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ANNUAL REPORT for the year 1951

STANDARD ELECTRICITY
COMPANIES OF HAWAII
INCORPORATED
HONOLULU, HAWAII

The
Hawaiian Electric
Company, Ltd.

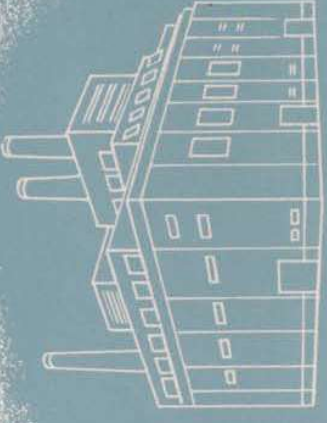
BUILDING TODAY FOR TOMORROW'S NEEDS

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HONOLULU AT NIGHT

seen from the residential
section of Diamond Head.

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THE HAWAIIAN ELECTRIC COMPANY, LTD., ANNUAL REPORT FOR 1951

The President's Report to Stockholders, Employees and Customers

The recovery experienced in Hawaiian business in the latter part of 1950 carried through 1951 and resulted in rapidly mounting sales of electricity and a total of \$11,959,077 of revenue, an increase of \$1,179,866 over 1950. While electric revenues increased 10.9% and merchandise sales 11.6% in 1951, the net income of the Company was reduced \$312,747 by increased operating expenses and taxes to \$1,575,107, or \$2.30 per share on the 500,000 shares of common stock.

It is interesting to note how closely the growth of our business is geared to the fluctuations of the local economy. During 1947 and 1948 the growth pattern of electric revenues had been 9.8% and 13.4%. The six months' waterfront strike in 1949, with its strangulation of all business, cut the rapid upward trend to a meager 2.2%. Recovery of business in 1950 was not noticeable until the last quarter and electric revenue showed only a 1.1% increase for that year.

The results of 1951 operations indicate a striking recovery and growth in many lines of business in the community, and

a great amount of new home building. Local business, including both wholesale and retail, operated at high levels, 13.2% and 8.7% respectively over 1950. Income to the Territory from the sale of sugar amounted to \$125,000,000, about a million dollar increase over 1950. Sale of pineapples and juice for the fiscal year ending May 31, 1951, was approximately \$100,000,000, a new high record and over 10% above the previous fiscal year. Our third industry, the tourist business, was stimulated by a record crowd of 78,736 visitors. It is estimated that \$28,500,000 were spent here in 1951 by these visitors, plus another five million by carrier companies for tourist operations, thereby adding materially to our economy.

The development of new industries received a great deal of attention and made new, important advances during 1951. The Hawaiian Electric Company devoted its promotional advertising program to spot-lighting the most promising of the new industries. In addition to the newspaper adver-



tising, we printed and distributed 40,000 pamphlets on eight small industries.

Some very effective effort toward bridging the gap between scientific research and commercial exploitation was represented by the program of the New Industries Subcommittee of the Honolulu Chamber of Commerce, especially by the round table discussions, such as the Papaya Round Table of October 9; the Floral Associations of Hawaii and the University of Hawaii Floral Clinic in August; the Department of Public Instruction series regional teacher-businessmen seminars launched first in Honokaa and Kona; and the study of new business potentials by the Bank of Hawaii.

Important developments in new business research were the addition of paper and paper products to the Hawaiian Sugar Planters' Association program of cane by-product research; initial operation of a joint venture by H.S.P.A., Industrial Research Advisory Council and University of Hawaii Experiment Station in a livestock feed pilot plant; initial operation of the University of Hawaii Experiment Station food processing laboratory; and studies of mainland markets for Hawaiian horticultural products by the University of Hawaii Experiment Station and Extension Service.

The importance to the Hawaiian economy of new industries cannot be over-emphasized. In spite of the present employment by Federal funds of 25,000 civilians in Hawaii and another 4,000 of our people in forward areas of the Pacific, and the expenditure of many millions on local military pay-rolls, we are still suffering from an adverse balance of trade to the extent of some \$30,000,000. That is, we are still spending more than our income. When present Federal activities are reduced, we must more than match the withdrawal of Federal funds by new income if we are to reach a balanced economy. The greatest single obstacle to a balanced economy is the rapidly mounting tax burden.

The results of the past year's operations of this company illustrate in striking fashion the dangerous trend of our Federal and local governments toward excessive taxation. The chart on page 4 tells the story graphically. From 1938 to 1951 this company increased its capital stock from 8 million to 19 million dollars in order to provide production and distribution facilities to meet the growing demands of the community. This represents an increase in invested capital of 137%. But net income after taxes to pay for the use of this capital increased only 71%. At the same time taxes increased 259%. As can be seen on the chart, the proportion of taxes to net income increased from slightly less than equal to twice net income in 1945. With the removal of the excess profits tax in 1946, taxes were again reduced to slightly less than net income. But now in 1951 taxes have soared above net income by 63%. This in a year when the company was not subjected to excess profits taxes and before the national defense program has reached its peak. Investor owned electric utilities will receive some benefit from cancellation of the 3 1/3% excise tax on electric revenues from domestic and commercial customers, which became effective November 1, 1951. However, this relief will be more than offset by the 10% increase in Federal taxes on corporation normal and surtax income from 47% to 52%.

