

NAVIGATING CHANGE

SRP 2009 ANNUAL REPORT



Delivering more than power.™

About SRP

Salt River Project (SRP) provides reliable, reasonably priced electricity and water to more than 2 million people in Central Arizona.

As one of the nation's largest public power utilities, we provide generation, transmission and distribution services to homes and businesses in our 2,900-square-mile service area. We also are the area's largest water supplier, with management responsibilities for a 13,000-square-mile watershed.

For more than a century, SRP has demonstrated foresight in providing essential resources to meet the needs of our power customers and water shareholders and to help the greater Phoenix metropolitan area grow into one of the most vibrant regions in the country.

SRP Online

Visit us online at www.srpnet.com/annualreport to view multimedia reports, slideshows and videos about the programs, products and services we offer.

About This Report

Several measures were taken this year to reduce the costs and environmental impact of producing this annual report. The audited financial statements and notes pages can be accessed online at www.srpnet.com/annualreport, then select "**audited financials.**" This reduced the number of pages by 50%. This report also is printed on recycled paper containing 100% post-consumer waste.

SRP at a Glance FY09

Number of electric customers
933,771

Record peak demand
6,590 megawatts
July 21, 2006

Total operating revenues
\$2,767,024,000

Credit Ratings
Aa1 Moody's Investors Service
AA Standard and Poor's

For more highlights, see page 23.

On the Cover

Scenic and expansive Roosevelt Lake is a primary source of surface water for the greater Phoenix metropolitan area. The lake was formed by the construction of Theodore Roosevelt Dam in the early 1900s, which marked the beginning of SRP.

Contents

Letter to Electric Customers, Water Shareholders and Bondholders	4
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Letter from the General Manager	6
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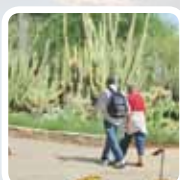
Power	8
<i>Energy-efficiency efforts align with SRP's public power mission of acting in the best interests of our customers and communities.</i>	



Water	10
<i>SRP works to secure a sound water future for Arizona while encouraging efficiency and conservation.</i>	



Environmental	12
<i>From biomass to wind power, we are expanding our portfolio of sustainable energy sources.</i>	



Community	14
<i>SRP is proud to support a number of community organizations through funding, leadership and volunteerism.</i>	

Management's Financial and Operational Summary	16
---	----

Boards and Councils	20
----------------------------------	----

Corporate Information	22
------------------------------------	----

Financial and Operational Statistics	23
---	----



John M. Williams Jr., President

David Rousseau, Vice President

Letter to Electric Customers, Water Shareholders and Bondholders

In the past year, there has been much discussion about the state of our nation's economy and the challenges it presents to us all.

In Arizona, where the recession hit particularly hard, the housing market has suffered terribly, job losses continue and business has been difficult. For SRP, this means electric customer growth has slowed dramatically, impacting revenues and creating spending constraints. Fortunately, at SRP we have spent more than 100 years navigating changing service demands and infrastructure needs, as well as challenges presented during periods of economic uncertainty. That experience helps us chart a steady course now.

This year, we cut operating costs, reduced our workforce and continued to look for ways to hold expenses in check. We saved money by delaying several electric

system capital projects, but with an eye on retaining the flexibility to embrace new technologies. At the same time, we adjusted projected electricity needs to reflect a more reasonable pace of growth. We are confident that this is a temporary slowdown and we will return to prior growth trends.

Our primary focus on infrastructure additions is the commercial operation of Unit 4 at Tucson Electric Power Co.'s Springerville Generating Station in eastern Arizona. Scheduled for the end of the calendar year, the aggressive construction program is moving forward. Construction of extra-high-voltage transmission lines, as well as sub-transmission and substation expansions, continues.

SRP has launched two new programs that reward customers for shifting electric use from more-expensive, on-peak to lower-cost, off-peak hours. By signing up for one of these plans and shifting the time of day power is used, customers can lower their electric costs and help SRP decrease the need to generate or buy higher-priced

electricity. Our new residential customer SRP EZ-3™ plan, so named because it rewards customers who reduce electric use during three peak hours, will be available on request in January 2010. The second new plan is SRP Power Partner™, a demand-response program for commercial customers who can voluntarily reduce their usage when SRP needs power on short notice.

In managing the watersheds of the Salt and Verde rivers, we took an important step forward by finalizing an agreement with the White Mountain Apache Tribe to quantify the tribe's water rights at the headwaters of the Salt River, where a significant percentage of SRP water originates. This pact helps ensure certainty for SRP water shareholders and allows development of a reliable domestic surface water supply for tribal members. The groundbreaking 2004 Arizona Indian Water Rights Settlement Act served as the umbrella that made this possible.

We also formalized an agreement with the Town of Payson that will resolve long-standing issues over rights to water within and adjacent to the town. The arrangement will provide further certainty to Payson, and to SRP shareholders, with regard to water supplies in northern Gila County.

The Salt River Project Agricultural Improvement and Power District's latest bond sale, completed in January, caught the attention of both Wall Street and Main Street. In this new approach, SRP offered bonds first to retail buyers, who came out in good numbers, purchasing more than a third of the offering. Including premiums and discounts the total net proceeds were \$764 million. About \$480 million will fund electric system capital expenses, \$180 million went into SRP's

general fund to reimburse prior capital expenditures and \$100 million will pay back short-term loans in SRP's commercial paper program.

Total operating revenues for the year were \$2.76 billion, up slightly from the previous year. Combined net revenues, SRP's bottom line, were about \$170 million before fair-value accounting adjustments. This is about the same as the prior fiscal year, and we consider that quite a good performance in such a tumultuous year. However, after fair-value adjustments (mark to market), SRP ended the year with a net loss of \$247 million. The fair-value adjustments were driven in large part by the substantial declines in the stock market and the market for natural gas. Over the long term, we do not expect to "realize" these losses.

