

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
BOND FINANCING PROGRAM
Meeting Date: October 28, 2009
Request for Initial Resolution

Prepared by: *Doreen Smith*

Applicant: BP West Coast Products LLC	Amount Requested: \$500,000,000
Project	Application No.: 00825
Location: Carson (Los Angeles County)	Initial Resolution No.: 09-09

Summary. BP West Coast Products LLC (“BP” or the “Company”) requests approval of an Initial Resolution for an amount not to exceed \$500,000,000 to finance additional costs of the Company’s Clean Fuels Project located at the Carson Refinery.

The project is located in Carson in Los Angeles County. The Company anticipates that the project will provide for the safe disposal of solid waste, as well as other pollution control and air quality benefits, and help meet California’s demand for cleaner burning fuels.

The project will include:

- Solid Waste Disposal or Recycling Facilities
- Pollution Control Facilities
- Water Distribution Facilities
- Local District Heating and Cooling Facilities
- Cogeneration Facilities
- Wastewater Recycling Facilities
- Sewage Treatment Facilities

Borrower. BP provides crude oil refining and marketing operations. 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. 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. Prior actions and financings on the next page. This list includes four Bond Series that have been refunded and reissued, as well as \$88 million dollars in taxable bonds that will be converted to tax-exempt bonds in December 2009. Therefore, the total amount of bonds issued is greater than the actual amount of volume cap allocation received by the Company. The amount of volume cap allocation received by the Company is \$297,810,000.

Description	Date of Bond Issue	Original Amount	Amount Outstanding as of 10/01/09
BP West Coast Products 2009 (Refunds and Converts 2008A AMT Bonds to non-AMT status)	09/01/2009	\$100,000,000	\$100,000,000
BP West Coast Products 2008A (Refunded by 2009 Bonds)	12/03/2008	100,000,000	0
BP West Coast Products 2008 (Refunds 1996A Bonds)	03/26/2008	44,810,000	44,810,000
ARCO Series 1997A (Tax-Exempt)	03/19/1998	20,000,000	20,000,000
ARCO Series 1997 (Taxable)	12/23/1997	108,000,000	88,000,000
ARCO Series 1996A (Refunded by 2008 Bonds)	01/24/1996	44,810,000	0
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>\$511,280,000</u>	<u>\$297,810,000</u>

Project Description. The Carson Refinery is being modified and improved to produce California Clean Fuels and to maintain compliance with all applicable environmental regulatory requirements. As part of the Carson Refinery Improvement Program, multiple new facilities are being installed.

The Project consists of equipment components and structures which have been or will be acquired, improved, modified, installed, and constructed for use as solid waste disposal or recycling facilities, pollution control facilities, water distribution facilities, local district heating and cooling facilities, cogeneration facilities, wastewater recycling facilities, and sewage treatment facilities. Detailed descriptions of the various types of facilities are below.

Solid waste disposal or recycling facilities. These facilities will collect, handle, store, treat, process, dispose and recycle vacuum residual, heavy vacuum gas oil, waste sludges, oily wastes, and other solid waste materials. The integrated components of the solid waste disposal or recycling facilities include without limitation cokers, hydrotreaters, hydrocrackers, desulfurizers, fluid catalytic cracking units, sulfur recovery system, and related refinery auxiliary systems.

Pollution control facilities. These facilities will collect and treat air emissions and water effluents as required by applicable environmental regulations and permits.

Water distribution facilities. These facilities will consist of an integrated network of pipes, pumps, valves, fittings, and meters that are used to distribute water to various users including process units within the Refinery.

Local district heating and cooling facilities. These facilities will produce and distribute steam, hot and chilled water for use in heating and cooling by the Refinery and other users. The major components of these facilities include without limitation boilers, chillers, piping, and pumps. The facilities also include functionally related and subordinate auxiliary systems, process equipment, utilities, controls and instrumentation, related mechanical and electrical systems, and related buildings and structures.

Cogeneration facilities. These facilities will produce steam and electricity for use by the Refinery and other users. The major components of these facilities include without limitation boilers, pumps, turbines, electric generators, and cooling towers.

Wastewater recycling facilities. These facilities are being improved and modified to allow use of treated municipal sewage. The purpose of these improvements and modifications is to increase the use of recycled wastewater thereby reducing the need to use potable water obtained from the local water supply system. The upgrades and improvements include new piping pumps, valves, aeration equipment and reverse osmosis treatment systems.