Looking to the year ahead, favorable factors are our improved cash position at year's end, with no bank borrowings, increasing revenues from 1951 expanded sources, and increased revenues from 1952 expanding military activities, improved sugar operations and larger tourist business.

The physical plant of the company is in excellent condition, the employees have performed loyally and efficiently during the past year, labor relations have been friendly and there is every reason to believe these conditions will continue through 1952.

L. A. HICKS
President



1951 Results

UTILITY OPERATIONS

Electric revenues totaled \$11,959,077, an increase of 10.9% over 1950. This reflects the steady growth of electric usage in the community through the construction of new homes, new commercial enterprises and expansion of business generally together with increased usage of air conditioning equipment, lighting and power-driven devices. Although electric revenues increased more than a million dollars, operating expenses, depreciation and taxes increased at a higher rate resulting in slightly decreased operating income. Operating income was \$1,908,638 which is a 4.2% decrease from 1950.

MERCHANDISE OPERATIONS

Sales of merchandise amounted to \$6,447,732, an increase of 11.6% over 1950. Net income was \$264,886, a decrease of 10.2% from 1950 level, due to increased cost of merchandise sold, operating expenses, depreciation and taxes.

CORPORATE OPERATIONS

Net income was \$1,575,107 as compared to \$1,887,854 in 1950, a decrease of 16.6%. Chief items contributing to decreased net income were fuel costs, taxes, depreciation, bond and other interest. The earnings on common stock were \$2.30 per share on the 500,000 shares outstanding at December 31, 1951. Dividends at the rate of \$2.00 per share per annum were paid on common stock during the year. This is the fifty-first consecutive year that a dividend has been paid. Total dividends paid to owners of preferred stock were \$427,500 and to owners of common stock \$1,000,000.

After payment of dividends, the Company had remaining \$147,607, which was invested in the construction of electric production and distribution facilities. Interest on our bonded indebtedness was earned 4.0 times and dividends on our preferred stock 3.7 times.

PAYROLL AND BENEFITS

	1951	1950
Total Direct Payroll.....	\$4,238,942	\$4,308,027
Benefits Paid by Company:		
Vacations, Holidays, Sickness Pay, etc.	426,062	375,308
Retirement, Life Insurance, Medical Aid, Social Security Insurance, Unemployment Insurance	279,046	269,036
Total Payroll and Benefits.....	\$4,944,050	\$4,952,371

DEPRECIATION

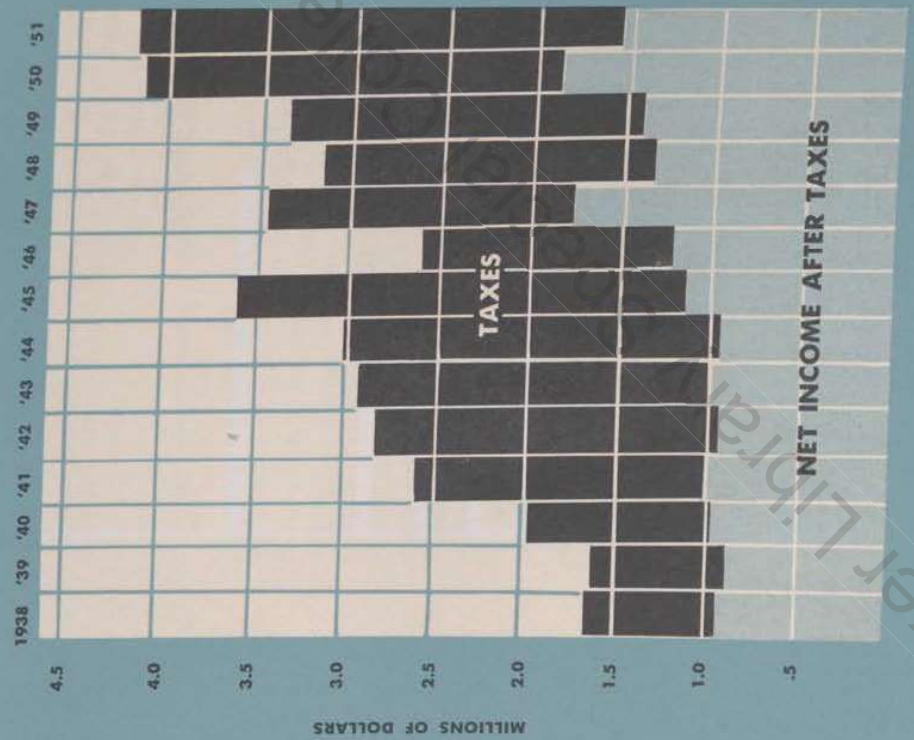
Depreciation transferred out of income as a provision for obsolescence and wear and tear on our plant and property amounted to \$1,114,579 during 1951, an increase of \$158,864 over the preceding year. This amount is proportionate to additional investments made in electric generating, transmission and distribution facilities.

