

56TH ANNUAL REPORT OF THE

**HAWAIIAN  
ELECTRIC  
COMPANY, LIMITED**

for the twelve months  
ended December 31, 1946



# The Hawaiian Electric Co., Ltd.

900 Richards Street (Palace Square)  
Honolulu, Hawaii

## BOARD OF DIRECTORS

J. BALLARD ATHERTON  
L. A. BUESE  
T. A. COOKE  
GERALD W. FISHER  
C. R. HEMENWAY  
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GASKELL S. JACOBS  
RALPH B. JOHNSON  
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## OFFICERS

P. E. SPALDING..... *Chairman of the Board*  
L. A. HICKS..... *President*  
GASKELL S. JACOBS..... *Vice-President and Treasurer*  
L. A. BUESE..... *Vice-President and Executive Engineer*  
RALPH B. JOHNSON..... *Vice-President and Secretary*  
PAUL H. ANDERSON..... *Vice-President*  
GEO. HOGG..... *Assistant Secretary*  
C. E. NOLAN..... *Assistant Secretary*  
F. W. S. MACKENZIE..... *Assistant Treasurer*  
G. M. WINSLEY..... *Assistant Treasurer*  
HENRY DAVIS..... *Auditor*  
HENRY DAVIS AUDIT COMPANY

# The Hawaiian Electric Co., Ltd.

## PRESIDENT'S REPORT

Honolulu, Hawaii, March 27, 1947

To the Directors and Stockholders of  
*The Hawaiian Electric Company, Limited:*

I submit herewith my annual report for the year ended December 31, 1946:

During this first full post-war year, the Company's operations were circumscribed by the many national and local problems of re-conversion and adjustment to a peace-time economy, principally by the increasing cost of and continued shortages in labor and in materials required for construction and merchandising. Gross revenues declined, largely in utility operations and these almost entirely from the reduction in use of electric energy by army and navy establishments, including electric dredging operations, accompanying their transition to a peace-time basis. During the last six months of the year, however, the reduced revenues from military establishments had become fairly stabilized at a new post-war level. Residential, commercial and industrial business trended definitely upward during the year and would have been greater if building materials for relief of housing shortage, and electrical household appliances had been available in the needed quantities. Although wage levels were higher than in the preceding year, operating expenses were in the aggregate less because of the reduced quantity of fuel oil consumed and the elimination of the Federal excess profits tax.

The net income for the year 1946 was \$1,226,644 as compared with \$1,169,187 for the year 1945. After payment of all operating expenses, taxes, depreciation, interest charges and other income deductions, and dividends on preferred stock, there remained earnings of \$2.85 per share of common stock outstanding. Dividends for the year were paid in the amounts of \$1.00 per share on Series B, 5% preferred stock, \$.85 per share on Series C, 4 1/4% preferred stock and \$2.00 per share on the common stock.

### Plant and Property Expenditures

During 1946 expenditures for new plant and properties aggregated \$4,072,955 as follows:

Steam Production Plant.....	\$ 224,700.54
Transmission and Distribution Plant.....	564,672.85
General Plant.....	214,509.79
Ice Plant.....	2,874.48
Merchandise Plant.....	28,604.74
Work in Progress: Steam Production Plant.....	2,417,843.64
Trans. and Dist. Plant.....	612,577.31
General Plant.....	2,890.39
Merchandise Plant.....	4,281.30
	<u>\$4,072,955.04</u>

Progress on the 40,000 kilowatt enlargement of the Company's Waiau Generating Plant has been further impeded by the unrelieved shortage of labor and by delays in manufacture and delivery of materials and equipment brought about by mainland industrial and shipping strikes. The building to house this new unit is nearly complete, the boiler is partly installed, delivery of the turbo-generator is now scheduled for early 1947, and by the latter part of the year the entire project should be completed and in operation. Two new large fuel oil storage tanks, permanent warehouses, the employees' cafeteria and other accessory units of this project were completed during 1946 and are now in use. Additional housing facilities for the operating personnel at Waiau are an essential part of this project. Grading of the land and installation of water and sewerage lines have been completed and construction of the dwellings is scheduled to begin early in 1947 when materials become available.

Larger fuel oil storage facilities required by the 35,000 kilowatt expansion of the Honolulu Generating Plant in 1944 and by the future growth of that power source dictated the acquisition late in 1946 at a cost of \$220,000 of a tract of land in the Iwilei Industrial District.

Construction work on the three-story and basement building on the Company's Ward Avenue property, to house Engineering and Distribution operations has also been retarded by shortages of material and labor but is now progressing at a satisfactory rate.

Additional transformer capacity was installed in the Ni'iu, Waipahu, Aiea, Koolau, Kaneohe and Hickam substations to supply increasing loads in those districts. Transmission lines extending from Kahuku to Kahana on windward Oahu were converted from 6,000 volt to 11,000 volt operation to furnish addi-

tional capacity for increasing loads in that area. Plans have been completed and work will be started in the near future on the conversion of distribution lines in the Iwilei industrial and the downtown Honolulu districts from 2,400 volts to 4,000 volts, greatly increasing the capacity of existing primary distribution facilities. With the completion of this conversion all distribution of energy will be standardized at 4,000 volts or 11,000 volts with few isolated exceptions.

The expansion of the Company's business in recent years has called for commensurate expenditures for new plant and properties as follows:

1942.....	\$ 2,660,487.99
1943.....	3,040,210.19
1944.....	2,285,182.89
1945.....	2,548,394.63
1946.....	4,072,955.04
Total for 5 years.....	<u>\$14,607,230.74</u>

In the ten year period ended December 31, 1946 the Company's physical properties, consisting of its utility and non-utility plant, have been expanded by net additions, after retirements, in the amount of \$20,881,137 and their cost now stands at \$33,892,385.

