BEFORE THE
CALIFORNIA ENERGY COMMISSION

In the Matter of: ) ) Docket No. 07-FET-1
Fuel Efficient Tire Program )
(AB 844, Statutes of 2003)

TRANSPORTATION POLICY COMMITTEE WORKSHOP
ON THE
FUEL EFFICIENT TIRE PROGRAM

CALIFORNIA ENERGY COMMISSION
HEARING ROOM A
1516 NINTH STREET
SACRAMENTO, CALIFORNIA

WEDNESDAY, JUNE 10, 2009
10:00 A.M.

Reported by:
Peter Petty
Contract Number:
COMMISSIONERS PRESENT

Karen Douglas, Chairman and Associate Member,
Transportation Policy Committee
Diana Schwyzer, her Advisor
Susan Brown, Advisor to Vice Chairman and Presiding Member,
Transportation Policy Committee

STAFF PRESENT

Ray Tuvell, Manager, Emerging Fuels and Technology Office

PRESENTERS

Mike Wischhusen, Michelin North America, Inc.,
Representing Rubber Manufacturers Association

Public Comment

Daniel Guiney, Yokohama Tire Corporation
Luke Tonaschel, National Resources Defense Council (NRDC)*
John Rassettter, Tire Rack*
Tracey Norberg, Rubber Manufacturers Association
Tim Robinson, Bridgestone Firestone North American Tire, LLC
Thomas Okihisa, Toyo Tires
Andrew Fanara, US EPA

* Via WebEx
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COMMISSIONER DOUGLAS: Good morning. Welcome to the Transportation Committee's Workshop on the Commission's Fuel Efficient Tire Program. AB 844 requires the Energy Commission to develop and implement a comprehensive fuel efficient tire program, including consumer information standards for passenger vehicles and light duty trucks. Our tire program is a component of a California statewide effort to reduce greenhouse gas emissions, as required by AB 32. Low pressure of tires can reduce a vehicle's greenhouse gas emissions by one to two percent and the Air Resources Board is counting on our regulations to deliver 300,000 metric tons of CO\textsubscript{2} equivalent emission eruptions by 2020.

Today, staff will be presenting us with proposed Tire Rating and Reporting Requirements. I am very pleased that the tire industry has been engaged in this proceeding, and we look forward to hearing from them today, as well as from other interested stakeholders. Thank you very much. And I will now turn this over to Ray Tuvell to present the staff proposal.

MR. TUVELL: Thank you, Commissioner Douglas. Before we get started, I have a few housekeeping requirements that have mandatory reading requirements. In case there happens to be an emergency in the building, I
would like you to follow those of us who work here; we will
go kitty-corner, across the street to the park, and wait for
instructions to return. The restrooms are just outside this
room, that direction if you are looking at me pointing, and
there is a snack bar up one floor in this direction if you
feel like taking a break. Now, we will be scheduling breaks
during the meeting at the appropriate points at the end of
the presentations, and if we desire, to have a break right
at noon if we can.

We are recording this meeting. And so for those
of you present in the room, as well as we do have WebEx
connections to this meeting, and so we have remote
participants, I would ask you, that if you have questions or
comments, that you come to a speaker up here, a small podium
-- a microphone, I am sorry -- and state your name and
affiliation, then put your comments or questions on the
record. Also, in our Public Notice, we have mentioned that
we will be accepting written comments up to two weeks after
this workshop, and we encourage you to submit those
comments. And also, if you are not already aware, the
Commission does have a website on this program, and on that
website we do have a list server, and if you sign-up with
your e-mail address on that list server, you will get
automatic notifications any time anything is added to our
website, and we do add everything to our website, including
Notices of the meeting, all of the documents that you see today, as well as the presentations that will be made today will be posted on our website. So if you are at all following this subject, I strongly encourage you to sign-up for our list server. And the information on doing that is in the notice. We have a -- while it appears to be a short agenda today, it is actually a pretty ambitious agenda. And so, on the other hand, I do want to encourage everyone who has questions and comments to take advantage of this opportunity to do that. While I know the Commissioners may not be available for the entire day, certainly I am going to be available to stay here as long as anybody wants to talk and exchange views or has questions.

Now, we have developed a slightly different format for this workshop that I would like to point out to you. The first session is designed to be a conventional type of a format where we will have two presentations, first by me, and then followed by Mike Wischhusen from the Rubber Manufacturers Association. And Commissioner Douglas will be present for those presentations. The second session was intended to be more of a working session, where we would have an opportunity, I would hope, to go over any detailed questions that you will have relative to the rules and regulations that we published and that have been out on the street now for a couple weeks, so more like a roll up the
sleeve working session. That was the intention of the two
session approach here, and I hope that explanation answers
your questions as to what is going on with this crazy
agenda. So if there are no other questions at this point, I
think I have taken care of all the formalities. Also, I
hope you have patience as we go through and deal with the
fact that the electronic is sometimes working, and sometimes
it is not.

So my name is Ray Tuvell. I am the Manager of the
Fuel Efficient Tire Program here at the California Energy
Commission. This day has actually been a long time coming
for us. As many of you may know, we have had the authority
to deal with this subject for quite some time. It has been
a difficult journey getting here for a variety of reasons,
but we are looking forward to this. And I hope you will
also. There are good reasons why.

There are approximately 27 million passenger
vehicles in California, consumer vehicles, passenger
vehicles and light trucks. Every year, they replace
approximately 6.75 million tires. But how many of them are
aware that such a thing as fuel efficient tires even exist,
let alone try to seek them out and make that a part of their
choice in replacing tires? Well, the answer is probably
very few, and there are good reasons why. A study that the
Commission conducted back in 2003 included that there is no
information available for consumers to rely on to choose fuel efficient tires. The Transportation Research Board in their study released in 2006 essentially reached the same conclusion, that until consumers are provided with information on fuel efficiency of tires; they will not be in a position to make choices.

AB 844 directed the Energy Commission to take steps to solve this problem by developing a consumer information program to enable consumers to make decisions about fuel efficient tires, and that is the subject and the authority that we are operating under today on the proposed regulations that we will be discussing. Let's talk a little bit for a moment about tires. This whole subject of fuel efficient tires is pretty basic. As a tire rolls, it deforms. That deformation actually represents resistance to rolling and therein lays the issue of fuel efficiency of tires -- some have a higher rolling resistance than others, some have a lower rolling resistance than others due to the deformation. Now, it is actually not as simple as it may sound. The tire industry has done significant detailed studies to determine the different areas of tires that contribute to rolling resistance. And, in fact, the tread is generally believed to be 50 percent contributor, the largest single contributor of all. But all portion of a tire flesh under the normal use, and this then is a
fundamental breakdown based on studies done by the tire industry.

Now fortunately, there is a laboratory method that allows us to determine the rolling resistance of tires. And it is essentially, as you see here, a tire is mounted on a wheel and, as it is brought into contact with this circular road wheel, it is essentially a totally computer driven testing process once you put the proper inputs in, give the condition of the tire. We are talking about the tire being on the machine roughly 30 to 40 minutes time to get the data necessary to determine its actual rolling resistance.

There are, or will soon be, five basic test protocols that are used in the industry to assess the rolling resistance of tires. The Coast-Down method, which is used predominantly with people involved in the original equipment manufactured tires for new vehicles, use the Coast-Down method because it helps them closely approximate the kind of numbers they would see for CAFE standards. The multi-point test method is actually used principally, I think, in research-related studies. It is a more intensive study, gives you a lot of data points, allows you to do a lot of different predictions, and is research-related. 1269 Singlepoint was developed principally to give a simplified test methodology to identify rolling resistance of tires by a single point-type method, and then in Europe, you have a
multipoint, 18164, which is essentially equivalent to the
1269 Multipoint, and then the newest protocol that has been
developed is 285A, which is a point similar to 1269, but
with a very special and important added feature, and that is
the ability to align test machines against test machines, so
you can calibrate the results and compare them accurately.

Now, NHTSA has probably done the most extensive
evaluations to look at the different test protocols.
Approximately a year ago, I think maybe late 2007, they
started. They tested all five -- they looked at all five of
the test protocols, they tested it on two different machines
at two different labs, and they tested 25 different models
of tires, but numerous samples of those, and in some cases
some samples more than once, so over 600 total tires were
tested. They concluded, first of all, all of the test
protocols are very accurate, low variations, and they end up
ranking tires in the same order, regardless of the test
protocol you would end up using. They also determined that
the results of any one test protocol could be correlated
against each other, which is important because, in some
cases out in the public domain, you have data from one test
protocol vs. another, you would like to compare it, and you
can compare it. The single point test methodology, though,
turns out to be the most efficient, both cost-wise, time-
wise, as we would expect. And also, they determined that
this matter of having the ability to align machine to
machine is critical to being able to use data from different
machines to compare against each other.

AB 844 directs us to adopt a test protocol and, as
a result of the studies that have been done by NHTSA and our
own independent studies, we are proposing ISO to 285A. We
believe it is highly accurate both individually on the test
machine itself, but it has the critically needed machine to
machine accuracy. Now, the current status in 285A is at the
very late stages of adoption. And my discussions with the
committee associated with heading that up last week, two or
three weeks ago, is that it should be adopted no later than
October, but maybe as early as August. And most of us in
the room who are familiar with this subject area probably
have seen the latest drafts. And there is not expected to
be any surprises associated with it. And, to my knowledge,
there is a consensus among all parties that 285A is the way
to go.

Now, 8844 talks about the scope of the program in
this way. Designed to deal with replacement tires for
passenger cars and light duty trucks. Now, that seems like
a simple enough statement, but it turns out that it could be
confused and, so, we decided let's take a look at this and
see if we could make an enlightened judgment about what that
means.
First of all, the industry uses this terminology for on-road tires, essentially four different types of on-road tires. And they are probably weight stepped, medium duty truck tires are the heavier tires, they would fit on something like a UPS-type truck. Heavy duty tires, then, would be tires you would expect on like an 18-wheeler. These tires are clearly not within the scope of this program. Passenger tires, as you would expect, are in fact passenger tires for automobiles, compact, and standard SUVs and pick-up trucks. If there is an issue here, I have heard it addressed, it has to do with this subject of light truck tires, LT tires. LT tires are, in fact, a distinctly different tire than a passenger tire. And these tires you find on large pick-up trucks and large SUVs. These are the actual vehicles that we are aware of, consumer vehicles that we are aware of, that come with light truck tires on them. Okay? And now, not all of these, and I want to qualify that, so like a CK 1500 is a medium or standard duty pick-up truck, that would commonly come with a passenger tire, but what you will find is versions of this, such as the four-wheel drive version designed to carry some heavier loads, and will come with a light truck tire. But certainly something like a 2500 or 3500 pick-up will definitely have an LT tire on it, and that is quite common also with any vehicles designed to handle heavier loads. So, in fact, LT
tires are very commonly used on consumer vehicles. RMA, in their 2006 fact book, I think, also acknowledges that when they say that, for their own purposes, they consider light truck tires are those that are defined as having a LT in their prefix or their suffix on the side designation. Furthermore, in their fact book, when they talk about and they have this chart regarding consumer light vehicles, they distinguish that as passenger tires on automobiles, as I explained, passenger tires on light trucks, as I also explained, but also as light truck tires on consumer light trucks.

There are approximately 23.5 million passenger vehicles in California using passenger tires, and approximately 3.5 million vehicles using light truck tires. As I mentioned, AB 844 directs us to do the scope as applying to tires sold for passenger cars and light trucks. The staff is proposing that that, in fact, means both passenger and LT tires, if they are available for sale in California, are in the scope of this program.

AB 844 further directs us to develop a database of energy efficiency and representative sample of replacement tires sold in the state. As it turns out, in fact, when we were starting this program, this was Problem 1. There was very little data available in the public domain on the rolling resistance of tires. In fact, the ECOS work was
done as a part of the 1172 work for the Commission when we
were originally investigating this subject area. The TRB,
then got access not only to the ECOS data, but some other
data they received to store from EPA and then data
predominantly supplied by the RMA, but still, as you can
see, not necessarily a lot of tires. The Energy Commission
then decided that we needed to undertake a very significant
study to get data on tires if we were ever going to
understand what is going on here, and that is what you see
in this very significant amount of testing that we did,
thankfully, at the assistance of the California Integrated
Waste Management Board, that helped fund a lot of this work.
And finally, NHTSA has done some studies over the last
couple of years which created another database, although it
is not yet totally publicly available, they have published
numerous results from it in papers that have been presented
in different sessions. And then, finally, on April 22nd, we
received from RMA a database of over a thousand tires which
include, in part, some of the CEC data, some of the TRB
data, some of the ECOS data, but then also some data from
the tire industry that we have never seen before. Okay? So
as a part of the work in developing these rules and
regulations, the staff had access to what we believe is all
the data that exists in the public domain and that is what
we considered in pulling together our proposed rules and
regulations. Now, when RMA submitted this last database to us in April 22nd, it was a part of a report that included this statement. It essentially said that RMA represents this data to be essentially 90 percent the replacement tires sold in the domestic tire marketplace. Now, I think that means by size, it certainly does not necessarily mean my size plus manufacturer, I mean, there are lots of different variations. But the fact is, I think that there are different ways to look at this data and recognize that this is a very comprehensive and representative set of data.

I want to focus, in particular, on a couple significant tests that we did because we decided what was going to important was to take a more in-depth look at two different sizes of tires to see what we could find. So we looked at two tires at the time which were very very popular in the economy, it was the P195-65R15, which is used on vehicles, so as you see here, that are in high use in California. We believe that the data looks like over 6 million of these are sold in 2006, presuming then it is in the top five of all sizes sold in 2006. We selected and tested over 76 different make model tires in that size. We did it similarly in the 26570, another very popular vehicle, popular size on popular vehicles, which we wanted to find out what is going on in some of the most popular used tires on the road today. In this case, roughly 3.5 million of
those were sold in 2006 -- "shipped", I believe is the proper way to say this -- in 2006. We attained and tested over 45 separate make and model in tires. Now, bear with me here a second because I would like to show you what we ended up with and where we went with it. So we developed a very comprehensive database, and I am not going to spend a lot of time going over this, but I just wanted you to know that, yeah, we did not do testing for the sake of testing.

First of all, what we did was we obtained five samples of each tire that is supposed to otherwise be identical. We obtained both OE and replacement and, as I go down the database, you will start seeing some of the replacements show up. Numerous manufacturers, as you know, numerous different varieties of speed ratings all over the board, same with the construction, same with temperature, traction, tread wear, the UTQG ratings. And we tested them all, and then we started seeing different data. And, by the way, we also went out and, as a separate step, determined what the value of these tires -- the common selling price of the tire. We did not put our purchase prices on here, thinking that maybe we got some great deals out of this; instead, we did independent research to find out what these tires were selling for in the retail market, and these are the numbers you have here.
Now, there are a couple things I want to focus on and then I am going to come back to this in a condensed version, but basically what I have got here is over 360 data points, sample size of five, and I am going to focus on this and I am going to come back on it. One thing that I guess you would not expect, but then, if you think about it, you would -- when we tested tires that are otherwise supposed to be identical, we do not get identical rolling resistance. And you would not necessarily expect to. These are manufactured products, there is bound to be some variation in the products. As it turns out, in some cases, as you will see here, not a lot of variation; in some cases, a lot more variation. And I want you to remember that point, I am going to come back to it later.

So AB 844 asks us to develop -- and so those are all the databases that we used, and you can see along the data, and I do not want to go into the analysis of it yet, I am going to go into the analysis of it, because this is what AB 844 asks us to do, take these databases and then develop a rating system that will be informative to consumers. And so that is what we did. We first looked at existing rating systems that applied to tires and those of you that are closer to the tire industry know that there does, in fact, exist what is called the Federal UTQG, the Uniform Tire Quality Grading system. It is administered by NHTSA and
they grade and they put it on three different tire qualities. I hesitate to ask this question because I have got a lot of experts in the area here; if you were a general consumer, I would say, how many of you general consumers are aware of the UTQG rating systems for tires? In any depth? Okay? How many of you have ever bought tires before? You really have bought tires before, but you are not familiar with this system? Guess what? You are in the majority because what we have found is very few people know about it, or understand it. And there are good reasons why. Well, it turns out traction is either AA, A, B, or C. Does that mean anything to you? Probably not. It does not mean a lot to me either. But, as it turns out, what it is, is wet skid resistance is a traction coefficient, it varies depending on whether or not you test the tire on asphalt or concrete, but if you ask me, a more fundamental question, well, right, what number or letter do you recommend? I am not sure how I would take this data and tell a consumer how to use it. And I think that is, in part, one of the reasons why very few people know it, and very few people use it. Similarly, it happens with temperature. Again, A, B, C system. What in the heck does that mean? Well, you have got to dig deep to find out, and it turns out it is the ability to operate a tire at a speed before it is going to fail. But notice that all of these miles per hour are over normal speed limits, so
you would say, well, why wouldn't any of it then do? And I think that is a good question. As it turns out, there are very very few C tires on the marketplace today. The vast majority are B's. Similarly over here, there are like 3 percent of tires on the road that are double A's, the vast majority are A's and B's. But how are consumers using this to make decisions? Well, what we are being told is very few do.

Finally, there is the tread wear grade on UTQG and it is a different scale -- 200 to 900. So what in the heck does that mean? Somebody should know this because it is designed for consumer use. And it is -- you read it and try to make sense of that. Also, by the way, in case you were not aware, there is a qualifier on this, so NHTSA does not use this qualifier, and just about every website I go to does: "These numbers are only valid for comparison with a manufacturer's product line." And I am going, "Okay, sounds like a limited use to me." And, in fact, that is what we have found in talking to everybody in the marketplace, these systems have major shortcomings, they are not easy to understand. When you start indexing systems, when you add a different layer of information and translation to these systems, people do not get it because you need to have a detailed knowledge to understand it. If we think that is a large contributor to why they are not in popular use, or
relied on, and there are other reasons, they are afraid if you did go on this, you would find out that in many cases the grades as reported are not reliable. There is actually no test required to back them up. They are based on manufacturer's self-certification claims. And the manufacturer is allowed to claim them a lower grade if they want. Now, we built on that knowledge and we went to some tire stores and talked to tire retailers over the Internet to ask them to tell us what their perception is of what occurs in a normal tire purchase sales transaction. First off, the vast majority of customers that they see are in what they term as a "distressed purchase situation," "I need tires and I need them now." And, as a result, not well equipped to make decisions ahead of time and largely what happens right there in that transaction, that purchase sales transaction, is likely to be the decision factor on how they think of time -- important consideration. We heard that very few consumers actually do any research or planning ahead of time when they come in to purchase tires. We also asked the dealers' perspective on how they view consumers. And they said they do not know, but that 90 percent of them know nothing about tires when they come in, and so it is up now to -- the retailer has a lot of control over directing how this transaction goes. On the other hand, they said about 10 percent do research. We think, and we are pretty
comfortable in saying this, 90 percent know nothing, or probably just say, "I need tires now," and the 10 percent that do are the ones that are doing planning. It is hard to believe very many people show up at the tire store and say, "You know something? I am thinking about buying some tires in a few months. I am just kind of doing research. Do you have time to spend with me so we could talk about tires?" We do not think it happens and the retailers are telling us it does not happen. But, in fact, that is where the vast majority of tire sales and purchases occur, in the retail stores.

In November of last year, we held a roundtable meeting where we invited tire dealers and consumer representatives to come and give us their perspective on this whole tire purchase sales transaction, and help give us guidance on where we should go relative to developing a consumer information program because, at this point, we are feeling pretty comfortable with our knowledge on the technical side of this subject area, and it is becoming very apparent to us that the key to the success of this program is going to be how it works in the marketplace. Can we come up with a program that works conveniently in the marketplace, that is both comfortable with retailers, tire dealers, and consumers? So we asked our dealers, "What is your advice?" And obviously we have not -- it was an all-
day workshop, but the message that I heard over and over again, and we walked away with was, "Keep it simple." A normal tire sales purchase transaction is not the environment in which consumers want to be educated in any depth whatsoever. A retailer does not get to spend a lot of time talking to them and saying, "Well, let me tell you about UTQG," or, "Let me tell you about this." It is not a forum for any education of any sort. Dealers were telling us, "Whatever system you come up with, it better be simple, or it will not work at the transaction stage." Consumer representatives were telling us, "It better be intuitive." If this is not easy for a consumer to pick up, forget it. They are not -- this is the vast majority, now, I want to be careful about this -- yes, we realize as in any product purchased, there are people that will do in-depth research, without a doubt, and so what I am trying to represent here is what we think is the 90 percent of consumers. And what we heard over and over again talking to retailers. Okay?

So bear with me here.

