

MUTUAL EIGHT

**BOARD OF DIRECTORS
MONTHLY REPORTS FOR**

DECEMBER 2017

(See information attached.)

President's Report MU08
December 20, 2017

Holiday Cheer to all of you. Where did 2017 go? Looking forward to 2018. We have to trim more big trees in the Mutual, plant more trees, continue our constant maintenance of all pipes and repair our buildings. This new year, starting in the summer, we do our bi-annual Fire and Safety inspections also. Remember to update your insurance plans with your broker during 2018. We each need \$50,000 liability coverage on our units in case a fire, etc. and now we know we need \$50,000 liability on our auto insurances for a carport situation. I learned that this year. Contents of carport cupboards = homeowners insurance. Contents and liability for car in carport= automobile insurance. Please call your insurance brokers early in 2018 to clarify.

1. Carport almost done. 36 apartments will have a place to park again. This has been awful.
2. Trimming 44 Trees in southern part of Mutual almost done.
3. Removal of dangerous, dead or dying trees almost done.
4. Gutters ready to be cleaned in January. We are having a late, hot fall.
5. We, the Board of Directors, decided NOT TO PURCHASE a new photovoltaic set of panels and inverters from Stellar Solar of Oceanside/Carlsbad, CA. We decided NOT to sign another solar panel contract. We are going to let the federal reimbursement money (if we ever receive it from court settlement - British Petroleum) sit in reserve account for the time being. Therefore, electricity costs will increase for the Mutual in 2018. Budget Team already increased electrical bill payments to prepare for this. Part of the settlement is we have to remove the panels on the buildings (settlement pays for it) and give them back to British Petroleum so they will not be in circulation anymore. Call me if you have questions (760-219-0852). We have always paid around \$25,000

annually for electricity in the Laundry Rooms if you count the \$240,000 investment in solar since 2005 as part of the cost. This is about what Mutuals our size have paid also.

6. Building Captains, co-captains, building helpers, interested volunteers and friends are invited to attend one of the following meetings in February for an update on what and how we help and govern each other. Please call Laura Garcia (562- 230-5302) and let her know which meeting time is best for you to come. We are serving light refreshments. Need to have a count of who is attending.

Building Five, (Physical Property) room B
(downstairs/back) is the location for:

Morning People	9:30-11AM	Feb. 12, Monday
Afternoon People	3-4:30PM	Feb. 19, Monday
Night People	6-7PM	Feb. 5, Monday

Night Meeting at 204E, not Bldg. 5.

7. Put on your new 2018 Calendar that we are having a Town Hall Meeting, Clubhouse 4 from 12-2PM on Monday, March 5, 2018. Potluck at noon and meeting at 12:30P.

Thank all the shareholders again for patience, showing respect for others and following all 'those rules'. Camille Thompson, President MU08

MUTUAL 8

PHYSICAL PROPERTY REPORT OF RICH WINSLOW- DEC 18, 2017

Season's Greetings and Happy New Year.

The most important issue this fall, from the Physical Property Coordinator's point of view, has been "What to do with the refund from the class action against BP for manufacturing solar panels that did not meet the advertized warranty?" Federal Court approved a refund to us of \$82,944. Originally, we paid \$199,350 for the solar power system, installation and warranty. With the refund from the settlement, the net cost is about \$116,000. We accepted the settlement in August. We now have a bid from Stellar Solar Power to replace the whole solar power system with high quality, state of the art equipment, a 10 year warranty on inverters and 25 year warranty on solar panels including the labor involved for installation on existing frames and future parts, and repairs, and 5 year warranty against leaks on the roofs where they install the panels is also included for \$81,750. An *additional* 10 year warranty on the inverters is available for \$580 each.

At our November Board Meeting, representatives from Stellar Solar Power presented their contract and answered all questions relating to the scope of work and benefits of solar power systems. They will be removing the existing solar panels as a condition of our receiving the settlement and are ready to replace them in one operation. This will allow us to keep "Net Metering" billing benefits from Southern California Edison which lets us "sell" our excess electricity back to SCE at "market rate" and not buy any electricity from it until we have exhausted all of the electricity we generated. If we delay installation of new solar panels until we re-roof, we will lose that benefit. Of course, if we decline to replace our solar power system, we will pay SCE for all of the electricity we use.