Sewage treatment facilities. These facilities will collect, handle, store, treat, process, recycle, and dispose of process wastewater, storm water, and sanitary sewage. All wastewater from the Carson Refinery is collected and treated onsite before transfer to the municipal wastewater treatment system for final treatment and discharge. The facilities include without limitation additions and improvements to piping, sewers, separators, wastewater treatment units, wastewater recycling systems, clarifiers, sludge handling systems, and discharge systems.

The new facilities will also include functionally related and subordinate auxiliary systems, process equipment, utilities, controls and instrumentation, related mechanical and electrical systems, and related building and structures.

The anticipated Project and issuance costs are listed below:

Acquisition & Installation of Equipment	\$500,000,000*
Total:	<u>\$500,000,000</u>

*An undetermined amount will be allocated to fees and other costs associated with the cost of issuance of the bonds

Anticipated Timeline. The projects to be financed with the financing requested by this application are expected to be placed in service by December 2014.

Pollution Control and/or Environmental Benefits. The Company represents the Project will generate the pollution control and environmental benefits described below.

Pollution Control. The pollution that is controlled includes sulfur, benzene, carbon monoxide, nitrogen oxides and waste water.

Air Quality. The project is designed to produce reformulated gasolines. Such reformulated gasolines were previously mandated by the Federal Clean Air Act and the California Clean Air Act. The reformulated gasolines help to reduce air emissions from existing gasoline-powered vehicles because the reformulated gasolines are less volatile, contain less aromatics, olefins, sulfur and benzene, and contain for oxygen that reduces carbon monoxide emissions.

Safe Disposal of Solid Waste (that is in compliance with all applicable state and federal environmental regulations regarding solid waste disposal). The Project includes a vacuum residual recycling facility, which allows for the processing, recycling and disposal of an otherwise unmarketable byproduct of crude oil refining. The Project is not anticipated to

produce other incremental byproducts or residues not currently handled by standard refinery operations.

On April 23, 2009, the California Air Resources Board (ARB/Board) approved the Low Carbon Fuel Standard (LCFS) for transportation fuels used in California. The LCFS Regulation will reduce greenhouse gas (GHG) emissions in California by reducing the carbon intensity of transportation fuels used in the State by an average of 10 percent—measured on a full lifecycle basis—by the year 2020. California is currently the only jurisdiction in the country with an LCFS or similar.¹ Although the LCFS rule remains subject to modification, BP is working towards meeting this standard.

The environmental quality regulations or standards being met by the Project include, but are not limited to, the following:

- a. Federal Clean Air Act (regarding reformulated gasoline regulation)
- b. California Clean Air Act (regarding reformulated gasoline regulation)
- c. California Environmental Quality Act (CEQA)
- d. South Coast Air Quality Management District Rules 1105.1, 1118 and 431.1
- e. National Emission Standards for Hazardous Air Pollutants (NESHAPS)
- f. Federal EPA Clean Diesel Regulation

Permits. The Company will provide the Authority with copies of all required discretionary permits prior to requesting approval for Final Resolution.

Volume Cap Allocation. The Company anticipates applying to the Authority for volume cap allocation for a portion of the project mid-year in 2010. Volume cap allocation will be requested in future years as the project progresses.

Financing Details. The bonds will be secured solely from payments to be made by BP West Coast Products LLC under a Loan Agreement between BP West Coast Products LLC and the CPCFA.

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.

Financing Team.

Underwriter: Goldman, Sachs & Co.
Bond Counsel: Law Offices of Leslie M. Lava
Issuer’s Counsel: Office of the Attorney General

¹ California Environmental Protection Agency, Air Resources Board, “California’s Low Carbon Fuel Standard”, An Update on the California Air Resources Board’s Low Carbon Fuel Standard Program, October 2009, http://www.arb.ca.gov/fuels/lcfs/100609lcfs_updated_es.pdf

Staff Recommendation. Staff recommends approval of Initial Resolution No. 09-09 for BP West Coast Products LLC for an amount not to exceed \$500,000,000.