### Property Retirements

Retirements of plant in the year 1946, amounting to \$235,403, consist mainly of substation, transmission and distribution equipment replaced, and vehicles retired from service. Property retirements, both utility and non-utility departments, for the ten year period ended December 31, 1946 aggregated \$3,605,574 all of which has been absorbed by reserves provided for depreciation. In nearly all cases such property removed from service by reason of its condition, inadequacy or obsolescence has been replaced by modern, larger capacity and more efficient equipment.

### Utility Department

After being in service for seventeen months the new 35,000 kilowatt turbo-generator in the Honolulu Generating Plant was inspected and found to be in excellent condition. The periodic inspection and overhaul of generating units, not possible under war-time demands on such equipment was again resumed. Other older generating units and associated equipment were thereby restored to full operating condition. The exteriors of the Honolulu Generating Plant, and the Iwilei and Waiau fuel oil storage tanks were repainted after removing the camouflage applied early in the war. The floating power plant, "Jacona," leased from the

United States Navy and moored alongside the Waiau Generating Plant, was placed in operation in February 1946. This auxiliary plant has provided and will be maintained to furnish the much needed system stand-by and reserve generating capacity pending the completion of the new Waiau generating unit.

Some distribution and transmission maintenance work, especially in the clearing of rights-of-way and tree trimming, has been postponed because of the shortage of labor. This deterrent, however, is not extensive enough to affect service, and the cost of such postponed maintenance should not materially burden future expenses.

The cafeteria at Waiau opened in October and has filled a long felt need serving meals to employees at that location. The Company now has four cafeterias, all consolidated into a single operation under the supervision of an experienced superintendent, serving approximately 1,000 meals to employees daily.

Centralization of all local buying functions through the establishment of a Purchasing Division has added effective controls and savings to this phase of operations.

The total energy delivered into the system for 1946 was 22.2% less than for 1945. Notwithstanding the elimination of war-time military loads, the system output is still approximately twice as great as that of the pre-war year 1940. The year's peak demand of 106,800 kilowatts occurred in the month of January, and was only 9,500 kilowatts or 8.2% below the previous year's war-time peak. The statistical aspects of energy production during the last five years are shown in the following tabulation:

Year	Net K.W. Hours		Total System Input		Kilowatts Generated at Generating Stations
	Generated	Purchased	K.W. Hours	K.W. Hours	
1942	395,328,160	7,389,120	402,717,280	82,500	
1943	428,858,020	32,728,800	461,586,820	82,500	
1944	477,564,700	48,994,600	526,559,300	117,500	
1945	599,812,150	12,550,720	612,362,870	117,500*	
1946	468,330,200	7,741,300	476,071,500	137,500*	

\* Including Floating Power Plant "Lacona."

Gross revenues from the sale of electric energy in 1946 amounted to \$8,262,026.93, a decrease of \$1,078,701.72 as compared with the year 1945, arising largely from the return of military establishments to a peace-time basis. The number of consumers increased by 2,338 to a total of 60,048, exclusive of some 2,000 dwelling units comprising the several projects of the Hawaii Housing Authority which are supplied with electric energy by the Company.

The comparative figures for the last five years are as follows:

Year	Revenue from Sales of Electric Energy	Consumers
1942	\$6,043,546.35	54,492
1943	7,158,832.99	54,927
1944	8,119,336.26	56,489
1945	9,340,728.65	57,710
1946	8,262,026.93	60,048

The average price of energy supplied to residential service consumers decreased from 3.0¢ per KWH in 1945 to 2.99¢ per KWH in 1946, and residential consumer increased from 1,791 to 1,932 KWH per annum.

Effective October 1, 1946, the residential service Rate Schedule was liberalized permitting the use of higher wattage water heaters and thereby furnishing consumers with the more abundant hot water supply required by household electric appliances. The shortage of electric meters necessitated the connection of a large number of new residential consumers on a flat rate basis, with estimated billings subject to adjustment when meters are subsequently installed. Bi-monthly meter reading and billing of residential consumers, inaugurated in 1944 as a war-time saving in personnel has had general acceptance by this class of users in view of the savings in costs involved, this practice is being retained. Enlargement of the staff of the Home Service Division of the Promotion Department now provides a broader scope of advisory service to home-makers in the use and care of household electric appliances and in food economics.

Changes in utility operating expenses during 1946 are shown in the following summarized statement of departmental income:

	1946		Percent of Operating Revenues	Increase/Decrease from 1945
	Amount	Percent		
Operating Revenues.....	\$8,387,629	100.0		
Operating Expenses:				
Fuel.....	\$1,936,465	23.1		\$ 302,706
Purchased Energy.....	15,168	0.2		86,642
Operation.....	2,445,873	29.2		283,778
Maintenance.....	982,535	11.7		218,796
Taxes.....	1,014,226	12.1		1,042,949
Depreciation.....	634,458	7.5		23,227
Total Operating Expenses.....	\$7,028,725	83.8		\$ 906,496
Net Operating Income.....	\$1,358,904	16.2		\$ 119,092

### Ice and Cold Storage Department

The Ice Department and the Cold Storage Department were consolidated in April 1946, with consequent economies in supervisory and other operating costs.