It has been proposed by one director that the savings on electricity will not save enough in electricity using solar power to pay for the cost of the replacement, soon enough. His spread sheets appear detailed and look impressive but I have carefully examined his actual calculations and I disagree with several cost items and calculations, not the least of which is the omission from his calculations of that \$82,944 refund we are about to receive.

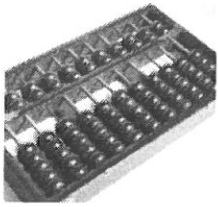
A licensed, professional accountant disagreed with that director's calculations, stating his analysis "has a flawed set of parameters" stating, among other reasons, that the short term experience of just one of our laundry rooms (which was without solar power for less than 10 months) is not reliably representative of our expected cost of electricity for all 9 solar power systems over the course of 35+ years, past and future. The accountant anticipates we will pay \$909,500 for Edison electricity over the next 20 years if we do not have solar power (adjusted for inflation) as compared to paying Edison \$397,100 for electricity *with* solar power; a *savings of* \$512,400, from the investment of approximately \$85,000 now. A copy of the Accountant's 3 page report dated Nov. 26, 2017, is attached. (Reference to the figure of \$104,215 includes a set cost for relocating the solar panels when buildings are re-roofed, included in Stellar Solar's proposal.)

More basically, I disagree with the premises that we should take a short-term view of cost savings for utilities and the lack of consideration for the environment, the desirability of being less dependent upon electricity generated by fossil fuel. Even so, it appears to me we can "break-even" in 7 years. When we pay Edison for electricity, we pay for the profit SCE makes in addition to the cost of it's source of electricity, which also operates for profit.

In anticipation of the possibility that we may proceed without solar power, we have doubled our electricity budget to \$25,682 (an increase of \$13,196) in hopes that that will be enough to offset the increase cost of electricity for our laundry rooms and lighting.

I strongly urge that we approve acceptance of TMAG Industries, d/b/a Stellar Solar's proposed contract including the purchase of additional 10 years warranties for inverters, and authorize further negotiations for a reduction in cost by continuing to use newer inverters where compatible with the new solar panels Stellar Solar will install; and that we use the refunded amount from the BP settlement of \$82,944 toward payment for the cost of the contract.

Respectfully, ***Richard Winslow***, Physical Property Coordinator



JAMIE YBARRA KOCH
ACCOUNTING SERVICES
254 N. MARINA DRIVE
LONG BEACH, CA 90803
714/726-1966

November 26, 2017

Dear Sirs:

I have been commissioned to analyze the pros and cons of electricity vs solar power for Mutual 08 based on a report by Keeschul Park. In reviewing this report, I have determined it has a flawed set of parameters. Noting, the following:

The use of historical data when analyzing something as flexible as electrical usage when there is a human (i.e. the user) element involved is almost impossible. It is my understanding that the solar system itself was flawed (hence the settlement) therefore the data from this system, i.e maintenance and repair is flawed and should NOT be considered as a benchmark. A better assumption is that a new solar system would not require much more than a cleaning schedule (as estimated in column E on Plan C). The new inverters will be under warranty for ten years, (it is my understanding that for minimal additional cost which is included in the \$104,215 you can have 20 years of warranty).

The assumption that L 179 can be used as an example of the power usage for all 8 laundry rooms (footnote 1 on page 1 of Mr. Park's presentation) cannot be made. The usage varies too much from Laundry room to Laundry room...I have proven this below with the current usage accounts from the actual SCE bills for each Laundry room.

Example: the month of July

Unit 179	1044 kWh
Unit 182	59 kWh
Unit 188	-384 kWh
Unit 191	- 6 kWh
Unit 195	-132 kWh
Unit 196	- 36 kWh
Unit 200	400 kWh
Unit 204	-106 kWh

In usage alone, Unit 179 is more than double the usage of the "crippled" solar panel system in the heat of summer.