While SRP isn't immune to current events, our solid record of performance over time speaks for itself. Our philosophy of resource stewardship advocates a balance of sound science, customer value and resource preservation as a foundation for addressing emerging issues. Being flexible and adapting to changing conditions makes good business sense.

In recognition of the outstanding service our employees provide, SRP once again scored highest for residential customer satisfaction among large utilities in the West, according to a study by J.D. Power and Associates. It's the 10th time in 11 years SRP has received this top honor.

We are well-positioned to make the most of opportunities as they present themselves, and we have confidence in what the future holds.



John M. Williams Jr.
President



David Rousseau
Vice President



Letter from the General Manager

This past year has been one of virtually no customer growth in an economy that has been flat. We continue, however, to prepare for the resumption of sustained growth in advance of the inevitable turnaround. While gross revenues grew slightly, financial results were adversely affected by a new accounting standard and changes in fair value of fuel and purchased power contracts.

Precipitation on the watershed was sufficient to fill the reservoirs for the second straight year, and although the status of continued drought is still in question, our water shareholders can be assured we continue to have adequate supplies. With full reservoirs there has been no need for supplemental water purchases.

We are working to resolve issues related to the Verde River watershed that would infringe on the rights of SRP's shareholders. Efforts to implement terms of the settlement of

claims of the White Mountain Apache Tribe, and efforts to provide water to the Town of Payson from C.C. Cragin Reservoir, are ongoing.

Discussions with Valley cities continue on a drought protection plan to refurbish existing wells and co-locate new wells. Also, we are identifying available water sources to provide for areas of growth within the boundaries of our electric service area, but outside SRP's traditional water service boundaries.

It is business as usual in the national energy policy arena, but the state regulatory policy debate about the resumption of competition remains unresolved. The issue has been further complicated by the intervention of renewable suppliers.

The issue of global climate change and the contribution of greenhouse gases from fossil fuel generation, as it did last year, dominates the public policy arena. SRP, concerned with both existing and new base-load generation, is an active participant in both regional and national debates as policy options emerge. We are also pursuing development of technologies to capture and sequester carbon dioxide emissions.

Plans by a number of utilities moved forward during the year to license new nuclear generating units. We are monitoring these activities and reviewing the nuclear option, but remain concerned with cost escalation, uncertainty of regulatory actions and lack of spent fuel management policy direction.

During the year we continued a program targeted outside of SRP's traditional water service area, in which a group of representative electric customers are helping review and comment on issues such as facility siting and pricing. Management's two-year pilot program is entering the final phase of evaluation.

Although growth in SRP's electric service territory is still off, it is expected the greater Phoenix metropolitan area will resume growth in 2011. Current trends indicate 0.5% growth in the coming year.

Natural gas, the pricing of which has been extremely volatile the last several years, remains the most significant electric production expense. Pricing adjustments reflecting such volatility continue,

along with fuel hedging, which has worked well in mitigating customer impacts.

This year we have expanded the energy-efficiency programs we offer customers. This effort involves a comprehensive customer education program with various print and electronic communications which provide energy-saving information. We have added to programs for residential and commercial customers, as well as new programs, which incentivize purchases of energy-efficient equipment and products. These program offerings will expand over the next year.

SRP's energy-efficiency programs complement the changes made in the standard pricing plan design in FY08 to better reflect cost patterns during summer peak usage. They included the introduction of July–August peak period pricing and higher pricing for monthly usage in excess of 2,000 kilowatt hours during the six-month summer billing period. Our expectation is customers will alter consumption patterns in responding to these changes.

We have expanded our renewable portfolio. SRP is increasing the level of sustainable resources. Over the next 10 years, the portion of SRP's energy supplied by sustainable resources, including energy-efficiency and demand-response programs, is targeted to grow from about 7% today, to 15%. Our plans include new wind, geothermal, solar and distributed generation resources. This means a large portion of the expected growth in customer needs is planned to be met by increasing SRP's sustainable resources.

We continue to expand existing, and include new, value-added elements to our award-winning customer service programs. More than 84,000 customers currently participate in SRP M-Power®, the largest voluntary prepayment electric service program in North America. An in-home display, showing real-time power usage, helps customers lower power consumption by 12%, on average. There are 55 locations in our service territory where customers may purchase power from kiosks designed by SRP.

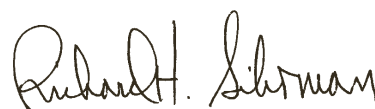
More than 222,000 customers have elected SRP's Time-of-Use™ pricing plan, the third-largest time-of-use initiative in the U.S. A typical customer on this program lowers their bill 7% by limiting power use during peak periods, thereby assisting in peak-load management.

In excess of 400,000 customers are currently served by a "smart meter," a technologically sophisticated meter capable of two-way communication with the potential to manage particular home electrical loads. Customers are able to view the prior day usage on the Internet and receive text messages and/or e-mails projecting monthly electric bills based upon consumption of electricity month-to-date.

J.D. Power and Associates has conducted surveys reporting that customer perceptions of SRP remain strong. We have received the highest score for residential customer satisfaction in the West in 10 of the last 11 years. And we have received the highest scores for business customer satisfaction in the West region in three of the six years that SRP has participated in the survey. Additionally, our residential and commercial call centers were certified by J.D. Power and Associates for the fourth consecutive year. Certification demonstrates SRP's commitment to delivering high-quality service to customers.

SRP understands the challenges of an aging workforce and recognizes how important it is to manage resulting personnel changes. Development initiatives, mentoring, apprenticeship opportunities and rotational programs continue to be top priorities for us.

