and investors.

▶ **Service Value:** Maintain the current high level of customer and shareholder satisfaction.

▶ **Employees and the Workplace:**

Continue to meet the challenges of an equitable and well-managed workplace with constrained resources.

▶ **Community Responsibility:**

Build on a long record of responsible community involvement.

Six strategic priorities form the foundation for our future:

Competition.

SRP is committed to cost and service competitiveness.

Water.

SRP continues a unique heritage of storing, transporting and delivering water at a reasonable price.

Environment.

SRP supports balanced solutions to environmental issues.

Customer and Shareholder Service.

Quality service is a high priority in meeting customer and shareholder needs.

Employees.

To train and redeploy employees rather than increase the work force is at the core of how we will meet the challenges of change.

Community Responsibility.

SRP focuses on community activities that benefit customers and shareholders consistent with their expectations.

Contents

Who We Are	1
Letter To Bondholders and Shareholders	3
General Manager's Staff	5
Salt River Project Partnerships	6-15
Financial Results	16
Statistical Review	18
Combined Financial Statements	20
Notes to Combined Financial Statements	24
Board Members	32
Council Members	34



Together, we can make a difference.

Publisher: SRP Public &
Communications Services
P.O. Box 52025
Phoenix, Arizona 85072-2025
(602) 236-2598

As a special service, SRP is making this
annual report information available
through the Arizona State Library for the
Blind and Physically Handicapped,
1030 N. 32nd St., Phoenix, AZ 85008.
(602) 255-5578.



Printed on recycled paper

Highlights

<i>Revenues/Expenses (000)</i>	<i>Fiscal 1993</i>	<i>Fiscal 1992</i>
Total operating revenues	\$1,301,428	\$1,183,349
Total operating expenses	1,030,690	933,616
Net operating revenues	270,738	249,733
Other income, net	20,427	36,457
Net financing costs	236,203	245,962
Net revenues	\$ 54,962	\$ 40,228

(See pages 18, 20-23)

Power Operations

Electric customers at year-end	563,846	549,093
Average annual kilowatt-hour use/residential customer	13,039	12,628
Average annual residential revenues/kilowatt-hour	8.80¢	8.54¢

(See page 19)

Water Operations

	<i>Calendar 1992</i>	<i>Calendar 1991</i>
Assessed water accounts	180,778	180,991
Water runoff (acre-feet)	1,771,199	1,711,752
Water in storage, Dec. 31 (acre-feet)	1,573,075	1,540,477
Water deliveries (acre-feet)	982,691	932,427

(See page 18)

Selected statistics (000)

	<i>Fiscal 1993</i>	<i>Fiscal 1992</i>
Gross plant investment	\$5,973,092	\$5,820,751
Long-term debt	\$3,648,626	\$3,667,056
Taxes and tax equivalents	\$ 172,505	\$ 163,745
Electric-revenue contributions to support water operations	\$ 33,129	\$ 31,005
Employees at year-end	4,669	4,681

(See pages 18, 21)

Salt River Project is the nation's third-largest public power utility. We provide electricity to more customers in metropolitan Phoenix than any other utility and we are the state's largest water supplier.

But SRP is more than water and electricity—SRP is people. People building partnerships today for a better tomorrow. People making a difference.

Named for the Salt River, the major water supply to the growing metropolitan Phoenix area, SRP is the oldest multipurpose reclamation project in the United States.

SRP was created in 1903 through provisions of the National Reclamation Act. This year SRP celebrates its 90th anniversary.

SRP is one organization with two compatible business units.

- ▶ Salt River Valley Water Users' Association, and
- ▶ Salt River Project Agricultural Improvement and Power District.

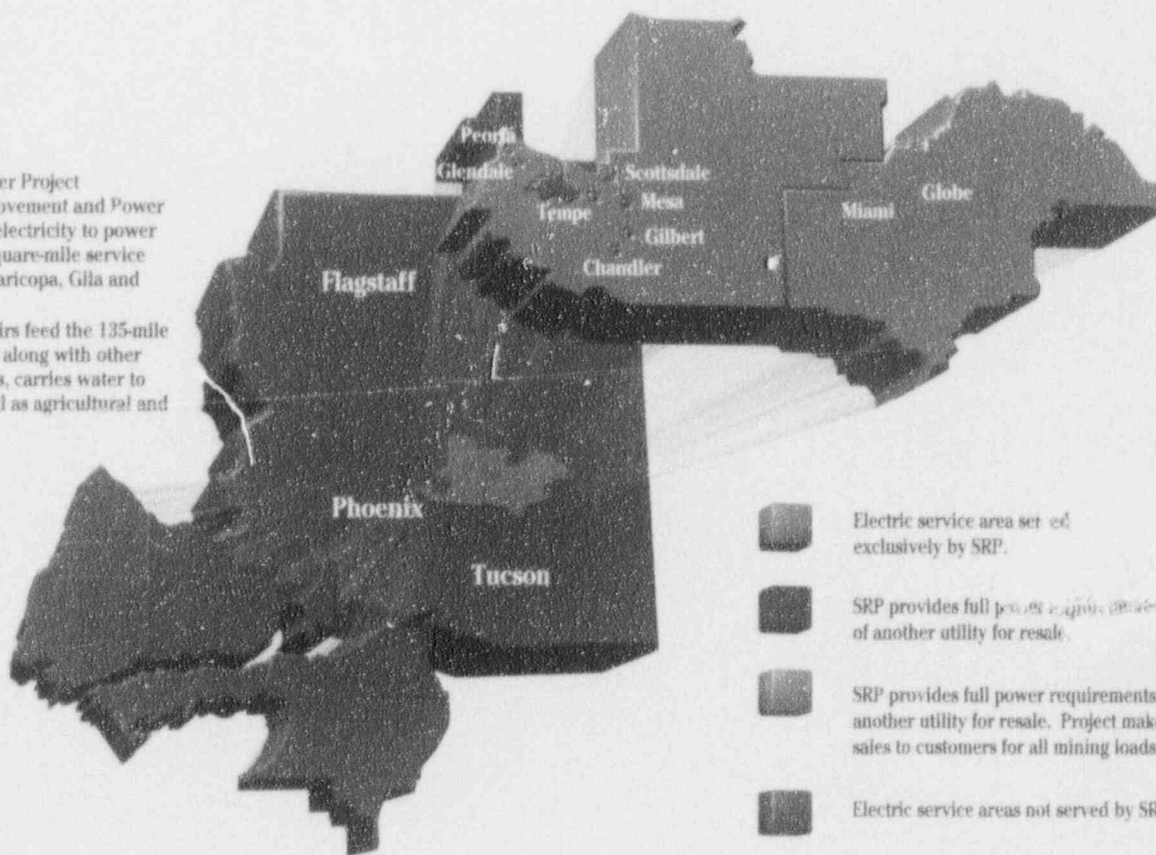
The Association is a private, Arizona corporation that delivers water to a 240,000-acre service area in central Arizona. SRP operates state-of-the-art water delivery systems through gravity






flow and pumping technologies. Our system carries water to municipal, industrial, agricultural and residential users throughout the region. The Association monitors the 13,000-square-mile watersheds of the Salt and Verde rivers, which are managed by the U.S. Forest Service, for various conditions such as precipitation and runoff.

The District is a public power utility and a political subdivision of Arizona. It provides electricity to more than 560,000 residential, industrial, commercial and agricultural power users, chiefly in metropolitan Phoenix. SRP's 2,900-square-mile service area spans portions of Maricopa, Gila and Pinal counties in central Arizona.

The Salt River Project Agricultural Improvement and Power District provides electricity to power users in a 2,900-square-mile service area in parts of Maricopa, Gila and Pinal counties.

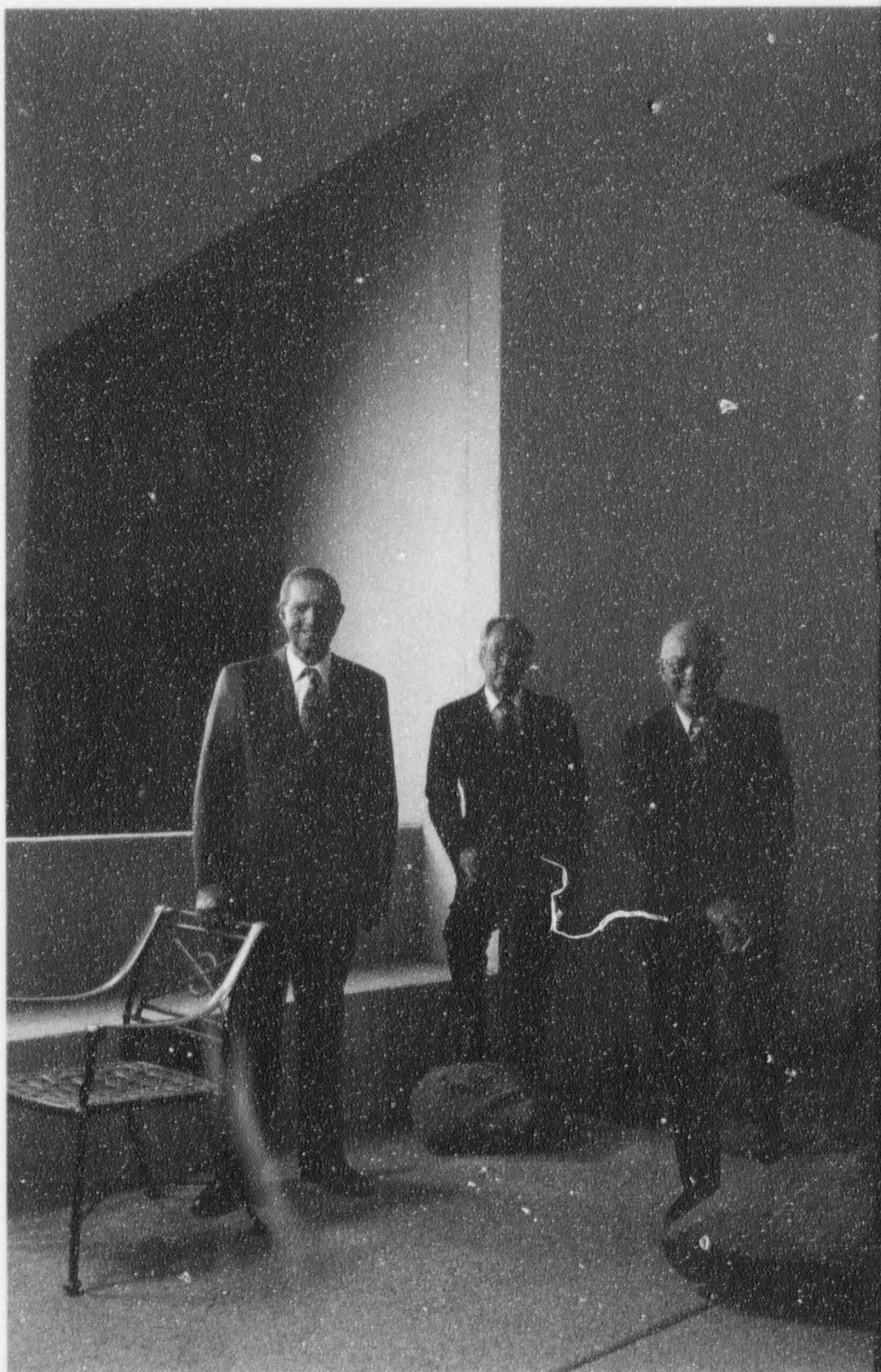
SRP reservoirs feed the 135-mile canal system that, along with other smaller waterways, carries water to eight cities, as well as agricultural and urban irrigators.



