CREDIT SUISSE

Tesoro Logistics LP (TLLP)

Rating	**OUTPERFORM* [V]**
Price (07 Feb 12, US$)	33.38
Target price (US$)	(from 33.00) 36.00[1]
52-week price range	34.25 - 21.34
Market cap. (US$ m)	1,018.42
Adjusted EV	—

**Stock ratings are relative to the relevant country benchmark.*
[1]Target price is for 12 months.
[V] = Stock considered volatile (see Disclosure Appendix).

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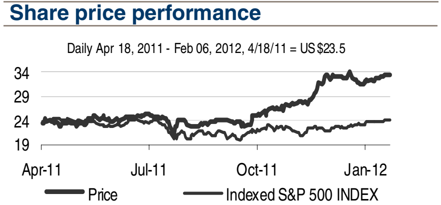
INCREASE TARGET PRICE

4Q Slightly Below Expectations; Growth Intact

- **4Q11 Results Modestly Below Expectations:** TLLP reported 4Q11 EBITDA of $14.1mm and DCF of $12.6mm modestly below our estimates of $15.1mm and $13.6mm, respectively. Higher than forecasted operating expenses because of repairs to the High Plains Pipeline and higher third-party trucking costs drove the shortfall relative to our estimates. TLLP declared a distribution of $0.3625/unit, in-line with our estimate.
- **Third Party Trucking Volumes Negatively Impact Operating Expenses:** On its earnings call, management reiterated its goal to increase its proprietary truck fleet and reduce its reliance on third party contractors. Third party trucks moved 65% of 4Q volumes or about 17.5MBpd. Management's goal is to reduce third party trucks to just 10-20% of its volumes thereby helping it to improve its operating margin.
- **Executing the Plan:** TLLP plans to spend $105mm on growth projects over a period of two years and generate an incremental EBITDA of $42.5mm. Additionally, it intends to dropdown its Martinez Crude Oil Terminal in the second quarter. Management expects the terminal to generate annual EBITDA of $8mm. We assume the dropdown transaction is done at a 10.0x EBITDA multiple and will result in $0.07/unit accretion to distributable cash flow. (See Exhibit 1 for more details)
- **Raising TP to $36 (from $33) and Reiterate Outperform:** We are increasing our distribution growth forecast for TLLP and reiterate our Outperform rating. Our new $36 (from $33) TP is based on a 3-stage distribution discount model that uses a 9.0% discount rate, 13.1% (from 12.0%) distribution CAGR over the first 5 yrs, 6.0% (from 5.0%) over the following 5 yrs and 1.5% terminal growth rate.

Share price performance



On 02/06/12 the S&P 500 INDEX closed at 1347.05

Qtrly EPU	Q1	Q2	Q3	Q4
2011A	-0.19	0.26	0.49	0.37
2012E	0.37	0.47	0.50	0.47
2013E	0.46	0.53	0.61	0.58

Financial and valuation metrics

Year	12/11A	12/12E	12/13E	12/14E
EBITDA (US$ m)	38	73	98	114
Distribution/unit - DPU (US$ m)	1.05	1.58	1.80	2.04
Earnings/unit - EPU (US$)	1.11	1.81	2.18	2.39
EPU - consensus (US$)	0.99	1.80	2.21	2.38
Distributable CF/unit (US$)	1.12	1.97	2.31	2.51
Distribution coverage (x)	1.19	1.27	1.36	1.33
P/DCF (x)	29.3	16.9	14.4	13.3
Adj. current EV/EBITDA (x)	—	—	—	—

DPU (12/11A, US$)	1.05	Distribution yld (12/11A, %)	3.3
Units outstanding (m)	31	GP take (%)	2.0
Net debt current (US$ m)	40.0	Net debt/EBITDA (x)	0.91
6-month ADV (000's)	12,372	Net debt/market cap. (%)	—
Free float (%)	—	Institutional ownership (%)	—

Source: Company data, Credit Suisse estimates.

Investment Thesis

TLLP is a fee-based, growth-oriented MLP formed by Tesoro Corp to own, operate and acquire crude oil and refined products logistics assets. In other words, TLLP was formed to be Tesoro Corp's vehicle to grow its logistics infrastructure business. Initially, substantially all of TLLP's revenue will be derived from Tesoro, primarily under various long-term, fee-based commercial agreements that include minimum volume commitments. Over the next several years, there is visible growth from, 1) organic projects tied to its strategies in the Bakken shale; 2) multi-year inventories of dropdown assets from Tesoro Corp, and the 3) development of third party businesses.