Our workforce, in what has become a challenging environment, as in past years deserves full credit for successes this past fiscal year. SRP's elected officials, partnering with management, continue to supply the foundation for growth to continue and for ongoing improvement to occur.



Richard H. Silverman
General Manager

Increasing the Role of Efficiency



Forecasting energy demand in a rapidly changing world is a challenge all electric utilities face today.

Increasingly, energy efficiency is a key component of a balanced approach to forecasting and meeting energy demand. In fact, energy efficiency is taking on a more prominent role in SRP's resource picture and strategic plan. Our projected investment in customer energy-efficiency and demand-response programs over the next five years is more than \$200 million.

Using electricity wisely can save SRP and our customers money while supporting our environmental stewardship. Improved efficiencies can lower fuel expenses, defer the building of new power plants and reduce required reserves. It's the best of all worlds for SRP, our customers and shareholders.

As a leader in deploying "smart meter" technology, SRP now serves more than 400,000 residential and business customers with these meters, which transmit real-time information wirelessly about electricity use. This means customers can track and adjust their energy consumption via e-mail and text message notifications. These meters also allow SRP to offer customers pricing options that fit their lifestyles, such as our EZ-3 plan, which rewards participants who conserve energy for just three hours a day. Smart meters also are a key component in SRP's Smart Grid System, which will connect customers to future clean energy sources such as solar and wind.

Through incentives and other programs, our residential and commercial customers are creating more energy-efficient homes and buildings. This year, more than 20,000 customers

benefited from SRP rebates and other incentives to purchase energy-efficient appliances and other equipment. We also discounted the price to SRP customers on more than 1 million energy-saving compact fluorescent light bulbs.

We walk the talk ourselves: Our new 62,000-square-foot Pinal Customer Center building is a prime example of what's possible in green building design and operations. It's partially powered by a 150-kilowatt (kW) solar photovoltaic system, features solar water heaters, and was built with many recycled and sustainable products.

We've surpassed the 80,000 mark on prepay meters with M-Power®, the largest program of its kind in North America. M-Power was honored in 2009 by the American Public Power Association as an innovative model for the electric industry. Studies have shown that M-Power customers reduce consumption by 12%, on average.

While our near-term generation and transmission expansion plans are less than previous years, flexibility is the key to accommodating dynamic economic change. A 400-megawatt (MW) unit at Springerville Generating Station in eastern Arizona, equipped with the latest emissions technology, is on schedule to begin providing energy to the SRP system by the end of 2009.

The Silver King-to-Goldfield 230-kilovolt (kV) transmission line near Superior was upgraded this year to improve energy delivery capability, both for Springerville and the 64MW of output expected from the new Dry Lake Wind Project near Snowflake.

Inset photo: The smart grid of tomorrow will expand upon the technology of today.

Securing Your Water Supply



A wet winter that filled SRP reservoirs almost to the brim will go into the books as one of the most positive years on record.

SRP reservoirs reached near capacity, requiring water releases at Roosevelt Dam in February to make room for additional runoff. On the Verde, reservoirs filled with early-season runoff, and major water users were asked to take “free water” to help with the surplus. Plentiful surface water supplies on both the Salt and Verde river watersheds translate into security for the Valley – and the likelihood of reduced groundwater pumping for at least another year.

As the area’s largest water provider, SRP works with stakeholders to promote the wise use of water and the adoption of a shared stewardship mindset. Stressing the importance of end-user investment in this mission, we continued an ongoing research program on landscape water use, which is responsible for an estimated 70% of residential water consumption. We held an encore performance of the popular DesertWise Water Expo, encouraging earth-friendly, water-efficient practices and offering discounted “smart” irrigation controllers to our customers. Survey respondents overwhelmingly tell us the devices are easy to use and make saving water easy.

Our public education efforts also help people understand the correlation between water efficiency and electricity. Using

water wisely reduces the amount of energy needed to supply and treat it, reducing costs and energy demand.

