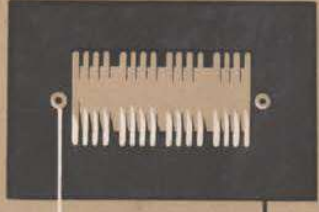


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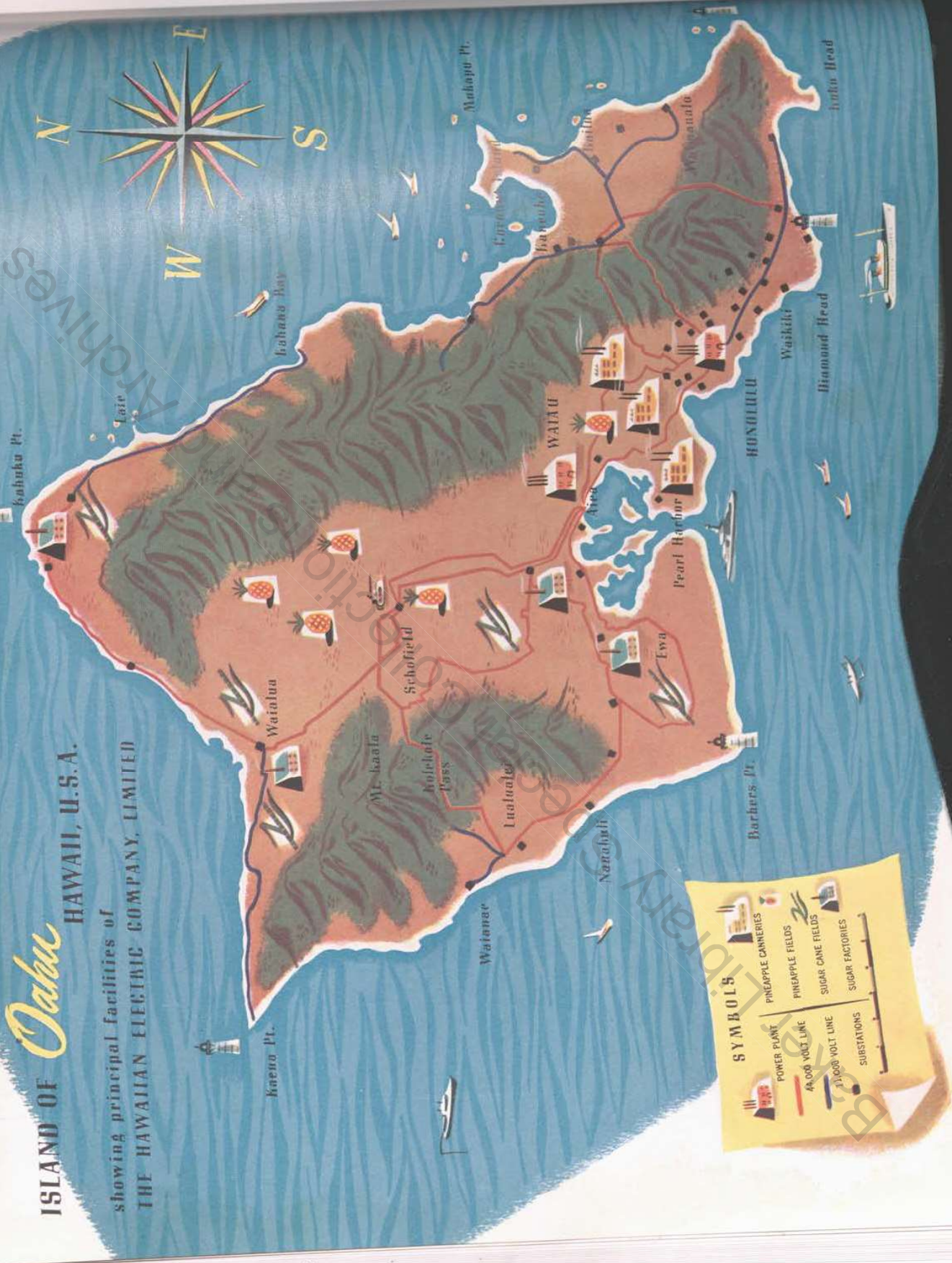
*The Hawaiian Electric Company, Limited*

ANNUAL REPORT FOR THE YEAR 1948



**ISLAND OF Oahu**  
**HAWAII, U.S.A.**  
 showing principal facilities of  
**THE HAWAIIAN ELECTRIC COMPANY, LIMITED**

Archives



**SYMBOLS**

- POWER PLANT
- PINEAPPLE CANNERIES
- PINEAPPLE FIELDS
- SUGAR CANE FIELDS
- 40,000 VOLT LINE
- 11,000 VOLT LINE
- SUBSTATIONS



# T H E C O M P A N Y

The Hawaiian Electric Company, Limited, is a corporation existing under the laws of the Territory of Hawaii, originally incorporated under the laws of the Kingdom of Hawaii on October 13, 1891.

The Company is an operating public utility engaged principally in the production, purchase, transmission, distribution and sale of electric energy for domestic, commercial, industrial, agricultural, street railway and governmental purposes on the Island of Oahu, Territory of Hawaii, U. S. A. All electric energy produced by the Company is manufactured in steam power plants which burn fuel oil imported from sources outside the Territory.

The Company is also engaged in merchandising of electrical equipment, fixtures, appliances and accessories, as well as repairing of electric apparatus. Since 1905 the Company has been the general agent in the Territory of Hawaii for Westinghouse Electric Corporation and is the representative in the Territory of Hawaii for approximately two hundred and fifty mainland manufacturers and distributors. The Company's Ice and Cold Storage business and its Contract Wiring business were discontinued in 1948.

All of the properties of the Company are located on the Island of Oahu. The Company derives all of its income from sources in the Territory of Hawaii and operates as a public utility only on the Island of Oahu. A large majority of the stock of the Company is owned by individuals, trusts, institutions and firms who reside in the Territory of Hawaii.

The Company is not affiliated in any manner with a holding company nor with any other corporation.