-  Electric service area served exclusively by SRP.
-  SRP provides full power requirements of another utility for resale.
-  SRP provides full power requirements of another utility for resale. Project makes direct sales to customers for all mining loads.
-  Electric service areas not served by SRP.
-  SRP's irrigated area.

*Desert House
encourages energy and
water conservation*

Desert House is a water and energy conservation, demonstration and research facility built at the Desert Botanical Garden in Phoenix. It also is a full-scale, single-family home that uses existing technologies and building materials to make efficient use of water and energy. This partnership typifies SRP's long-standing commitment to wise resource management and to prudent planning for the future. Joining SRP and Desert Botanical Garden in this partnership are the Arizona Department of Commerce Energy Office, the city of Phoenix and the University of Arizona.



To Our Bondholders and Shareholders:

Fiscal 1992-93 was a good year for Salt River Project—for our investors, customers, employees and the communities we serve.

Today's utility environment is marked by rapid change and increased competition. We continue to identify and to adapt to opportunities from an enviable position of stability, leadership and strength. A position that has been a tradition—a hallmark of SRP for 90 years.

Our cash flows remain strong and stable. During 1992-93, funds available for corporate purposes were \$185 million. These are funds remaining after deducting cash operating expenses, debt service costs and taxes from SRP's revenue sources. We achieved net revenues for the year of \$55 million from total gross revenues of \$1.3 billion. These results well exceeded financial projections.

As SRP is a political subdivision of the state of Arizona, net revenues are reinvested in the company and reduce the amount of money we must borrow. This results in lower electric rates for our customers.

Management actions taken during the past two years to refine operations continue to pay significant dividends.

Our six-year financial plan is on track, producing short- and long-term benefits.

Power facilities are reliable and continue to perform well. Excess energy sales, the sale of electricity to other utilities, also have been strong.

SRP met and managed the challenge presented by the largest rainfall and runoff in the state's history. Teamwork by SRP employees throughout the organization made the difference.

But these successes are only part of the picture. At the core of our achievements are the partnerships SRP builds inside and outside the company.

These alliances are making a difference:

- ▶ In the soundness of an investment in SRP
- ▶ In the value of the service we provide
- ▶ In the quality of life in Arizona.

We are at the threshold of a new and highly competitive era. Plans are in place to take full advantage of the opportunities this era presents.

SRP's top management is committed to wise use of the state's precious water and energy resources. From left to right in front of the Desert House are: William P. Schrader, Vice President; John R. Lussen, President; and C.M. Perkins, General Manager.

Price and service separate SRP from our competitors. Our mission is to provide value-added service at the lowest price, to deliver more value for our customers' and shareholders' water and electric dollars.

Customer and shareholder satisfaction with SRP is very high. Presently, 89 percent of water shareholders and 95 percent of power customers say they are either "very satisfied" or "satisfied" with our ability to meet their water or power needs. We will continue to improve.

Already, we are helping reshape the utility environment of the future.

Vigilance in refining and redefining our place in the market positions us in a leadership role.

We would like to draw your attention to the photographs in front of the Desert House, a new partnership representative of SRP's commitment to wise resource management. In addition, you'll see SRP's six Associate General

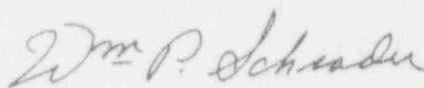
Managers with our latest electric research vehicle.

These two unique projects are representative of SRP's planning for tomorrow. We're forging partnerships now to help us meet the future.

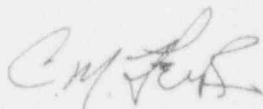
On the following pages, we offer a summary of other SRP partnerships. We invite you to read and learn more about SRP people and the difference we're making.



John R. Lassen
President



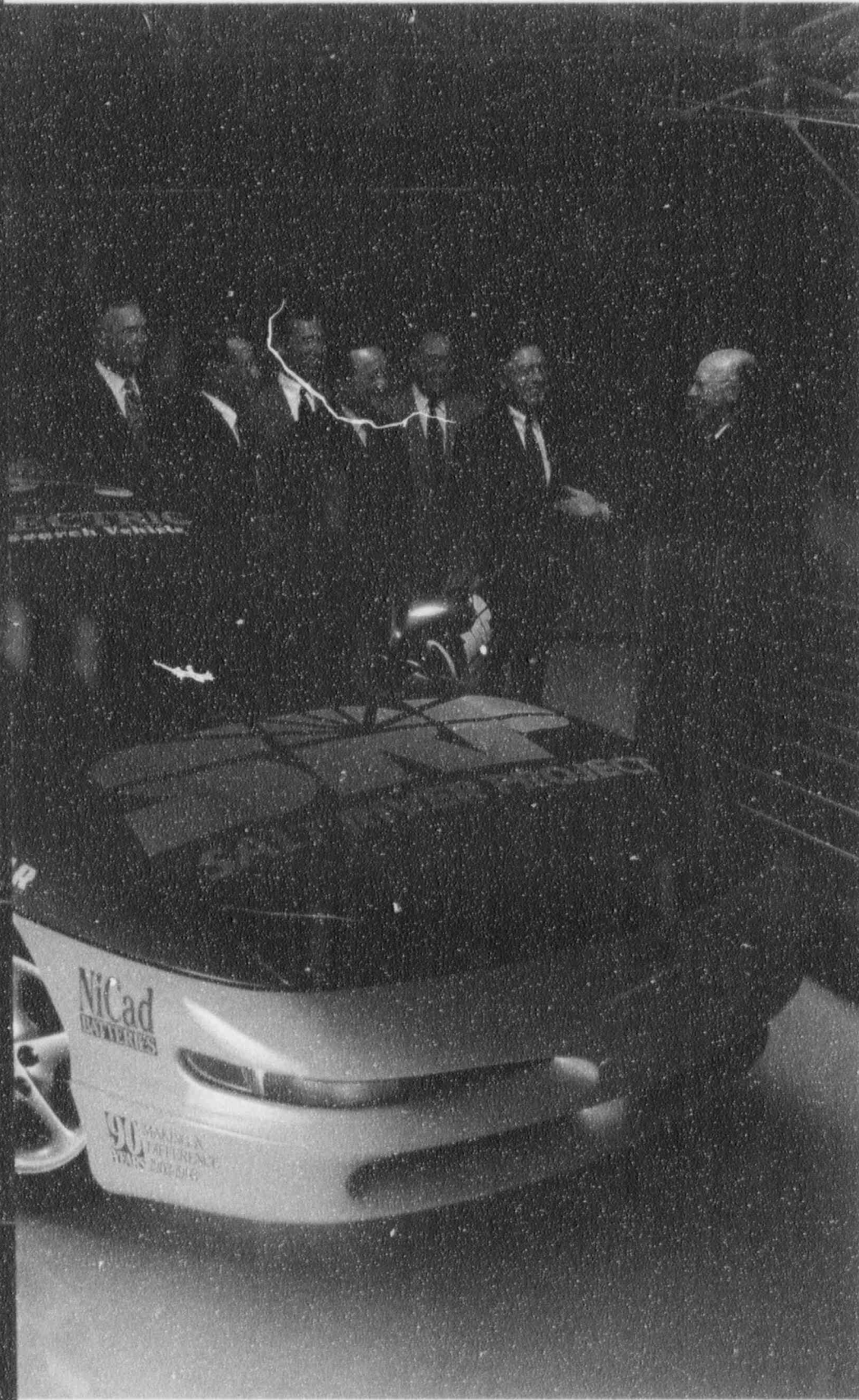
William P. Schrader
Vice President



C.M. Perkins
General Manager

The General Manager and six Associate General Managers form a solid, seasoned executive team focusing SRP resources for maximum return and results. Inspecting SRP's newest electric vehicle are (left to right): Oren D. Thompson, Customer, Marketing, & Water Services; Mark B. Bonsall, Financial, Information & Planning Services; L.J. "Clup" U'Ren, Operations & Human Resources Services; D. Michael Rappoport, Public & Communications Services; David G. Areghini, Power, Construction & Engineering Services; Richard H. Silverman, Law & Administrative Services; and General Manager C.M. Perkins.





*Technology partnership
plans for the future*

This converted Ford Probe is a research vehicle powered by electricity. It is part of a partnership that is helping SRP management plan for tomorrow. Electric vehicles will play an important role in the future. Vehicles such as this are helping SRP management study the potential electric-powered cars may offer for SRP and our customers. Student members of the Arizona State University chapter of the Society of Automotive Engineers assisted in the vehicle's design and conversion.

Rates are the measure of our success. We've kept increases well below levels of inflation.

The utility industry is changing. It is changing rapidly. And, while last year's National Energy Policy Act seeks to create a new playing field for the industry, we think we are ahead of the game.

SRP generating facilities are turning in solid operating performances. Costs are down and productivity is up. For example, the net capacity factor for Navajo Generating Station (NGS) in northern Arizona was 86.0 percent in 1992-93, compared with 85.3 percent in 1991-92. Net capacity factor is a measure of the station's energy productivity. SRP manages NGS and owns 21.7 percent of the plant.

Performance was better than budgeted at Coronado Generating Station (CGS) as well, where the equivalent availability factor (EAF) was 87.8 percent, compared with the 85 percent budgeted for the year. EAF measures the amount of electricity a unit could produce, if required.

Staffing levels remain lower than at any time since 1982. No staffing increases are projected through the end of this century.

A companywide commitment to service exists throughout and empowers employees at all levels to take initiative and make a difference.

This year's financial plan again reflects SRP's goal of containing rate increases. On an inflation-adjusted basis, electricity is costing our customers less. Since 1982, SRP rates have decreased more than 12 percent, adjusted for inflation. The real cost of SRP electricity should continue to decline in the future, as well.

