

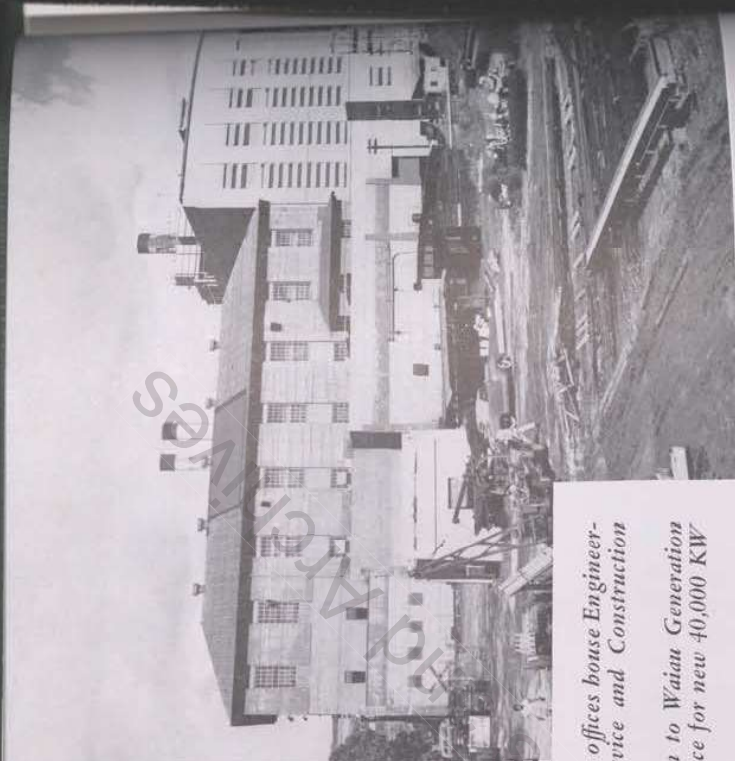
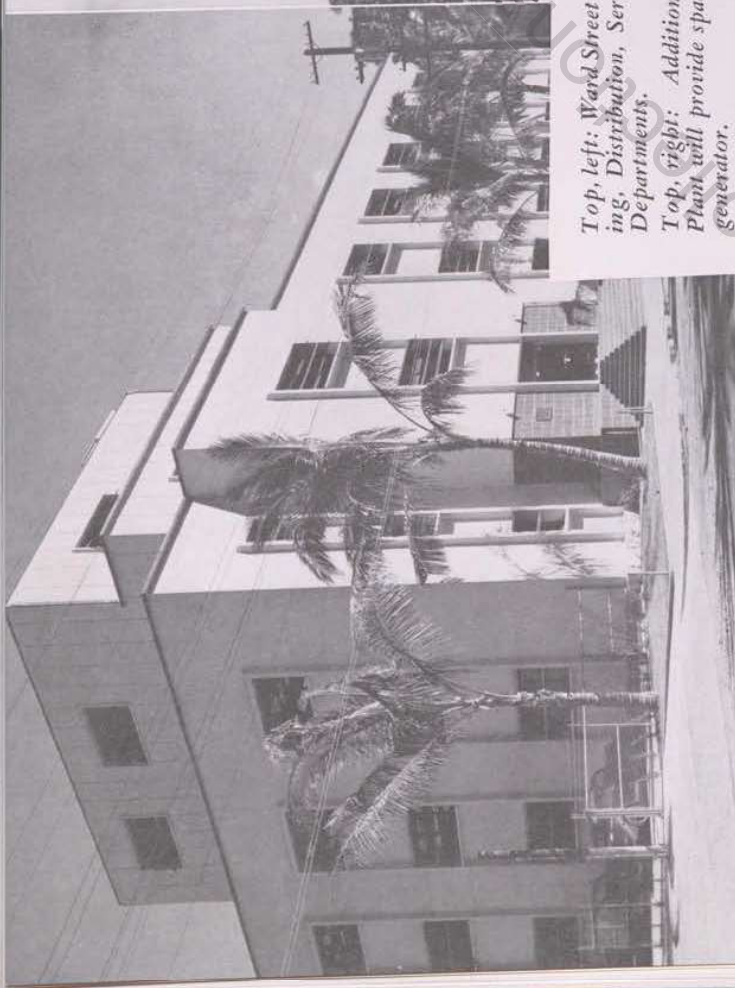
*The Hawaiian Electric Company, Limited*

YVARD UNIV.  
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★  
ANNUAL REPORT FOR THE YEAR 1949



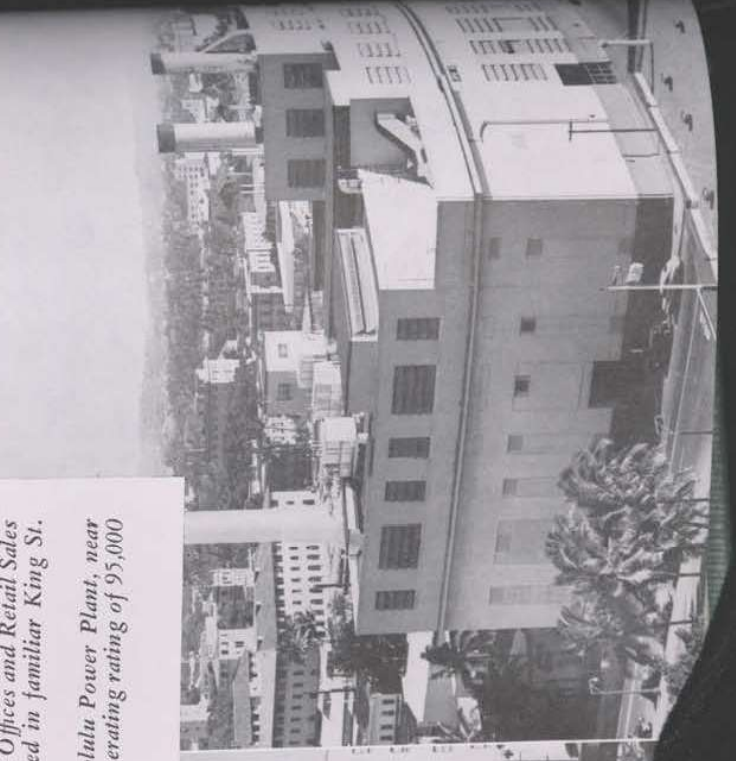


*Top, left: Ward Street offices Engineering, Distribution, Service and Construction Departments.*

*Top, right: Addition to Waian Generation Plant will provide space for new 40,000 KW generator.*

*Bottom, left: Business Offices and Retail Sales Department are located in familiar King St. site.*

*Bottom, right: Honolulu Power Plant, near Aloha Tower, has generating rating of 95,000 kilowatts.*





# THE HAWAIIAN ELECTRIC CO., LTD.



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, 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 the 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. 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 on the Island of Oahu only. A large majority of the stock of the Company is owned by individuals residing in the Territory and by Hawaiian trusts, institutions and firms.