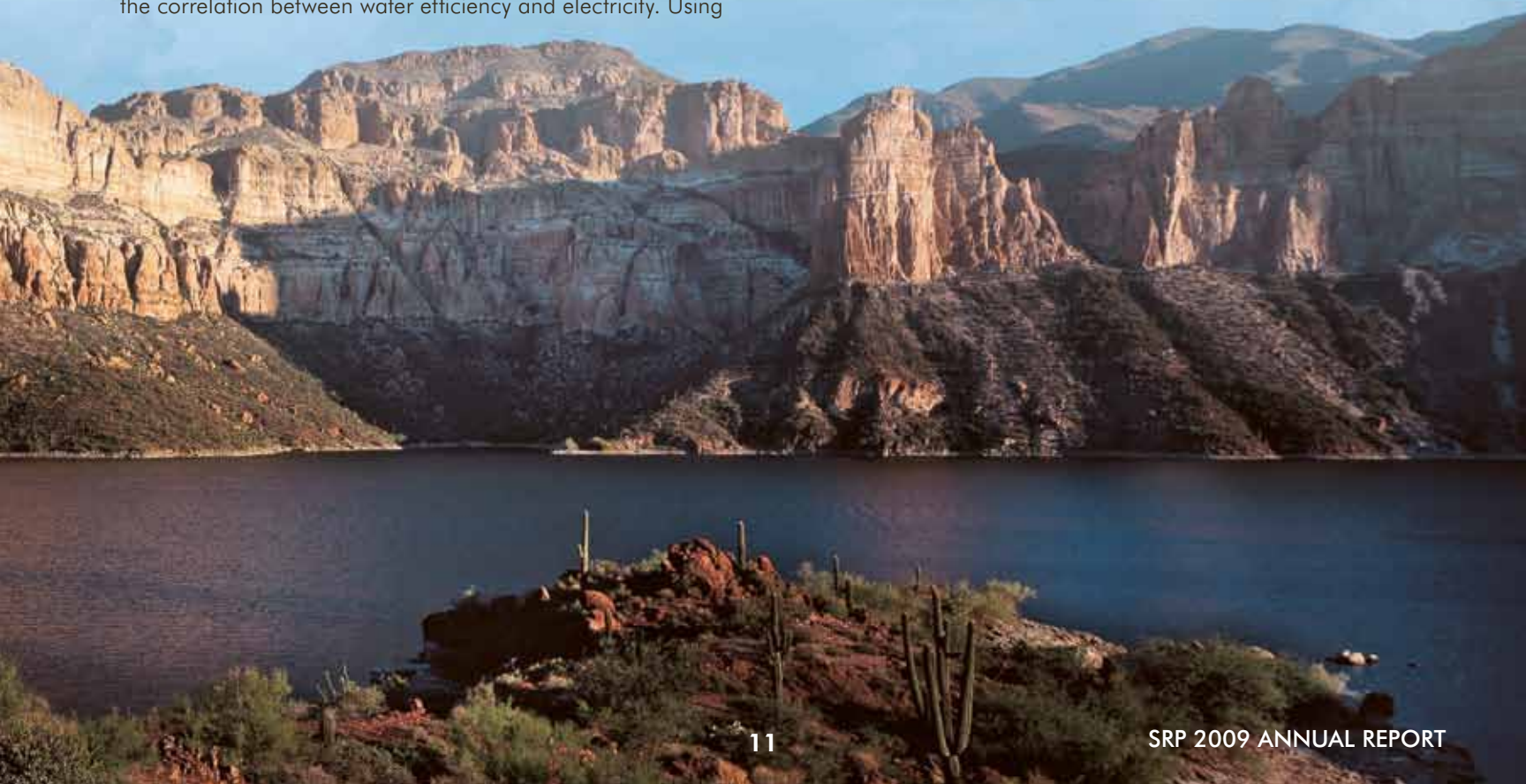
The invasive quagga mussel remains at the forefront of our contingency planning. While these non-native, thumbnail-sized shellfish have been observed at the SRP/Central Arizona Project interconnect near Granite Reef Diversion Dam, adult mussels have not been seen downstream in the canal system. However, our contingency planning focuses on the potential for a more damaging infestation. We continue to assess potential impacts to SRP’s water infrastructure and the most effective means of dealing with this problem.

Preparations continue for the time when groundwater will play a larger role, at least temporarily, in meeting demand. Long-term planning for future groundwater supplies is critical. This past year, falling land values created opportunities to obtain sites for future well facilities. SRP also makes regular deposits into underground water storage as a savings account for later use.

As recent economic troubles have demonstrated, saving today for an uncertain tomorrow simply makes sense.

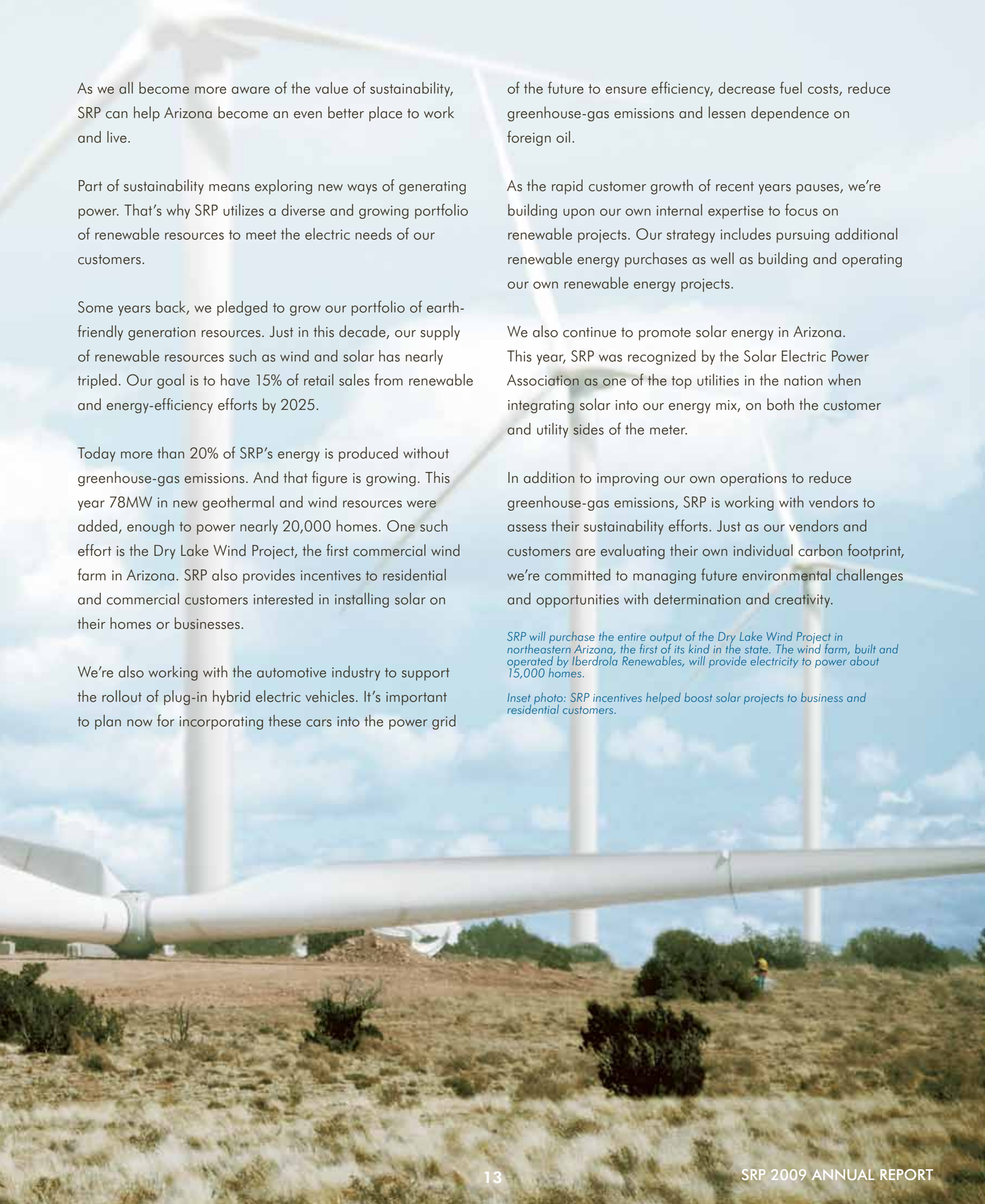
Scenic Apache Lake, the second-largest SRP reservoir and a favorite with outdoor enthusiasts, filled to capacity following a beneficial winter on SRP watersheds.