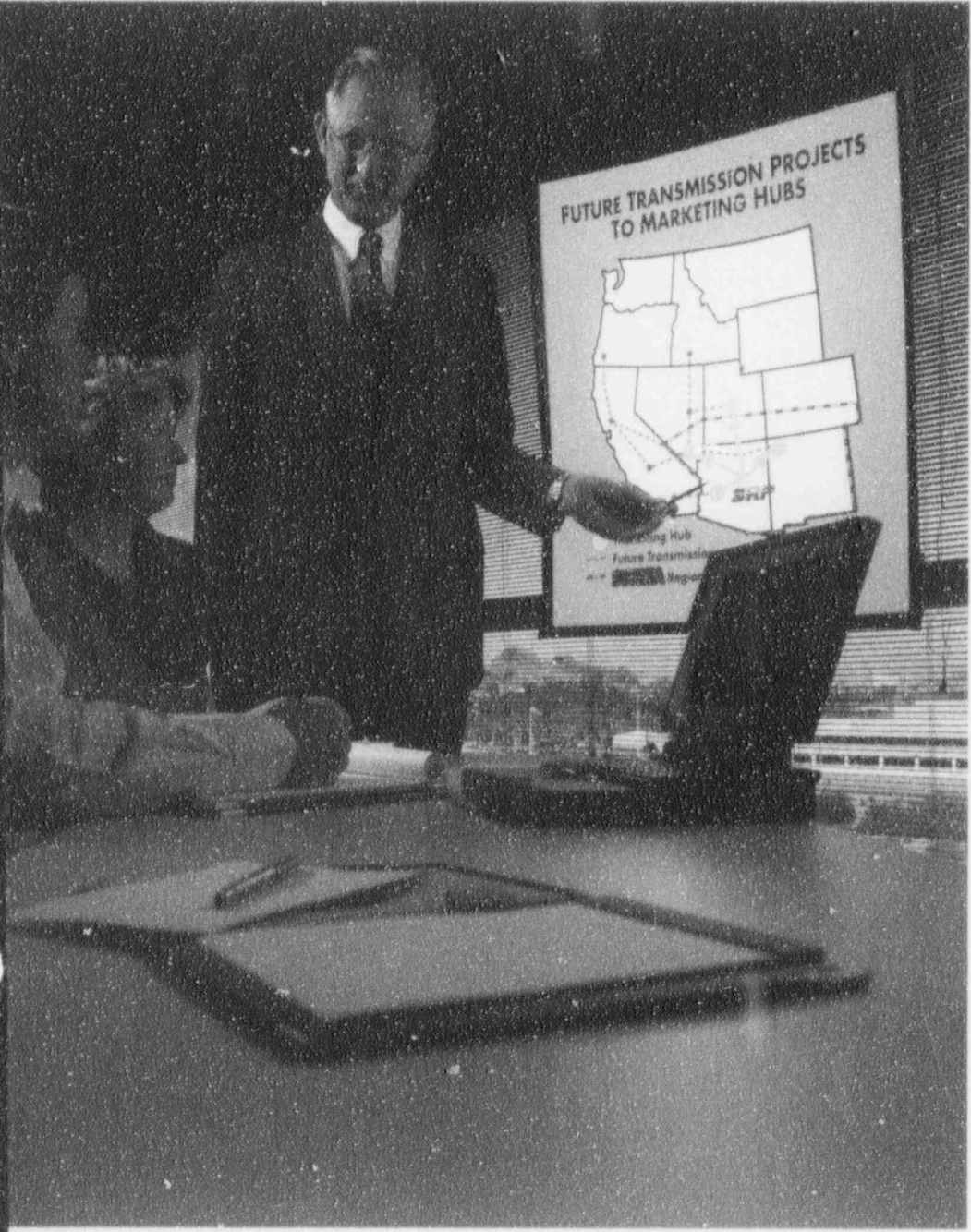
During 1992-93, SRP internally generated cash flow covered 100 percent of capital expense. For the first time since 1967, SRP did not borrow money to finance construction.

On the economic scene, Arizona is experiencing positive growth, with resulting increases in customers and load.

An example of the strong alliances we have forged in the arena of economic development is Papago Park Center, a mixed-use development that is a wholly owned subsidiary of SRP. It is the focus for growth at the epicenter of metropolitan Phoenix. Red River Opry, a new country-western theater at the Salt River in Tempe, is a welcome addition to this developing region.

There is no single reason for our overall success. Rather, it is the result of prudent planning, partnering and hard work.





Shaping the future

Assuming a leadership role in shaping the future utility environment is important to SRP's success. Leading the way into this marketplace, SRP is a driving force in the newly formed Southwest Regional Transmission Association (SWRTA). SWRTA's goal is to provide access to power markets in the region. The result will be lower-cost power and increased system efficiencies for the utilities involved.

Plant operations and excess energy sales were strong contributors to our success.

► Coal-fired facilities were well-run and demonstrated increased reliability. Net capacity factors for all plants, with the exception of Hayden Unit 2 in Colorado, were greater than budget. Net capacity factor is a measure of the actual amount of electricity generated by a plant as a percentage of the plant's maximum generation potential.

► We took advantage of windows of opportunity created for wholesale energy sales to other utilities.

► Palo Verde Nuclear Generating Station recorded solid results and continued to produce more electricity than any other nuclear facility in the nation. SRP owns 17.49 percent of Palo Verde, located west of Phoenix.

A principal factor in our success is the commitment and dedication of SRP employees.

An understanding of the need to be totally cost-effective is working its way through the entire company. We are doing more with less. We are reducing the real cost of electricity over time.

Powerful Partnerships

► Managed by SRP, the Mead-Phoenix Project is an alliance among the U.S. Department of Energy's Western Area Power Administration, two Arizona utilities and two California public power agencies. The project creates a new

electrical transmission system connecting utilities in the Pacific Northwest, California and the Southwest. It will create regional marketing opportunities for electricity. These utilities will be able to buy or sell electricity to others in the system. The results will be increased flexibility and an advantage for SRP as competition escalates.

Another benefit is that SRP can defer costly plant construction. Again, we will be doing more with less. Mead-Phoenix schedules are on target, and the system will begin service in 1995.

► Energy partnerships have been formed with our residential, commercial and industrial customers. These partnerships improve customer services and allow more efficient load management, increasing profitability for our customers and SRP.

► Delta 10 is an internal partnership that is making a difference. Its goal is to increase the capability of our electric system by at least 10 percent without increases in budget or personnel. We are planning for an estimated 65,000 new customers during the next four years, and our Delta 10 Program will help meet that increase through better use of our existing facilities.

In anticipation of a changing future, SRP remains committed to deploy resources for research and development in the areas of alternative fuels, energy efficiency and the environment.



*This was a year of solid performance.
Power operations helped make the difference.*

Partnership at Grand Canyon to protect air quality

SRP, the Environmental Protection Agency and environmental groups have created a partnership to protect air quality at the Grand Canyon. As part of the effort, SRP will install wet limestone "scrubbers" at the Navajo Generating Station. The scrubbers will achieve 90 percent annual sulfur dioxide removal. The result of this partnership will be the largest and most cost-efficient clean air project in the Southwest. SRP owns 21.7 percent of NGS and manages the project. Through similar partnerships, air quality studies are being conducted at Mohave Generating Station in Nevada, and have been proposed for the Craig and Hayden generating stations in Colorado.

Innovation, efficiency and wise water use are what our business is all about.

During 1992-93, SRP expertly managed a year of record-breaking rain and runoff.

December 1992 through February 1993 was the wettest winter ever in Phoenix. Runoff was the highest since Theodore Roosevelt Dam was completed in 1911.

Already-strong partnerships were further strengthened among SRP, the U.S. Bureau of Reclamation, U.S. Army Corps of Engineers, Arizona Department of Transportation, Maricopa County Sheriff's Department and Indian communities to successfully manage the record runoff.

During a typical year, SRP delivers approximately 1 million acre-feet of water through our system. This year, because of record precipitation and runoff, the Project released more than 4 million acre-feet. And yet, we still maintained functionally full reservoirs.

Teamwork and Technology

► Six area cities have joined SRP and the Salt River Pima-Maricopa Indian Community to create a solution to one of the most challenging water problems. Granite Reef Underground Storage Project (GRUSP) will make more efficient use of Valley water resources. The 350-acre project will store water by

recharging the underground aquifer. This will bolster groundwater and increase water supplies during dry years. SRP will operate GRUSP and own 33.59 percent of storage entitlement.

► SRP's Water Partnership program encourages wise use of water. The Partnership provides education to residential, commercial, industrial and agricultural users about how to manage and protect this precious resource. Safety and environmental information also are important elements of the Water Partnership.

► A new partner has been added to our already successful white amur fish program. The tilapia, an algae-eating fish, is now in our canals as a result of a cooperative effort with the city of Chandler. A voracious weed-eater, the white amur has been cleaning growth from SRP canals since 1989. These two innovative fish programs help control growth in the canals and improve water quality by minimizing herbicide use.

SRP continues to protect shareholder water rights in ongoing adjudications and supports appropriate settlements of Indian water rights.

We are dedicated to providing leadership to solve crucial water issues today and in the future.





*New technology to
improve weather
detection, forecasting*

The National Weather Service, headquartered at SRP corporate offices in Tempe, has installed its WSR-88D Doppler weather radar. Also known as NEXRAD (*Next Generation Radar*) the installation is the first of its kind in the West. The new system will provide earlier and improved warnings of severe weather. This partnership will give valuable, up-to-the-minute information to SRP, allowing us to better manage future weather-related impacts to our water system.

To meet service challenges, SRP brings added value to customer and shareholder relationships. Working together, we help our customers and shareholders thrive in a world of ever-changing challenges.

For residential customers and shareholders, this means helping them manage daily energy and water needs.

For commercial and industrial customers, large and small, it means stepping on the other side of the meter, identifying opportunities and solutions to energy problems.

An example is SRP's Executive Account Representative program. Each member of the General Manager's Staff is assigned specific commercial and industrial accounts. They regularly meet with executives of these companies to learn more about their needs and concerns. The insights they gain help SRP improve service quality.

The commitment of SRP customer service is to reduce cost and add value, to ensure SRP service meets customer expectations. We fulfill this promise by creating partnerships with our customers. And, it works.

Customer Satisfaction

Our Service Quality surveys reflect that 95 percent of SRP power customers are more than satisfied with our services.

Energy Partnership programs deliver commercial, industrial and residential customers improved energy efficiency and improved load factors for

SRP. Results of these partnerships include reduced costs for our customers and SRP. We anticipate company savings of approximately \$250 million during the next 20 years. SRP's successful partnerships include:

► Climate Crafted Homes are 30 percent more efficient than homes without energy-efficient designs. Seventy percent of new home buyers are aware of our Climate Crafted program.