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 Company, Limited, 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 of San Francisco is Transfer Agent in San Francisco for the Company's Series "C" and Series "D" Preferred Stock.



P. E. SPALDING

*Chairman*  
OF THE BOARD



L. A. HICKS



L. A. BUESE



RALPH B. JOHNSON



GEORGE HOGG



PAUL H. ANDERSON



H. P. FIELD



C. E. NOLAN



CARL J. SCHIEFFERS



G. M. WINSLEY



JAMES H. WINK

*The Hawaiian Electric Company, Inc.*  
900 RICHARDS ST. (PALACE SQUARE)  
HONOLULU, HAWAII

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HEATON L. WILSON

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L. A. HICKS..... Vice-President and Executive Engineer  
L. A. BUESE..... Vice-President and Treasurer  
RALPH B. JOHNSON..... Vice-President and Treasurer  
GEORGE HOGG..... Vice-President and Treasurer  
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G. M. WINSLEY..... Assistant Treasurer  
JAMES H. WINK..... Assistant Treasurer  
HENRY DAVIS AUDIT COMPANY..... Auditor

59th ANNUAL REPORT

FOR THE 12 MONTHS ENDED DECEMBER 31, 1949



## THE PRESIDENT'S LETTER TO OUR STOCKHOLDERS

The management of The Hawaiian Electric Company, Limited, presents herewith the report of operations for the year 1949 for the information of its stockholders, employees and customers.

The results of the year's operations were generally very satisfactory considering the adverse effects of the long shipping tie-up upon the economy of the community. Electric revenue increased 2.2% over 1948. Gains were made in electric production in every month over 1948 except the month of July. The peak load reached 116,000 kilowatts in October which equaled the war time record of 1945 for the first time. This peak load exceeded last year's by 6,000 kilowatts. Four thousand nine hundred seventeen new customers were connected to our system during the year, 1,383 of whom were accounted for by the acquisition of the Kahuku and Ewa plantation camps' distribution systems. This increase in number of customers and the large number of line extensions during a time of decreasing population on the Island of Oahu indicates increased diversification of business and the expansion of families into more adequate housing. The continued growth of our domestic customers' electric consumption from an average of 2,360 kilowatt hours at the end of 1948 to 2,552 at the end of 1949 indicates the growing acceptance of new electric appliances. The national average of domestic customer consumption was 1,686 kilowatt hours at the end of 1949.

Unfavorable factors affecting utility income were a decrease in revenue from military usage in the amount of \$375,000 and the failure of normal growth in commercial and industrial revenue to offset the military losses by more than \$189,000. A favorable factor was a substantial reduction in operating costs. The long continued price rise in the fuel market was broken in February and our cost of fuel dropped from \$2.78 per barrel on February 1 to \$1.71 per barrel on November 9. As a result, our fuel oil cost for 1949 was \$272,797 less than for the year 1948 with an increase in electric production of 3.1%. Taking

into account the totals of surcharges against industrial and commercial consumers in the two years, there was a net saving in cost of fuel to the Company of \$130,429 compared to 1948 operations. It is discouraging to note the adverse effect of taxes upon increased revenue and improved operating conditions. While revenue was increased 2.2% and operating expenses reduced 3.4%, the tax burden increased 17.7%.

The merchandising operations of the Company were more seriously affected by the long shipping tie-up than were the utility operations. The stevedore strike prevented the normal flow of goods and reduced merchandise sales by 27.6% compared to 1948. Although cost of goods and operating expense could not be reduced in the same proportion, the results were very satisfactory with a net income for the year of \$147,104, compared to \$285,052 in the preceding year. The corporate gross income was \$1,911,468 in 1949, compared to \$1,865,398 in 1948. After all income deductions the net income of the corporation was \$1,432,763, an increase of \$88,179 over the preceding year. The net earned per share of common stock was \$2.57 compared to \$2.46 in 1948. Dividends were paid at the rate of \$2.00 per share on the common stock.

The need for a strong promotional program is evidenced by the large losses in electric revenue suffered through the contraction of military usage on the Island of Oahu since 1945. The effectiveness of our promotional program will be measured by the amount revenue is increased from private sources to offset the loss from government sources. Many worthwhile economies have been realized in the various departments, both utility and non-utility. The high level of employee morale and efficiency is gratefully acknowledged.

L. A. HICKS,  
President



## The Year in Brief

### FINANCIAL SUMMARY

The corporate net income for 1949 was \$1,432,763 as compared with \$1,344,584 for 1948.

The earnings on Common Stock were \$2.57 per share on the 450,000 shares outstanding at December 31, 1949. Dividends at the rate of \$2.00 per share were paid on Common Stock during the year.

Total dividends paid to owners of Preferred Stock were \$277,500, and to owners of Common Stock \$900,000.

After payment of dividends, the Company had remaining \$255,263, which was retained in the business and used to build additional production and distribution facilities. This was equivalent to 1.7 cents of each dollar of revenue.

Interest on our bonded indebtedness was earned 3.9 times, and dividends on our Preferred Stock 5.2 times.

### OPERATING REVENUES

Operating revenues from all sources during 1949 totaled \$15,095,312, a decrease of \$1,591,061, or 9.5% from the preceding year. Non-operating income during the year amounted to \$70,552 of which \$45,732 represented interest received from the Federal Government on our claims for refund of income taxes for the years 1941 to 1944 inclusive.

Revenues from electric operations aggregated \$10,666,903, and accounted for 70.7% of the gross operating revenues. Sales of electric merchandise and services were productive of \$4,428,408, or 29.3%. Electric energy sales increased in 1949 by \$267,453, or 2.6%. The rate of gain of 12.9% in residential or domestic sales continued the upward trend of recent years. Commercial and industrial sales de-

creased 2.8% due to a 1.8% decrease in kilowatt hours sold, and to the operation of a fuel clause in large power and light rates.

The sales of electric merchandise and services declined \$1,686,355, or 27.6% from 1948.

Utility revenues suffered in some degree from the waterfront strike and the general local economic recession caused thereby during 1949. The same factors contributed to the decline in the Company's merchandising efforts.