Company Description

Tesoro Logistics (TLLP) is a fee-based, growth oriented MLP formed by Tesoro Corp (TSO) to own, operate and acquire crude oil and refined products logistics assets. TLLP's assets consist of a crude oil gathering system in the Bakken Shale/Williston Basin area, eight refined products terminals in the western United States, and a crude oil and refined products storage facility and five related short-haul pipelines in Utah.

Tesoro Corp is the second largest refiner in the US with core area of operations in the midwestern and western United States. It owns and operates seven refineries that serve markets in Alaska, Arizona, California, Hawaii, Idaho, Minnesota, Nevada, North Dakota, Oregon, Utah, Washington and Wyoming. Tesoro Corp trades under the symbol TSO and has a market cap that approximates $3.7 billion. TSO retains a significant ownership in the MLP as it will own about 51% of the limited partner interest and the 2.0% general partner interest and associated incentive distribution rights.

Additional Color

- **Management Guidance.**
  - 1Q12 growth capital spending should approximate $7mm plus $1mm for maintenance capex.
  - 1Q12 EBITDA should approximate $14 to $15 million. Additional pipeline repairs are expected to total $0.5mm.
- **Growth in Trucking Volumes:** TLLP relied more on third party trucking services in 4Q11 to move incremental Bakken crude to Tesoro Corp's (TSO) Anacortes refinery. It is significantly cheaper to use its proprietary fleet and management targets reducing third party contracts from 65% (in 4Q11) to 10-20%.
- **Growth Projects Update:** Management provided detail on its estimated capital expenditure to be spent over the next 2 years. The projects totaling $105mm are expected to generate annual EBITDA of $42.5mm. As noted earlier, the value of the Martinez terminal dropdown will be $80mm and future dropdowns totaling $50mm every year going ahead.

Exhibit 1: **TLLP's Budgeted Growth Projects**

	Capex $mm	EBITDA	Est. Completion
Crude Oil Gathering			
High Plains expansion	6.0	5.0	2Q12
Rangeland interconnect	1.5	1.5	2Q12
Connolly gathering hub	4.0	-	1Q12
Other projects	58.0	18.0	2013
	69.5	**24.5**	
Terminalling, Transportation & Storage			
Ethanol blending	4.5	1.0	
Los Angeles terminal transmix	3.0	0.5	2013
Stockton terminal storage	10.0	4.0	4Q12
Los Angeles terminal permit expansion	-	2.5	1Q12
New terminal expansion projects	18.0	10.0	2013
	35.5	**18.0**	
Total	**105.0**	**42.5**	

Source: Company data, Credit Suisse estimates

- **Credit and Liquidity.** As of 12/31/2011, TLLP had total liquidity of $108.3mm including $8.3mm in cash and $100mm available under its credit facility. The company expects to increase its credit facility to $300mm (from $150mm) in 2Q12 concurrent with the dropdown of the Martinez terminal.

- **Potential Dropdowns from Tesoro Provide Visible Growth Opportunities.** Tesoro still has logistics assets with total aggregate book value of $240 million that may be sold to TLLP. This compares to approximately $193 million for the initial assets contributed to TLLP. Furthermore, Tesoro announced a project to deliver 30,000 bpd of Bakken crude oil to its Anacortes refinery via rail on 7/15/2011. Tesoro will build an unloading facility to accommodate the unit train. Once completed, Tesoro plans to offer the facility to TLLP.

Exhibit 2: **TLLP Right of First Offer Terminals**

Asset	Location	Terminalling Capacity (MBbls/d)	2010 Throughput	Capacity Utilization	Description
Golden Eagle Refined Products Terminal	Martinez, California	38	14	37.1%	Truck loading rack with three loading bays
Golden Eagle Marine Terminal	Martinez, California	145	50	34.3%	Single-berth dock, five crude oil storage tanks with combines capacity of 425,000 barrels
Golden Eagle Wharf Facility	Martinez, California	50	30	59.8%	Single-berth dock and related pipelines
Tesoro Alaska Pipeline	Nikiski, Alaska	48	36	75.0%	Approx. 69 miles of 10-inch pipeline
Nikiski Refined Products Terminal	Nikiski, Alaska	-	82	-	A truck loading rack with two loading bays
Los Angeles Crude Oil & Refined Products Pipeline System	Los Angeles, California	-	42	-	Nine separate DOT-regulated pipelines totaling approx. 17 miles
Anacortes Refined Products Terminal	Anacortes, Washington	-	2	-	Truck loading facility with two loading bays
Anacortes Marine Terminal and Storage Facility	Anacortes, Washington	-	31	-	Crude oil & refined products wharf and four storage tanks
Long Beach Marine Terminal	Long Beach, California	-	99	-	A dock with two vessels