Ice sales during 1946 amounted to 20,132 tons with receipts of \$13,694. Both output and receipts were lower than in 1945 because of reduced production capacity during long postponed overhaul of ice tanks. Comparative operations in recent years are as follows:

Year	Ice Sales Revenues	Ice Production Tons	Ice Dept. Consumers
1942	\$152,930.44	29,863	330
1943	146,357.54	27,081	380
1944	160,458.07	24,855	420
1945	134,599.84	23,844	441
1946	113,694.46	20,132	137

All residence and commercial ice deliveries were discontinued with the close of the year, the former routes being taken over by dealers. The corresponding loss of such consumers is reflected in the year end figures. All ice is now sold f.o.b. plant platform, and the existing demand absorbs the total production capacity of the plant.

Cold storage revenues of \$51,341 have improved during the year. Comparative figures for the past five years follow:

Year	Cold Storage Revenues
1942	\$58,013.65
1943	69,565.00
1944	60,388.39
1945	45,935.81
1946	51,340.64

A revised price schedule for ice and a new cold storage tariff were established effective in November, but the year's operations are only slightly affected by these changes. Post-war rehabilitation expenses on buildings and machinery, and tax adjustments have reduced the 1946 net income of this department.

The present plans of the Territory of Hawaii for the construction of an arterial highway along the Honolulu waterfront call for the widening of Halekauwila Street and the taking of a strip approximately 50 feet in width of the Company's property within which are located, principally, its Ice Plant and a portion of its Cold Storage Plant. To safeguard its interest, the Territory has instituted eminent domain proceedings. If this highway project is carried through, the Company faces the loss of its ice and cold storage business. The present electric generating facilities, occupying the remainder of the block, should not be affected but their further expansion would be restricted.

Of the total utility operating revenues for the year, fuel oil and purchased energy absorbed 23.3%; operating expenses 29.2%; taxes 12.1% as compared with 21.8% for 1945, the last year of the Federal excess profits tax; maintenance and depreciation, 19.2%; leaving 16.2% of operating revenues for bond and other interest charges, dividends and surplus. Operation and maintenance expenses in the aggregate amount to \$3,428,408 including wages and salaries in the amount of \$2,412,547 representing 28.8% of utility operating revenues. Generating plant efficiency decreased from 436 to 410 kilowatt hours per barrel of fuel oil principally because of outage from service during overhaul of the Company's most efficient new generating unit and the relatively low fuel efficiency of the "Jacona" floating stand-by plant. With lower output, fuel oil consumption decreased 232,133 barrels. The average cost of fuel oil during the year was \$1.70 per barrel, 6.6 cents per barrel higher than in 1945. The total of utility operating expenses decreased 11.4% below the previous year as against a 10.9% decrease in utility operating revenues.

The post-war resumption of the manufacture of electric household appliances, particularly ranges, waterheaters and refrigerators, brought only a nominal supply of this equipment to the local market up to the close of the year 1946. However, promotional activities were resumed, and the acceptance by the public of the use of such appliances is indicated by the large unfulfilled demands upon all dealers in such equipment.

The large number of retailers entering the electric appliance field and the many new makes of such appliances on the market has created the necessity for a co-ordinated program of promoting the utilization of household appliances, intensive sales training activities, and a full co-operation among such new specialized merchandisers. The operating electric utility's interest in the successful accomplishment of these objectives resulted in the establishment at the beginning of the year of an Electrical Development Advisory Service which has materially assisted both distributors and retailers in all phases of this program regardless of the many different makes of equipment represented.

### Non-utility Departments

The merchandise department of the Company comprising the wholesale distribution of electrical materials and appliances, the repair of equipment and appliances, and contract wiring, together with the ice and cold storage departments have been placed under the direction of Mr. Paul H. Anderson who was appointed a Vice-President on March 28, 1946.

### Merchandise Department

For clarification of functions, both within and without the Company, the names of the several subdivisions of this department were changed to Wholesale Supply Department, Electrical Contracting Department, and Industrial and Appliance Maintenance Department, superseding their former respective designations of Jobbing, Wiring and Shop Repair Departments. Operations of these departments in 1946 produced revenues of \$2,694,726 with a net operating income for the year of \$98,480, an increase of \$39,802 above the corresponding 1945 income.

The comparative figures for the past five years are as follows:

Year	Merchandise Dept. Revenues
1942	\$3,397,267.18
1943	3,171,471.83
1944	2,637,578.39
1945	2,428,441.77
1946	2,694,726.02

Continued shortages in materials, equipment and appliances, together with protracted delays in shipments, caused by mainland industrial and maritime strikes had a marked effect on the Wholesale Supply Department, but the addition of new lines of electrical merchandise has broadened the diversity of operations with every prospect of a future increase in sales volume.

A substantial increase in business was experienced by both the Industrial and Appliance Maintenance Department and the Electrical Contracting Department. New special machinery has been provided for motor winding and repair work, and a specialist has been added to the staff to meet the requirements of servicing plantation, industrial and utility steam turbines.

Renegotiation of the Company's 1943 business with U. S. Government Departments and their contractors was settled by agreement dated January 7, 1946 under which the Company refunded \$6,243,36 to the Government. A similar agreement dated March 15, 1946 covering 1944 Government business resulted in a return of \$8,384,98 to the Government. Settlements for both years related to non-utility business only, as no "excessive profits" were found to have arisen from utility operations. Renegotiation of 1945 Government business is still pending and as electric utility sales for that year are specifically exempt, settlement should involve only a nominal refund.

### Financing

Net current assets at December 31, 1946 amounted to \$1,811,175, a reduction during the year of \$3,210,105. No new capital funds were sought during the year from the issuance of bonds or stocks.

the plant expenditures of \$4,072,955 having been financed from the residue of the proceeds of the 1945 issue of Series "C" preferred stock from reserve accruals and from working capital. The funds required for the completion during 1947 of the construction work in progress on the enlargement of the Company's Waiau generating plant and all other needed facilities will be provided through definitive financing during 1947. Arrangements have been effected through bank loans for the required interim funds.