### OPERATING EXPENSES

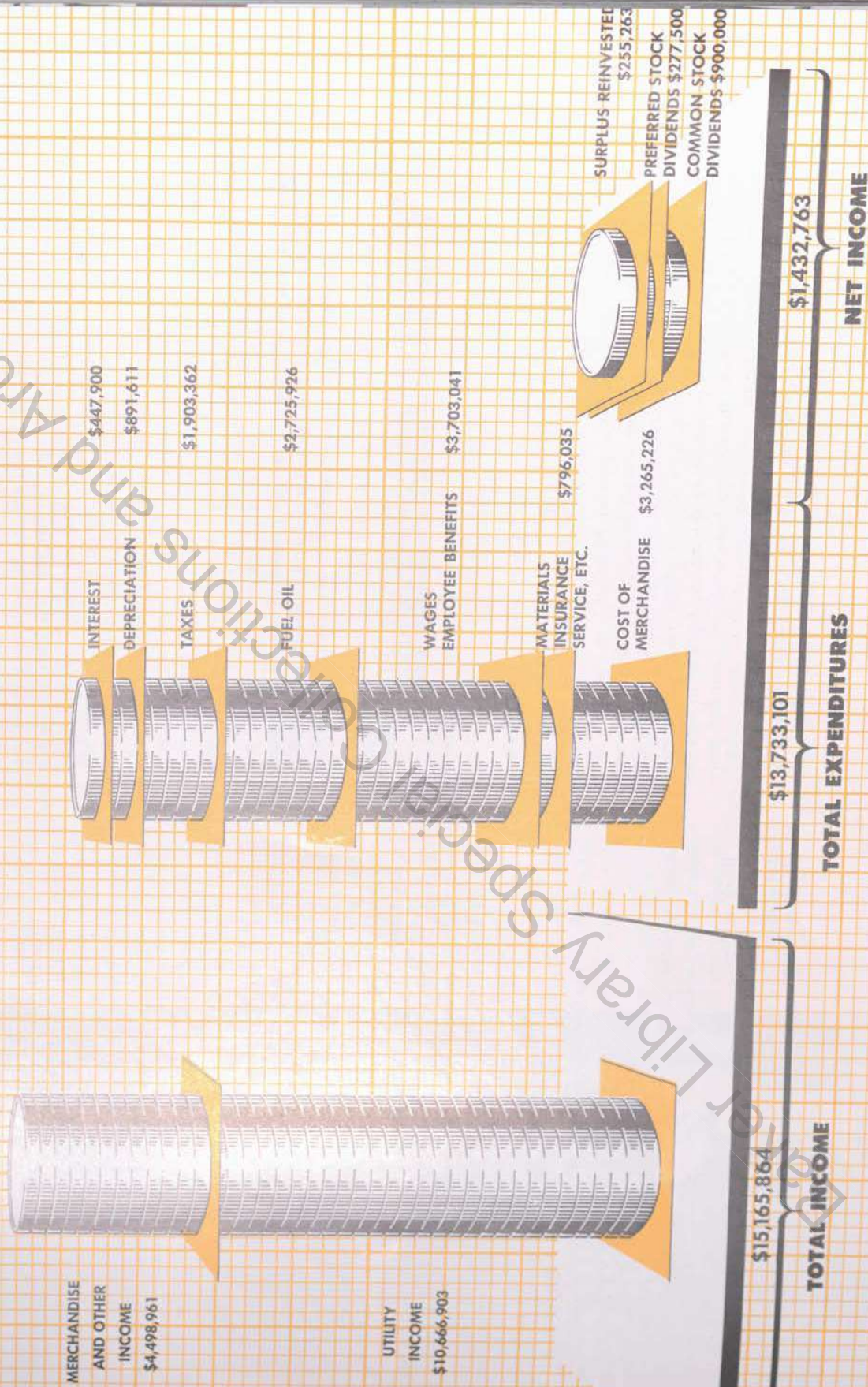
Operating expenses including the cost of goods for resale, the maintenance of our plant and property and the operation of our business, but exclusive of taxes and depreciation, totaled \$10,459,423. Of this amount, \$3,265,226 represented the cost of goods sold, \$2,725,926 the cost of fuel oil consumed in the production of electricity. The balance of \$4,468,271, spent in the normal operations of our business, covered maintenance of plant and properties, wages, employees' benefits, insurance, rents and services. Of this amount, \$1,012,430 was spent for maintenance.

Some alleviation was experienced during the year by a reduction in the cost of fuel oil from \$2.78 per barrel at the beginning of the year to \$1.71 per barrel at the end of the year, and substantially contributing to the reduction of \$272,797 in the cost of fuel oil consumed as compared with 1948.

Wages and salaries accruing to all employees of the Company totaled \$4,309,434 in 1949 as compared with \$4,593,615 in the preceding year. Of this 1949 figure, \$3,586,638 or 83.2% represented the payroll charged against income as an expense of maintenance and operation and \$722,796 or 16.8% represented the payroll of employees engaged



# RESULTS OF 1949 OPERATIONS





in construction work. Other benefits accruing to employees in the form of annuity and life insurance premiums, medical aid, old age benefit and unemployment insurance, etc., amounted to \$228,859, of which \$219,473 was a charge against 1949 income.

**Taxes . . .** Taxes of all kinds applying against 1949 operations, either paid or accrued, aggregated \$1,971,850, an increase of \$79,868 over 1948. Of this aggregate amount, \$1,903,362 was charged against income and the balance to capital or other accounts. The tax liability to the Federal Government accounted for 40.9% of our total tax bill. The remaining 59.1% represents the tax liability to the Territory of Hawaii. Taxes charged against income during 1949 absorbed 12.6 cents of every dollar of revenue received from our customers. Measured by another standard, taxes were 1.7 times the dividends paid to our stockholders, whose invested savings have made possible the development of the Company.

**Depreciation . . .** Depreciation transferred out of income as a provision for the wear and tear on our plant and property, amounted to \$891,611 during 1949, an increase of \$62,830 over the preceding year.

**Fixed Charges . . .** Interest on our funded debt, on loans from banks and other miscellaneous deductions, totaled \$478,705 after the transfer of \$70,489 in the form of interest charged to construction.

### COMMENTS ON THE BALANCE SHEET

The financial reports consisting of the Balance Sheet as at December 31, 1949 and Statement of Income and Surplus for the years ended December 31, 1949 and 1948 are reproduced on pages 18 to 20.

During 1949, the Company expended \$4,207,107 to construct new facilities and to expand those already in existence. Installing a new generating unit, increasing transformer capacity, building bigger substations, installing new lines, were all part of the year's construction budget and was aimed at increasing the system capacity to care for the ever increasing load. Retirements from service of plant and property amounted to \$305,101.

The investment in plant and property at the end of 1949 was \$45,320,407 as compared to \$41,418,401 at the preceding year's end.

*Designers,  
draftsmen work  
in spacious  
Engineering  
Department.*

*Nerve center of  
Oahu power is  
Distribution  
Department,  
Ward St.*

*Work at Main  
Control Board of  
Waiau Plant is  
skilled, exacting*





Fuel oil on hand at the Company's plant at December 31, 1949, represented an investment of \$232,586.

Inventories of materials and supplies on hand for resale, construction and maintenance totaled \$2,846,172 at the end of the year, a decrease of \$486,229 from similar inventories at the end of 1948.