Source: Partnership data, Credit Suisse estimates

- **Tweaking Estimates.** We are forecasting adjusted EBITDA of $14.1mm (down from $14.5mm) and $73.3mm (down from $73.8mm) in 1Q12 and FY2012, respectively. DCF is forecast at $12.5mm (down from $13.2mm) and $64.5mm (up from $63.8mm) in 1Q12 and FY2012, respectively. We have incorporated the additional operating expenses in 1Q12 and increased trucking volumes within our model.

Exhibit 3: TLLP Quarterly Variance Table

Earnings Variance	4Q11 Actual	4Q11 CS Estimate	Diff.	Diff. (%)	Comments
Crude oil gathering	6.6	8.0	(1.5)	-18%	Repairs to the High Plains Pipeline and higher third party trucking costs
Terminalling, transportation and storage	9.0	8.6	0.4	5%	
Acquisitions	0.0	0.0	0.0	NA	
Recurring EBITDA	**14.1**	**15.1**	**(1.0)**	**-7%**	
Operating and maintenance	11.1	9.6	1.4	15%	
Depreciation and amortization	2.0	2.3	(0.3)	-12%	
General and administrative	2.6	1.8	0.8	47%	
EBIT (operating income recurring)	**12.1**	**12.8**	**(0.7)**	**-6%**	
Interest (expense) income, net	(0.5)	(0.5)	(0.1)	14%	
Net income (recurring)	**11.5**	**12.4**	**(0.8)**	**-7%**	
Non-recurring Items	0.0	0.0	0.0	NA	
Reported Net Income	**11.5**	**12.4**	**(0.8)**	**-7%**	
EPU	**$0.37**	**$0.40**	**-$0.03**	**-7%**	
EBITDA - Recurring	14.1	15.1	(1.0)	-7%	
Average Units Outstanding	30.5	30.5	0.0	0%	
Distributable Cash Flow (DCF)					
Net income	11.5	12.4	(0.8)	-7%	
(+) Interest expense, net	0.5	0.5	0.1	14%	
(+) Depreciation and amortization	2.0	2.3	(0.3)	-12%	
EBITDA	**14.1**	**15.1**	**(1.0)**	**-7%**	
(-) Cash interest paid	0.8	0.5	0.4	75%	
(-) Maintenance capital expenditure	1.2	1.1	0.1	7%	
(-) Other	(0.5)	0.0	(0.5)	NA	
Distributable cash flow available	**12.6**	**13.6**	**(1.0)**	**-7%**	
Cash paid to the general partner	0.2	0.2	0.0	0%	
GP portion of surplus cash flow	0.0	0.0	(0.0)	-43%	
Distributable cash flow to LP	**12.3**	**13.3**	**(1.0)**	**-7%**	
DCF per LP unit	**$0.40**	**$0.44**	**($0.03)**	**-7%**	
Cash Distribution Declared Per Unit	**$0.3625**	**$0.3625**	**$0.00**	**0%**	
Total declared cash distributions	11.3	11.3	0.0	0%	
Cash flow surplus / (deficitl) (Total DCF - Total declared dists)	1.3	2.3	(1.0)	-43%	
Distribution Coverage (Total DCF/Total Distribution Declared	**1.11x**	**1.20x**	**-0.09x**	**-7%**	

$ in millions, except for per unit data
Coverage Ratio = Total DCF/Total Cash Dist

