

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
BOND FINANCING PROGRAM**

Meeting Date: July 22, 2009

Request for Amendment of Amended Initial Resolution

Prepared by: *Doreen Smith*

Applicant:	BP West Coast Products LLC	Amount Requested:	\$304,000,000
Project	Carson	Application No.:	00574
Location:	(Los Angeles County)	Initial Resolution No.:	94-11
		Prior Actions:	IR 94-11 Approved 10/21/94 Amended 07/23/97 Amended 05/28/08

Summary. BP West Coast Products LLC (“BP” or the “Company”) requests approval of an amendment to increase the amount not to exceed \$304,000,000 and extend the expiration date of Initial Resolution (“IR”) number 94-11. This amount represents an increase of \$51,000,000 of the maximum principal amount of the revenue bonds that may be issued under the Amended Initial Resolution. The increased amount will be used 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.

Borrower. BP is the successor of most of the operating assets of Atlantic Richfield Company (ARCO). The Company 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 Financings. Prior actions and financings are listed below.

Description	Date of Bond Issue	Original Amount	Amount Outstanding as of 07/01/09
BP West Coast Products 2008A	12/03/2008	\$100,000,000	\$100,000,000
BP West Coast Products 2008 (Refunds 1996A Bonds)	03/26/2008	44,810,000	44,810,000
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 (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>\$311,280,000</u>	<u>\$197,810,000</u>

Background. CPCFA approved Initial Resolution number 94-11 on October 21, 1994 for an amount not to exceed \$510,000,000. The Initial Resolution was amended and extended on July 23, 1997. Bonds were issued for \$153,000,000 of the induced amount.

On May 28, 2008, the Initial Resolution was reinstated and extended and also amended to decrease the authorized maximum principal amount of the revenue bonds referenced in the Amended Initial Resolution from \$510,000,000 to \$253,000,000. This included \$153,000,000 of Facilities financed at the Carson Refinery for the period from 1994 through 1997 with bonds issued by the Authority. It also included \$100,000,000 for additional Facilities financed at the refinery for the period from 2006 through 2009.

Current Request. The Company is now requesting an increase to the total amount of the IR to \$304,000,000, an increase of \$51,000,000. The \$51,000,000 will be used primarily for a continuation of the Company's clean fuels project (described below) that has been underway for a number of years. Components of the project that are part of this spending include: hydrotreating, fluid catalytic cracking, flare recover (AQMD Rule 1118 settlement and compliance), coking, vacuum residual byproduct processing, hydrocracking, and sour gas/sulfur recovery. Additionally, a small amount of the \$51,000,000 will be used for waste water treatment facilities. The additional \$51,000,000 in revenue bonds will finance costs of the facilities from 2007 through 2011. The 2008 Amended Initial Resolution will be extended from May 28, 2011 to July 22, 2012.

Project Description. The Company's Clean Fuels Project (the "Project") was designed to produce reformulated gasolines, which were previously mandated by the federal Clean Air Act and the California Clean Air Act. The Project helps the Company achieve two important goals: (1) compliance with federal and state regulations as they pertain to reformulated gasoline and (2) providing a significant contribution to improving air quality in the South Coast basin through the ultimate production of the company's EC-X Emission Control gasolines. 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 more oxygen that reduces carbon monoxide emissions. The Project also may come to include subsequent improvements and modifications as a result of additional environmentally conscious regulations; as such guidelines are implemented over time.

In general terms, the Project consists of equipment and facilities that were improved, installed and constructed for use as processing and recycling facilities (including, without limitation, facilities for use in the production of cleaner-burning fuels described above), industrial sewage or wastewater treatment facilities, and resource recovery facilities at the Company's Los Angeles Refinery in Carson, CA. Such facilities include, but are not limited to, facilities for vacuum residual processing (e.g., coking, hydrocracking, gasification and fluid catalytic cracking) and vacuum residual byproduct processing (e.g., isomerization, reforming, hydrotreating, fluid catalytic cracking, alkylation, sour gas recovery, and fuel oil blending), spent catalyst processing, soil remediation, leachate collection, equipment cleaning, waste storage and dewatering, and other processing and recycling facilities. These facilities include process equipment, utilities or support systems, and related structures and buildings. The facilities also include modifications to any of the foregoing, and facilities that are functionally related and subordinate to, but not limited to, the foregoing.

A representative itemization of some of the facilities making up the Project includes, but is not limited to, the following:

- Benzene Saturation/Isomerization Complex
- Hydrogen Plant
- Fluid Catalytic Cracking Jet Cut Tower
- Alky Feed Depentanizer Tower
- Two Dehexanizer Towers
- Related Tanks, Piping, Utilities and Functionally Related Auxiliaries

In addition to the above, the Project includes a polypropylene plant at the Los Angeles Refinery in Carson, CA. Polypropylene is used to make a wide range of consumer products, including molded containers, twine, clothing, medical equipment and a variety of other products. Several units were necessary in connection with the polypropylene plant portion of the Project, including liquid recovery units to recover propane and polypropylene and remove other olefins and sulfur from refinery fuel gas; a propane/propylene splitter to produce polymer-grade propylene and a polypropylene unit to produce polypropylene pellets for shipment to the local and world markets.

