

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY**  
**BOND FINANCING PROGRAM**  
**Approval Date: December 9, 2019**

***Request to Approve Initial Resolution Reflecting Official Intent to Issue Revenue Bonds***

Prepared by: *Andrea Gonzalez*

<b>Applicant:</b> Poseidon Resources (Surfside) LLC	<b>Amount Requested:</b> \$1,100,000,000
<b>Project Location:</b> Huntington Beach (Orange County)	<b>Application No.:</b> 930(SB) <b>Initial Resolution No.:</b> 19-04

**Summary.** Poseidon Resources (Surfside) LLC (the “Applicant”) and/or its affiliates (collectively, the “Company”) requests approval of an Initial Resolution (IR) 19-04 for an amount not to exceed \$1,100,000,000 to finance the acquisition, construction, improvement, installation, and/or renovation of a seawater reverse osmosis desalination facility, including intake and outfall structures, production, storage, distribution infrastructure and other related facilities located in Huntington Beach.

**Borrower.** The Applicant was organized in Delaware on April 15, 2003. The Applicant is a project development specialist that partners with water agencies to deliver water infrastructure projects. Its primary focus is on the development of large-scale reverse osmosis seawater desalination plants. Poseidon Water LLC owns 100% of Coastline Partners, LLC, which owns 100% of the Applicant.

**Legal Questionnaire.** The Staff has reviewed the Applicant’s responses to the questions contained in the Legal Status portion of the Application. No information was disclosed in the Legal Status Questionnaire portion of the Application that raises questions concerning the financial viability or legal integrity of this applicant.

**Project Description.** The Company will use bond proceeds to finance the construction of a seawater reverse osmosis (SWRO) desalination facility. The SWRO desalination facility will provide up to an annual average of 50 million gallons of water per day (50 MGD) while using existing infrastructure to reduce construction costs. The project will be comprised of intake and outfall structures, production facilities, an administrative office, and an above-ground product water storage tank. The facility will ensure there is sufficient high-quality water to meet demand and will protect Southern California against the public health, security, and economic consequences of water shortages.

The Huntington Beach Desalination Facility will be located on the property adjacent to the AES Generating Station on Pacific Coast Highway at Newland Street in Huntington Beach. The Applicant has a site purchase option agreement in place with AES Huntington Beach, L.L.C. and AES Huntington Beach Development, L.L.C. and the City of Huntington Beach.

**Volume Cap Allocation.** The Company anticipates applying to the California Debt Limit Allocation Committee (CDLAC) for volume cap allocation in December of 2020.

**Financing Details.** The Company anticipates the issuance of negotiated tax exempt bonds.

**Financing Team.**

**Underwriter:** [TBD]

**Bond Counsel:** Orrick, Herrington & Sutcliffe LLP

**Issuer's Counsel:** Office of the Attorney General

**Staff Recommendation.** Staff recommends approval of Initial Resolution No. 19-04 for Poseidon Resources (Surfside) LLC and/or its affiliates for an amount not to exceed \$1,100,000,000.

*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 WATER FURNISHING FACILITIES FOR  
POSEIDON RESOURCES (SURFSIDE) LLC AND/OR ITS AFFILIATES**

**December 9, 2019**

**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 financing the cost of facilities for the furnishing of water; and

**WHEREAS**, Poseidon Resources (Surfside) LLC, a Delaware limited liability company (“Applicant”), and/or its affiliates (collectively, “Company”), have requested that the Authority assist in financing the acquisition, construction, improvement, installation, and/or renovation of facilities for the production, treatment and distribution of water in the County of Orange, including the construction of a reverse-osmosis seawater desalination plant and related facilities, as further described further in Exhibit “A” attached hereto (the “Facilities”); and

**WHEREAS**, the Authority desires to encourage the Company to provide water supply facilities which will serve the public of the State of California; and

**WHEREAS**, the Authority deems it necessary and advisable to further the purposes of the Act that the Facilities be constructed at the earliest practicable date, but the Company requires satisfactory assurances from the Authority that the proceeds of the sale of bonds or notes 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 Initial Resolution the Authority reasonably expects that debt obligations in an amount not expected to exceed \$1,100,000,000 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. For purposes of this Initial Resolution, an “Affiliate” of the Applicant 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 Applicant, 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 2.** The Authority declares its official intent to issue, at one time or from time to time, an aggregate of up to \$1,100,000,000 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 or notes.

**Section 3.** The bonds or notes 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 or note 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 or notes 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 for any portion of the bonds which are to be sold as exempt from federal income tax.

**Section 5.** The Executive Director of the Authority has authority under Authority Resolution No. 19-01-001 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 project, 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 Initial 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 Initial Resolution ceases to be effective for other purposes.

**Section 7.** This Initial Resolution shall take effect immediately upon its approval and remain in full force and effect thereafter; provided that, subject to Section 6, this Initial Resolution shall cease to be effective on the date three years after the approval date unless prior thereto the Authority or Executive Director 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 status of the project and any additional information requested by the Authority to supplement the Company’s application.

**EXHIBIT A**

NUMBER: 930(SB)

PROJECT LOCATION: 21730 Newland Street  
Huntington Beach, California 92646

PROJECT DESCRIPTION: Finance the acquisition, construction, improvement, installation, and/or renovation of a seawater reverse osmosis desalination facility, including intake and outfall structures, production, storage, distribution infrastructure and other related facilities

TYPE: Water Furnishing

AMOUNT: Up to \$1,100,000,000