► Purchase Power reduces summer peak loads and increases winter revenues. Cash incentives and operating cost information encourage customers to replace old or inefficient equipment. This includes installation of high-efficiency heat pumps which are more cost-effective and help increase winter load.

► Electric Savings Time (EST) helps customers control utility costs through time-of-day rates.

A variety of other services also is available and Energy Partnership programs are offered to commercial and industrial customers, as well.

Because 12 percent of our customers are Hispanic, we continue to develop and enhance service to this important customer base. For example, we assign bilingual customer representatives to our Spanish-only telephone line. We developed a template, available free of charge, that when placed over an SRP electric bill, provides a Spanish translation of billing information.

Our customers and shareholders expect us to be involved in the community. It relates directly to our core business.

SRP community service is customer driven. It's tied to our mission and is strategically focused. During 1992-93:

▶ SRP's Employee Boosters Association raised nearly \$500,000 in contributions for organizations in communities throughout the state. Support included donations to United Way agencies, St. Mary's Food Bank and Gompers Center for the Handicapped.

▶ SRP increased its support to education during the year as well. Highlights included classroom presentations by SRP staff to more than 100,000 students in grades K-12, building math, science and technical skills. We focused on energy, the environment, water conservation, water and electrical safety, and historical and cultural preservation.

▶ SRP's commitment to environmental education continued during the year. We sponsored 11 high school student entries from around the state in the Solar & Electric 500 auto race and challenged students to develop alternative fuel vehicles.

▶ During the year, SRP paid \$84.9 million of in-lieu property tax payments to school districts, cities, counties, community colleges and special districts in nine Arizona counties. A political subdivision of the state, SRP makes voluntary contributions instead of paying property taxes. This contribution effectively makes SRP the state's second-largest taxpayer. Payments are based on

the value of SRP electric facilities in each county.

▶ SRP VOLUNTEERS, in its inaugural year, resulted in more than 500 SRP employees giving 3,000 hours to 20 different projects. Because of its success, the program is being expanded to include a partnership with SRP's 1,500 active retirees. The biggest project was the cleanup of South Mountain Park. Including employees and their families, some 250 volunteers participated, donating more than 1,250 hours.

▶ Through SRP's Community Partnership program, individuals, organizations and employers are encouraged to get involved in community service to improve quality of life in the Valley. Many people would like to perform community service, but do not know how to get involved. This unique program directs volunteers to many worthwhile community organizations.

Leadership Awards

Long recognized for its leadership in community and civic issues, SRP received two distinct honors calling public attention to that role.

▶ Arizona Governor Fife Symington presented the prestigious Governor's Arts Award to SRP for significant contributions to the arts in Arizona.

▶ The Phoenix Business Volunteers for the Arts named SRP recipient of its 1992 Outstanding Business of the Year award for our contributions to more than 40 organizations in Arizona.



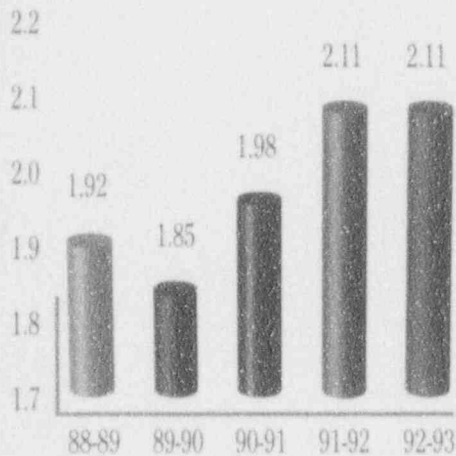


*Community partnership
brings students and
business together*

A business-education partnership with South Mountain High School in Phoenix is an example of SRP's Community Partnership program, building stronger ties between students and Project employees. Presently, 55 of our employees are mentors, and in addition, six South Mountain students are employed part-time at SRP. Untold volunteer hours, as well as monetary contributions by SRP, are making a difference in students' lives and futures. This program is representative of the many unique partnerships SRP has fostered with students and our employees. (This photograph was taken at an SRP training facility which uses de-energized lines.)

1992-93 Results Exceeded Financial Expectations.

Debt Service Coverage Ratio



Continued close attention to cost control and a strategic focus contributed to a year that exceeded our financial expectations.

Combined net revenues of \$55 million were well above budget, due in large part to healthy excess sales and solid plant operating performance. Both the volume and profit on our sales to other utilities increased compared with fiscal year 1992 levels. This was because of a shortage of available energy in the Northwest, driven in part by drought conditions. Overall plant performance during the year was very strong. Most notably, Palo Verde Unit 3 set a site record for the shortest refueling outage.

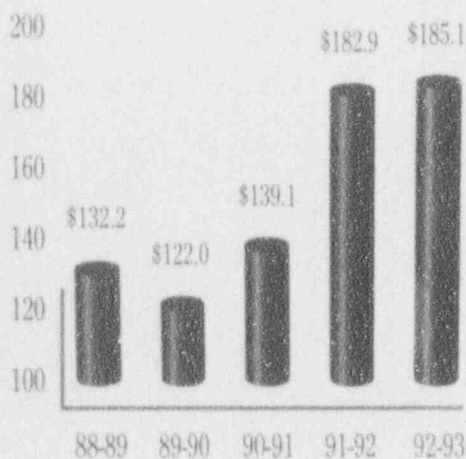
Record rainfall during the year also prompted significant water releases, which boosted SRP's hydroelectric generation. The unusual weather also made supplemental water purchases unnecessary for most of our water customers. As a result, water delivery revenues of \$7.2 million were reduced compared with last year.

The year also was exceptional in other ways. For the first time in more than 25 years, SRP issued no "new" debt for construction purposes during the

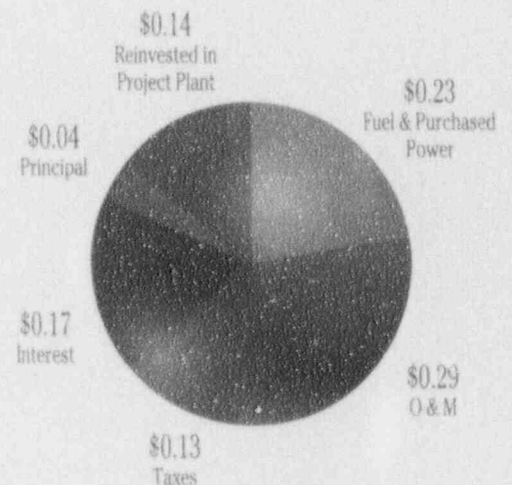
year. Instead, 100 percent of our electric system construction and improvements were financed with internally generated funds. Reduced debt benefits SRP customers and helps maintain our favorable bond ratings. Our bonds are rated "AA" by Standard and Poor's Corp. and "Aa" by Moody's Investor Service Inc.

Our net financing costs were nearly \$10 million lower than last year, because of debt refundings and lower interest rates. During fiscal year 1992-93, we again took advantage of lower interest rates and issued \$793 million of electric system refunding revenue bonds. Proceeds of the issues refunded existing higher-cost debt. The present value of the savings that will accrue exceeds \$55 million. Reduced reliance on debt also is

Funds Available for Corporate Purposes (Millions)



Electric Dollar



reflected in SRP's six-year financial plan. Other financial plan goals are healthy solvency or cash flow, and improved profitability. Our 1994-99 plan exemplifies these goals and shows improved financial indicators. Lower projected inflation, combined with higher system energy sales at lower production costs, contribute to the improved forecast. Lower production costs are made possible, in part, because of the renegotiation this fiscal year of a coal supply agreement for Coronado Generating Station. The new agreement will yield significant savings during the term of the contract.

SRP's financial goals through fiscal year 1998-99 include:

- ▶ A debt ratio of not more than 75 percent near-term, and 60 percent to 65 percent longer term. The debt ratio at the end of 1992-93 was 73.5 percent.

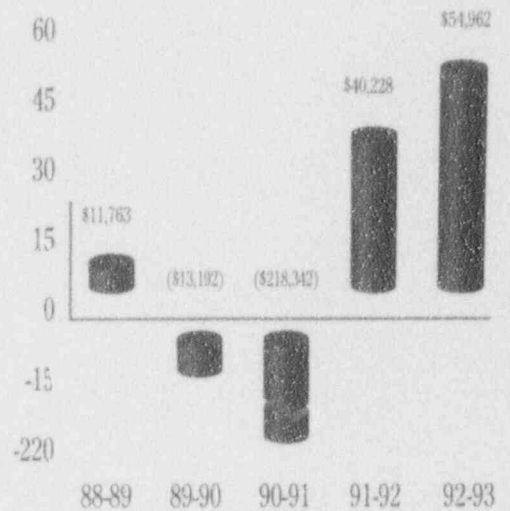
- ▶ A debt service coverage ratio of at least 1.80. This ratio was 2.11 for 1992-93.

- ▶ Limiting average system rate increases, including changes in fuel costs, to less than the rate of inflation, and limiting the frequency of rate adjustments to no more than once every two years. Again, we are exceeding our expectations. The rate adjustment originally scheduled for January 1994 has been deferred until October 1994.

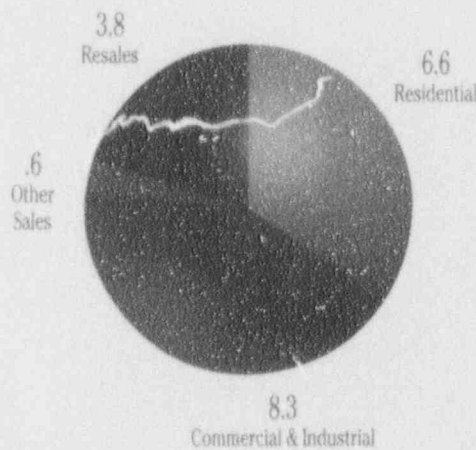
- ▶ Containing increases in electric operating expenses per kilowatt-hour and controllable water operating expenses per acre-foot to less than the rate of inflation over time. The six-year plan operating and capital expenses are at the same or lower levels, in real terms, from the previous plan.

At Salt River Project, we firmly believe that adhering to these goals and maintaining our strategic focus will position us to meet the challenges of the future and provide even greater value to our customers, investors and shareholders.

