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The purpose of this report is to provide information to the Council on the funds that may become available from Orion to supplement the Christchurch Clean Air and Energy Efficiency Programme budget.

In his letter to the Council dated 16 September, Mr Roger Sutton, General Manager of Orion NZ Ltd, advised that over the past 20 years, money has been advanced to Orion's predecessors for the purposes of clean air and energy efficiency promotions. The funds have been used as interest free loans to customers, and have been administered by Orion and its predecessors.

Orion no longer has the infrastructure to continue these types of promotions. A more cost-effective and large-scale clean air incentive programme is now successfully operated by the Christchurch City Council. Therefore Orion's loan scheme has been closed to new applications and it is Orion's intention to gift the money to the Council to supplement the Council's Clean Air and Energy Efficiency Programme budget, unless another organisation can establish a definite claim to the money. As the origins of the funds advanced between the 1970s to early 1990s are not clear, Orion has also sent letters to the Ministry of Housing, the Housing Corporation and the Canterbury Regional Council.

The total amount advanced was approximately \$280,000. Approximately \$23,000 has been written off as bad debts, so that the carrying amount is in excess of \$257,000. Of this sum, \$134,000 is still owed by customers to Orion with the last repayment being due mid 2001. Orion will continue to administer the existing customer loans until they are repaid.

Orion proposes to repay the funds to the Council in two installments:

- \$120,000 at 1 December 1999
- the balance in July 2001.

The funds from Orion could be used as Clean Air Grants and would allow the Council's incentive programme to be extended to include an extra 250 clean air conversions in the 1999/2000 financial year and another 250-270 conversions in 2001/02.

These additional funds could reduce a shortfall in the number of households participating in the Council's Clean Air Programme. When the programme was designed in 1997, its target market was estimated at around 7,000 participants. The programme implementation to date revealed that very few participants opted for a cheaper electric replacement option eligible for a \$300 grant, and that the majority of participants were installing more expensive heating appliances eligible for the \$500 grants. As a result, the current average amount of grant is \$484. If this trend continues the existing available funding will be sufficient to subsidise only 5,000 installations out of the 7,000 estimated potential conversions. Additional funds from Orion would provide 500 additional clean air conversions.

- Recommendation:**
1. That the Director of Finance be authorised to make a claim for the return of Orion's Clean Air Loan funds to the Council.
  2. That, should he be successful, the funds be applied to the Clean Air and Energy Efficiency Programme for the 1999/2000 and 2001/02 financial years as amounts additional to the funds already budgeted.