A trust mortgage to the Hawaiian Trust Company, Limited, was placed upon all assets of the Company on December 1, 1938 to provide for the issuance of First Mortgage Bonds in series equally secured thereunder, the amounts, denominations, interest rates, maturity dates and redemption conditions of each series to be fixed at time of issue. All issues of Common Stock, Preferred Stock and Bonds of The Hawaiian Electric Co., Ltd., are listed on the Honolulu Stock Exchange. The Company is its own Transfer Agent in Honolulu for all of its Common and Preferred Stock. The Wells Fargo Bank and Union Trust Company is Transfer Agent in San Francisco for the Company's Series "C" and Series "D" Preferred Stock.

*The Hawaiian Electric Company, Ltd.*

900 RICHARDS ST. (PALACE SQUARE)  
HONOLULU, HAWAII

**BOARD OF DIRECTORS**

- |                |                             |
|----------------|-----------------------------|
| J. B. ATHERTON | H. M. RICHARDS <sup>o</sup> |
| L. A. BUESE    | P. E. SPALDING              |
| T. A. COOKE    | A. E. STEADMAN              |
| G. W. FISHER   | H. V. VON HOLT              |
| L. A. HICKS    | HEATON L. WRENN             |

**OFFICERS**

- |                           |  |
|---------------------------|--|
| P. E. SPALDING            | Chairman of the Board                  |
| L. A. HICKS               | President                              |
| L. A. BUESE               | Vice-President and Executive Engineer  |
| RALPH B. JOHNSON          | Vice-President and Secretary           |
| GEORGE HOGG               | Vice-President and Treasurer           |
| PAUL H. ANDERSON          | Vice-President                         |
| H. P. FIELD               | Vice-President                         |
| C. E. NOLAN               | Vice-President and Assistant Secretary |
| CARL J. SCHIEFFERS        | Vice-President and Assistant Secretary |
| G. M. WINSLEY             | Assistant Treasurer                    |
| JAMES H. WINK             | Assistant Treasurer                    |
| HENRY DAVIS AUDIT COMPANY | Auditor                                |

\* Resigned as of August 17, 1948.

**58th ANNUAL REPORT**

FOR THE 12 MONTHS ENDED DECEMBER 31, 1948



*Our Main Office Building*  
at Palace Square—King Kamehameha in foreground



## PRESIDENT'S REMARKS....

The management of The Hawaiian Electric Company, Ltd., presents herewith the report of operations for the year 1948 for the information of its stockholders, employees and customers.

During 1948 the emphasis was on economy, in the face of increasing cost of every item of expense. The year's operations produced larger electric revenues and a greater volume of sales of merchandise and services, but in spite of all possible economies yielded less net income than in 1947.

In the Utility operations electric revenues increased 13.4%, but operating expenses were 16.5% greater, and net profit 1.6% less. In the Non-utility operations total sales were 4.0% greater, but cost of goods and operating expenses increased 7.2%, resulting in 35.4% less profit than in 1947.

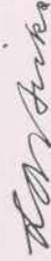
Corporate net income for 1948 was \$1,344,584, as compared to \$1,763,581, for 1947, a reduction of 23.8%. The \$308,749, carried to surplus did not provide enough reinvestment funds to help materially in meeting the demands for expansion.

It is small comfort to record that your Company is following the trend of the Electric Utility Industry as a whole. In the twelve month period ending August, 1948 some 50 privately owned mainland electric utilities were forced to increase rates in order to offset dangerously increased operating expenses. The situation is rendered more urgent because increased load demands are forcing tremendous expansion of plant when construction costs are about double those of the pre-war period.

This Company is presently committed to an expansion program to meet increasing load demands. New capital in the amount of \$3,000,000, was secured in 1948 by the sale of additional common and preferred stock. More capital will have to be raised in 1949 and 1950. In order to attract investors to purchase our securities we must have net income sufficient to meet our fixed obligations, pay a reasonable dividend upon our common stock and have some surplus left over for reinvestment in the business. These considerations present a real problem to management and are receiving careful study.

The officers, supervisory personnel, and in fact all of our employees, are aware of the situation that confronts us and have all done an outstanding job of reducing costs and increasing efficiency during the past year. Organization and methods have been improved and many savings effected in labor and materials. New production equipment has helped to increase efficiency. 7.9% more kilowatts were produced with the consumption of 1.0% less fuel oil as compared to 1947. Every employee in the Company is to be congratulated for the fine results obtained in improved economy and efficiency in every department. As we progress into the new year pressure must continue from management to effect further economies. We ask the continued cooperation of every employee to give to the public the best possible service at the lowest possible cost.

Sincerely yours,



March 30, 1949





## REVENUES

The year 1948 produced new records for income from the sale of electricity and from the sale of merchandise. The Company realized \$10,437,762. from utility operations, which surpassed the previous 1945 peak by \$1,097,033. or 11.7%. The increase over 1947 was 13.4%. Non-utility operations produced \$6,248,611. from the sale of merchandise and services, which was 4.0% greater than 1947 income.

## EARNINGS

The earnings on Common Stock, based upon capitalization of 450,000 shares as of the end of the year, were \$2.46 per share. Dividends at the rate of \$2.00 per annum per share were paid on Common Stock. Interest on bonds was earned 3.8 times; Preferred dividends 5.7 times.

We paid to:

Preferred Stock Owners (Dividends)	\$235,835.
Common Stock Owners (Dividends)	800,000.

We had left surplus amounting to \$308,749. which was used to build more production and distribution facilities.

## OPERATING EXPENSES

Operating expenses, depreciation and taxes amounted to \$14,837,737., an increase of \$1,659,930. or 12.6%. These increased operating expenses are attributable to increases in the cost of fuel oil, payroll, materials and supplies. The cost of fuel oil increased from \$2.19 per barrel as of December 27, 1947 to \$2.78 at the end of 1948, an increase of 27%, with a resulting increase of \$721,077. over a similar fuel oil operational cost during 1947. The expense of maintenance was higher

during the year, mainly the result of repairs and overhauling facilities, which had been postponed during previous years.

**Depreciation** . . . The provision for depreciation was \$828,761. exceeding that of the preceding year by \$121,491. or 11.7%. The increase, although higher than past experience, is in line with the additional investment in plant and property.