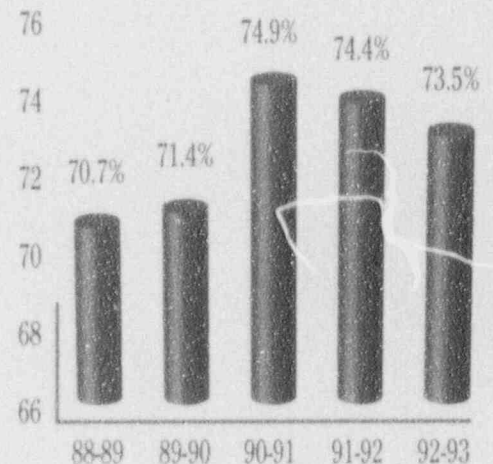
Combined Net Revenues
(Thousands)



Total Electric Sales
of kWh (Millions)



Debt Ratio



Statistical Review 1993

(unaudited)

► Project General

(in thousands)

	1993	1992	1987	1982
Operating revenues	\$1,301,428	\$1,183,349	\$ 888,506	\$ 664,463
Electric	1,294,272	1,175,379	881,340	655,682
Water and irrigation	7,156	7,970	7,166	8,781
Operating expenses	1,030,690	933,616	706,377	460,907
Other income (deductions)*	20,427	36,457	64,467	61,701
Net financing costs*	236,203	245,962	171,835	106,915
Net revenues (loss)	54,962	40,228	74,761	158,342
Additions to plant, excluding allowances for funds used during construction	196,153	173,061	309,356	395,270
Utility plant, gross	5,973,092	5,820,751	4,834,055	3,265,863
Contributions of electric revenues to support water operations	33,129	31,005	15,975	13,676
Taxes and tax equivalents	\$ 172,505	\$ 163,745	\$ 103,097	\$ 64,589
Employees at year end**	4,669	4,681	5,735	4,776

* Items within these categories have been reclassified for 1982 and 1987 for consistent presentation with the current years.

** Does not include temporary employees.

► Water*

	1992	1991	1987	1982
Total storage and pumping capacity (acre-feet)	2,856,192	2,827,393	2,889,725	2,827,428
Storage capacity (six reservoirs)	2,019,102	2,019,102	2,019,102	2,019,102
Installed pumping capacity	837,090	808,001	870,623	808,326
Water in storage Jan. 1 (acre-feet)	1,540,477	840,845	1,671,535	1,116,338
Project storage only	1,283,172	631,910	1,445,710	895,118
Runoff (acre-feet)	1,771,199**	1,711,752	1,036,805	1,667,257
Water in storage Dec. 31 (acre-feet)	1,573,075	1,540,477	1,691,741	1,631,411
Project storage	1,279,834	1,288,596	1,464,978	1,345,252
Sources of water for deliveries (acre-feet)	1,028,999	1,010,588	1,136,429	1,054,163
Gravity supply	983,732**	926,757	928,053	936,680
Groundwater supply (pumping by SRP)	36,636	74,330	50,482	104,019
Groundwater supply (pumping by others)	8,631	9,501	15,056	13,464
Use of water (acre-feet)	982,691	932,427	870,658	955,389
Agricultural	306,380	280,103	290,572	379,903
Urban	413,219	445,157	395,158	355,278
City domestic	305,595	329,016	284,192	247,216
Subdivision irrigation	60,311	66,127	60,877	61,460
Other non-agricultural irrigation (schools, parks, churches, etc.)	47,313	50,014	50,089	46,603
Decreed deliveries	56,332	52,038	47,963	58,400
Contract deliveries	206,760	155,130	136,965	103,686
Seepage and evapotranspiration	46,308	78,161	122,933	156,896
Canals, total (miles)	135	135	133	131
Lined/underground	107	107	91	71
Laterals, total (miles)	924	922	892	886
Lined and piped	843	841	792	764
Assessed area (acres)	238,400	238,400	238,170	238,172
Number of assessed accounts	180,778	180,991	181,894	179,532
Number of times water delivered to users	446,370	498,440	471,845	491,242

* Water statistics are computed on a calendar year basis.

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

► Power

	1993	1992	1987	1982
Energy sources (kWh)				
Net nuclear generation	4,752,599,000	4,231,935,000	1,955,479,000	-0-
Net steam generation*	12,986,837,000	12,993,864,000	9,667,574,000	12,429,457,000
Net combustion turbine generation	11,531,000	4,657,000	2,287,000	24,298,000
Net combined cycle generation	177,247,000	85,965,000	991,739,000	4,188,000
Net run of river generation	796,524,000	643,390,000	410,679,000	255,762,000
Pumped storage generation	75,222,000	137,635,000	211,088,000	155,560,000
Total net generation*	18,799,960,000	18,097,446,000	13,238,846,000	12,869,265,000
Purchased	1,522,730,071	1,417,919,068	3,586,056,028	1,691,696,160
Interchange received	164,637,988	83,103,204	105,387,000	109,169,000
Wheeling received	132,886,979	229,197,108	15,091,962	7,788,840
Total energy sources	20,620,215,038	19,827,655,380	16,945,380,990	14,677,919,000
Energy disposition (kWh)				
Residential	6,583,832,541	6,216,045,662	5,333,601,362	3,996,561,567
Commercial & Industrial	8,286,481,456	7,799,730,361	6,252,344,184	5,076,034,947
Irrigation pumping	42,950,329	113,013,697	233,684,815	249,286,026
Street & highway lighting	127,623,117	117,619,607	98,746,120	46,963,317
Public authorities	340,144,620	336,570,420	270,239,264	374,397,640
Interdepartmental	92,920,434	95,669,413	82,902,577	179,577,422
Sales for resales	3,841,552,355	3,593,342,026	3,294,959,549	3,564,619,094
Total sales	19,315,504,852	18,271,991,186	15,566,477,871	13,487,440,013
Interchange delivered	89,320,780	126,066,380	104,549,000	63,328,000
Wheeling delivered	127,753,393	221,971,185	13,887,031	7,148,429
Energy losses	980,355,013	1,011,017,629	958,912,088	895,393,558
Energy for pumped storage operation	107,281,000	196,619,000	301,555,000	224,609,000
Total disposition of energy	20,620,215,038	19,827,665,380	16,945,380,990	14,677,919,000
Peak overall power system (kW)				
Date and time (MST)	Aug. 17, 5 p.m.	Aug. 26, 4 p.m.	Aug. 20, 5 p.m.	July 30, 6 p.m.
Peak Project customers (kW)				
Date and time (MST)	Aug. 17, 5 p.m.	Aug. 8, 6 p.m.	Aug. 20, 5 p.m.	Aug. 26, 6 p.m.
Generating capability (kW)**				
Nuclear	641,000	641,000	213,730	-0-
Steam*	2,386,000	2,386,000	2,411,115	2,285,250
Combustion turbines	397,000	397,000	393,000	393,000
Combined cycle	292,000	292,000	288,000	288,000
Hydroelectric conventional	94,000	94,000	96,400	95,000
Hydroelectric pumped storage	148,000	148,000	137,000	137,000
Total operating capability*	3,958,000	3,958,000	3,539,245	3,198,250
Contract purchase at peak	420,000	514,000	605,547	329,547
Total resources*	4,378,000	4,472,000	4,144,792	3,527,797
Electric customers—year-end***				
Residential	511,507	498,067	441,293	315,948
Commercial & Industrial	43,387	42,485	37,218	23,840
Other	8,952	8,541	8,810	1,624
Total	563,846	549,093	487,321	341,412
Average annual kWh use/residential customer**				
	13,039	12,628	12,440	12,798
Average annual residential revenues/kWh (cents)				
	8.80	8.54	7.54	6.55

* Includes SRP participation in jointly owned projects.

** Unit capabilities during summer peak.

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

Combined Balance Sheets

April 30, 1993 and 1992
(in thousands)

► Assets

	1993	1992
UTILITY PLANT, at historical cost (Notes 2, 3, 5 and 6):		
Plant in service -		
Electric	85,067,772	\$4,915,800
Irrigation	136,002	135,036
Common	382,998	382,530
Total plant in service	5,586,772	5,433,366
Less- Accumulated depreciation on plant in service	(1,660,941)	(1,525,512)
	3,925,831	3,907,854
Plant held for future use (Note 4)	93,726	92,824
Construction work in progress	245,861	244,760
Nuclear fuel, net	46,733	49,801
	4,312,151	4,295,239
OTHER PROPERTY AND INVESTMENTS:		
Non-utility property and other investments (Note 8)	81,647	69,878
Segregated funds, net of current portion (Notes 2, 6 and 8)	126,094	123,939
	207,741	193,817
CURRENT ASSETS:		
Cash and cash equivalents, at cost (Note 2)	115,685	130,676
Temporary investments (Note 8)	168,760	170,838
Current portion segregated funds (Notes 6 and 8)	87,637	90,264
Receivables, including unbilled revenue, net (Note 2)	83,237	89,485
Fuel stocks, at last-in, first-out cost	47,314	68,142
Materials and supplies, at average cost	81,628	92,858
Other current assets	13,647	16,002
	597,908	658,265
DEFERRED CHARGES AND OTHER ASSETS (Notes 2, 7 and 9)		
	288,773	241,632
	\$5,406,573	\$5,388,953

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

► Capitalization and Liabilities

	1993	1992
LONG-TERM DEBT (Notes 6 and 8):		
Electric system revenue bonds, net of current portion	83,273,626	\$3,292,056
Commercial paper and other	375,000	375,000
	3,648,626	3,667,056
ACCUMULATED NET REVENUES:		
Balance, beginning of year	1,263,382	1,223,154
Net revenues for the year	54,962	40,228
Balance, end of year	1,318,344	1,263,382
TOTAL CAPITALIZATION	4,966,970	4,930,438
CURRENT LIABILITIES:		
Current portion, long-term debt (Note 6)	57,847	55,565
Accounts payable (Note 2)	55,724	102,885
Accrued taxes and tax equivalents	67,747	72,528
Accrued interest	68,743	74,107
Customers' deposits	40,982	37,113
Other current liabilities	51,012	34,878
	342,055	377,076
DEFERRED CREDITS AND OTHER NON-CURRENT LIABILITIES (Notes 2, 9 and 10)	97,548	81,439
COMMITMENTS AND CONTINGENCIES (Notes 5, 9 and 10)		
	\$5,406,573	\$5,388,953

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

Combined Statements of Net Revenues

For the years ended April 30, 1993 and 1992
(in thousands)

	1993	1992
OPERATING REVENUES	\$1,301,428	\$1,183,349
OPERATING EXPENSES:		
Power purchased	61,576	55,445
Fuel used in electric generation	244,709	227,625
Other operating expenses	272,698	217,566
Maintenance	109,484	98,746
Depreciation and amortization	169,718	170,489
Taxes and tax equivalents	172,505	163,745
Total operating expenses	1,030,690	933,616
Net operating revenues	270,738	249,733
OTHER INCOME (EXPENSE):		
Interest income	23,852	30,426
Other income (expense), net	(3,425)	6,031
Total other income (expense), net	20,427	36,457
Net revenues before financing costs	291,165	286,190
FINANCING COSTS:		
Interest on bonds, net of capitalized interest	212,724	220,013
Amortization of bond discount, issue and refinancing expenses	11,192	8,357
Interest on other obligations	12,287	17,592
Net financing costs	236,203	245,962
NET REVENUES	\$ 54,962	\$ 40,228