So let's do this, then. Let's make a tire purchase. So let's assume, then, that you, me, somebody is walking into the tire store and we want to purchase tires for our vehicle. What is commonly going to happen? Well, they are going to say, "What kind of vehicle do you have?" "Well, like a Honda." "And what year do you have?" "Well,
2005." "And what -- let's pick a Civic LX Coupe, if I am
lucky, this will turn out right. And I am in the market for
tires." Okay, and so what happens? Exactly the same thing
that we believe happens at the retail store. The retailer
will get this list that pops up in front of him of every
tire he has essentially in stock, and some identifying
information associated with it. Now, for some reason,
perhaps, I am not getting the more details. Hold on here.
I may have to go back and start again, so it did not take it
the way it is supposed to. So 2005, and maybe a Civic LX
Coupe, this should work, oh, okay. So here we have it, the
complete list of tires that this retailer has in stock and,
see, as it turns out, I know this is a very popular science,
and this is the information he is going to be looking at and
essentially using it in his sales process. Now, he is going
to have other information here, too, like depending on who
he is working for, they may say, "Hey, we have got a ton of
these in stock, find a way to sell them, you know, we have
got more than we need." You know? Or, "This one is on
sale, and so push this as much as you can." But let's take
a look here at, well, what do you do if they give you stuff
and they say, just what we thought, do you really want to
know what is going on? Do you have time to read this whole
thing? No. I do not. They do not. They do not use it.
And so we believe that we need to come up with a system to
translate the fuel efficiency of tires in such a simple way that it would be compatible with this type of a sales process. You come in, you say this is my year, make, model vehicle, I do not know anything more, the retailer plugs that into his computer, comes up with his list of information, and somewhere on here, we would have something very easy for them to refer to on the fuel efficiency of these tires. And if we did that, then we believe both the retailer would feel comfortable using it, and we believe also that the consumer might be comfortable accepting it.

So we came up with the concept of defining essentially a fuel efficient tire. And herein lies the thrust of the rating system that we have proposed. Something so simple that is intuitive and easy to use and understand so you know the fuel efficient tire. Cannot get much simpler than that, or for the retailer. "Would you be interested in considering a fuel efficient tire?" We think it fits the vast majority of purchase sales transactions that exist in this marketplace and it has an added benefit of being consistent with other programs out there that we think have some great potential to consider aligning with it -- Energy Star and Smartway, to name two. The concept is built on taking all tires of the same load and size, and testing them and then simply ranking them from the lowest rolling resistance to the highest. Once we have
those numbers, we could then determine every tire that is within 15 percent of the lowest tire reported. Those tires would be defined as fuel efficient tires, the tires that are below that would not. Those would be tires that are not fuel efficient. We think this concept has a lot of merit and a lot of interesting spins. First of all, it is based on best in class. I mentioned that we would structure this where we would identify all tires within 15 percent of the lowest tire reported; that means that the lowest tire reported is the best in class and it drives the list. We think that we should reward the best in class and we think it also would provide for competition. If all tire manufacturers are aware that they could actually become -- they could produce a tire that becomes the best in class, sets the class standard, and then their competition either is within 15 percent or it is not. We think that -- so it is a very interesting and productive competition that would be beneficial to consumers and to this marketplace.

Now the basis for the 15 percent cutoff, there is not a lot of rocket science here. We want to recognize only the highest performers, so if you say, "Well, why isn't the cut-off at the top nine percent?" Well, no, we are interested in finding where -- how can we find the cream of the crop and give them credit for the products they are bringing to this marketplace. We want to make sure that
more than one manufacturer falls within that 15 percent, so if we ended up coming up with a cutoff level where there is only one or two tires that fit in that, we would need to reconsider. So we took a close look at our data and felt that, yeah, based on the data we have so far, now, there could be some surprises out there in the future, but certainly not on the most popular tires. We think there is multiple manufacturers that qualify. And, again, as I mentioned earlier, this is pretty much analogous to the way the Energy Star program works, they find the top some percent, and it varies from product to product, that they single out as being the highest performers in whatever product they give the Energy Star classification to. Okay?

So let's take a minute, then, and let's apply this. So this is the database I showed you before, and so now I am going to condense this. So I took all five of the tires that you saw before, and I just simply took an average of each one of those, so you have now a single road listing for each of those tires. It happens to be in rank order, and I am only using the mean, or the average of the five tires at this point, and let you take a look at what we see here. First of all -- and I also put in for the sake of discussion the within 15 percent level of the lowest tire reported of this data. And what you see is variety of OE and replacement tires, variety of manufacturers, variety of
speed ratings, and temperature rates, and traction ratings, and tread wear ratings. And, coincidentally, price. Would anybody be surprised if for instance, one of the lowest priced tires we found, turned out to be the lowest rolling resistance? As it turned out, we found no relationship at that time between the retail price of tires and the rolling resistance. But this is an example of applying this, if we had applied it to the mean. But the problem that you have when you apply this only to the mean is you did not consider the fact that there are these variations that occur among tires. So what we did is then we recognized that and said, "Well, wait a second here. Mean is interesting, but in fact, if there is a wide range of variations in the tires, then that should be held out as a penalty against any manufacturers. So then we took one additional mathematical step, and that is we took the standard deviations, and I am going to talk about that in a minute here if you are not familiar or comfortable with that, and then we took two standard deviations -- standard deviation times two, added it to the mean, and guess what? You get a different rank order and you get fewer tires that fall within the 15 percent, not unexpected. So if it turns out that you have a wide variation in the quality of your product, you are going to get penalized for it under this system. So you may have some tires with a mean, with a great rolling resistance --
recent examples here, here is one, it is a 8.45, and you say, "Gee, it should be way up here." No, guess what? We have got a big standard deviation because the variation of their product, if you analyze for it, and so under this system it would show up as, "Wait a second, no, your tires really should be represented as a higher rolling resistance." Now, this is important from another perspective. We intend to use these numbers to represent to consumers in a consumer-oriented program what their expectation should be on the rolling resistance of these tires. Now, that being the case, if we recognize that there are differences in what should otherwise be 5 X 10^big old (indiscernible), we believe that consumers would be served well by knowing what is the highest number you should expect if you were to purchase one of these tires, not the average number, not the lowest number, but that a mean plus two standard deviations would be more representative in the consumer world to understand this.

Now, let me then take a minute here and I am going to do something real real -- I will give it a try -- what in the heck is the standard deviation? Imagine this to be the value of my five tires across here, and so this is the average, this is the mean, okay? What probability tells us is basically, if you have a group of numbers that are not inter-related in any particular way, you would expect to see
a normal distribution to occur; in other words, many more of them would be around the mean and then they would tailor off, and so this is what you have, is a normal distribution. The standard deviation, I know, and a lot of people have heard this, it is a mathematical calculation, so here is the mean, and this is one standard deviation. We run a mathematical calculation to determine those tires within 34 percent of the mean. Then we do another standard deviation and we get out here, and then you have this together, and your plotting dip receding a little bit further from the mean. Now, what our system is intended to do is this right here, we want a mean plus two standard deviation. What do we think that is going to do for us? It is going to catch all of these other tires, 97.5 percent of them should fall under this number. And so we would think that would be representative, a fair representation of the number to use for the tire. See what I have left here? It is 2.5 percent that is going to fall outside of the top 2.5 percent. Now, yes, it is fair to say that, okay, I over-simplified this because it depends on the sample size and a few other things, and that is all true, and I will talk about how we balance that. So let me just give you another illustration about what happens here, and I have talked about this before. So if you have tires that have a large deviation, in other words, the numbers are all over the board, you are
going to have this big spread and so you are going to get penalized by this system when we look at standard by mean plus two standard deviations. On the other hand, if you have a very high quality control, you are going to get a much tighter grouping, and so the mean plus two standard deviations for you is going to be closer to the mean and that is exactly what we would like to see happen, as a positive direction in the marketplace for this program to replace the tires. I hope I did not lose too many people on that one.

So therefore we are recommending that we come up with this declared fuel efficiency rating value to identify individual tires, which is the mean plus two standard deviations, from tests on a sample size of three tires. Now, the three tires was a political compromise because we would love to have about 10 tires, even 15 tires, I can get more certain about it, but now you are talking about the practicalities of testing and the costs associated with it. We in our research effort typically do five tires because we have a level of comfort with doing five tires, but we know in the industry for OEs, in particular, new vehicle manufacturers, it is common practice to do three tires. And so we looked at that and we said, well, that seems to be a common practice on the OE side of the tire business, it seems to be well accepted, okay, we will accept that three
tire sample, give us the mean plus two standard deviations, and we will use that as the single number to represent each individual tire. So it does handle the product variations that we have seen in our own individual testing and we believe that, once -- well, it will be obvious to any tire manufacturer who sees the system, they are going, "Oh, my gosh, I get penalized if I have high variation; I need to do something about maintaining better quality control so that my standard deviations are closer to my mean." Okay? And I went through that already on the data basis, so I will not go back to that.

So our system, then, that we are recommending, is based on actual tests and comprehensive data that you saw basically in the more extensive databases than we produced throughout our work. We did that as the foundation of any rating system, a reliable and comprehensive database that anybody who wants could go back and look at and say, "This is the origins of this program, and it is credible."

Without credible basis for the program, we do not believe it will ever be accepted in the marketplace. It provides accurate, consistent, reliable and complete information which is going to be available to everyone. When we get this data, we are going to make it available to everyone.

Our intention would be to set up, whether at the Energy Commission website, but also we would set up the means for
anybody who wanted to get access to it and download it, you
got it -- regardless of who they are. We would expect that
to be the common means to get this data in the hands of tire
retailers, but I would also expect and hope that the tire
manufacturers -- that all the tire manufacturers would want
it, too, because it is going to address the need of
researchers, both myself and others, but we hope it would
empower more creative analysis, more creative use, and
enable more competition in the industry. If one tire
manufacturer has easy access to the rolling resistance
information of his competitors, we think that would be
nothing but a good thing. They know what the competition
looks like, they know what they are up against, focus on the
competition, focus on improving their product.

So in our proposed recommendation, we have a
rather extensive list of reporting requirements. But let me
try to simplify this. Much of this data is existing data.
In other words, on all tire manufacturers, on their
websites, or on retailers, they have this data in some form.
So we think our request to get this data is far from
onerous. It should be as simple as pushing the button and
"send," send this to the Energy Commission. Okay? We just
want all of this in one place, in one form. We do not want
to have a program where consumers go, "Well, I can get the
brand name here, and I will go over there, and I will go
over here to get the SKU, and I have got to go this web --
if it said it all over the place, it is not going to happen;
this is going to make the marketplace more efficient. This
is the information we expect to get from the tire chest.
And while it looks extensive, it is really not. I mean,
anybody who does testing right now is essentially going to
record this information anyway, the date, the method that is
used, the load that was used, the inflation pressure, the
speed. The outcome of the tests gives you the numbers you
need to calculate RRF. RRC is a metric that is of interest
to lots of people, simple calculation, might as well do
that, too. And then we told them, this is how we want you
to develop the declared rating value, a mean plus two
standard deviations on a sample size of three.

The test machine identifier, let me just take a
minute to explain this. I talked earlier on about the ISO
285A test protocol, and that they are going to come up with
a mechanism whereby all machines can be aligned against each
other, calibrated against each other. 285A identifies the
process it is supposed to get that to happen, so we fully
envision that, as a part of that process, all machines that
are in fact calibrated that way will get some administrative
identifier to prove that they are. And that is really what
we want, I mean, and that is what is going to be wanted
globally. We all want data that has been produced from
machines that have been calibrated against each other on 285A, and so that is what this machine identifier is intended. We envision that to be an obvious outcome of 285A once it gets implemented. But it does not exist now, but it will happen and so I do not want there to be any surprise now of what that is all about.

So let's talk about this old Tire Chesting side and what kind of tires we are talking about. Believe it or not, our studies indicate that they are on the order of 24,000 distinctly different passenger and light truck tires in the North American marketplace right now. And when I say distinctly different, I mean make, size, manufacturer, speed rating, there is a variety of reasons why these differences exist. But we want to get a grasp of it globally because our program is intended to mandate the testing of a sample size of each SKU tires that exist. We had this study conducted by consultants, this expert in the tire area, and the RMA has told us that they would need to be an accurate reflection. This is basically how it breaks down by manufacturer, again, we broke it down by passenger and light truck. These are almost all the RMA, and high quality RMA members are here, plus some that are not. In Tier 3 -- what in the world is Tier 3? Well, this probably is not a good definition -- not a good detailed definition, they are smaller than everybody else -- when I asked how many
individual companies do we think exist globally that would fall into Tier 3, 5,200. And who knows where they are -- China, Indonesia, South America. There are numerous other companies that sell into the United States marketplace, and so we have tried to represent a feel for who they are here. But we do not have a lot more data we can break down besides these gross things.

So let's now talk a minute for these logistics of testing. We mandate a sample size of three tires tested by all the manufacturers. How in the world can this happen? Well, in order to get a sense of this, we first have to identify, well, how many test machines are out there in the world, because this is a global industry and it is appropriate to look at test capacity on a global basis. What is the availability of the machines? In other words, so you have got a machine, is it in full-time use? Is it just sitting there idle and anybody can get on at any time they want to do some tests? And when we talk about availability, are we talking about just in the normal eight-hour work day? Or what if we said, "Hey, let's crank up and work 24 hours a day and it is available for 24 hours a day."

And then how many days here are we talking about this availability-wise? Because we are trying to do this global calculation and so here is the part I want to get to on this. There are numerous variables here. We did the story
to try to determine the outcome, depending on what you
would assume the allotted number of these variables, and I
will acknowledge right at the top, do we know in any detail,
or aggregate way, what is going on with any individual
company in regarding test machines, the availability, the
length of the work day, do we know that? No, we do not. We
have requested it and we have been told that that
information is considered proprietary. And in fact, every
piece of information that is specified here, we have been
told is proprietary, the number of machines is proprietary.
And, in fact, every piece of information that is specified
here, we have been told is proprietary. The number of
machines is proprietary. I do not want to argue that point,
I just want you to be aware that this would probably be
another, "Who is right? Who is wrong? How do you determine
if it is considered proprietary?" Gee, I do not know, but
we did scenario analysis in any case. So here is what we
came up with. This is our belief of the number of machines
and the major companies, and if you assume that the machine
has 50 percent availability, that it gets worked 24 hours a
day and 350 days a year, this is how long it would take to
complete the tests of every passenger that they sample sized
the three tires of every passenger in the light truck SKU
that each manufacturer makes. But, again, I am qualifying
this and saying it is built on these assumptions. You know,
do I know that the actual machine is up? Do I know? No, I do not. That is a scenario -- and, in this scenario, these are actually a group, these numbers, if you consider other things such as [inaudible], how about if we got access to independent labs with eight machines at independent labs -- in the world? And you can always add more machines if you want increased capacity to knock these things out. Now, acknowledge that you just do not do this overnight. We are probably -- we think we are talking about a 15-month to 18-month period from the date of putting in the order to getting the thing, to get it installed, and there could be different topics -- I mean, all kinds of variables involved. But nevertheless, we want to get a grasp of this. Okay?

Given all that, we are recommending that the manufacturers be required to report the results of a testing of sample size of three tires for every scheme by July 1 of 2001, roughly a little over two years from now. But, again, I hope that I qualify for you appropriately that we identify what we believe to be the fact is the variables that influence how you could determine this accurately and we gave our best shot looking at different scenarios to do that and we gave you the results of it. But what is going on in the real world regarding those factors, I do not know. And
as long as it is considered proprietary, I do not know how
you find out. I do not know how you find out.

By the way, so what does this stuff cost? And so
what we tried to do is break this down fairly basic, so we
took -- and these are my high number estimates, by the way.
I think it actually could be done for less than this, but
since I wanted to try to give a fair representation, we got
the highest cost test we defined, in other words, if I went
to an independent tester, which I do all the time, and said,
"What would you charge me to test tires?" And we found
those numbers and we added on to them. Okay? And these
numbers do include the costs of the tires required to do the
testing. In other words, we say a sample size of three
tires. We used, again, pretty gross numbers. I think the
past few times we used $100 a tire and on the light truck
tires, we used $140 a tire. So, I mean, we are trying to
make it as accurate as we can a representation. So these
are the costs. And this is how it relates to 2008 North
America sales and, to make it easier, this is the cost of
tests as a percentage of sales for these individual
companies. Now, as I mentioned earlier, we can estimate
what we think it would cost the Tier 3 in the sense, if we
do not know about how many different -- if we do not know
data on percent of sales, I was not able to fill in these
columns on those areas. And, let's break this down, then,
on what would this mean if -- and bear with me here on
these assumptions -- let's say that they tested all these
tires in one year, that these were the costs of testing it,
and they decided they are going to recoup all of these costs
of testing within one year's sale of the tires. In other
words, that every tire you sold that year, and recouped
every cost of the testing, what would this add to individual
tires? And here are the numbers we came up with. And it
varies from company to company, as you would well expect --
testing capability, number of tires, all kinds of things.
But we are seeing numbers as low as $.4 a tire, and a number
as high as $.65 a tire. So they turned around, increased
the price of their tires to recoup all this cost, within one
year, this is what we are talking about. We think the
reality is, and we are talking about testing over probably
at least two years, you know, and in worst case, these
numbers, you can all take them and divide by two. They get
smaller. We do not expect them to get bigger.

So the fundamental rule of thumb on tires in
converting this rolling resistance thing that we have talked
about for some time here now is a 10 percent change in
rolling resistance will get you up to a 2 percent change in
fuel economy. We broke that down for California cars, so
this is data and breakdown we did from our Department of
Motor Vehicles, which allows us to determine basically the
average miles driven by these different sized vehicles, the base mileage they get current, then we simply put a lower rolling resistance tire that was only a 2 percent benefit for them on each of these vehicles, calculated again the baseline fuel cost, assuming $3.00 a gallon, and the savings that would occur if they were all on low rolling resistance tires. And as you can see, it does vary depending essentially on miles per gallon with -- I will point out here -- and there is another variable. Let's look at this. So here is a vehicle, a van, that gets terrible fuel mileage. Now, these calculations, then, are based on miles per gallon in a number of vehicles. So let's compare that van, it gets a fuel efficient tire, it gets $71.00 a year. Now, let's compare that against a vehicle that is basically getting the same mileage, gets better fuel mileage, and you will notice that it does not save as much. What is the take-home message? The vehicles that get the worst fuel mileage are the vehicles that are going to benefit the most from low rolling resistance tires. If there was every a debate about do you want to include LT tires in this program, the tires that go on the vehicles that get the worst fuel mileage, this should -- yes, you do. I mean, you prefer to give them priority, probably, over passenger tires if you had the choice. So what does a two percent improvement in fuel economy look like on California as a
whole? 300 million gallons a year. Now, I agree, this is a hypothetical calculation, but is it real potentially? Yeah, it probably is. And you can assume that there is a certain amount of low rolling resistance cars on the road today. Certainly, that would be the case on some of the debtor* vehicles, the newer vehicles right now, so if we excluded them, okay? And then we looked at all these other vehicles in the marketplace that would purchase tires. Keep in mind, in our data where we looked at the two tires, in particular in some depth, we saw ranges in differences of rolling resistance over 60 percent. I mean, if you made the misfortune of purchasing the worst rolling resistance tire in that size range, you are going to pay a probably 10-12 percent fuel economy penalty. So when I use a number to do a calculation such as this two percent, I am just saying, "Well, let's see, yeah, there are some people like that and there are some that have got great tires right now," and so it is fair to say, I mean, could we consider something like this on the average for the sake of discussion? I think you can, frankly. And at $3.00 a gallon, it is close to a billion dollars a year.

Now, it should come as no surprise, by the way, that low rolling resistance tires turn out to be one of the most cost effective ways of extracting better fuel economy out of vehicles. I hope this is coming across okay. I
pulled this out and scanned it from an article I found in
Automotive News. And here we have it. Low rolling
resistance tires for a $3.00 investment, the lowest
investment necessary to get a one percent gain in fuel
economy of all these commonly discussed technologies for
improving the fuel efficiency of vehicles, with one other
adder, by the way. You can do this to an existing vehicle,
where many of these, unless it comes from the factory this
way, forget it, you are not going to make this change. That
is another thing to keep in mind is this is a technology
that is applicable today on every vehicle on the road. It
is a common purchase we all make.

So in summary, the staff is proposing that the
scope of the program include both passenger and light truck
tires, sold or available for sale in California. The test
protocol -- ISO 285A. The rating system, all tires that are
the same size in load index will be ranked lowest to highest
based on motor resistance force. We will define all tires
within 15 percent of the lowest number reported as a fuel
efficient tire. For the reporting requirements, we will
have the tire manufacturers test a sample size of three
tires, determine a declared value, that value as well as all
of the other tire information that we have requested would
be reported to us, and we would have the comprehensive
database that we would then use to, in turn, get that
information out into the marketplace to the retailers, to consumers, to everybody who wants to use and apply this system.

What are the features and the benefits that we think will come from this? Well, I talked about it earlier, we think that the most critical aspect of this -- probably the foundation of this program -- is full disclosure and transparency, and that is what we think the required testing does for us. And with that information, people develop confidence in the system. It is consumer and dealer friendly, which we think is critical to this marketplace.

The way this marketplace operates, unless this is a simple enough concept to understand and to translate, at that point of sale for the vast majority, unless it works there, it is not going to work. We are convinced of it. The retailers assure us of the limited opportunity to get a point like this across. And I am going to make my pitch now also to my friends from EPA, and by the way, if I could also say, this is an Energy Star tire. Ask for an Energy Star tire. We think it could transform the market. And finally, we believe that this program can foster competition among the manufacturers, which would do nothing but provide additional benefits, advance the technology, bring more fuel efficient tires into the marketplace because everybody is going to see what their competition looks like. And with the system
designs on fuel efficient tires being linked to the most
efficient tire in the class, we think that fosters the
competition that we are looking for as an additional benefit
for this program.