**Taxes** . . . Taxes charged against the year's operations were \$1,814,767., an increase of \$115,278. This increase was due largely to the smaller credit of \$6,220. for taxes transferred to construction during 1948, as compared with \$88,726. during 1947.

**Fixed Charges** . . . A total of \$520,814. was charged against income to cover bond and other interest, amortization of debt discounts and expense and miscellaneous income deductions. This amounting to \$244,166. more than in 1947.

This increase in fixed charges was due largely to the smaller credit of \$12,440. for interest transferred to construction in 1948, as compared with \$177,452. in 1947, a decrease of \$165,012. Interest on our Long Term Debt also increased \$75,417. during 1948 due to additional interest liability on Series "F" Bonds issued during 1947.

## COMMENTS ON THE BALANCE SHEET

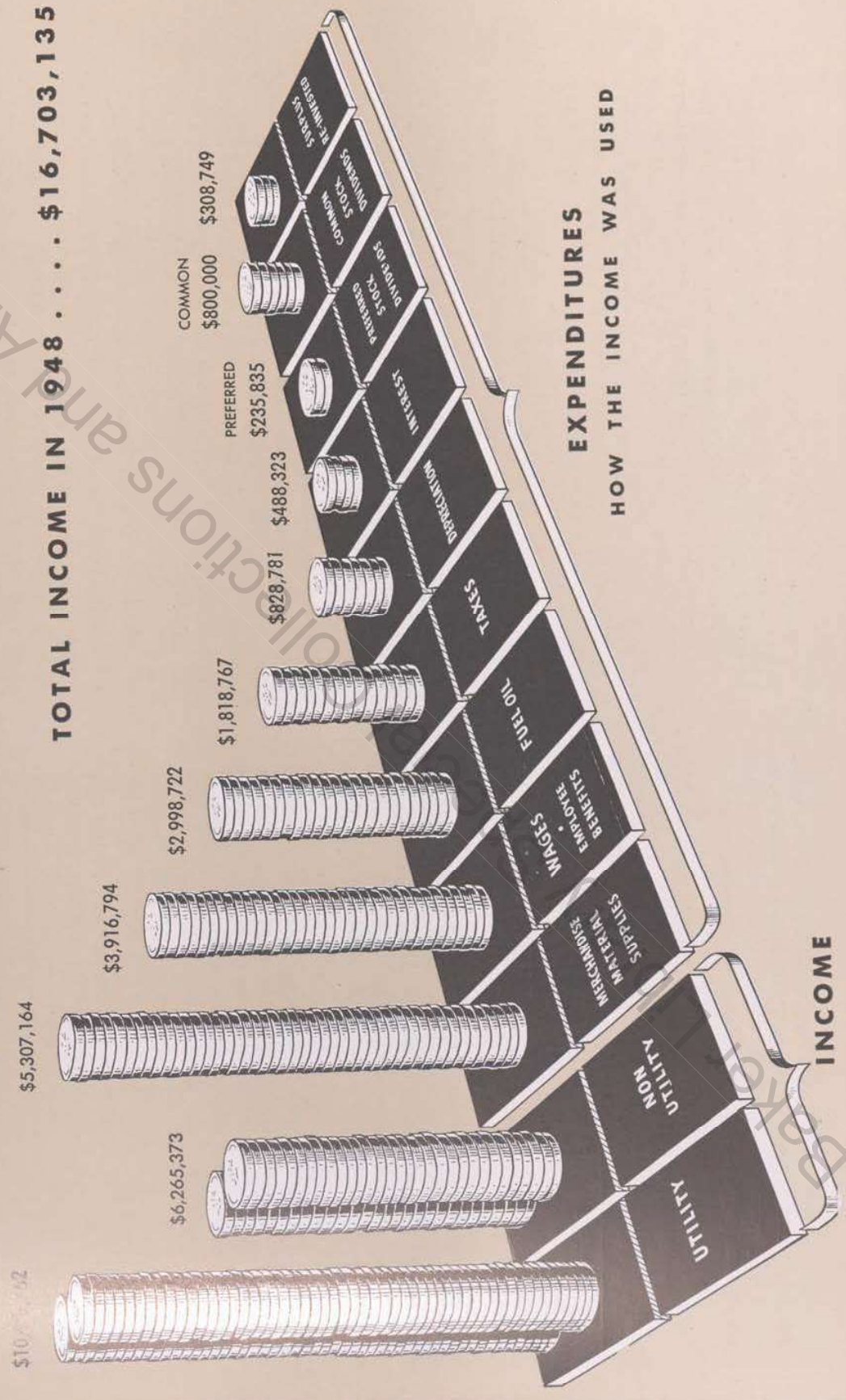
The financial reports consisting of the Balance Sheet as at December 31, 1948 and Statement of Income and Surplus for the years ended December 31, 1948 and 1947 are reproduced on pages 18 and 19.

**Plant and Property Accounts** . . . The Company's investment in plant and property amounted to \$41,418,401. at the end of the year, an increase of \$2,279,630. over 1947.

Gross additions totaled \$3,091,587. as follows: \$929,246. for additional generating facilities, \$1,925,730. for transmission and distribution



# WHAT HAPPENED TO OUR INCOME IN 1948



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bution, \$144,561. for general plant and \$92,050. for merchandising improvements.

Property retired amounted to \$811,957., including a transfer to deferred charges of Ice and Cold Storage plant and property in the amount of \$535,976. This transfer was made pending the outcome of a condemnation suit brought by the Territory of Hawaii referred to on pages 12 and 14.

**Current and Accrued Assets** . . . Current and Accrued Assets were \$7,056,826. at the end of 1948, an increase of \$1,580,701. from the preceding year. This represents increased accounts receivable in connection with both utility and merchandising operations and reflects the increased volume of business during 1948. Higher inventory supplies for utility operations and for merchandising reflect the larger fuel oil stocks on hand, the increased cost of same and the requirement of a more comprehensive merchandise stock to accommodate the larger and more varied demand for electric appliances and equipment.

