**PROGRAM OPPORTUNITY NOTICE**

K – 12 Energy Efficiency Program (KTEP)



PON-24-002

State of California

California Energy Commission

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# Introduction

## Purpose of Solicitation

The Kindergarten through Twelfth Grade Energy Efficiency Program’s (KTEP) goal is to provide zero-interest loans to Kindergarten through Twelfth Grade (K-12) schools in California for energy efficiency retrofits and renewable energy projects.

## Key Words/Terms

**Table 1: Key Words and Terms Used in this Solicitation**

|  |  |
| --- | --- |
| **ACRONYMS AND TERMS** | **DEFINITION** |
| ASHRAE Level 2 Energy Audit | Commercial building energy audit standard created to establish minimum performance levels for energy audits by the American Society of Heating, Refrigerating and Air-Conditioning Engineers. Audits must be performed by a qualified energy auditor. |
| BABA | Build America, Buy America Act, Pub. L. No. 117-58, §§ 70901-52, enacted on November 15, 2021, as part of the Infrastructure Investment and Jobs Act. Federal law that requires domestic manufacturing of construction materials being integrated into or permanently affixed to federally funded public infrastructure projects. |
| BIL | Bipartisan Infrastructure Law, Pub. L. No. 117-58, enacted on November 15, 2021. Also known as the Infrastructure Investment and Jobs Act. Provides funding for construction and manufacturing projects to renovate or rehabilitate infrastructure in the United States. |
| Building Decarbonization | Activities that reduce or eliminate greenhouse gas emissions in buildings, including replacing fossil fuel burning appliances with efficient electric appliances, improving energy efficiency, incorporating demand flexibility and reducing refrigerants or switching to climate friendly refrigerants. |
| CEC | California Energy Commission |
| CEQA | California Environmental Quality Act |
| DBA | Davis-Bacon Act, 40 U.S.C. 3141-3148. Federal law that requires laborers and mechanics on federally funded public works projects be paid local prevailing wages as defined by the US General Services Administration. |
| DOE | United States Department of Energy |
| ECAA | Energy Conservation Assistance Act |
| EERLF | Energy Efficiency Revolving Loan Fund |
| eTRM | The eTRM is a statewide repository of California's deemed measures, including supporting values and documentation. |
| EUL | Effective Useful Life. Also known as Measure Life |
| GHG | Greenhouse Gas |
| IIJA | Infrastructure Investment and Jobs Act, Pub. L. No. 117-58, enacted on November 15, 2021. Also known as the Bipartisan Infrastructure Law. Provides funding for construction and manufacturing projects to renovate or rehabilitate infrastructure in the United States. |
| KTEP | Kindergarten through Twelfth Grade Energy Efficiency Program |
| LEA | Local Educational Agency. Includes school districts, charter schools, county offices of education, and state special schools. |
| NEPA | National Environmental Policy Act. Federal law requiring a NEPA environmental impact analysis for the expenditure of federal funds associated with a project. |
| NHPA | National Historic Preservation Act. Section 106 of NHPA requires consideration of the effects on historic properties in federally funded projects. |
| PON | Program Opportunity Notice |
| Qualifying Energy Audit | Energy assessments conducted by industry certified auditor, similar to ASHRAE Level 2 energy audit. |

## Background

Funds in this Program Opportunity Notice (PON) are made available by the Infrastructure Investment and Jobs Act (IIJA), also referred to as the Bipartisan Infrastructure Law (BIL), Pub. L. No. 117-58, enacted on November 15, 2021[[1]](#footnote-2). Section 40502 of BIL states the purpose of this provision is to establish revolving loan funds (RLF) under which states can provide loans and grants for energy upgrades and retrofits to increase the energy efficiency, physical comfort, and air quality of existing building infrastructure.

Loan funds for this program are contingent upon United States Department of Energy (DOE) funding and terms may change.

# Eligibility

## Eligible Applicants

Applicants must be local educational agencies (LEAs) in California, such as:

* School districts
* Charter schools – (additional terms apply – See Attachments 6 and 7)
* County offices of education
* State special schools

## Eligible Projects

Examples of eligible and ineligible projects are listed below. Note that this list is not exhaustive and final eligibility determination will be made at the discretion of the CEC.