Finally, I would be remiss if I did not mention
that, without the high quality dedicated services that we
have received from Smithers Scientific Services, and
assistance from Alan Meier at LBL, my good friends at NHTSA,
who unfortunately could not be here today, Consumer Reports,
The Tire Rack, and actually many others that we had
coordinated with closely to help us learn and understand
this subject and figure out how it could operate in the
marketplace, without their cooperation and assistance and
confidence, we would not be here today. And so I wanted to
make sure to recognize them. And that concludes the staff
presentation.

COMMISSIONER DOUGLAS: Thank you very much, Ray.
That was a really interesting and well delivered
presentation. I have one question for you at this time.

MR. TUVELL: Sure.

COMMISSIONER DOUGLAS: I fully understand and
support aiming the rating system at the 90 percent of the
market that is not doing previous research, but I hope that
we would be able to structure the database, or provide
information to the 10 percent of public that does want to do
advanced research and actually wants to optimize their
efficiency on tires. So have you thought about that?

MR. TUVELL: Well, no, I guess I may not have been
clear. The database that we would develop as a part of this
program will be completely accessible to everybody in the
world who wants it at any time, period, without altercation.

COMMISSIONER DOUGLAS: Right and, though, I assume
as a way to make it also user friendly, so that somebody
could go to the database and search within the range and
size --

MR. TUVELL: Oh, yes. We will do two things. The
vision we have, and this is a vision at this point because
we are still ahead of the game on this, we would envision
that we would develop an interactive Energy Commission
website very similar to the Tire Rack's website that I went
to, where you could plug in specific information to your
car, search it any way, get the data in any form you want,
so we would make it user friendly, but for both the lay
person consumer, who is familiar with doing some of this
kind of stuff, but then also for the hard core researcher
who says, "Give me that entire Excel file of these 24,000
data points." You got it.

COMMISSIONER DOUGLAS: Great, thank you. Other
questions?
MS. BROWN: Ray, I have one question. How many of the tires in the database that the Army submitted in April would qualify as best in class under the staff's --

MR. TUVELL: Well, yeah. Without a doubt, we do not have enough information on all tires, enough tires in the marketplace right now, to answer that question because a lot of tires that were provided in the database are only a single tire chest in one size. And so, if you see our program is based on the concept we need multiple tires of one size tested, so now we can compare them against each other and find out which are the lows and what is the spread.

MS. BROWN: But didn't you say that the database that was submitted represents 90 percent of the tires, so a it would be a sample of the 90 percent?

MR. TUVELL: Well, yeah, and I attempted to qualify that as being -- at least one tire that covers 90 percent of the sizes and speed ratings that are out there. But, yes, without a doubt, even now in the public domain, there is a very limited amount of data relative to the 24,000 SKUs that exist in the marketplace. So we will not know until after data starts coming in with the program that is implemented, in many cases, what is the lowest and what is the top 15 in some of these categories. We simply would not know.
MS. BROWN: Okay. And then regarding the change in rolling resistance and how that translates to fuel savings, you said it was up to two percent and that is, again, a rough estimate at this point.

MR. TUVELL: Well, the commonly used translation is one to two percent. And we have talked to the people that were involved with the TRB Study and they decided three or four actual studies that were done to try to narrow that down, and the TRB agreed that this was the appropriate translation, a 10 percent change in rolling resistance is a one to two percent change in fuel economy. And I hope I properly characterized that as up to two percent. And the one to two percent varies fundamentally like this, in city driving, you are probably talking one percent, highway driving at normal speeds is not above -- you are probably talking two percent. So that is why this varies, it is more like that. When you are driving around, or if you are sitting at a stoplight, your tire is not going to computing fuel economy when you are sitting at a stoplight, and that is why an inter-city cycle looks like -- when you are cruising down the highway, yeah, now your tire is going to have more of a contribution because it is in motion all the time. So that is the variation.

MS. BROWN: Okay, I had one last question. And that is the 300 million gallons that you estimate would be
saved in a given year, what does that translate into

greenhouse gas reductions?

MR. TUVELL: Eight pounds of CO₂ per gallon. So

you are talking about over 2.4 million metric tons --

MS. BROWN: Per year?

MR. TUVELL: Yes.

MS. BROWN: Thank you.

COMMISSIONER DOUGLAS: Thank you, Ray. I do not

think we have any more questions at this point.

MR. TUVELL: Okay. The next speaker on the agenda

is Mike Wischhusen from the RMA, a member of RMA from

Michelin North America. Mike, I would like to invite you

up. If you want to go ahead, can you take it from this --

MR. WISCHHUSEN: Thank you, Ray. Good morning,

Commissioners. Thank you for the opportunity to participate

in the workshop this morning. My name is Mike Wischhusen.

I work for Michelin North America, Inc. I am here today

representing the Rubber Manufacturers Association, eight

members of RMA, which include Bridgestone Americas,

Continental Tire North America, Cooper Tire and Rubber

Company, the Goodyear Tire and Rubber Company, Michelin

North America, Pirelli Tire North America, Toyo Tires, and

Yokohama Tire Corporation, and representatives of many of

those organizations are in the audience today.
Now, just for historical perspective, let’s go back through the history of this project. It started in 2001 with SB 1170. Some of the requirements in SB 1170 -- develop and adopt recommendations for a California State Fuel Efficient Tire Program, a rating system for tires that provides consumers with information on the fuel efficiency of individual tire models, a consumer friendly system to disseminate tire fuel efficiency information as broadly as possible. And on to 2003, AB 844, a particular piece of legislation. The requirements of AB 844 -- the Commission shall develop and adopt all the following: a database of the energy efficiency of a representative sample of replacement tires, and then after that, based on the data collected, pursuant to Subdivision A, a rating system for the energy efficiency of replacement tires that will enable consumers to make more informed decisions, and finally, C) based on the test procedures adopted pursuant to Subdivision A, and rating system established pursuant to Subdivision B, requirements for tire manufacturers to report. Just a quick summary of the relevant legislation, and then fast forward to 2009, and we are discussing the staff draft regulations. Now, Ray just went through that in a lot of detail. Condensed into one slide, a lot of the same information. We would like to use the ISO 285A test procedure, and in the proposed regulation, recording rolling resistance scores,
three samples of every SKU sold in California. The Energy
Commission will determine the lowest rolling resistance
force values submitted for every combined tire size
designation and load index after all the data is submitted.
The Energy Commission will assign, after the data is
reported, tires to the fuel efficient tire category if they
are recorded rolling resistance force values that are within
15 percent of the lowest reported value for every combined
tire size designation and load impacts, however, critically
that does not differentiate between speed index, or speed
ratings, which we will show later can lead to some unsafe
and perhaps dangerous selection between tires. The Energy
Commission will award, again, after the date it is
submitted, the tires that are not fuel efficient category to
all tires with reported RRF values, Rolling Resistance
Force, not within 15 percent of the reported value, and all
data to be reported by July 2011. Again, just really
summarizing what Ray has already gone through.

Now, if we look at the list of reporting
requirements which Ray put up there very quickly, there is a
lot of extraneous data that is not related to and does not
support the objective of a rating system for the energy
efficiency of replacement market types such as, you know,
special features of the tire, whether it is the color of the
tread, tread and sidewall ply material identification,
sidewall lettering styles, flat wall, whitewall, raised out line black lettering, is it going to, again, the selection of fuel efficient tires -- diameter rate -- Ray had the whole list of dozens of items up here that are required in the proposed regulation. But for most regulations, really does not satisfy the requirements of AB 844. A representative database based on the selected test method was not developed, and the rating system is not derived from that representative database since the representative database does not exist. And reporting of data is required before the rating system is established. But the rating system cannot be established as proposed until after all the data is together, so we are getting out of order there. The reporting and auditing requirements do not account properly, nor completely, for technical measurement uncertainty. The previous presentation was absolutely right, the reporting of technical measurements, test measurements, is a very very complex item, particularly so in the rolling resistance performance of tires. And the lab to lab variations, which is addressed by ISO 28580 still does not render perfectly comparable numbers between different labs or between different machines. In short, a tire measured in Lab A is going to give you a different numeric number than the same tire -- exact same tire -- measured in Lab B. And that is simply a fact of scientific measurement. And it occurs to
everything, not only tires -- every scientific measure you make has that uncertainty in there.

And then a question -- we are all talking about manufacturers, and manufacturers are required to report all this data, however, a significant number of tires in the State of California are sold -- they are manufactured offshore and sold. So the question is, should you include, or should the scope include the distributors and importers and give them the requirement to report for those tires that they bring in offshore? The implementation schedule, the July date, is not with the consultant study that the Energy Commission contracted and paid for. In the February 5th, 2009 Workshop, where Smithers Scientific Services presented their information, they did indicate a 15-18 month implementation time frame for the purchased installation and utilization of new testing equipment. And new testing equipment is required to accomplish this, rest assured. Smithers also, as was stated in the previous presentation, made estimates of the time required once the equipment is in place, in order to do this volume of testing. The previous presentation shared one scenario, which is the most optimistic scenario, of about a year. The range of scenarios went from one to eight years, and as in any scenario analysis, reality lies probably somewhere in the middle between one and eight years. So if you take that
somewhere between one and eight years, and add it to the 15-18 months, by the time this regulation is approved and implemented, the July 2011 date, it is within two years, less than two years away, or will be less than two years away. So that date is problematic. Also, the 2011 date is the deadline for manufacturers to report data. In the proposed regulation, there is no timeline, there is no commitment, there is no requirement to the Energy Commission to assign the tires to categories efficient or not efficient, and there is no time line, there is no requirement for making information available to consumers. So having manufacturers report is one thing, but there is a whole other set of timelines that we do not know because it is not in the proposed...

The simplistic, fuel efficient, not fuel efficient, categorization actually does not allow the maximization of several very important things, 1) consumer differentiation in the fuel efficiency of their selection. I think this goes to the point that was made in the questions, and I will explain that in a minute. It does not allow the maximization of manufacturer differentiation of their product offering, and if the manufacturers cannot differentiate it and advertise on it, the consumer cannot decide on it. And it does not maximize the opportunity for competition among manufacturers that will, in the long term,
leave the necessary market transformation. Also, you need
to go over those points in a little more detail.

For the consumer differentiation, you can very
easily identify scenarios where, because of specific Bureau
requirements or other constraints, some consumers may only
be able to select between several tires that are in the not
fuel efficient category. The potential range of fuel
efficiency in that "not fuel efficient" category can be very
broad, and with this simple digital yes/no categorization,
you have denied those consumers the ability to make a
choice. And the same thing applies to multiple choices
within the fuel efficient type category. Some consumers may
want to say, "I want a more fuel efficient," but again,
simply the digital yes/no, the consumers cannot do that, and
the retailers cannot make a recommendation because the
information is not available.

The second point, manufacturer differentiation.
Tire lines are very complex. If you go to a tire store, you
pick up a catalogue, you go to the Tire Rack database, a
variety of tires are available, it is very complex and very
daunting for most consumers. That is not the fault of the
tire industry. We have to make tires that fit the vehicles
that are on the road. The range of sizes and load ratings,
and speed ratings that are required are selected by the
vehicle manufacturers, so we cannot simply say, "Oh, well,
we'll reduce the complexity of our product lines." We have to make product lines that fit the vehicles that are on the road. Full line tire manufacturers, the larger tire manufacturers, will have multiple lines in each of these categories. With Michelin and any other large manufacturer, will have multiple lines within the fuel efficient category, and will have multiple lines within the not fuel efficient category. If we do not have a rating system that can distinguish between those lines, we cannot differentiate those lines, and therefore we cannot advertise market and go to consumers and communicate with consumers about one tire being better than another. And in order to truly transform the market, the manufacturers need to be able to differentiate lines in the eyes of the consumer. Now whether the consumer sees that for himself through his or her own research, or whether they see that through or with the assistance of a retailer, the differentiation and the ability to differentiate still needs to be there. That is key to market transformation.

The idea of competition among manufacturers -- competition among manufacturers is one of the strongest drivers in market transformation, and I have some examples of that later in the presentation. However, if all we have is a simple yes/no differentiation or categorization, we cannot differentiate our own products from those of other
manufacturers, and we do want to compete, so that is how we push our businesses forward. We want a categorization system that will allow us to differentiate us from our competitors. And if we cannot differentiate ourselves on any particular measure, we are not going to invest in advertising it, or marketing it; if we do not advertise or market it, it is not available for the consumers to use, the consumers to take action on.

Now, assigning categories, dependent on date submitted at an unknown frequency. Okay, now, we have talked about the existing products, all the data has to be submitted as per the regulations, by July of 2011; however, as we develop new products and watch new products in the market, which is a continuous process, we would need to submit that data. If we do not know in advance when we will get a response, or when that rating will be assigned, again, we cannot advertise it. We cannot prepare the marketing material for it, and therefore the consumers will not know it as early as they could know it. And true market transformation will only come if consumers change their buying behavior, and this requires available information, timely available information, not information after the facts.

Also, as the regulation is proposed, tires can periodically be removed from the fuel efficient list. That
can cause a problem for manufacturers if -- we may have a
tire removed from the list, we are not going to invest a lot
in advertising and marketing material, and that is a big
difference between the proposal and things such as the
Energy Star program. Once a product is awarded the Energy
Star label, it keeps the Energy Star label, there is no risk
of it being pulled off the list because another tire has
been introduced which has a better rolling resistance. So
that is a potential issue for many manufacturers, that there
is a risk of having that label removed. It makes it very
difficult to justify the investment in marketing and
advertising.

The tire size based groupings could lead to
incorrect and even unsafe tire selections. If multiple tire
sizes are legitimate for a vehicle, which is very very
common in the case of light trucks, the consumers will not
be able to compare two tires of different sizes because the
two different sizes are rated out of the standard. So you
cannot say a fuel efficient tire in Size A is either as fuel
efficient, more fuel efficient, more less fuel efficient,
than a tire in Size B. If you are in a scenario where tire
size A is labeled not fuel efficient, but tire size B is
labeled fuel efficient, you want to make sure tire size B is
safe and correct, adequate to carry the load on that
vehicle. Also, we went through this in the Vehicle Ratings
Workshop, using RRF, Rolling Resistance Force, as the metric, can lead consumers to select tires that are too small for their vehicles, so we prefer the usage of the Rolling Resistance Coefficient as opposed to Rolling Resistance Force. Again, issues like this will deteriorate, or potentially deteriorate the consumer confidence and trust in the programs, we agree, is incredibly important for the success of the program and the effectiveness of the program.

Now, we have mentioned that the proposed regulation does not appear to adhere to the order of items in AB 844 primarily because it requires the reporting of test data and Commission action before tires are assigned a category. Now, that inherently delays the availability of actionable information to consumers. They have got to wait those two years, three years, whatever it takes to report the data, then the Commission has to act and there is no established timeline or deadline for that Commission action. And then there is no established timeline or deadline for making this information to consumers. So it is -- we seem to have gone upside down from the requirements of AB 844. And I think this is the case -- and, again, we will talk about this more in a moment -- some information earlier is better than more information later, because more information is not necessarily better information, or more accurate information. You know, it is our conclusion after reading
the staff proposal that the exemptions apply strictly to the types and quantities of tires sold solely in the state of California, as we read the proposed regulations. Also, data reporting requirements on exempt tires, and there are very burdensome data reporting requirements on tires that are exempt, just ask the court actionable consumer information. So I think tires based on their fuel efficiencies, it is simply a burden, a burdensome reporting requirement.

The data reporting requirements will result in additional staff being hired by each of the manufacturers. We have to add people, more staff, because of the magnitude and complexity of these reporting requirements. Also, it appears that large data management requirements on the part of the Commission could result in significant additional staffing needs on the part of the Commission. This data does not manage itself. It does not store itself and it does not analyze itself. Going on with our observations, there is no indication that the Energy Commission data collection, or the industry input, has been incorporated in the development of the proposed regulations. Over the last six years, significant expenditures of time and money have been made in support of developing a database for the requirements of the AB 844. The Energy Commission's industry rolling resistance testing has a significant amount
of time, and effort, and research provided by the industry, also, however, it does not appear that this information is requested in the proposed staff regulation. Those are our observations on the staff proposal. Now, on April 8th of 2009 in the Rolling Resistance Workshop, the industry made a proposal, and I would like to recap that on the computer. The industry proposal very simply is a categorization scheme, a bucket scheme, okay? A tire would be rated A, B, C, D, E, one star, two star, three star, whatever is amenable, based upon the location of its rolling resistance performance on a continuous scale. Again, these numbers are representative, I mean, we are not proposing these are the numbers to use. The exact numbers to use need to be developed from an analysis of the representative data of tires in the market. Rapidly, if you look at it, the population will distribute itself and this information was provided by the industry. In a bell-shaped curve, approximately a bell-shaped curve, very conceptually, the blue bars represent the boundaries of the buckets or the categories. You can set those bars based upon the market distribution. You can set those bars more aggressively so that fewer tires appear in the higher categories, you could set them less aggressively so that more tires appear in the desired categories. But this is the basis of the industry's proposal. Now, in more detail, again, we proposed the use
of Rolling Resistance Coefficient. There was very detailed testimony provided in the April 8th workshop that showed that Rolling Resistance Coefficient is a more reliable indicator for the whole consumer population than rolling resistance force. This will provide more robust, more reliable information and more actionable information to consumers. It also includes efficiency and cost benefit gains both for the Commission and for the industry. And this type of categorization system has proven effective at market transformation and consumer purchase modification, which is the core of any fuel savings CO₂ reduction numbers that you talk about. If the market does not move, you do not get those gains. Let's play each of those points -- more robust, more reliable information. The continuous five category scale would allow consumers to prioritize between many tires, regardless of where they fall on this scale. We touched upon this a little bit earlier. The difference in fuel economy between the lowest rolling resistance tire and one that is 15 percent higher, they are both within the fuel efficient category, fuel efficient tire category, but their difference in fuel efficiency could be upwards of two percent. So you have got a two percent potential gain that you are not differentiating if you simply use that yes/no two-level. And the same applies on the other side in the not fuel efficient category. The range of rolling
resistance there could be used greater, so, again, if you
do not provide consumers the ability to differentiate, you
are giving up that potential savings.

Looking at cost and benefit gains for the
condition in the industry, a data and record-keeping
intensive program, which this is, requires significant
investment on the part of the Commission due to ongoing
expenses for requiring and maintaining data expertise, data
quality assurance, hardware and software maintenance, as
well as personnel expenses. This will require the creation
and operation of a bureaucracy with its associated overhead.
As was shown in the previous presentation, industry costs
for a data reporting scheme as proposed in the proposed
regulation, are in excess of $20 million. That $20 million
figure was derived before we needed the magnitude of the
reporting requirement, so that number will go up. As
presented in the April 8th workshop, the industry costs for
our proposal is in the neighborhood of $4 million.

Looking more into the costs and benefits gains for
the Commission and the industry, as I said, in the staff
proposal, there is no timeline for consumer information to
be available. It talks about what manufacturers need to
report, but by the time the industry reports, the tires have
not been assigned to categories, the information has not
been made available to consumers. Consumer actionable data
from the industry's proposal could begin to be available almost immediately. We know the rolling resistance of some of our tires. That information could be made available immediately. And as we add new tires, we could add that information to the consumer available information. We do not have to wait for every tire to be recorded before consumer actionable information could be made available.

In addition, a categorical rating system easily lends itself to quantifiable savings estimations between grades in terms of fuel saved, money saved, greenhouse gas reduction. Now, here is a tool that a retailer can use to show a consumer that, if you drive a compact vehicle, and you are choosing between a three-star tire and a one-star tire, here is the potential savings you could have, okay? That is not possible with the very simple yes/no fuel efficient, not fuel efficient type of information. So that the categorical system gives you a very powerful tool that can be used with consumers, in general, to make their choice.

The categorical rating system also has a very proven effectiveness as a track record of being very effective at transforming markets and modifying consumer behavior. What we are looking at is a chart of the historical UTQG traction grades. The chart starts in 1988. If you look at two lines, look at the pink line and the
yellow line. The pink line represents the A traction grade, the yellow line represents the B traction grade, A is better than B. When that information was made available to consumers, you could see a tremendous shift in consumer behavior as demonstrated by product offerings. Consumers migrated toward the better traction tire at the expense of sales of the lower traction tire. As the proportion of "A" rated tires in the marketplace grew, the proportion of "B" rated tires went down. And in the late 90's, when the double A traction grade was made available, AA being better than A, you see that consumer purchases of the AA grade increased, and purchases of the B and A grades continued to decrease. The entire market is shifting toward the better performing tires because of the availability of this information. Not only availability to consumers, but competition between manufacturers. Again, another example, UTQG temperature trades. Again, the dark blue line represents Grade A, which is best, the pink line represents Grade B, which is in the middle, and the yellow line represents Grade C, which is the least performing. Once this information was made available to consumers, again, consumer purchase behavior migrated toward the higher graded tires and away from the lower graded tires. Having this sort of information available to consumers changes consumer behavior and it changes consumer purchase behavior.
There are shortcomings to the UTQG system. I do not know of a soul -- and I have been in this business for 25 years -- and I do not know anyone who thinks the UTQG system is perfect. But it does work. And the major shortcomings are easily corrected. The reason that the UTQG comes under attack, mostly, is because of the way that the UTQG rule is written. It merely says the tire must perform at the level indicated in the label. What that means is the manufacturer can, for whatever reason, put in lower performing requirement on the tire, and he still satisfies the regulation. There is a very simple solution to that -- write the regulation to say that the category that goes on the side of the tire is what the tire tests at. Take away the manufacturer's ability to degrade the tire, problem solved.