The reserve for depreciation on plant and property amounted to \$10,650,806 at December 31, 1949, equal to 23.5% of depreciable property, compared to 24.0% at the end of 1948.

During 1949, \$168,547 was received from the Federal Government covering refunds of taxes and interest on same for the years 1941 to 1944 inclusive. Of this amount, \$122,815 was applied against our Claims for Refund of Federal Taxes, the balance \$45,732 representing interest, was absorbed through Non-Operating Income.

**Financing** . . . The Company advised the stockholders in June 1949 of its intention to issue and sell new securities consisting of 50,000 shares of Common Stock and 150,000 shares of Preferred Stock, both in the par value of \$20 and aggregating \$4,000,000. The proceeds from the sale of these securities were to be used for the retirement of bank loans and for use in the Company's construction program in 1949 and 1950.

Due to uncertainties caused by the prolonged waterfront strike in Honolulu, and its probable effect upon the market for local securities, it was deemed advisable to postpone the issuance and sale of the new stock until more favorable conditions prevailed. The Company now plans to proceed with its financing early in 1950.

The Company was able to care for its financial needs during the interim period through a credit agreement established in 1948 with a group of local and mainland banks. This credit agreement was extended to December 31, 1951.

**Capitalization** . . . At the end of 1949, 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.

The Funded Debt at the end of 1949 amounted to \$15,200,000 representing no change from the preceding year.

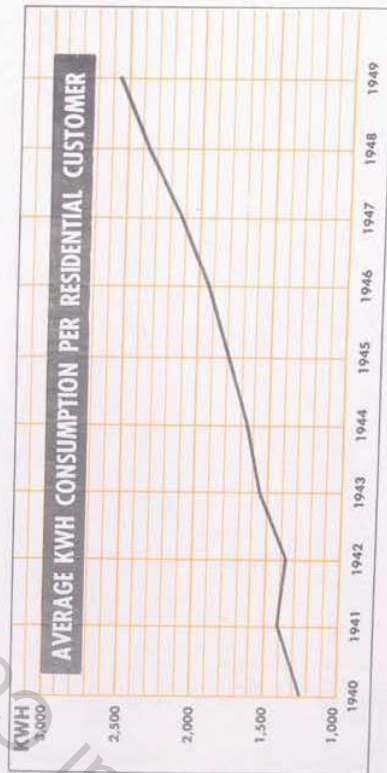
At the end of the year, the Funded Debt represented 43.4% of the Company's capitalization and surplus, Preferred Stock 17.1% and Common Stock and surplus 39.5%.

### NEW ELECTRIC CUSTOMERS

Approximately 5,000 new customers were added to our system in 1949, including some 1,400 customers formerly supplied by plantation systems. The volume of service orders increased materially as more housing became available. During the year we handled some 51,000 service orders, which is at a rate twice that of 1945.

### RESIDENTIAL SALES

Residential customers continued to increase their use of electricity last year and our average as of December 31 was 2,552 KWH per customer per year as compared with the national average of 1,686 KWH. The number of residential consumers increased by 4,261 to 60,053.



### COMMERCIAL AND INDUSTRIAL SALES

Electric sales to Army and Navy installations on Oahu declined sharply in 1949 as many major military establishments were placed on a maintenance status or decommissioned. Our gross revenues from these sources decreased approximately \$375,000 during the year. At



the same time our sales to other commercial and industrial customers increased \$188,901.

The use of air conditioning in office buildings, theaters and stores is increasing rapidly in all parts of the city. Some examples of new air conditioning installations during the year are: National Dollar Stores Kaimuki Branch, The Liberty House Waikiki Branch, Kapiolani Bowl Building, Roosevelt Theatre, Ben Franklin Store, Bank of Hawaii Kaimuki Branch and Murphy Motors.

Street, park and playground lighting sales increased 16% over last year. Experience in the reduction of night accidents has been very favorable where adequate street lighting has been installed.

The services of our commercial engineers were used extensively for advisory work with architects, engineers, contractors and other customers.

During the year, our electric sales representatives processed approximately 6,800 applications for line extensions, new services, underground systems and changes in existing facilities.

#### FIVE-YEAR RECORD OF ELECTRIC SALES

Year	K.W.H. Sold	Gross Revenue	Consumers
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
1949	507,418,883	10,627,745	73,913

NOTE: The high record of KWH sold in 1945 was due to war-time demands of dredging and other extraordinary military uses.

#### EXPANDING FACILITIES

During 1949 there was considerable activity in building transmission lines, distribution lines, substations and other facilities necessary for taking on new customer loads and in planning, engineering and

starting construction on the new generator Unit No. 4 at Waiau. This unit is being installed in the Waiau generating station located on the shores of Pearl Harbor, approximately eleven miles from downtown Honolulu. The unit, almost a duplicate of Waiau Unit No. 3, has a rating of 40,000 KW, and is being installed in a reinforced concrete and steel structure, which is an extension of the present power plant building. The construction of the building was started in April and as of the end of the year is approximately 90% complete.

The Babcock & Wilcox boiler is now being erected and is about 20% completed. The condensing salt water intake and discharge tunnels are completed and the turbine foundation is ready to receive the turbo-generator, which has arrived at the plant site and is being prepared for erection. The unit is scheduled for preliminary operation October 1, 1950, and for final completion on November 1, 1950.

The General Construction Department which was temporarily disbanded in 1948 was again activated as of November 28, 1949, to coordinate and handle the construction activities at Waiau Unit No. 4. The department will install the turbo-generator, condenser and related auxiliaries, as well as the boiler auxiliaries and the electrical apparatus.

To care for rapidly increasing load in Kaimuki and Wailupe areas, a second 44,000 volt circuit from Koolau to Wailupe and a new 44,000 volt line from Wailupe to Kaimuki were built and the Wailupe substation was enlarged.

Much building activity in the Kaneohe and Kailua areas necessitated construction of a new Kailua substation, change over from 11,000 to 44,000 volts on the line from Aikahi substation to Kailua and construction of a new substation at Keolu Hills and 11,000 volt line to that area.

New distribution substations were built at Kahuku and Ewa Plantations, at Oili Road and in Waikiki on Kaiolu Street. Additional capacity was installed in Kapiolani and Waialua substations. New underground cables were installed from McCully to the new Waikiki substation.

Eleven 500 kva transformers were added in the downtown area of



*The  
Waiau  
Plant*

The rotor for the new 40,000 KW generating unit to be installed at the Waiau Plant arrives in Honolulu, is carefully unloaded.

Construction begins in midsummer as foundations are poured for both the generating unit and the modern structure to house it.

Progress picture, taken on Nov. 1, shows outline of extension taking shape under web-like covering of builders' scaffolding.

