May 29, 2015

Via email to director@fasb.org

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

Re: Proposed Accounting Standards Update, “Revenue from Contracts with Customers” (File Reference No. 2015-240)

Dear Technical Director:

Tesoro Corporation is pleased to submit comments for the Financial Accounting Standard Board’s (“FASB” or “Board”) exposure draft (the “Exposure Draft”) on its proposal to defer the effective date of Accounting Standards Update 2014-09, Revenue from Contracts with Customers (“Update 2014-09”).

Tesoro Corporation is one of the largest independent petroleum refining and marketing companies in the western United States. Our subsidiaries, operating through three business segments, primarily transport crude oil and manufacture, transport, and sell transportation fuels. Our refining operating segment, which owns and operates six petroleum refineries located in the western United States, refines crude oil and other feedstocks into transportation fuels, such as gasoline and gasoline blendstocks, jet fuel and diesel fuel, as well as other products, including heavy fuel oils, liquefied petroleum gas and petroleum coke for sale in the wholesale and bulk markets to a wide variety of customers within our markets. Tesoro Logistics LP’s (“TLLP”) assets and operations include certain crude oil and natural gas gathering assets, natural gas and natural gas liquid processing assets, and crude oil and refined products terminalling, transportation and storage assets. Both Tesoro Corporation and our consolidated master limited partnerships, TLLP and QEP Midstream Partners, LP (together with Tesoro Corporation, “Tesoro” or “we”), are publicly traded companies requiring periodic reporting with the Securities and Exchange Commission (“SEC”). The following discussion details our summary observations of the proposed changes to Update 2014-09 outlined in the Exposure Draft.

We believe the effective date should be deferred on the basis that Update 2014-09 will lead to changes in the information technology systems and internal controls for most entities. Additionally, the Board has acknowledged that there could be additional proposals to amend certain aspects of Update 2014-09, which adds uncertainty to implementation plans until those changes have been made final. Therefore, we believe that a delayed effective date will give entities sufficient time to implement the guidance under Update 2014-09 and will result in a higher quality of information provided to users of financial statements.

We respectfully submit the following specific responses to questions outlined in the Exposure Draft that were considered to be most applicable to Tesoro.
**Question 1:** Should the effective date of the guidance in Update 2014-09, be deferred for one year for public business entities, certain not-for-profit entities, and certain employee benefit plans?

**Response:** Yes. We believe a one-year deferral would allow public business entities, certain not-for-profit entities and certain employee benefit plans (collectively, “Public Business Entities”) sufficient time to adjust their information technology and internal control environments to accommodate the new guidance. Given that the Board intends to propose amendments to certain aspects of Update 2014-09, entities do not have a complete view of the impacts of the new guidance to the extent these amendments are relevant to their businesses. Additionally, the implementation period originally intended by the Board was effectively reduced due to the fact that Update 2014-09 was issued approximately nine months later than the Board had anticipated when it selected the effective date. Therefore, to remain consistent with the Board’s initial deliberations, a one-year deferral would give entities the full intended implementation period.

**Question 2:** Should the effective date of the guidance in Update 2014-09 be deferred for one additional year for all other entities?

**Response:** Yes, for the reasons above, in addition to the fact that a one-year deferral for all other entities follows the relative timing in the initial Update.

**Question 3:** In addition to providing a one-year deferral of the effective date of the guidance in Update 2014-09, should the Board also provide an optional two-year deferral for all entities that apply that guidance retroactively to each reporting period presented?

**Response:** Yes. We believe that the full retrospective approach of implementation is more favorable than the modified retrospective approach because the full retrospective approach provides for more comparability between all periods presented. However, the full retrospective approach will be more burdensome for most entities to apply. We believe that allowing an optional two-year deferral period for entities that apply the full retrospective approach will encourage more entities to apply the full retrospective approach and thus add value to the user of the financial statements.

Although allowing a two-year deferral for entities that apply the full retrospective approach may reduce comparability across entities, we believe that a two-year deferral will increase comparability between periods presented within an entity’s financial statements.

**Question 4:** Should earlier application of the guidance in Update 2014-09 be permitted as of the effective date originally included in Update 2014-09?

**Response:** No. Although our response to Question 3 is yes, which will lead to reduced comparability between entities that apply the full retrospective approach versus the modified retrospective approach, an allowance for earlier application will further widen the period of non-comparability.

However, we believe it is important to continue to allow all other entities (i.e., entities that are the subject of Question 2) the option to adopt the guidance in Update 2014-09 as of the effective date for Public Business Entities. Tesoro is a company with several legal entities and therefore various reporting requirements. We prepare multiple carve-out financial statements for entities that would not be considered Public Business Entities.
These carve-out financial statements are prepared using Tesoro’s consolidated books and records. Companies like Tesoro would not need to maintain dual sets of books and records if all other entities are allowed to adopt on a consistent timeframe with Public Business Entities.

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We believe the Board’s proposal to delay the effective date of Update 2014-09 may help preparers, like Tesoro. We would be pleased to discuss our comments with members of the FASB or its staff.

Sincerely,

Steven M. Sterin
Executive Vice President and Chief Financial Officer