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

Combined Statements of Cash Flows

For the years ended April 30, 1993 and 1992
(in thousands)

	1993	1992
NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Net revenues	\$ 54,962	\$ 40,228
Non-cash items included in income:		
Depreciation and amortization	169,718	170,489
Amortization of bond related expenses	11,192	8,357
(Gain)/Loss on sale of property	1,587	(421)
Decrease (increase) in -		
Fuel stocks and materials & supplies	32,058	(8,074)
Other assets	(34,598)	(49,738)
Increase (decrease) in -		
Accounts payable	(47,161)	5,109
Accrued taxes and tax equivalents	(4,781)	1,616
Accrued interest	(5,364)	(1,491)
Other liabilities, net	37,095	(22,276)
Net cash provided by operating activities	214,708	143,799
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to utility plant	(203,517)	(179,283)
Additions to non-utility plant	(769)	(14,710)
Increase in other investments	(11,000)	(13,000)
Proceeds from sale of plant	(95)	1,323
Net cash used for investing activities	(215,381)	(205,670)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds of bond issues, net of offering costs	747,337	333,528
Contributions in aid of construction	14,412	18,266
Repayment of long-term debt	(55,867)	(43,022)
(Increase) Decrease in segregated funds	472	(2,916)
Deposits into escrow for bond defeasance	(720,672)	(281,757)
Net cash provided by (used for) financing activities	(14,318)	24,099
NET DECREASE IN CASH AND CASH EQUIVALENTS	(14,991)	(37,772)
BALANCE AT BEGINNING OF YEAR IN CASH AND CASH EQUIVALENTS	130,676	168,448
BALANCE AT END OF YEAR IN CASH AND CASH EQUIVALENTS	\$115,685	\$130,676
SUPPLEMENTAL INFORMATION:		
CASH PAID FOR INTEREST	\$237,739	\$242,318

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

Notes to Combined Financial Statements

April 30, 1993 and 1992

(1) Basis of Presentation:

► The Company

The Salt River Project Agricultural Improvement and Power District (the District) is an agricultural improvement district, organized under the laws of the State of Arizona, which provides electric service in parts of Maricopa, Gila and Pinal Counties in Arizona.

The Salt River Valley Water Users' Association (the Association), predecessor of the District, was incorporated under the laws of the territory of Arizona in February 1903 as a result of the passage of the National Reclamation Act. In 1937, the Association transferred all of its rights, title and interest in the Salt River Project (the Project) to the District. In 1949, the original agreement was amended so that the District would assume construction, operation and maintenance responsibilities for both the electric and irrigation systems. The District then delegated to the Association operation and maintenance of the irrigation and water supply system of the Project.

► Principles of Combination

The combined financial statements include the consolidated accounts of the District and its wholly owned subsidiary, and the Association, together referred to as Salt River Project (SRP). The District's subsidiary is Papago Park Center, Inc. (PPCI), a real estate management company. All significant intercompany transactions have been eliminated.

► Regulation

Under Arizona law, the District's Board of Directors (the Board) serves as its regulatory and rate setting agency.

► Electric Rates

Under Arizona law, the Board has the exclusive authority to establish electric rates. The District is required to follow certain procedures, including public notice requirements and holding a special Board meeting, before implementing changes in standard electric rate schedules.

(2) Significant Accounting Policies:

► Basis of Accounting

The accompanying combined financial statements are presented in accordance with generally accepted accounting principles and reflect the rate-making policies of the Board.

► Utility Plant, Depreciation and Maintenance

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

Interest on funds used to finance construction work in progress is capitalized as a part of the electric and general plant. Composite rates of 6.67 percent and 5.28 percent were used in 1993 and 1992, respectively.

Depreciation expense is computed on the straight-line basis over the estimated useful lives of the various classes of plant. The depreciation rates in effect for fiscal year 1992-93 resulted in provisions approximating an average rate of 2.97 percent on the average cost of depreciable electric plant, an average rate of 2.41 percent on the average cost of depreciable irrigation plant and an average rate of 6.70 percent on the average cost of depreciable common plant.

The cost of property that is replaced, removed or abandoned, together with removal costs, less salvage, is charged to accumulated depreciation. SRP charges to maintenance expense the cost of labor, materials and other expenses incurred in the repair and replacement of minor items of property.

► **Bond Expense**

Bond discount, issue and refinancing expenses are being amortized over the terms of the related bond issues. Losses associated with bond defeasance transactions are deferred and amortized over the lives of the defeased debt in accordance with the rate-making policies of the Board. Included in deferred charges and other assets are unamortized losses associated with bond defeasances of \$172,098,000 and \$126,304,000 as of April 30, 1993 and 1992, respectively.

► **Nuclear Fuel**

Under the provisions of the Nuclear Waste Act of 1982, the District is charged one mill per kWh on its share of net energy generation at the Palo Verde Nuclear Generating Station (PVNGS) for the cost to dispose of the fuel. The District amortizes the cost of nuclear fuel, including its disposal, to fuel expense using the unit of production method.

In connection with the Energy Policy Act of 1992, electric utilities that have purchased enrichment services from the Department of Energy (DOE) will be assessed annually for a fifteen-year period amounts to fund a portion of the cost for the decontamination and decommissioning of three nuclear enrichment facilities operated by the DOE. The Energy Policy Act provides that such assessments are to be treated as a cost of fuel. At April 30, 1993, the District had recorded its estimated portion of such assessments of approximately \$7,870,500 as other noncurrent liabilities. The related asset was recorded in deferred charges and will be amortized to fuel expense and recovered through the fuel adjustment clause over a fifteen-year period.

► **Decommissioning**

The total estimated cost to decommission the District's share of PVNGS is \$234 million in 1992 dollars. Decommissioning funds of approximately \$22,100,000, stated at cost, as of April 30, 1993, are maintained in an external trust. This amount is classified as segregated funds in the accompanying combined balance sheet. The corresponding liability is classified in other noncurrent liabilities.

► **Fuel Costs**

The District maintains a fuel adjustment clause balancing account to adjust operating revenues for variations between the recorded cost of fuel and purchased power and revenue designated for recovery of such costs. At April 30, 1993, underrecovered fuel costs of approximately \$307,536 are recorded as accounts receivable. At April 30, 1992, overrecovered fuel costs of approximately \$35,783,000 are recorded as accounts payable.

► **Income Taxes**

The District is exempt from federal and state income taxes.

► **Cash Equivalents**

The District treats short-term temporary cash investments with original maturities of three months or less as cash equivalents.

► **Recognition of Unbilled Revenues**

The District estimates and accrues revenue for electricity delivered to customers that have not yet been billed.

► **Reclassifications**

Certain 1992 amounts have been reclassified to conform to the current year presentation.

(3) 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 certain of SRP's facilities as a federal reclamation project. SRP's right to the possession and use of, and to all revenues produced by these facilities is evidenced by contractual arrangements with the United States.

(4) Coronado Unit 3:

In 1991, as a result of a re-examination of its long-range resource plans, the District cancelled construction of a third unit at the Coronado Generating Station. The District wrote down its investment to

its estimated net realizable value and is actively attempting to sell the components of the unit. Management continues to review the value of the assets on hand and is confident that they are recorded at their net realizable value at April 30, 1993.

(5) Interests in Jointly Owned Electric Utility Plants:

The District has entered into various agreements with other electric utilities for the joint ownership of electric generating and transmission facilities. Each participating owner in these facilities must provide for the cost of its ownership share. The District's share of expenses of the jointly owned plants is included in operating expenses in the combined statements of net revenues. The following table reflects the District's ownership interest in jointly owned electric utility plants as of April 30, 1993:

Plant Name	Ownership Share	(Thousands)		
		Plant in Service	Accumulated Depreciation	Construction Work in Progress
Four Corners (NM) (Units 4&5)	10.00%	\$ 89,646	\$ (35,448)	\$ 7,774
Mohave (NV) (Units 1&2)	10.00	48,653	(24,499)	4,854
Navajo (AZ) (Units 1,2&3)	21.70	228,527	(114,569)	3,610
Hayden (CO) (Unit 2)	50.00	68,352	(35,683)	995
Craig (CO) (Units 1&2)	29.00	226,129	(88,724)	3,850
Palo Verde Nuclear Generating Station (AZ) (Units 1,2,&3)	17.49	1,649,616	(291,116)	26,380
		\$2,310,923	\$(590,039)	\$47,463

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

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

(6) Long-Term Debt:

Long-term debt consists of the following:

	Interest Rate	(Thousands)	
		1993	1992
Revenue Bonds (mature through 2031)	2.7-9.3%	\$ 3,472,537	\$ 3,451,296
Unamortized Bond Discount		(141,064)	(108,036)
Total Revenue Bonds Outstanding		3,331,473	3,343,260
Commercial Paper	2.1-2.5%	375,000	375,000
Other		0	4,361
Total Long-Term Debt		\$3,706,473	\$3,722,621

The annual maturities of long-term debt (excluding commercial paper and unamortized bond discount) as of April 30, 1993, due in the fiscal years ending April 30, are as follows:

- (Thousands) -	
1994	\$ 57,847
1995	63,948
1996	65,814
1997	71,871
1998	75,919
Thereafter	3,137,138
	\$3,472,537

► Revenue Bonds

Revenue bonds are secured by a pledge of, and a lien on, the revenues of the electric system after deducting operating expenses, as defined in the bond resolution. Under the terms of the bond resolution, the District is required to maintain a debt service fund for the payment of future principal and interest. Included in segregated funds is approximately \$183,586,000 and \$189,541,000 of debt service related funds as of April 30, 1993 and 1992, respectively.

The District has \$245,775,000 of mini-revenue bonds outstanding which can be redeemed at the option of the bondholder under certain circumstances. The District has a \$50,000,000 revolving credit agreement available to refinance these bonds in the event significant redemption requests occur. Based on historical redemptions made on these bonds, management is confident that this credit agreement is sufficient.

The debt service coverage ratio, as defined in the bond resolution, is used by bond rating agencies to help evaluate the financial viability of the District. For each of the years ended April 30, 1993 and 1992, the debt service coverage ratio was 2.11.

Interest and amortization of discount on the various issues results in an effective rate of approximately 6.64 percent over the remaining terms of the bonds.

