



# **Power Purchase Agreement - Charlottesville Middle School -**

**May 18, 2026**

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# BACKGROUND

In 2019, the City of Charlottesville committed to updated greenhouse gas emissions reduction goals of 45% by 2030 and carbon neutrality by 2050.

In 2023, Charlottesville adopted the first community [Climate Action Plan](#) (CAP) to pursue these goals.

- The CAP identifies the installation of solar energy production systems on suitable municipal properties as a key implementation strategy to generate clean energy, reduce electricity bills, and reduce greenhouse gases.
- The CAP also identifies Power Purchase Agreements (PPAs) as a mechanism to expedite this strategy.



# CHALLENGE / OPPORTUNITY

- The potential solar system sizes for CHS and CMS came with substantial installation costs that have been deemed infeasible to pursue with local capital funding.
- An alternate financing strategy – the Power Purchase Agreement (PPA) – has been identified as an appropriate mechanism to deliver clean energy to these schools via on-site solar power generation.
- A PPA enables a customer to receive predictable and often low-cost electricity with no upfront cost, while also enabling the owner of the system to take advantage of tax credits and receive income from the sale of electricity.

*Charlottesville High School*

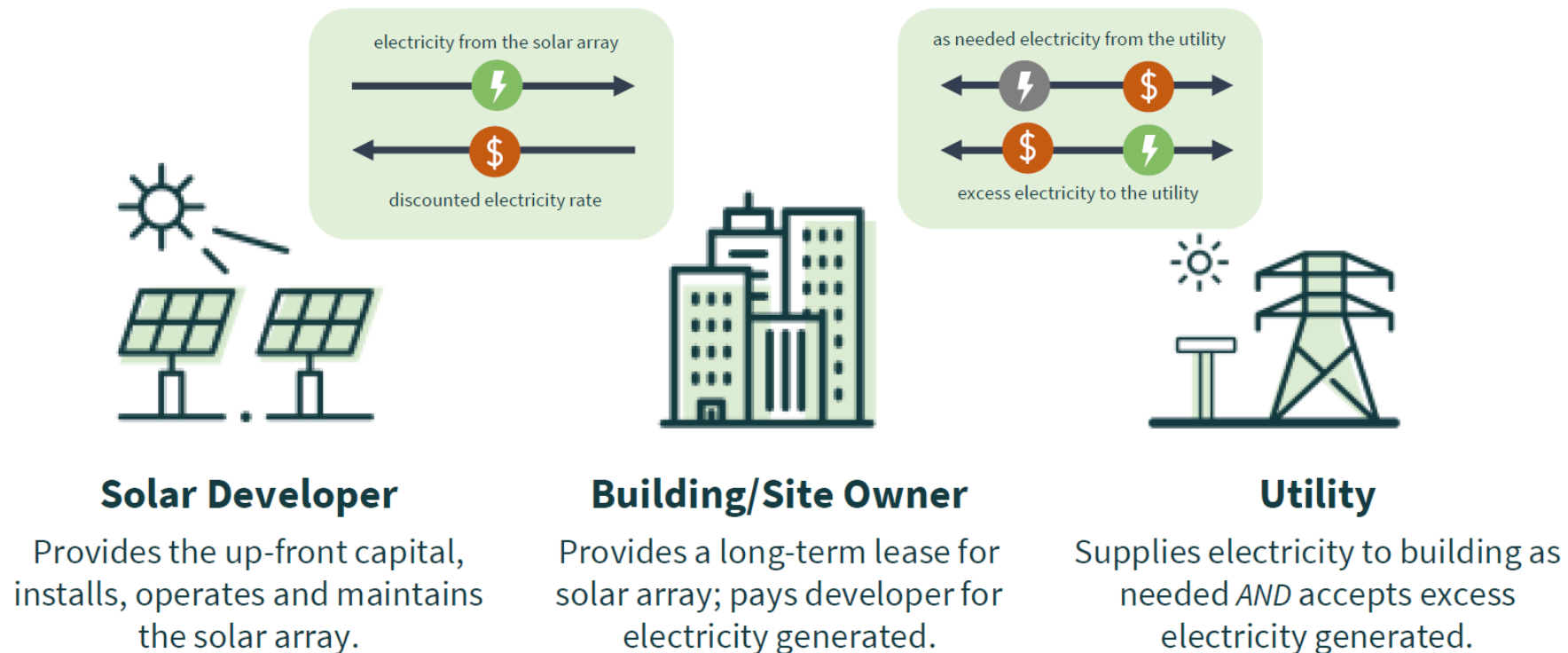


*Charlottesville Middle School*

# WHAT IS A PPA?

A PPA is a contract between a power producer (the seller) and a purchaser (the buyer) outlining the terms for the sale and purchase of electricity over a set period.

