

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
BOND FINANCING PROGRAM
Meeting Date: February 27, 2008
Executive Summary

Request for Final Resolution to Issue Refunding Revenue Bonds

Prepared by: *Doreen Carle*

Applicant: BP West Coast Products LLC	Amount Requested: \$44,810,000
Project Location: Carson (Los Angeles County)	Application Nos.: 00023 and 00455
	Final Resolution No.: 00480

Type of Business: BP West Coast Products LLC (the “Company”) is the successor of most of the operating assets of Atlantic Richfield Company (ARCO). The Company provides crude oil refining and marketing operations.

Background Information: On January 24, 1996, CPCFA Revenue Bonds Series 1996A were issued to ARCO in the amount of \$44,810,000. The bonds were issued to refinance the acquisition and construction of air and water pollution control facilities at ARCO’s Carson Refinery and Watson Cogeneration Plant located in Carson, California. The pollution control facilities were installed to reduce the level of emissions generated by refining and cogeneration operations.

The 1996A Bonds were issued to refund the two previously issued revenue bonds as listed below:

- Atlantic Richfield Company Project Series 1974 issued June 6, 1974 in the amount of \$13,460,000.
- Atlantic Richfield Company Project Series 1985 issued November 14, 1985 in the amount of \$35,200,000.

The Company currently proposes the refunding of \$44,810,000 CPCFA revenue bonds (Atlantic Richfield Company Project) Series 1996A through the issuance of Series 2008 revenue refunding bonds in the amount of \$44,810,000.

Pollution Control and/or Waste Diversion: The Company represents the Project generates the pollution control benefits described below.

Waste Diversion. The Company has represented that the Project controls the amount of sulfur, carbon monoxide and nitrogen oxide that is released.

Environmental Benefits: The Company represents that the Project is designed to generate the environmental benefits described below.

Air Quality. The refinery improvement project has resulted in a reduction of the sulfur content of air emission at the Company’s Carson Refinery. The construction of the cogeneration

improvement project has resulted in a reduction of carbon monoxide and nitrous oxide compounds contained in the flue gas of the Watson Cogeneration Plant’s combustion turbines.

Water Quality. The construction of the refinery improvement project has resulted in a reduction of the sulfur content of process waste water streams that are produced by hydrotreating and other processes at the Company’s Carson Refinery.

Energy Efficiency. The construction of the cogeneration improvement project has resulted in a recovery of heat energy which has been achieved by the installation of a heat recovery steam generator associated with the catalytic treatment of the combustion turbine exhaust gases.

Permits: The Company has previously provided copies of the appropriate leases and permits for the project site.

Financing Details: The bonds will be secured solely from payment to be made by BP West Coast Products LLC under a Loan Agreement between BP West Coast Products LLC and the CPCFA. The anticipated loan term is 23 years for \$9,610,000 of the loan and 35 years for the remaining \$35,200,000 of the loan.

The Company anticipates a negotiated tax-exempt, variable rate bond issue. The bonds will be sold in a public offering with credit enhancement provided solely by the BP p.l.c. corporate guarantee. The guarantor, BP p.l.c., is a corporation organized under the laws of England and Wales and as a foreign private issuer is subject to the requirements of the Securities Exchange Act of 1934.

The anticipated bond rating is Aa1/VMIG1 by Moody’s and AA+/A-1+ by Standard & Poor’s. The target date of the financing is March 26, 2008.

Financing Team:

Underwriter: Goldman, Sachs & Co.

Bond Counsel: Chapman and Cutler LLP

Issuer’s Counsel: Office of the Attorney General

Legal Questionnaire: The Staff has reviewed the Company’s responses to the questions contained in the legal status portion of the Application. The Company did disclose several matters in which it was a defendant, without admitting the truth or validity of any of the allegations. No information was disclosed that raises questions concerning the financial viability or legal integrity of this applicant.

Staff Recommendation: Staff recommends approval of Final Resolution No. 480 for an amount not to exceed \$44,810,000 for BP West Coast Products LLC.

BP WEST COAST PRODUCTS LLC
Bond Amount: \$44,810,000
 Carson, CA (Los Angeles County)
 Application Nos. 00023 and 00455
 February 27, 2008

STAFF SUMMARY – CPCFA

Prepared by: *Doreen Carle*

ISSUE:

BP West Coast Products LLC (the “Company”) requests approval of Final Resolution Number 480 to issue refunding revenue bonds.