At year's end, approximately ninety per cent of structure is completed, and much work on equipment itself is accomplished.



# HECO

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the 11,000 volt secondary network system to care for rapid development of load.

At Hawaiian Pineapple Company, 11,000 volt switchgear and cables were installed and an overhead 11,000 volt line built to provide double service to this customer for its greatly increased load.

A new rural section of the Distribution Department was organized at Waiiau to handle line construction, maintenance work and trouble calls in the Pearl City, Wahiawa, Ewa and Nanakuli areas with faster service and lower cost.

## PLANT AND PROPERTY EXPENDITURES

During the year \$4,207,107 was expended for new plant and properties as follows:

Steam Production Plant .....	\$ 28,575
Transmission and Distribution Facilities .....	1,538,663
General Plant .....	77,270
Merchandise Plant .....	45,115
Work in Progress:	
Steam Production Plant .....	2,209,457
Transmission and Distribution Facilities .....	283,321
General Plant .....	654
Merchandise Plant .....	24,052
	<hr/>
	\$4,207,107

## 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:

1945 .....	\$2,548,395
1946 .....	4,072,955
1947 .....	5,480,216
1948 .....	3,091,587
1949 .....	4,207,107

## PROMOTIONAL ACTIVITIES

During 1949 the Company continued through the Promotional Department to keep before the public the benefits and conveniences of Electrical Living.

In June the national slogan "Of Course It's Electric" was included in our advertising program through newspaper, radio and direct contact. In line with this program, architects, general contractors, electrical contractors, and others interested in the building industry were constantly reminded of the advantages of Electrical Living by the monthly mailing to them of Electricity in Building and other mailings of new material of interest on planning, lighting and wiring. Commercial cooking equipment has been promoted through the monthly mailing of Food Service News and by direct contact. The home owners were aided by our consultants in kitchen planning and home lighting.

Through the Home Service Department, work has been continued and broadened with the schools and other youth groups. One of the most interesting of these projects is the work with the Girl Scouts whose members are helped to earn their badges in cooking and nutrition.



## Home Service



Girl Scouts of Oahu attend cooking classes at the Home Service Department, are helped in earning cooking and nutrition badges.



Demonstrations are conducted for electrical appliance dealers to aid salesmen in understanding—and selling—their products.



An alert and attentive group of elderly Japanese women attend a home laundry demonstration, given in their native language.



With floor plans and appliance models scaled down to table-top size, skilled consultants help plan model electrical kitchens.



Reddy Kilowatt cooking classes continue to receive enthusiastic response, with overflow attendance at practically all meetings. Radio broadcasts, newspaper stories, recipe material, and demonstrations before organized groups continue to carry the story of Electrical Living to a great many people.

As of January 1, 1950, retail sales of appliances were transferred from the Promotion Department, a utility function, to the Merchandise Department, a non-utility function. The scope of the promotional work for 1950 with distributors and dealers has been broadened and strengthened in many ways, including the use of display space on the second floor of the main office building for each major distributor's electric appliances and the distribution of literature on all makes of appliances. Their salesmen may be in attendance if desired. The Company's Home Service staff will demonstrate major appliances of all makes in the home, demonstrate small appliances in dealers' stores, train dealers' salesmen in cooking, washing, ironing and other electrical living methods, and provide free kitchen planning service and home lighting consultant service for dealers' clients. The Home Service Auditorium will be used for one month at a time by each distributor who cares to have his major appliances demonstrated by our staff in regular weekly cooking classes open to the public.

The Appliance and Radio Dealers' Association remains very active and is supported by the Company through dues, representation at meetings, and cooperative advertising.

Four awards were won in the Public Utilities Advertising Association Better Copy Contest. The "Voice of Junior Hawaii" radio program won first place among all utilities. Among utilities with less than 125,000 customers, the institutional newspaper series "Applause for the Women of Hawaii" and the employee magazine "The Load Builder" won first place, and our complete advertising program won second place.

## MERCHANDISE OPERATIONS

The sales for the first quarter of the year gave every indication that 1949 was destined to produce the greatest volume of business in the company's history, surpassing the record established in 1948; however, the waterfront strike which paralyzed ocean commerce for a period of some five months so upset the economy of the entire Territory that sales and gross profit were reduced appreciably. During the period of the strike, measures were taken to reduce overheads in keeping with the sales volume, thereby protecting the profits made during the first four months of the year.

Plans for further consolidation of sales and clerical personnel were completed with an addition to the office area located in Warehouse #2. This consolidation brought about economies that were beneficial to our closing months' operation and will be of great value during future years. In addition, new equipment installed in our service division has increased its efficiency and broadened its field of activity.

While the year's volume did not come up to early expectations, sales were satisfactory considering the unfavorable conditions that existed during most of the year. Figures for previous years include the revenue produced by the Electrical Contracting Department which was discontinued with the close of business in 1948.

### Comparative revenue for the past five years:

1945	\$2,428,442
1946	2,694,726
1947	5,815,399
1948	6,114,764
1949	4,428,409



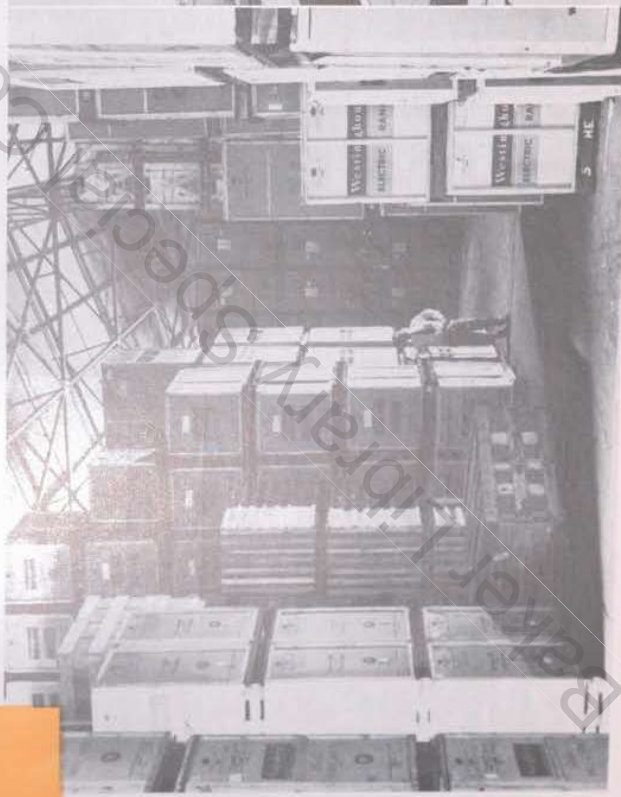
*Merchandising*



*A view of one of the large warehouses located near the Ward St. offices shows large supply and variety of merchandise in stock.*



*Major electrical appliances—ranges, refrigerators, washers—are carefully inspected and tested before the delivery is made.*



*In spacious Ward St. warehouses, plentiful stocks of electrical appliances are maintained for quick delivery to retail stores.*



*Merchandise Department occupies large buildings, wide area at the Ward St. offices for its wholesale merchandise operations.*



# HECO

As of January 1, 1950, the Company transferred its appliance retail sales activity from a utility promotional to a non-utility merchandise operation. This move was made as a matter of public policy to avoid further controversy over our promotional activities. The Wholesale Supply Department has been renamed the Merchandise Department in keeping with its dual wholesale and retail sales operations. A portion of the first floor of the main office building will be used as in the past for the display and sale of traffic and major appliances under the management of the Merchandise Department, which will pay monthly rental to the utility for the use of the space. Other promotional activities will continue as in the past.

