



WASTE CONNECTIONS INC.
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May 9, 2007

Gerri Silva
El Dorado County
Environmental Management Department
2850 Fairlane Ct., Bldg. C
Placerville, CA 95667

By Fax (530-626-7130)
and Overnight Courier

(530) 621-6653

Re: **Annual CPI Adjustments**

Dear Ms. Silva,

Sue Farris has asked me for an interpretation of the mechanism for implementing the CPI adjustment under Section 22C of the Solid Waste Services Agreement between El Dorado County and El Dorado Disposal Service ("EDDS").

My reading of the Agreement suggests that the annual CPI adjustment is automatic, and not subject to any annual request window or other rate payer notice requirement.

Section 22A(3) of the Agreement begins by referring to the CPI adjustment as automatic, and differentiating between the CPI adjustment and all other rate adjustments:

To the extent that Contractor's rates are established by this Agreement and are subject to automatic rate adjustments for deflation/inflation under Section 22C, the terms of this Agreement shall govern the setting of Contractor's rates. The Board of Supervisors shall set and regulate all other rates and charges assessed by Contractor for any and all services and activities it performs or engages in the Franchise Area (*emphasis added*).

Similarly, Section 22C of the Agreement provides that EDDS' rates for services under the Agreement "shall be adjusted, upward or downward, annually, effective July 1st of each year during the term of the Agreement, commencing on July 1, 2005" Section 22C does not contain any notice provisions (as does Section 22B) nor does it reference and incorporate the notice provisions of any other Section (as does Section 22D).

I understand that the past course of dealing between EDDS and El Dorado County since operations commenced under the Agreement in 2004 is consistent with my interpretation. Since the Agreement commenced, the County has informed EDDS of the CPI rate increase that would go into effect each year. EDDS has never had to meet a request window or provide notice of a hearing to its customers in order to qualify for a CPI increase.

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Based on my review, I do not believe the notice provisions in Section 22B of the Agreement or Section 8.42.170 of the County Code are meant to apply to automatic CPI adjustments. Nevertheless, EDDS would be happy to meet those notice requirements provided it has the agreed upon rate adjustment information and is able to meet the time limits contained in those provisions.

EDDS does recognize that the Agreement requires it to provide the County with written notice of other rate adjustments it seeks to implement upon the July 1 commencement of a new operating year. Specifically, Section 22B of the Agreement requires EDDS to provide the County with such notice between January 1 and April 1 prior to the commencement of a new operating year.

While this provision does not affect the automatic CPI adjustment, it does affect certain rate adjustments EDDS would like to discuss with the County – namely, those concerning a 32 gallon cart rate and changes to minimum load charges and load fees at the MRF. EDDS' preference will be to discuss these matters with you and your colleagues ahead of time, toward the end of this year, so that you have time to take the matters to the Board of Supervisors at your convenience prior to April 2008 should you so choose.

Thank you in advance for your cooperation on these matters. We value our relationship with El Dorado County and look forward to working together constructively on these and other matters as they arise.

Regards,



PATRICK J. SHEA
Corporate Counsel

PJS:clr

cc: Sue Farris (El Dorado Disposal)