**Capitalization** . . . At the end of the year the total par value of capital shares was \$15,000,000. consisting of 450,000 shares of Common Stock and 300,000 shares of Preferred Stock, both of the par value of \$20. per share. This represented an increase of \$3,000,000. due to the issuance and sale during 1948 of 100,000 shares of Common Stock and 50,000 shares of Preferred Stock at the par value of \$20. per share.

The \$3,000,000. realized from the sale of these securities was used to pay short-term promissory notes covering monies borrowed to pay for construction expenditures in 1947 and further construction expenditures in 1948.

The Funded Debt at the end of 1948 amounted to \$15,200,000., representing no change from the preceding year.

At the end of the year bonds represented 43.7% of the Company's Capitalization and Surplus, Preferred Stock 17.3% and Common Stock and Surplus 39.0%.

**Other Balance Sheet Items** . . . The Reserve for Depreciation increased to \$9,956,493. This is approximately 24% of the total investment in the Company's Plant and Property.

We have included in the Balance Sheet the Company's claim in the amount of \$120,699. for refunds of Federal Income and Excess Profits Taxes for the years 1941 to 1945 inclusive. These claims have been filed and it is believed they will be collected.

We have also included in the balance sheet the net book value of \$108,224. representing the buildings, improvements and supplies of the Ice and Cold Storage business at December 31, 1948. As of the end of 1948 the operations of these departments ceased due to the Territory of Hawaii plans for the widening of Halekauwila Street. Pending the submission and settlement of the Company's claim for the loss of land, improvements and business involved in these plans we are carrying these values on the balance sheet as a deferred asset. Commitments were made by the Company in the approximate amount of \$1,435,000. payable in periodic amounts during 1949 and 1950 for generating station equipment ordered and in the process of manufacture in connection with the installation of additional 40,000 KW generating facilities at Waiau.

## STOCKHOLDERS

Stock	Territory of Hawaii	Mainland	Foreign	Total
Common	1,622	275	20	1,917
Preferred "B"	668	102	17	787
Preferred "C"	961	97	16	1,074
Preferred "D"	589	219	....	808

Our stock ownership has shown evidence of sustained growth for the past ten years. Last year our growth was exceptional. This was due to the issuance of 100,000 shares of additional common stock, and 50,000 shares of preferred stock.





In 1940, we had 564 common stockholders and in 1948 reached a record total of 1,917.

About 90% of the Company's common stock is owned locally.

### NEW ELECTRIC CUSTOMERS

Demands for new services and installations continued at a high rate during the year. New customer installations totalled 3,574. Demands for new services were so heavy at the beginning of the year that a priority list was established. At the end of the year the backlog of work had been eliminated and the number of jobs remaining on the priority list was reduced to a negligible minimum.

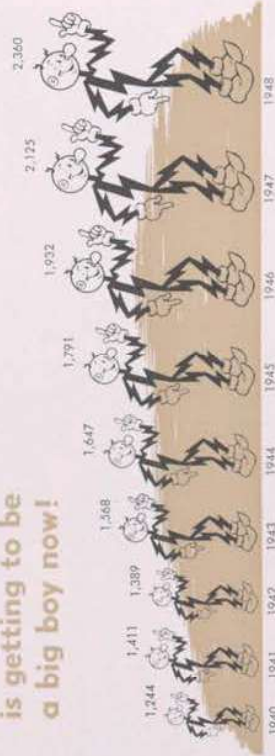
On June 1, the last of the flat residential service connections was eliminated by the installation of meters. This ended the difficult situation created by post-war shortage of meters and sockets of some 28 months duration. Due largely to the friendly cooperation of our customers, some 4,400 estimated bills were handled with practically no customer complaints during this period.

The Company purchased the Ewa Plantation Company's residential distribution system in December, thereby adding 850 new residential consumers to our system. This marks the trend generally of sugar and pineapple plantations to discontinue the service of electricity to camps and villages.

### RESIDENTIAL CUSTOMERS

Residential customers used 26% of total energy sold last year. These customers are growing rapidly in number and also in amount of current consumed per customer. During the year we added 3,211 residential customers, bringing the year end total to 55,788. The average individual consumption reached a new high of 2360 KWH. Latest mainland reports show an average residential consumption of 1529 KWH per year.

Our HECO Reddy Kilowatt is getting to be a big boy now!



Average KWH consumption per residential customer





## COMMERCIAL AND INDUSTRIAL POWER CUSTOMERS

Store and office lighting continued to increase during 1948 indicating a widespread recognition by the merchants of the value of adequate and attractive lighting as an aid in selling.

During the year our Commercial Engineers rendered considerable service to architects, engineers, contractors, and other customers, and aided them in the preparation of plans for correct lighting, wirings, refrigeration, air-conditioning, heating and general power applications.

The most important development in our business with the U. S. Government was the cancellation on July 1, of the conjunctive billing contract with the Army and the execution of a combined Armed Services Contract, which incorporates all Army, Navy and Air Force accounts under one contract on our standard rate schedules.

The Hawaii Housing Authority is an important customer, whose scope is continually expanding. They now operate a total of 3,182 units and have plans for further expansion at Red Hill in 1949.

Air-conditioning is now accepted as a requirement for modern office buildings and stores in order to attract customers and to improve efficiency. Health and comfort of the personnel are improved and large savings result from the elimination of dust and dirt and the exclusion of street noises. New air-conditioning installations were made in large numbers during the year. Notable examples were:

- McInerney Store . . . National Dollar Store . . . Pawaa Theater . . .
- Kaimuki Theater . . . Queen Theater . . . Fort Shafter Theater . . .
- Honolulu Bowling Center . . . Castle and Cooke Terminals.

Much heavy duty cooking equipment was installed, totaling over 250 KW of demand.

The development in the large industrial field was mostly in the planning stage during 1948. An industrial load development that materialized in 1948 was the electrification of a 500 HP compressor by the Hawaii Brewing Corporation. The company is now operating in Ice and Cold Storage and Brewing plants with electric power, a large part of which was formerly supplied from diesel engines.

## RURAL COLLECTIONS

The Wahiawa Branch Office business showed a healthy growth with collections of \$227,664. from 15,350 light and power billings. The Kailua Branch office in its first full year had collections of \$75,333 from 4,624 light and power stubs. Applications for service and trouble calls are handled in both of these rural areas directly from their offices.

