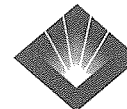


July 8, 2008



TESORO

Tesoro Companies, Inc.
300 Concord Plaza Drive
San Antonio, Texas 78216-6999
210 283 2697 Phone
210 283 2018 Fax

California Air Resources Board
Clerk of the Board
1001 I Street,
Sacramento, CA 95814

Subject: Second 15 Day Notice – 2007 Amendments to the Phase 3 California Reformulated Gasoline Regulations

Dear Board Member:

Tesoro Corporation is an independent refiner and marketer of petroleum products. Tesoro operates seven refineries in the western United States with a combined capacity of approximately 660,000 barrels per day. With the acquisition of the Los Angeles Refinery in 2007, Tesoro is now the second largest refiner of clean fuels for the state of California.

This letter is submitted in response to the 15-day public comment period opened by the California Air Resource Board ("CARB") with respect to the June 9, 2008 disapproval by the State of California Office of Administrative Law ("OAL") of the adoption by CARB of the 2007 amendments to the Phase 3 California Reformulated Gasoline Regulations ("CaRFG3") regulations. OAL disapproved the 2007 CaRFG3 amendments because Tables 1, 9 and 12 of the "California Procedures for Evaluating Alternatives for Phase 3 Reformulated Gasoline using the California Predictive Model (the "Predictive Model"), incorporated by reference into the 2007 CaRFG3 amendments, contained changes that were not made available for public comment.

Under the 2007 CaRFG3 amendments, the Predictive Model is used to determine whether a fuel formulation is compliant with the CaRFG3 standards. The above-referenced changes to tables of the Predictive Model affect the results of the Predictive Model and, therefore, impact the determination of how a refiner can make gasoline compliant with the CaRFG3 standards by the December 31, 2009 deadline. As a result, these changes affect the entire scope of the 2007 CaRFG3 amendments.

Tesoro appreciates the opportunity to submit comments on the 2007 CaRFG3 amendments. These amendments will have a significant impact on our business. The following highlights Tesoro's specific comments:

- Tesoro is a member of the Western States Petroleum Association (WSPA); we have participated in the development of previous comments submitted to CARB regarding the 2007 CaRFG3 amendments. Tesoro concurs with and hereby incorporates by reference comments previously submitted by WSPA.
- CARB stated in their Initial Statement of Reasons dated April 27, 2007 regarding the 2007 CaRFG3 amendments that the amendments would result in a decrease in greenhouse gas (GHG) emissions.

However, recent scientific information regarding potential negative GHG impacts from land use changes (LUC) due to first generation biofuels production has come to light and indicates that this conclusion is suspect. For example, a recent article by Timothy Serchinger and coworkers published in Science Express advises that use of U.S. Croplands for biofuels increases greenhouse gasses through emissions from land use changes.¹ Also, Nobel Prize winning chemist Dr. Paul Crutzen has recently published an important paper suggesting that a higher percentage of GHG emissions than previously believed results from the use of fertilizer in the production of corn-based ethanol.² In its May 23, 2008 response to WSPA on a petition to reconsider the CaFRG3 amendments, CARB stated that it “has now learned” of the significance of GHG emissions associated with crop based ethanol usage. We believe this information to be important enough for CARB to fully evaluate the impact of increased CO2 emissions due to increased ethanol use in CaRFG3 gasoline that will be provided when these amendments become effective. We do not believe that such an evaluation has been made to this point. In fact, at the June 30, 2008 “Life Cycle Analysis Working Group Meeting” CARB staff admitted that there is “much work left before [CARB staff] will be able to quantify land use change effects for regulatory purposes.” Nonetheless, the CaRFG3 amendments to the Predictive Model will require additional blending; however the GHG implications from ethanol use, particularly non-cellulosic based ethanol have been ignored in the CaRFG3 amendments. The additional ethanol blending required by the CaRFG3 amendments will result in additional ethanol production causing increased GHG emissions and CARB has indicated that the increased GHG emissions will cause irreparable harm to the environment.

- Tesoro appreciates that CARB has indicated a desire to address indirect land use during the development of the Low Carbon Fuel Standard (LCFS). However, when results of the land use studies previously mentioned are considered, additional ethanol blending may no longer provide a smooth path to lower GHG emissions, successful implementation of the LCFS. Tesoro believes CARB has an obligation to consider all environmental impacts of their regulations and must harmonize the LCFS and the CaRFG3 amendments.

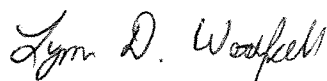
¹ Timothy Serchinger, Ralph Heimlich, R. A. Houghton, Fengxia Dong, Amani Elobeid, Jacinto Fabiosa, Simla Tokgoz, Dermot Hays, Tun-Hsiang Yu, “Use of U.S. Croplands for Biofuels Increases Greenhouse Gasses Through Emissions from Land Use Change”, Scienceexpress Report, 7 February, 2008.

² Dr. Paul Crutzen, Mosler, Smith and Winiwarer, “N2O Release from Agro Biofuel Production Negates Global Warming Reduction by Replacing Fossil Fuels”, Atmospheric Chemistry and Physics Discussions, 7, 11911-11205, August, 2007.

- As a result of OAL's disapproval action, the time for refiners to make the required refinery modifications to supply compliant CaRFG3 gasoline has been substantially shortened. Even if OAL were to approve the 2007 CaRFG3 by September 1, 2009, the time period between then and the December 31, 2009 would be approximately 16 months. CARB must evaluate the cost of making the required refinery improvements within this shortened period, or, extend the deadline to meet the compliant fuel deadline to accommodate for the delay resulting from OAL's disapproval action. Based upon a recognition of the time necessary to make refinery modifications, the implementation date should be at least four years from the finalization of the regulations, and should be subject to regularly scheduled formal reviews. Previous fuels regulations reflect this recognition.
- Under the 2007 CaRFG3 amendments a refiner that cannot meet the December 31, 2009 to make gasoline compliant with the CaRFG3 standards may apply to CARB to use an alternative emissions reduction plan ("AERP"). An AERP allows a refiner to mitigate the excess emissions associated with permeation by obtaining offsetting emission reductions from combustion or other gasoline-related sources. If the December 31, 2009 deadline to make gasoline compliant with the 2007 CaRFG3 amendments is maintained, given the shortened period between potential OAL approval of the 2007 CaRFG3 amendments and this deadline, it appears inevitable that a greater number of refiners will not be able to make the refinery improvements required to make compliant gasoline by this deadline. As a result, if this deadline is maintained, it appears that a greater number of refiners will need to apply for an AERP. There is no evidence that CARB has made the required determination that the AERP program will "[m]aintain or improve upon emissions and air quality benefits achieved by California Phase 2 Reformulated Gasoline in California as of January 1, 1999." Further, there is no evidence that CARB has made the required determination of the cost-effectiveness of the AERP program. Finally, under Health and Safety Code Section 43013.1(b)(3), CARB was required to perform a multimedia analysis of the AERP component of the 2007 CaRFG3 amendments, but CARB has not performed this analysis. We believe that all of these analyses must be completed prior to the issuance of the final amendments to avoid irreparable harm to the refiners and to the environment.

Please feel free to contact me at (210) 283-2697, if you have any questions.

Sincerely,



Lynn D. Westfall