



WASTE CONNECTIONS INC.
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May 31, 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 Gerri,

As you know, El Dorado Disposal Service ("EDDS") has been engaged in an ongoing discussion with El Dorado County and its counsel regarding the mechanism for implementing the automatic CPI adjustment under Section 22C of the Solid Waste Services Agreement between El Dorado County and EDDS.

EDDS' interpretation of the Agreement (as well as the County Code) is that the annual, automatic CPI adjustment is not subject to any annual request window or other rate payer notice requirement (although EDDS is happy to provide notice to rate payers once we agree on the rate adjustment information and other required hearing information). The past course of dealing between EDDS and El Dorado County since operations commenced under the Agreement in 2004 is consistent with this 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.

The County's counsel, Thomas Bruen, interprets the Agreement differently, and described his interpretation in a letter, dated May 18, 2007, to EDDS' counsel, Patrick Shea. According to Mr. Bruen's interpretation, the automatic CPI adjustment is subject to EDDS having first made a request for such an adjustment to the Board of Supervisors between January 1 and April 1 of each year; and the Board of Supervisors may also act on its own initiative to increase rates pursuant to the automatic CPI adjustment in the event EDDS declines to request a CPI

adjustment to its rates within the time period outlined above, consistent with the CPI formula in the Agreement.

While EDDS and the County appear to disagree on the interpretation of the relevant provisions of the Agreement, EDDS would like to resolve this matter amicably and as quickly as possible.

Therefore, at your suggestion, without admitting or conceding to the interpretation of the County or its counsel, and while preserving its rights in the matter, EDDS would like to request that the Board of Supervisors (a) waive or extend the April 1 deadline set forth in Section 22(B) of the Agreement to allow EDDS time to request the relevant rate increases for the operating year beginning July 1, 2007 or (b) act on its own initiative to adjust EDDS' rates for the operating year beginning July 1, 2007 consistent with the CPI formula in the Agreement.

We feel that given the past course of dealing between the parties, and EDDS' reliance thereon, this is the fairest and most equitable way to resolve this difference of opinion. Not only will it allow EDDS to obtain the automatic CPI adjustment it expected and planned to receive as of July 1, 2007, but this resolution will also put EDDS on notice that the County has decided to implement a different procedure with respect to CPI adjustments under the Agreement, which will allow EDDS time to request such automatic adjustments next year within the window period.

You also requested that I explain how EDDS plans to provide written notice to each ratepayer as described in Section 22(B) of the Agreement. To provide notice of the Board of Supervisors' hearing to set rates, EDDS would agree to mail a post card to each of its customers potentially affected, and would do so within the stipulated window of at least ten but not more than sixty days prior to the hearing date, once we know it. We would call it a proposed hearing, as the dates are subject to change by the Board.

Please let me know if there is anything else I can provide to you that would assist you and the Board of Supervisors with the resolution of this matter.

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

Sincerely,



Sue Farris

cc: Patrick Shea, Esq. (Waste Connections, Inc.)