Inset photo: Smart irrigation controllers help consumers use water wisely.



Supporting a Sustainable Future





As we all become more aware of the value of sustainability, SRP can help Arizona become an even better place to work and live.

Part of sustainability means exploring new ways of generating power. That's why SRP utilizes a diverse and growing portfolio of renewable resources to meet the electric needs of our customers.

Some years back, we pledged to grow our portfolio of earth-friendly generation resources. Just in this decade, our supply of renewable resources such as wind and solar has nearly tripled. Our goal is to have 15% of retail sales from renewable and energy-efficiency efforts by 2025.

Today more than 20% of SRP's energy is produced without greenhouse-gas emissions. And that figure is growing. This year 78MW in new geothermal and wind resources were added, enough to power nearly 20,000 homes. One such effort is the Dry Lake Wind Project, the first commercial wind farm in Arizona. SRP also provides incentives to residential and commercial customers interested in installing solar on their homes or businesses.

We're also working with the automotive industry to support the rollout of plug-in hybrid electric vehicles. It's important to plan now for incorporating these cars into the power grid

of the future to ensure efficiency, decrease fuel costs, reduce greenhouse-gas emissions and lessen dependence on foreign oil.

As the rapid customer growth of recent years pauses, we're building upon our own internal expertise to focus on renewable projects. Our strategy includes pursuing additional renewable energy purchases as well as building and operating our own renewable energy projects.

We also continue to promote solar energy in Arizona. This year, SRP was recognized by the Solar Electric Power Association as one of the top utilities in the nation when integrating solar into our energy mix, on both the customer and utility sides of the meter.

In addition to improving our own operations to reduce greenhouse-gas emissions, SRP is working with vendors to assess their sustainability efforts. Just as our vendors and customers are evaluating their own individual carbon footprint, we're committed to managing future environmental challenges and opportunities with determination and creativity.

SRP will purchase the entire output of the Dry Lake Wind Project in northeastern Arizona, the first of its kind in the state. The wind farm, built and operated by Iberdrola Renewables, will provide electricity to power about 15,000 homes.

Inset photo: SRP incentives helped boost solar projects to business and residential customers.

Building Better Communities



Especially in times of uncertainty, lending a hand makes a difference.

SRP stands strong in support of numerous nonprofit agencies and organizations throughout the Valley that bring hope and enrich lives. Through lending leadership talent, providing donations and the passionate spirit of our employee volunteers, we are able to make a real difference in the world in which we live and work.

Almost 85% of SRP employees are involved in their communities in some way. This year that volunteer work included building a unique Habitat for Humanity home – an environmentally friendly house equipped with water- and energy-efficiency features, including a solar photovoltaic system.

During the year the broad scope of SRP's community support was about \$3 million in charitable contributions and 700,000 hours in volunteer time. Much of this focus is on education, because with the foundation of a quality education, a child's opportunities are without limits. In particular we support math and science education, the fields that will bring the talented employees of tomorrow to our doorstep. With funding from public sources tighter than ever, SRP's financial and expert assistance to teachers, students and schools in Arizona demonstrates how the power of giving makes a difference.

As the economy continued to shed jobs, we provided additional funding to area food banks, bringing 75,000 more meals to the Valley's hungry as a growing number of families struggled to put food on their tables.

We also took action to help people who are having difficulty keeping the lights on at home. During the year, we matched customer contributions and raised more than \$300,000 in relief funds to help customers pay utility bills.

Our employee-led annual fundraising campaign reached \$1.5 million – a record amount that was especially notable because the campaign was conducted as the national economic crisis was unfolding. The money collected from employees supports nonprofit agencies serving people throughout Arizona.

At SRP, our business culture promotes the importance of sharing time and talent with others. When we apply the same commitment, expertise and teamwork we use to serve our electric customers and water shareholders to helping people in need, we see the impact of our efforts – and it inspires us to remain engaged in our communities.

The Desert Botanical Garden in Phoenix relies on public support, including grants from SRP, to present conservation and educational programs, promoting greater understanding and stewardship of the Sonoran Desert.

Inset photo: Additional support helped feed the hungry through St. Mary's Food Bank.



Management's Financial and Operational Summary

Overview of Business

The Salt River Project Agricultural Improvement and Power District (the District), a political subdivision of the state of Arizona, generates and delivers electricity to a 2,900-square-mile service area spanning Maricopa, Gila and Pinal counties. There are also mining loads in an adjacent 2,400-square-mile area in Gila and Pinal counties.

The District, a vertically integrated organization, owns or participates in 11 major power plants and numerous other generating facilities, including thermal, nuclear, natural gas and renewable energy sources. The District builds and acquires resources as needed, as well as makes short- and long-term purchases of wholesale power.