CDLAC Allocation. This is a refunding request that does not require CDLAC allocation.

TEFRA. The TEFRA hearing was held on February 13, 2008. There were no comments received in support of or in opposition to this Project.

BORROWER:

The Company is a limited liability company that organized in Delaware on September 26, 2001. The Company is 100% owned by BP Products North America Inc.

Legal Questionnaire. The Staff has reviewed the Company’s responses to the questions contained in the legal status portion of the Application. The Company did disclose several matters in which it was a defendant, without admitting the truth or validity of any of the allegations. No information was disclosed that raises questions concerning the financial viability or legal integrity of this applicant.

Prior Actions and Financings.

Description	Date of Bond Issue	Original Amount	Amount Outstanding as of 2/27/08
ARCO Series 1997A (Tax-Exempt)	03/12/1998	\$ 20,000,000	\$20,000,000
ARCO Series 1997 (Taxable)	12/23/1997	108,000,000	88,000,000
ARCO Series 1996A	01/24/1996	44,810,000	44,810,000
ARCO Series 1994A	12/08/1994	45,000,000	45,000,000
ARCO Series 1985 (refunded by 1996A Bonds)	11/14/1985	35,200,000	0
ARCO Series 1974 (refunded by 1996A Bonds)	06/06/1974	13,460,000	0
TOTALS:		<u>\$266,470,000</u>	<u>\$197,810,000</u>

BACKGROUND INFORMATION:

On January 24, 1996, CPCFA Revenue Bonds Series 1996A were issued to Atlantic Richfield Company (ARCO) in the amount of \$44,810,000. The bonds were issued to refinance the acquisition and construction of air and water pollution control facilities at ARCO’s Carson Refinery and Watson Cogeneration Plant located in Carson, California. The pollution control

facilities were installed to reduce the level of emissions generated by refining and cogeneration operations.

The 1996A Bonds were issued to refund the two previously issued revenue bonds listed below:

- Atlantic Richfield Company Project Series 1974 issued June 6, 1974 in the amount of \$13,460,000.
- Atlantic Richfield Company Project Series 1985 issued November 14, 1985 in the amount of \$35,200,000.

The Company currently proposes the refunding of \$44,810,000 CPCFA revenue bonds (Atlantic Richfield Company Project) Series 1996A through the issuance of Series 2008 revenue refunding bonds in the amount of \$44,810,000.

The Project costs are listed below:

Site Preparation & Improvements.....	\$ 260,000
Equipment	41,250,000
Engineering/Architecture	<u>3,300,000</u>
Total:	<u>\$44,810,000</u>

POLLUTION CONTROL AND/OR WASTE DIVERSION:

The Company represents that the Project generates the pollution control benefits described below.

Waste Diversion. The Company has represented that the Project controls the amount of sulfur, carbon monoxide and nitrogen oxide that is released.

ENVIRONMENTAL BENEFITS:

The Company represents that the Project is designed to generate the environmental benefits described below.

Air Quality. The refinery improvement project has resulted in a reduction of the sulfur content of air emission at the Company’s Carson Refinery. This was accomplished by installing sulfur recovery and tail gas cleanup units that convert hydrogen sulfide gas into elemental sulfur and water vapor.

The construction of the cogeneration improvement project has resulted in a reduction of carbon monoxide and nitrous oxide compounds contained in the flue gas of the Watson Cogeneration Plant’s combustion turbines. This was accomplished by installing catalytic systems that remove the carbon and nitrous compounds from the gaseous effluent steams.

Water Quality. The construction of the refinery improvement project has resulted in a reduction of the sulfur content of process waste water streams that are produced by hydrotreating and other processes at the Company’s Carson Refinery. This was accomplished by installing sour water stripping units that remove the sulfur from the effluent water streams.

Energy Efficiency. The construction of the cogeneration improvement project has resulted in a recovery of heat energy which has been achieved by the installation of a heat recovery steam generator associated with the catalytic treatment of the combustion turbine exhaust gases.

PERMITTING & ENVIRONMENTAL APPROVALS:

The Company has previously provided copies of the appropriate leases and permits for the project site.