Also, a significant part of the industry proposal is the use of self-certification; again, self-certification comes under attack from a lot of people who had no experience with it, and that is unjustified. Allowing self-certification does not increase the risk of false, bad, or misleading data. The staff proposal includes a proposed audit system. Leave the audit system in there, let the manufacturer determine the rating, the Commission can retain the right to run an audit. There is the check and balance. There is no loss of integrity of the system allowing self-
certification. There is an even lower cost option and that is, rather than a Commission run and Commission paid for audit system, establish a manufacturer challenge. Trust me, we watch what we each do. If someone is making unrealistic claims, they will be challenged within the industry. Self-certification is not a new concept. It is not an un-tested concept. Self-certification has been utilized successfully for decades by the Department of Transportation for compliance with federal motor vehicle safety standards.

This is not just for tires, this is for automobiles, buses, and trucks. Safety standards are governed by self-certification, okay? Again, the system works.

The consumer information aspect of the industry's proposal, as well as the speed of implementation, the ability to get actionable information in the hands of consumers sooner, creates an AB 32 early action that truly begins reducing CO₂ emissions by 2012. There is an opportunity there to jump start.

Now, there is an even greater potential savings out there. We all know that, very recently, the Air Resources Board made a precedent setting decision to forego unique California only tailpipe greenhouse gas standards in favor of adopting new Federal standards that met the intent of the State of California. As was mentioned, NHTSA is currently in the process of developing a tire rolling
resistance information system that could be adopted by the State of California. Given California's current budget crisis, it spending scare state funds on the duplicative regulatory program may not be viewed as prudent state policy.

The industry supports providing access to actionable information about tire fuel efficiency encompassing the full range of consumer purchase options. Many members, my own included, have been working for decades pushing the benefits of low rolling resistance tires. It is a tough sell. It is not something that consumers ask for, okay? We are not against providing the information, we want to provide the information. And my company's experiences, and many other RMA member companies' experiences demonstrate that. Good information provided in a useable form, as soon as possible, and in the most efficient manner, will support efforts to transform the market and realize the benefits of more fuel efficient tires. And that is when benefits can be achieved quickly with minimum negative impact in cost, for the Government, consumers, and industry. That concludes my comments. Thank you very much for the opportunity.

COMMISSIONER DOUGLAS: Thank you for being here. And if you do not mind staying for a couple questions, I have a few and the advisors at the dais may, as well.
It seems like you were saying that self-
certification would somehow cost you much less than doing
identical tests and giving us the data, and I guess I just
do not understand why the costs and logistics of doing a
test would be different, unless you are thinking of doing
different tests.

MR. WISCHHUSEN: We would do much less testing and
less -- the complexity of the reporting is reduced. A
typical tire line will have, you know, 15, 20, 30 different
sizes in it, in very small gradations. Based on our
experience, our engineering expertise, we can forget with a
high degree of accuracy if I know every second tire -- I
test every second tire, or I test every third tire -- we can
interpolate what the performance of the sizes in between
will be.

COMMISSIONER DOUGLAS: I see, so you would test
fewer tires and you would extract or generalize from the
tests to assign categories or something, numbers.

MR. WISCHHUSEN: And then with an audit or a
manufacturer challenge program in place, that is the check
and balance on that system.

COMMISSIONER DOUGLAS: I see, so now I understand
what you are proposing. Just a comment, and I would like to
give you a chance to respond since this seems to be
something you feel strongly about. I really do not agree
with you on the argument that you made for a gradation of
grades as opposed to a simple yes/no question. I found the
staff presentation on the way to the marketplace works and,
frankly, based also on my experience buying tires, where I
do not want to spend a minute or a second longer doing that
than absolutely necessary, frankly. It is very compelling
and I think that, while you can show that, obviously, if we
were able to obtain perfect information in the marketplace,
then we would get more perfect results, potentially, than if
we have a yes/no system. The thing that is very attractive
to me about a yes/no system is that I think it will be
easier for consumers to use, more consumers will use it, and
at the very least, we would be able to push the market hard
away from the poor performing tires, and so I see a
tremendous benefit of doing that, and I wanted to give you a
chance to respond to those comments.

MR. WISCHHUSEN: All right, well, I think it takes
no longer time to relay to a consumer that a tire
categorized as D is not as efficient as a tire categorized
as B, and yet the benefit to the consumer is greater between
a D to a B tire, than it is between a tire 16 percent higher
than the lowest grade, and a tire 14 percent. So if you
have that scenario where you are laying out each side of the
border of a fuel efficient tire, the gain in rolling
resistance is essentially zero; however, if you get at this
dramatic difference in labeling, if you have A, B, C, D, E, you say a D is better than E, a B is better than D, an A is better than a C, and with the chart that I showed, it is easy to put an estimator on what that benefit will be --

COMMISSIONER DOUGLAS: Even though I hear what you are saying, we have talked about that in committee workshops, and I have talked about it with my advisors, but I have got to tell you, putting my tire consuming hat on and listening to you say what you just said, I think any dealer who tried to say that would be tuned out so quickly. And so I so disagree, but I thank you for presenting that perspective. I think that is all of my questions. Are there other questions from advisors?

MS. BROWN: I just had one. I am still puzzling over your comment that with self-certification you would be doing less testing, not more. And by putting all these tires into five bins instead of two, it seemed to me you would have to do more testing, and more detailed testing to make a system work that way.

MR. WISCHHUSEN: They work. We have been building tires for 100 years. We are familiar with how they perform, and we are familiar with the details of construction and the materials in there, and the impact changes in materials, changes in construction have on the performance of tires. It is an estimation that only very experienced people can
make, and yet we are not asking you to trust us -- put the audit system in place and verify it. But it allows us to get the information to consumers much more quickly and at a lower cost. And there is no data at that point for the Commission to manage along with the associated costs of managing that data.

MS. BROWN: And what kind of audit system would you be recommending?

MR. WISCHHUSEN: There are many that are available. I discussed two of them in my presentation. One is a Commission-run audit system, which is in the staff proposal. A variation of that, which would be lower cost for the Commission, would be a manufacturer's challenge system, where manufacturers can challenge each other. "I do not agree with the rating that you supplied for your tire. Prove it." And that cost is borne by the manufacturer, not by the Commission.

MS. BROWN: Do you agree with the estimates of cost that the staff proposed as it portends to troubled tire sales, the cost of tasking?

MR. WISCHHUSEN: Yeah, it is very simple, you divide and total the cost by the total number of tires sold. I think our uncertainty to where we may disagree is the total cost. It is cost vs. time. It is a question of capacity.
MS. BROWN: I guess I have just one last question, and that is directly to you, Mike, as you work at Michelin, are you saying that much experience with the European rating system, which is an A, B, C, D, E system, as I understand it? Can you comment on that and what you have learned from that?

MR. WISCHHUSEN: Well, understand, the situation in Europe, the only regulation that has passed in Europe today is the requirement for some sort of a cap to be applied, okay? And that cap is a cap on rolling resistance, there is a cap on wet grip, there is a cap on noise. The actual grading system has not passed, it has been subject of much debate and it is often close to being passing, it is actually a seven-bucket system with some variability in the width of each adjacent bucket.

MS. BROWN: So it would be premature to draw any conclusions about the effectiveness of the system?

MR. WISCHHUSEN: Because we are dealing with proposals, yeah. So, no, we do not know the effect because it is not in place, it has not had a chance to effect the market yet. Again -- oh, excuse me.

MS. SCHWYZER: Yeah, I do have a question, thanks. Regarding the July 2011 proposed reporting labeling, you stated that was unrealistic and it seemed to be based mostly on the amount of time it would take to
purchase and install the new machines. In Ray's
presentation, it seemed like there are some machines that
the manufacturers already own. Can you comment at all on
how you might be able to use those machines you already
have?

MR. WISCHHUSEN: Yes. Smithers apparently did not
speak to any tire manufacturers when they estimated how many
machines were available. I know the number is not accurate
for my company. I cannot speak for other companies because
I do not know what their capacity is. The other error in
rationale there is that all machines globally are available
for testing for the State of California. That is simply not
ture. I mean, it is a North American market. We have not
even tested capacity in North America, and that is the
number we need to use. The other very optimistic assumption
that was made was machine availability. You know,
especially the down time. We are in a very tight margin
industry. We do not have huge amounts of capital
investment. And, understand, a rolling resistance test
machine is a huge amount of capital investment. If we spend
that money, we do not let the machine sit still. These
machines can be used for other testing and, if they are
available, they are used. So assuming that, you know, 50
percent of machine time is dormant right now and can be
immediately put into place simply is not a realistic assumption.

COMMISSIONER DOUGLAS: Thank you. I think that is all of our questions. Thanks very much for being here today and for making your presentation.

MR. WISCHHUSEN: Thank you.

MR. TUVELL: That, uh, concludes are first session, to start on our lunch time, so -- wait, Dan?

MR. GUINEY: I am Dan Guiney with Yokohama Tire. I live in Irvine, California. I would just like to go on the record and say that I would hope that whatever our state decides in terms of this draft regulation, that it is not based on anyone's personal opinion about a buying experience, with all due respect. I would hope that it is based on years of experience in transforming markets, which we tried to present. Thank you very much.

MR. TUVELL: I failed to ask whether or not there is anybody that is participating the via the Internet that has any questions or comments at this point. But because we will likely be breaking for lunch -- wait, Mike Wischhusen just raised his hand here. Please.

MR. WISCHHUSEN: Yes. Could we have for the record a list of who is participating via the Internet?

MR. TUVELL: If they identify -- the people who choose to participate by Internet have the option of
participating confidentially, or registering their names.

If they have registered their names, we will make them available. If they choose not to, then I would like to honor that. So I would like to ask at this time if there is anybody that is participating via the WebEx that has questions regarding our first session because we will soon be ending that session and going into the next, so if you have questions regarding the first, please ask those now.

MR. TONASCHEL: This is Luke Tonaschel. Can you hear me?

MR. TUVELL: Yes, we can, Luke.

MR. TONASCHEL: Okay. I tried to chime in a few times, but I was not sure if anybody could hear me.


MR. TONASCHEL: I heard Commissioner Douglas and, I believe, Susan Brown, and I am sorry, I could not be there in person, I just had a couple quick comments related to the discussion, both of the Commission presentation and Mike's presentation. And as Mike pointed out, AB 844, and Ray pointed out, was originally passed in 2003, so we have been spending a lot of time coming to this moment and, you know, my overall recommendation is that NRDC is urging the Commission to quickly adopt this regulation. There are two
main strengths of the Commission's draft that -- I would
say the two main strengths of the Commission's draft are
that they include data reporting requirements and the way
that they structure the rating system. In my last letter to
the Commission in response to the previous workshop, I made
the point that accurate tire efficiency data is an essential
undertaking of an effective program, and requiring the
reporting of the test results gives confidence in the tire
performance and becomes a basis for consumers to make
informed purchasing decisions. Requiring the data to be
transparent and available on a public database also
encourages competition among the manufacturers to deliver
the best product. Another point of this, and related to the
discussion about sort of the threshold rating system is that
the database also allows retailers, marketers, and others
that provide consumer information, somebody like Consumer
Reports, to analyze the results and they can find new and
innovative ways to educate the consumer over the whole range
of the results. So in addition to the -- you have, I think,
the double benefit of having a simple system where, you
know, a retailer that wants to stock their shelves knows
that they want to look for the fuel efficient tires, and
they can have that in their RFP that they are suppliers, but
you also have a system by which retailers can build more
sophisticated programs and do more consumer education based
on the whole range of the data. So I think the system as it is provides both those benefits. So again, the rating system benefits from simplicity and encouraging competition, and it is the 15 percent threshold allows the consumers to have an easy sort of quick designation of what fits onto their car. But I think the rating system also, being key for the best performers, automatically keeps up with the changes in the marketplace and, again, encourages more competition among the tire manufacturers with a race to the top, the tire manufacturer that produces the most efficient model for a size and a load class effectively determines how many other tires can be labeled as efficient in that class. And I want to point out that this is not a new concept. Actually, Japan uses a very similar concept in their energy labeling system, which they call the "Top Runner Program." So to summarize my brief comments, I just want to say as an energy [inaudible] I think this is a strong regulation and I urge the Commission to move quickly to adopt it. Thank you.

MR. TUVELL: Thank you, Luke. Is there anyone else on the Internet that has comments, questions regarding session 1, before we break?

MR. RASSETTER: Ray, this is John Rassetter at Tire Rack in South Bend.

MR. TUVELL: Thanks, John. Go right ahead.
MR. RASSETTER: One of the things that we look at is the combination of both the California Energy Star type of rating. It has really got to be complimented by the detailed information on the products because, certainly for the casual tire purchaser, the Energy Star is a clear marker in their mind, but I think to maintain the information so that it is not only a single system, but that it does allow the Internet and other companies such as Tire Rack the ability to make comparisons throughout the range of products within a given size, and certainly one of the things that we have tried to do is differentiate products by allowing the consumer to still buy almost any of the characteristics of size, load range, speed rating, and things of that nature. They can look at a macro view of all tires in the appropriate size for their vehicle, or then go down to the micro view of specific ones that are of greatest interest to them based on the various characteristics. So one of the things that we feel is that it is important not only to have the basic Energy Star type symbol as one characteristic, but it also is equally important to have the range of data available to the world.

MR. TUVELL: And we agree completely, John. And if there was ever anybody's confusion on that, we intend to provide both. You are absolutely correct that there are those of interest out there that love to do the detailed
research, and we want to get that information in their hands. And let me also say that I agree completely with what Luke Tonaschel said in that if this data, all this detail is made available in the marketplace, I cannot wait to see the creative uses of that data. I know there are some people out there who get into this stuff in detail, and I just want to see what they can turn this into, in terms of potential calculators, and other ways to digest the information and transform it into the marketplace in different uses, because I could just see an unlimited use potential for the data, and that is why we want to make that another central part of this program, get this detailed data in the hands of everybody who wants it, and let them put it to use. Thanks, John. Is there anyone else that has comments on the first session before we break? Okay, if not, then we are going to break the first session. I am going to suggest that we start the second session at -- somebody help me -- I am thinking either 1:30 or 1:45. Is there a preference? 1:30? Okay, 1:30, and maybe we can get out earlier. Okay, so it is essentially 12:20 now. We will reconvene at 1:30. Thank you very much.

[Off the record for lunch break.]

[Back on the record at 1:40 p.m.]

MR. TUVELL: And, and so, I wanted to actually kind of have an open discussion here first about how we
wanted to proceed and what the vision was. The Commission
has previously run workshops similar to this, where we have
sort of this bifurcated, hybrid sort of a thing. My
expectation, along with the Commissioners and Advisors,
would not necessarily participate in the second part. The
second part was the vision that it is the opportunity to
roll up your sleeves, let's sit down and talk in some
detail. So, for example, this would be an entirely
appropriate time to maybe go through the regulations to say
is there any confusions or misunderstanding, did you
understand how this worked? Did you find some errors? For
example, I put out a little bit, an errata outside today.
Let me tell you what that is. The errata is the basic
problem we found in the editing associated with the vision
of the version that is out on the table today. Okay? So it
would be the most current version, but I think you would
also agree if look at the errata, there is no pre-defined
substantive changes or substantive problems. And so I just
wanted to bring your attention to this as the nature of the
documents. Okay? But -- and then, so also -- so I am open-
minded on how you would even like to proceed. But I know
the Commissioners' vision is this is the opportunity to make
sure there is no confusion or misunderstanding on anything
we are proposing to do. Okay? That this was the
opportunity for the industry, in particular, to drill us in
detail about the Regs. And so that we can say, we can ask
a good question, I mean, as far as I know, there is nothing
else, and if there is, then here is the issue, or something
like that. Okay? This is clearly the forum for doing that.

Now, also, I was talking to Andrew Fanara, who is here from
Energy Star, and they have been watching different
discussions relating to Energy Star, and this, that, and the
other thing, and there were some comments about it from the
industry in this morning's session that suggests to me that
there may be some confusion about how Energy Star operates,
and so I have asked Andrew whether or not he would be
willing to share in any discussions about that, if there is
any confusion. Now, let me again qualify the whole
discussion or use of the Energy Star name today, okay? We,
the Energy Commission, do not have the authority for the use
of the term "Energy Star" relative to this program. Let me
make that clear to everybody, however, okay, I have been, as
you know, Andrew and Energy Star were at our November
roundtable meeting. We have been coordinating with them all
along because we saw the potential there, that maybe there
is an opportunity to do something in the future. Okay? And
so it is uncertain, but nevertheless, if there is some
confusion on the part of the industry about how could that
somehow potentially apply to this program, the perfect time
to raise those questions and see if Andrew has some answers
for it. Okay? Also, in this morning's session, in the industry presentation, I think there were a number of things that were said that suggested to me that there may be some confusion from your folks' perspective after having read our regulations. And I would be happy to answer some of those things. And maybe that is a good place to start, to try and get the ball rolling here. For example, I recall in the morning session there were some questions about, if data is submitted to us, how quickly does it get into the database, and there is a provision in the proposed regulation that says we accept data on a continuous basis. So as new products come out, we accept data on a continuous basis, there is a schedule on accepting data on a continuous basis, in detail in the regulations, and then we automatically insert it into the database if it met all the filing requirements. What the proposed regulations also say, though, is only once a year, by January 15th, would the Energy Commission reassess which tires are within 15 percent and then reestablish the definition of fuel efficient tire for -- we would do that once a year. But once we did that, any tire that came in during that year, if it fits within that pre-defined 15 percent, it automatically goes in and it would be called a fuel efficient tire until we reassessed the next year what is within 15 percent. So we accept them; if it automatically fits in? It does. Okay?
Now the other thing that there was a question about was -- it is a perceived major delay in getting the program up and operating, how fast would the Commission do this, and there is nothing in the regulations that mandates the Commission do this by a certain date. So typically in regulations, we do not regulate ourselves. Okay? And so I would not expect to see us write detailed provisions to say, "The Energy Commission must do this, the Energy Commission must do that." That is not the way the regulations work.

Let me tell you what my vision was, though, in directing the data submittal side of this, okay, and that was pretty simple and straightforward. We would establish a priority list of the most popular tires in the marketplace. So the most popular tires by size on passenger tires, and the most popular tires by size on the LT tires, and we would say test those in order of their popularity in the marketplace because my feeling is, based on the data I looked at, and on LT tires, for example, we think a high 70s, maybe low 80 percent of the marketplace falls into the top 10 tire sizes that exist in the LT marketplace. Passenger tires, though, we think we would have to get down to maybe the top 20 sizes to cover 60 to 70 percent of the marketplace. So the intention would be we will prioritize the testing schedule, test these first so that the most popular tires in the marketplace we have data on, then we can go ahead and
implement the old program in the database without having to worry about shouldn't we be [inaudible] it because we will have covered the vast majority of the marketplace early on by getting those popular sized tire data in. But, of course, just let me clear up any confusion there. We thought this through, but this would not be a provision in the actual regulations, where this was covered in the regulations is that there was a provision that alluded to the Executive Director can establish schedules for data submittal, and that is what was intended to be here. We would do this outside of the actual regulated -- to say, well, there is this priority, here is the priority, because we liked it. Right? And I think that is something we can meet and agree on. Oh, yeah, this is clearly the priority, those are the tires as they exist in the marketplace. Okay, that makes sense to test those first to get the data in. And so now the vast majority of consumers can have access to the data without having the complete database. And so I recalled those two comments, in particular, this morning. But I suggest, then, because there were other concerns expressed this morning, that if you could restate those now, and ask them to me directly, and say, "Okay, this morning we mentioned we saw this problem," and now I could respond to you directly on what my reactions to that, or my response is to that, because I did feel in observing your presentation
that many of your report is maybe grounded in some
confusion that I think I could clarify now.

Now -- and I am directing -- I really want to use
this as an opportunity to direct my comments presently
toward the RMA, which my Commissioners' view is the
principal stakeholder here that appears to have issues and
opposition to the staff proposal, we want to know what those
are in some detail, and if there is confusion associated
with it, we would like to clarify that.

MS. NORBERG: This is Tracey Norberg for the
record, with Rubber Manufacturers Association, for the
record. I think for the time together this afternoon, maybe
it would be helpful for everyone here to agree on an agenda
for this afternoon's discussion. I think several ideas have
been shared in terms of how we might proceed this afternoon
and directing remarks. And maybe we could just sketch out
how we would proceed with the agenda because I think we have
heard should be go through these regulations page by page,
should we talk about Energy Star, and here are some inputs
from the a representative. Should we respond directly to
the concerns we shared this morning? And I think it would
be helpful if we could sketch out what our agenda is for
this afternoon so that we all can manage our time the most
effectively and have a productive discussion.
MR. TUVELL: Absolutely. So I will allow you to create the agenda and we will do what you like. This is your time to use with us.