Anticipated Timeline. The Projects to be financed with the financing requested by this application are expected to be placed in service by 2011.

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

Pollution Control. The Project controls the following pollutants: sulfur, benzene, carbon monoxide and nitrogen oxides and waste water.

Air Quality. The Project is designed to produce reformulated gasolines. 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 more 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.

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 1109 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 has applied to the Authority to be considered for \$51,000,000 in volume cap allocation at the August 2009 Board Meeting.

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

Staff Recommendation. Staff recommends approval of the amendments to Initial Resolution No. 94-11 for BP West Coast Products LLC for an amount not to exceed \$304,000,000.

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

**AMENDMENT OF AMENDED INITIAL RESOLUTION
TO ISSUE BONDS TO FINANCE
SOLID WASTE DISPOSAL/SEWAGE FACILITIES
FOR BP WEST COAST PRODUCTS LLC**

July 22, 2009

WHEREAS, the California Pollution Control Financing Authority (“Authority”) by its Resolution No. 94-11 (“Initial Resolution”) has heretofore approved the application of Atlantic Richfield Company (“ARCO”) for financial assistance in defraying the costs of sewage and solid waste disposal facilities, as described in its application for such approval, and has authorized the issuance of revenue bonds to provide such financial assistance; and

WHEREAS, the Initial Resolution authorized the issuance of such revenue bonds in an aggregate principal amount of not to exceed \$510,000,000; and

WHEREAS, the Initial Resolution was adopted on October 21, 1994 and was stated to be effective through October 21, 1997; and

WHEREAS, the Initial Resolution was amended on July 23, 1997 (the “1997 Amended Initial Resolution”) to modify the description of the Project (as defined therein), to amend and restate the definition of the Facilities (as defined therein) and to extend the stated effective date of the Initial Resolution to August 1, 1998; and

WHEREAS, the 1997 Amended Initial Resolution was reinstated, extended and amended on May 28, 2008 (the “2008 Amended Initial Resolution”) to reinstate the 1997 Amended Initial Resolution, to extend the stated effective date of the 1997 Amended Initial Resolution to May 28, 2011 and to decrease the authorized principal amount of such revenue bonds from \$510,000,000 to \$253,000,000; and

WHEREAS, BP West Coast Products LLC, a Delaware limited liability company and successor to most of the operating facilities of ARCO (the “Company”), now desires, and has requested the Authority, to amend the 2008 Amended Initial Resolution to increase the authorized maximum principal amount of such revenue bonds from \$253,000,000 to \$304,000,000 and to extend the stated effective date of the 2008 Amended Initial Resolution to July 22, 2012; and

WHEREAS, it is now and was, at the times the Initial Resolution, the 1997 Amended Initial Resolution and the 2008 Amended Initial Resolution were adopted, the intent of the Authority to reimburse the Company for costs of the Facilities with the proceeds of bonds to be issued by the Authority, subject to the conditions stated in the Initial Resolution, including the receipt of sufficient allocations of private activity bond volume cap from the California Debt Limit Allocation Committee, regardless of whether the costs of the Facilities were incurred after the respective stated expiration dates of the Initial Resolution or the 1997 Amended Initial Resolution; and

WHEREAS, the Authority has determined that it is necessary and advisable that the 2008 Amended Initial Resolution be amended to increase the authorized maximum principal amount of such revenue bonds from \$253,000,000 to \$304,000,000 and that the effective date of the 2008 Amended Initial Resolution be extended from May 28, 2011 to July 22, 2012.

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

Section 1. The authorized maximum principal amount of the revenue bonds referenced in the 2008 Amended Initial Resolution is hereby increased from \$253,000,000 to \$304,000,000, which includes \$153,000,000 of revenue bonds which financed costs of the Facilities during the period from 1994 through 1997, \$100,000,000 of revenue bonds which financed costs of the Facilities during the period from 2006 through 2009 and \$51,000,000 of additional revenue bonds which will finance costs of the Facilities for the expected period of 2007 through 2011.

Section 2. The effective date of the 2008 Amended Initial Resolution is hereby extended from May 28, 2011 to July 22, 2012.

Section 3. Except as amended by Sections 1 and 2 hereof, all provisions and conditions of the 2008 Amended Initial Resolution shall remain unchanged and in full force and effect.

Section 4. The officers of the Authority or the duly authorized deputies thereof are hereby authorized and directed jointly and severally, to do any and all things and to execute and deliver any and all documents which they may deem necessary or advisable in order to communicate this Amendment of Amended Initial Resolution to the Company and otherwise to effectuate the purposes of this Amendment of Amended Initial Resolution.