## FIVE-YEAR RECORD OF ELECTRIC SALES

Year	K. W. H. Sold	Gross Revenue	Consumers
1944	476,773,373	\$ 8,119,336	56,489
1945	573,409,208	9,340,729	57,710
1946	441,378,568	8,262,026	60,048
1947	460,256,365	9,071,379	64,645
1948	494,404,760	10,360,292	68,997

Note: The high record of K. W. H. sold in 1945 was due to wartime demands of electric dredging and other extraordinary military uses.



# Main Office Remodeling



Approach to Executive Offices and Accounting Department, Fourth Floor

New Customers' Accounting Offices, Third Floor



Modern Machine Accounting Installed in 1948



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## PROMOTIONAL ACTIVITIES

Since the inception of its electric service in 1891, the Company has actively promoted the electric way of life by selling and servicing electric appliances. The scope of our promotional activities has grown with the electrical industry and with the community. These include a strong local advertising program, electric kitchen planning and home lighting advisory service, home demonstrations of appliances, free cooking classes, free recipe distribution, aids to cooking by newspaper articles, and radio broadcasts and lectures to organized groups. Public interest in our new Home Service Auditorium was indicated by the attendance of some 5,000 people at its opening in September. Since the opening 2,500 people have attended the Reddy Kilowatt Cooking Class presented in the Auditorium.

As the aim of all of our promotional activities is to promote the electrical way of life to the ultimate benefit of our consumers, the Company encourages other distributors and dealers in their efforts to sell electrical appliances. Through the Electrical Development Advisory Service the Company seeks to promote an industry-wide spirit of cooperation amongst distributors, dealers and contractors. Valuable assistance has been given on problems of store arrangement, salesmen training, personnel compensation, placing sales people and market surveys.

All profits accruing from our own retail sales of appliances are used to help defray the total cost of our promotional activities. In this way the benefits of our efforts are returned to the industry and to our consumers.

## EXPANDING FACILITIES

New construction of generating facilities was limited to replacement of metal sash and other improvements in the power plants necessitated by removal of the past war's protective devices.

There was considerable activity in constructing new distribution service lines to subdivisions and to individual customers premises. In all 4,872 new service lines, 1,390 transformers and 5 substations were installed. Underground systems were installed for 6 new subdivisions and about 7½ miles of overhead distribution system was constructed for new subdivisions. Altogether 1,676 poles were installed for new distribution lines.

New transmission line construction was limited to two new undertakings: 8.77 miles of 44 Kv line from the Koolau Substation near Kaneohe to Wailupe, with a new Substation at the Wailupe terminus and approximately 5 miles of 11 Kv line to serve various areas including the new Tripler Hospital. The Koolau-Wailupe line will carry power to the Kaimuki-Koko Head area.

A new rural section of the Overhead Division was organized and installed in permanent quarters at Maunawili. It will handle line construction, maintenance work and trouble calls on the windward side of the Island from Kahuku to Waimanalo, thus providing faster service to that area at lower cost.

Building changes and improvements at the Main Office Building were completed and the new quarters assigned to officers and personnel were occupied during successive stages up to September. The new arrangements are working out very satisfactorily.



Home Service  
Department



Cooking Classes in Auditorium of New Home Service Department

Demonstration Kitchens Used in the Promotion of Electrical Living







## PLANT AND PROPERTY EXPENDITURES

During the year \$3,091,587. was expended for new plant and properties as follows:

Steam Production Plant .....	\$ 269,778.
Transmission & Distribution Facilities .....	1,621,516.
General Plant .....	137,817.
Merchandise Plant .....	66,727.
Work in Progress:	
Steam Production Plant .....	* 658,368.
Transmission & Distribution Facilities .....	305,314.
General Plant .....	6,744.
Merchandise Plant .....	25,323.
	\$3,091,587.

\* Progress payments on 40,000 KW unit to be installed at Waiau in 1950.

## THE FIVE-YEAR RECORD

The expansion of the Company's business has called for expenditures on new construction during the past five years as shown in the tabulation below:

1944 .....	\$2,285,183.
1945 .....	2,548,395.
1946 .....	4,072,955.
1947 .....	5,480,216.
1948 .....	3,091,587.

## FUEL OIL SITUATION

The peak of fuel oil price was apparently reached on November 12, 1948, with a final increase of 10¢ per barrel, bringing our cost to \$2.78 per barrel. Oil in storage prior to this last increase was

estimated to be consumed by February 1, 1949. Since the end of the year the long continued upward movement of prices was broken by a reduction of 25¢ per barrel effective January 25, 1949. It is estimated that the \$2.78 oil in storage will be consumed by about April 5, 1949. Changes in billing to industrial and commercial customers on schedules affected by fuel oil price are made effective on the date the new priced oil theoretically enters into operations.

The Company avoided a further 10¢ price increase in November by electing to change to the use of a heavier type of fuel, known as Standard Bunker Fuel, in place of the Pacific Specification No. 40 formerly used. The PS-400 type was increased to \$2.88 on November 12, 1948, and reduced to \$2.73 in January. The Standard Bunker Fuel Oil we are now using has been reduced to \$2.53. We therefore have taken advantage of a 20¢ differential for future use. However, the net effect of changes in fuel oil price on our operating costs is in proportion to the relative amount of kilowatt hour sales not covered by a Fuel Oil Clause, which last year was approximately 45.0% of the total sold. The balance of 55.0% carries the additional cost of fuel above a base price of \$2.00 per barrel.

