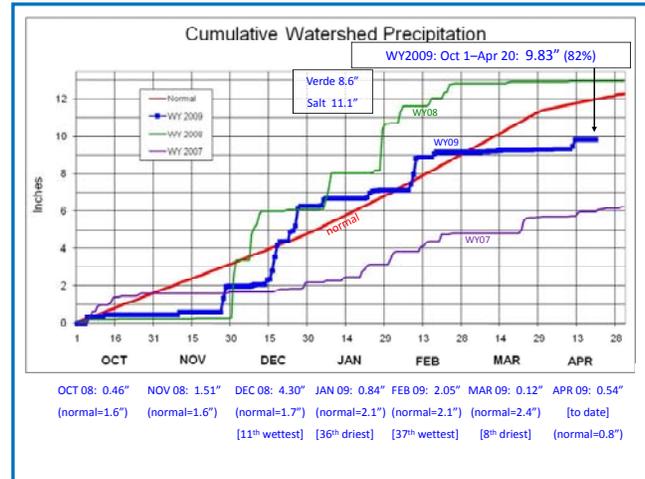


SRP Water Supply and The Drought

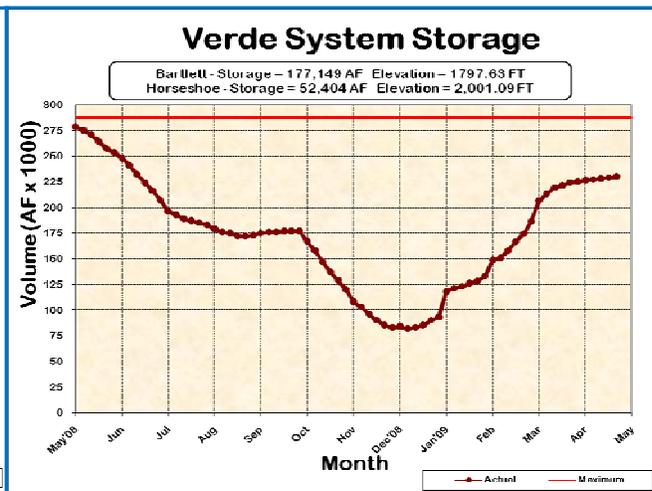
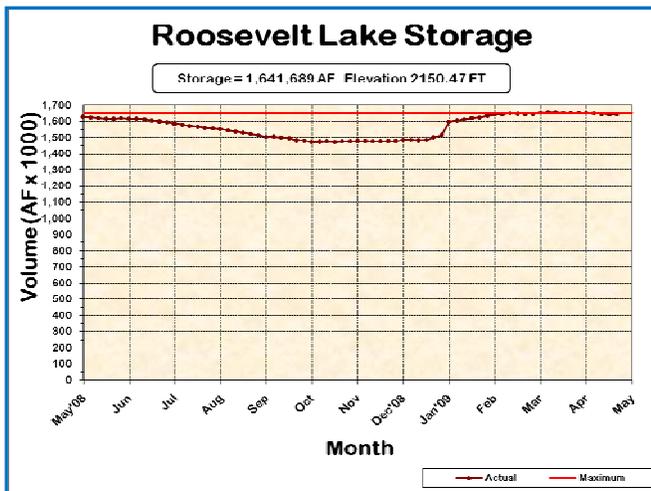
April 21, 2009

Drought In Arizona: The past four full winter seasons have seen two types of years with 2008 and 2005 being very wet and 2006 and 2007 extremely dry. Within those years, month to month variation has been extreme with above normal precipitation or very dry conditions being favored. The trend appears to be continuing this water year. The beginning of this water year was dry. Late November, December, and February storms pushed the cumulative watershed precipitation to above normal but dry conditions have since returned. Cumulative watershed precipitation is currently at 82% of normal and is expected to continue its decline as drier than normal conditions are favored for the remainder of the winter and spring runoff season.



