

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

ORIGINAL

In the matter of the application of  
**Oro Electric Corporation for permis-**  
sion to hypothecate 180 of its first  
mortgage 6 per cent sinking fund gold  
bonds of the par value of \$1,000 each,  
dated October 1, 1911.

Application No. 1573.

W. H. Orrick, for applicant.

EDGERTON, Commissioner.

OPINION

Oro Electric Corporation makes application herein for authority to issue and pledge \$180,000 face value of its bonds as collateral security for promissory notes in the total sum of \$60,000. Oro Electric Corporation is engaged in the business of generating and selling electricity for light, heat and power. It serves Oroville and other portions of Butte County. It owns reservoir sites and ~~xxxx~~ riparian rights on Yellow Creek, Soda Creek, Butt Creek and Grizzly Creek, in Plumas County, and Deer Creek and Mill Creek, in Tehama County, an auxiliary steam plant at Stockton and certain other power plants with transmission and distribution lines located in Sutter, Yuba, Glenn, Calaveras, Butte and San Joaquin Counties, California. It has an authorized stock issue of 100,000 shares, divided into 35,000 shares of preferred and 65,000 shares of common stock, all of the par value of \$100 per share. All of the stock is outstanding.

The applicant is also engaged in the business of gold dredging, from which it derives a very large portion of its revenues.

The applicant reports bonds outstanding for itself and related corporations as follows:

Oro Electric Corporation .....	\$1,830,000
Oro Water, Light and Power Company, .....	300,000
Oroville Light and Power Company, .....	<u>46,000</u>
Total .....	\$2,176,000.

Applicant also reports a floating in-  
debtedness in the sum of ..... 220,000.

The note issue now proposed would in-  
crease the indebtedness by ..... 60,000

The total indebtedness therefore would be \$2,456,000.

For the calendar year 1914 the applicant submitted the  
following income account:

Gross Earnings .....	\$ 713,669.24
Other Earnings .....	<u>1,374.11</u>
Total Earnings .....	\$ 715,043.35
Operating Expenses .....	<u>414,690.30</u>
Net Earnings .....	\$ 300,353.05
Interest on Bonds and all other indebtedness .....	<u>137,199.35</u>
Net surplus after all charges .....	\$ 163,153.70
Deductions above chargeable to capital -	
Interest During Construction .....	55,800.00
Development Expense .....	<u>23,564.38</u>
Actual Surplus .....	\$ 242,518.08

Of the gross earnings in the sum of \$713,669.24, the sum  
of \$268,348.15 is attributable to the public utility business, and  
\$445,321.09 to the gold dredging operations.

Oro Electric Corporation proposes to issue twelve notes  
of the face value of \$5,000 each, to be dated March 25, 1915, these  
notes to mature serially, one every month, beginning May 25, 1915,

with the exception that in one month two such notes shall mature, the purpose being that none of the notes shall be issued for a term in excess of one year. These notes will carry interest at the rate of 7 per cent per annum and each one will be secured by \$15,000 face value of bonds as collateral. As these notes are to be issued for a period not in excess of one year, it is not necessary for the applicant to obtain the authority of the Commission for their issue. The applicant, however, may not pledge the bonds as collateral security unless the issue of those bonds is authorized by this Commission.

The ratio of bonds to the face value of the notes, three to one, is manifestly higher than prudence or good financing dictate and we may assume that it is not through the choice of the applicant that it is obliged to pledge its bonds at the ratio indicated.

It is proposed to use the \$50,000 to reimburse the applicant for expenditures made from income upon capital account. The applicant stated at the hearing that it was the intention hereafter to devote its surplus earnings to the payment of these notes as they fall due, and that as these notes were paid, the collateral securing them would be returned to the treasury. In addition, the applicant has obligated itself to take every precaution and has submitted assurances that it will not in any event permit a default nor a foreclosure upon the collateral bonds. It may be expected, therefore, that the applicant will retire these notes monthly. This utility has been making certain changes in its affairs and I believe this fact should be taken into consideration in passing upon this matter.

In view of the assurances which have been made by this applicant to the end that the bonds, if pledged, will be duly returned to applicant's treasury, I recommend that the application

be granted and submit the following form of order:

O R D E R

Oro Electric Corporation having applied to this Commission for authority to issue and pledge \$180,000 face value of its bonds, secured by its trust deed to First Federal Trust Company of San Francisco, trustee, dated October 1, 1911, as collateral security for an issue of \$60,000 of notes as specified in the foregoing opinion,

And a hearing having been held and it appearing that the purposes for which it is proposed to issue said notes and to pledge said bonds are not in whole or in part reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED that Oro Electric Corporation be granted authority and it is hereby granted authority to pledge \$180,000 face value of its bonds secured by its trust deed to First Federal Trust Company of San Francisco, as trustee, dated October 1, 1911, as collateral security for an issue of \$60,000 of notes, said notes to be dated March 25, 1915, and to mature serially, all within a period of one year after date.

The authority herein granted is granted upon the following conditions and not otherwise:

1. The bonds herein authorized may be pledged at the ratio of \$15,000 of bonds as security for every note of the face value of \$5,000.
2. The notes herein proposed to be issued shall be retired at the rate of not less than \$5,000 monthly, beginning in May, 1915, and upon the retirement of each note of the face value of \$5,000 the bonds pledged as collateral therefor shall be returned to applicant's treasury and not thereafter issued until such further issue shall have been approved by this Commission.
3. Oro Electric Corporation shall keep separate, true,

and accurate accounts showing the pledge of the bonds herein authorized and shall report monthly to this Commission, stating the amount of bonds pledged and returned to its treasury.

4. The authority herein granted is conditioned upon the payment by the applicant of the fee prescribed under the Public Utilities Act.

5. The authority herein granted shall apply to such bonds as shall have been pledged on or before December 31, 1915.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 18<sup>th</sup> day of March, 1915.

Max Thelen

H. R. Toland

Edwin O. Edgerton

Commissioners

Railroad Commission State of California

Fee \$ 180<sup>00</sup>/<sub>100</sub>

MAR 19 1915

BY

H. G. Mathewson  
Assistant Secretary