The Salt River Valley Water Users' Association (the Association), a private corporation, is the Phoenix area's largest raw water supplier, providing about 1 million acre-feet per year for irrigation and municipal treatment. The Association also manages an extensive water delivery system, including Theodore Roosevelt Dam, reservoirs, wells, canals and irrigation laterals. Municipalities receiving SRP water include Phoenix, Avondale, Glendale, Mesa, Tempe, Chandler,

Gilbert, Peoria, Scottsdale and Tolleson. The Association also delivers water by contract to Indian communities.

The District has three subsidiaries: New West Energy Corporation, which supports the District's energy services activities; Papago Park Center Inc., which manages the mixed-use commercial development Papago Park Center on land owned by the District adjacent to its administrative offices; and SRP Captive Risk Solutions Ltd., a domestic captive insurer that primarily accesses property/boiler and machinery insurance coverage under the Federal Terrorism Risk Insurance Act of 2002 for certified acts of terrorism.

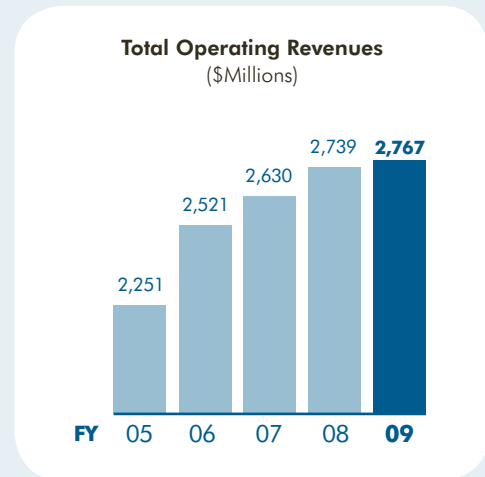
Results of Operations

Without the effects of a new accounting standard and the change in fair value of fuel and purchased power contracts, SRP net revenues for the fiscal year ended April 30, 2009, would have been \$172.3 million compared with net revenues of \$166 million the previous year. The effects, however, of the previously mentioned accounting standard and fair value accounting resulted in a net loss for FY09 of \$247 million, compared with the net revenues of \$257.1 million for the prior fiscal year.

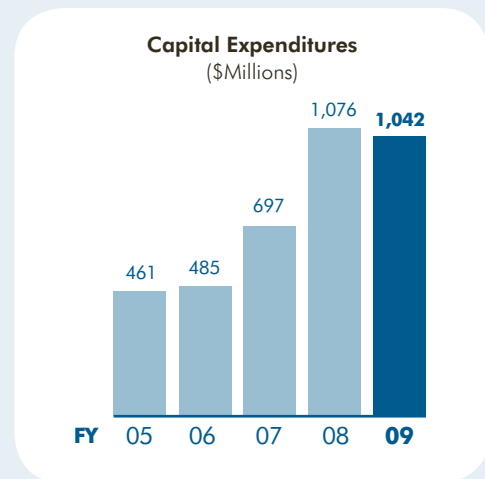
Total operating revenues were \$2.8 billion, compared to \$2.7 billion for FY08. While there was a slight increase in operating revenues, slowed customer growth contributed to a 4.3% drop in retail sales. Wholesale revenues were nearly 16% lower in FY09 compared with the previous year, mostly due to substantially lower electricity market prices during the year. A price increase effective at the start of the fiscal year and an increase in the fuel and purchased power adjustment mechanism (FPPAM) offset the impact of lower system sales and reduced wholesale revenues.

Total customers increased by less than 1% from the previous year, with the residential class increasing only 3,048 customers year-over-year compared to a 5,902 customer increase in FY08 and a 21,500 customer increase in FY07. Energy use per residential customer showed a 7.2% decrease.

Operating expenses were \$2.8 billion for FY09, compared with \$2.4 billion for the previous year. This change was driven by higher expenses for fuel, purchased power and operating expenses. Fuel and purchased power expenses were up 31% mostly due to fair value adjustments on fuel and purchased power contracts. Without these adjustments, fuel and purchased power expenses decreased 1.1%, consistent with the 2.7% decrease in total energy sales. Maintenance expenses decreased 11%. Several large overhauls that occurred in the



Total revenues showed a small increase, attributed to a slight increase in customer numbers and electric prices.



Construction expenses for Springerville Generating Station Unit 4 caused an increase in capital spending over the past two years.

prior year subsequently reduced maintenance expenses this year.

Investment income showed a \$99.7 million loss for FY09, compared with a \$62.7 million gain the year before. An unprecedented year in the financial markets drove the decrease. In addition, beginning in the first quarter of FY09, SRP adopted a new accounting standard which allows entities to report certain financial assets and liabilities at fair value instead of cost, which was how SRP previously accounted for these items. The changes in fair value are recognized in earnings, and SRP's adoption of the new standard resulted in a loss of \$92 million for the year. Without the effects of the new accounting standard and the change in fair value of fuel and purchased power contracts, net revenues would have been \$172.3 million compared with net revenues of \$166 million last fiscal year.

Energy Risk Management Program

The District's mission to serve its retail customers is the cornerstone of its risk management approach. The District builds or acquires resources to serve retail customers – not the wholesale market. The District has an Energy Risk Management Program to limit volatility inherent in retail business operations. The program identifies, measures, reports and manages exposure to market, credit and operational risks. To meet program goals, the District uses various physical and financial instruments, including forward contracts, futures, swaps and options. Certain of these transactions are accounted for

under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." For a detailed explanation of the effects of SFAS No. 133 on the District's financial results, see Note 4 in the notes to the Combined Financial Statements. The Energy Risk Management Program is managed according to a policy approved by the District's Board of Directors (the Board), and overseen by a Risk Oversight Committee composed of senior executives. The policy covers market, credit and operational risks and includes portfolio strategies, authorizations, value-at-risk limits, stop loss limits, notional and duration limits. The District maintains an Energy Risk Management Department, separate from the supply and trading area, which regularly reports to the Risk Oversight Committee. In addition, the District has established a credit reserve for its activity in wholesale markets. The District believes that its existing risk management structure is appropriate and that any exposures are adequately managed.

