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**GGR Letter on Replacement Tire Efficiency Program Revised
Proposed Regulations**

Additional submitted attachment is included below.

July 27, 2026

Chair David Hochschild and Commissioner Nancy Skinner
California Energy Commission
715 P Street
Sacramento, California 95814

Re: Replacement Tire Efficiency Program – Revised Proposed Regulations Still Leave Phase 2 Consumer Cost Assumptions Unresolved (TN 271526)

EXECUTIVE SUMMARY

While the California Energy Commission incorporated several constructive stakeholder recommendations into its revised proposal (including implementation delays, expanded exemptions, improved testing protocols, and a more balanced enforcement framework) the Commission continues to rely on consumer cost assumptions that are contradicted by its own Smithers Phase 2 data. The underlying Phase 2 standard remains unchanged, and the record still does not demonstrate that it satisfies Assembly Bill 844's requirements for cost-effectiveness, and protection against adverse impacts on consumers.

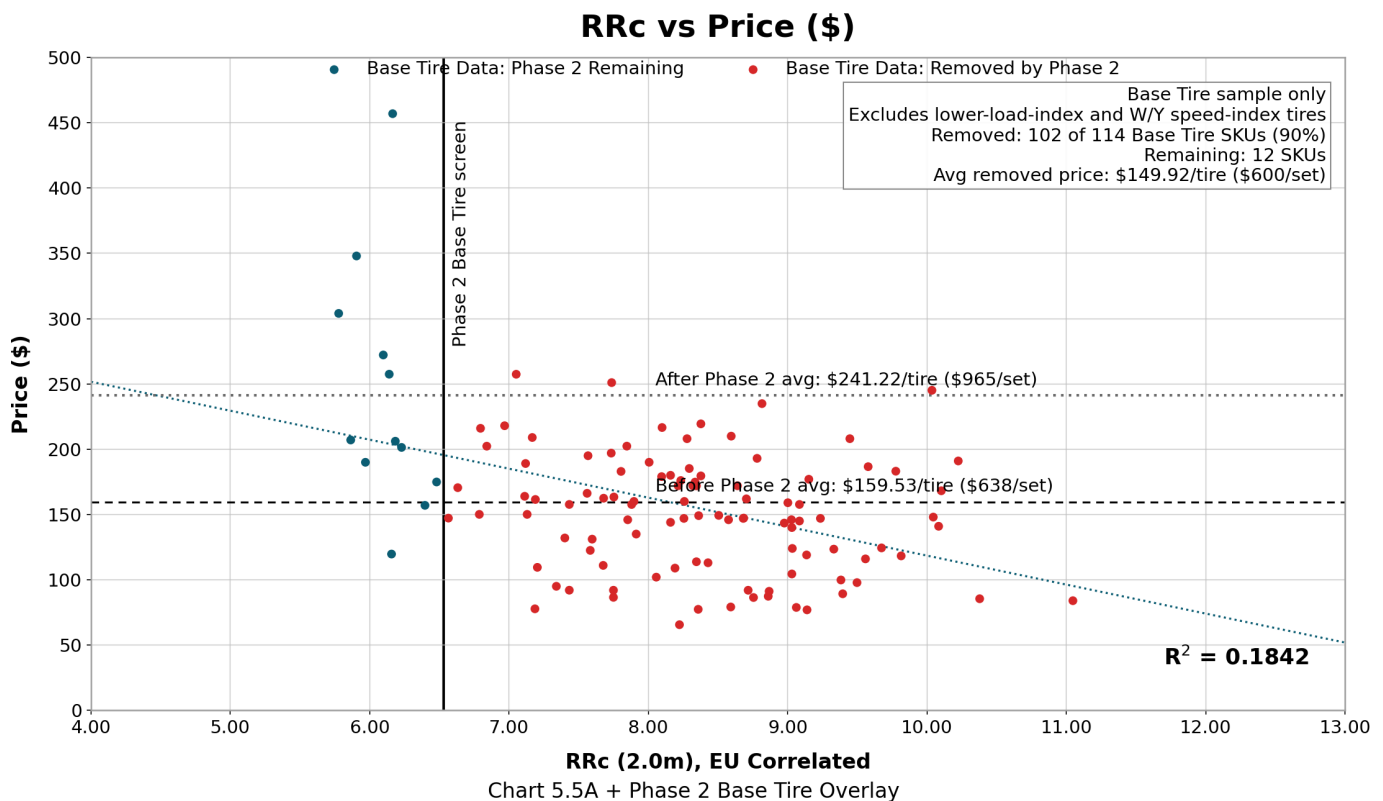
Dear Chair Hochschild and Commissioner Skinner:

We appreciate the Commission's continued engagement with stakeholders and recognize that the revised proposed regulations reflect a meaningful effort to respond to comments received during the initial public comment period. Staff delayed implementation, expanded several product exemptions, revised long-life classifications, updated testing methodologies, and substantially strengthened the enforcement and administrative provisions through clearer standards, notice requirements, and appeal rights. These revisions improve the administration of the proposed program and address several implementation concerns raised by manufacturers throughout this rulemaking. However, the proposal does not resolve the central policy issue before the Commission. The Phase 2 performance standards themselves remain unchanged (only delayed by two years) without demonstrating that they are technically feasible, cost-effective, or consistent with the statutory directives of Assembly Bill 844.

