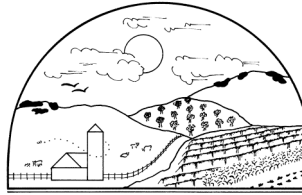


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**HARMONY FARM SUPPLY  
 SOLAR**

**Government Incentives, Net-Energy Metering, & Rate Schedules**

**Government Incentives**

STATE: In 2007 California introduced the “California Solar Initiative”, a 3.3 billion dollar program with a goal of 3000 MW of new installed photovoltaic energy systems by 2017. Residential and commercial rebates started at \$2.50 per watt and step down as allocated megawatts are installed:

Step	Megawatts Per Step	Residential	Commercial	Non-Taxable
1	50	n/a	n/a	n/a
2	70	\$2.50	\$2.50	\$3.25
3	100	\$2.20	\$2.20	\$2.95
4	130	\$1.90	\$1.90	\$2.65
5	160	\$1.55	\$1.55	\$2.30
6	190	\$1.10	\$1.10	\$1.85
7	215	\$0.65	\$0.65	\$1.40
8	250	\$0.35	\$0.35	\$1.10
9	285	\$0.25	\$0.25	\$0.90
10	350	\$0.20	\$0.20	\$0.70

The CSI program provides solar photovoltaic system purchasers with an upfront; one time rebate based on system size and expected performance over time (e.g. actual module output, inverter efficiency, orientation, etc.).

FEDERAL: The U.S. government offers a **tax credit for 30% of the total installed system cost** (now for both commercial AND residential systems). The tax credit can be carried forward (and possibly back) up to 10 years. Business system owners can also be eligible for a special Modified Accelerated Cost Recovery System (MACRS) 5 year accelerated depreciation providing very rapid payback opportunities.

**Net-Energy Metering**

California’s Net-Energy Metering (NEM) law took effect in 1996, requiring utilities to offer net metering to all customers for solar and wind energy systems up to 1 megawatt. Net metering makes utilities credit solar generators for all excess power produced. This excess power is credit at the same rates that it is

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charged with baseline quantities and related tiered rates determined on a monthly basis. Monthly net excess generation is credited in dollars and carried forward to a customer's next bill for up to 12 months. Generally, customers "true-up" with their utility on an annual basis, either paying for amounts consumed above what they generated or happily giving the excess to the utility...

Net-Energy Metering makes the utility into a 100% efficient battery to store the solar energy you create!

**Common Residential Rate Schedules**

E-1: The standard Schedule E-1 Residential Service billing schedule consists of 5 cost tiers calculated on a monthly basis. Currently (as of 10/1/08) these are:

	\$ / kWh
Baseline Usage	\$0.11550
101%-130% of Baseline	\$0.13131
131%-200% of Baseline	\$0.24725
201%-300% of Baseline	\$0.35443
Over 300% of Baseline	\$0.41059
\$ per meter per day	\$0.14784

10/1/2008 schedule

Note that there is a significant jump between the second and third tier. Regulation generally prevents rate hikes from applying to the first two tiers making the upper three subject to continued increase. This should provide encouragement to stay out of the top tiers via conservation and renewable energy generation.

E-6: Schedule E-6 Residential Time-Of-Use Service (TOU) varies the cost (and credit) of power with the time of day it is consumed (or generated). This is a much more complicated cost schedule than E-1. It has peak, part-peak, and off-peak rates and varies those between summer and winter. It can be very beneficial to a solar generating customer who stays in the lower tiers and uses most of their power during off-peak time periods. Note the additional fixed per day meter cost.

<b>SUMMER</b>	<b>PEAK</b>	<b>PART-PEAK</b>	<b>OFF-PEAK</b>
Baseline Usage	\$0.29299	\$0.14448	\$0.08456
101%-130% of Baseline	\$0.30877	\$0.16026	\$0.10034
131%-200% of Baseline	\$0.42448	\$0.27597	\$0.21604
201%-300% of Baseline	\$0.53144	\$0.38293	\$0.32300
Over 300% of Baseline	\$0.58749	\$0.43898	\$0.37905
<b>WINTER</b>			
Baseline Usage		\$0.10029	\$0.08857
101%-130% of Baseline		\$0.11607	\$0.10435
131%-200% of Baseline		\$0.23177	\$0.22005
201%-300% of Baseline		\$0.33873	\$0.32701
Over 300% of Baseline		\$0.39478	\$0.38306
\$ per meter per day	\$0.25298		

10/1/2008 schedule

Summer (May 1 - October 31): Peak: 1pm-7pm M-F  
 Part-Peak: 10am-1pm and 7pm-9pm M-F and 5pm-8pm Sat-Sun  
 Off-Peak: All other times and Holidays

Winter (November 1 – April 30): Part-Peak: 5pm-8pm M-F  
 Off-Peak: All other times and Holidays