



CITY OF CHARLOTTESVILLE

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MEMO

Date: January 13, 2026

To: City Council and Charlottesville City Schools School Board

From: Kristel Riddervold, Director of the Office of Sustainability

Topic: Power Purchase Agreements for CHS and CMS – Status Update

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. It also identifies Power Purchase Agreements (PPAs) as a mechanism to expedite this strategy.

- *Subgoal (pg. 61) - Complete onsite solar Power Purchase Agreement(s) PPAs to deploy renewable energy generation across the City's building and facilities portfolio in alignment with building roof replacement and to supplement constrained staff time and local funding availability.*
- *Key Action (pg. 62): Implement Power Purchase Agreements (PPAs) to install solar energy systems at City facilities at scale and with reduced dependency on CIP funding.*

A cost-effective climate action strategy is to install solar systems as soon as possible following roof replacements so that the life of the roof and the life of the system are aligned. Recently, a 262.9 kW solar system was completed on CATEC, following the completed roof replacement project on that Charlottesville City Schools (CCS) facility. The next two eligible (and largest) municipal buildings that have newly installed roofs are Charlottesville High School (CHS) and Charlottesville Middle School (CMS).

Challenge and Opportunity

The potential solar system sizes for these two CCS facilities come with substantial installation costs that have been deemed infeasible to pursue with local capital funding. An alternate

financing strategy – the Power Purchase Agreement (PPA) – is a compelling opportunity. 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. The PPA model allows a private solar developer to finance, install, and operate a solar array through a long-term contract and site access arrangement (e.g., license) on the property of a host customer. The developer retains ownership and operational responsibility of the solar array and the host customer purchases the system's electric output at a negotiated rate (proposed to be lower than the prevailing utility rate) and for a predetermined period (usually up to 25 years). This arrangement can help the customer meet their climate and clean energy goals while also reducing their long-term electricity costs. The developer/investors also stand to make a profit on the arrangement, since they will receive stable revenue from the customer over the life of the solar array.

A PPA contract is negotiated to balance risk between the parties while ensuring predictable revenue and/or savings for both over the long-term. The rate is based on project costs (including costs related to required grid upgrades) and project characteristics that include agreement term, escalation rate, and ownership of associated renewable energy credits. Importantly, the developer's ability to access a 30% federal investment tax credit supports their financing strategy and can result in a mutually beneficial financial arrangement. It is important to note that the [One Big Beautiful Bill Act \(H.R. 1\)](#), passed on July 3, 2025 provides for early termination of this federal tax credit. Per this legislation, construction must be initiated by July 4, 2026, and completed by December 31, 2027. As such, executing PPAs and initiating these projects as soon as possible is critical.

Utility rates are expected to continue rising, projected to do so at rates higher (conservatively projected at 3.3%) than the escalation rate (1%) that has been used in the development of these PPA proposals. A PPA locks in a rate for the electricity generated by the solar system, along with an escalation rate, that provides assurance and predictability related to future energy costs.

Work Completed

PPAs have been a project financing and delivery model that we have been tracking for a long time (as far back as 2010, when this arrangement was not yet authorized in Virginia). Given the imminent availability of facilities with the largest and newest roofs, exploratory meetings were conducted in 2024. Following the internal recommendation to pursue this potential opportunity with Madison Energy Infrastructure ("Madison"), both the City's legal and procurement offices confirmed authority for the City to utilize Fairfax County Solar Purchase Agreement (Contract No. 4400009516) with this firm via a cooperative purchasing option.

NOTE: The Fairfax County contract is with Sun Tribe Solar, LLC. In April 2024, clean energy developers Madison Energy Infrastructure and Sun Tribe [announced](#) that Sun Tribe had divested its commercial assets, pipeline, and development team to long-time, strategically-aligned partner Madison. The contract has recently been extended for another year and a mechanism for assigning this PPA to Madison is established.

A summary of steps completed this past year is as follows:

- March 2025: Requested formal proposals from Madison
- March 2025: Received proposal from Madison for 2 separate PPAs

Charlottesville High School
• System capacity: 960 kW AC
• Electrical offset: 70%
• Current average annual electricity rate: \$0.125
• Indicative PPA rate (Yr 1) with 1% escalation rate: \$0.1143 (final diligence, design, and negotiations are underway and may impact the final rate)
• 25-year Savings: \$2.5 million

Charlottesville Middle School
• System capacity: 720 kW AC
• Electrical Offset: 100%
• Current average annual electricity rate: \$0.125
• Indicative PPA rate (Yr 1) with 1% escalation rate: \$0.1208 (final diligence, design, and negotiations are underway and may impact the final rate)
• 25-year Savings: \$1.4 million

- March 2025: Submitted Dominion system interconnection applications for both CHS and CMS.
- July 2025: Completed survey of Virginia public entities (predominately school districts) to solicit their experience with PPAs and the developers they engaged with. *NOTE: More than 30 VA public entities have entered into PPAs in recent years.*
- August 2025: Completed due diligence assessment, establishing that the financial aspect of this project looks better under the PPA compared to the City issuing the debt & owning the project.
- August 2025: Entered into an agreement to exclusively negotiate these PPA proposals with Madison Energy.
- September 2025: Dominion grid-related studies (i.e., project costs for upgrade requirements) received for CHS.
- October/November 2025: Facilitated a series of document reviews (roof warranty, construction plans, energy bills) and engineering site studies for CHS (structural analysis, roof inspection, drone imagery, electrical analysis) to inform system design and layout.
- November 2025: Coordinated with internal City and CCS stakeholders on process to execute CHS PPA and associated site access agreement. This includes legal counsel for both City and CCS.
- December 2025: Dominion provided grid-related studies for CMS. Following steps and reviews for this facility are in process.

Next Steps

For CHS, the City of Charlottesville should be the party to enter into the PPA with Madison Energy as the “Purchaser” of the electricity produced by the solar system.

As the owner of the CHS property, the CCS School Board should be the party to execute the site access agreement (i.e., license).

A summary of next steps is as follows (please note the dates for actual decisions may need to be adjusted based on when the agreements are fully reviewed and finalized):

- January 2026: Negotiate and finalize proposal for CHS PPA
- January 2026: Madison to complete CHS project engineering design and initiate permitting process
- February 2, 2026: PPA Update to City Council at work session
- February 5, 2026: PPA Update to CCS School Board
- March 5, 2026: CCS School Board action related to CHS site access agreement
- April 6, 2026: City Council action related to the CHS PPA itself
- April 2026: City to coordinate with Madison on Letter of Authorization for Dominion to initiate grid upgrades for the CHS project
- April 2026 thru completion (aiming for end 2026): CHS Project construction and activation
- Ongoing: Continue the diligence, design, and negotiation process for the CMS PPA

Benefits

In summary, the PPA offers a strategy to rapidly install large solar on our largest, eligible roofs. The PPAs for these systems are projected to save money in Year 1 with nearly \$4 million in savings over the proposed 25-year terms of the agreements. In addition to cost savings, these projects will significantly reduce the reliance on grid-supplied electricity, advancing Charlottesville’s climate and sustainability goals.

As noted above, staff will be presenting this information at City Council’s work session on February 2, 2026 and to the School Board on February 5, 2026. Staff welcomes any questions you may have in advance of these presentations.

Cc: Sam Sanders, James Freas, Dr. Royal Gurley, Kim Powell