Source: Partnership data, Credit Suisse estimates

Exhibit 4: TLLP Changes to Model

Year ending December 31	Old Estimates									New Estimates								
($ millions, except per unit data)	1Q12E	2Q12E	3Q12E	4Q12E	2012E	2013E	2014E	2015E	2016E	1Q12E	2Q12E	3Q12E	4Q12E	2012E	2013E	2014E	2015E	2016E
Crude oil gathering	7.1	7.5	8.9	8.9	32.4	44.1	48.2	49.0	49.9	7.0	7.7	9.2	9.2	33.1	45.5	52.5	53.4	54.4
Terminalling, transportation and storage	9.0	10.5	11.3	10.8	41.6	48.0	51.1	51.9	52.9	8.6	10.2	11.0	10.5	40.3	46.1	49.2	50.0	50.9
Acquisitions	0.0	2.0	2.0	2.0	6.0	12.7	18.9	25.2	31.4	0.0	2.0	2.0	2.0	6.0	12.7	18.9	25.2	31.4
Recurring EBITDA	**14.5**	**18.4**	**20.7**	**20.2**	**73.8**	**98.6**	**111.9**	**119.6**	**127.6**	**14.1**	**18.3**	**20.7**	**20.2**	**73.3**	**98.0**	**114.3**	**122.0**	**130.1**
Operating and maintenance	10.1	11.5	12.8	12.5	46.9	59.4	65.3	67.5	69.9	10.9	11.9	13.1	12.9	48.9	61.6	69.7	72.0	74.5
Depreciation and amortization	3.6	3.6	3.6	3.6	14.4	16.4	18.4	20.4	20.4	2.0	2.6	2.9	3.0	10.5	14.6	18.0	20.9	23.7
General and administrative	1.8	2.6	2.6	2.6	9.5	12.3	15.0	17.6	20.2	2.6	3.4	3.4	3.4	12.8	15.6	18.3	20.9	23.6
EBIT (operating income recurring)	**10.9**	**14.8**	**17.1**	**16.6**	**59.4**	**82.1**	**93.5**	**99.2**	**107.2**	**12.1**	**15.7**	**17.8**	**17.2**	**62.9**	**83.4**	**96.2**	**101.1**	**106.4**
Interest (expense) income, net	(0.6)	(2.0)	(1.9)	(1.8)	(6.4)	(10.0)	(12.4)	(13.8)	(15.7)	(0.6)	(1.2)	(1.6)	(1.4)	(4.9)	(8.7)	(11.1)	(13.1)	(15.3)
Net income (recurring)	**10.3**	**12.8**	**15.2**	**14.8**	**53.1**	**72.1**	**81.1**	**85.4**	**91.4**	**11.5**	**14.5**	**16.2**	**15.8**	**58.0**	**74.7**	**85.2**	**88.0**	**91.1**
Non-recurring Items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reported Net Income	**10.3**	**12.8**	**15.2**	**14.8**	**53.1**	**72.1**	**81.1**	**85.4**	**91.4**	**11.5**	**14.5**	**16.2**	**15.8**	**58.0**	**74.7**	**85.2**	**88.0**	**91.1**
EPU	**0.33**	**0.41**	**0.47**	**0.44**	**1.66**	**2.14**	**2.35**	**2.32**	**2.30**	**0.37**	**0.47**	**0.50**	**0.47**	**1.81**	**2.18**	**2.39**	**2.26**	**2.14**
EBITDA - Recurring	14.5	18.4	20.7	20.2	73.8	98.6	111.9	119.6	127.6	14.1	18.3	20.7	20.2	73.3	98.0	114.3	122.0	130.1
Average Units Outstanding	30.5	30.5	31.4	32.3	31.2	32.3	32.3	32.3	32.3	30.5	30.5	31.6	32.7	31.3	32.7	32.7	32.7	32.7