## CONDEMNATION SUITS

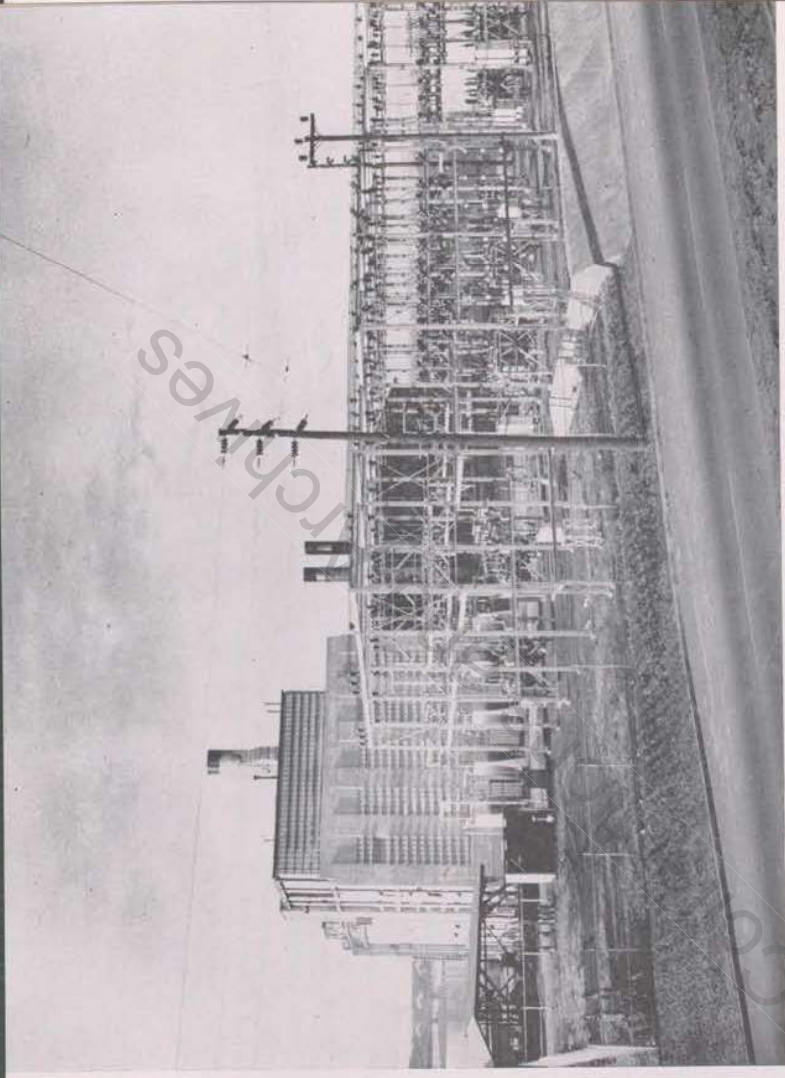
The Company has pending a condemnation suit by the Territory of Hawaii to take 50 feet of our property fronting on Halekaiwi Street, between Bishop and Alakea Streets, for highway widening. We have been advised that the Territory's plans call for taking an additional 30 feet. These threatened takings forced the discontinuance of our Ice and Cold Storage business and will compel very material and costly changes in our plans for future generation plant expansion in that area. The Company has retained a nationally known appraiser and a prominent consulting utility engineer to assist our attorneys in preparing damage claims.



*Power Line  
Above the Clouds*

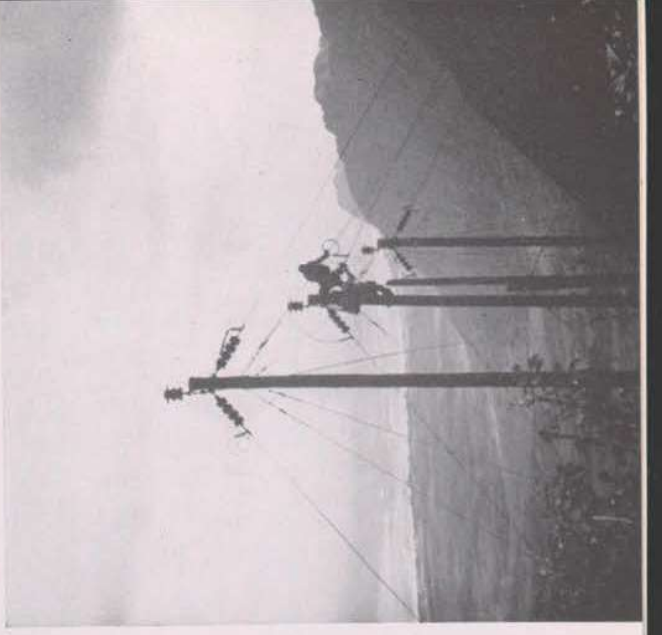


THE NEW KODIAU-WAILUPE TRANSMISSION LINE



*Waiau Plant, with Substation in Foreground, a Major Source of Power for the Transmission Line*

*New 44 Kv Power Line to Wailupe Substation. Conquers Dense Tropical Growth of Oahu's 3000 ft. Koolau Range*







The Company has pending a condemnation suit by the Territory of Hawaii to take frontage from our two properties in Iwilei for highway widening. One is the land on which our present fuel oil storage tanks are located and the other is the property purchased from the John Ena Estate in 1946, to be used ultimately for an additional fuel oil tank site. Local appraisers are assisting our attorneys in preparing damage claims.

#### CHANGES IN OFFICERS & DIRECTORS

During the year the following changes were made in officers and directors of the Company:

- Mr. Dudley C. Lewis was appointed a Director January 27, 1948.
- Mr. George Hogg was appointed Vice-President March 30, 1948.
- Mr. Herbert M. Richards resigned from the Board of Directors August 17, 1948.
- Mr. James F. Morgan was appointed a Director August 17, 1948.
- Mr. F. W. S. Mackenzie resigned as Assistant Treasurer effective September 1, 1948.
- Mr. James H. Wink was appointed Assistant Treasurer as of September 1, 1948.

#### STORM DAMAGE

Severe blasts of wind, reaching a velocity of 55 miles per hour, following several days of heavy rains, struck the Island in January, and caused extensive damage to our distribution system. One thousand two hundred repair orders were issued, which required 4,000 man hours of repair work at a cost of about \$20,000. The Company suffered the loss, by accidental death during the repair work, of Frank Valant, a troubleman with a fine record of 26 years of service.

#### LEASE CANCELLATION

The Company, on November 30, cancelled its lease on property belonging to the Meek and Austin Estates which adjoins the main office building on King Street. Increasing traffic congestion in the downtown area and high construction costs influenced the decision to provide for expansion by moving some operations to the Ward Avenue area rather than to construct a new building on the Meek and Austin properties.