FIXED CHARGES

Interest on our funded debt, on loans from banks and other miscellaneous deductions amounted to \$598,491 during 1951.



Effect of Taxes on Net Income 1938 - 1951



TAXES

Taxes of all kinds, Federal and Territorial, applying against the corporation's current year's operations totaled \$2,595,014. Of this aggregate amount \$2,570,813 was a direct charge against income and \$24,201 was absorbed through plant and other accounts. This year's utility tax bill meant that 18 cents was paid out for every dollar's worth of electric revenue. As of April 1, 1951, the Federal tax rate on corporation income was increased from 47% to 52%.

Federal:

	1951	1950
Income	\$1,058,510	\$ 863,270
Electric Energy	239,704	241,584
Payroll, etc.	70,276	65,045
	<u>\$1,368,490</u>	<u>\$1,169,899</u>

Territorial:

	1951	1950
Income	\$ 155,877	\$ 172,652
Public Utility	610,148	551,155
Franchise Royalty	295,839	261,364
Gross Income, etc.	164,660	210,745
	<u>\$1,226,524</u>	<u>\$1,195,916</u>
Total	<u>\$2,595,014</u>	<u>\$2,365,815</u>

COMMENTS ON THE BALANCE SHEET

During 1951 the Company expended \$2,881,541 to construct new facilities and to expand those already in existence. Retirements from service of plant and property amounted to \$371,036.

The investment in plant and property at the end of 1951 was \$52,269,569 as compared with \$49,759,065 at the preceding year end.

The reserve for depreciation on plant and property totaled \$12,319,230 at December 31, 1951, an increase of \$843,440 over year end 1950 and equal to 23.6% of the total plant investment.

Inventories of materials and supplies represented an investment of \$2,939,995 at the year end.

The income tax returns of the Company have been examined through 1950 and deficiency assessments of \$72,344 and \$17,123 by the Federal and Territorial governments respectively for the period 1945 through 1950 were acknowledged and paid in full during 1951.

These tax deficiency assessments totaling \$89,467 were absorbed through the tax contingency reserve. The balance of \$112,505 remaining in this reserve at December 31, 1951 is deemed sufficient provision against any unforeseen tax liability in the immediate future.

At December 31, 1951, the Company had a contingent liability of \$65,484 as endorser of notes secured by real estate and executed by employees under the Company's plan of assisting its personnel in financing the purchase of homes. This contingent liability as endorser has not been included in the accounts or in the balance sheet.

FINANCING

As of June 1, 1951, the balance of \$200,000 Series "A" 4% First Mortgage Bonds was redeemed at par.

On August 20, 1951, \$3,000,000 was received from the sale of Series "G" 3½% First Mortgage Bonds to a group of insurance companies. These bonds are due June 1, 1981. The proceeds were used to retire bank loans, to reimburse the Company's treasury for capital expenditures and to redeem Series "A" Bonds.

CAPITALIZATION

At the end of 1951, the total par value of capital shares was \$19,000,000 consisting of 500,000 shares of common

Results of 1951 Operations

REVENUES CAME FROM:

UTILITY OPERATIONS

Residential	\$ 4,800,761	26.1%
Commercial and Industrial	6,915,183	37.6
Public Street and Highway Lighting	151,683	0.8
Miscellaneous Electric Sales	91,450	0.5
	\$11,959,077	65. %

NON-UTILITY OPERATIONS

Merchandise and Other	6,447,806	35.0%
	\$18,406,883	100 %

OUR EXPENDITURES WERE:

Wages and salaries paid employees, engaged in operation—insurance, medical aid, sickness and other benefits

	\$ 3,980,011	21.7%
	2,620,342	14.2

Fuel Oil

	1,359,828	7.4
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Materials and other Services

	4,617,542	25.1
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Cost of Merchandise for Resale

	2,570,813	14.0
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Taxes, excluding Taxes transferred to Capital and other Accounts

	1,114,579	6.0
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Depreciation

	568,660	3.1
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Interest paid to Bondholders, Banks, less Interest transferred to Construction

	427,500	2.3
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Preferred Stockholders' Dividends

	1,000,000	5.4
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Common Stockholders' Dividends

	147,608	0.8
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Earnings re-invested in the Business

	\$18,406,883	100 %
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stock and 450,000 shares of preferred stock, both of the par value of \$20 per share.

The funded debt amounted to \$18,000,000, an increase of \$2,800,000 from the preceding year end.

KWH SALES AND PEAK LOAD

Kilowatt hours sold in 1951 totaled 575,221,538, an increase of 52,896,908 KWH or 10.1% over 1950. This corresponds to the rate of growth in the use of electricity throughout the United States where estimates for the year 1951 indicate an increase of approximately 14%. A new system peak of 140,000 KW was reached in December.

