

May 13, 2025

Navy Sewer Agreement

Matt,

I am writing to inform you that I, along with the technical engineers at NAVFAC SE, have conducted a review of the sanitary rates you submitted for the past three years. My analysis reveals that the average sanitary flow rates were 8.9 percent in 2023, 9.05 percent in 2024, and a notable increase to 25.9 percent in 2025. While the 2025 rate shows a significant rise, I currently do not have enough evidence to justify a 23 percent rate as fair and reasonable. If you can provide data that supports the expectation of consistently exceeding 23 percent in the future, I would be open to considering it. However, the nearly threefold increase in 2025 compared to the previous two years raises concerns. Do you know what has caused a substantial increase for the year 2025?

Following a comprehensive review of the submitted sanitary flow rates, NAVFAC SE recommends reserving **18 percent** of the sanitary flow capacity, which is a decrease from the City of Key West proposal of 23 percent. This recommendation includes a provision to reassess the flow rates every **three** years, allowing for adjustments as needed to better align with actual sanitary capacity requirements. We are dedicated to making any necessary modifications to ensure that the flow rates accurately reflect both capacity and operational needs. The following verbiage will be incorporated into the contract:

”While continuing to keep the current monthly invoicing of payments prompt, until such time as either the Government and/or the Utility Provider agrees on a need to perform a capacity reservation rate adjustment consistent with the prior 3 year capacity reservation usage and averaged measurements. The parties agree to a current capacity reservation rate of 18% on behalf of the NAS KEY WEST UTILITIES SERVICE AGREEMENT for actual flows recorded by flow meters at each installation is the basis for Navy’s allocation and a capacity reservation is determined fair and equitable to both parties.”

If you have any questions or rebuttals regarding an 18% Sanitary reserve capacity, please feel to reach out. The Navy will be going through a brown-out period as we transition over to a new contract writing system and this award is a priority action that the Navy would like to get awarded prior to the transition; no later than **May 19, 2025**.

Respectfully,

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