Electric Pricing

The District has a diversified customer base, with no single retail customer providing more than 1.7% of operating revenues. As a summer-peaking utility, the District balances the summer-winter load relationships through seasonal price differentials. In addition, the District prices on a time-of-day basis for large commercial and industrial customers, many residential customers, and certain small commercial users.

A 3.9% system average retail price increase effective at the beginning of the fiscal year involved a 2.1% increase related to a fuel and purchased power adjustment and a 1.8% increase

related to base prices. The new price plans adopted at that time incorporated design changes that better reflect the District’s underlying seasonal costs as well as promote energy efficiency and conservation.

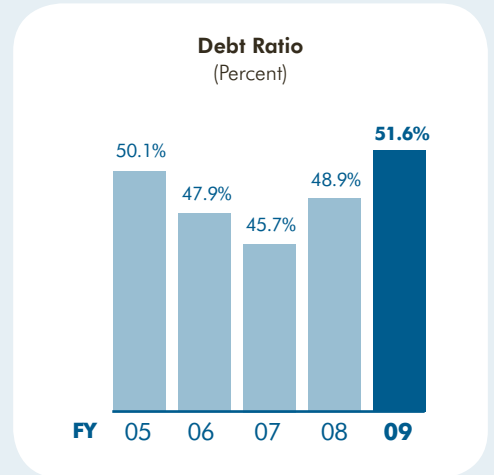
In October, the Board approved an annualized 5.9% system average increase to the FPPAM to address under-collected fuel and purchased power expenses, effective with the November 2008 billing cycle. The increase was projected to recover the under-collection across an 18-month period, through April 2010, generating about \$203.6 million during that time.

Capital Improvement Program

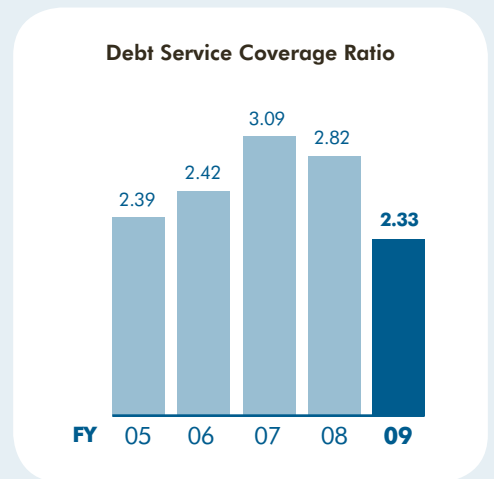
FY09 capital spending was consistent with management’s expectations. The District’s Capital Improvement Program is driven by the need to expand generation, transmission and distribution systems to meet customer needs and maintain service reliability.

Generation projects accounted for half of the year’s capital expenditures, and a majority of those expenses went toward continued construction of Unit 4 at Springerville Generating Station. Expansion and improvements to the electrical distribution system accounted for 22% of capital expenses. The addition of new transmission facilities comprised 10% of the year’s capital expenditures, including support for a 230kV Southeast Valley transmission project.

SRP’s 2009 Audited Financial Statements and Notes can be accessed at www.srpnet.com/annualreport.

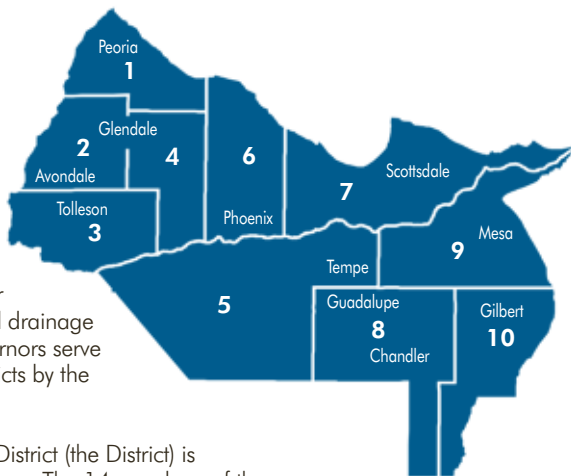


The debt ratio rose as a result of a \$744 million revenue bond sale that was used to finance the District’s capital improvement program and pay back \$100 million in short-term loans from SRP’s commercial paper program.



Debt service coverage is decreasing due to increased principal and interest requirements from increased bond debt.

SRP Boards



The 10 SRP voting areas for SRP Boards and Councils are included in the Salt River Reservoir District boundaries.

The two Boards work with management to establish policies to further the business affairs of SRP.

The Salt River Valley Water Users' Association (the Association) is SRP's private water corporation, which administers the water rights of SRP's 375-square-mile water service area, and operates and maintains the irrigation and drainage system. The 10 members of the Association Board of Governors serve staggered four-year terms and are elected from voting districts by the landowners within the water service territory.