PROJECT TIMELINE:

The refinery improvements financed with 1974 bonds were completed in November 1975. The refinery improvements financed with 1985 bonds were completed in September 1990. The Watson Cogeneration Plant improvements financed with 1985 bonds were completed in November 1987.

FINANCING DETAILS:

The bonds will be secured solely from payment to be made by BP West Coast Products LLC under a Loan Agreement between BP West Coast Products LLC and the CPCFA. The anticipated loan term is 23 years for \$9,610,000 of the loan and 35 years for the remaining \$35,200,000 of the loan.

The Company anticipates a negotiated tax-exempt, variable rate bond issue. The bonds will be sold in a public offering with credit enhancement provided solely by the BP p.l.c. corporate guarantee. The Guarantor, BP p.l.c., is a corporation organized under the laws of England and Wales, which until December 31, 1998 was named The British Petroleum Company p.l.c. Upon the merger on December 31, 1998, of one of its subsidiaries with a subsidiary of the Amoco Corporation, an Indiana corporation, it was renamed BP Amoco p.l.c. and in April 2001 renamed BP p.l.c. The Guarantor is subject as a foreign private issuer to the informational requirements of the Securities Exchange Act of 1934, as amended and in accordance therewith files reports and other information with the Securities and Exchange Commission.

The anticipated bond rating is Aa1/VMIG1 by Moody's and AA+/A-1+ by Standard & Poor's. The target date of the financing is March 26, 2008.

FINANCING TEAM:

Underwriter: Goldman, Sachs & Co.
Bond Counsel: Chapman and Cutler LLP
Issuer's Counsel: Office of the Attorney General

RECOMMENDATION:

Staff recommends approval of Final Resolution No. 480 for an amount not to exceed \$44,810,000 for BP West Coast Products LLC.

Final Resolution No. 480
Application Nos. 23 & 455

**FINAL BOND RESOLUTION OF THE
CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
RELATING TO THE REFUNDING OF BONDS ISSUED TO
FINANCE POLLUTION CONTROL FACILITIES FOR
BP WEST COAST PRODUCTS LLC**

February 27, 2008

WHEREAS, the California Pollution Control Financing Authority (the “Authority”) has heretofore approved the application of BP West Coast Products LLC (successor of most of the operating facilities of Atlantic Richfield Company, the “Borrower”) for financial assistance to refund and retire all \$44,810,000 in principal amount of the outstanding California Pollution Control Financing Authority Pollution Control Refunding Revenue Bonds (Atlantic Richfield Company Project), Series 1996A (the “Prior Bonds”); and

WHEREAS, the Prior Bonds were issued by the Authority on January 24, 1996 for the purpose of refunding the Authority’s Pollution Control Revenue Bonds 1974 Series due 2004 (Atlantic Richfield Company Project) and Pollution Control Revenue Bonds (Atlantic Richfield Company Project) Series 1985 (together, the “Original Bonds”), and the Original Bonds were issued to finance the costs of certain pollution control facilities at the BP West Coast Products LLC Carson Refinery and the Watson Cogeneration Plant located in Carson, Los Angeles County, California (collectively, the “Project”); and

WHEREAS, the Borrower has requested the Authority to issue its revenue bonds in the amount of \$44,810,000 to refund and retire the Prior Bonds; and

WHEREAS, the proceeds of such revenue bonds will be loaned to the Borrower under a loan agreement with the Authority; and

WHEREAS, final approval of the terms of such revenue bonds and certain documents relating to such revenue bonds is now sought; and

WHEREAS, in order to enhance the marketability of the bonds, the Borrower has arranged for BP p.l.c. to provide its unconditional corporate guarantee, as reflected in the Term Sheet attached hereto as Exhibit A and incorporated herein (the “Term Sheet”), thereby guaranteeing repayment of the Bonds;

NOW, THEREFORE, BE IT RESOLVED by the California Pollution Control Financing Authority, as follows:

Section 1. The Project constitutes a “project” and the Borrower is a “participating party” within the meaning of the California Pollution Control Financing Authority Act (the “Act”).