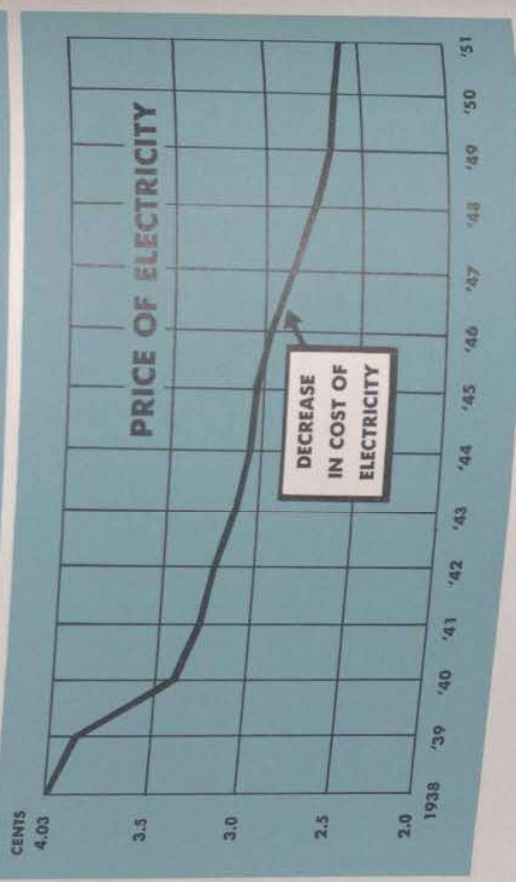
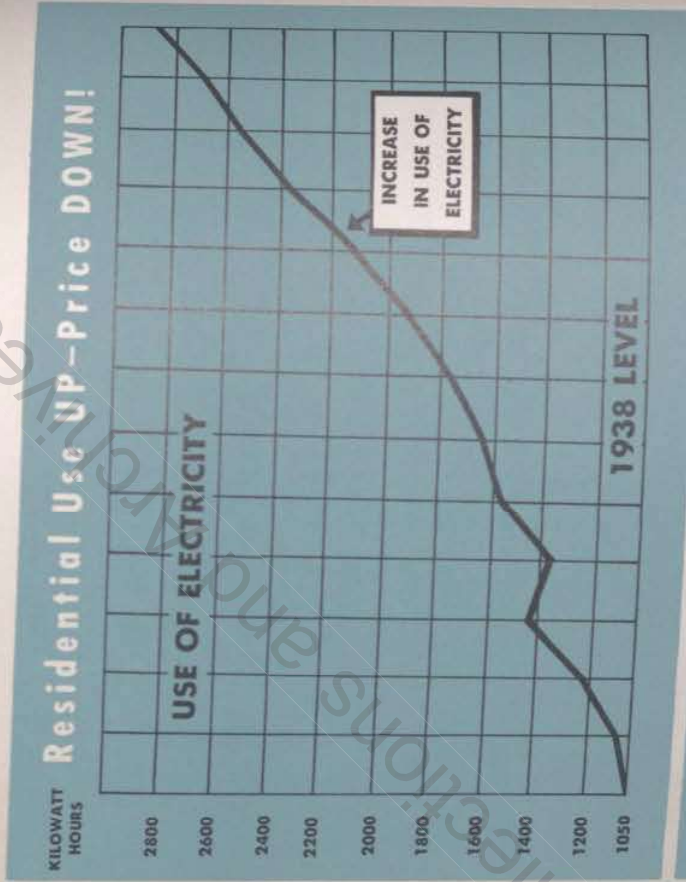
TOTAL ELECTRIC CUSTOMERS

As of the end of the year, electric customers on our system totaled 80,307. This is an increase of 4,078 or 5.3% over 1950. Residential customers in 1951 used an average of 2,867 KWH, an increase of 6.6%. This is indicative of the increasing use of electric appliances in the home to which our promotional efforts are continuously applied. While our residential customers used 44% above the United States average, there are areas where records of usage as high as 6000 KWH have been achieved indicating that there is practically no limit in sight.

The graph on this page indicates the decreasing cost per KWH and the increasing use of electricity of the residential customer. The corresponding national average for 1951 was 1994 KWH and the average revenue per KWH was \$.028.

NEW SUBDIVISIONS

Sixty-seven new subdivisions were developed during the year of which eleven had underground services.

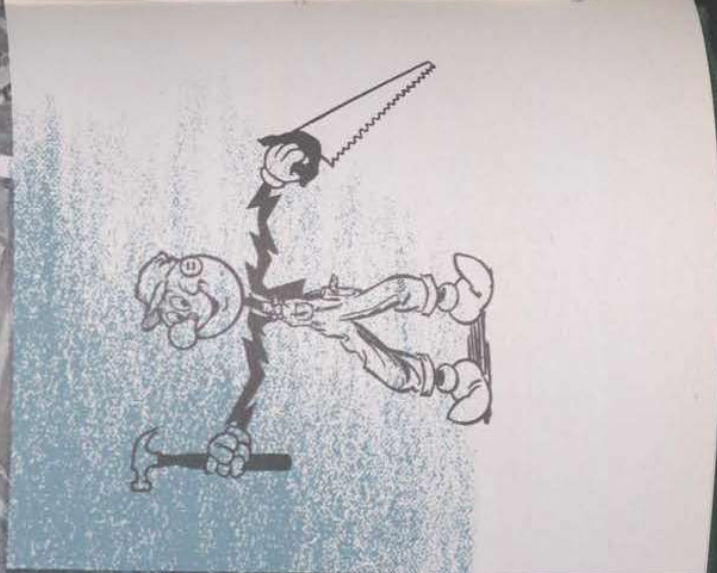


ELECTRICAL LIVING—good examples of its benefits in outlying Aina Haina and Wailupe Peninsula.