## Power Purchase Agreements

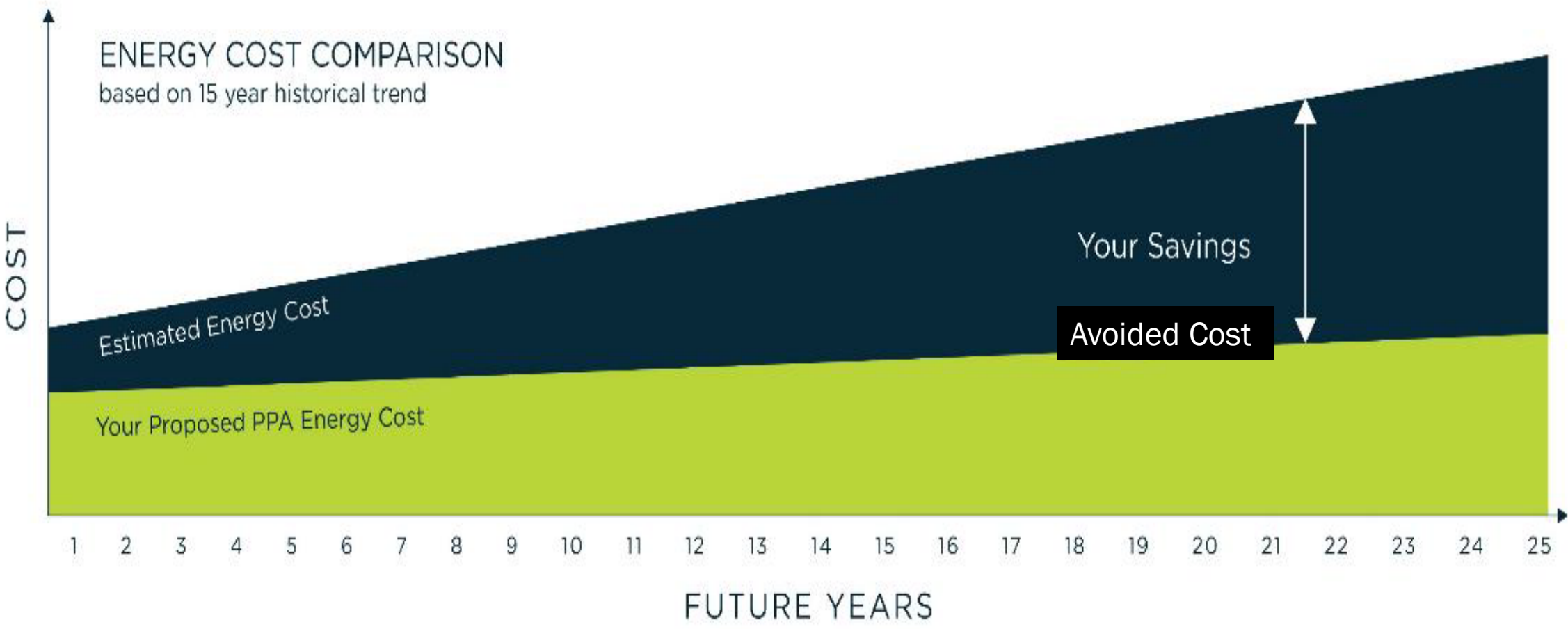


# CMS AGREEMENT SUMMARY

## Charlottesville Middle School

- Purchaser: City of Charlottesville
- Seller: Sun Tribe LLC (to be assigned to Madison Energy Holdings LLC)
- System Capacity: 909 kW DC
- Electrical Offset: 81%
- Current annual electricity rate (blended) : \$0.125
- Electricity rate (reflecting effect of solar on supply charges): \$0.1222
- PPA rate (year 1) with 1% escalation rate: \$0.1215
- 25-year Avoided Costs: \$1.27 million

# AVOIDED COSTS



Graphic provided by Madison Energy Infrastructure

# CMS SYSTEM LAYOUT



# KEY BENEFITS

- **Feasibility:**

- PPAs offers a strategy to rapidly install large solar on our largest, eligible roofs without local capital investment
- Operations (including maintenance) remain the responsibility of the owner for the term of the PPA

- **Renewable Energy Procurement:**

- PPAs support the growth of renewable energy sources
- PPAs help advance climate and sustainability goals

- **Cost Savings:**

- PPAs provide significant long-term cost savings compared to traditional utility electricity rates.
- Combined, the PPAs for CHS and CMS are projected to save money in Year 1 with nearly \$4 million in savings over the proposed 25-year terms of the agreements.

- **Price Stability:**

- PPAs offer price stability by locking in electricity rates for the duration of the agreement, providing budget certainty for energy costs.

# RECOMMENDATION

Staff recommends that City Council approve a Resolution authorizing the execution of a Solar Power Purchase Agreement for Charlottesville Middle School in order to provide on-site generation of clean energy for that facility and thereby achieve significant avoided costs over the term of the agreement as well as GHG emissions reductions.

# Thank You