Distributable Cash Flow (DCF)																		
Net income	10.3	12.8	15.2	14.8	53.0	72.1	81.1	85.4	91.4	11.5	14.5	16.2	15.8	58.0	74.7	85.2	88.0	91.1
(+) Interest expense, net	0.6	2.0	1.9	1.8	6.4	10.0	12.4	13.8	15.7	0.6	1.2	1.6	1.4	4.9	8.7	11.1	13.1	15.3
(+) Depreciation and amortization	3.6	3.6	3.6	3.6	14.4	16.4	18.4	20.4	20.4	2.0	2.6	2.9	3.0	10.5	14.6	18.0	20.9	23.7
EBITDA	**14.5**	**18.4**	**20.7**	**20.2**	**73.8**	**98.6**	**111.9**	**119.6**	**127.6**	**14.1**	**18.3**	**20.7**	**20.2**	**73.3**	**98.0**	**114.3**	**122.0**	**130.1**
(-) Cash interest paid	0.6	2.0	1.9	1.8	6.4	10.0	12.4	13.8	15.7	0.6	1.2	1.6	1.4	4.9	8.7	11.1	13.1	15.3
(-) Maintenance capital expenditure	0.7	0.9	1.0	1.0	3.7	4.9	5.6	6.0	6.4	1.0	0.9	1.0	1.0	4.0	4.9	5.7	6.1	6.5
(-) Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Distributable cash flow available	**13.2**	**15.5**	**17.7**	**17.4**	**63.8**	**83.6**	**94.0**	**99.8**	**105.5**	**12.5**	**16.2**	**18.0**	**17.7**	**64.5**	**84.4**	**97.5**	**102.8**	**108.3**
Cash paid to the general partner	0.2	0.2	0.3	0.4	1.2	2.7	5.0	10.3	16.7	0.2	0.2	0.3	0.4	1.2	3.0	6.5	13.9	20.9
GP portion of surplus cash flow	0.0	0.1	0.7	0.5	1.4	5.9	7.7	9.6	6.0	0.0	0.1	0.8	0.6	1.4	5.6	9.0	7.2	2.9
Distributable cash flow to LP	**12.9**	**15.2**	**16.7**	**16.4**	**61.2**	**75.0**	**81.2**	**79.9**	**82.7**	**12.3**	**15.9**	**17.0**	**16.7**	**61.9**	**75.8**	**82.0**	**81.8**	**84.6**
DCF per LP unit	**$0.42**	**$0.50**	**$0.53**	**$0.51**	**$1.96**	**$2.32**	**$2.51**	**$2.47**	**$2.56**	**$0.40**	**$0.52**	**$0.54**	**$0.51**	**$1.97**	**$2.31**	**$2.51**	**$2.50**	**$2.58**
Cash Distribution Declared Per Unit	**$0.38**	**$0.39**	**$0.40**	**$0.41**	**$1.58**	**$1.78**	**$1.98**	**$2.18**	**$2.38**	**$0.38**	**$0.39**	**$0.40**	**$0.41**	**$1.58**	**$1.80**	**$2.04**	**$2.28**	**$2.50**
Total declared cash distributions	11.7	12.1	12.9	13.7	50.3	60.1	68.8	80.5	93.4	11.7	12.1	13.0	13.9	50.6	62.0	73.3	88.5	102.6
Cash flow surplus / (deficitl) (Total DCF - Total declared dists)	1.5	3.5	4.9	3.6	13.4	23.6	25.1	19.3	12.0	0.8	4.2	5.1	3.8	13.9	22.4	24.2	14.3	5.7
Distribution Coverage (Total DCF/Total Distribution Declared)	**1.13x**	**1.29x**	**1.38x**	**1.27x**	**1.27x**	**1.39x**	**1.37x**	**1.24x**	**1.13x**	**1.07x**	**1.35x**	**1.39x**	**1.27x**	**1.27x**	**1.36x**	**1.33x**	**1.16x**	**1.06x**