Right—MODERN HOMES in Hawaiian Pineapple Company's plantation housing at Wahiawa. Each home is provided with an electric water heater.

Below—NEW HOMES in Palala Valley. This area is typical of building activity on Oahu.



U. S. INSTALLATIONS

Increased military activity on Oahu as a result of the Korean conflict has turned military sales upward for the first time in five years. KWH consumption rose from 92,012,030 in 1950 to 99,044,377 in 1951. The U. S. Navy's new Pumping Plant with a rating of 1600 HP has just been completed and this with about 500 KW of new load from a Naval Radio Station will be added to our system. Kaneohe Naval Air Station is being reactivated as a military training base but the ultimate load has not been determined.

TERRITORIAL GOVERNMENT INSTALLATIONS

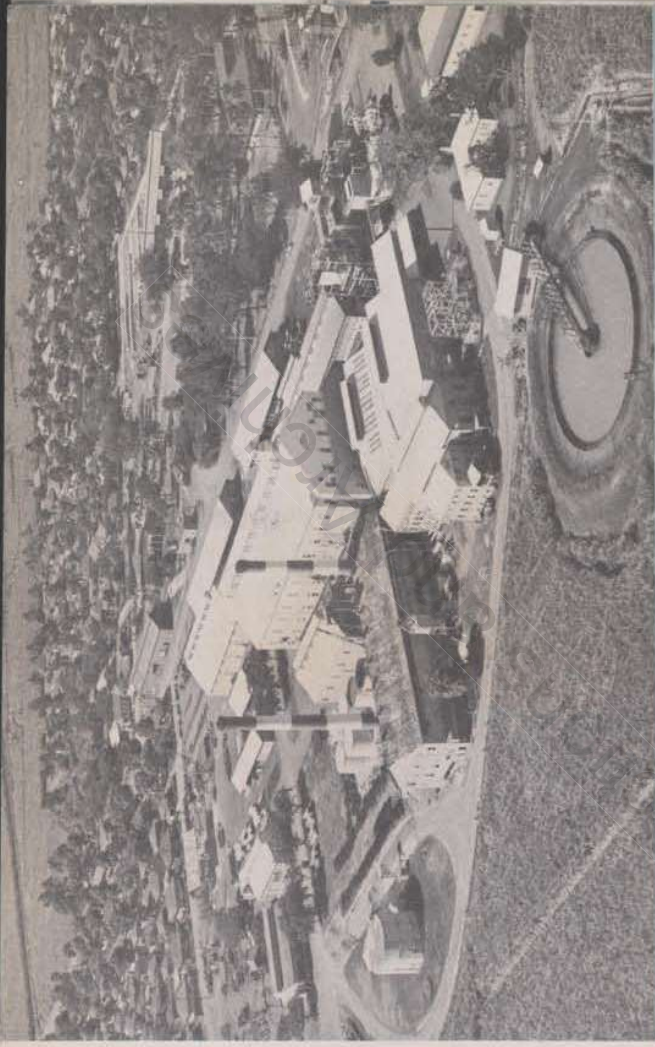
On May 15 the distribution system of the Honolulu International Airport was turned over to us on a custodial basis and we may ultimately acquire ownership of the system. Contracts for all-electric service were secured for Title VIII Housing projects for 355 units at Barber's Point and 962 units at Moanalua Ridge.

SUGAR PLANTATIONS

Through our interconnections with Waialua Agricultural Company and Oahu Sugar Company, we will supply part-time service for 600 HP of new pumping load at Kawaihoa for the former company and 1425 HP in pumps for the latter. Waialua Agricultural Company has turned over to our system commercial loads in the plantation village formerly supplied by them.