It is within that context that we respectfully submit these supplemental comments addressing the Commission's consumer cost analysis. The Commission continues to characterize Phase 2 as a low-cost consumer savings measure, estimating an incremental cost of only **\$26 per set of four tires**. That conclusion cannot be reconciled with the Commission's own Smithers Phase 2 testing data. The Smithers

dataset demonstrates that tires meeting the proposed lower rolling resistance thresholds can carry materially higher retail prices and, in several instances, prices several times greater than many of the tires the proposed Phase 2 standard would effectively remove from the California market. Unless the Commission reconciles these actual market data with its modeled assumptions, the record does not support the conclusion that Phase 2 will reduce overall consumer costs as proposed.

The relevant record is Smithers' Phase 2 report, not an industry model. Smithers states that tire price is the "actual price paid per tire, excluding sales tax and shipping," and that the tire SKUs were chosen by CEC. Smithers then conducts a "Rolling Resistance vs Price" analysis using passenger tire SKUs from Phases 1 and 2, adjusted per EU correlation. On page 28, Smithers states the trendline exhibited "a negative slope, with increasing price for lower rolling resistance." Chart 5.5A on page 29 illustrates the same point: if the proposed Phase 2 default threshold of 7.1 RRC is applied as a reference point, the



Smithers Phase 2, Chart 5.5A-style overlay: Base Tire subset only, with lower-load-index and higher-speed-index tires removed because they are subject to different Phase 2 limits.

lower-RRC side of the chart includes tires near \$200, \$300, and above \$450 per tire, while many higher-RRC tires remain clustered around roughly \$50 to \$150 per tire. That is not a marginal \$6.50-per-tire issue. It is a potential several-hundred-dollar point-of-sale issue for a set of four tires. (Smithers Phase 2, TN 269613, pp. 7-8, 28-29.)

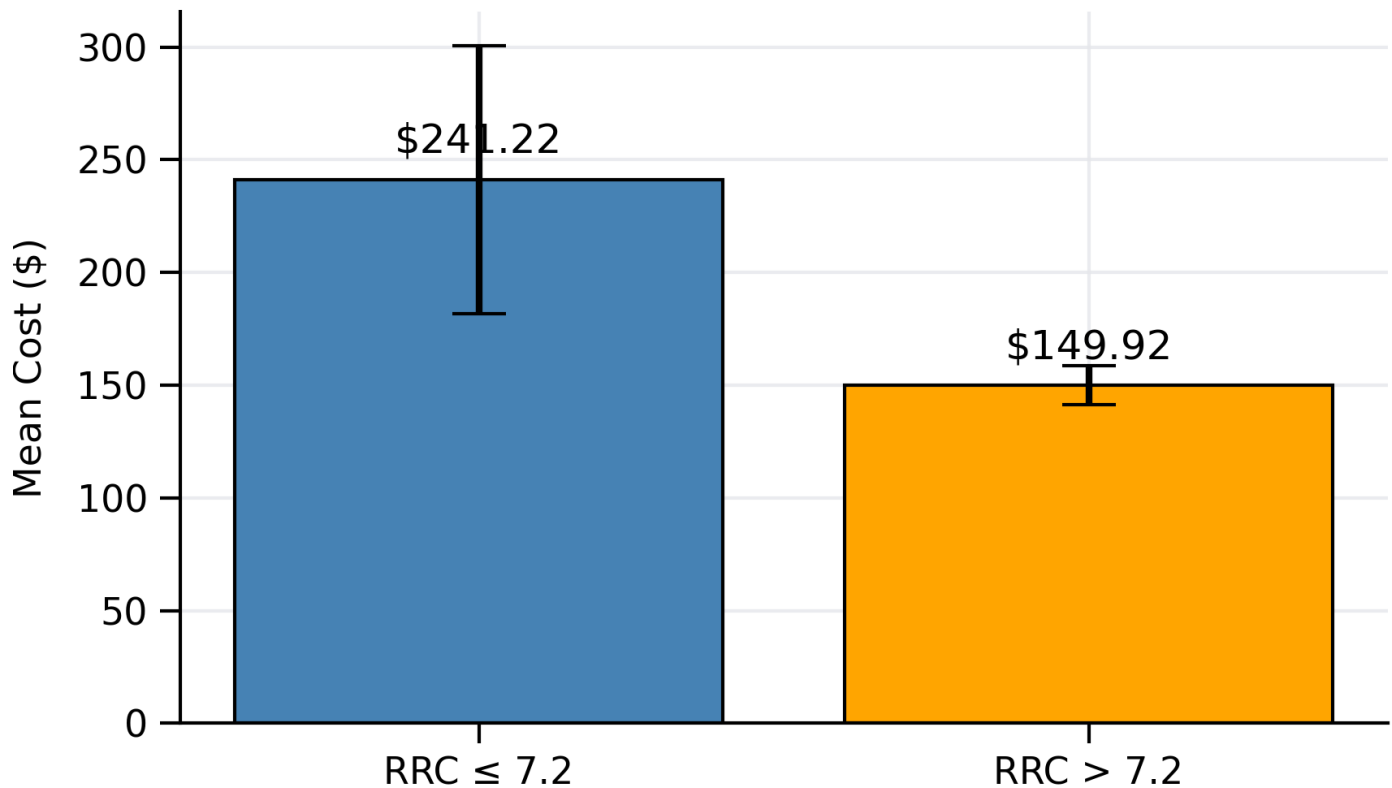
This distinction matters because consumers don't pay for the effort required to engineer a product; they pay for the performance it delivers. We cannot estimate the engineering effort required to retrofit the products which will be removed from the market. Consumers pay the price of the compliant product that remains available when a lower-cost tire is removed from the market. Even if every compliant tire is not more expensive, Smithers' own data shows that the proposed standard can shift consumers into a substantially higher price band. A household buying four tires does not experience that as a \$26 change if the available compliant substitute costs \$50, \$100, or more per tire. Nor does CEC's estimate appear to fully account for sales tax, installation, disposal fees, redesign costs, compliance testing, or retailer inventory effects.