## STOCKHOLDERS

Stock	Territory of Hawaii	Mainland	Foreign	Total
Common	1,746	281	17	2,044
Preferred "B"	638	106	10	754
Preferred "C"	937	105	9	1,071
Preferred "D"	597	183	1	781

In spite of the setback to our local economy by the prolonged waterfront strike in the islands, our stock ownership again showed evidence of growth. Owners of common stock increased from 1,917 to 2,044. One hundred twenty-four of the one hundred twenty-seven new owners are residents of the Territory of Hawaii.

About 94% of the common stock is owned locally.



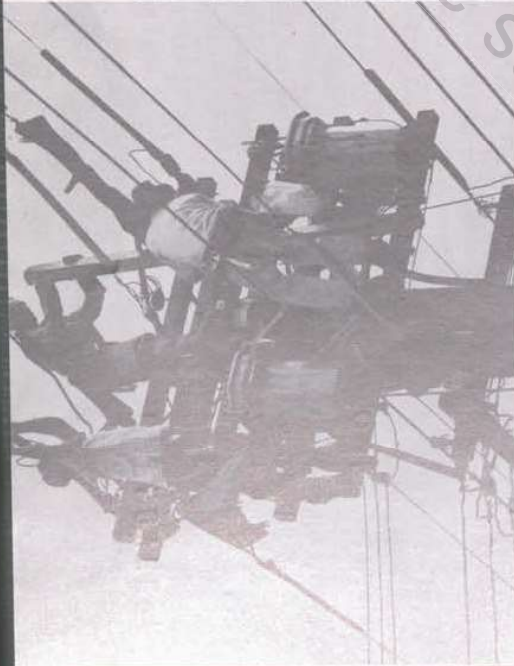
## CONDEMNATION SUIT

The company still had pending on Dec. 31, 1949, a condemnation suit by the Territory of Hawaii to take 50 to 80 feet of its property fronting on Halekauwila Street between Bishop and Alakea Streets for highway widening purposes. The studies prepared by the Company's appraisers and consulting utility engineers are completed and the Company's case is ready for presentation.

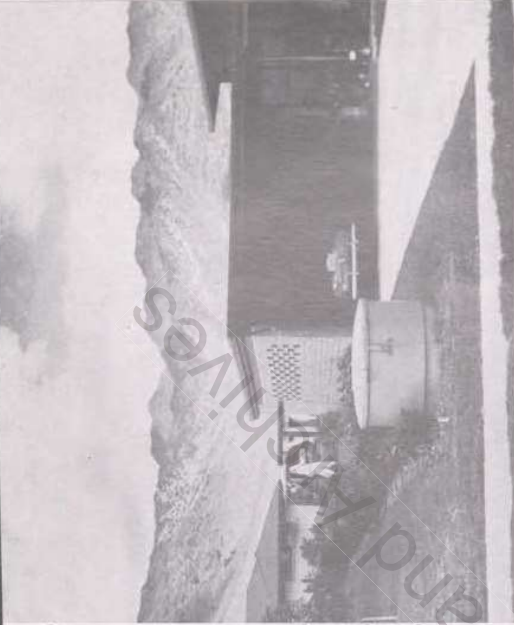




Ornamental gate and landscaping at the new Waikiki Substation blends well into tropical surroundings.



Rubber coverings over 4,000-volt distribution lines are safety features protecting workmen from shock.



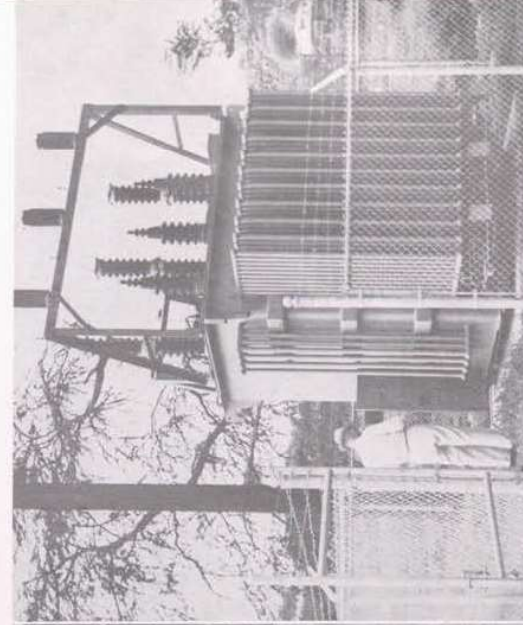
Transformer vault for Aina Haina's all-underground system is designed to be covered by the shrubbery.



Work crew inspects trim and tidy Maekiki Substation, one of several such units located throughout city.



Feeders from the new Waikiki Substation, laid underground, keep tropical view free of poles and wires.



Inspector makes routine check of a temporary unit substitution at Oili. Unit will later be replaced.



## EDUCATIONAL PROGRAM

During the year one apprentice of the group of 22 finished 8,000 hours of training and was awarded a certificate of completion by the Territorial Apprenticeship Council. There are five apprentice draftsmen in the Engineering Department program and sixteen in the trades and crafts program.

Two self-improvement courses, "Distribution of Electricity and the Company System" and "Generation of Electricity," were conducted on the Company's premises after working hours. Thirty-seven men completed the former course and twenty-two completed the latter.

On January 31, 1949, the Executive Committee completed the 20-hour Ben L. Wells Leadership Training Program and by the end of the year 91 men in the supervisory organization of the Company had participated in this training.

A series of conferences has been conducted for virtually all of the employees on the operations of the Company as reflected in the 1948 Annual Report.

The Generation, Distribution and General Service Departments held monthly supervisory safety meetings. In January meetings on the new safety rules were held for all physical workers. Proper methods of lifting and eye protection were emphasized.

During the year 330 employees took a driver's aptitude test to determine their vision and coordination. Those who failed to meet minimum requirements were so informed in order that corrective action could be taken.