MS. NORBERG: Okay. We did appreciate the time this afternoon to submit comments. For the record, we will provide copies of our presentation out front, and we hope that our presentation can also be posted in PDF format on the website for those that were not here in person today, and we do expect to submit comments during the 14-day period. I assume that we still have that opportunity to submit comments after this workshop. And we do have some procedural questions as to how this process is going to unfold after that period does transpire in terms of what are the next steps in the process, what does the timeline look like going forward, and so that we all have an equal understanding of how the process will unfold.

MR. TUVELL: Okay, okay. So let me ask you, then, I believe that, in your presentation, or Mike's presentation this morning, that there were a number of things that I thought reflected potentially some confusion and misunderstanding of what we are doing, or proposing to do. Do you see any value in you sort of restating some of those, going through, say, well, help us to understand at this point, you know, "We have this criticism. Can you help us understand that?"
MS. NORBERG: So you are asking us to give that
presentation again? We could pull that up if that --

MR. TUVELL: I do not know, if that is how you
would prefer. But, look, I think you have a tremendous
opportunity here to have one-on-one discussion to resolve
any number of issues that you believe may be a result of
confusion or misunderstandings on your part. I encourage
you to take advantage of it.

MS. NORBERG: Okay, well, let's start with talking
about the agenda for this afternoon and maybe we can all
agree on some --

MR. TUVELL: Okay, and I am saying you make the
agenda, we are making our time available for you. That is
what this session was for.

MS. NORBERG: Okay, well, you have laid out
several ideas about the agenda, I mean, are you proposing
any of those ideas as to how to proceed this afternoon?

MR. TUVELL: Maybe you are not understanding. I am
saying I will do whatever you would like.

MS. NORBERG: All right, well, let me just ask
you, are you asking us to re-give the presentation from this
morning?

MR. TUVELL: If you think that would be useful
and, at this point, then, I can ask questions and say I
could be confused about this, let me clarify. I would be
happy to do that.

MS. NORBERG: All right. Everyone in --

MR. GUINEY: Right. Hi, this is Dan Guiney,
Yokohama Tire. Can you just put up the presentation -- do
you have access to the presentation?

MR. TUVELL: The overhead presentation?

MR. GUINEY: Yes.

MR. TUVELL: Sure, absolutely.

MR. GUINEY: And I want to go to one of the slides
that had to do with industry observations. And if you go
through them, I will just say stop. Okay, almost, next,
next, next, next, keep going, okay, this is the slide.

MR. TUVELL: Great.

MR. GUINEY: The first bullet point pertains, as
specifically stated, is there -- are we correct -- is that
yes? Is our interpretation correct?

MR. TUVELL: Okay, and so it is our conclusion
after reading through it that the exemptions apply strictly
to the types and quantities of the tires sold solely within
the State of California. Well, now, absolutely. I mean, AB
844 only applies to California, so everything associated
with it only applies to California. This -- the scope of
this proposed regulation only applies to California. Now,
as to this statement about exemptions apply strictly to
types and quantities of tires, maybe we can go through this
in a little more detail. Okay? So basically in the scope
section of the proposed regulations, it mentions, in Section
B, exemptions. Now, we took those exemptions straight out
of AB 844, okay, and that is what they were supposed to be,
and after reflection of exactly what the legislation says.
Now, we believe that the identification of the tires that
apply to those in the exemptions is self-evident. So for
example, space saver tire is so heavy that nobody in the
marketplace could get confused and say, "Well, why isn't
this in your system? Why isn't it rated?" We say it is a
space saver tire, everybody can see it just by observation,
it is exempt. Certainly with temporary use, spares,
certainly with motorcycle, certainly with less than 12-inch
and similarly with off-road motorized vehicles. We think
those are self-evident exemptions. There would not be
confusion in the marketplace. However, there are two
exemptions that we think confusion could arise over and that
is Exemption 1. "A tire or group of tires with the same
SKU, plan, and year for which the volume of tires produced
and imported is less than 15,000 annually." Here is the
scenario we envision. A consumer, a dealer, or us, the
Energy Commission and the compliant (phonetic) state, find a
tire in the marketplace, we pull it in, and it is not in our
database. Why not? Looks like a normal passenger tire to
me. How would we know if it was an exempt tire, or somebody is failing to report it? And what we are asking for in the provision here, and in more depth in the program is, we want you to declare the tires that are exempt for category 1, it is less than 15,000, or category 2, and say -- we want you to declare it so that we have that in our records, so we know it is an exempt tire. So somebody calls up, we find it in the marketplace, or a dealer, and we would look at our database and say, "This is exempt." They declared this exempt because there are less than 15,000 of them made, and that is why we do not require testing -- they are exempt. So we would know that. And, yes, that is specific to tires sold or available for sale in California. Now, let's talk about the sold or available for sale for a second because I do not think there should be any misunderstanding about this, but it is always worthwhile talking about it. What is available for sale in California? Now, Tire Rack does not have the California presence, and I personally purchased tires from the Tire Rack before. And so it is available for sale in California, and so anybody who sells tires over the Internet, or mail order, if it is available for sale in California, it applies. Okay? So I did not want there to be any confusion about that. But, no, your point 1 goes to this question of what exemptions apply. There were only two exemptions that we think are not self-
evident, it is 1 and 2, and to eliminate confusion in the
marketplace, we have structured a little -- and we think it
to be a very minor reporting requirement on your part --
just declare it, tell us -- give the SKU, it is exempt, we
are claiming it is exempt because it is less than 15,000
made, good, we got it in the database, now we know, somebody
calls us up, we say "it is exempt."

MR. GUINEY: So as stated, we understand
correctly, as we stated it?

MR. TUVELL: Yeah, if the explanation I just
provided to you is correct, in other words, if I have
characterized this correctly, yes. If it is sold or
available for sale in California, it is in the scope of the
program. And all of you decide -- if you think there is a
confusion, or somehow -- help me, and then I will explain.

MR. GUINEY: Let me just give you the corollary.
There are types and quantities that are not sold in the
State of California, therefore, they are exempt.

MR. TUVELL: Yes.

MR. GUINEY: Okay. It is clear to me. Thank you.

MR. TUVELL: Yes. Okay, go ahead Tim. Do you
have a question? Because maybe I can facilitate the process
by going through some of your presentation and clarifying
some of these issues. I will be perfectly glad to do that,
too.
MR. ROBINSON: Ray, Tim Robinson from Bridgestone Americas Tire Operations. Just a couple points of clarification. In your draft regulation, it states some of the information you want recorded or reported in the UTQG temperature, traction and tread wear ratings.

MR. TUVELL: Yeah.

MR. ROBINSON: Those do not exist for LT metric-type tires.

MR. TUVELL: Absolutely.

MR. ROBINSON: Okay, so you are aware of that?

MR. TUVELL: Yeah.

MR. ROBINSON: Okay, it is just impossible to report those.

MR. TUVELL: Right.

MR. ROBINSON: The other point you mentioned was that, with your study, I think it was done by UC Berkeley, or whatever, that few people, or most of the influence to consumers are conducted at point of sale, and few people use the Internet to do research prior to purchasing tires. So in your proposal, you will have two categories, either it is fuel efficient, or not fuel efficient. The fuel efficient will be 15 percent of the market, roughly. So you are leaving out 85 percent of the market. So those people will not have a choice. For example, for a given size tire, well, pick a 195, 75R15, their vehicle may require all
terrain or mud and snow tires -- not mud and snow, but max
traction type tires. Those typically would not be in the
lower 15 percent because they have deep treads for traction,
which is recommended by the OEM. So, in effect, you are
leaving those folks out of the rating system.

MR. TUVELL: Okay, yeah, let me address that.

Probably the best way we would like to see this proposed
program viewed is there is actually two major components to
the rating system; first and foremost is the extensive
database on all the tires, that anybody who wants to do
detailed research can get access to. I mean, if they know a
specific tire that they are interested in, they could go
straight to the database and find that rolling resistance
data.

MR. ROBINSON: You had mentioned that there are
very few people that do that at the point of sale.

MR. TUVELL: That is our general belief, maybe you
could help me confirm it or not.

MR. ROBINSON: So aren't you excluding a portion
-- a big portion of the market, or a big portion of the
consumers because they will not go and access that database
prior to point of sale?

MR. TUVELL: Oh, no. When I say that, and what I
meant to say is we believe they do not want access to that
detail. It will be accessible to anybody who wants it, but
what we were trying to do is, we were looking at the marketplace as we understand it predominantly operates, and then, so you saw me characterize in our presentation, and said, "In order for this program to be effective, it needs to be effective in the marketplace as it predominantly operates, and that is when we solicited discussions with everybody we had talked to, and they were telling us time and time again, it is mainly a distress purchase market, they want in, they want out. If you are going to develop a tool, it has to be simple enough to have a snap judgment type answer to it or something, but do not come up with something complicated. And that resonated with us, and that is why we looked at it and said a clear, major part of this market that operates that way, and that a major part of our program has to function well in that marketplace. And that was the -- it is a fuel efficient tire, or it is not. It is specifically designed for people who are comfortable making a decision on no more than that. And in this market, we think that is a significant portion of the market.

MR. ROBINSON: Okay, thank you.

MR. OKIHISA: Uh, Tom Okihisa with Toyo Tires. I just had a question, or need a clarification on one part of the scope, which has to do with the regulation applying to manufacturers. I am wondering how that would apply to importers or distributors where the actual manufacturer does
not necessarily have a presence, or let's say an office, in the United States.

MR. TUVELL: Yeah. Well, first of all, the scope applies to manufacturers, okay? And it is only to manufacturers who have tires that are sold or available for sale in California. Now, my general understanding of the marketplace is this way, and you can help me clarify. There are a number of foreign tire manufacturers that have -- that market tires in the United States and likely in California, and that in order for them to be allowed to do that consistent with federal law, they must have a United States presence, okay, and only then can they market tires in the United States. Now, we sent out notifications to every tire manufacturer that had a "United States presence" and the name and address of the people that were identified as that United States presence, to notify them where we are going through this rulemaking. So ultimately, the responsibility for complying with our regulations would be with the manufacturer, however, if they want to work through their designated United States presence to do that, that is absolutely fine with us. And it is my understanding that is how they operate now in many cases with NHTSA, and I do not know a lot of details about that, but if that system is working, then that is absolutely fine with me. But the responsibility is with, first and foremost, the
manufacturer. If they want to work through an intermediary
to get that stuff to us, fine with me.

MS. NORBERG: Tracey Norberg with Rubber
Manufacturers Association. To clarify, at the federal level, there is not a requirement that a manufacturer has to have a U.S. presence and, instead, federal law specifically applies to either manufacturers or first importers of tires, and so that distinction that is being addressed here is that, by targeting only manufacturers in this context, the first importers of tires that do not have a U.S. office would not be subject to this regulation, and enforcement would be near impossible to try and enforce a regulation against a manufacturer that is solely in a foreign country. NHTSA gets around this challenge by requiring that the law apply to either manufacturers or first importers.

MR. TUVELL: I appreciate that. So you are suggesting to me that, in fact, this is a known problem and there has been a methodology developed to overcome this through NHTSA?

MS. NORBERG: Basically, because some manufacturers do not have a U.S. presence, the first importer ends up being the manufacturer on record, and so the regulation applies to the first importer in that case, and not the manufacturer, and so the first importer, whether it is a distributor or retailer, or whomever it is, that is
contracting for those tires and importing them into the United States, is the one that has to comply with federal regulation.

MR. TUVELL: Okay, very good. I appreciate that. I was sitting here wondering how best to move forward on this, I was thinking maybe I could go through your presentation and clarify some things, and I hope you can indulge me in doing that. The comprehensive database is basically straightforward. We believe that you are sitting on the database right now of essentially all of the information we are asking for, other than the testing results, and that it would be a very simple function for you to provide that to us so that, in fact, we do have that comprehensive set of data in one place and, for anybody who does want to do research, it is right there. And then, this is commonly what we have done in any other appliances that we have regulated, where we would pull in -- for refrigerator freezers, the actual outside dimensions, the actual inside dimensions, other detailed information that would be commonly of interest to people doing detailed research. And so we thought long and hard about, well, what are those kinds of information that they may want to use in doing that, and we looked at this and said, "You guys have this, you have got it sitting in your databases back in your companies right now." I could go to your website and get it
in many cases, why not make it conveniently available in
one major database for part of this program, and that was
the thinking behind that -- basic and straightforward. It
is there, that is in the public domain right now, there is
no proprietary nature on any of this stuff that we are
asking for, and so we do not understand how it could be
viewed as onerous in any way. I thought in this morning's
presentation I was pretty clear that, in fact, we did follow
exactly the steps that are outlined in 844. Okay? We
looked at every database that exists in the public domain,
absolutely every one, okay? In an RMA submittal to us on
April 28th, they said -- you folks said -- this database
represents 90 percent of the tires in the marketplace. And
if you are now saying it is not representative data, we find
that contradictory. We then used the knowledge we gained
from the review of the databases to then explore the concept
of the rating system. And so we took the knowledge of the
database, and then went out and started talking to people in
the marketplace, retailers, consumers, had the roundtable,
and then melded that altogether to come up with the ratings
system, then based on that ratings system, we came up with
the manufacturer reporting requirements consistent with that
rating system and how the program would run. We believe we
followed those steps exactly as outlined in 844. Okay?
Yeah, I mean, look, the level we have on scheduling when the
data is due -- you saw the analysis that Smithers did, we
identified all the variables, we did numerous scenarios,
development based on those scenarios, we turned to you and
said, "Provide us with detailed data on how many test
machines you have, location, capacity," and our
understanding is that you are saying, "No, that is
proprietary, we cannot share that with you," and we say,
"Okay, fine, okay." Then, here we go. Here is the scenario
analysis. You are saying you do not have anything that can
confirm in any objective way your perspective on this, well,
that is what policy makers get paid to make decisions for.
No timeline has been established, then, for ratings to be
assigned for consumer information. Again, I hope I
clarified that in my earlier comment. What we envisioned
was, by prioritizing the tires that need to be tested based
on popularity in the marketplace, that we could get a
critical mass of data in very early on that we could use to
implement the programming and get the data out there that
would satisfy a huge chunk of the marketplace. So we had a
revision waiting until we got the complete dataset on all
SKUs before implementing the program. I mean, not at all.
I mean, we will get it out as soon as we possibly can, you
know, in a useful form, and that is why the prioritization
made a heck of a lot of sense to us. But it would not have
been a provision we would put in the regulations, per se.
MR. ROBINSON: Excuse me, Ray. Tim Robinson again from Bridgestone.

MR. TUVELL: Yeah.

MR. ROBINSON: As we stated before for the record, we do not agree with the Smithers analysis of excess capacity that exists in the industry. Speaking for Bridgestone, we will say that we have no excess capacity whatsoever. Our machines run 24 hours a day, seven days a week, it is very expensive to buy this equipment and new rolling resistance machine, enclosed in the housing it is required to control ambient conditions, it costs about $1 million. So it is just good business practice not to have excess capacity, particularly in the economic environment now. We do not have that money to spend and just have the machines set there idle. So that is part of the reason why we take exception to some of the information that was provided by Smithers. So the estimate of one-day years is -- it is somewhere in the middle, as Mike indicated before, more than one, probably less than eight in our case.

MR. TUVELL: Well, and of course, I mean, I hope I have characterized properly that Smithers was a scenario analysis, they are not claiming what your capacity is, they do not know, I do not know, nobody knows -- as you said, it is proprietary, we would not have a basis for knowing. And so therefore we did a scenario analysis and we said assuming
it is 50 percent, assuming it is 25 percent, assuming it is only eight hours a day, assuming it is a 24-hour day --

MR. ROBINSON: Right, and in those terms, I am saying both of those estimates, the 25 percent, the excess capacity, and 50 percent excess capacity are extremely exaggerated. We have zero capacity. Our machines are backlogged, we run them 24/7, and unless we get to a higher level of backlog, we will not make a business decision to purchase another piece of equipment at a million dollars each.

MR. TUVELL: Okay, and I understand that. And like I say, all of them lay on an issue like this where there is no way for us to do independent verification, this is the one where policy makers get to make decisions.

MR. ROBINSON: Yeah, I understand. Thank you.

MR. GUINEY: Ray, Dan Guiney, Yokohama Tire. Could you back up one slide because I think you went through something.

MR. TUVELL: Sure, sure.

MR. GUINEY: The second bullet there, I guess -- I thought I heard you say you addressed that.

MR. TUVELL: The rating system is not derived from a representative sample?

MR. GUINEY: No, no, the second bullet point.
MR. TUVELL: Oh, reporting and auditing requirements do not account properly nor completely for a technical measurement uncertainty. Well, you know, in my presentation, I gave you the perspective of where we are coming down on the technical side of this. We look at ISO 28580 and, for the individual test machine, it talks about a standard deviation of less than .075, and we think that translates roughly into one to two percent of variance, and we believe that the machine alignment provision in ISO 28580 was designed to achieve a plus or minus two percent. So that is our belief, that is the only information we have seen, and we think that is adequate.

MR. GUINEY: Yeah, and in your presentation, I saw you had listed the .075 and you also listed 2.0 percent, machine to machine. Can you help me understand where that came from, that two percent statement?

MR. TUVELL: Yeah, the two percent was the one -- that statement was the one I referenced at the April 8\textsuperscript{th} workshop and I pulled up a Michelin presentation, and I said this is the only data we have on this, and I specifically requested that, if you folks can bring forward to us, people that were on that committee, that can help us understand otherwise, and we can have this discussion with them, we would love to have it.

MR. GUINEY: Okay, thank you.
MR. WISCHHUSEN: Mike Wischhusen, Michelin. As familiar as I am with the ISO work, a two percent objective was never stated in ISO. You reference a Michelin presentation and, as a representative of Michelin, I can tell you it has nothing to do with the ISO project, that was ETRTO, two totally separate organizations, two totally separate products. So the two percent you saw in the Michelin presentation referring to ETRTO does not apply to ISO.

MR. TUVELL: And I turn to you folks again and make this request. If you could make available to us access to the people on the ISO committee who were charged with dealing with the machine to machine measurement calibration provision, so that we can have a discussion with them on exactly this level of detail, we would love to be able to do it.

MR. WISCHHUSEN: Mike Wischhusen, Michelin North America. Mr. Dan Guiney, who has spoken here today, was a member -- is a member of the ISO Committee, and Dan presented that information at one of the previous workshops, so it is in the docket, it is in the record already. Dan is a committee member.

MR. TUVELL: Okay.

MR. OKIHISA: Tom Okihisa, Toyo Tires. Slightly different -- I am going back to the scope --

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MR. OKIHISA: -- with the exemptions. I just want a clarification on the 15,000 you can produce or imported annually. For a new product, since we would not know exactly how many were produced that year until probably three-quarters into the year, and we could project, would we report on the previous year when we make our report, saying whether it was over or under, or --

MR. TUVELL: Yeah, I think this is one of those things where this is the question of the letter of the law vs. the intent of the law. You know? I was not involved in actually writing this legislation, but I think it is -- the proper way of interpreting this -- this is the way I would interpret it, ultimately, I guess a Judge gets to interpret these kinds of things -- is that, I mean, if your plants were making these specialized tires and you knew, "We're not going to exceed 15,000," and this is on plans, it is a specialized thing that is only used in this racing circuit, or something like that, then basic and straightforward. But on the other hand, I have a feeling that, when you produce a tire, you have a pretty good understanding of the size of the market you are after in your production goals. So this is a judgment you are going to make. So what is on the line here? A thousand dollars worth of testing? Not that big a deal. Okay? If you would think that there is a judgment
that needs to be made here, then I would expect that you folks would call us up and say, "Hey, look, we have got this dilemma and we do not know about how to properly report this or not. Help me with understanding it. Here is our circuit standards." But otherwise, you know, I am trying to get this very practical real world, here is the way I would approach it. Here is the way I would approach it. Frankly, I do not know why this provision was built in, and you guys know better than me, is there such a tire that somebody produces 15,000 or less of them? What the heck use is that? Who applies that tire? Where? I mean, has anybody got an example? Because I often wondered that. Give me an example of one of these -- is this some exotic tire for which there is only 1,000 vehicles that exist in the world, or something like that? I do not have a clue. But I have seen this language, by the way, before in other tire-related regulations and stuff. So it has some source that comes before use here at the Energy Commission. It was not our language. My understanding, the source was the industry. It was not our language. Okay, I am going to deal with a point, bullet 1 up here again. I hope I clarified that. We will accept data on a continuous basis, okay? So if you submit data on July 1, it will automatically be processed and will, if it is accepted as complete, it will go straight into the database.
that exists in the number that it is now, so if it falls within the 15 percent that exists in that database you submitted, that is where it will be placed. Come January -- I think I said 15th in the regulation -- that is when we reassess, now, what is the lowest tire, which falls in the top 15 percent, and then we establish for that year, now, this new listing of fuel efficient tires. But we will accept data on a continuous basis.

