

# **EXHIBIT 3**

**PETER K. ASHTON, SENIOR CONSULTANT WITH PREMIER  
QUANTITATIVE CONSULTING, INC., ON BEHALF OF TESORO REFINING  
& MARKETING COMPANY LLC**

### Exhibit 3 - Hypothetical Example - SFPP, LP

| SFPP p. 700 for 2014 |  |                |
|----------------------|--|----------------|
| Line No              | Item   | 2014           |
| 1                    | Operating and Maintenance Expenses               | 58,149,033     |
| 2                    | Depreciation Expense                             | 21,138,014     |
| 3                    | AFUDC Depreciation                               | 590,238        |
| 4                    | Amortization of Deferred Earnings                | 2,514,968      |
| 5                    | <b>Rate Base</b>                                 |                |
| 5a                   | Original Cost                                    | 505,203,701    |
| 5b                   | Unamortized Rate Base Write-up                   | -              |
| 5c                   | Accumulated Net Deferred Earnings                | 62,087,531     |
| 5d                   | Trended Original Cost                            | 567,291,232    |
| 6                    | <b>Rate of Return %</b>                          |                |
| 6a                   | Adj Capital Structure Ratio on LT Debt           | 48.36%         |
| 6b                   | Adj Capital Structure Ratio on SH Equity         | 51.64%         |
| 6c                   | Cost of Long Term Debt                           | 5.47%          |
| 6d                   | Real Cost of Stockholders Equity                 | 9.19%          |
| 6e                   | Weighted Average Cost of Capital                 | 7.39%          |
| 7                    | <b>Return on Trended Original Cost Rate Base</b> |                |
| 7a                   | Debt Component (Line 5d x 6a x 6c)               | 15,006,510     |
| 7b                   | Equity Component (Line 5d x 6b x 6d)             | 26,922,031     |
| 7c                   | Total Return on Rate Base                        | 41,928,541     |
| 8                    | Income Tax Allowance                             | 17,344,097     |
| 8a                   | Composite Tax Rate %                             | 36.94%         |
| 9                    | Total Cost of Service                            | 141,664,891    |
| 10                   | Total Interstate Operating Revenues              | 170,062,515    |
| 11                   | Throughput in Barrels                            | 136,629,856    |
| 12                   | Throughput in Barrel-Miles                       | 40,456,195,712 |
|                      | <b>Overrecovery %</b>                            | <b>20.0%</b>   |

| Hypothetical Segment by Segment page 700 |              |              |              |             |
|--|--------------|--------------|--------------|-------------|
|  | West Line    | East Line    | North Line   | Oregon Line |
|  | 25,876,320   | 23,259,613   | 4,651,923    | 4,361,177   |
|  | 9,512,106    | 8,455,206    | 1,691,041    | 1,479,661   |
|  | 265,607      | 236,095      | 47,219       | 41,317      |
|  | 1,131,736    | 1,005,987    | 201,197      | 176,048     |
| 5  |              |              |              |             |
| 5a                                       | 235,302,825  | 186,024,589  | 40,909,869   | 42,966,417  |
| 5b                                       | -            | -            | -            | -           |
| 5c                                       | 28,917,784   | 22,861,684   | 5,027,661    | 5,280,402   |
| 5d                                       | 264,220,609  | 208,886,274  | 45,937,530   | 48,246,820  |
| 6  |              |              |              |             |
| 6a                                       | 48.36%       | 48.36%       | 48.36%       | 48.36%      |
| 6b                                       | 51.64%       | 51.64%       | 51.64%       | 51.64%      |
| 6c                                       | 5.47%        | 5.47%        | 5.47%        | 5.47%       |
| 6d                                       | 9.19%        | 9.19%        | 9.19%        | 9.19%       |
| 6e                                       | 7.39%        | 7.39%        | 7.39%        | 7.39%       |
| 7  |              |              |              |             |
| 7a                                       | 6,989,407    | 5,525,652    | 1,215,182    | 1,276,269   |
| 7b                                       | 12,539,160   | 9,913,149    | 2,180,065    | 2,289,657   |
| 7c                                       | 19,528,567   | 15,438,801   | 3,395,247    | 3,565,926   |
| 8  | 8,150,454    | 6,542,678    | 1,438,843    | 1,202,122   |
| 8a                                       |              |              |              |             |
| 9  | 64,464,790   | 54,938,381   | 11,425,470   | 10,826,251  |
| 10                                       | 76,528,132   | 71,426,256   | 11,054,063   | 11,054,063  |
|  | <b>18.7%</b> | <b>30.0%</b> | <b>-3.3%</b> | <b>2.1%</b> |