COMMERCIAL AND INDUSTRIAL

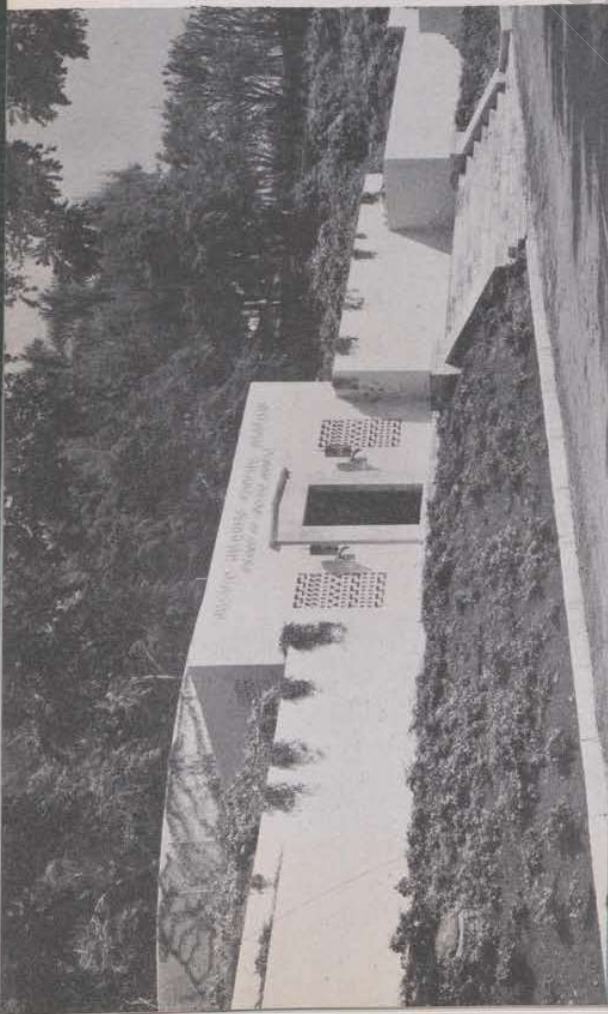
Commercial load continues its rapid rate of growth with new installations in 1951 totaling 6112 HP, almost 50% higher than during the preceding year. Of this total growth, commercial air conditioning accounted for 1068 HP. Air conditioning in new buildings has become almost as widely accepted as good lighting. Two new rock crushers, with accompanying batching plants, went on our lines during



ALL-ELECTRIC homes for employees on Ewa Plantation, a modern sugar company in rural Oahu, at the same low city rates.

MODERN LIGHTING and its striking effect is seen on the second floor of McInerney's Honolulu store. Air conditioning and dramatic lighting is becoming an essential factor in today's merchandising.





ELECTRIC PUMPS supply domestic water for Oahu. Here is a Honolulu Board of Water Supply modern pumping station. A greater electrical demand comes from large agricultural pumping stations.

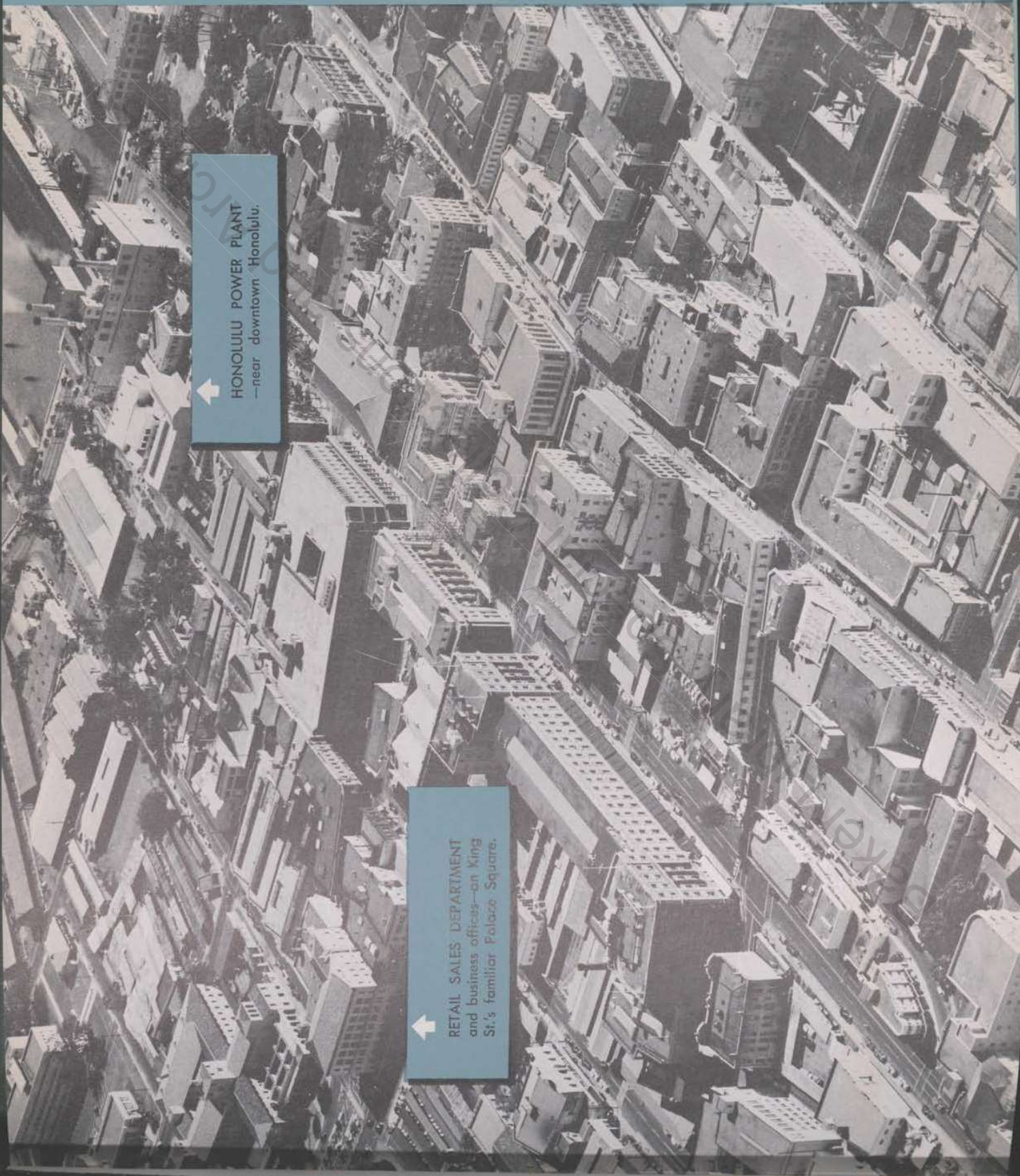
INDUSTRIAL USERS of electricity—The Honolulu Construction & Draying Company cement products plant on Honolulu's Middle St. is good example.