Section 2. Pursuant to the Act, revenue obligations of the Authority, designated as the “California Pollution Control Financing Authority Pollution Control Revenue Refunding Bonds (BP West Coast Products LLC Project) Series 2008” (the “Bonds”), or such alternate designation as may be approved by the Executive Director of the Authority, in an aggregate principal amount of \$44,810,000, are hereby authorized to be issued. The Bonds may be issued at one time, or from time to time, in one or more series separately or differently identified, and may be issued in a tax-exempt mode, all in accordance with the Indenture (as hereinafter defined) as finally executed. The proceeds of the Bonds shall be used to refinance the Project and to refund and retire the Prior Bonds.

Section 3. The Treasurer of the State of California (the “Treasurer”) is hereby authorized to sell the Bonds, at one time or from time to time on or before April 1, 2008, by negotiated sale, in a tax-exempt mode, at such price and at such interest rate or rates as he may determine, such determination to be as set forth in the hereinafter referred to Purchase Contract.

Section 4. The proposed form of loan agreement relating to the Bonds (the “Loan Agreement”), between the Authority and the Borrower, as filed with the Authority prior to this meeting, is hereby approved. The Chairman or any Deputy to the Chairman, together with the Executive Director of the Authority (collectively, the “Authorized Signatories” and each, individually, an “Authorized Signatory”) are hereby authorized and directed, for and on behalf and in the name of the Authority, to execute, acknowledge and deliver to the Borrower the Loan Agreement in substantially the form filed with the Authority, with such insertions, deletions or changes therein (including, without limitation, insertions, deletions or changes therein appropriate to reflect the form of credit enhancement for the Bonds) as the officer executing the same, with the advice of the Attorney General of the State of California (the “Attorney General”), may require or approve, and with particular information inserted therein in substantial conformance with the Term Sheet, such approval to be conclusively evidenced by execution and delivery thereof. The Authority understands and agrees that pursuant to the terms of the Loan Agreement, the obligations of the Borrower may, under some circumstances, be carried out or assumed by a successor or assignee entity, or by an Affiliate of the Borrower. For purposes of this Resolution, an “Affiliate” of the Borrower means any person or entity which meets the definition of “Participating Party” in the Act and controls, is controlled by, or is under common control with, the Borrower, as shown by the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through majority equity ownership, contract or otherwise.

Section 5. The proposed form of indenture of trust relating to the Bonds (the “Indenture”), between the Authority and the trustee named in the Term Sheet (the “Trustee”), as filed with the Authority prior to this meeting, is hereby approved. The Authorized Signatories are hereby authorized and directed, for and on behalf and in the name of the Authority, to

Agenda Item – 4.B.1.

execute, acknowledge and deliver to the Trustee, the Indenture in substantially the form filed with the Authority, with such insertions, deletions or changes therein (including, without limitation, insertions, deletions or changes therein appropriate to reflect the form of credit enhancement for the Bonds) as the officer executing the same, with the advice of the Attorney General, may require or approve, and with particular information inserted therein in substantial conformance with the Term Sheet, such approval to be conclusively evidenced by the execution and delivery thereof. The dates, maturity dates, interest rate or rates, interest payment dates, denominations, forms, registration privileges, place or places of payment, terms of redemption and other terms of the Bonds shall be as provided in the Indenture, as finally executed.

Section 6. The proposed form of bond purchase agreement (the “Purchase Contract”) among the underwriter or underwriters named in the Term Sheet (the “Underwriter”), the Treasurer and the Authority, as agreed to and accepted by the Borrower, as filed with the Authority prior to this meeting, is hereby approved. The Executive Director of the Authority, acting alone, is hereby authorized and directed, for and on behalf and in the name of the Authority, to execute, acknowledge and deliver to the Underwriter, the Purchase Contract in substantially the form filed with or approved by the Authority, with such insertions, deletions or changes therein as the Executive Director of the Authority, with the advice of the Attorney General, may require or approve, and with particular information inserted therein in substantial conformance with the Term Sheet, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 7. The proposed form of official statement (the “Official Statement”) as filed with the Authority prior to this meeting, is hereby approved. Each of the Authorized Signatories, acting alone, is hereby authorized, for and on behalf and in the name of the Authority, to execute and deliver the Official Statement in substantially the form filed with or approved by the

Agenda Item – 4.B.1.