CEC may respond that Chart 5.5A has a low R-squared value. That misses the point. A low R-squared value does not prove there is no consumer cost impact; it means rolling resistance alone does not explain all price variation. But that is exactly why CEC should not rely on a simplified modeled average while ignoring the actual price distribution in its own record. The issue is not whether every lower-RRC tire is more expensive. The issue is whether the regulation will eliminate enough lower-cost options that consumers are forced into higher-priced replacements. Smithers' price data raise that concern directly.

The market impact is not theoretical. Applying the Phase 2 7.1 RCC limit to the Smithers passenger-car-tire (PCT) population shown above would remove 102 of 114 PCT SKUs (90%) and raise the average price of the remaining compliant tires from \$149.92 per tire (\$599.68 per set) to \$241.22 per tire (\$964.88 per set). Discount Tire/America's Tire, which operates 151 stores in California, separately warned that if Phase 2 were applied to the tires it sells in California today, roughly 70 percent of currently available options would be removed from the market. That is the practical consumer-cost question.

Please see the chart below comparing Base Tire prices above and equal to below the RRC Phase 2 limit of 7.1 from the Smithers CEC dataset, which includes tire prices. There is a statistically significant increase of \$ 365.20 / set of tires for lower RRC tires from the CEC's data, which is far greater than the CEC's estimated increase of \$26 / set of tires. Using CEC's estimated \$179 fuel savings over the life of a set of tires, this regulation will cost consumers \$186.20.

Cost Comparison with 95% Confidence Intervals



This is also why the requests from Goodyear, Hankook, and Kumho are reasonable. Their joint comments urge CEC to pause Phase One, evaluate Phase One costs and benefits, and develop Phase Two only after the market, consumer, and enforcement impacts have been understood. That approach would allow the Commission to test whether the modeled savings actually materialize and whether consumers retain access to affordable replacement tires before a more stringent standard is locked into regulation. (Hankook, Kumho, and Goodyear Comments, TN 270675.)

At minimum, CEC should revise the cost analysis before final adoption to include actual SKU-level price comparisons from the Smithers data; fitment-by-fitment replacement options that would remain available under Phase 2; sales tax, installation, disposal fees, redesign costs, compliance testing, and retailer availability impacts; and a market availability trigger requiring CEC to adjust or delay standards if consumer prices rise materially or available SKUs fall below a reasonable threshold.

We support improving tire efficiency and consumer information. But the Commission's own data show that the consumer-cost issue is not resolved. Smithers' Phase 2 price chart does not support the narrative

that Phase 2 is merely a \$26-per-set cost. It shows that lower-RRC tires in the tested sample may be substantially more expensive at the point of purchase. CEC should not finalize Phase 2 until it reconciles its modeled cost estimate with actual market prices and product availability.

Respectfully,



Bret Gladfelty

Gladfelty Government Relations

Cc:

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Hon. Senator Tony Strickland, District 36
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