### Examples of Eligible Projects

* Highly efficient lighting systems, including daylighting integrated systems
* Efficient electric heating, ventilation, and air conditioning equipment
* Efficient electric domestic hot water equipment
* Energy management systems and equipment controls
* Pumps and motors
* Building envelope, insulation, air sealing, window film
* Renewable distributed generation
* Energy storage, including battery storage and thermal storage
* Electric vehicle charging infrastructure used to power public fleets
* Load shifting and demand management

### Examples of Ineligible Projects

* Projects that are already installed or started before the loan application is approved by the California Energy Commission or their designee.
* Equipment that will not be wholly owned by the applicant (for example, solar power purchase agreements, solar leasing, and third-party owned battery storage systems).
* Projects funded with an existing CEC loan, such as an Energy Conservation Assistance Act Education-Subaccount (ECAA-Ed) loan).
* Projects that do not save energy (kWh or therms) as a whole.
* Fossil fuel equipment is not allowable under this program.
* Project equipment is not eligible for sale or installation in California or the local jurisdiction.
* Projects that install space or water heating equipment with a refrigerant global warming potential greater than 750.

# Loan Information

* The initial funding available is $6,147,840.
* The maximum loan amount is the lesser of $3 million, total project cost, or total energy cost savings from the project (over 15 years). See“IVPROJECT CRITERIA”sectionbelowfor additional information.
* There is no minimum loan amount.
* The interest rate is zero percent (0%) for the term of the loan.
* A loan applicant with an existing KTEP or ECAA-Ed loan may apply for an additional loan if additional funding becomes available and when the applicant’s existing loan project is complete. Incentive layering with other programs is encouraged.
* This is a revolving loan fund and repayments from previously approved loan awards replenish the fund balance. Contact the CEC for current funding information before applying to ensure there is sufficient funding available.

## Funding Source

Funds used in this loan notice originate from IIJA / BIL Section 40502.

## Loan Security Requirements

A promissory note and a loan agreement between the applicant and the CEC are required to secure the loan.

### Disbursement of Loan Funds

Loan funds are provided on a reimbursement basis. For each reimbursement request, receipts and invoices for incurred expenses must be submitted with proof of payment. The final 10 percent of the incurred expenses invoiced will be retained until the project is complete and the applicant submits the project’s final report.

**All award funding is contingent upon DOE funding availability.**

## Repayment Terms

* Loans must be repaid from energy cost savings or other legally available funds within a maximum of 15 years. Loans with a simple payback period greater than 15 years can be partially funded.
* The amortization of the loan and repayment schedule will be based on the number of years needed to repay the loan using an estimate of the energy cost savings during the first year after project completion. Energy cost savings are based on applicable utility tariffs and operating schedules at the time the loan application is submitted.
* The loan repayment term cannot exceed the Effective Useful Life (EUL) of the loan-funded equipment.
* Applicants will be billed twice a year--in June and December--after the project is completed

## Additional Loan Information

All documents submitted in response to this PON are public records and not confidential.

# Project Parameters

A Qualifying Energy Audit is required to verify the estimated energy savings and determine the estimated loan payback period prior to loan approval. A Qualifying Energy Audit adheres with ASHRAE Level 2 energy audit parameters[[2]](#footnote-3) and is required to demonstrate and document anticipated project energy savings. Projects with proven energy and/or demand cost savings are eligible, provided they meet the program eligibility requirements.

The following parameters will be determined based on the findings of the Qualifying Energy Audit:

1. The maximum loan amount per application is the lesser of:
   1. $3 million;
   2. The estimated total project cost (less any incentives); or
   3. The estimated total energy cost savings over the EUL of the loan-funded equipment, not to exceed 15 years.

If the estimated total project cost is more than the estimated total energy cost savings over the EUL of the loan-funded equipment, the applicant may take steps to reduce the total project cost. This can be done by using rebates, incentives, loan co-funding, and/or its own funding to lower the estimated total project cost to the estimated total energy cost savings level.

1. The estimated total energy cost savings over the EUL of the loan-funded equipment will be calculated by multiplying each project measure’s annual energy cost savings by that measure’s EUL and then adding up the savings for the entire project.

The applicant should use EULs provided by the California Electronic Technical Reference Manual (eTRM), or the equipment manufacturer’s warranty. EULs will be the lesser of the EUL stated in the application or 15 years. Link to [eTRM](https://www.caetrm.com/login/?next=/cpuc/table/effusefullife/) can be found here: https://www.caetrm.com/login/?next=/cpuc/table/effusefullife/

1. Energy cost savings shall be determined using the applicant’s energy rates at the time the application is submitted. Potential increase or decrease of energy rates and soft costs, such as operation and maintenance savings, will not be considered when determining energy cost savings.
2. If the project is installed in a leased facility, the term of the lease must exceed the repayment period of the loan.