$ in millions, except for per unit data
Coverage Ratio = Total DCF/Total Cash Dist

Source: Partnership data, Credit Suisse estimates

Exhibit 5: TLLP Abbreviated Financial Statements

Tesoro Logistics, L.P. (NYSE: TLLP) — **Credit Suisse - Master Limited Partnerships and Natural Gas**

Abbreviated Financial Statements

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Year ending December 31 ($ millions, except per unit data)	TLLP Predecessor			Pro Forma										
	2008	**2009**	**2010**	**2010**	**2011**	1Q12E	2Q12E	3Q12E	4Q12E	**2012E**	**2013E**	**2014E**	**2015E**	**2016E**
Crude oil gathering	4	(0)	(1)	28	20	7	8	9	9	33	45	53	53	54
% of Total	*-47%*	*1%*	*5%*	*53%*	*53%*	*50%*	*42%*	*44%*	*46%*	*45%*	*46%*	*46%*	*44%*	*42%*
Terminalling, transportation and storage	(10)	(11)	(10)	28	23	9	10	11	11	40	46	49	50	51
% of Total	*125%*	*82%*	*78%*	*54%*	*61%*	*61%*	*55%*	*53%*	*52%*	*55%*	*47%*	*43%*	*41%*	*39%*
Acquisitions	0	0	0	0	0	0	2	2	2	6	13	19	25	31
% of Total	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*11%*	*10%*	*10%*	*8%*	*13%*	*17%*	*21%*	*24%*
EBITDA - Recurring	**(8)**	**(13)**	**(13)**	**53**	**38**	**14**	**18**	**21**	**20**	**73**	**98**	**114**	**122**	**130**
y/y change (%)						*-472%*	*92%*	*17%*	*43%*	*95%*	*34%*	*17%*	*7%*	*7%*
EPU	$0.00	$0.00	$0.00	$1.36	$1.11	$0.37	$0.47	$0.50	$0.47	$1.81	$2.18	$2.39	$2.26	$2.14
Average Units Outstanding	-	-	-	30.5	30.5	30.5	30.5	31.6	32.7	31.3	32.7	32.7	32.7	32.7
Distributable Cash Flow (DCF)														
Net income				42	28	12	14	16	16	58	75	85	88	91
(+) Interest expense, net				2	2	1	1	2	1	5	9	11	13	15
(+) Depreciation and amortization				8	8	2	3	3	3	10	15	18	21	24
EBITDA				**53**	**38**	**14**	**18**	**21**	**20**	**73**	**98**	**114**	**122**	**130**
(-) Cash interest paid				2	1	1	1	2	1	5	9	11	13	15
(-) Maintenance capital expenditure				2	2	1	1	1	1	4	5	6	6	7
(-) Other				3	(0)	0	0	0	0	0	0	0	0	0
Distributable Cash Flow				**46**	**35**	**13**	**16**	**18**	**18**	**65**	**84**	**98**	**103**	**108**
DCF per LP unit				**$1.51**	**$1.12**	**$0.40**	**$0.52**	**$0.54**	**$0.51**	**$1.97**	**$2.31**	**$2.51**	**$2.50**	**$2.58**
Cash Distribution Declared Per Unit					**$1.05**	**$0.38**	**$0.39**	**$0.40**	**$0.41**	**$1.58**	**$1.80**	**$2.04**	**$2.28**	**$2.50**
% yr/yr growth					*NA*	*0.0%*	*14.8%*	*14.3%*	*13.8%*	*16.7%*	*14.3%*	*13.3%*	*11.8%*	*9.4%*
Total declared cash distributions					33	12	12	13	14	51	62	73	89	103
Cash flow surplus / (deficitl) (Total DCF - Total declared dists)					6	1	4	5	4	14	22	24	14	6
Distribution Coverage (Total DCF/Total Distribution Declared)					**1.19x**	**1.07x**	**1.35x**	**1.39x**	**1.27x**	**1.27x**	**1.36x**	**1.33x**	**1.16x**	**1.06x**
% of Total Cash Distribution														
General Partner					2%	2%	2%	2%	3%	2%	5%	9%	16%	20%
Limited Partners					98%	98%	98%	98%	97%	98%	95%	91%	84%	80%
Capital Expenditures & Acquisitions														
Growth Capex	10	6	0	0	10	7	20	20	13	60	40	0	0	0
Maintenance Capex	8	3	2	2	2	1	1	1	1	4	5	6	6	7
Acquisitions	0	0	0	0	0	0	80	0	0	80	50	50	50	50
Total Capital Expenditures & Acquisitions	**19**	**9**	**2**	**2**	**12**	**8**	**101**	**21**	**14**	**144**	**95**	**56**	**56**	**57**
Financing and Credit Metrics														
Equity Issuances ($ Millions)				0	294	0	0	50	0	50	0	0	0	0
Net Debt Issuances ($ Millions) - includes credit facility				0	50	6	95	(36)	8	73	65	29	37	44
Total Debt ($ Millions)				50	50	56	151	115	123	123	188	217	254	298
Net Debt-to-TTM EBITDA				0.9x	0.8x	0.7x	2.1x	1.5x	1.5x	1.5x	1.8x	1.8x	2.0x	2.2x
Interest Expense, Net ($ Millions)				2	2	1	1	2	1	5	9	11	13	15
EBITDA-to-Interest Expense				21.9x	23.4x	23.5x	15.4x	12.8x	14.0x	15.1x	11.3x	10.3x	9.3x	8.5x
Maintenance Capex As % of EBITDA				3%	5%	7%	5%	5%	5%	5%	5%	5%	5%	5%
Abbreviated Balance Sheet														
Cash and Equivalents	0	0	0	3	18	18	16	15	14	14	10	12	12	11
Current Assets	**0**	**3**	**4**	**3**	**31**	**30**	**31**	**31**	**30**	**30**	**30**	**33**	**35**	**36**
Property Plant and Equipment, Net	139	138	132	132	139	145	324	342	353	353	483	571	656	739
Other Assets	3	0	0	2	2	2	2	2	2	2	2	2	2	2
Total Assets	**142**	**141**	**136**	**137**	**172**	**177**	**356**	**374**	**384**	**384**	**514**	**606**	**693**	**776**
Current Liabilities	**0**	**5**	**5**	**0**	**9**	**9**	**11**	**12**	**12**	**12**	**15**	**17**	**18**	**19**
Credit facility	0	0	0	50	50	56	151	115	123	123	163	167	179	198
Long term debt, less current portion & Credit Facility	0	0	0	0	0	0	0	0	0	0	25	50	75	100
Other Liabilities	9	1	2	50	50	56	151	115	124	124	164	167	179	198
Total Liabilities	**9**	**5**	**7**	**50**	**59**	**65**	**162**	**127**	**135**	**135**	**204**	**234**	**272**	**317**
Partners Capital	133	136	129	87	112	112	194	247	249	249	310	372	421	459
Total Liabilities & Partners Capital	**142**	**141**	**136**	**137**	**172**	**177**	**356**	**374**	**384**	**384**	**514**	**606**	**693**	**776**