At April 30, 1993, the District has authority to issue additional electric system revenue bonds totalling \$124,218,000 principal amount and electric system refunding revenue bonds totalling \$1,191,775,000 principal amount.

In fiscal 1993 and 1992, the District defeased \$720,673,000 and \$281,757,000, respectively, of electric system revenue bonds resulting in lower future debt service requirements as well as losses of \$50,426,000 and \$26,647,000, respectively. Consistent with the rate-making policies of the Board, the losses have been deferred and are being amortized over the life of the defeased debt.

► Commercial Paper

The District has issued \$375 million of tax-exempt commercial paper at an average interest rate to the District of 2.26 percent. The commercial paper generally matures not more than 365 days from the date of issuance. The commercial paper has been classified as long-term in connection with refinancing terms under two revolving credit agreements (the Agreements) which support the commercial paper. Under the terms of the Agreements, the District may borrow up to \$275 million through October 29, 1993, and up to \$100 million through March 19, 1996. The District is in the process of renewing the \$275 million revolving credit agreement.

While the revolving credit agreements contain covenants which could prohibit borrowing under certain conditions, management is confident that financing will be available. The District has never borrowed under the Agreements and does not expect to do so in the future. Alternative sources of funds to support the commercial paper program include existing funds on hand or the issuance of alternative debt, such as revenue bonds.

The commercial paper is an unsecured obligation of the District.

► General Obligation Bonds

In 1984, the District refunded its then outstanding general obligation bonds. Although the refunding constituted an in-substance defeasance of the prior lien on revenues which secured the bonds, the general obligation bonds continue to be general obligations of the District, secured by a lien upon the real property of the District, a guarantee by the Association, and the District's taxing authority. As of April 30, 1993, the amount of defeased general obligation bonds outstanding was \$57,595,000.

(7) Employee Benefit Plans:

► Defined Benefit Plan

SRP has a defined benefit plan (the Plan) covering substantially all employees. The Plan is funded entirely from SRP contributions and the income earned on invested assets. No contributions were required to be made to the Plan in fiscal years 1993 and 1992. Plan assets consist primarily of stocks, U.S. Government Obligations, corporate bonds, real estate funds and a guaranteed investment contract.

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

	(Thousands)	
	1993	1992
Service cost	\$ 9,974	\$ 8,691
Interest cost	23,905	21,890
Actual return on assets	(27,230)	(45,493)
Net amortization and deferral	(9,671)	10,691
Net periodic pension income	\$(3,022)	\$(4,221)

The discount rate used in determining the actuarial present value of the projected benefit obligation was 8.25 percent for 1993 and 8.75 percent for 1992. The rate of increase used to determine future compensation levels was 5.5 percent for both 1993 and 1992. The expected long-term rate of return on assets is 9.75 percent for both 1993 and 1992.

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

	(Thousands)	
	1993	1992
Measurement Date	January 31	April 30
Plan assets at fair value	\$ 365,037	\$ 349,063
Actuarial present value of projected benefit obligation:		
Vested benefit obligation	(235,139)	(213,520)
Nonvested benefit obligation	(8,057)	(7,703)
Accumulated benefit obligation	(243,196)	(221,223)
Effect of projected future compensation levels	(74,860)	(59,396)
Projected benefit obligation	(318,056)	(280,619)
Plan assets in excess of projected benefit obligation	46,981	68,444
Unrecognized transition asset	(39,023)	(43,359)
Unrecognized net loss (gain)	18,768	(1,845)
Unrecognized prior service cost	5,243	5,707
Prepaid Pension Cost	\$ 31,969	\$ 28,947

► **Defined Contribution Plans**

SRP maintains two defined contribution plans which receive employee contributions and partial employer matching contributions. Employees are eligible for employer matching contributions upon completion of one year of service. SRP contributions to these plans were \$3,366,000 and \$2,977,000 in the fiscal years ended April 30, 1993 and 1992, respectively.

► **Other Postretirement Benefits**

SRP provides certain health care and life insurance benefits for retired employees. Employees are eligible for coverage if they retire at age 65 or older with at least five years of vesting service, or any time after age 55 with a minimum of ten years of vested service. These benefits are subject to deductibles, copayment provisions and other limitations. SRP may amend or change the plan periodically. Currently, the cost of these benefits is recognized as expense as the premiums and/or deposits to the trustee are paid. The total cost of postretirement benefits expensed was \$4,164,000 and \$3,560,000 for 1993 and 1992, respectively.

In December 1990, Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" was issued. This new standard requires that the expected

cost of postretirement benefits must be charged to expense during the years that the employees render service. The new standard will be implemented in the first quarter of fiscal year 1993-94, and will be adopted ratably over the next 20 years.

Based on an actuarial review, the postretirement benefit obligation at April 30, 1993, measured in accordance with the new standard, is approximately \$130 million. The adoption of the standard will result in an increase in 1993-94 annual postretirement benefits of approximately \$18 million, of which approximately \$15 million will be charged to expense. These estimates have considered the effects of amounts charged to/from joint participation projects.

(8) Fair Value of Financial Instruments:

The following methods and assumptions were used to estimate the fair value of each class of financial instrument identified in the following items on the balance sheet.

► Investments in Marketable Securities

SRP invests in U.S. Government Obligations, Certificates of Deposit and other marketable investments. Such investments are classified as Other Investments, Segregated Funds, Cash and Cash Equivalents or Temporary Investments depending on the purpose and duration of the investment. The fair value of marketable securities with original maturities greater than one year is based on published market data. The carrying amount of marketable securities with original maturities of one year or less approximates their fair value based on the short maturity period.

► Long-Term Debt

The fair value of the District's Revenue Bonds, including current portion, was estimated by using pricing scales from independent sources. The fair value of commercial paper approximates the carrying amount, because of its short term to maturity.

► Other Current Assets and Liabilities

The carrying amount of receivables, accounts payable, customer deposits and other current liabilities approximate fair value because of the short maturity period.

The estimated fair values as of April 30, 1993, of SRP's financial instruments, excluding those instruments where carrying amount approximates fair value, are as follows:

	(Thousands)	
	Carrying Amount	Fair Value
Investments in Marketable Securities:		
Other Investments	\$ 24,570	\$ 24,845
Segregated Funds	\$ 99,071	\$ 102,607
Temporary Investments	\$ 18,084	\$ 18,286
Long-Term Debt	\$3,331,473	\$3,805,429

(9) Commitments:

► Construction Program

The construction program represents SRP's six-year plan for major construction projects and ongoing improvements to existing generation, transmission, distribution and irrigation assets. For the 1994-1999 period, SRP estimates capital expenditures of approximately \$2.0 billion. Planned major construction projects include the addition of scrubbers at the Navajo Generating Station and the construction of the Mead-Phoenix Transmission Line which will strengthen SRP's ability to exchange electricity with the western and northwestern portions of the United States. In addition, the construction program includes an estimate of the costs associated with complying with the Clean Air Act at its generating facilities.

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

► **Long-Term Power Contracts**

The District has entered into four long-term power purchase agreements to supply a portion of its projected load requirements through 2011.

Minimum payments under these contracts are approximately \$46 million in 1994 and approximately \$57 million per year thereafter. Minimum payments under two of these contracts, of approximately \$25.2 million per year, are unconditionally payable regardless of the ability of the District to utilize the power.

► **Fuel Supply**

At April 30, 1993, minimum long-term commitments of approximately \$2.1 billion exist under coal supply contracts. During 1989, the District paid approximately \$59 million to terminate a contract with Kaiser Coal Company. In accordance with the rate-making policies of the Board, the remaining termination costs of \$42,269,000 and \$46,232,000 at April 30, 1993 and 1992, respectively, are included in deferred charges and other assets, and are being amortized to fuel expense over the remaining life of the original contract.

► **Papago Park Center**

The District is currently developing a 350 acre (net) mixed-use commercial park called Papago Park Center in Tempe and Phoenix, Arizona. In connection with the infrastructure development, the District and the City of Tempe have entered into an agreement whereby the District will pay an annual assessment of approximately \$1.75 million per year through 2008 to the City of Tempe to pay for its share of street and infrastructure improvements and right of way acquisitions. The obligation of the District to make assessment payments is an unsecured obligation payable from District general funds. The present value of this obligation has been recorded as a noncurrent liability.

The District's wholly owned subsidiary, Papago Park Center, Inc., will serve as the real estate management company in accordance with the terms of a long-term lease on the property.

(10) Contingencies:

► **Nuclear Insurance**

Under existing law, public liability claims that could arise from a single nuclear incident are limited to \$9.3 billion. PVNGS participants currently insure for this potential liability through commercial insurance carriers to the maximum amount available (\$200 million) with the balance covered by an industrywide retrospective assessment program which is required by the Nuclear Regulatory Commission. The maximum assessment per reactor per nuclear incident under the retrospective program is \$75.1 million subject to a 5 percent surcharge which could be applicable in certain circumstances, but not more than \$10 million per reactor may be charged in any one year for each incident.

Based on the District's ownership share in PVNGS, the maximum potential assessment would be \$41.4 million including the 5 percent surcharge, but would be limited to \$5.2 million per incident in any one year.

► **Environmental**

SRP is subject to numerous legislative, administrative and regulatory requirements relating to air quality, water quality, hazardous waste disposal, and other environmental matters. Such requirements have and will continue to result in increased costs associated with the operation of existing properties. SRP has been named as a Potentially Responsible Party (PRP) at one site by the Environmental Protection Agency (EPA); however, a settlement has been negotiated for a portion of SRP's obligation. SRP has not been identified as a PRP at any other EPA or Arizona Department of Environmental Quality (ADEQ) identified sites, but the District is working with ADEQ and the other owners/operators regarding potential petroleum hydrocarbon contamination of a site. SRP conducts ongoing environmental reviews of its properties to identify those which it believes will potentially require remediation. SRP works with the EPA and ADEQ, as applicable, to determine the appropriate remediation actions necessary, if any. SRP has recorded environmental reserves of approximately \$17,500,000 which represents management's best estimate of its liability related to the remediation of known properties at April 30, 1993.

The District and the Association are pursuing insurance and third-party cost sharing for the remediation costs. The amount of shared costs, if any, cannot be reasonably determined at this time.

therefore has not been offset against the recorded liability. The estimated reserves are subject to continuing review, however, management believes that the remediation costs incurred by SRP for environmental liabilities will not have a material adverse impact on its financial position or results of operations.

