September 25, 2012

Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116


Dear Technical Director:

Tesoro Corporation is pleased to submit comments on the Financial Accounting Standard Board’s (“FASB”) proposed accounting standards update on disclosures for liquidity risk and interest rate risk (the “Proposed ASU”).

Tesoro Corporation is one of the largest independent petroleum refiners and marketers in the United States. We primarily manufacture and sell transportation fuels. We own and operate seven refineries in the western United States that refine crude oil and other feedstocks into transportation fuels, such as gasoline, gasoline blendstocks, jet fuel and diesel fuel, as well as other products, including heavy fuel oils, liquefied petroleum gas, petroleum coke and asphalt. Both Tesoro and our consolidated master limited partnership, Tesoro Logistics LP (together with Tesoro Corporation, “Tesoro”), are publicly traded companies requiring periodic reporting with the Securities and Exchange Commission (“SEC”).

We respectfully submit the following responses to questions outlined in the Proposed ASU which were considered to be most applicable to Tesoro. Our comments below are based on our conclusion that Tesoro is a not a financial institution. Consequently, our comments relate specifically to the cash flow obligation and available liquid fund disclosures required for non-financial institutions.

Questions for Preparers and Auditors – Liquidity Risk

Question 2: For an entity that is not a financial institution, the proposed amendments would require a cash flow obligations table that includes the expected maturities of an entity’s obligations. Do you foresee any significant operational concerns or constraints in complying with this requirement? If yes, what operational concerns or constraints do you foresee and what would you suggest to alleviate them?

Response: Yes. First, the requirements governing the table included in a public company’s management discussion and analysis (“MD&A”), as issued by the SEC, differ from those outlined in the Proposed ASU which will cause additional time and expense for preparers of financial statements and inconsistent presentation of a company’s cash flow obligations despite similar intents implied by the Proposed ASU and the SEC rules. Primarily, the Proposed ASU differs in the definition of maturities to disclosure...
(expected vs. contractual), the time periods required, the requirement to reconcile obligations to the balance sheet, and the requirement to disclose cash flow obligations on an interim basis. Companies, such as Tesoro, would have to implement new manual and time-consuming interim period processes to comply with the requirements under the Proposed ASU in addition to the ones already in place to comply with the SEC requirements on an annual basis. These processes would encompass those necessary to compile cash flow obligation data earlier than what was previously required to allow our external auditors time to audit the information, to accommodate the related requests for information from our external auditors for areas not previously audited or reviewed on an interim or annual basis, and to ensure compliance with Sarbanes-Oxley Section 404 is properly documented on a quarterly basis. As such, we believe the FASB should consult with the SEC to determine if the cash flow obligation disclosure requirements could be consolidated into one standard which would require presentation in only one place in a public company’s filing.

Additionally, the requirement for inclusion of this table on an interim basis would cause significant operational changes and increased expense for a public company’s interim reporting process to compile and report this information each period within an already reduced timeframe provided for quarterly filings, including requirements using Extensible Business Reporting Language (XBRL), with the SEC. Increased expense primarily results from additional fees that would likely be charged by audit firms for interim review procedures over the information which would be included in the notes to the financial statements and certain general and administrative costs for preparation of additional manual reports. To alleviate these concerns related to interim reporting, we suggest that the FASB consider amending the interim requirements to be more consistent with other accounting standards which require companies to only disclose significant changes during the interim period or future periods to the cash flow obligations disclosed in the most recent annual filing. Such a requirement better aligns the Proposed ASU with the purpose of public companies’ quarterly filings which are meant to be read in conjunction with and provide quarterly updates to the most recent annual filing.

**Question 3:** The proposed amendments would require information about expected maturities for financial assets and financial liabilities to highlight liquidity risk. Expected maturity is the expected settlement of the instrument resulting from contractual terms (for example, call dates, put dates, maturity dates, and prepayment expectations) rather than an entity’s expected timing of the sale or transfer of the instrument. Do you agree that the term expected maturity is more meaningful than the term contractual maturity in the context of the proposed liquidity risk disclosures? If not, please explain the reasons and suggest an alternative approach.