Authority, with such insertions, deletions or changes therein as such officer, with the advice of the Attorney General, may approve or require, and with particular information inserted therein in substantial conformance with the Term Sheet, such approval to be conclusively evidenced by the execution and delivery thereof. The Underwriter is hereby authorized to distribute and deliver copies of the Official Statement to purchasers of the Bonds, with such changes therein as may be approved or required by the Attorney General. The distribution of copies of the Official Statement in preliminary form is hereby authorized and approved. Each of the Authorized Signatories, acting alone, is hereby authorized and directed to execute and deliver any amendments or supplements to the Official Statement which include, without limitation, amendments or supplements to the Authority's disclosure set forth in the form of Official Statement filed with or approved by the Authority, which they may deem necessary or advisable in order to consummate the issuance, sale, delivery or remarketing of the Bonds.

Section 8. The Chairman of the Authority is hereby authorized and directed to execute, by manual or facsimile signature, in the name and on behalf of the Authority and under its seal, the Bonds, in one or more series, in an aggregate principal amount of \$44,810,000, in accordance with the fully executed and delivered Indenture and the form of bond set forth therein.

Section 9. The Bonds, when so executed, shall be delivered to the Trustee under the Indenture for authentication by the Trustee. The Trustee is hereby requested and directed to authenticate the Bonds by executing the Trustee's certificate of authentication appearing thereon. The Trustee is hereby requested and directed to deliver the Bonds, when duly executed and authenticated, to The Depository Trust Company, New York, New York, on behalf of the Underwriter in accordance with written instructions executed on behalf of the Authority by an Authorized Signatory, which instructions said officer is hereby authorized and directed, for and on behalf and in the name of the Authority, to execute and to deliver to the Trustee. Such

instructions shall provide for the delivery of the Bonds to The Depository Trust Company, on behalf of the Underwriter thereof, upon payment of the purchase price thereof.

Section 10. As requested by the Borrower, the Authority hereby waives the requirement for an in-furtherance certificate relating to the Project pursuant to Section 44533(a) of the Act.

Section 11. Each of the Authorized Signatories, acting alone, is hereby authorized and directed, acting alone, to do any and all ministerial acts, including (without limitation) the execution and delivery of any and all documents and certificates, including the tax exemption certificate and agreement, they may deem necessary or advisable in order to consummate the issuance, sale, delivery or remarketing of the Bonds, and otherwise to effectuate the purpose of this resolution. The Treasurer is hereby requested and authorized to take any and all acts within his authority as agent for sale that he may deem necessary or advisable in order to consummate the issuance, sale, delivery or remarketing of the Bonds, and otherwise effectuate the purposes of this resolution.

Section 12. This resolution shall take effect immediately upon its passage. The adoption by the Authority of this final resolution for the Borrower shall not be referred to in any application before any government agency as evidence of the feasibility, practicality or suitability of the Project or in any application for any required permission or authority to construct or operate the Project.

EXHIBIT A

TERM SHEET

Name of Issue:	California Pollution Control Financing Authority Pollution Control Revenue Refunding Bonds (BP West Coast Products LLC Project) Series 2008 (the “Bonds”)
Maximum Amount of Issue:	\$44,810,000 (tax-exempt)
Issuer:	California Pollution Control Financing Authority (the “Authority”) Sacramento, CA
Borrower:	BP West Coast Products LLC
Trustee:	The Bank of New York Trust Company, N.A.
Senior Underwriter or Placement Agent:	Goldman, Sachs & Co.
Bond Counsel:	Chapman and Cutler LLP San Francisco, CA
Remarketing Agent:	Goldman, Sachs & Co.
Project:	Refunding of \$44,810,000 California Pollution Control Financing Authority 5% Pollution Control Refunding Revenue Bonds (Atlantic Richfield Company Project), Series 1996A
Maximum Bond Term:	Not to exceed 35 years
Type of Sale:	Negotiated sale
Description of Minimum Denominations:	\$100,000 or any integral multiple thereof while in a daily mode
Financing Structure:	Variable rate demand bonds; convertible to fixed rate pursuant to the Indenture
Maximum Interest Rate:	15%
Letter of Credit:	Not Applicable
Other Credit Enhancement:	Corporate guarantee of BP p.l.c.

Agenda Item – 4.B.1.

Anticipated Bond Rating:

Aa1/VMIG1 and AA+/A-1+

Type of Financing:

Pollution control revenue refunding bonds

Prepared by:

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