### Reserves and Surplus

At December 31, 1945 the Company's tax contingency reserve, accumulated largely by charges to income during the years 1940 to 1945 inclusive, stood at \$1,046,784 and was increased by later adjustments to \$1,101,761. The settlement in March 1946 of pending Federal tax deficiency assessments for the years 1941 to 1944 inclusive, together with interest thereon aggregating \$245,796 was met from this reserve. With such discharge of substantially all tax liabilities relating to prior years, \$200,000 has been retained in the tax reserve as a provision against future contingencies of this nature and the remainder has been transferred to Earned Surplus.

The Company's reserves for uncollectible accounts of both utility and non-utility departments have accumulated over many years to amounts substantially in excess of any foreseeable future losses of this nature. These reserves have been reduced to \$110,000 and the remaining balances likewise transferred to Earned Surplus. All other reserves have been retained in full. Wage adjustments for prior years resulting from the findings of the Territorial Administrator of the Federal Fair Labor Standards Act, and payroll taxes thereon in the amount of \$191,197 paid during 1946 were appropriately charged against Earned Surplus.

The balance of \$299,144 from the year's operations after the payment of regular quarterly dividends on both series of preferred stock and on common stock, with the addition of reserve transfers, and the deduction of the prior years' wage payments above referred to, together with miscellaneous debits and credits have brought the Company's Earned Surplus to \$3,464,112 at December 31, 1946.

### General

Even with the return of many employees from service in the armed forces and the hiring of other veterans, the continued demands, largely for skilled workers, in the construction, operating and office forces of the Company, have not been satisfactorily

met, in competition with the employment demands of government contractors, still engaged in large scale operations in the Pacific Area and of contractors on private construction and building operations. There were 1,291 employees on the payroll at the end of the year, a net increase of 225 during the year out of a total of 758 new employees hired. This excessive turn-over rate is indicative of the unrest and the other abnormal conditions still prevailing among workers in the area served by the Company.

Amendments dated February 22, 1946 to the Company's Agreements with Local Union B-1260, I. B. E. W. covering hourly paid utility and non-utility workers, and arrived at through collective bargaining, provided for an average 11% increase in basic wage rates effective March 1, 1946 and extended the Agreements from June 30, 1946 to June 30, 1947. Similar additional compensation was awarded all non-covered clerical and other monthly paid employees. During July, Local Union B-1260, I. B. E. W. joined with other Honolulu public utilities' employees' unions in the recommendation of the Central Labor Council calling for a work holiday in August that would shut down all electric, gas, telephone and city transit services. The catastrophic effects of such a strike upon the entire community were brought to the attention of the public by newspaper advertisements and through the activities of citizens' groups, and the threatened action was withdrawn by the Union. At the Union's request a series of meetings was held in the latter part of the year for discussion of further wage increases. The Company made two offers of substantial pay increases contingent on a six months extension of the Union Agreement to December 31, 1947. The Union refused both offers and the amended Agreements expiring June 30, 1947 remain in force.

The Company's Retirement Annuity Plan, at completion of its sixth year of operation, had 972 employee participants and a fund balance with the insurance carrier of \$754,785. The Company's Group Life Insurance Plan has been modified as a result of which the 1,170 employees participating therein received not only an increase in aggregate coverage from \$3,678,000 to \$5,819,000, but also a reduction in the premium rate paid by them. The Company's Sickness Benefit Plan paid hourly employees \$25,756 for working time lost through illness.

The Employees' Medical Aid Association, a mutual organization supported by employees' dues and Company contributions, increased its membership to 882 and paid 473 claims amounting to \$16,619. The Association found it necessary to raise its dues to meet rising costs of medical and hospital services.

The military services absorbed 29 employees during the year and 51 veterans returned to their former or better positions. At the end of the year 79 employees were still on military leave.

Total wages and salaries paid in 1946 amounted to \$3,940,961 as compared to \$3,437,998 during 1945, an increase of \$502,963 reflecting both the larger number of employees and their higher wage rates.

Early in the year 1946 an apprentice training program operating under the provisions of the Hawaii Apprenticeship Act was inaugurated and twenty-three employees are now receiving training in various trades and crafts, and in drafting. Other educational courses have been made available.

Service emblems were presented to 216 employees attaining five years or more of service with the Company. Ten employees received emblems representing thirty years of service.

The following department heads and employees retired during the year with past service pensions authorized by the Board of Directors:

Antone G. Cabral, Assistant Division Superintendent,

Distribution Dept., after 44 years of service;

S. V. Carr, Valuation Engineer and Assistant Treasurer, after 30 years of service;

Ernest C. Heine, Electrician Journeyman, Generation Dept., after 26 years of service;

Hoon Luke, Collector, Utility Credit and Collection Dept., after 16 years of service;

Robert L. Luikens, Division Supervisor, Commercial Dept., after 28 years of service;

Wojtech M. Maket, Blacksmith, Generation Dept., after 22 years of service;

David K. Milikaa, Electrician Journeyman, Generation Dept., after 25 years of service;

Jusaburo Murakami, Yardman, Generation Dept., after 25 years of service;

William P. Peterson, Master Mechanic, Generation Dept., after 22 years of service;

James K. Rice, Mechanic Journeyman, General Service Dept., after 21 years of service;

Mannel F. Silva, Refrigeration Engineer, Ice and Cold Storage Dept., after 33 years of service;