Mr. Bertram Wai Ming Kam was presented the President's Medal of the National Safety Council for saving the life of a fellow employee by application of prone pressure resuscitation. This presentation on September 9 marked the first of these awards in the Territory of Hawaii.

## EMPLOYEE ACTIVITIES

### Service Awards

The annual presentation of service awards to employees who have completed a five-year increment of service was held at an informal dinner at the Armed Forces Officers' Club on December 12.

One hundred thirteen employees received pins for years of service as indicated below. The Company now has 657 employees who have received service pins for more than five years of continuous service.

5 years .....	12 employees
10 years .....	32 employees
15 years .....	13 employees
20 years .....	17 employees
25 years .....	24 employees
30 years .....	11 employees
35 years .....	3 employees
40 years .....	1 employee



*Proud members of a proud family. Each of these smiling employees completed his twenty-fifth year of service in 1949.*





*Competing one night a week during the season, 140 men and women employees formed the plant's 20-team bowling league.*

**Recreation . . .** The Company's recreational program included a nine team basketball league with 104 employees participating, a 17 team mountain ball league with 250 participating, and a 20 team bowling league with 140 participating. Women employees participated in the bowling and soft ball leagues.

In answer to a petition from fifty women employees, the "Hecoettes" was revived at an organization meeting in October.

**Community Chest . . .** In 1949 99% of the employees of the Company contributed generously to the Community Chest drive.

#### **EMPLOYEE RELATIONS**

The two existing labor union agreements with the International Brotherhood of Electrical Workers, Local 1260, were extended to August 31, 1950. The new agreements contain no general wage increase. Included in the agreements are provision for seven paid holidays for all employees in the bargaining unit; individual paid membership in the Hawaii Medical Service Association at no cost to the employee;

a wage differential to be paid to incapacitated employees based on length of service; modifications to the Safety Rules; and certain other minor adjustments relating to vacations and lines of progression in the bargaining unit. The membership in the HMSA was also given to employees not covered by the union agreement.

The relationship with the union has been friendly and close cooperation has resulted in the settlement of grievances with a minimum of friction.

#### **EMPLOYEE BENEFITS**

The group life insurance plan with The Prudential Insurance Company of America covers 1,228 employees for an aggregate amount of \$6,843,250. Claims paid during 1949 amounted to \$24,000. The Company's sickness benefit plan paid hourly rated employees \$29,579 for time lost through illness.

The retirement annuity plan insured with the Prudential Insurance Company of America has a fund balance with the insurance carrier of \$1,272,597 as of December 31, 1949.

The following employees were retired during the year:

Saikichi Kimura, Ice Tankman, Cold Storage Department, 27 years  
 Seizo Kurata, Application Clerk, Commercial Department, 28 years  
 Louis C. Dewey, Inspector, General Service Department, 25 years  
 Harold Nickelsen, Superintendent of Shop Maintenance, General Service Department, 27 years  
 Hiram Kahala, Lineman, Distribution Department, 20 years  
 Theodore Souza, Utilityman, Distribution Department, 28 years  
 Chikakichi Nakamura, Utilityman, General Service Department, 28 years  
 Michael Notrangelo, Foreman, Promotion Department, 26 years  
 Tohichi Namiki, Helper, General Service Department, 27 years  
 Benjamin Jackson, Helper, Wholesale Supply Department, 9 years  
 James Kakalia, Janitor, Generation Department, 30 years  
 Manuel De Mello Perry, Utilityman, Generation Department, 30 years  
 Henry E. Lee, Clerk, Commercial Department, 31 years



# THE HAWAIIAN ELECTRIC COMPANY, LTD.

## BALANCE SHEET

December 31, 1949

### TREASURER'S REPORT

Honolulu, Hawaii  
March 1, 1950

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, 1949;

Statement of Income and Surplus for the year ended  
December 31, 1949;

Comparison of Income and Surplus Accounts for the  
years 1949 and 1948;

Certificate of Audit.

*Respectfully submitted,*

GEORGE HOGG

*Treasurer.*

### ASSETS

<b>FIXED ASSETS:</b>		
Utility Plant in Service	\$41,490,618.45	
Utility Construction in Progress	3,104,511.94	\$44,595,130.39
Non-Utility Plant		725,276.60
Total Fixed Assets		\$45,320,406.99
Less, Reserves for Depreciation		10,650,806.20
		\$34,669,600.79
<b>INVESTMENT IN REAL ESTATE —</b>		
At Cost Less Amortization		
<b>CURRENT AND ACCRUED ASSETS:</b>		
Cash on Hand and in Banks		\$ 472,627.46
Notes and Accounts Receivable:		
Sales Agreements	\$ 615,564.47	
Electric Energy	950,149.13	
Merchandise	748,985.29	
Other	18,676.56	
	\$ 2,333,375.45	
Less, Reserves for		
Uncollectible Accounts	133,196.61	2,200,178.84
Merchandise and Supplies:		
Utility Supplies	\$ 1,492,332.54	
Non-Utility Merchandise	1,586,424.78	3,078,757.32
Prepaid Insurance, Rent, Taxes, etc.		114,581.08
		5,866,140.38
<b>CONSIGNED MERCHANDISE</b>		
(Contra)	\$114,049.76	
<b>DEFERRED DEBITS:</b>		
Unamortized Debt Expense		\$ 153,772.66
Work in Progress		46,592.32
Clearing Accounts		17,572.45
Claims on Manufacturers and Carriers		66,465.97
Other Deferred Debits		7,776.92
		292,180.32
<b>CAPITAL STOCK EXPENSE</b>		239,611.3
<b>OTHER ASSETS:</b>		
Ice and Cold Storage assets deferred		107,114.9
		\$41,185,582.2



