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May 18, 2007

EL DORADO COUNTY  
RECEIVED

MAY 21 2007

ENVIRONMENTAL  
MANAGEMENT

VIA FACSIMILE & U.S. MAIL  
(916) 608-8291

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:

Our firm is counsel to El Dorado County. I am responding to your letter of May 9, 2007 to Gerri Silva regarding the mechanism for implementing CPI adjustments under the Solid Waste Services Agreement between El Dorado County and Waste Connections of California, Inc., dba El Dorado Disposal Service ("EDDS").

Your letter raises three questions: (1) Are annual CPI adjustments "automatic" or do they require approval by the El Dorado County Board of Supervisors? (2) Is there a "request window" between January 1 and April 1 of each year in which EDDS must ask for an annual CPI adjustment or waive it? (3) Does EDDS need to provide written (mailed) notice to each of its ratepayers of an annual CPI adjustment?

All three of these questions are answered in Section 22(b) of the Agreement, which provides for the time for rate settings and rate setting procedures.

**(1) Are annual CPI adjustments "automatic" or do they require approval by the El Dorado County Board of Supervisors?**

Section 22(A) of the Agreement does refer to annual CPI adjustments as "automatic." The intent of this language is to indicate that the Contractor is entitled to an annual CPI adjustment without the necessity of going through a formal rate review process, because the CPI adjustment is based on changes in the CPI rather than changes in the Contractor's costs. However, the procedure for setting the Contractor's rates to its customers is set forth in Section 22(B) of the Agreement. That section states that the Board of Supervisors shall set the rates to be charged by Contractor annually, at the beginning of each Operating Year, and that the

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Contractor's rates shall remain unchanged unless the Contractor submits a written request to the Board of Supervisors for a rate adjustment no earlier than January 1<sup>st</sup> and no later than April 1<sup>st</sup>, prior to the commencement of the upcoming Operating Year. The language goes on to state that the Board of Supervisors may also act on its own initiative, in the event the Contractor declines to request a CPI adjustment in its rates, to nevertheless adjust Contractor's rates consistent with the CPI formula in the agreement. So it is clear that Section 22 (B) is intended to provide the procedure for CPI adjustments in the Contractor's rates, as well as adjustments based on other grounds.

Therefore, the rates that the Contractor may charge to its customers may only be set by the Board of Supervisors and may not be unilaterally adjusted by the Contractor.

**(2) Is there a "request window" between January 1 and April 1 of each year in which EDDS must ask for an annual CPI adjustment or waive it?**

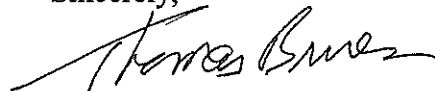
As indicated in response to the first question, requests for rate adjustments, including CPI adjustments, must be made by the Contractor between January 1<sup>st</sup> and April 1<sup>st</sup> prior to the commencement of each new Operating Year. If, due to inadvertence, the Contractor fails to request a CPI adjustment within the rate window specified in the Agreement, the Contractor could request that the Board of Supervisors waive the deadline in its discretion.

**(3) Does EDDS need to provide written (mailed) notice to each of its ratepayers of an annual CPI adjustment?**

As indicated in Section 22(B), the Contractor shall provide written notice to each ratepayer in a form approved by the County of the time, date and place of each hearing set by the Board of Supervisors to set rates. The time period for such notification is at least 10 days, but no more than 60 days prior to such date. My understanding is that EDDS's past practice has been to include notices of hearings on proposed rate adjustments in its customer billings.

I trust the foregoing responses adequately address each of the questions raised in your letter to Gerri Silva. Please call me if you would like to discuss this further.

Sincerely,



Thomas M. Bruen

TMB:jcf

cc: Gerri Silva  
Kerri Williams  
Greg Stanton  
Mike Ciccozzi, Esq.