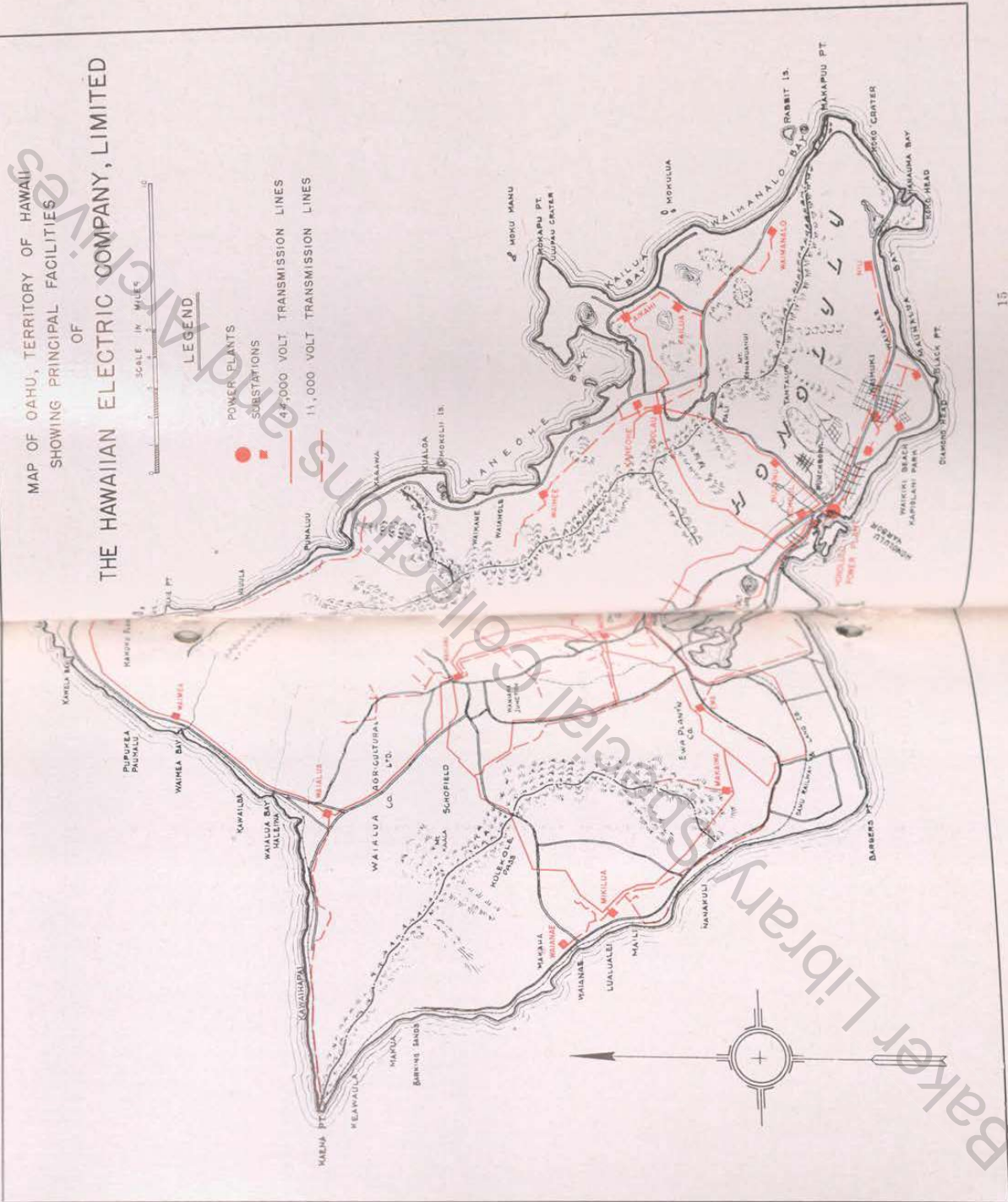
John Teves, Fireman, Generation Dept., after 25 years of service.

MAP OF OAHU, TERRITORY OF HAWAII  
 SHOWING PRINCIPAL FACILITIES  
 OF  
 THE HAWAIIAN ELECTRIC COMPANY, LIMITED

SCALE IN MILES

LEGEND

- POWER PLANTS
- SUBSTATIONS
- 47,000 VOLT TRANSMISSION LINES
- 11,000 VOLT TRANSMISSION LINES





### IN MEMORIAM

We record with deep regret the passing of:

- THOMAS K. AEAE  
*Distribution Dept. (Retired)—February 20, 1946*
- LT. CLARENCE V. ALVES  
*Merchandise Dept.—February 9, 1946*  
*(Missing in Action Since June 7, 1944)*
- AH CHONG AU  
*Commercial Dept. (Retired)—May 3, 1946*
- IRVINE U. BECKLEY  
*General Service Dept.—December 24, 1945*
- FABIAN C. COLLADO  
*General Service Dept.—November 18, 1946*
- ARTHUR V. HOLLINGER  
*Generation Dept.—May 15, 1946*
- WOJIECH M. MAKET  
*Generation Dept. (Retired)—April 26, 1946*
- EDWARD M. MAY  
*Electrical Contracting Dept.—July 5, 1946*
- HOWARD F. PERRY  
*Generation Dept.—July 22, 1946*
- SAMUEL AHI STONE  
*General Construction Dept.—August 24, 1946*
- CANDIDO SUI  
*Generation Dept. (Retired)—March 18, 1944*
- ROBERT Y. TAKEMURA  
*Promotion Dept.—April 7, 1946*
- SEIKURO YAMASAKI  
*Ice Dept. (Retired)—November 28, 1946*

In the year that has just passed, the community served by The Hawaiian Electric Company, Limited has experienced not only the nation-wide economic and social distortions accompanying the termination of hostilities, but also the impact of serious local disruptions and disturbances of its post-war recovery in the extended shipping and sugar plantation workers' strikes with their long-range effects on the basic economy and future outlook of the Territory. The new plateau of wage rates and material prices has established new higher bases for the capital investments and the operating costs required to furnish satisfactory service to the public. Rates have remained throughout at the 1939 level or less. Only through further economies in plant installation costs, in operation, in administration, through continued intensification of the use of electric energy, and with a higher productivity and responsibility on the part of workers, will the Company be able to maintain the adequate and improved public service that it has progressively developed to date.

