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JUN 21 2016

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PALO DURO RIVER AUTHORITY
OF TEXAS

P.O. BOX 99 • SPEARMAN, TEXAS 79081
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June 16, 2016

Mr. Ken Levine
Director, Sunset Advisory Commission
1501 N. Congress
Austin, Texas 78701

RE: Palo Duro River Authority

Dear Mr. Levine:

Thank you for the opportunity to respond to the *Sunset Staff Report on the Palo Duro River Authority (PDRA)*. I also take this opportunity to respond to some of the comments made earlier by Moore County in its June 7th letter to you on this matter. Like Moore County, we too at PDRA thank the Sunset staff's thoroughness and professionalism during this review process and look forward to a continued productive, working relationship. In general, PDRA is amenable to the recommendations of the Sunset Advisory Commission but would like to make a couple of comments.

Sunset Advisory Commission Recommendation 4.1

4.1- Reclassify PDRA as a local water district and remove it from Sunset review.

With regard to Recommendation 4.1, because PDRA would not lose or gain any additional authority and powers through reclassification as a water district, board members of PDRA feel this recommendation is reasonable and better reflects the purpose PDRA. Our enabling legislation and Texas Water Code Chapter 49, which is set of laws that are applicable to all water districts, provides PDRA's powers and duties. It is my understanding that PDRA does not have to become another type of water district as Moore County's letter contemplates.

Sunset Advisory Commission Recommendation 4.2

4.2- Authorize one or more members to withdraw from or dissolve PDRA.

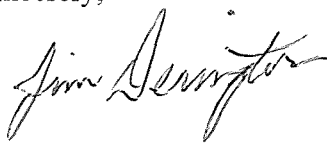
With regard to Recommendation 4.2, PDRA agrees that it would be a benefit to have flexibility for withdrawal or dissolution so its members could adapt to local needs and circumstances without state legislative action. However, having said that, PDRA urges the Texas Legislature to require safeguards in the legislation to ensure the dam for the Palo Duro Reservoir is properly operated and maintained upon any withdrawal or dissolution. If one day it is the will of our members to withdraw or dissolve, the dam will still need to be maintained which will require expenditures of taxpayer money from some entity or entities, state or local. Even at some point, if it were the will of the local governments to decommission the dam, the decommissioning would also require expenditures of taxpayer money. PDRA appreciates Moore County's attempt to find a local solution for withdrawal or dissolution and more representation

on the board, but any local solution must provide that the dam is maintained or decommissioned prior to dissolution.

Lastly, regarding Moore County's concerns about a violation of the Canadian River Compact, PDRA's water right for the reservoir provides authorization to impound and store water for the purposes described in the compact, and thus there is no violation of the compact. Moreover, there has been no current movement indicating whether any of the states within the compact plan to sue Texas.

Thank you again for the opportunity to respond. I look forward to ongoing discussions as the Sunset process continues.

Sincerely,



Jim Derington
General Manager
Palo Duro River Authority

cc:

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Review Director
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May 19, 2016

Representative Larry Gonzales
Chairman
Sunset Advisory Commission
P.O. Box 13066
Austin, Texas 78711-3066

Dear Chairman Gonzales:

The Palo River Authority of Texas received the Staff Report with comments and recommendations for changes to PDRA. The Board of Directors has reviewed the report, and after much discussion and one public meeting, would like to offer a response to you.

The first legislative change recommended, to reclassify PDRA as a local water district, is still under consideration by the Board. They feel more research and information is necessary to arrive at a definite conclusion. They are concerned about additional cost, different regulations and requirements, and the uncertainty of changing from a river authority to a water district. While the removal from Sunset review is enticing, there is no guarantee that a water district would not be placed under review in the future.

While alarming at first sight, the second legislative recommended, to allow an entity to withdraw from or dissolve PDRA, the conditions seem to cover all bases. A two-thirds majority of the PDRA Board, agreement by the counties and city, and a financial agreement to properly maintain the dam and reservoir, would be required. The PDRA Board is comfortable with this arrangement.

The remaining recommendations of Sunset staff would probably improve our operation and interaction with our constituents and the public. An agenda item for public testimony is already in place. A website has been discussed, and is needed, but is not in operation, yet. Written monthly board updates would improve the Board's understanding of the staff's activities and accomplishments. Other recommendations would improve our operation and efficiency.

One issue that has continually been brought up by the PDRA Board is the cost of the Sunset review (almost \$62,000), and no time to budget for it.

We look forward to testifying before the Sunset Advisory Commission, in June.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Derington".

Jim Derington, General Manager