January 15, 2015

Via email to director@fasb.org

Technical Director
File Reference No. EITF-14A
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: Proposed Accounting Standard Update, “Effects on Historical Earnings per Unit of Master Limited Partnership Dropdown Transactions” (File Reference No. EITF-14A)

Dear Technical Director:

Teso Logistics LP (the “Partnership” or “TLLP”) is pleased to submit comments for the Financial Accounting Standard Board’s (“FASB” or “Board”) exposure draft on its proposed accounting standard update to Topic 260 in order to address how to present historical earnings per unit for periods before the date of a dropdown transaction that occurs after formation of a master limited partnership (the “Exposure Draft”).

Teso Logistics LP (“TLLP”) is a fee-based, growth-oriented Delaware limited partnership formed by Teso Corporation (our “Sponsor”). The Partnership is a leading full-service logistics company operating primarily in the western and mid-continent regions of the United States. Teso Logistics LP owns and operates a network of crude oil, refined products and natural gas pipelines, crude oil and refined products truck and marine terminals, and has over 9 million barrels of storage capacity. In addition, the Partnership owns and operates four natural gas processing complexes and one fractionation facility. TLLP is a publicly traded company requiring periodic reporting with the Securities and Exchange Commission (“SEC”). TLLP also owns a 58% interest in QEP Midstream Partners, LP, a publicly traded master limited partnership. The following discussion details our summary observations of the amendments outlined in the Exposure Draft.

We are supportive of the Board’s efforts to clarify the current guidance included in Topic 260 in order to eliminate the diversity in practice. Transactions in which the parent company of a master limited partnership transfers its ownership interests in a subsidiary to the limited partnership in exchange for cash, additional ownership interest in the limited partnership, or a combination of both are not uncommon. As a master limited partnership, we have acquired several assets from our Sponsor through various dropdown transactions which were accounted for as transactions between entities under common control in accordance with Subtopic 805-50. Additionally, we recently received a comment letter from the SEC requiring additional disclosure in our periodic reports of historical net income per unit based on net income including the earnings or losses attributable to predecessors. This differs from the guidance in the proposed accounting standard update. We believe the proposed amendments will provide much needed clarity for calculating earnings per unit for master limited partnerships as it pertains to recasting historical financial statements for dropdown transactions accounted for as transactions between entities under common control.

We respectfully submit the following specific responses to questions outlined in the Exposure Draft that we considered most applicable to Teso Logistics LP.
Question 1: Should the scope of the proposed amendments be limited to entities within the scope of the Master Limited Partnerships Subsections of Topic 260 that retrospectively adjust their financial statements as a result of a dropdown transaction accounted for as a transaction between entities under common control in accordance with Subtopic 805-50?

Response: Yes. In order to comply with the proposed amendments, we believe an entity needs to have a general partner to which it can allocate the pre-transfer earnings or loss, and must calculate net income per unit under the two-class method prescribed by ASC 260, otherwise there would be an impact to historical reported earnings per unit.

Question 2: When a dropdown transaction occurs that is accounted for as a transaction between entities under common control, should a reporting entity allocate the earnings (losses) of the transferred business to the general partner interest so that no restatement of the previously reported earnings per unit of the limited partners is required?

Response: Yes.

ASC 260-10-05-4 and ASC 260-10-55-104 require us to follow the contractual terms of our partnership agreement when allocating income or loss for purposes of calculating net income per unit. The TLLP partnership agreement does not provide for the allocation of historical income or loss of a transferred business on a retrospective basis for capital accounts or for tax purposes. Had the loss or income of our predecessors been distributed during the historical period, it would have been distributed to the previous owners of the assets (i.e., our Sponsor or its wholly-owned subsidiary and our general partner, Tesoro Logistics, GP LLC), not to the limited partners of TLLP. Accordingly, based on the guidance for earnings allocation under the two-class method in ASC 260-10-45-60, we agree that those losses should not be allocated to the limited partners of TLLP for purposes of calculating net income per unit. As such, we agree with the proposed conclusion to allocate all of the pre-transfer earnings or losses of a transferred business accounted for as a transaction between entities under common control to the general partner interest.

Question 3: Should a reporting entity be required to disclose how the rights to the earnings (losses) of the transferred business differ before and after the dropdown transaction occurs for purposes of computing earnings per unit under the two-class method?

Response: Yes, since the allocation for purposes of computing earnings per unit under the two-class method would differ from the allocation of earnings pursuant to the partnership agreement, additional disclosure would be helpful for a user of the financial statements.

Question 4: Should the proposed amendments be applied retrospectively?

Response: Yes, we believe that the proposed amendments should be applied retrospectively in order to provide consistency and comparability of the earnings per unit disclosures for all periods presented.

Question 5: How much time would be needed to implement the proposed amendments? Should early adoption be permitted?
Response: We feel that the amended guidance and proposed disclosures would not require significant time or resources in order to comply with the proposed amendments, and thus believe that early adoption should be permitted. We believe early adoption of the proposed amendments would allow for more expedient elimination of the current diversity in practice on this topic.

* * * *

We believe the Board’s proposed accounting standards update would be an improvement to current presentation and disclosure under U.S. generally accepted accounting principles because the amendments would specify how the earnings (losses) of a transferred business before the date of a dropdown transaction should be allocated to the various interest holders in a master limited partnership for purposes of calculating earnings per unit under the two-class method, thereby eliminating the diversity in practice within the industry.

Sincerely,

Steven M. Sterin
Vice President and Chief Financial Officer