To continue these standards of utility service into the future, and to constructively participate in the social and economic growth and development of the community are the goals of the challenge that today confronts both the management and the employees of the Company.

Respectfully submitted,



President

TREASURER'S REPORT

Honolulu, Hawaii, March 27, 1947

To the Directors and Stockholders of  
The Hawaiian Electric Company, Limited:

Herewith are submitted the following statements of the financial condition of the Company:

- Balance Sheet, December 31, 1946;
- Statement of Income and Surplus for the year ended December 31, 1946;
- Certificate of Audit;
- Additions to Plant and Property Accounts for the year 1946;
- Comparison of Departmental Revenues, Expenses and Net Operating Income for the year 1946 and 1945;
- Comparison of Income and Surplus Accounts for the years 1946 and 1945;
- Comparison of Taxes for the years 1946 and 1945.

Respectfully submitted.

*Gaskell S. Jacobs*  
Treasurer

BALANCE SHEET  
DECEMBER 31, 1946

ASSETS

<b>FIXED ASSETS:</b>			
Utility Plant in Service	\$ 29,201,404.46		
Utility Construction in Progress	3,720,809.24		
Total Utility Plant	\$ 32,922,213.70		
Non-Utility Plant:			
Ice and Cold Storage Depts.	\$ 552,297.75	970,171.58	
Merchandise Dept.	417,873.83	33,892,385.28	
Total Fixed Assets		\$ 9,155,555.45	\$ 24,756,829.83
Less Reserve for Depreciation			27,310.25
<b>INVESTMENT IN REAL ESTATE</b>			
<b>CURRENT AND ACCRUED ASSETS:</b>			
Cash on Hand and in Banks		\$ 400,632.75	
Notes and Accounts Receivable	30,997.89		
Sales Agreements	737,885.22		
Electric Energy	18,014.05		
Ice and Cold Storage	371,303.90		
Merchandise Accounts	9,249.45		
Others	\$ 1,167,448.51		
Less Reserves for Uncollectible Accounts	110,000.00	1,057,448.51	
<b>Merchandise and Supplies:</b>			
Utility Supplies	\$ 1,226,741.45		
Non-Utility Supplies	7,374.52		
Non-Utility Merchandise	1,401,233.30		
Jobs in Progress	55,688.73	2,684,449.00	4,178,013.97
Prepaid Insurance, Rent, etc.		28,889.71	
<b>CONSIGNED MERCHANDISE</b>			
(Contra)			\$ 53,536.23
<b>DEFERRED DEBITS:</b>			
Unamortized Bond Discount and Expense		\$ 120,934.25	
Other Utility Work in Progress		110,460.25	
Electric Contracting Department Overhead		13,036.28	
Deferred Regulatory Commission Expense		42,463.23	
Clearing Accounts		21,544.75	
Other Deferred Debits		6,683.94	
<b>CAPITAL STOCK EXPENSE</b>			
			\$ 314,822.70
			128,374.05
			\$ 29,385,316.83

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BALANCE SHEET  
DECEMBER 31, 1946

LIABILITIES

<b>CAPITAL STOCK:</b>		
Common Capital Stock, Outstanding	\$ 7,000,000.00	
350,000 Shares, Par Value \$20.00 Each		
Preferred Capital Stock, 5% Cumulative Series "B", Outstanding 100,000 Shares, Par Value \$20.00 Each	2,000,000.00	
Preferred Capital Stock, 4% Cumulative Series "C", Outstanding 150,000 Shares, Par Value \$20.00 each	3,000,000.00	\$ 12,000,000.00
<b>LONG-TERM DEBT:</b>		
First Mortgage Bonds, 4% Series "A", Due 1958	\$ 200,000.00	
5,000,000.00		
First Mortgage Bonds, 3 1/2% Series "D", Due 1964	5,000,000.00	10,200,000.00
First Mortgage Bonds, 3 1/2% Series "E", Due 1970		
<b>CURRENT AND ACCRUED LIABILITIES:</b>		
Notes Payable	\$ 400,000.00	
Accounts Payable	876,378.34	
Customers' Deposits and Interest Thereon	89,078.70	
Accrued Taxes	805,132.40	
Interest Accrued on Long-Term Debt	112,645.81	
Accrued Payroll	83,250.49	
Other Current and Accrued Liabilities	353.75	2,366,839.49
<b>CONSIGNED MERCHANDISE LIABILITY</b>		
(Contra)		\$ 53,536.23
<b>DEFERRED CREDITS:</b>		
Unamortized Premium on Debt	\$ 227,650.55	
Customers' Advances for Construction	19,356.75	
Deferred Customers' Deposits, etc.	14,692.43	
Unearned Interest on Sales Agreements	1,416.60	
Employees' Retirement Plan Contributions	26,691.26	
Customers' Credit Balances	72,459.80	
Sundry Other Deferred Credits	4,306.13	366,573.52
<b>RESERVES:</b>		
Automobile Property Damage Reserve	\$ 32,007.74	
Injuries and Damages to Others Reserve	25,000.00	
Workmen's Compensation Liability Reserve	94,425.94	
Sales Agreement Reversion Reserve	9,953.76	
Inventory Reserve	118,275.10	479,662.54
Tax Contingency Reserve	200,000.00	
<b>CONTRIBUTIONS IN AID OF CONSTRUCTION</b>		
<b>EARNED SURPLUS</b>		
		508,129.31
		3,464,111.97
		\$ 29,385,316.83

Note: At December 31, 1946 the Company had a liability, not included in this Balance Sheet, for power plant equipment on order and in process of manufacture and for contracts covering buildings under construction, in the amount of approximately \$400,000.00.