Note: An Initial Resolution approval is not a commitment that the Board will approve a Final Resolution and bond financing of the proposed Project

RESOLUTION OF OFFICIAL INTENT TO ISSUE BONDS TO
FINANCE SOLID WASTE DISPOSAL/SEWAGE FACILITIES FOR
BP WEST COAST PRODUCTS LLC

October 28, 2009

WHEREAS, the California Pollution Control Financing Authority (“Authority”), a public instrumentality, is authorized and empowered by the provisions of the California Pollution Control Financing Authority Act (“Act”) to issue bonds for the purpose of defraying the cost of facilities for the disposal of solid and liquid waste products, including resource recovery and energy conversion facilities; and

WHEREAS, BP West Coast Products LLC, a Delaware limited liability company (“Company”), has requested that the Authority assist in financing solid waste disposal/sewage facilities to be owned and/or operated by the Company, which are expected to be comprised of the equipment components and structures which have been or will be acquired, improved, modified, installed, and constructed for use as solid waste disposal or recycling facilities, pollution control facilities, water distribution facilities, local district heating and cooling facilities, cogeneration facilities, wastewater recycling facilities, and sewage treatment facilities at the BP West Coast Products LLC Carson Refinery in Carson, Los Angeles County, California (collectively, “Facilities”), and have presented an estimate of the maximum cost of such Facilities as shown in Exhibit “A” attached hereto; and

WHEREAS, the Authority desires to encourage the Company to provide solid waste disposal/sewage facilities which will serve the public of the State; and

WHEREAS, the Authority deems it necessary and advisable to further the purposes of the Act that the Facilities be acquired at the earliest practicable date, but the Company requires satisfactory assurances from the Authority that the proceeds of the sale of bonds of the Authority will be made available to finance such Facilities; and

WHEREAS, the Company expects to incur or pay from its own funds certain expenditures in connection with the Facilities prior to the issuance of indebtedness for the purpose of financing costs associated with the Facilities on a long-term basis; and

WHEREAS, subject to meeting all the conditions set forth in this resolution the Authority reasonably expects that debt obligations in an amount not expected to exceed \$500,000,000 will be issued and that certain of the proceeds of such debt obligations will be used to reimburse the Company for its prior expenditures for the Facilities; and

WHEREAS, Section 1.103-8(a)(5) and Section 1.150-2 of the Treasury Regulations require the Authority to declare its reasonable official intent to reimburse prior expenditures for the Facilities with proceeds of a subsequent borrowing;

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

Section 1. The Authority finds and determines that the foregoing recitals are true and correct.

Section 2. The Authority declares its official intent to issue, at one time or from time to time, an aggregate of up to \$500,000,000 principal amount of bonds of the Authority for the Facilities; including for the purpose of reimbursing to the Company costs incurred for the Facilities prior to the issuance of the bonds.

Section 3. The bonds will be payable solely from the revenues to be received by the Authority pursuant to a loan agreement or other agreements to be entered into between the Authority and the Company in connection with the Facilities. Each bond shall contain a statement to the following effect:

“Neither the faith and credit nor the taxing power of the State of California or any political subdivision thereof or any local agency is pledged to the payment of the principal of, premium, if any, or any interest on this bond.”

Section 4. The bonds shall be issued subject to the conditions that (i) the Authority and the Company shall have first agreed to mutually acceptable terms for the bonds and of the sale and delivery thereof, and mutually acceptable terms and conditions of the loan of the proceeds thereof to the Company; (ii) all requisite governmental approvals shall have first been obtained; (iii) a Final Resolution shall have been received from the Authority; and (iv) an allocation shall have been received from the California Debt Limit Allocation Committee.

Section 5. The Executive Director of the Authority is hereby directed to indicate the willingness of the Authority to proceed with and effect such financing in order to assist the Company by defraying the cost of the Facilities, subject to due compliance with all requirements of the law and the obtaining of all necessary consents and approvals and meeting all other requirements of the Authority.

Section 6. It is intended that this Resolution shall constitute “some other similar official action” towards the issuance of bonds within the meaning of Section 1.103-8(a)(5) of the Treasury Regulations and “official intent” within the meaning of Section 1.150-2 of the Treasury Regulations, each as applicable under Section 103 of the Internal Revenue Code of 1986, as amended. It is also intended that this statement of “official action” or “official intent” by the Authority shall continue in full force and effect even if this Resolution ceases to be effective for other purposes.

Section 7. This Resolution shall take effect immediately upon its passage and remain in full force and effect thereafter; provided that, subject to Section 6, this Resolution shall cease to be effective on October 28, 2012 unless prior thereto the Authority specifically adopts a further resolution extending the effective date of this Initial Resolution, which it will do only after receiving a specific request for such action from the Company, accompanied by an explanation of the reason why the project has not proceeded prior to the date of the letter.

EXHIBIT A

NUMBER: 09-09

LOCATION: 1801 East Sepulveda Boulevard
Carson, California 90475

TYPE: Solid Waste Disposal/Sewage

AMOUNT: Up to \$500,000,000