

Proposed Opterra Project

Risks and Considerations

June 9, 2026



Project Risks

Bottom line upfront:

Staff has identified significant project risks for the Board to consider and discuss before moving forward.

- Financial impact
 - Unknown variables
 - Impact on debt profile
 - Rate impacts of loan payment
 - Wastewater opportunity costs
- Logistical questions
- Other project considerations
- Dr. House's assessment



Financial Variables That Impact ROI

EXCLUDED COSTS

- CEQA compliance: Estimated costs are ~\$200K, 6 months
- SDG&E Infrastructure upgrades to connect our solar to the grid.
 - This is a large unknown variable that could substantially change the ROI analysis

OTHER

- Long-term SDG&E rate forecasting is unpredictable and could impact ROI
- We can purchase batteries or other backup options that are far less expensive
- Smaller project scope has not been explored

“SAVINGS” INCLUDE SOME ITEMS NOT DEPENDENT ON THE SOLAR PROJECT

- \$1.7 million of the projected savings comes from SDG&E rate change savings, which are not dependent on this project
- \$845,000 in lighting upgrade savings are not dependent on this project

Financing \$11.7M | 15-year | 4.31%

Fiscal Year	Payment Date	Beginning Balance	Interest Paid	Principal Paid	Total Payment (Opterra Schedule)	Ending Balance
FY 2027	No payment	11,754,937	506,638	-	-	12,261,575
FY 2028	No payment	12,261,575	528,474	-	-	12,790,049
FY 2029	7/1/2028	12,790,049	1,035,112	2,950,886	3,985,998	8,804,051
FY 2030	7/1/2029	8,804,051	379,455	378,324	757,779	8,425,726
FY 2031	7/1/2030	8,425,726	363,149	447,020	810,169	7,978,706
FY 2032	7/1/2031	7,978,706	343,882	521,584	865,466	7,457,122
FY 2033	7/1/2032	7,457,122	321,402	600,063	921,465	6,857,059
FY 2034	7/1/2033	6,857,059	295,539	283,884	579,423	6,573,175
FY 2035	7/1/2034	6,573,175	283,304	338,011	621,315	6,235,164
FY 2036	7/1/2035	6,235,164	268,736	396,760	665,496	5,838,404
FY 2037	7/1/2036	5,838,404	251,635	460,458	712,093	5,377,946
FY 2038	7/1/2037	5,377,946	231,789	529,448	761,237	4,848,499
FY 2039	7/1/2038	4,848,499	208,970	604,097	813,067	4,244,402
FY 2040	7/1/2039	4,244,402	182,934	684,798	867,732	3,559,604
FY 2041	7/1/2040	3,559,604	153,419	771,967	925,386	2,787,637
FY 2042	7/1/2041	2,787,637	120,147	866,046	986,193	1,921,591
FY 2043	7/1/2042	1,921,591	82,821	967,505	1,050,326	954,085