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STATEMENT OF INCOME AND SURPLUS  
FOR THE  
YEAR ENDED DECEMBER 31, 1946

Utility Operating Revenues:		\$ 8,262,026.93
Sales of Electric Energy		125,601.78
Other Electric Revenues		\$ 8,387,628.71
Utility Operating Costs:		
Operating Expenses		\$ 5,151,396.24
Depreciation		634,458.39
Taxes		1,308,683.21
		\$ 7,094,537.84
Less Taxes Charged to Construction		7,028,735.30
Utility Operating Income		\$ 1,358,902.41
Other Income:		
Income from Non-Utility Departments:		
Ice	3,245.18	
Cold Storage	3,296.56	
Merchandise Department	98,479.83	
Total Non-Utility Income	105,011.57	
Income from Leased Properties	1,500.00	
Interest Revenues	675.01	
Gross Income		\$ 1,459,516.87
Income Deductions:		
Interest on Long-Term Debt	339,249.97	
Amortization of Debt Expense	6,180.41	
Amortization of Premium on Debt, Credit	12,015.00	
Other Interest Charges	4,029.35	
Interest Charged to Construction, Credit	131,624.98	
Donations	26,938.87	
Other Miscellaneous Deductions	118.81	
Net Income for the Year		\$ 1,226,643.54
Earned Surplus Account:		
Earned Surplus January 1, 1946	\$ 2,583,713.35	
Transfer from Tax Contingency Reserve	455,964.69	
Transfer from Reserves for Uncollectible Accounts	168,482.99	
Miscellaneous Credits to Surplus	4,011.68	
Gross Surplus		\$ 3,322,172.71
Deductions from Surplus:		
Cash Dividends on Preferred Stock	227,500.00	
Cash Dividends on Common Stock	700,000.00	
Wage Payments for Prior Years and Payroll Taxes Thereon	191,197.50	
War Contracts Renegotiation Payments for Years 1943 and 1944	11,670.96	
Miscellaneous Debits to Surplus	14,335.82	
Earned Surplus at End of Year		\$ 3,464,114.97

CERTIFICATE OF AUDIT

We have examined the accounts and records of THE HAWAIIAN ELECTRIC COMPANY, LIMITED, for the year ended December 31, 1946. The Accounting records and supporting data of the Company were examined or tested by us to the extent we considered appropriate in view of the internal system of accounting control regularly maintained.

The attached Balance Sheet and Statement of Income and Surplus, in our opinion, fairly present in accordance with accepted principles of accounting and the Uniform System of Accounts employed, the financial position of the Company as at December 31, 1946, and the results of operations for the year then ended.

HENRY DAVIS AUDIT COMPANY,

By J. J. DELRECH,  
Certified Public Accountant.

Honolulu, T. H.,  
March 10, 1947.

ADDITIONS TO PLANT AND PROPERTY ACCOUNTS

CLASSIFICATION	Ledger Values and Retirements		Additions Made During 1946		Ledger Values Dec. 31, 1946
	Jan. 1, 1946	Retirements and Adjustments	During 1946		
Utility Plant:					
Steam Production Plant	\$ 13,365,526.17	\$ 1,423.90	\$ 733,386.54		\$ 14,097,488.81
Transmission and Distribution Plant	12,287,227.47	172,769.00	753,380.06		12,867,838.53
Work in Progress:					
General Plant	2,069,764.53	55,102.42	221,415.01		2,236,077.12
Steam Production Plant	1,192,270.70		1,912,589.72		3,104,860.42
Transmission and Distribution Plant	193,062.80		419,995.63		613,058.43
General Plant	6,462.83		3,672.44		2,890.39
Total Utility Plant	\$ 29,114,314.50	\$ 229,295.32	\$ 4,037,194.52		\$ 32,922,213.70
Non-Utility Plant:					
Ice Department	\$ 398,147.39	\$ 2,112.85	\$ 2,874.48		\$ 398,909.02
Cold Storage Department	153,388.73				153,388.73
Merchandise Department	388,968.35	3,994.65	28,618.83		413,692.53
Work in Progress: Merchandise Department	14.09		4,267.21		4,281.30
Total Non-Utility Plant	\$ 940,518.56	\$ 6,107.50	\$ 35,760.52		\$ 970,171.58
Total Plant and Property	\$ 30,054,833.06	\$ 235,402.82	\$ 4,072,955.04		\$ 33,892,385.28