The law of averages is tricky when applied to electricity usage, again because of the variables. The price of Kilowatt hours usage is rarely if ever constant. It is better to go with actual costs. This sort of forensic analysis would be very time consuming and expensive and in my opinion not necessary but I can offer my services which would required complete access to all accounting records for the laundry rooms since inception or at least prior to the installation of the solar panel system.

The question is, will the NEW system be cost effective over electricity (Per the EIA, the cost of electricity is going up in 2018 by 2.3%), for the next 10 years which is the warranty period for the new panels.

Ultimately, the answer to this question depends on two things: how much you pay for the electricity you buy from the local grid, and how much can you get paid for the electricity you can produce from PV. For me the operative phrase here is how much you get paid for the electricity you can produce.....standard electricity does not offer you this option.

Discussing any loss regarding the current system is irrelevant. None of the negative circumstances that existed with this system will exist with the new system. The investment was a good investment, the product was inferior and remedy was sought and the client received an ample settlement so case closed. Don't throw the baby out with the bath water.

Mr. Park notes the solar industry is unstable example by the two solar companies the client used are out of business. Two companies out of business in the past 13 years is not alarming. In April, 2017, California solar capacity generated 5,045 thousand kWh, or 13.78% of the total electricity generated that month. SEIA currently estimates that California's solar capacity powers 4,885,000 homes in the state, and employs 100,050. It is estimated that the state will add an additional 13,670 MW of capacity over the next five years, 2017-2021.

Regarding Return on Investment, it is my understanding that the client functions with a depository/fee set up similar to a "home owner association". This being the case, ROI is not really a consideration. The monies deposited are spent based on the HOA charter and CC&Rs and is used for expenses regardless of the subject matter. This may include "capital expenses" but does not fit the criteria for an ROI calculation. The following is a simple step by step for determining if an item qualifies for ROI, I do not see any evidence that the solar panel operation fits within these qualifications:

1. Determine the initial cash outlay
2. Forecast the cash flow from the investment
3. Determine the minimum return required by the Client
4. Evaluate the return of investment based on one of the 4 ROI calculation methods
 - a. Payback
 - b. Net present value
 - c. Internal rate of return
 - d. Profitability Index

While these are the basic steps, there is a lot more to getting it right. You have to account for the time value of money. You have to estimate returns based on cash flow rather than on profit. You

must know your hurdle rates, and you must determine which method of calculating ROI is the best one for this project. Hence my determination that the solar system is a regular capital expense outlay and not a qualified ROI expenditure.

Let's look at the existing system and how the value has fared over the last 13 years.

The original panels were purchased in 2005 for \$ 199,350.09, using straight line depreciation, (**Straight line depreciation** is the default method used to gradually reduce the carrying amount of a fixed asset over its useful life. ... Divide the estimated useful life (in years) into 1 to arrive at the **straight-line depreciation** rate. Multiply the **depreciation** rate by the asset cost (less salvage value), and assuming a useful life of 20 years. This system depreciated at a rate of \$9967.50 per year. Therefore the clients current system has depreciated \$129,577.50, leaving an expense of \$69,772.59 to be written off as a loss which one then needs to know the salvage value of the panels and then deduct that to determine how much of a loss scrapping the existing system would cost. But let's use the \$69,772.59 as the remaining expense and apply the \$83,000 settlement to same....now the HOA is \$13,224.41 to the good.

Attached is plan C. This plan is based on a total price of \$104,800 which includes new inverters.

The inflation rate is based on the actual predicted rise in electricity costs predicted for 2018. 2.3%, the EIA predicts it will continue to rise over the next 10 years. Some have predicted that electricity could be \$1 per kWh by 2033.