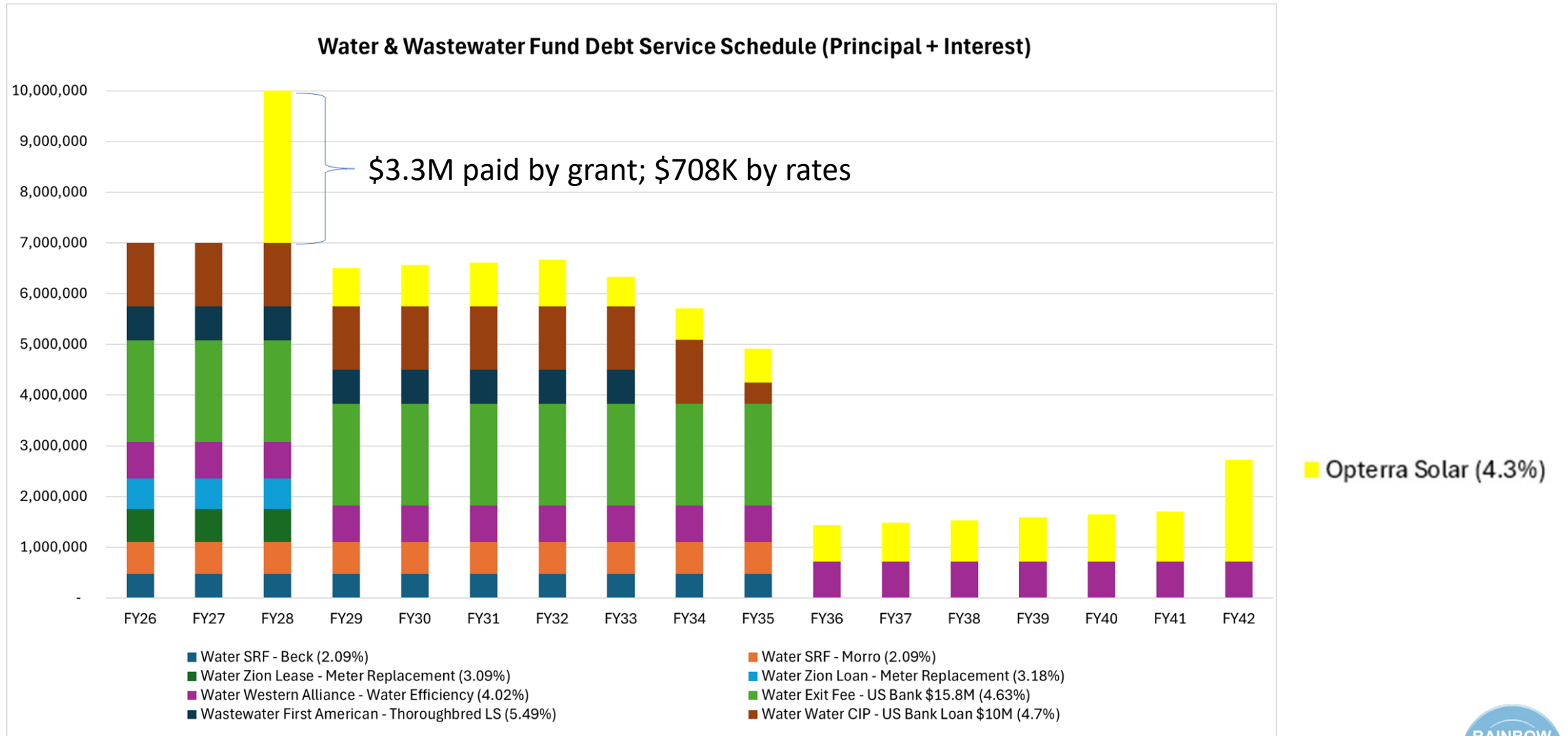
5,557,406 10,800,851 15,323,145

- Safe Harbor Payment from Reserves on July 2, 2026: **\$648,418**
- Not incorporated into the FY27 budget approved last month
- Interest accrual is more than investment earnings

*An additional balloon payment is required



Impact on Current Debt Service



Impact to Water Rates

- Revenue recovery for debt is on fixed rates, resulting in a **~4.5% increase to fixed rates for 15 years**
- Savings realized will be on variable rates because it's O&M
 - ~2.9%-3.9% decrease to variable
- This will shift the rate structure further to fixed for the first 15 years, which customers do not favor

Impact to Wastewater Fund

- The Solar CIP project is a General Fund CIP, split 87% to the Water Fund and 13% to the Wastewater Fund.
- The wastewater fund would be responsible for approximately \$139,000 in debt service annually for 15 years.

OPPORTUNITY COST:

- Wastewater has \$20 million in CIP expenditures budgeted for FY 2029, which will require debt financing. This project would reduce debt service coverage and leave a minimal operating margin.
- Adding additional debt to the Wastewater Fund would materially reduce its borrowing capacity and would require the use of reserves or changes to planned capital projects.
- Potential moratorium on development if sewer improvements are not made.

Logistical Questions

- **Perrault Operations:** Access to the West? Driving through a solar farm? Would they use the paved driveway in the upper yard? This would be a lot of additional heavy vehicle traffic on the District's paved driveway.
- **Access:** Would carports impede access to large vehicles (i.e., delivery of modular trailers, dump trucks, etc.).
- **Environment:** Current proposed cleaning schedule (twice yearly) seems insufficient and will likely reduce panel power generation.
- **Location:** Relocating panels in the event of an HQ move would incur significant cost.



Other Project Considerations



Staff Time Redirect

This project would re-direct staff away from other planned CIP work



Daylight Saving Time

How will that impact RES-BCT?



“Finalize Savings”

Projected savings have decreased since originally proposed and remain subject to change



Final Contract

Provide the final contract to the Board on the day they HAVE to take action



Payment

Needed before July 2

Dr. Lon House's Concerns:

- **Daylight Savings Time:** There is serious talk of eliminating Daylight Savings Time. This would reduce the RES-BCT savings by more than 66% (by shifting solar generation out of the on peak period in the summer).
- **Length of program:** 30 years is a long time. There are substantial risks over the next three decades in tariff changes, time-of-use changes, and operational changes. The savings are only guaranteed for 20 years, but just think back over how many changes there have been in SDG&E's rate design over the last 20 years. It is unclear what happens in the first 20 years if Opterra cannot verify actual savings.
- **Changes in Operation:** Over the next 20-30 years there will be changes in Rainbow operations (changes in pumps, service, Rainbow infrastructure). All these will impact the economics of this program.
- **Valley Center Issue:** Valley Center has experienced significant declines in water sales during the past decade and has projected a reduction of water sales of 33 percent over the next twenty-five years. The solar generation is projected to diminish but at a much lower rate (-11 percent over 25 years). This means in 25 years, Valley Center will still be paying 90 percent of current price for solar (they are on a PPA) but only providing 67 percent of the current water.
- **Summary:** All the risks of changes in the future are Rainbow Water's. Some might make this project more economic. Some could significantly impact this project negatively.

Staff Assessment

- Potential savings do exist regardless of Opterra's proposed projects
- Risks and opportunity costs are high
- Savings are not certain, but the debt is
- Several variables outside of the District's control could erode or negate potential savings
- Staff does not recommend moving forward with the project



Questions