#### MERCHANDISE OPERATIONS

The revenue produced during 1948 in the Wholesale Supply, Industrial and Appliance Maintenance and Electrical Contracting Departments exceeded that of 1947, which had been the most successful year in the departments' history.

Comparative revenues for the past five years:

Year	Revenue
1944	\$2,637,578.
1945	2,428,442.
1946	2,694,726.
1947	5,815,399.
1948	6,114,764.

The Company is the distributor for many mainland manufacturers. The franchises it holds make available to our customers some of the finest merchandise and equipment in the industry, and our sales staff has created a wide acceptance for these products which has given us a record volume.

A very important and necessary service to the public is performed by the industrial and appliance maintenance activity, which maintains the home appliances sold by the Company.



In addition, industrial equipment, including large motors and generators, is serviced and repaired. Sugar centrifugals and other heavy rotating equipment are dynamically balanced by the only commercial equipment of its kind in the Territory.

With the close of the year, plans were completed to make this activity an integral part of the Wholesale Supply Department. This consolidation will improve our service and further reduce overhead costs.

The Electrical Contracting Department was established over fifty years ago when there was no other organization qualified to do this important work. During the past few years the community saw the development of many new businesses. Among these were well qualified electrical contractors who supplemented the group of those who had been established in business for many years. Realizing that the needs within the industry could be adequately met by those engaged in this field of endeavor, it was deemed advisable to discontinue our Electrical Contracting Department.

Most of the sixty-nine employees were absorbed by other departments, and severance compensation was given to those who could not be placed elsewhere in the Company.

Prior to 1948 the Territory announced its plans to widen Halekauwila Street, which will take a portion of the Company's property through condemnation, thereby necessitating the closing of the Ice and Cold Storage Department. Through this announcement many of our customers realized that in the near future these services would no longer be available to them, and placed their business elsewhere.

This action precipitated our closing the Cold Storage Department as of November 30 and the Ice Department as of December 31, 1948.

### PERSONALITIES

When the Electrical Contracting and Ice and Cold Storage Departments were discontinued toward the end of the year the top men were drafted by other departments.

Charlie Weatherwax, former Manager of the Electrical Contracting Department, set up his office in the Engineering Division of the Commercial Department where he is working closely with architects, contractors, and property owners who come to us for advice on wiring problems. In this work he is aided by Estimator Engineer Joseph Caires who went along with him.

Eric Schlemmer, former Superintendent, took over the duties of Superintendent of Maintenance in the General Service Department.

When the Ice and Cold Storage Department shut its doors, Manager Charles Sey took over the position of Purchasing Agent which was made vacant when Lionel Lino became Superintendent of the newly created Central Stores Division.

A new service was added to the Company health program in December when Mrs. Patterson Morris, a registered nurse experienced in industrial nursing, joined the Company.

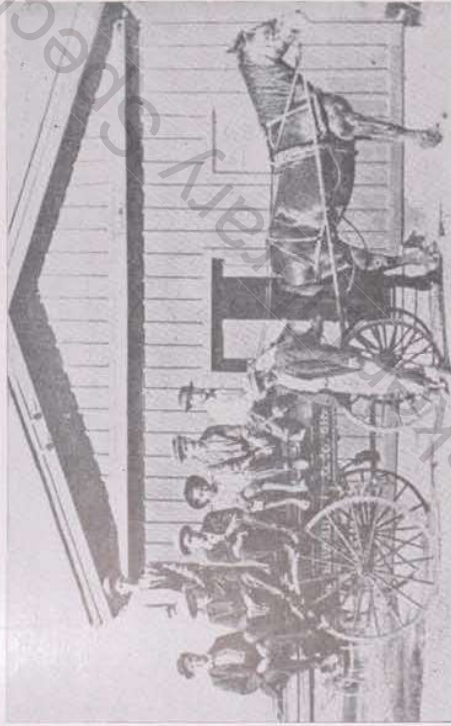


Photo of Wiring Department Job Crew Taken About 1910



## EDUCATIONAL PROGRAM

The apprenticeship program at year-end included twenty-two employees, most of whom were well past the halfway mark in the four-year course. Four apprentices transferred from Wireman apprenticeships in the Electrical Contracting Department to Lineman apprenticeships in the Distribution Department when the former department was discontinued.

Self-improvement classes in Steam Plant Operation and Basic Electricity were held after hours on the Company's premises. Thirty-two employees successfully completed these courses.

A series of "Know Your Company" meetings was held following publication of the 1947 HECO Annual Report, which was sent to all employees. Mr. Herbert Heinrich presented the story of the Company's history, operations and problems at each meeting and led the question and answer sessions that followed. All employees were invited to participate in these informational meetings which were held at convenient locations.

Moving pictures giving education and instruction in a wide variety of subjects were shown throughout the year to a total of seventy-five groups of employees.

## EMPLOYEE ACTIVITIES

**Service Awards** . . . Emblems awarded after each five years of service were presented to eighty-five employees with ten or more years of service at an informal dinner given in their honor at Waikiki Lau Yee Chai on December 6. Of this group, twenty-seven received emblems for twenty-five or more years of service. Earlier in the day thirty-five employees completing their first five years of service were presented emblems by their department Supervisors.

**Community Chest** . . . The Community Chest Drive was well supported by 95% of our employees who pledged a total of \$8,387—an average contribution of \$6.34 per employee.

**Recreation** . . . A year round intra-Company recreational program included in seasonal rotation a twenty team bowling league, a nine team basketball league, a sixteen team mountain ball league, and a ten team volleyball league.

Camera and Fishing Clubs were organized by our many devotees of these hobbies.

## EMPLOYEE RELATIONS

The two existing labor union agreements with the International Brotherhood of Electrical Workers, Local 1260, were extended to August 31, 1949.

Negotiations started on May 12, 1948, and covered a period of four and a half months including a mediation period prescribed by the Hawaii Public Utility Labor Act.

The new agreements granted a wage increase of five per cent to all classification rates with a minimum increase of five cents an hour to any employee. Included in the agreements were the reclassification of certain jobs, the elimination of the waiting period in the sick benefit plan in cases of extended illness, the liberalization of the vacation plan after sixteen years of service, the modification of the overtime provisions, the deduction of union dues on an irrevocable check off basis, and other minor adjustments.