1951. One was the new Honolulu Construction and Draying Company's plant at Kailua with 1300 HP, and the other was the Pacific Rock and Concrete Company's plant at Barber's Point with 650 HP. The Hawaiian Pineapple Company's new juice concentrate plant at Iwilei now under construction will have installed 1250 HP of connected load which will be in operation some time in 1952.

EXPANDING FACILITIES

Work was completed at Waiau and Honolulu generating stations and Iwilei Fuel Oil Storage Yard on installing boilers, heaters, pumps and other necessary equipment required to handle the heavy fuel oil now being used. The use of the heavier fuel oil has been satisfactory and results in considerable saving in fuel expense. A total of 16.1 miles of 44 KV line was added to the transmission system, the largest single addition being the conversion of the existing line between Koolau Substation and Kailua and Waimanalo from 11 KV to 44 KV. The School Street-Koolau 44 KV line was increased in capacity by a change from #1/0 wire to #4/0 wire. Total distribution substation capacity was increased by 13,200 KVA. Waiialua Substation was relocated and enlarged. New distribution substations were built on Kaneohe Bay Drive and in Kalihi-kai and capacity was increased at ten existing substations. The downtown Honolulu low voltage network was expanded by the installation of four 500 KVA units to take care of new and increased loads. Other construction included 18 new and increased former vaults, underground distribution systems for eleven subdivisions totaling 390 home sites and overhead distribution systems for subdivisions totaling 1553 home sites. Approximately 10,000 KVA in distribution transformer capacity was added.



← HONOLULU POWER PLANT
—near downtown Honolulu.

← RETAIL SALES DEPARTMENT
and business offices—on King
St.'s familiar Palace Square.

A mobile radio telephone service was installed in 32 Company cars and three fixed stations. This will provide faster and more efficient control of the operation and maintenance of the system.

In the generation department, maintenance and repairs to boilers, turbines, generators and their related auxiliaries were of a routine nature. On the transmission and distribution system all deferred maintenance work has been brought up to date and these facilities are in excellent condition.

Much of the obsolete automotive equipment which should have been replaced during the war years has now been replaced with new equipment. It is expected that during the year 1952 replacement of automotive equipment will be placed on a current basis.

PLANT AND PROPERTY EXPENDITURES

During the year \$2,881,541 was expended for new plant and properties as follows:

	1951	1950
Steam Production	\$ 815,274	\$2,038,242
Transmission and Distribution	1,679,560	2,037,754
General	104,275	153,733
Merchandise	20,773	35,428
Work in Progress:		
Steam Production	22,315	115,276
Transmission and Distribution	199,442	213,500
General	39,902	1,610
	<u>\$2,881,541</u>	<u>\$4,595,543</u>



TROUBLE CALLS receive speedy attention by service crews with radio-telephone equipment installed in their vehicles. A customer's call is relayed to service crew near vicinity. Thirty-one such units are now in use.

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:

