

# Aerojet plugs in to new 3.6-megawatt solar farm

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In the rocky fields south of Folsom, Roseville-based Solar Power Inc. on Tuesday inaugurated a 3.6-megawatt solar-power project – the region's largest – and announced plans to install an additional 2.4 megawatts at the same site by spring.

The projects will ultimately cover 40 acres in a corner of the Aerojet campus. The panels will meet just over 10 percent of the rocket-maker's electricity demand and help the Sacramento Municipal Utility District meet its goals of expanding solar power and reducing greenhouse gases.

Including the first 3.6 megawatts of the Aerojet project, 18.5 megawatts of solar panels are installed in the SMUD service area. The utility is aiming for 125 megawatts by 2016. SMUD's peak summer demand tops 3,000 megawatts.

The financing of the project celebrated Tuesday, which cost about \$20 million to build, illustrates the major role that subsidies play in the solar business.

The federal government provided a tax credit of 30 percent of the system's capital cost.

And SMUD is providing a subsidy for each kilowatt-hour produced by the project, totaling \$13.4 million over 10 years, a spokesman for the utility said. That money comes from a fund established to help the utility meet state solar-power targets. SMUD customers pay 2 cents into the fund for every 100 kilowatt-hours billed.

The panels will be owned by a San Francisco-based real estate developer, HEK LLC, which financed the project. HEK should earn a roughly 11 percent rate of return, Solar Power Chief Executive Steve Kircher said.

Aerojet expects to save \$10 million on its power bill over the next 25 years from the 3.6-megawatt project.

Despite falling costs for solar panels and the potential for investor profits, the market for projects on the scale of the Aerojet installations has been choppy this year, industry experts say.

Solar deals are complex, and financing continues to be a bottleneck. In addition, government policies that influence solar economics change frequently, often giving potential financiers reason to wait.

Currently, investors are awaiting state rules – expected as soon as the first quarter of next year – that will set a base price utilities must pay for power generated by solar projects, said Roy Phillips, a solar developer based in San Rafael.

The Aerojet projects are two of several large deals Solar Power has made public in the last six months, including major supply contracts for solar projects in Europe. Monday, the company

reported its first quarterly profit since going public in September 2007.

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