# Reporting

Recipients of loan funds under this program are required to meet federal and state reporting requirements. Applicants shall agree to provide the CEC with all information required to meet these requirements including the California Environmental Quality Act, National Environmental Policy Act compliance reporting and National Historic Preservation Act compliance reporting; Build America, Buy America; and Davis-Bacon Act enforcement reporting. In addition, construction progress reports are due each calendar quarter until project completion.

# Project Commencement

A loan agreement must be fully executed (i.e. signed by the CEC and the loan applicant) before project work can begin. Only approved project-related costs that are incurred within the term of the executed agreement and comply with the terms and conditions of the loan agreement are eligible for reimbursement. If the loan is not approved or executed, the CEC is not responsible for reimbursement of any costs. The CEC reserves the right to modify the terms and conditionsprior to executing loan agreements.

# How to Apply

CEC staff will review applications and supporting documents to validate eligibility and the technical and economic feasibility of the proposed project based on the requirements described in this PON. Applications deemed complete will be processed in the order received. Applications are deemed complete when sufficient documentation is submitted to verify eligibility and compliance with all requirements listed in this PON. If funding becomes oversubscribed, applications will be placed on a waiting list in the order they were deemed complete.

A loan applicant with an existing KTEP or ECAA-Ed loan can apply for an additional loan if additional funding becomes available, and when the applicant’s existing loan project is complete.

To apply for this program, interested parties need to provide the following documents to CEC:

1. **KTEP** **Loan Application for CEC Financing** (Attachment 1). Certified electronic signatures are acceptable. Name of person signing document shall match the name of the person authorized in the resolution (Attachment 3).
2. **Summary of Energy Measures in the Loan Request** (Attachment 2). This summary lists project measures for which a loan is being requested. With information provided by the Building Energy Audit Template and Audit Data Report (Attachment 8), the document identifies the estimated savings, cost, EUL and payback. Attachment 2 must be provided in Excel format.
3. **Sample Resolution** (Attachment 3). Resolution by governing body authorizing the LEA to apply and receive these funds and authorize an individual to sign loan agreement documents.
4. **California Environmental Quality Act (CEQA) Information and National Environmental Policy Act (NEPA) Worksheet** (Attachment 4 and 5). These worksheets provide CEC information to ensure CEQA and NEPA requirements are met. Applicants must follow the instructions in both documents, and submit relevant documentation described in the attachment.

Note that NEPA review may prompt a **National Historic Preservation Act (NHPA)** review. See Attachment 5, NEPA EQ-1, Sections 3 and 14.

1. **Documentation of Applicant’s Authority**.
   1. Include documentation showing the authority of the applicant to enter into the loan agreement, which could be:
      1. A copy of a signed resolution, motion, order, etc. from the applicant’s governing board (See Attachment 3). The documentation must include the finding on CEQA compliance. If the CEQA finding is an agenda item, include both the agenda item and the resolution.
      2. A copy of the law or document showing the applicant’s authority to enter into a loan agreement.
   2. Include documentation showing the job title of the individual authorized to apply for the loan and execute the loan agreement. In most cases, the title of the individual will be listed in the resolution, motion, or order (See Attachment 3).
   3. If there is no resolution, motion, or order, the applicant must include documentation showing the job title of the authorized individual.
2. **Utility Billing Data.** The applicant must electronically submit 12 months of recent baseline utility data records from electric and natural gas utilities for the site, unless the information on utility usage and rate schedules is included in the Qualifying Energy Audit Report.
3. **U.S. Department of Energy Building Asset Score and Energy Audit Requirements.** The Qualifying Energy Audit must have been completed since 2018, entered online into the DOE Building Energy Audit Template, and if necessary, updated to include current utility and project costs. A new audit is necessary if there has been an addition or renovation to the building, significant changes to the building use or occupancy, and/or significant upgrades to audit software and expertise since the audit was performed. (See Attachment 8 for links to the DOE Building Energy Audit Template and Audit Data Report).