MR. OKIHISA: Tom Okihisa with Toyo Tires.

Regarding the annual, I guess, reassessment, or reevaluation, I mean, realistically that is pretty frequent if you consider the tire retailers are trying to keep up with those updates. Is there any consideration that maybe that would be done in a longer time span, you know, a couple years, or so forth?

MR. TUVELL: Yeah, well, that is an interesting one because let's talk for a minute, then, about how we envision that level of detail of the program working. It is my general understanding that, for tire retailers, that there are only a handful of companies that produce the software that has the data that the tire retailers use.

Okay? Some tire retailers produce their own data. So what we would see here is probably, in the practical world, we are going to get in contact, and they are going to know who we are, that we have this data, that we do this process, and
we are just going to download this to them and say, "Put it in your new software that you now use at Les Schwab, or at Discount Tire, or at Wal-Mart," they will have immediate access to it, and then the relationship that they have with whatever retailers use their software. Now, so as to your question in this frequency thing, I will be frank with you, I have not had that level of discussion with the software side of the industry as to how do you accommodate -- and I need to, and I want to as we progress because, first and foremost, I would love to know the format they would like this in, because I want to create all this database in a format that is common and easily accessible to everybody, so you want it in Access, great. You want it in Excel? Great. Because I want you to be able to not only submit it to us in a form that is convenient to you and efficient for you to deal with, but I want the people who use this and want to download it, I want it to be in a form that they can just have it and run with it, so that that side of it is pretty much electronic, and pretty much efficient. They just drop it into their software. And, as you know, some of these retailers now used web-based software, so it is not as if they have to create new disks and send them out to all their customers. There is a central computer sitting in Indiana with all of this stuff in it, and they just automatically update it, and everybody who uses it, it is automatic. It's
wham. So I have not walked through the detail with the actual participants in that side of the industry, but I always envision that is going to be simple and that is how it would work. Go ahead, Tim.

MR. ROBINSON: Okay, thanks, Ray. Again, Tim Robinson from Bridgestone. Ray, reading the draft proposal, whenever there is a change to a product, or whenever, for example, you audit a product, what will be the method you use to determine what is -- is a change statistically significantly different? Has the staff determined what process they will use? And will you make that available to us so we can determine whether we think it is statistically viable?

MR. TUVELL: Oh, I see, okay. So we or somebody does some testing and we end up with some data that is not consistent with what --

MR. ROBINSON: Well, it is off by -- yeah, we submit our number, our average, and our two -- winds up to be 10 pounds. And then you get some tires, and you audit them, and it is 10.2, or 9.8.

MR. TUVELL: I see.

MR. ROBINSON: So how will you determine what is different? Will you use a statistical analysis of variance? Or what will be your process?
MR. TUVELL: Okay, I mean, that is a fair question. I do not have an answer for you on that one, but let me give it some thought. I think that would be a good addition to the regulations.

MR. ROBINSON: And that will be then made available to us for comment?

MR. TUVELL: Oh, yeah, absolutely.

MR. ROBINSON: Okay, thank you.

MR. OKIHISA: Tom Okihisa, Toyo Tires. Somewhat follow-up to what Tim from Bridgestone had just mentioned. With regards to when tires are periodically inspected, the current draft says that it is only one tire that is going to be measured. I guess -- would there be any -- I think it would make more sense if you also measured three tires so that the data, or result that you get, is the same as the three samples that the manufacturer has to measure.

MR. TUVELL: Sure, yeah. Let me clarify that because I can see where we may have created some confusion. In the regulation, I am trying to make a distinction between inspections of tires vs. testing of tires. And as two separate processes that we would use to determine compliance. So if we went out and just grabbed a tire and read off of it the information that is printed on the side, that would be the inspection. And if we thought, "Gee, the UTQG codes that you are claiming for this tire is completely
different than what is in our database," then that
inspection of one tire would be sufficient for us to say,
"No good." On the other hand, all rolling resistance
questions and issues would be a sample size of three tires
for us. We would get three tires, we would test them, and
that is the basis we would use of whether or not there is a
problem with the rolling resistance data. So two separate,
you know, enforcement compliance steps. And I am glad you
brought that up because I can see where the confusion may
come on that one. Yeah, okay, the list -- I hope you
understand basic and straightforward -- it has both
positives and negatives. The updating of the list is
positive in that, as better technology comes out, it is
going to drive the list, which we think is very positive.
Clearly, those tires that were within 15 percent and are no
longer, yeah. And I have a feeling, though, I mean, it is
hard to -- I wonder, you know, if this goes forward and this
actually is operating in the marketplace, exactly what
happens, you know, five years in, or 10 years in. I think
people are going to be pretty -- the tire manufacturers are
going to get pretty darn savvy about where their tires fit,
and what is going on, the evolution in the industry, and
which tires they do want to position within the 15 percent,
and which tires they are willing to say, no, that will never
be within 15 percent, it is a whole different marketplace,
and who cares, because people who buy those tires do not
care about fuel efficiency. And so I think this is going to
be an evolving thing. I think, yes, clearly, if you are
manufacturing tires with your goal of, "I want them to be in
that top 15 percent, why in the heck -- what happened with
my competition, it just fell out?" I hope that inspires you
to work harder to produce a product that will fall within
the 15 percent. Turn, remanufacture, turn around and submit
new data. And that is the positive side of this system that
we are trying to devise, that is the positive side of the
system we are trying to devise. But it will all be
transparent and it is like no surprise.

Let me talk a little bit about -- I mean, this is
a real important point -- this incorrect or unsafe tire
selections because, you know, I have heard this and I am
sensitive to this, I am really sensitive to this part. All
we are attempting to do here is get this new metric of fuel
efficiency of tires into the marketplace in a way that the
market can use it -- sellers, buyers -- to give
consideration to that if they choose to, that is all. It is
an additional piece of information that they already have
now relative to all the other information that is out there.
So when I see this stuff about unsafe tires, my first
question is this, if there exists an unsafe tire in the
marketplace right now, will somebody raise their hand so I
can notify the appropriate authority and we can get this thing pulled out of the marketplace? Because there is certainly nothing I am intending to do with my program that is for the marketing of unsafe tires. So if you know of a tire that is unsafe, let us all know, and let's get the appropriate authorities working on it. Now, if you are saying, on the other hand, that there is a situation where somebody either purchased or would have been sold to them a tire that is completely inappropriate for the use on their vehicle, I would say, well, how is that different than what exists right now? How is that different than what exists right now? I understand there is liability issues associated with that. You know, if my tire dealer sells me a tire that is completely inappropriate for use on my vehicle, he has created a problem for himself and for me. How could that have possibly happened? How could that have possibly happened? Go ahead, Mike.

MR. WISCHHUSEN: Thank you. Mike Wischhusen, Michelin North America. The comment was not that any tire by itself is unsafe, what is unsafe is the application of a tire to a vehicle if it is not an appropriate tire for that vehicle. That can happen today, but when consumers are relying on retailers to give them information, the retailers have the liability issues, and they will not make that recommendation. The fear is that consumers will be driven
by a piece of information when it is the only piece of
information that they have, and they will not make all the
other considerations that the retailer would make for them.
That is the concern. The industry does not market unsafe
tires, we are not making any claim that unsafe tires are out
there. We do not want to put people in a situation where
they receive a piece of information that may lead them to
make an unsafe decision, and make an unsafe match.

MR. TUVELL: Okay, very good. I mean, I think
this is a good point. I mean, I think you guys bring up a
good point. And here is the way I sort of look at it
because other people have mentioned this to me, too. Is
there some fear that if, in fact, people did -- consumers
did focus on fuel efficient tires as a priority, could then
end up compromising other important qualities in tires for
their vehicle, and that the safety issue being the proxy for
stopping distance, what stopping distance, in particular?
These tires do not stop nearly as well as tires that are not
maximized for fuel efficiency. And here is where I think we
need to start thinking down the road of, when we start
introducing this cause of the fuel efficiency tires in the
marketplace, should we also create a nice basic education
piece so that consumers can have the proper expectations and
understand some of the trade-offs that they make? The
original way it was characterized to me is that we do not
want people -- consumers to get the wrong expectation,
that if you buy a fuel efficient tire, then, guess what?
Your vehicle does not use fuel anymore. Yeah, this is the
greatest thing in the world. Well, maybe we need to do a
better job when we introduce the program to say, "Here is
what your expectation should be on fuel efficiency
improvements, so you know." And we need to also tell them
it does not matter if you buy a fuel efficient tire if you
do not keep it inflated. We need to also tell them that,
hey, guess what? If you are comparing this new fuel
efficient tire that you purchased against the fuel
efficiency you were getting on this tire you just took off,
that, by the way, did not have any tread on it anymore, you
are comparing apples and oranges. I mean, that tire without
any tread may have some marvelous low rolling resistance, so
you cannot compare apples and oranges, you cannot be doing
that. So I think -- and so this matter of looking for
potential trade-offs, you know, now I think that the dilemma
that I have here, and I know that this is one that NHTSA
struggles with, frankly, is how do you advise a consumer to
make decisions on wet traction on tires? So if we were to
say, well, you know, something about low rolling resistance
tires, you may be trading off wet traction. How do we
advise consumers, then, to make an informed decision on
that? Is there enough information in the marketplace to do
that? I know Gene Peterson at Consumer Reports is very concerned about that, too. And I said, "Gene, I understand. I think I share the sympathy. But short of having your test data, which I think is high quality stuff in Consumer Reports, I do not know where consumers get that information right now. I do not know where they get it right now. But I can see that we may be elevating that issue if the focus on low rolling resistance tires does in fact take off, and we should take the initiative to address it right from the beginning, to create the proper expectation with consumers.

So I hear you loud and clear about that. The worst thing in the world is for us to somehow come up with a program that somehow encourages or enables people to make bad decisions, especially in sacrificing safety.

Let me just say one great thing about RRF vs. RRC that is on this graph, too. We heard loud and clear, and understand loud and clear the claims you are making with RRC. We simply do not have enough information on RRC to have a level of comfort with it is what it boils down to.

The claim that RRC is a constant for a tire, or darn close to a constant for a tire, as we discussed at the April 8th workshop, basically requires you to get access to gain post 69 multipoint data that you can then do some regression analysis of different loads to see how, in fact, RRC varies.

Well, until you guys presented that data, I have never seen
it before. I have no level of comfort on potential variation on RRC from different tires. I am pretty darn convinced it is not a constant, but I do not know the extent of which it varies, and I just do not have comfort with it. There is not enough information for us to analyze at this point to have a level of comfort on RRC. I wish it was the opposite. I think -- and maybe -- the concept that there is a method that is a constant for a tire, and you can compare all tires against each other, I mean, Nirvana. I would love such a thing to exist. I just -- I do not see the data that gives me that assurance yet. And I personally do not think it is there. I personally do not think it is there. I would love to see a lot more 1269 multi-point to prove this out one way or the other. But I have not had it and to my understanding, it is not in the public domain.

MR. WISCHHUSEN: To correct an error rate, you do not need J69 multi-point data. You simply round to J69 -- J1269 -- the ISO, the 28580 single-point test at different conditions. There is no multi-point data on either. You want to do more research, have more tests done, have it done at different conditions. And Tim has already provided the data in the April 8th workshop; you will duplicate what he has already presented to you, and is already in the record. The data is there.
MR. TUVELL: Yeah. I appreciate what you are saying. Here was the dilemma that we had. If you recall at the April 8th workshop when Tim presented the data, I specifically asked him was it J1269 multi-point, or was it J1269 tested in different loads. And the response was it was J1269 multi-point. Now, that did not surprise me because, in fact, it is my understanding that that is the only approved and acknowledged test protocol for testing types of different loads. So, in fact, if somebody did want to take 1269 or 28580 and test tires at different loads that are specified in either 1269 or 28580, then they are going to carry the burden of proving the validity of that data because the test protocol does not recognize the ability to do that.

MR. ROBINSON: Ray, Tim Robinson again from Bridgestone. The lot I did was based on the J1269 multi-point tests, but to confirm linearity of the Rolling Resistance Coefficient, within the normal -- I would say -- 100 percent usage of what tires you see today in the marketplace between 15 and 100 percent of the rated load, we conducted single-point tests at various load conditions to confirm that. So we actually use two methods, the J1269 multi-point test, and then the J1269 single-point test at various loads throughout the 50-100 percent range.
MR. TUVELL: Okay, well, and if you recall, though, I had asked you previously on the date on April 8th, if it was multi-point or not, and so this is the first time I was aware that such other data existed.

MR. ROBINSON: Yeah, the graphs I showed you were based on multi-point regression, but to confirm that, we also made several measurements using a single-point method at various radial loads.

MR. TUVELL: Yeah, and I think that is the way to go to research this, frankly.

MR. ROBINSON: Right.

MR. TUVELL: But I think that our dilemma is that, if this is the narrative in dispute, then you have got this problem of "we have got to use this test protocol that exists, or then people attack the test protocol." You see? That was the point I was trying to make here. And the other one is, we do not have, at this point, access to hardly any data in the public domain that addresses this issue of variance of RRC over loads to determine whether or not we could have any level of comfort in the basic claim that it is a constant, or darn near constant for tires. We just do not have the comfort because we have not seen the data.

MR. ROBINSON: Okay.

MR. TUVELL: There must be some confusion about reversing the order of the steps required. By reporting the
test data through the Commission, you know, the
implementation of 884 vs. the implementation of the program
is two different things. And we are following step-by-step
exactly what 884 said. We got all the databases available
to us, we used every one in the public domain. And we
studied it in some depth. With that knowledge, we then went
out to the marketplace to see how the marketplace operates.
With that combined knowledge, then, we developed a rating
system that we think would work, plus the more detailed data
for people who want to do research. Based on that, we then
developed the reporting requirements, exactly the sequence
that we understand 844 to require us to do. Implementation
of the program, then, however requires that you submit the
data, then that we then use to meet the criteria within the
program and the program is implemented. So I think there
may be some confusion here on two different things, at least
that is how I read this.

MS. NORBERG: Okay, so you are saying -- Tracey
Norberg from the Rubber Manufacturers Association -- you are
saying that there have been test procedures adopted by the
Commission?

MR. TUVELL: Oh, no. Let me clarify this. We
always envisioned at the Commission that the adoption
process was separate from the development of the program
concept process.
MS. NORBERG: Okay, so you are saying that you have a separate guidepost beyond 844, then?

MR. TUVELL: No, I --

MS. NORBERG: Okay, I find this section 25771 of 844, Section A, say: "A database of the energy efficiency of a representative sample of the replacement tires sold in the state, based on tax procedures adopted by the Commission," so there is a requirement for the Commission to adopt test procedures, and then for that database to be based on those test procedures. When were those test procedures adopted?

MR. TUVELL: No, we have not done any adoptions yet.

MS. NORBERG: Okay, and so do you have any representative sample of the replacement tires sold in the state and a database based on those test procedures?

MR. TUVELL: Well, we -- I thought I made it very clear in our presentation this morning that we used every database in the public domain --

MS. NORBERG: And were they based on test procedures adopted by the Commission?

MR. TUVELL: Let me finish, please. Will you allow me to finish, please? We used every database that was in the public domain. The database that you submitted to us on April 22nd specifically said that it covers 90 percent of
the marketplace. NHTSA, in their test of the different
test protocols said all test protocols could be correlated
against each other, okay? The 28580 test protocol, which is
not yet finalized, it will be in August or October, is the
only test protocol with the necessary provision that deals
with the machine bias, in particular. It is my
understanding that RMA and the Energy Commission both agreed
28580 is the test protocol to use. We believe that you can
take all of the databases that exist in the public domain
and, since they can be correlated as proven by NHTSA, you
can convert that data to any test protocol you would like.
So this matter of, is any of the data in the database in the
public domain invalid, or cannot be used for the purposes of
our program, we are saying no possible way. As to the
adoption steps vs. the development of the program step, let
me clarify that. Okay? We proceeded in development of this
program just as we do all the rest of it. The staff looked
at all of the different components, investigated all the
components, tried to see if we could develop one concept
that comes together and could be real, and we see that in
the end, "Yeah, we got it now," we see all these different
components. And then what our intention is, is very basic
and straightforward, we will go to our Commissioners and say
we want you to adopt each of these provisions in the order
specified in 844. So we will go to our Commissioners and
say, "Adopt the test protocols. Now, adopt the database. Now adopt the rating system. Now adopt the reporting requirements."

MS. NORBERG: Okay. That is interesting. Now, so you are telling me that there is a requirement somewhere for you to look at the real -- I am sorry, I missed the exact quote, what is really going on, I fail to see that in the statute.

MR. TUVELL: What is really going on?

MS. NORBERG: Yeah, I do not see where that is.

MR. TUVELL: I do not recall myself saying that.

MS. NORBERG: You said you looked at the world and everything and then -- I just am not seeing that in the statute. The statute is fairly clear, it says, "A database of the energy efficiency of a representative sample of the replacement tires sold in the state, based on test procedures adopted by the Commission," and then it says -- asks you, then, to take that data, collect it pursuant to that section, and develop a rating system of consumer tires -- or replacement tires sold in the state.

MR. TUVELL: What I --

MS. NORBERG: And so I guess, first of all, it seems that we need the database and a test method, and then we need a rating system based on that database and test method. And --
MR. TUVELL: What -- what --

MS. NORBERG: -- hold on, hold on. But the question here is, can you show us how that rating system that you have proposed is based on a database? I do not see the connection between --

MR. TUVELL: Well, I think you have asked a number of questions and I think I have explained them.

MS. NORBERG: No, I have not heard the answer to how your -- how is your 15 percent of the best -- of the collected data that is required in Section C, that asks you to collect database on the test procedures and the rating system, that that -- so you are basing your actual rating system on the data you collect in C. How is the rating system that you are proposing based on that representative database?

MR. TUVELL: Okay, let me explain again because I thought I did explain, and I will go slowly now and you point out where I am saying something that is confusing. We got access to every database that we understand exists in the public domain, including the one you submitted to us on April 22nd, that said that it covers -- represents 90 percent of the marketplace.

MS. NORBERG: Yeah, I understand that. What I am asking is the next step.
MR. TUVELL: So we looked at that as going, "Hmm, that was sort of representative plus...," and then we took all of the databases and I showed them in my presentation today, and we looked at all that data, and we considered all that data to understand what is -- how do you look at the energy efficiency of tires? What seems to be the trends here? You know, is there any relationship to weight? I hear -- I mean, you guys, I gave you very early on the Smithers analysis of the work they did in that area, so you guys could see -- so we understood all that and we said, "Okay, good, we have got a clear understanding of the databases, now let's go out as a staff and see how you translate that information into a rating system."

MS. NORBERG: And how is that information in your rating system? We do not see any numbers based on that database in the rating system. Maybe you can clarify that point.

MR. TUVELL: I do not understand.

MS. NORBERG: When I read Section B, it asks you to base the rating system on the data collected in the database.

MR. TUVELL: Okay, well, let's see what we can do about that. Well, I will give my morning presentation if you want.

MS. NORBERG: We heard your morning presentation.
MR. TUVELL: Well, I adjusted these things and I will adjust them again, I have no problem with doing that.

MS. NORBERG: No, if you are going to regurgitate this morning's presentation, we can review that, I do not think we need to see that again.

MR. TUVELL: Well, it is apparent to me that there may be some confusion. I probably did a bad job this morning of presenting this, and so let me do it again. Okay? So I talked about the sequencing. Let's go back to sequencing. We looked at the test methodologies, okay? And we looked at all five of them and we looked at the most authoritative work and the comparison of test methodologies that we understand exist, and it was NHTSA.

MS. NORBERG: Yeah, I appreciate this, but --

MR. TUVELL: And we looked at that and we said 28580 is the way to go and we understand the industry agrees with that, I think that is fabulous. Okay? And then we did scope, we are not talking about that, let's go on. Ah, okay, here we go, you are asking apparently which databases that we used. We used every one of these.

MS. NORBERG: No, that is not what I am asking. I am asking how is your rating system based on this data.

MR. TUVELL: Okay, hold on a second. So let's go to some examples that I put up earlier regarding -- so here we go. We thought the -- after we looked at this and
started thinking seriously about the preferred rating system is going to be one that compares all light tires against each other, that the two databases in particular that were most useful in this area was our comprehensive 195s and our comprehensive 265s. And that is what you see here, okay? So these are the two databases where we started looking at where is the 15 percent, and how and what does that mean, okay? And we started applying it that way. Now, I have other data, by the way, that I did not put in this presentation where we took your database and we did some 15 percent cut-off levels. Now, the problem is, in many cases, your databases only had single points for different sizes. So we could not take it, then, and say, "Well, how many tires fit within 15 percent?" Okay? And we did it by manufacturer, and we did it every way we could cut to see, do we have enough here, what can it tell us, what can it tell us? So I mean, I can assure you that there was substantial analysis of data going on behind the scenes that was not in this presentation today. But I also want to make it clear to you, if I did not make it clear already, we used every database that exists. If somebody is claiming that they are insufficient and there should have been more testing done, somebody help me. I --

MS. NORBERG: No, that is not what I am claiming. I am just looking at the statute and the requirements in the
statute, and I just needed some clarification on how you
were interpreting them.