DEPARTMENTAL OPERATING REVENUES, EXPENSES AND NET OPERATING INCOME FOR THE YEARS 1946 AND 1945

	1946	1945	Increase Decrease
<b>Utility Department:</b>			
Operating Revenues	\$ 8,387,628.71	\$ 9,413,216.73	\$ 1,025,588.02
Operating Expenses	7,028,725.30	7,935,220.99	906,495.69
Net Operating Income	\$ 1,358,903.41	\$ 1,477,995.74	\$ 119,092.33
<b>Ice Department:</b>			
Operating Revenues	\$ 113,694.46	\$ 134,599.84	\$ 20,905.38
Operating Expenses	110,449.28	120,168.70	9,719.42
Net Operating Income	\$ 3,245.18	\$ 14,431.14	\$ 11,185.96
<b>Cold Storage Department:</b>			
Operating Revenues	\$ 51,340.64	\$ 45,935.81	\$ 5,404.83
Operating Expenses	54,637.20	41,495.21	13,141.99
Net Operating Income	\$ 3,296.56	\$ 4,440.60	\$ 7,737.16
<b>Merchandise Department:</b>			
Operating Revenues	\$ 2,694,726.02	\$ 2,428,441.77	\$ 266,284.25
Operating Expenses including Cost of Sales	2,596,246.19	2,369,764.14	226,482.05
Net Operating Income	\$ 98,479.83	\$ 58,677.63	\$ 39,802.20
<b>Total:</b>			
Operating Revenues	\$ 11,247,389.83	\$ 12,022,194.15	\$ 774,804.32
Operating Expenses	9,790,057.97	10,466,649.04	676,591.07
Net Operating Income	\$ 1,457,331.86	\$ 1,555,545.11	\$ 98,213.25

COMPARISON OF INCOME AND SURPLUS ACCOUNTS  
FOR THE YEARS 1946 AND 1945

	1946	1945
Operating Revenues	\$ 11,247,339.83	\$ 12,022,194.15
Operating Revenue Deductions:		
Operating Expenses	\$ 7,796,775.54	\$ 7,421,082.04
Territorial and Federal Taxes	1,338,734.94	2,412,832.83
Depreciation	654,547.49	632,734.17
Net Operating Income	\$ 9,799,057.97	\$ 10,466,649.94
Other Income	\$ 1,457,331.86	\$ 1,555,546.11
Gross Income	\$ 2,184.01	\$ 1,028.86
Income Deductions:		
Interest on Long-Term Debt	\$ 339,249.97	\$ 355,908.71
Amortization of Debt Discount and Expense	6,180.41	5,081.91
Amortization of Premium on Debt—Credit	12,015.00	14,981.93
Other Interest Charges	4,029.25	11,960.55
Interest Charged to Construction—Credit	13,1624.98	29,494.31
Donations	26,938.87	51,126.07
Other Income Deductions	113.81	7,774.06
Total Income Deductions	\$ 232,872.33	\$ 387,354.00
Net Income Transferred to Surplus	\$ 1,226,643.54	\$ 1,169,485.85
Earned Surplus at Beginning of Year	2,553,713.35	2,193,886.22
Net Profit from Bond Financing	658,964.69	7,263.35
Transfer from Tax Contingency Reserve	168,482.39	174.90
Transfer from Reserves for Uncollectible Accounts	4,011.68	
Miscellaneous Credits to Surplus	\$ 4,698,316.25	\$ 3,376,513.35
Gross Surplus	\$ 227,500.00	\$ 100,000.00
Deductions from Surplus:		
Cash Dividends on Preferred Stock	700,000.00	700,000.00
Cash Dividends on Common Stock		
Wage Payments for Prior Years and Payroll Taxes Thereon	191,197.50	22,500.00
War Contracts Renegotiation Payments for the Years 1942, 1943 and 1944	11,670.96	
Miscellaneous Debits to Surplus	14,335.82	
Earned Surplus at End of Year	\$ 1,144,704.28	\$ 822,800.00
	\$ 3,464,111.97	\$ 2,553,713.35

COMPARISON OF TAXES FOR THE YEARS  
1946 AND 1945

	1946	1945
Federal:		
Normal Income and Surplus	\$ 425,333.51	\$ 476,673.38
Excess Profits		1,013,208.13
Electric Energy	155,522.61	139,803.24
Total Federal	\$ 580,856.12	\$ 1,629,684.75
Territorial:		
Income	\$ 80,918.09	\$ 91,376.27
Public Utility Excise	496,477.87	450,526.82
Franchise Royalty	214,342.75	227,813.14
Real Property	4,366.02	4,740.98
Personal Property	13,284.93	11,459.49
Public Utility Commission Fees	14,301.70	11,978.48
Total Territorial	\$ 823,691.36	\$ 797,895.18
TOTAL	\$ 1,404,547.48	\$ 2,427,579.93
Less Taxes Charged to Construction	65,812.54	14,747.10
Other Taxes:		
Federal Unemployment	\$ 10,221.97	\$ 21,266.81
Federal Old Age Benefit	34,073.61	28,355.75
Territorial Automobile	9,259.55	7,394.67
Territorial Gross Income and Consumption	36,081.36	36,380.61
TOTAL TAXES	\$ 1,428,371.43	\$ 2,506,230.67

## HEADS OF DEPARTMENTS

### GENERAL OFFICE:

H. N. De Gaa.....Cashier  
H. Heinrich.....Manager, General Construction Dept.  
Geo. Hogg.....Internal Auditor  
L. W. Lengnick.....Design Engineer  
C. A. Leser.....Personnel Manager  
F. W. S. Mackenzie.....Chief Accountant  
W. L. McCabe.....Manager, General Service Dept.  
E. A. Murty.....Statistician  
C. J. Schiffers.....Assistant to the President

### ELECTRIC UTILITY DEPARTMENT:

H. P. Field.....Manager, Commercial Dept.  
J. P. Michels.....Manager, Distribution Dept.  
C. E. Nolan.....Manager, Promotion Dept.  
Emil Olson.....Manager, Construction Dept.

### NON-UTILITY DEPARTMENTS:

Paul H. Anderson.....Manager, Wholesale Supply Dept.  
R. C. Cooper.....Manager, Industrial and Appliance  
Maintenance Dept.  
Charles Sey.....Manager, Ice and Cold Storage Dept.  
C. W. Weatherwax.....Manager, Electrical Contracting Dept.