Applicants must make sure energy audit requirements are consistent with ASHRAE Level 2 audits. For example, the audit will need to look at all efficiency measures comprehensively and outline all possible efficiency opportunities at the facility rather than including only the measures requesting funding. The audit must contain:

* 1. A detailed description of the proposed project including audit and project completion dates and audit team and building staff contacts.
  2. A description of the buildings/facilities affected by the proposed project including building use types, building envelope characteristics and major installed equipment components such as HVAC, lighting and service hot water systems. The information may be based on on-site observations, review of architectural drawings and specifications, measurements or engineering calculations.
  3. Specify energy supply sources and monthly metered and delivered energy use data. Benchmarking data, including the building’s Energy Use Intensity (EUI) and target energy savings may also be provided.
  4. All calculations and assumptions to support the technical feasibility and energy savings of the proposed recommended project. Provide estimated building energy use by end use for all energy supply sources. These will be used to verify that the estimated energy use by end use estimates align with historical energy use. Provide recommended low cost, no cost and potential capital energy efficiency measures and energy and cost savings generated by the Energy Audit.
  5. Recommendations for peak energy demand savings.
  6. A proposed budget detailing all project costs.
  7. A proposed schedule for the implementation of the project. If the Energy Audit identifies repair, maintenance and operating procedures, the applicant shall include the estimated date of implementation or provide a reason for not implementing.

1. **For Charter Schools Only.** Charter schools must review the Additional Eligibility Requirements in Attachment 6 and in addition submit:
   1. Attachment 6-Charter Schools Information
   2. Attachment 7 - Certificate of Good Standing for Charter School Applicants
2. **California Building Energy Benchmarking Law**. Applicant is to certify they are in compliance with the state’s building energy benchmarking law and will remain so over the life of the loan. More information on who is required to report can be found at [Building Energy Benchmarking Program | California Energy Commission](https://www.energy.ca.gov/programs-and-topics/programs/building-energy-benchmarking-program).

Additionally, please read the Build America, Buy America Requirements and Davis Bacon Requirements outlined in the Federal Terms and Conditions within the Sample Loan Agreement (Attachment 9). Although no documentation related to these requirements is needed in the application, applicants awarded a loan will be required to submit documentation and reports during the project to demonstrate compliance with both Build America, Buy America and the Davis Bacon Act.

# When Can Projects Begin

A loan agreement must be fully executed, signed by the CEC and loan applicant, before project work can begin. Only approved project-related costs **that are incurred** within the term of the executed agreement and comply with the terms and conditions of the loan agreement are eligible for reimbursement. If the loan is not approved or executed, the CEC is not responsible for reimbursement of any costs.

# Attachments To This PON

Attachment 1: KTEP Loan Application for CEC Financing

Attachment 2: Summary of Energy Measures in Loan Request

Attachment 3: Sample Resolution

Attachment 4: California Environmental Quality Act (CEQA) Compliance Worksheet

Attachment 5: National Environmental Policy Act (NEPA) Compliance Worksheet

Attachment 6: Charter Schools – Information & Additional Eligibility Requirements

Attachment 7: Certificate of Good Standing for Charter School Applicants

Attachment 8. U.S. Department of Energy - Energy Audit Requirements

Attachment 9. Sample Loan Agreement

# How To Submit an Application

Email the loan application and all supporting documentation to [Loans@energy.ca.gov](mailto:Loans@energy.ca.gov).

Applications may be submitted at any time and this PON will remain posted for a minimum of 90 days from the original release date. Please note that application submissions are not confidential documents.

### CONTACT INFORMATION

If you have any questions or want to discuss this PON, please contact [Loans@energy.ca.gov](mailto:Loans@energy.ca.gov)

### LOAN NOTICE DOCUMENTS

A copy of this loan notice, attachments to this loan notice, and more are available on the [KTEP webpage](https://www.energy.ca.gov/programs-and-topics/programs/kindergarten-through-twelfth-grade-energy-efficiency-program-ktep) at https://www.energy.ca.gov/programs-and-topics/programs/kindergarten-through-twelfth-grade-energy-efficiency-program-ktep

The CEC reserves the right to close or change this PON. Funds for this program are contingent upon availability of federal funding and directives.

1. [Infrastructure Investment and Jobs Act](http://www.congress.gov/bill/117th-congress/house-bill/3684) www.congress.gov/bill/117th-congress/house-bill/3684 [↑](#footnote-ref-2)
2. Additional information on ASHRAE Level 2 audits can be found at https://www.ashrae.org/File%20Library/Technical%20Resources/Bookstore/previews\_2016437\_pre.pdf [↑](#footnote-ref-3)