



May 28, 2008

Ms. Gerri Silva, Director of Environmental Management  
El Dorado County  
2850 Fairlane Ct.  
Placerville, CA 95667

RE: South Tahoe Refuse, Inc.

Dear Ms. Silva:

On May 12, 2008 I sent you a letter requesting an adjustment to South Tahoe Refuse, Inc.'s ("STR") rates as a result of increases in costs on two specific items, disposal costs and fuel. Since the date of that letter, Lockwood Landfill has passed an additional rate increase, therefore, kindly disregard my previous letter.

STR had previously submitted to El Dorado County and the Joint Powers Authority ("JPA") a rate adjustment request in the amount of 5.55% to become effective January 1, 2008. Subsequently, the JPA retained the firm R3 Consulting Group to audit the company's rate request. Upon completion of their audit, R3 recommended a rate adjustment of 5.33%. Because of the current economic slowdown, the JPA did not accept R3's recommended rate adjustment of 5.33% and suggested that STR examine its cost structure and submit any rate adjustments directly to the governing jurisdictions. STR has taken under consideration the advice received from the JPA and is studying all possible avenues to decrease operating costs. However, there are certain pass-through cost adjustments and other extraordinary items which are beyond the STR's control for which the company requests reimbursement through a rate adjustment targeted specifically at these items which are allowed for in the Agreement (kindly reference Section 19, paragraph B).

These two items are:

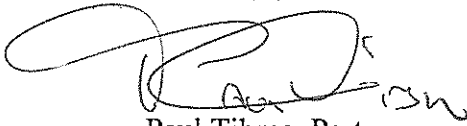
- Disposal costs increases due to three rate increases at the landfill (Lockwood Landfill operated by Waste Management) used by STR and,
- Extraordinary increases in the cost of fuel which has materially affected STR's costs under the Agreement.

STR has been assessed three rate adjustments from Lockwood in the amounts of 5.3% and 4.9% in April 2007 and 2008, respectively and recently an additional 9.6% increase. I've attached Waste Management's most recent notification for your review. Over this

same approximate time period, the cost of fuel has increased 19.9%. (Since the period used in our calculations, fuel costs have increased an additional 29%, which is not used in our rate adjustment calculations). Including the applicable franchise fees, a rate adjustment of 4.33% would be required to reimburse the company for the pass-through increases from Lockwood Landfill and the fuel increases. The components of the 4.33% rate increase are: 2.7% for pass-through from Lockwood Landfill, 1.4% for fuel increases and 0.23% for applicable pass-through franchise fees.

STR respectively withdraws the recommended rate adjustment of 5.33% and submits for consideration an adjustment of 4.33% to become effective July 1, 2008.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Paul Tibma", written over a horizontal line.

Paul Tibma, Partner  
Freeman & Williams, LLP

Enclosure

cc, Terry Trease, STR



**Nevada Market Area**

May 27, 2008

Terry Trease  
South Tahoe Refuse Co, Inc.  
2140 Ruth Ave  
South Lake Tahoe, CA 96150

Dear Terry:

I'm sorry that Bill Carr and I missed you last week, but we appreciate the time that Gert, Jeanne and Ron spent with us. We appreciate your business and look forward to a continued long term relationship.

As we discussed in our meeting, there have been recent changes to the Nevada Revised Statutes regarding daily cover at municipal solid waste landfills. As a result of this change in legislation, effective April 1, 2008 the Lockwood Regional Landfill is now required to perform daily cover activities on both the MSW and C&D disposal cells. Since we have now been performing these activities for approximately 60 days, we have been able to determine the increased cost of operations to the Lockwood Landfill to be \$1.20 per ton.

Pursuant to Section IV(d) of the Agreement between South Tahoe Refuse and Lockwood landfill, we are, by way of this letter, notifying you of the intent of Lockwood Regional Landfill to increase your disposal rates to cover the increased cost of operation. This rate increase will be implemented by no later than September 1, 2008.

We have evaluated this change in legislation, and are requesting the same increase of \$1.20 per ton for every contract that has such "pass-through" provisions.

Again, we thank you for your business. If you have questions, please feel free to call either Bill Carr at (775) 342-2329 extension 200, or me at (775) 326-2318.

Sincerely,

Mark Severtson  
Market Area Controller