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June 12, 2007

VIA FACSIMILE & U.S. MAIL
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Patrick J. Shea, Esq.
Corporate Counsel
Waste Connections, Inc.
35 Iron Point Circle, Suite 200
Folsom, CA 95630-8589

Re: Annual CPI Adjustments

Dear Patrick:

I am responding to your letter of May 31, 2007, regarding the CPI adjustment issue. Obviously, we disagree on the interpretation of Section 22 of the Agreement. In the County's view the CPI adjustment is referred to as being "automatic" in Section 22A in the sense that the franchisee is entitled to this increase so long as it can show that the CPI has, in fact, increased during the relevant period, and if the franchisee follows the request and ratepayer notice procedures set forth in Section 22B. The fact that Section 22A uses the word "automatic" doesn't mean that the franchisee still doesn't have to request the rate increase pursuant to Section 22B or to give ratepayers notice of the requested increase. The fact that Section 22B provides that the Board of Supervisors may, on its own initiative, grant the franchisee a CPI increase even where the franchisee has not requested such an increase confirms our interpretation of Section 22B.

Furthermore, the County disputes your claim regarding past practice. With respect to Waste Connections, there is no past practice because Waste Connections did not receive assignment of the Franchise Agreement until mid Summer of last year. This Spring is the first time that Waste Connections has had an opportunity to request (or not request) a CPI or other rate increase within the time period called for in Section 22B. Because this is the first time that this issue has arisen while Waste Connections has been the franchisee, I suggested that Waste Connections might request a waiver of the April 1 deadline in Section 22B from the Board of Supervisors on the grounds that its failure to request a rate increase this Spring was inadvertent. I understand County staff will be scheduling this matter for consideration by the Board of Supervisors.

Patrick J. Shea, Esq.

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To the extent your letter suggests that there was a past practice between the County and Waste Management regarding CPI increases, it is my understanding that Waste Management did, in fact, comply with the request and notice to ratepayers procedures in the franchise agreement. In any event, any practice between the County and Waste Management would not seem applicable to the conduct of Waste Connections under the franchise agreement.

We do appreciate your client requesting the CPI increase (and a waiver of the April 1, 2007 deadline) and sending notification to ratepayers. But to avoid any misunderstandings in the future, please be advised that the County will expect Waste Connections (EDDS) to timely request rate increases, including CPI adjustments, in accordance with Section 22B and to adhere to the ratepayer notification requirements in Section 22B regarding any rate increases or adjustments. If you feel the need to discuss this matter further, please don't hesitate to give me a call.

Sincerely,

A handwritten signature in blue ink that reads "Tom Bruen". The signature is written in a cursive, flowing style.

Thomas M. Bruen

TMB:jcf

cc: Client