MR. TUVELL: Yeah, so this is the best example I
have here readily available. I have that also for the 265s,
here we go, I did not show that earlier. Here is the 265s,
here are the top 15 percent within the mean, here is the top
15 percent within the mean plus two standard deviations.
And so we tried doing this with every dataset that we had.
It is just it turns out that the best application of this
has been extensive datasets. Such is life when you have,
you know, these are the only datasets that you have to deal
with. But, yeah, that is clearly what we did. We took the
datasets that applied the proposed rating system methodology
to it, to see what it could tell us.

MS. NORBERG: So you basically used the database
as a way to test or something.

MR. TUVELL: We tried to do it every way we
possibly could. I mean, you were involved in some of our
original presentations. We tried to determine whether or
not rolling resistance had any direct correlations with
weight, did it have any direct correlations with dye -- we
did every type of analysis we think we could possibly do to
make sense of it, and in trying to envision and devise a
rating system and program. And this is where it ended up
taking us. Okay? And so, then, after we analyzed the data
and then we go out to the marketplace and say how do we translate this technical understanding with what is going on into a consumer friendly marketplace concept, that is when we started getting the feedback of got to make it simple. I mean, I will tell you right at the top, my original vision was, "Oh, we're going to develop a calculator, we will come in and develop a Michelin-type calculator that has caused so much turmoil in the industry, and this will work, this calculator will work!" But the minute we started talking about that with retailers and consumers, they were saying, "You've got to be kidding me. That is too complicated. This isn't how this marketplace works. Simple or get the heck out of here." And it was an awakening for us. We were going, "Holy crap! Did we miss it." You know? And that is when we started going, yeah, simplicity is the key here of what can work. And so it was a matter of taking, again, the knowledge we had, the information we had in the database, and now milling it up with where the marketplace worked. And then once we came to a fairly comfortable feeling about that, then we say, okay, fine. Then what rolls after that is the reporting requirement. And so we said, "Yep, this is exactly consistent with the steps that 844 told us to do, do it in this sequence." Except -- and I hope I am making it clear -- is we always viewed the adoption steps to be the formal process down the road, but the analysis and
development of the concepts, it was, yeah, if you could do all the developed concepts all the way through to the end, and then when it comes to adoption, yeah, we will adopt it exactly in the order that 844 says: we will adopt first the test group, we will adopt the database, we will adopt the rating system, and that will be followed by an adoption of the reporting requirement. That is exactly what we intend to do.

MS. NORBERG: Well, that helps clarify your reason.

MR. TUVELL: Thank you.

MS. NORBERG: I think you did mention that there was a survey of retailers. Is that something that we could -- that could be made available to --

MR. TUVELL: No, I never said -- I do not believe I ever said survey, I mean --

MS. NORBERG: Yeah, that was mentioned this morning and it would be helpful if we could.

MR. TUVELL: Okay, let's go back and see if --

MS. NORBERG: Yeah, I am not asking for that -- I do not believe it was in the presentation, I think it was in your oral remarks and we would be interested in getting --

MR. TUVELL: Now let me clarify, no, I specifically have avoided use of the term "survey", I hope. If I did say "survey," it was a mistake. We did not do a
"survey" as people understand surveys to be. We put in numerous phone calls, talked to numerous people, okay? I talked to all the major tire retailers that I know exist, and everybody else associated with that side of the industry, as well as consumers. But it is principally a lot of discussions, plus you were at the November Roundtable, you know the basic study that the students did. Okay? And the discussion that ensued at that roundtable. So you were privy to a lot of the information that was provided to us from the consumer-retailer perspective that ends up influencing our decision.

MS. NORBERG: Are you planning any public workshops on that topic, to test what might be most appropriate to get consumers, to educate them?

MR. TUVELL: No.

MS. NORBERG: Okay. At this point, maybe it would be helpful, as I asked a little while ago for us to understand better your timeline moving forward, so that we know what are the next steps in the process?

MR. TUVELL: Sure. And I hope we do not end on that because I still wanted to complete going through your folks presentation and touch on some other issues. So here is the process. After today's meeting, I will be meeting with the Transportation Policy Committee, which is Karen Douglas and Jim Boyd, who unfortunately would not be here
today, and asking them for policy direction -- what steps
would they like us to do in moving forward. If they hear
anything at this workshop that suggests to us additional
information they would like us to develop, or solicit, or
changes they would like us to make, or any direction they
would like us to head specifically, and until I hear
specifically from them as to the direction they would want
us to intend to go, I could not tell you exactly what steps
are out there. It would only be speculation. I mean, we --
at this point, just different scenario -- "Well, what if
they say this, what if they say that?" But the other basic
and perfunctory steps would certainly be on the sub-schedule
out there. Yeah, ultimately we would have to go to a full
Commission meeting for the adoption steps. Somewhere in
that sequence, we have to develop the initial stake and the
reasons that would ultimately have to be submitted to the
Office of Administrative Law as a part of the Rules and
Regulations process, and I would encourage you to go to the
Office of Administrative Law website, which specifies in
detail the process that they require us to step through. I
am not good at describing that, you will get better
information if you go there. So we must follow that
process. So there is the basic outline, but the timing and
the sequencing, I am going to be waiting for direction from
my Commissioners on that.
MS. NORBERG: Okay, and then maybe for a little bit more clarification in terms of timing and schedule, this meeting today, well, there will be a transcript forthcoming? And what is the timing on that?

MR. TUVELL: Gee, do you have a sense of -- we are normally able to get commitments -- it is a matter of how busy they are.

MS. NORBERG: Okay --

MR. TUVELL: We have seen them as fast as two weeks, we have seen them stretch out to three to four weeks.

MS. NORBERG: Okay. Since this is a proposal that is of particular significance to the tire industry, we would request that the comments be accepted past the time -- within a reasonable time after the transcript is made available, so that we can provide comments with the benefit of reviewing the transcript, as well. And we would request that that consideration be made to that request in looking at the two week comment period after this meeting.

MR. TUVELL: Absolutely. And I think your request is totally legitimate. I will bring that to the attention of the Commissioners. They make that decision.

MS. NORBERG: Okay. And we would also request -- thank you -- we would also request that the timing of the committee meeting to discuss next steps and policy direction, if possible, that there is an opportunity for our
comments to be considered in that process and to allow
that administration process to go through.

MR. TUVELL: Well, okay, let's clarify that for a
second. Of course, the Commission committee meetings are
not publicly open meetings. But certainly everything you
submit is in the docket and is in the record, and the
Commissioners get notification every time that stuff shows
up in our docket, and they have direct access to it.

MS. NORBERG: Yeah --

MR. TUVELL: I cannot say, "Okay, now you look at
this document and you do it now because Tracey asked me."

MS. NORBERG: And to clarify, that is not what I
am asking, of course, you know, with deference to the
Commissioners, we would just like the opportunity for our
comments that we submit for the record following this
hearing to be able to be available for their deliberation at
the committee meeting where they discuss next steps and
policy direction, for everyone to look at in the meeting
happening next week.

MR. TUVELL: Well, I mean, I can just give you
that sequence. I mean, I have a feeling that I am going to
be called in to a briefing for them very soon because
normally that is what happens, they want to talk right after
these workshops. And I say, great, here is our deal now.
And so any comments that come after that, they take into
consideration in due course. But I cannot assure you of that A-B sequencing.

MS. NORBERG: Yeah, and I understand that and, of course, appreciate that. I think just for the record, we would like the opportunity for our comments to be available to the Commissioners as they deliberate and would like the timing to accommodate the industry's views, particularly since the tire manufacturing industry is the main affected industry in this whole process.

MR. TUVELL: Okay. I do want to stress one thing, and I hope you recognize that, I mean, when we discuss with the Commissioners for this workshop, they specifically requested that you folks present -- give the presentation you gave today, to present your perspective, because they wanted to know -- tell us what you want and tell us now. So I hope you were not holding back anything from this morning that you wanted to let them know because I think, to a large degree, they walked away saying, "We heard everything that RMA wanted to present on this." Now, short of any additional comments specific to stuff here, I mean, everybody is going to consider everything you say, but I do want to stress, and I believe there is a high level of importance to this workshop and significance in the Commission's requesting that RMA give a presentation today.
MS. NORBERG: Well, we recognize that and we certainly appreciate the opportunity, but I think, in all public discourse, there is always questions that come up during the course of the meeting, and opportunities for clarification once the dialogue has begun, and we just want to be able to complete the administrative process that is set out following this hearing, and be able to have that considered so that we are all in complete understanding of each other's views.

MR. TUVELL: Great, yeah. And that is the way everybody wants it. And certainly, I mean, I would hope that we can use the additional time available right now, too, to do any of that clarification because we do not often get to have these dialogues.

MS. NORBERG: I think that we all have different policy views and, obviously, it is interesting to discuss those differences, but I do also appreciate the opportunity to be able to submit comments.

MR. TUVELL: Absolutely. Absolutely. And you do not have to have deadlines to submit comments. Submit comments tomorrow, the next day, the next day, get them on the docket. We get them all the time. Do not feel that there was -- I mean, we had a deadline we asked for with this, I am going to take your request forward, but continue to submit comments, do not feel like there is any limitation
on your ability to do that. I would like to -- do you have a question? I saw you heading in this direction.

Okay, I am going to continue going through some of this stuff here, then. So I hope we clarified, I mean, this matter of the order of stuff. I mean, we tried every step of the way, I mean, we need to follow these steps. Now, maybe we had a different understanding of the processes and procedures and how to go about doing that, but you know, we have had this discussion time and time again within the Commission, and the Commissioners have asked, "Are you following the steps?" "Yes, we are following the steps."

Yeah, I think I answered the question about waiting for full data available, no, we never envisioned waiting until our proposed deadline of July 1 or July 15th of 2011, I think is the date. "We are going to wait until then to release this." No. I mean, if we can prioritize and those popular tires get then tested first, into our database, and get that out there, we would love to do it. I think it is entirely feasible. Entirely feasible.

MS. NORBERG: Just, again, Tracey Norberg for the record, on that concept, as well, just factoring in different errors in reporting deadlines or schedules that you might be proposing, we would request that that be included in the regulation so that manufacturers have clarity and certainty as to what the reporting requirements
are. And also, in terms of clarification here, I think the issue is that you might be able to provide data to consumers early, but you may not be able to provide the information about whether they have received the designation as being fuel efficient early or not. And that is the main criteria because, if we are going to change the marketplace, that information needs to be available. I think, as you have stated several times this morning, and again this afternoon, that most consumers are not interested in rolling resistance data itself, and that that will not be something that is going to be dispositive in a consumer's purchasing decision. And moreover, as we refer back to the presentation that was made by Consumers Union back in April at the April workshop, basically that the statement was that, in the few cases where they provided test data to consumers, that data was misused by consumers. And so I think we all need to be very clear that if we provide consumers with detailed information, the experts on consumer data are telling us that that data would be misused by consumers, and that is something that we need to be very mindful.

MR. TUVELL: Yeah, yeah. Okay, I appreciate that. I do not recall that comment, but it is certainly not in an absolute way that the data would be misused. And absolutely, all the concern about misuse of data -- and that
is why I mentioned that I think it is going to be worthwhile when we start thinking about this step of getting this information out there in the public domain. If we think about possibly developing, you know, some little education piece to set the proper expectations, and how it can be used, and how it can be misused, because we certainly do not want something like that to happen, without a doubt. And you are absolutely right, there is room for this stuff to be misused. This is pretty complicated stuff and I think it can be easy for well meaning people to misuse it. I agree. Some information earlier is better than more information later, agreed. We talked about the exemptions. Yeah, I never envisioned this to be a large data management problem, you know, I mean, as I talked about earlier, this is one where I really want to be able to sit down and talk some details with you folks about, you know, what software do you want to use to do this? Okay? Do you want to use Access*? Do you want to use Excel? We will create the template, you know, make it electronically available to you, strictly be an e-mail back and forth thing, you would just drop the data into the template, just drag, drop, boom, done, e-mail, bam. We would set up on our side a great deal of electronic quality control so that the computer itself would determine in many cases is this an appropriate unit to be in this box, for example, this could be only an 80 or a C
in this box, why does this 2 show up? Wham, rejected. So there is a lot of stuff, and we know through sophistication of magic databases that we can do to minimize the need for staff resources. Ultimately, there will be eyes that are applied to this, but, again, this is what we have had a lot of experience, and in many cases, we find that it is totally appropriate to use students to handle some of this basic data quality control stuff. Now, I am not trying to underestimate the extent of this database, yeah, it is going to be big. Okay? But that is what databases are for. And I think they do an excellent job of it. But, yeah, I am really really interested in developing compatible databases to ease that process. And the methodology for you folks to get access to it. We will have to have security mechanisms, absolutely, we do not want just anybody submitting data or admitting access or changed data. We have thought that stuff through, it is just a matter of implementation.

None of this information is reflected in the proposed staff regulation. Well, I guess we are just going to have to disagree on that. Man, without that information, I would be nowhere. I used every piece of information that I could get access to because that was our problem since Day 1, is so little information in the public domain. And I will emphasize again, I mean, the data you submitted on April 22nd was invaluable to us. You heard my perspective on
the Rolling Resistance Coefficient -- wish it would work,
wish I could have developed a load of confidence in it.

I am interested in seeing -- I mean, I really do believe that -- I think Luke touched on it -- I mean, you get this data out there, and I think there is going to be some really creative people putting it to creative uses. I think there is a heck of a lot more that can be done with this data than I can ever envision. And I cannot wait to see what some of these folks do with it. I know they are already playing with it, frankly. You know?

MR. OKIHISA: Tom Okihisa with Toyo Tires. With regards to the public information in the database, and I do not know if this has already been discussed, so are you going to be publishing the actual rolling resistance data test results, or just whether it is fuel efficient or not fuel efficient for the SKU?

MR. TUVELL: Every piece of data that we get will be available to anybody that wants it.

MR. OKIHISA: So one other question with regards to the exemption, the 15,000 where we report how many tires we produced that year, that is typically considered proprietary information, so that would also be available to the public?

MR. TUVELL: Interesting point. I think that would be -- that could be an opportunity for us to exercise
the authority we have dealing with proprietary stuff. I am going to explore that with you. I think that is a perfect potential use of that, you have got something there you want to protect -- we have the information to exempt it or seek that. We do not have to explain to people why or necessarily share it because that is not what that part of the database was intended for. It was just to answer the question of "why don't we see this tire in the database if somebody was asking?" Which is "it is exempt." We do not necessarily have to share that with people, so I would like to explore that one with you. Yeah, the deal is that -- I think this is going to be interesting. I am looking at this bullet. You know, looking at it from this perspective, at this juncture in the development of the program, vs. how is this going to look five years later when I look back on what happened and how the program evolved, and how did manufacturers react to it. I think there is going to be some pretty savvy manufacturers out there who can do a pretty decent job of predicting where they think the 15 percent cut-off level is going to be, and deciding, you know, maybe calls for a decision, "These are products we want to make sure that is in that 15 percent, and here is how we are going to go about doing it." Because we have seen it happen over and over again in standard development related work. Okay? That people do not like to be on the
margin. They know how to identify what the margins are
going to be, and they will make steps to position
themselves. And I can envision over time that that is what
is going to happen. There is going to be some very savvy
reactions and responses by manufacturers in how to operate
within the realm of this program and what it all means.

We talked about that. You know, I tried to use in
my analysis what I thought was -- I mean, I basically
grabbed your $20 million of total cost estimate, I do not
necessarily agree with the way you put the analysis
together, but I think my numbers were basically in that same
realm, to try to give people, you know, to try to say, you
know, what is the order of magnitude here. That is what we
are dealing with in these numbers. I mean, if we were
talking about, you know, hundreds of millions or billions of
dollars, it is going to get people's attention when we talk
about $2 million or $20 million, and a $20 billion dollar a
year industry, I will let you decide how decision makers
weigh that.

No timeline -- I hope I have clarified the issue
of no timeline available for consumer information. You
know, it would not be our intention to put a provision in
the regulation that regulates the Energy Commission. I have
shared with you our desire to get the information out in a
useful form that is suited, if it is available. We think
about prioritizing the tire testing, we can go a step in
that direction, that would be our intention of pursuing
that, and I think -- I have got to look at my notes here --
so I think you folks have asked could we establish this
priority thing, sequencing thing, and writing in some way,
or give you a better indication of what that would look
like. Priority sequencing. No problem there, I can do that
-- even if it is offline.

MS. NORBERG: Yeah, I think the issue is that, if
you are going to require reporting of data prior to the
regulatory deadline, that that needs to be spelled out in
the regulatory --

MR. TUVELL: Oh, yeah, no, we were not intending
to require any.

MS. NORBERG: Okay, then if you are asking for it
early, that needs to be recognized, that it is voluntary,
and that consumer information would not be able to be
generated until that database would be complete on your 2011
date because if you are designing your baseline for each
yes/no question on each, is it efficient or not, you cannot
make that determination until your database is complete --

MR. TUVELL: Well, I am really pleased that you
qualified that.

MS. NORBERG: -- and that is the issue.

MR. TUVELL: Okay.
MS. NORBERG: Because at that point, early reporting does not really help, as you have said, I think you stated 90 percent of the consumers do not care about detailed information, so for those 90 percent consumers, even if data were available early, that would not be educational for them.

MR. TUVELL: Yeah, and I am glad you brought that clarification because, frankly, when I was looking at this first bullet, I was thinking exactly the opposite, that you were asking if there was a way to get this stuff out earlier instead of waiting until the end, and I am saying, yeah, I think we can, if you want to work with us on this. But if you are saying, "Oh, no, no, it is exactly the opposite," you want to make sure that no data is released until there is some complete thing and that you do prefer to wait until it is a complete database --

MS. NORBERG: No, I think you are misunderstanding what I am saying. Because of the design of your proposal, you could not establish what the consumer information would be until your database is complete because you are saying that you need to be able to find out what the best in the size is, and then take 1.15 from that best performance, and so that could not be determined until your database is complete. My point -- and the bullet there is speaking specifically to consumer information -- which needs to be
distinguished from rolling resistance test data. Rolling resistance test data is not consumer information, it is not helpful to 90 percent of the consumers, I think, as you stated this morning, and so I think we need to be very clear about data vs. consumer information in our comments, specifically is it in regards to consumer information when you take the ratings structure that you have designed, and then create a system to rate tires. And so it is a distinction between data and consumer information.

MR. TUVELL: Let me just address that point. We do not believe it is appropriate to make a distinction between data and consumer information. I do not see, nor agree with that distinction. I know plenty of geeky friends that believe the most detailed data in the world is the consumer information they want.

MS. NORBERG: Okay, but this morning, I think you did state that 90 percent of consumers, that would not be educational for them. So you are saying that 10 percent of consumers get the information and not the other 90? I mean, is that a public policy position of the Commission?

MR. TUVELL: I do not believe that is what I said, so please do not put words in my mouth. What I am saying is, I do not agree with the distinction you made that said test data is -- I thought I heard you say -- test data is
not consumer information. And I am saying, no, I do not agree with that at all.

MS. NORBERG: Okay, that is what we are saying and that is our position. I am not trying to put words in your mouth, I am simply stating our position and trying to provide more information about the bullet point on the screen, and what its directly speaking to.

MR. TUVELL: Thank you. Let me try to clarify one point. When I talked about the potential of getting this information out earlier, it was a result of the thinking that was going through my mind that, if we were able to establish a priority of testing, in other words, if we were to say, "These are the tires we want you to test and report on first, based on their popularity in the marketplace," and then that way I could, in fact, get completed databases for certain sized tires earlier than the complete database itself, and under that type of thinking, I was thinking out loud, "Well, maybe I could get data early to release early." And so I was just thinking out loud because I thought I was responding to your desire for that to happen.

MS. NORBERG: I think the approach that you are suggesting, and the first time we heard that was this afternoon, and we would just request that, if that is something the Commission is pursuing, that it show up in the
actual regulatory tests vs. something that would be
handled in an informal manner.

MR. TUVELL: Sure, no, I hear that. Let me
mention also that, I mean, I think that if there is any
number of these initial implementation steps and issues that
I think are ripe for discussion and common understanding,
and then once you get over the initial stuff, then we get
into the overall operation of the program and that sort of
thing, these things go away and stuff, it does not surprise
me that -- and, in fact, I encourage these questions to come
up because this is my first opportunity in many cases to
talk about these in some detail and think them through
myself, frankly, and I think we both benefit from that.

By the way, as to the UTQG stuff, I mean, I would
love to see the analysis that gives UTQG credit for these
changes. That may be coincidence with UTQG, but I am not
aware of any analyses -- would love to have it.

MS. NORBERG: Yeah, this is all publicly available
information, and this is just the UTQG ratings for all the
data recorded, and it is over time.