**Response:** No. We believe the use of *expected maturity* and the definition provided in the Proposed ASU provides companies with the ability to use judgment in determining the timing of expected settlement. The use of contractual maturity provides a more defined method for companies in preparing the cash flow obligations tables. Additionally, in line with our discussion of the need to revisit the interim reporting requirements, the *expected maturity* of cash flow obligations could change each quarter given a company’s ability to judgmentally determine when certain cash flows may occur. Thus, the cash flow estimates could vary from period to period given the timing of certain payments would be judgmentally determined and thus difficult to estimate consistently. We believe the use of judgment in determining the *expected maturity* of cash flow obligations will not provide additional meaningful disclosure and would create an opportunity for inconsistency between entities’ financial statements. Consistent with our
response to Question 2, we believe the FASB should consider amending the interim reporting requirements and adopt the SEC rules whereby a company should disclose material changes to the cash flow obligations disclosed in the most recent annual filing. At a minimum, we believe more implementation guidance should be provided for a more comprehensive list of possible cash obligations for which an entity may need to determine an expected maturity.

Finally, by using contractual maturity, users of financial statements would understand cash flow obligations for an entity in what could be considered a most likely scenario. Contractual maturities provide the latest date by which a company can settle a liability or obligation and thus this information would be of greater meaning to financial statement users. In reference to the Background Information outlined in the Proposed ASU, the decision to use expected maturity appears to have been primarily based on reporting specific to financial institutions. We believe differentiation could be made for the use of expected and contractual maturity for financial and non-financial institutions, respectively, to alleviate the inherent variability that could result from requiring a non-financial institution to use expected maturity given changes in the business environment could change management’s expectations.

**Question 4:** The proposed amendments would require a quantitative disclosure of an entity’s available liquid funds, as discussed in paragraphs 825-10-50-23S through 50-23V. Do you foresee any significant operational concerns or constraints in complying with this requirement? If yes, what operational concerns or constraints do you foresee and what would you suggest to alleviate them?

**Response:** No. However, we believe additional implementation guidance should be provided to enable companies to determine which liquid assets are considered high quality. Such guidance would promote more consistent application of this requirement.

**Question 6:** As a preparer, do you feel that the proposed amendments would provide sufficient information for users of your financial statements to develop an understanding of your entity’s exposure to liquidity risk? If not, what other information would better achieve this objective?

**Response:** Yes and no. From an annual reporting perspective, we believe the inclusion of cash flow obligations table in the notes to the financial statements might benefit financial statement users as it would consolidate amounts already disclosed elsewhere in the notes or MD&A into one table that would be audited. However, we believe the Board should consider our recommendations in our response to Question 2 above with respect to coordinating requirements and definitions with the SEC and including only one table in a public company’s annual filing.

From an interim reporting perspective for a non-financial institution, we do not believe significant changes in cash flow obligations would occur that would not otherwise be disclosed under other applicable guidance with the exception of certain off-balance sheet obligations. As such, we would suggest the interim reporting requirements be amended to only require narrative disclosure of significant changes in cash flow obligations disclosed in the most recent annual filing.

**Questions for All Respondents**

**Question 21:** Although the proposed amendments do not have an effective date, the Board intends to address the needs of users of financial statements for more information about liquidity risk and interest rate risk. Therefore, the Board will strive to make these proposed amendments effective on a timely basis.
How much time do you think stakeholders would require to prepare for and implement the amendments in this proposed Update? Should nonpublic entities be provided with a delayed effective date? If so, how long of a delay should be permitted and why? Are there specific amendments that would require more time to implement than others? If so, please identify which ones and explain why.

Response: We believe reasonable time should be provided to public companies to comply with the additional disclosure requirements under the Proposed ASU. In our opinion, a reasonable period of time would likely be twelve months.

Question 22: Do you believe that any of the amendments in this proposed Update provide information that overlaps with the SEC’s current disclosure requirements for public companies without providing incremental information? If yes, please identify which proposed amendments you believe overlap and discuss whether you believe that the costs in implementing the potentially overlapping amendments outweigh their benefits? Please explain why.

Response: We refer you to our response for Question 2. We believe coordination with the SEC should occur to consolidate cash flow obligation disclosure requirements to mitigate inconsistent reporting and additional time that would be incurred to comply with both sets of standards.

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Specific to our responses above, we believe that the majority of the requirements in the Proposed ASU have merit and may provide the additional transparency sought by the FASB. However, we believe additional due diligence should be performed to determine whether the requirements set forth in the Proposed ASU are consistent with other standards issued by both the FASB and SEC and whether interim reporting of cash flow obligations will ultimately provide sufficient additional benefits compared to the costs associated with such disclosure. We would be pleased to discuss our comments with members of the FASB or its staff.

Sincerely,

[Signature]

G. Scott Speidell
Senior Vice President and Chief Financial Officer