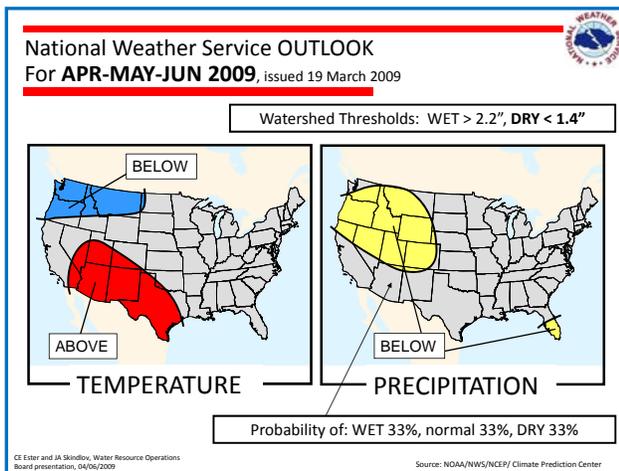
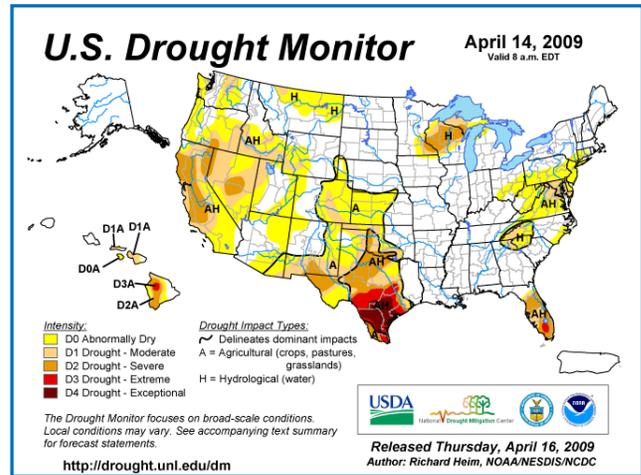
When Might Conditions Reverse?: Arizona depends upon wet winters to reverse drought conditions. Indications for winter of 2008 had projected a moderate strength La Niña pattern—a situation likely to bring dry winter weather. Fortunately, abundant rain and snow occurred. Conditions this winter were similar and the Climate Prediction Center declared a La Niña in effect. The La Niña ultimately delivered a drier than normal winter this year although there was above normal snow pack reported for much of the winter. Drought conditions of the recent past, while greatly diminished, may not be over although SRP reservoir storage is near capacity.

Runoff and Reservoir Storage: Reservoir storage has remained abundant after surprisingly productive La Niña winters in 2008 and in early 2009. The Salt System is near capacity from runoff this past December through March. The April 1st runoff forecast calls for below median runoff for the Salt System and Verde System, reflecting the belief that dry weather will continue. Currently, Roosevelt Lake is 99% full and the Verde system is 80% of capacity. The total system is 97% of capacity compared to 98% a year ago. SRP's Board has approved a full 3.0 acre feet per acre allocation composed of 100% surface water for 2009.



What Is The Current Drought Situation?:

According to the latest Drought Monitor, abnormally dry conditions expanded in north and southeast Arizona. In the Colorado River basin, current system storage is 54% full, 2 percent more than last year at this time. Inflow into Lake Powell for water year 2009 is projected at 10.7 million acre-feet which is 89% of normal. Current snow pack in the Colorado Basin is 107% of normal. This level of storage and inflow will allow the Colorado River reservoirs to provide full allocations to the lower basin states in 2009. The improved water supply conditions may not last as we saw similar improvements after the wet winter of 2005, yet severe drought conditions returned within a year. Recent history and results from recent tree-ring research with the University of Arizona indicate that a wet year, like 2005 and 2008, in the midst of an extended drought is not unusual. Furthermore, a wet year in the midst of a severe drought does not relieve the cumulative harm to our forests, range, wildlife, and surface and groundwater supplies. Yet another result of the tree ring research indicates that the current drought is about as severe to date as the drought of the 1950's, and that droughts as severe or worse occurred eight times in the last 800-years. This evidence simply reinforces SRP's drought management philosophy.



Drought Management Philosophy:

Provide an adequate and reliable supply of water to our shareholders by managing our water resources in the most prudent and effective manner. The management goal is to reduce the probability of having to cut the allocation of water to 2.0 af/ac to less than a 1% chance two years out into the future. SRP assumes that the end of every runoff season is the start of the next severe sustained drought period. SRP will continue to manage the water supplies of the Valley to provide a reliable and adequate supply necessary for maintaining the vibrant economy and lifestyle we enjoy in the Valley of the Sun.

Spring Forecast: The outlook for Arizona during the months of April through July is for little change in drought conditions. For precipitation, Arizona is forecast to equal chances of above, below or near normal. Temperatures are forecast to be above normal. SRP believes the drought conditions of recent years, while much improved now, may return after this short respite. Regardless, the reservoir storage benefits will be enjoyed for several years even if drought conditions return immediately.