MR. TUVELL: Oh, I thought -- yeah, well, what I
was saying is that I heard in the presentation essentially
what I thought was the claim that the UTQG system is the
credit for some of these trends, that once this information
got out there, the industry responded in this way. And I am
saying, well, that is very interesting, I have never seen analysis done that concluded that. I think there are other reasons why these things could happen, but to claim specifically it is because of UTQG, I am not aware of any such study that reaches those conclusions. So I am asking, if I understood correctly the claims that were made this morning, if you have those studies, that give UTQG credit for these changes, would love to see them. Would love to see them. You know, the more information I get on this stuff the better.

MS. NORBERG: This information is all publicly available.

MR. TUVELL: Oh, no, that is why -- I am not saying that. I am saying the claim, what I heard this morning, that UTQG, the system, gets credit for these changes going on is what I thought I heard this morning, and I am saying I am not available of any study that has been conducted that reaches those conclusions. I am not saying the data is wrong, I am just saying giving credit to UTQG for these trends, I am not aware of any study that does that, and so if I have heard that claim correctly, love to have a copy of the study.

MS. NORBERG: I do not believe there were any claims that any specific studies existed, however, you can see the trends over time and based on all of our members'
collective years of tire industry experience, and
obviously the trends in the industry basically speak for
themselves.

MR. ROBINSON: Ray, Tim Robinson again. I am not
aware of any studies either, but it is obvious that UTQG is
allowing competitions in the marketplace, and it is driving
the numbers higher as a result of that competition. Another
point I would like to make is I am sure the Commission
values safety as a top priority, the safety of the citizens
of California, so is there any concern of the Commission
that safety may be compromised when we structure a fuel
efficiency grading system to segregate fuel efficient vs.
non-fuel efficient tires? Because one of the ways, one of
the obvious ways, to improve fuel efficiency is to reduce
the amount of tread depth, and that is their quickest,
simplest, easiest way to improve fuel efficiency. Well,
what that does, and it cannot hurt, what hydroplaning could
and can hurt, as well, UTQG -- wet traction grade. So if
you look at the trends, if you look in your database, the
database we supplied you from the RMA, if you look at the
trends, the better tires for fuel efficiency typically also
have lower UTQG traction, temperature, and tread wear grade.
So we are sort of compromising those attributes in favor of
fuel efficiency. So my question is, is the Commission
concerned with the safety, driving away from safety
towards fuel efficiency?

MR. TUVELL: Yeah, absolutely, that if there is
any issue as those data with safety, we want to be aware and
understand exactly what that is, and the ramification of any
decision that we are making relative to safety. Here are
the discussions that I have heard and been privy to. The
TRB, in particular, looked closely at this in the 2006
study, and I talked to Marion Potter about this, and he
said specifically, yeah, there is no question, you know,
reduce tread depth and you can improve fuel efficiency, and
sacrifice other desirable tire qualities. But in the TRB
Report, the consensus, the conclusion was, it would be
totally foolish for a tire manufacturer to pursue such an
approach, the market would find out about it and discredit
the product. And so, you know, I am going, "Well, that is
very interesting," okay? Because that is one potential
ramification because you and I agree, I think, that, hey,
look, the most efficient tire on the road today is the bold
tire, the tire with no tread.

MR. ROBINSON: That is right, yes.

MR. TUVELL: Is somebody going to market a tire
with no tread? No. And that is an extreme. But on the
other hand, I find it hard to believe that a conscientious
company would in fact produce a product and put it in the
marketplace, that they believe a consumer could seriously make a wrong decision, putting them in a position of safety.

MR. ROBINSON: Well, I am not saying that any tires we would put on the market would be unsafe, I am just saying there are different levels, as you can tell, of UTQG traction grades, where 1 is good, another one is better, and then you have the best. So there can be some trade-offs associated with providing the lowest fuel efficiency tire, instead of having a double-A traction grade, it may be a B. So there will be, then, the added stopping distance to a B grade tire, as opposed to a AA.

MR. TUVELL: Sure.

MR. ROBINSON: So those are the ramifications.

MR. TUVELL: So let's take a look at something that is real thin, I mean, I understand what you are saying and I have some concerns in this area. So here happens to be the 195s and we are talking about traction, in particular, okay, and as you can see, and these are ranked in lowest rolling resistance to highest, and you tell me -- dominated by A's. And if we all know in the marketplace right now, the AA which is the highest rating, there are only 3 percent of the tires in the marketplace with AA's. And there are only, to our knowledge, maybe only one or two tires that is naturally a C. So the fact that I am seeing so many A's here, I am going, "Well, if the UTQG system is
doing its thing, then I am not seeing a trade-off on rolling resistance vs. traction."

MR. ROBINSON:  Well, you will when you get to see some cases that had AA. And in addition to that, you will see also the UTQG tread wear grading will typically be lower for AA's. There is also the impact of the total lifecycle analysis and the impact on the carbon footprint. So in some studies, it has been concluded that a tire with a longer life actually is less of an impact on the carbon footprint than a tire with lower fuel efficiency that lasts half as long.

MR. TUVELL:  Yeah. Now, that one concerns me. The potential trade-off's of tread life vs. rolling resistance.

MR. ROBINSON:  Yes.

MR. TUVELL:  I have heard this issue over and over again. And, as you know, part of the dilemma -- I mean, I have tried to analyze this, and part of the dilemma has to do with the problem of the reporting parameters for UTQG tread ware, and this is the issue of you can under report.

MR. ROBINSON:  That is correct.

MR. TUVELL:  So when I see some low UTQG tread wear numbers -- when I say "low," I am talking about numbers under 500 or so -- I always get skeptical about, "Are they
underreporting? Are they -- what's going on?" When I see high UTQG numbers, I have some level of confidence because I know they are not underreporting. But this is the dilemma that I think the consumers have, and we have, and everybody has. So let's say that a really conscientious consumer is trying to say, "I have got this great data on rolling resistance now. I want to understand how it trades off against tread wear and traction." Where do they get the reliable information?

MR. ROBINSON: Well --

MR. TUVELL: They are going to have very reliable information on rolling resistance to make that decision; where do they get the equivalent level of reliable information on tread wear and traction?

MR. ROBINSON: Well, I am speaking for Bridgestone in this case, but UTQG tread wear, as you know, is a regulation, and we have to assure with 100 percent that we are complying within the letter, or the number that we stamp on there. So that brings us to the issue of variability in testing. So we may test a tire that is a 700, but due to the variability in testing, we have to rate it a 500.

MR. TUVELL: Sure.

MR. ROBINSON: So that is incentive within the market, within the tire industry, to drive down the variability, which is the same incentive you will see for
fuel efficiency, but I can honestly stand here and say that we do not gain the UTQG tread wear grading system. We are constantly trying to drive down the variability and assign the highest UTQG tread wear grade that we can because it is to our best interest to sell more product that way.

MR. TUVELL: Yeah, and I do not mean to imply that it is gaining. I mean, I think what is happening in UTQG is clearly within the parameters that establish under UTQG. I do not claim or want to in any way allege that somebody is doing otherwise. And even the RMA folks, and you folks in your presentation today agreed that this provision that allows for the underreporting with a D rating, okay, is causing a lot of the skepticism about UTQG, and we all wish it was not there. And if it was not there, then, boom, that issue goes away and maybe people have more confidence about some of this data.

MR. ROBINSON: Well, it is just a fact of the variability of the test, which is similar to what we are going to get into when we talk about rolling resistance and fuel efficiency.

MR. TUVELL: Got it. Okay. I appreciate that. I would love to talk to you in more depth about that. I had not heard about the variability issue.

MR. ROBINSON: Okay.
MR. TUVELL: By the way, the Bridgestone Representative and, as it turns out, in our 195 database, the Bridgestone Insignia SU200 would be the market leader at 7.78, rolling resistance force in this size category. Congratulations. And it does not surprise me. You guys make some great -- Bridgestone makes great products.

You know, I mean, golly, this came up again at the May or the April workshop that, you know, where we talked about the shortcomings and -- oh, here, of course, "allows the understate," and you folks agree that -- I thought I heard you agree that that is one of the problems we should correct. And I asked you in April, and I will ask you again right now, raise your hand and walk with me to NHTSA and tell them we all agree that that provision in UTQG should be changed, that the industry agrees -- it changes. We have had it with it. Let's do it. Let's see the industry stand up and go to NHTSA and say that. Then your criticism of this is going to be much more meaningful to me.

MS. NORBERG: Tracey Norberg with the Rubber Manufacturers Association. I think we need to differentiate here -- the reason we are making these points at this time is that these are the kinds of concerns that have been expressed when we have proposed a system that would be a similar categorical rating system, and the reason we are making these points is that, in designing a rolling
resistance or fuel efficiency rating system for tires based on a categorical rating, these shortcomings can be addressed in a proposal, and that is what we are proposing here. The subject matter here today is tire efficiency, rolling resistance, and that is why we are offering these comments in this context, because the concern about a categorical system for rolling resistance always comes to these kinds of concerns about Uniform Tire Quality Grading, and so that is the context in which we offer these comments today.

MR. TUVELL: No, and I think the comments are well received. But that is why I am saying, if you recognize that problem, as many do, then I would love to see you turn that recognition into some positive action to get it resolved at NHTSA.

MS. NORBERG: Again, I mean, the focus here today is on rolling resistance and vehicle fuel economy, and the tire's contribution to those attributes of the vehicle. And UTQG is not on the table, I do not think, at this point. It is not on the table here in California. And so the salient point here is that we offer years of experience working from tire quality or grading, and that we can learn from the experience here and design a categorical system for rolling resistance and the tire's contribution to vehicle fuel economy that takes into account these issues, that have been
raised, and these are not a criticism of, in general, a
categorical system for tire efficiency, but, instead,
something that we can learn lessons from this system and
design a program going forward for tires and vehicle fuel
economy that takes these considerations into account.

MR. TUVELL: Okay, you have the last word on that.

Oh, this lower cost manufactured --- I did not understand
that. The system that we are envisioning is that anybody
could contact us in our program and say, "We question the
data that is submitted in this program." Okay? And by this
manufacturer, and then we would go about dealing with that,
assuming that we did not get overwhelmed with those things,
and no budget in the world could do it. But the context
that this manufacturer challenge thing, you know, where
somehow one manufacturer would challenge another, and what
the process would be of doing that, and how the money would
exchange hands, and where the tests would have to be
conducted, I mean, I could see the devil is in the details
on something like that, that I have never heard before. It
is intriguing, but I also am not aware of any precedence
certainly in any step we have regulated here in energy
efficiency, that I could rely on to get a sense of the
feasibility of such a thing. I mean, interesting that you
brought it up. I mean, we do like the idea of challenging,
absolutely. You know, we want the whole nodule of people to
challenge it there and help direct us to where the
problems are, without a doubt. I mean, the validity of the
data is critical to the integrity of the program. Yes, sir.

MR. OKIHISA: Tom Okihisa with Toyo Tires. I am
just wondering if, as far as the audits, if that data is
also going to be public as far as which tires have been
audited?

MR. TUVELL: You know, I guess I have not thought
about that. I mean, the regulations talk about -- the draft
regulations talk about the process by which we would notify
the manufacturer of the tires that they will be audited, and
the process by which they could correct that. And the
regulations also say that, if we audit a tire and we do not
find any problems, matter solved. I mean, it just goes
silent on that. But -- so are you saying you would prefer
that auditing results be made published and public? Or you
would prefer not?

MR. OKIHISA: I guess what I am kind of getting at
is kind of making sure there is a fair playing field. I
mean, if we see that many different manufacturers are being
audited, as opposed to just a few, we can kind of be sure
that, you know, everybody is being checked. So that is why
I am making that comment.

MR. TUVELL: Yeah, yeah, absolutely. I mean, if
that would help create a level of confidence in the
integrity of the program, absolutely. I want to provide that to you. Yeah, I thought there was concerns about, you know, getting some proprietary thing, and somebody is going to use this to say, "Guess what? We looked at the Energy Commission's..." And it shows up in the advertising at the New York Times, you know, this tire company has been audited more times by the Energy Commission than any other. Yes, don't do that. But if you are talking about highly responsible uses and knowledge, absolutely. I mean, I want to be able to share everything that we possibly can. I mean, getting things held in a proprietary nature has a very specific process around it and only certain things can qualify for it because it is the nature of a public agency like ours. And so, in general, you are going to see everything we do public, except for those specific examples of proprietary approval has been granted, and there is a very specific process about that. Has anybody seen the NHTSA program yet? I would love to see it. Anybody got any clues? I cannot wait to see it. I have high hopes for those folks. I think we are going to be surprised.

MS. NORBERG: The NHTSA proposal is not available publicly --

MR. TUVELL: It is still in OMB.

MS. NORBERG: It is at OMB. It went to OMB on May 29th.
MR. TUVELL: Right, yeah. But I had nothing -- and I think I say that in my credits in my presentation -- I have nothing but the greatest admiration for the quality of work and the credibility of those folks and it would surprise me if they have to see something come out of there that -- I think we might open their eyes. It is not going to be UTQG.

Yeah, the budget crisis. Before you get out the door, I am going to hold out the cup for donations, everybody, help us solve our budget crisis. Let's see. So I did my best to try to bring to your attention matters in your presentation that I thought may result in confusion, or that by my providing you with direct response you might find helpful. I chose to wait until now to do that, as opposed to the morning session. That session was for the benefit of the Commissioners and others, as far as I was concerned. And so I made a conscious decision to hold back asking questions then, and so I hope I did not mislead or misunderstand.

Let me ask you this, Dan. Is there anything in any of my slides that you would like to go over again, or focus on that I could clarify? This would be a perfect opportunity to do that while I am up here. I would be happy to do that, discuss it. I look forward to this opportunity
with you guys to have this dialogue. It does not happen that often.

MR. OKIHISA: One more question, but it is not a question about your slides, but about the regulation. Do you have any more details or share your ideas on as far as the enforcement, and I guess -- I do not know if you would call them -- penalties for non-reporting by the deadline date?

MR. TUVELL: Yeah. Well, you know something? It is our desire, no, it is the Government's desire, in general, to refrain from [quote] "enforcement proceedings," except for the most egregious circumstances. Okay? That we all hope never occurs. So I would suspect that if there are issues associated, such examples that you gave that did not get the reporting in on the deadline, I would hope that there are responsible reasons why, and that we would accommodate that, and that these are circumstances where enforcement actions would not at all -- they would not be appropriate, and they would not be necessary because you had good reasons why. Okay? And we are all reasonable folks, and that is the way we would prefer it to be resolved. I mean, nobody is happy about enforcing things or going to court, and we are going to avoid that to the greatest extent possible. The general question of enforcement authority would likely be, "That is what the pay the Attorney General
to do." You know, he has got a better budget than me. I do not think he is fighting with the Governor on that. Their budget is secure, and mine is not, so we are going to be turning to the Attorney General and saying, "Have at it."
Actually, I am not. I hope I never have to do an enforcement authority. I mean, if this program works well and works correctly, it fits everybody's needs. And we did not come up with anything that would ever require such drastic action. That is the last thought in my mind is, gosh, I am going to have to enforce -- how big a club can I get to bang somebody over the head? Don't want to do it. And I am not aware of anybody in Government that ever wants to do something like that.

Okay, so we have covered going over your presentation in more detail. Apparently there are no additional questions on my presentation. I did get a number of good questions on the regulations, themselves. Great. So can we focus on that, then, for a couple minutes? Is there anymore detail questions that anybody has on the regulations? Again, I hope you understood my explanation of this brief errata that we made available today. It was relatively non-substantive issues, but we caught them, they have all been corrected in the version that we handed out today. We are going to make that available on the Internet to everybody. So those on the Internet that are listening,
no substantive changes occurred in the Errata, and we are
going to get that out to everybody. Any other questions on
the Regs. in detail? Certainly, this is not the last time,
but it is the best time because we can dialogue over it.
And then one other category that I brought up
earlier was I thought there was maybe some confusion about
the Energy Star program. For example, I heard reference to
something about, "Once you are on the Energy Star, you're
always on the Energy Star," it is the grandfathering clause.
I do not believe that is correct. But, you can answer that
question. So I would encourage you, that if anybody has
some questions or concerns about how the Energy Star concept
works, because it was alluded to, we have got somebody here
that we could certainly get a direct answer to that.

MR. OKIHISA: Yeah, Tom Okihisa with Toyo Tires.
Actually, I would like more information on -- again, it goes
back to my previous questions about the rating system being
updated on an annual basis, and possibly that being too
frequent. Maybe you have some comments on how the Energy
Star system works and what their opinion is on a system
where basically your target is changing every single year,
and how that might affect manufacturers.

MR. TUVELL: Well, wait, before you leave, can I
ask you a question? Interesting comment about every year
being too frequent. What is your thinking on that?
MR. OKIHISA: Well, my main concern is, and I know you talked about having information updated at the retail location on the computer when they bring up the other product information. But, still, as far as the actual salesman at the retail location and the training that is required, and quite honestly, you know, the higher turnover rates for those types of employees, to actually expect them to know what products really are currently the most fuel efficient and to communicate that to the consumer, it just seems like, if you have information that is updated every year, the expectation of that really getting to the end user just seems -- it would make it less likely.

MR. TUVELL: Gotcha. I mean, we heard over and over again on this matter of coming up with a concept that works well in the marketplace, you know, both the issue of consumers have a hard time understanding complicated concepts, but also was drilled into this, you know, loud and clear, same with the retailers, that there is training associated with the retailers to learn and understand these things and keep their knowledge constant. So I am hearing you loud and clear. So there is a balancing act that we are talking about here. The desire to update the database, the fuel efficient tire definition, frequently was, in fact, this positive desire to recognize that, "Hey, look, maybe there is this new class leader now. And let's give them
credit for that and reassess who is within the 15 percent." And so we looked at it as a positive response. "Here we have got a Government-run program, positive with responding to the fact that technology changed. Quick, let's get it out there, and let's do what, in part, what this program was designed to do." But I am hearing you also saying, "Yeah, but..." Okay? There is this other maybe unintended consequence of too frequent changes of information getting out into the marketplace. Can they absorb and adapt to that frequent change without it adding some confusion? Interesting dilemma. I am not sure what the solution would be to that, frankly. I mean, I think we would all agree we want to pick a time span for updating, and how you weigh something -- so, I mean, if you folks submit comments, I am very interesting in hearing some counter ideas and views on that, very interested in that. I appreciate your point and concern.

Okay, well, getting along in the day. Anybody else have any questions, comments, or any other uses of this time available that they would like to pursue at this point, I would welcome anything. Anybody on the Internet that is hardcore and just hung around this long, especially on the East Coast, that have comments or questions that they would like to contribute at this point?
MR. RASSETTER: Ray, this is John Rassetter from Tire Rack.

MR. TUVELL: Yeah, go ahead.

MR. RASSETTER: I am not sure if you Energy Star people had a chance to sort of answer their side of Tom's question.

MR. TUVELL: Okay.

MR. RASSETTER: As far as about how Energy Star works, or products dropping off, things of that nature.

MR. TUVELL: Thanks, John. Yeah, it is coming to the microphone now.

MR. FANARA: Thank you. My name is Andrew Fanara. I am with the US EPA's Energy Star Program. Let me preface my remarks by saying I do not want to speculate too much at this early juncture about the potential role for Energy Star and/or the other EPA Program, Smartway, in terms of how things might work in the future, so I think it is probably premature to speculate on that. I can speak to -- and, again, that -- we might have future discussions about this to the extent that the plumbing infrastructure of the program, whatever that ends up being, is figured out, weighed out, and then EPA makes a decision that we might be able to map our programs onto it for some benefit to the customer. But specifically to the question about Energy Star's policies with respect to updating our specifications,
I would say we have a guiding principle that we want to update them as frequently as necessary to ensure that they reasonably continue to be effective in the marketplace and deliver on the promise to the customer that they are getting one of the most efficient products in the marketplace. So to that extent, we base that decision on as much information that we can gather from the varied sources that might be available, to be able to make that decision. Suffice it to say, we have some products that are updated rather infrequently because the market does not change very rapidly. Others probably need to be changed more frequently. We would like to make that decision on the basis of the product in the market and not have a one-size-fits-all with respect to that. So I do not know whether or not -- we probably do have some products that change closer to a year, and some that change, frankly, several years or longer, it really depends on the market for the product.

Thank you.

MR. TUVELL: Did that help, John?

MR. RASSETTER: Yes, it did. Thank you.

MR. TUVELL: Anyone else on the Internet have any questions or comments right now? I think we have exhausted everybody in the room here. Okay, if not, then I would like to remind everybody that, again, the notice requested that any written comments be submitted within two weeks.
Tracey's request, noted, that she would like more time especially relative to once having the transcript first, and I will certainly forward that request to the Commissioners. Other than that, I think I will call the workshop to an end, and I want to thank everybody for their participation today.

Thank you very much.

(Whereupon, at 3:59 p.m., the workshop was adjourned.)

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CERTIFICATE OF REPORTER

I, TAHSHA SANBRAILO, an Electronic Reporter, do hereby certify that I am a disinterested person herein; that I recorded the foregoing California Energy Commission Workshop; that it was thereafter transcribed into typewriting.

I further certify that I am not of counsel or attorney for any of the parties to said meeting, nor in any way interested in outcome of said meeting.

IN WITNESS WHEREOF, I have hereunto set my hand this _____ day of June, 2009.

__________________________________________
Tahsha Sanbrailo