A 5% increase in the salaries of all employees not covered by union agreement was made effective July 1, 1948.

Close cooperation with the union representatives on the placement of employees displaced by discontinuance of the Construction, Electrical Contracting and the Ice and Cold Storage departments helped materially in making necessary readjustments.

## EMPLOYEE BENEFITS

**Group Life Insurance** . . . The group life insurance plan covering 1,213 employees for an aggregate amount of \$6,733,500. paid claims





*Story of Company's Operation Presented to Employees at Informal Sessions*

during 1948 in the amount of \$63,000. to permanently disabled employees and the beneficiaries of employees who died.

**Sickness Benefit Plan . . .** The Company's sickness benefit plan paid hourly employees \$29,608.43 for working time lost through illness.

**Medical Aid Association . . .** The Medical Aid Association, a mutual benefit association supported by employees' dues and Company contributions, increased its membership to 968 and paid 690 claims amounting to \$23,825.30.

**Retirement Plan . . .** The retirement annuity plan at the completion of its eighth year of operation had 1,111 participants and a fund balance with the insurance carrier of \$1,052,329.42.

Past Service Pensions were granted to the following employees:

Asazo Otoshi, Tankman, Ice and Cold Storage Department.....	24 years-8 mo.
Myung Ok Lou, Helper 2/c, Generation Department.....	26 years-1 mo.
Joseph Saile, Electrical Engineer, Generation Department.....	27 years-1 mo.
Charles Van Gieson, Warehouseman 1/c, Distribution Department.....	20 years-1 mo.
F. W. S. Mackenzie, Assistant Treasurer and Chief Accountant, General Accounting Department.....	30 years-2 mo.
Charles B. G. Steinhoff, Watchman, Generation Department.....	29 years-6 mo.
Pong Kiu Kim, Utilityman, 3/c, Distribution Department.....	27 years-2 mo.
George H. K. Hughes, Storekeeper, Generation Department.....	36 years-3 mo.

**We record with deep regret the passing of:**

- JOSEPH KAPAONA**  
Distribution Department — January 8, 1948
- FRANK VALANT**  
Distribution Department — January 26, 1948
- HENRY MARTIN**  
Generation Department (Retired) — February 13, 1948
- JOHN D'ALMEIDA**  
Electrical Contracting Department — March 2, 1948
- SUEKICHI NAKAMURA**  
General Service Department — May 2, 1948
- EDWARD NAHUINA**  
Generation Department — July 24, 1948
- JOSEPH E. SYLVA**  
Generation Department (Retired) — July 29, 1948
- EBEN MAIKAI KAAPUNI**  
Distribution Department — August 29, 1948
- JAMES K. KEALOHA**  
Distribution Department — December 7, 1948
- ROBERT KALANUI**  
Generation Department — December 21, 1948

Submitted at the annual stockholders meeting March 24, 1949.  
For the Board of Directors

*Ran Hui*  
President



# THE HAWAIIAN ELECTRIC CO., LTD.

## SUMMARY STATEMENT OF INCOME AND SURPLUS

For the Years Ended December 31, 1948 and 1947

	1948	1947
Operating Revenues	\$16,686,373.36	\$15,213,487.36
Operating Revenue Deductions:		
Operating Expenses	\$12,190,189.66	\$10,767,026.78
Territorial and Federal Taxes	1,818,767.17	1,703,489.90
Depreciation	828,780.55	707,289.85
	\$14,837,757.38	\$13,177,806.53
Net Operating Income	\$ 1,848,655.98	\$ 2,035,680.83
Other Income	16,761.79	4,548.53
Gross Income	\$ 1,865,397.77	\$ 2,040,229.36
Income Deductions:		
Interest on Long-Term Debt	489,250.00	413,833.34
Amortization of Debt Expense	8,054.62	6,923.76
Amortization of Premium on Debt—Credit	(15,366.96)	( 13,690.98)
Other Interest Charges	15,154.08	16,013.38
Interest Charged to Construction—Credit	(12,439.67)	(177,452.12)
Miscellaneous Income Deductions	56,421.76	31,020.89
Total Income Deductions	\$ 520,813.83	\$ 276,648.27
Net Income Transferred to Surplus	\$ 1,344,583.94	\$ 1,763,581.09
Earned Surplus at Beginning of Year	4,153,676.69	3,464,111.97
Miscellaneous Credits to Surplus	128,838.25	40,164.42
Gross Surplus	\$ 5,627,098.88	\$ 5,267,857.48
Deductions from Surplus:		
Cash Dividends on Preferred Stock	\$ 235,835.00	\$ 227,500.00
Cash Dividends on Common Stock	800,000.00	875,000.00
Miscellaneous Debits to Surplus	15,543.48	11,680.79
Earned Surplus at End of Year	\$ 4,575,720.40	\$ 4,153,676.69

## CERTIFICATE OF AUDIT



We have examined the Balance Sheet of The Hawaiian Electric Company Limited, as of December 31, 1948, and the Statement of Income and Surplus for the year then ended, have reviewed the system of internal control and the auditing procedures of the Company, and, without making a detailed audit of transactions, have examined or tested accounting records of the Company and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures we considered necessary.

As at December 31, 1948, the Company had commitments of approximately \$1,455,000.00 payable in periodic amounts during the next two years for plant equipment ordered and in process of manufacture. The Company also at said date, a contingent liability of \$61,837.38 as endorser on notes secured by real estate and executed by officers and employees under the Company's plan of assisting its personnel in financing the purchase of dwellings. These commitments and contingent liability as endorser have not been included in the amount or in the attached Balance Sheet.

The attached Balance Sheet and Statement of Income and Surplus with the foregoing comments, in our opinion, fairly present in accordance with accepted principles of accounting consistently maintained, the financial position of the Company as at December 31, 1948, and the results of operations for the year then ended.

HENRY DAVIS AUDIT COMPANY  
By J. J. DELPECH,  
Certified Public Accountant.

Honolulu, T. H.  
March 2, 1949.



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