**THE HAWAIIAN ELECTRIC COMPANY, LTD.**  
**STATEMENT OF INCOME AND SURPLUS**

For the Year Ended December 31, 1949

**THE HAWAIIAN ELECTRIC COMPANY, LTD.**  
**BALANCE SHEET**

December 31, 1949

<b>UTILITY OPERATING REVENUES:</b>		
Sales of electric energy	\$10,627,745.31	
Other electric revenues	59,158.13	\$10,666,903.44
<b>UTILITY OPERATING COSTS:</b>		
Operating expenses	6,594,423.42	
Depreciation	874,082.85	
Taxes	1,739,829.35	
	9,008,335.62	8,973,091.22
	35,244.40	1,693,812.22
<i>Less, taxes charged to construction</i>		
Utility operating income		
<b>OTHER INCOME:</b>		
Merchandise Department:		
Gross revenue	4,428,408.68	
Cost of sales	3,265,225.92	
Gross profit	1,163,182.76	
Expenses:		
Operating expenses	\$ 799,773.18	
Depreciation	17,528.13	
Taxes	198,777.45	
Net Merchandise Department income		
Interest received on tax refunds	147,104.00	
Other interest	45,731.56	217,656.12
	24,820.56	1,911,468.34
<b>INCOME DEDUCTIONS:</b>		
Interest on long term debt	489,250.00	
Amortization of debt expense	8,094.84	
Amortization of premium on debt—credit	(15,366.96)	
Other interest charges	29,139.18	
Interest charged to construction—credit	(70,488.76)	
Donations	34,253.81	
Loss on leased property	124.31	
Property taxes on idle ice and cold storage plant	3,698.69	478,705.11
Net income for the year		1,432,763.23
<b>EARNED SURPLUS ACCOUNT:</b>		
Earned surplus, January 1, 1949	4,575,720.40	
Income taxes over-accrued, 1948	2,071.47	
Prior year group insurance accruals for military leave, reversed	16,605.00	
Refund of 1942 income tax	143.17	4,594,540.04
Gross surplus		6,027,303.27
<b>DEDUCTIONS FROM SURPLUS:</b>		
Cash dividends on preferred stock	277,500.00	
Cash dividends on common stock	900,000.00	
Severance pay, ice and cold storage departments	2,597.34	1,180,097.34
EARNED SURPLUS AT END OF YEAR		\$ 4,847,205.93

<b>CAPITAL STOCK:</b>		
Common, Outstanding 450,000 Shares, Par Value \$20.00 Each	\$ 9,000,000.00	
Preferred, Outstanding:		
5% Cumulative Series "B", 100,000 Shares, Par Value \$20.00 Each	2,000,000.00	
4 1/4% Cumulative Series "C", 150,000 Shares, Par Value \$20.00 Each	3,000,000.00	
5% Cumulative Series "D", 50,000 Shares, Par Value \$20.00 Each	1,000,000.00	\$15,000,000.00
<b>LONG TERM DEBT:</b>		
First Mortgage Bonds, 4% Series "A" Due 1958	\$ 200,000.00	
First Mortgage Bonds, 3 1/2% Series "D" Due 1964	5,000,000.00	
First Mortgage Bonds, 3 1/2% Series "E" Due 1970	5,000,000.00	
First Mortgage Bonds, 3% Series "F" Due 1977	5,000,000.00	15,200,000.00
<b>CURRENT AND ACCRUED LIABILITIES:</b>		
Notes Payable, Banks	\$ 2,000,000.00	
Accounts Payable	827,344.21	
Customers' Deposits and Interest Thereon	80,556.29	
Taxes	1,066,820.70	
Interest on Long Term Debt	137,645.81	
Wages	83,979.60	
Other Current and Accrued Liabilities	12,852.66	4,209,498.27
<b>CONSIGNED MERCHANDISE LIABILITY</b>		
(Gross)	\$114,049.76	
<b>DEFERRED CREDITS:</b>		
Unamortized Premium on Debt	\$ 283,225.65	
Customers' Advances for Construction	24,580.96	
Customers' Deposits	13,924.29	
Unearned Interest on Sales Agreements	73,535.33	
Customers' Credit Balances	69,260.41	
Other Deferred Credits	12,071.21	476,597.85
<b>RESERVES:</b>		
Automobile Property Damage	\$ 36,609.40	
Injuries and Damages to Others	25,000.00	
Workmen's Compensation Liability	64,874.95	
Sales Agreement Reimbursement	32,980.34	
Inventory	171,140.95	
Tax Contingency	200,000.00	540,565.34
<b>CONTRIBUTIONS IN AID OF CONSTRUCTION</b>		
EARNED SURPLUS	911,620.84	
	4,847,205.93	
	\$41,185,188.23	



# THE HAWAIIAN ELECTRIC COMPANY, LTD.

## SUMMARY STATEMENT OF INCOME AND SURPLUS

For the Years Ended December 31, 1949 and 1948

	1949	1948
Operating Revenues	\$15,095,312.12	\$16,686,373.36
Operating Revenue Deductions:		
Operating Expenses	\$10,459,422.52	\$12,190,189.66
Territorial and Federal Taxes	1,903,362.40	1,818,767.17
Depreciation	891,610.98	828,780.55
Net Operating Income	\$13,254,395.90	\$14,837,737.38
	\$ 1,840,916.22	\$ 1,848,635.98
Other Income	70,552.12	16,761.79
Gross Income	\$ 1,911,468.34	\$ 1,865,397.77
Income Deductions:		
Interest on Long Term Debt	489,250.00	489,250.00
Amortization of Debt Expense	8,094.84	8,094.62
Amortization of Premium on Debt—Credit	(15,366.96)	(15,366.96)
Other Interest Charges	29,159.18	15,154.08
Interest Charged to Construction—Credit	(70,488.76)	(12,439.67)
Miscellaneous Income Deductions	58,076.81	36,121.76
Total Income Deductions	\$ 478,705.11	\$ 520,813.83
Net Income Transferred to Surplus	\$ 1,432,763.23	\$ 1,344,583.94
Earned Surplus at Beginning of Year	4,575,720.40	4,153,676.69
Miscellaneous Credits to Surplus	18,819.64	128,838.25
Gross Surplus	\$ 6,027,303.27	\$ 5,627,098.88
Deductions from Surplus:		
Cash Dividends on Preferred Stock	\$ 277,500.00	\$ 255,835.00
Cash Dividends on Common Stock	900,000.00	800,000.00
Miscellaneous Debits to Surplus	2,597.34	15,543.48
Earned Surplus at End of Year	\$ 1,180,097.34	\$ 1,051,378.48
	\$ 4,847,205.93	\$ 4,575,720.40

We have examined the Balance Sheet of The Hawaiian Electric Company Limited, as of December 31, 1949, and the Statement of Income and Surplus for the year then ended, have reviewed the system of internal control and accounting procedures of the Company, and, without making a detailed audit of the transactions, have examined or tested accounting records of the Company and other supporting evidence, by methods and to the extent we deem 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, 1949, the Company had commitments of approximately \$525,000.00 payable in periodic amounts within one year for power plant equipment ordered and in process of manufacture. The Company also had said date, a contingent liability of \$60,044.48 as endorser on notes issued real estate and executed by employees under the Company's plan of assistance personnel in financing the purchase of dwellings. These commitments contingent liability as endorser have not been included in the accounts of the attached Balance Sheet.

The attached Balance Sheet and Statement of Income and Surplus with 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, 1949, and the results of operations for the year then ended.

HENRY DAVIS AUDIT COMPANY  
J. J. Delppech,  
Certified Public Accountant

Honolulu, T. H.  
February 4, 1950



We record with deep regret the passing of:

ANTONE CABRAL  
Distribution Department (Retired)—January 31, 1949

HOWARD YOUNG  
Commercial Department—May 20, 1949

RICHARD THOMAS  
Generation Department (Retired)—June 8, 1949

MANUEL FERREIRA  
Generation Department—September 2, 1949

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