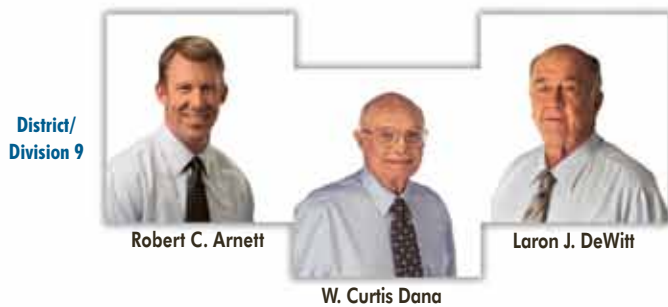
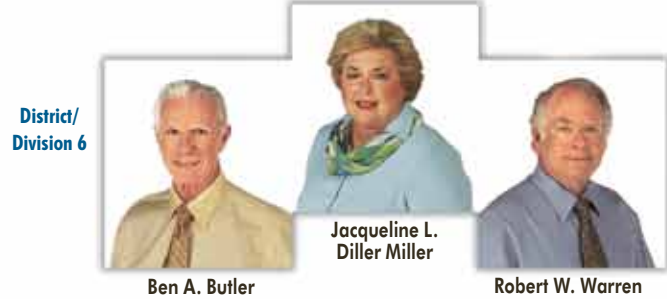
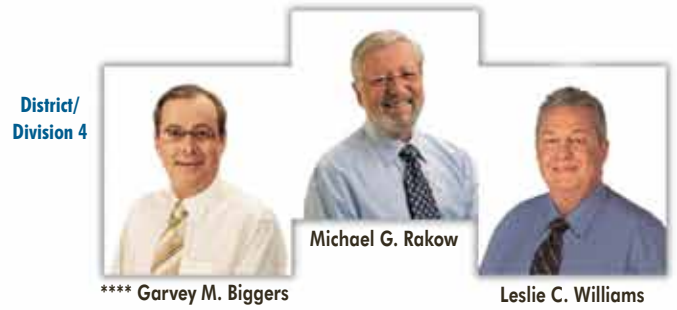
The Salt River Project Agricultural Improvement and Power District (the District) is SRP's public power utility and a political subdivision of Arizona. The 14 members of the District Board of Directors serve staggered four-year terms. Ten District Board members are elected from voting divisions and four are elected at-large by landowners within the District's boundaries. Most often, candidates seek election to both Boards.

* Passed away June 2009

SRP Councils

The two Councils enact and amend bylaws relating to the governance of SRP and also serve as liaisons to District electors and Association shareholders.

As with the SRP Boards, there is one Council for the Association and one for the District. The 30 Association Council members are elected to staggered four-year terms from 10 districts. The 30 District Council members are elected to staggered four-year terms from 10 divisions. Most often, candidates seek election to both Councils.



**Resigned April 2009

***Appointed to Boards August 2009

****Appointed May 2009

*****Appointed September 2008



D. Michael Rappoport David G. Areghini Jane D. Alfano Richard M. Hayslip Mark B. Bonsall Barbara M. Hoffnagle John F. Sullivan

Corporate Officers

John M. Williams Jr.
President

David Rousseau
Vice President

Terrill A. Lonon
Secretary

Aidan J. McSheffrey
Treasurer

Executive Management

Richard H. Silverman
General Manager

David G. Areghini
Associate General Manager
Power, Construction & Engineering Services

Mark B. Bonsall
Associate General Manager
Commercial & Customer Services

Richard M. Hayslip
Associate General Manager
Environmental, HR, Land/PPC, Risk Management & Telecom

Barbara M. Hoffnagle
Associate General Manager
Information Technology & Operations Support Services

D. Michael Rappoport
Associate General Manager
Public & Communications Services

John F. Sullivan
Associate General Manager
Water Group

Jane D. Alfano
Corporate Counsel

Corporate Headquarters

Street address
SRP
1521 North Project Dr.
Tempe, Arizona

Mailing address
SRP
P.O. Box 52025
Phoenix, AZ 85072-2025

Financial Inquiries

Dean Yee, Manager, SRP Financial Services
(602) 236-5231

Requests for Annual Reports

For additional copies of this report, or SRP quarterly reports, call SRP at (602) 236-2598.

Changes to Mailing List

For corrections or other changes to the mailing list for this report, call SRP at (602) 236-2564.

Bondholder Information

For all bond information, call the SRP Treasury Department at (602) 236-2222.

www.srpnet.com

Five-Year Operational and Statistical Review

Financial Data (\$000)	2009	2008	2007	2006	2005
Total operating revenues	\$ 2,767,024	\$2,739,123	\$2,630,733	\$2,521,970	\$2,251,723
Retail electric revenues	2,318,582	2,212,807	2,054,652	1,885,912	1,709,213
Water revenues	14,107	14,339	12,893	12,036	12,786
Other revenues	434,335	511,977	563,188	624,022	529,724
Total operating expenses	2,778,075	2,416,908	2,213,544	2,139,702	1,815,538
Total other income, net	(103,497)	58,104	90,224	158,966	31,902
Net financing costs	132,474	123,216	139,623	125,834	105,637
Net revenues for the year	(247,022)	257,103	367,790	415,400	362,450
Taxes and tax equivalents	92,840	93,376	97,607	100,953	105,475
Utility plant, gross	11,783,596	10,866,410	9,912,865	9,384,134	9,043,377
Long-term debt	3,831,657	3,679,929	3,041,408	2,893,017	2,727,348
Electric revenue contributions to support water operations	33,167	47,017	34,792	34,161	56,672
Selected Data					
Debt service coverage ratio	2.33	2.82	3.09	2.42	2.39
Debt ratio (percent)	51.6	48.9	45.7	47.9	50.1
Total electric sales (million kWh)	33,064	33,998	33,872	32,658	32,577
Peak-SRP retail customers (kW)	6,410,000	6,578,000	6,590,000	6,044,000	5,665,000
Water deliveries (acre-feet)*	–	794,235	854,093	870,165	860,584
Runoff (acre-feet)*	–	1,698,219	696,550	456,318	2,055,554
Employees at year end**	4,461	4,431	4,388	4,328	4,336
Customers at year end	933,771	928,992	919,422	892,875	858,314

* Water data is by calendar year; all other data is by fiscal year ending April 30.

** Excludes non-regular employees such as temporary employees, students and apprentices.



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