



May 31, 2006

Mr. Robert H. Herz
Chairman, Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, Connecticut 06856-5116



RE: SFAS 87/88/106 and Exposure Draft Comments

LETTER OF COMMENT NO. 215

Dear Mr. Herz:

This letter is the formal response from the Salt River Project Agricultural Improvement and Power District (herein referred to as the "SRP") to the March 31, 2006, request from the FASB to comment on proposed amendments to FASB Statements No. 87, 88, and 106.

SRP provides electricity to more than 2 million people in a 2,900 square-mile area in the greater Phoenix metropolitan area known as the "Valley." SRP also is the Valley's largest water supplier, with a water service territory that spans 375 square miles. SRP manages the 13,000 square mile watershed that supplies a majority of the Valley's surface water. Founded in 1903, SRP is an integrated electric utility, providing generation, transmission and distribution services. SRP has over 4,300 active employees throughout the state of Arizona and a number of retirees whom receive benefits from a single-employer defined benefit plan and a post-retirement medical plan. SRP is the Plan sponsor for both the retirement plan and post-retirement medical plan, which has assets and liabilities over one billion dollars. SRP is very interested in the proposed amendments to the accounting standards for these plans.

Concerns

The focus of our concerns lies with the proposed changes to liability measurement and the change in the measurement date.

Liability Measurement

While we appreciate and agree with the FASB's desire to include the fair value of liabilities minus the fair value of assets to be fully recognized on the balance sheet, we disagree with the proposed idea of using the Projected Benefit Obligation ("PBO") for pension plans and the Accumulated Postretirement Benefit Obligation ("APBO") for other postretirement benefit plans. We feel that the use of the PBO moves the FASB farther from its goal of "fair value" accounting since 1) the PBO represents an actuarially determined amount based on our best estimate of future compensation increases; and 2) the measure is not "buyable" in the market in that annuitizing a terminated plan would be valued at the Accumulated Benefit Obligation ("ABO"), not the PBO. Moreover, we feel that requiring the use of the APBO can actually overstate a sponsor's liability inasmuch as OPEB's are generally not vested plans, and, we feel, moves the FASB away from its "fair value" objective.

The current method of using the ABO for pension plans and the net liability for postretirement plans, we feel, more accurately measures the sponsor's liability as it represents benefits that have been earned to date, thus, what the sponsor is actually liable for. We also feel that most users of financial statements already make the necessary adjustments to arrive at the "full" liability measure of the PBO from the ABO.

We respectfully request that the FASB reconsider its position on this topic, particularly in light of the fact that it will be revisited in Phase II.

Measurement Date

With respect to the FASB's proposal to eliminate the use of early measurement dates, we feel that making the measurement date the same as a company's fiscal year end will place an inordinate burden on the parties involved with reporting pension and OPEB disclosures, as the gathering of information can take several weeks to procure. Having an early measurement date allows a sponsor to collect the necessary information and report the information in a timely and relevant manner.

Paragraph 10 of SFAS No. 87 says: "If estimates, averages, or computational shortcuts can reduce the cost of applying this Statement, their use is appropriate, provided the results are reasonably expected not to be materially different from the results of a detailed application." With this in mind, we feel that the use of a measurement date earlier than the fiscal year end adequately provides the information required, and is not materially different than what would be computed otherwise.

We are in favor of using a *shortened* period between dates, perhaps 30 or 60 days, as this will allow adequate time to pull together the required information, ensure it is reliable, and allow the reporting to be done so that it is relevant.

In summary, we believe that our concerns are legitimate and are representative of most plan sponsors in the United States. We fully respect the goals and objectives of the FASB during this undertaking, however, we feel that implementing the changes as they have been proposed would create an undue burden on the plan sponsor community and would not move the FASB closer to its "fair value" goals. Therefore, if our concerns cannot be addressed by the FASB, we respectfully suggest delaying the implementation of the Phase I changes.

Thank you for your time and consideration.

Respectfully,

Sue Ann Perkinson

Sue Ann Perkinson
Manager, Corporate Accounting Services
Salt River Project Agricultural Improvement and Power District