The Clean Air Act Amendments (ACT) of 1990 require reductions in sulfur dioxide and nitrogen oxide emissions from coal burning power plants and may regulate emissions of hazardous air pollutants by coal burning generating facilities. The District estimates its costs to comply with the ACT to be approximately \$190 million and has included this amount in the 1994-1999 construction program. In addition, several of the generating stations in which the District has an interest have been subject to studies relative to air quality. The Navajo Generating Station participants have agreed to install scrubbers at the Navajo Generating Station. Capital expenditures of \$110 million are included in the District's 1994-1999 construction program for these scrubbers. Similar air quality studies are currently underway at the Mohave Generating Station in which the District owns 10 percent and have been proposed for the Hayden and Craig Stations in which the District owns 50 percent and 29 percent, respectively.

► **Indian Matters**

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

► **Other Litigation**

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

► Report of Independent Public Accountants

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

We have audited the accompanying combined balance sheets of SALT RIVER PROJECT as of April 30, 1993 and 1992, and the related combined statements of net revenues and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Salt River Project as of April 30, 1993 and 1992, and the results of its operations and its cash flows for the years then ended in conformity with the generally accepted accounting principles.

Phoenix, Arizona,
June 15, 1993

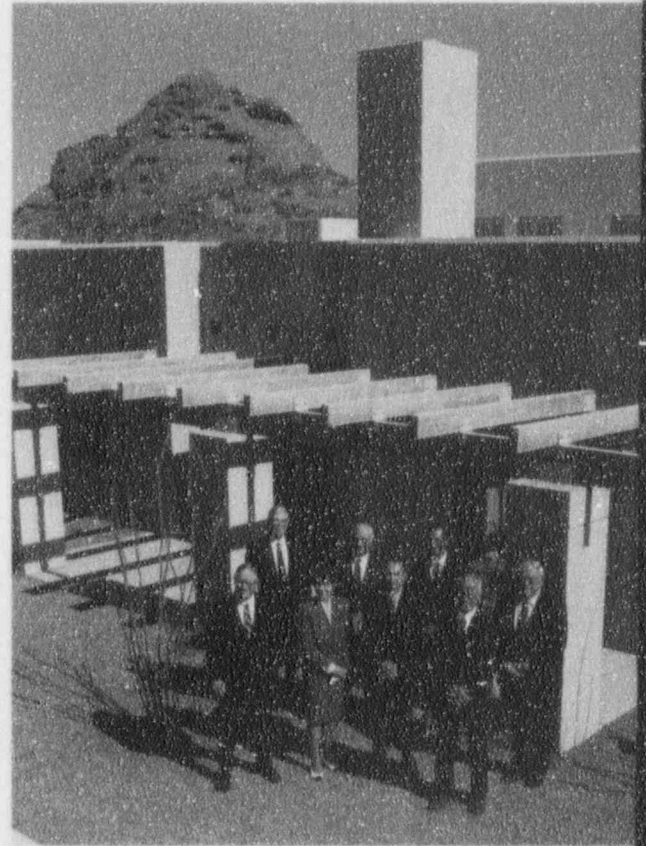
Arthur Andersen & Co.

SRP Boards

The two complementary Boards that guide SRP are: the 10-member Salt River Valley Water Users' Association Board of Governors, whose members are elected every two years, and the 14-member Salt River Project Agricultural Improvement and Power District Board of Directors, whose members serve staggered four-year terms. Four of these members are elected at-large.

These Boards set specific policies and, through SRP's management, conduct SRP's business.

For purposes of electing Board members, the SRP water service territory is divided into 10 voting districts or divisions. To qualify as voters, individuals must own land within one of the 10 voting districts or divisions. Additionally, District voters must be qualified electors of the state of Arizona.



Seated, from left:

William W. Arnett, *At-large, District*

Joe Bob Neely, *District/Division 8, Association & District*

Dwayne E. Dobson, *District/Division 10, Association & District*

Standing, from left:

Robert E. Hurley, *District/Division 2, Association & District*

James R. Marshall, *At-large, District*

Not pictured:

Fred J. Ash, *At-large, District*

Gilbert R. Rogers, *District/Division 4, Association & District*



Front row, from left:

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

Ann M. Burton, *District/Division 7, Association & District*

Howard Lydic, *District/Division 1, Association & District*

Thomas P. Hurley, ** Division 6, District*

Back row, from left:

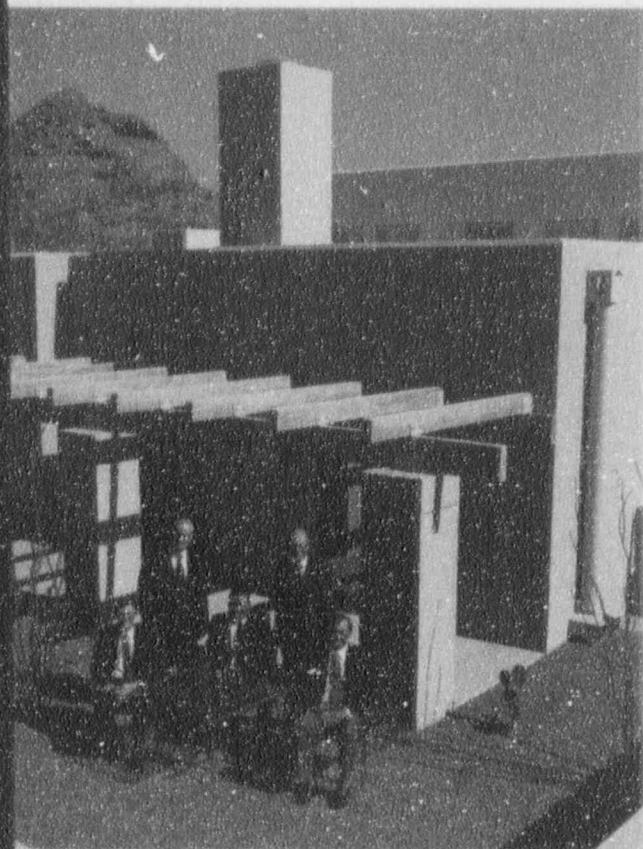
Eldon Rudd, *At-large, District*

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

Bruce B. Brooks, *District/Division 3, Association & District*

James L. Diller, *District 6, Association*

** Passed away July 30, 1993*



Front row, from left:

Lester Mowry, *District/Division 7, Association & District*

John A. Vanderwey, *District/Division 2, Association & District*

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

David Rousseau, *District/Division 6, Association & District*

Roy W. Cheatham, *District/Division 5, Association & District*

Second row, from left:

W. Curtis Dana, *District/Division 9, Association & District*

C. Dale Willis, *District/Division 10, Association & District*

Clarence J. Duncan, *District 6, Association*

Elvin E. Fleming, *District/Division 3, Association & District*

Third row, from left:

Charles D. Coppinger, *District/Division 4, Association & District*

Byron G. Williams, *District/Division 4, Association & District*

Robert W. Warren, *District/Division 6, Association & District*

Orland Hatch, *District/Division 10, Association & District*

John E. Anderson, *District/Division 3, Association & District*

Dan C. McKinney Jr., *District/Division 7, Association & District*

Fourth row, from left:

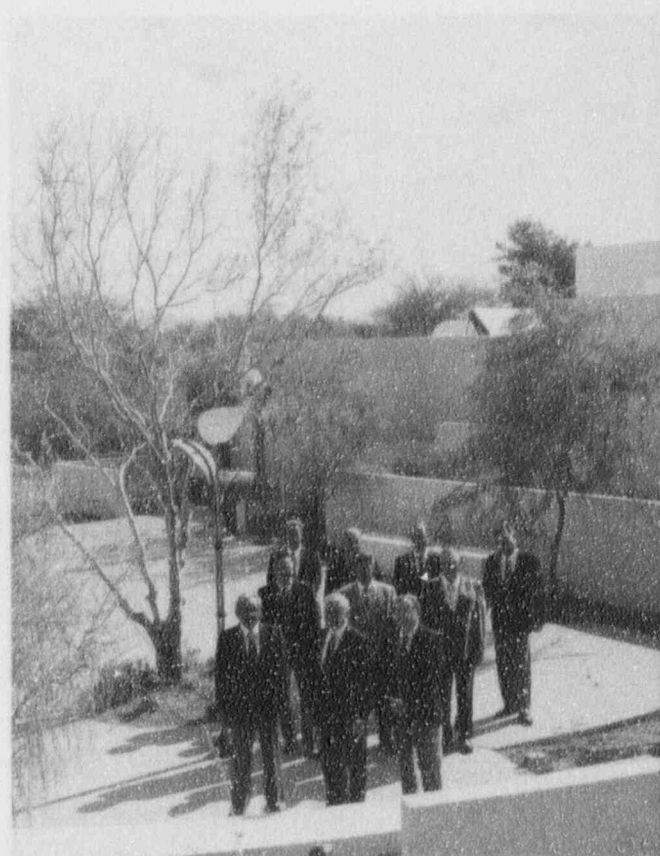
Emil M. Rovey, *District/Division 1, Association & District*

Larry D. Rovey, *District/Division 2, Association & District*

Ben A. Butler, *Division 6, District*

Lawrence P. Schrader, *District/Division 10, Association & District*

* Passed away July 29, 1993





Front row, from left:

Edmund Navarro, *District/Division 5, Association & District Council Vice Chairman* **Martin Kempton**, *District/Division 8, Association & District*

Wayne A. Marietta, *District/Division 7, Association & District*

Second row, from left:

Dale C. Riggins Jr., *District/Division 9, Association & District*
Michael K. Gantzel, *District/Division 8, Association & District*
Robert L. Cook, *District/Division 1, Association & District*

Back row, from left:

Lee L. Tregaskes, *District/Division 9, Association & District*
Carl E. Weiler, *District/Division 5, Association & District*
Mark V. Pace, *District/Division 8, Association & District*
Kevin J. Johnson, *District/Division 1, Association & District*

Not pictured:

Lloyd Lee Banning, *District/Division 4, Association & District*
Wayne A. Hart, *District/Division 2, Association & District*

SRP Councils

The two Councils that establish SRP policies are: the 30-member Salt River Valley Water Users' Association Council and the 30-member Salt River Project Agricultural Improvement and Power District Council.

These Councils set broad policy by enacting and amending bylaws relating to the management and conduct of SRP's affairs.

Three Association Council and three District Council members are elected from each of the 10 voting districts or divisions.

To qualify as voters, individuals must own land within one of the 10 SRP voting divisions or districts. Additionally, District voters must be qualified electors of the state of Arizona.

Salt River Project Corporate Officers

President.....John R. Lassen

Vice President.....William P. Schrader

Secretary.....William K. O'Neal

TreasurerDean K. Yee

Consultants

Legal Adviser

Jennings, Strouss & Salmon

Independent Public Accountants

Arthur Andersen & Co.

Bond Counsel

Mudge Rose Guthrie Alexander and Ferdon

Financial Consultant

Lazard Frères and Co.