*Note: GP portion of surplus cash flow refers to the excess cash flow, above distributions paid, to which the general partner would be entitled if excess cash flow were fully distributed. Similarly, GP portion of cash flow deficit refers to the portion of the shortfall that the GP would share in the event that distributions were paid only out of DCF.

Source: Partnership reports, Credit Suisse estimates

Source: Partnership data, Credit Suisse estimates

Companies Mentioned *(Price as of 07 Feb 12)*
Tesoro Corp. (TSO, $27.04, NEUTRAL [V], TP $33.00)
Tesoro Logistics LP (TLLP, $33.38, OUTPERFORM [V], TP $36.00)

Disclosure Appendix

Important Global Disclosures

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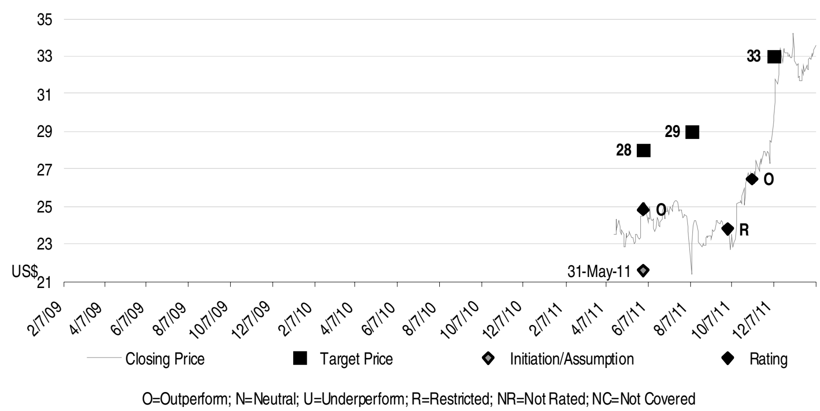
3-Year Price, Target Price and Rating Change History Chart for TLLP

TLLP Date	Closing Price (US$)	Target Price (US$)	Rating	Initiation/ Assumption
5/31/11	24.84	28	O	X
8/10/11	22.99	29		
9/30/11	23.8		R	
11/4/11	26.47		O	
12/6/11	29.58	33		



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Price Target: (12 months) for (TLLP)

Method: We derived our $36 price target through a three-stage distribution discount model (DDM). Our assumptions include a discount rate of 9.0%, distribution compounded annual growth rate of 13.1% over the next five years and 6.0% over the following five years and a terminal growth rate of 1.5%.

Risks: Risks to our $36 price target for TLLP are potential refinery closings which would negatively impact volumes, dependence upon TSO for the majority of revenue, difficulty predicting timing of drop-down acquisitions which could result in lower than expected growth, potential for interest rate increases, which would negatively impact interest expense at the partnership's revolving credit facility, and demand destruction and/or declining volumes in the areas in which TLLP operates.

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