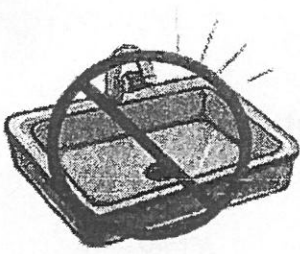
The maintenance cost of \$900 is inflated to cover any unwarranted repair. The actual average cleaning for the new panels based on the actual cost of cleaning for the existing panels is only \$250.

The total cost for electricity without solar over 20 years is \$909,502 versus Electricity with solar cost of \$397,097, a savings of \$512,405. As I am sure you know, the largest use of electricity with solar is in the evening. I am familiar with some apartment buildings rotating evening hours on their laundry rooms so or closing earlier all together to cut down the evening costs but that is another analysis.

The costs savings will be even larger if you can use the existing inverters.

The new inverters are in the purchase price and if you add an extended warranty for an additional 10 years for a total of \$5265 additional, you will nullify the replacement cost noted on page 10 of \$18,000.

JAMIE YBARRA KOCH



PROPER USE OF GARBAGE DISPOSAL

When using the garbage disposal be sure to run plenty of water!

Follow these easy steps when using the garbage disposal:

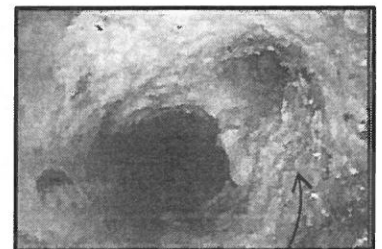
1. Turn on the cold water
2. Turn on the disposal
3. Feed the material into the disposal a little at a time
4. When the hammering stops, turn off the disposal and keep the water running for one minute
5. Make sure to run the disposal every day, even though you are not putting it to normal use
6. If the disposal stops working, locate the RED re-set button on the bottom surface of the unit and hold for 30-seconds.

REMINDER

Please do not grind these items

Bones
Carrot peelings
Celery & Rhubarb Stalks
Coffee Grounds
Corn Cobs—Husks or Silks
Egg Shells

Onion Skins
Pea Pods
Potato Peelings
Grease
Pills
Glass
Rice
Any fibrous materials



THIS IS WHAT GREASE
DOES TO THE SEWER PIPE

If the disposal is not grinding as well as it should, grind some ice to sharpen the blades.

To deodorize the disposal grind some lemon, lime or orange rinds.

부엌 찌꺼기 분쇄 처리기 (디스포저) 사용법

디스포저를 사용할 때는 물을 많이 틀어놓고 사용하세요!

디스포저 사용 방법은 다음과 같습니다:

1. 수도 꼭지의 차거운 물을 툰다.
2. 디스포저의 전기 스위치를 툰다.
3. 찌꺼기를 조금씩 디스포저에 넣는다.
4. 디스포저가 돌아가지 않을 때 디스포저의 전기 스위치를 끈 후 1 분 동안 수도물이 내려가게 한다. 그리고 다시 스위치를 툰다.
5. 디스포저를 사용할 필요가 없을 때라도 하루에 한번 정도 디스포저를 돌려 동작하는지 확인한다.
6. 만약 디스포저가 동작하지 않을 때는 디스포저 의 밑바닥에 있는 빨간색 복원 스위치 (re-set switch)를 약 30 초 동안 누른다.

*주의 사항: 다음과 같은 음식 찌꺼기는 디스포저에 넣고 갈지 마세요

고기 뼈, 당근껍질, 셀러리 줄기, 커피찌꺼기, 옥수수속, 옥수수 겉껍질, 달걀 껍데기, 양파 껍질, 완두콩 꼬투리, 감자 껍질, 고기 기름 또는 지방, 알약, 유리조각, 쌀, 섬유가 많은 물질

디스포저가 잘 갈아지지 않을 때는 얼음을 조금 넣고 갈면 디스포저 칼날이 날카로워 진다.

디스포저에서 나쁜 냄새가 날 경우 레몬(Lemon), 라임(Lime), 또는 오렌지 껍질 등을 조금 넣고 갈면 나쁜 냄새가 없어질 수 있다.

번역: 박기철