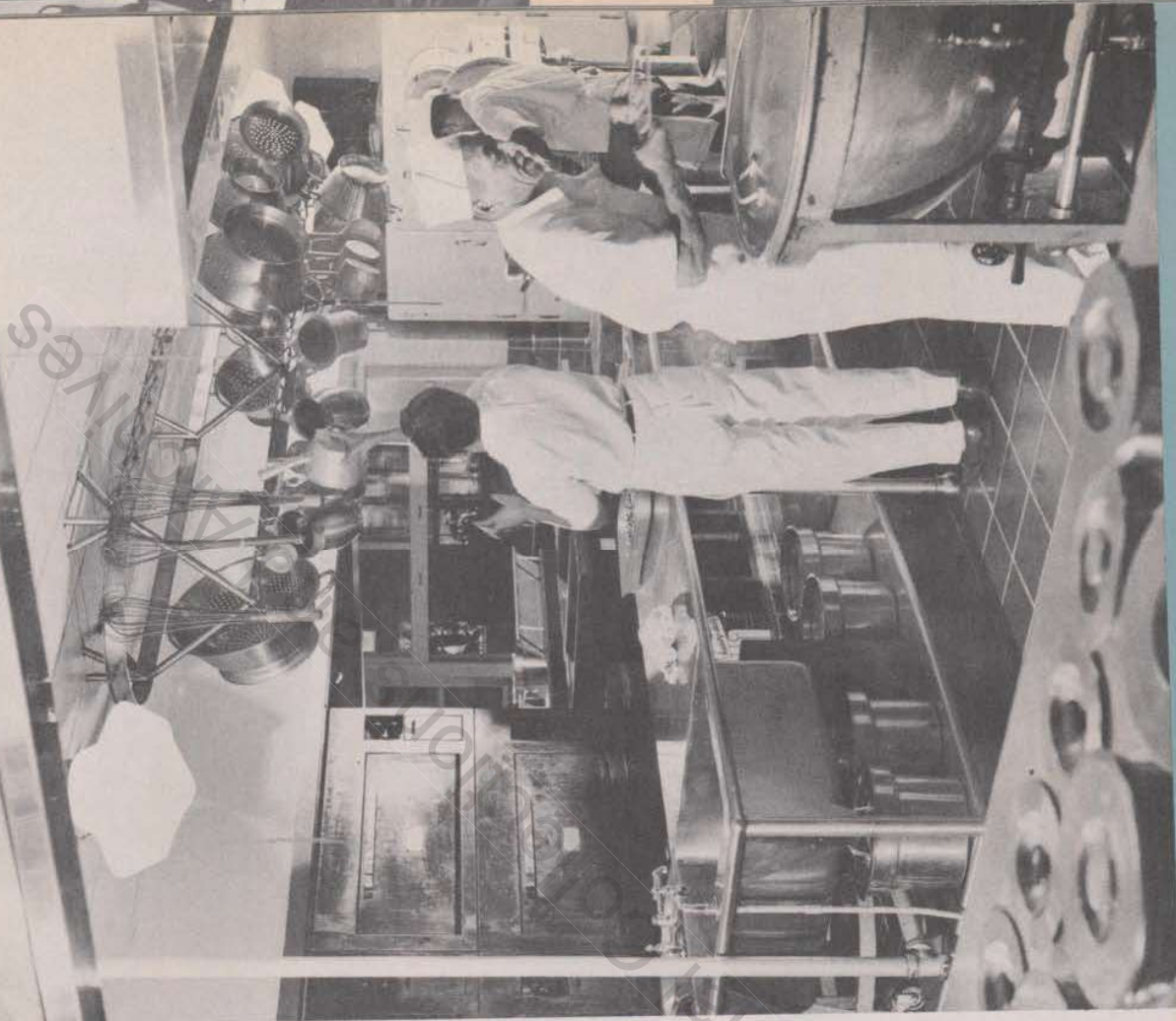
1947	\$5,480,216
1948	3,091,587
1949	4,207,107
1950	4,595,543
1951	2,881,541

UTILITY PROMOTIONAL ACTIVITIES

"Electrical Living" was the main theme emphasized in advertising throughout 1951. It was expressed in campaigns directed to kitchen planning, home lighting, wiring, appliances, and in a separate series called "Time to Enjoy." One new series, featuring recipes of the Home Service Department, was established during the year. In mid-year, a new slogan, "All-Electric Service is Best; Costs No More," was created and included in all subsequent advertising—news-paper, radio and bus cards.

Appliance advertising carried the slogan, "See Your Local Appliance Dealer," and preprints of all advertisements were sent to distributors for information and promotion.

The Company's most extensive institutional advertising series was developed for 1951 and will be carried over into 1952. The series, "Growing Industries for a Growing Community," covered in detail eight young industries which show high promise for the future. The newspaper advertisements were supplemented with lobby displays, speakers at staff meetings and a series of factual booklets describing each industry. Requests for the booklets were received from states throughout the mainland and from several foreign countries, and specific inquiries were received from several companies interested in purchasing Hawaiian products.



INSTITUTIONS AND HOSPITALS are nearly solid in use of electricity.
This is Leahi Hospital's new all-electric kitchen.



KITCHEN PLANNING specialist, Mrs. Helen Cartwright of the Company's Home Service Department, inspecting the completed kitchen of Mrs. D. W. Kong—a kitchen planned with Home Service assistance.



GIRL SCOUTS—tomorrow's homemakers—working for cooking and nutrition merit badges under supervision of home economist Mew Lun Hee. There is a similar program for home lighting.

For the fifth consecutive year, The Hawaiian Electric Company received national awards from the Public Utilities Advertising Association Better Copy Contest. The awards, for 1950 advertising among utilities with less than 125,000 meters, included first prize for the best complete program, first prize for a series of advertisements on a public relations subject, and third prize for a single advertisement promoting the use of electricity.

Home Service Department

The Home Service Department, with its staff of twelve, has developed an increasingly active program to meet the needs of distributors, dealers and homemakers. The weekly Reddy Kilowatt classes afford an excellent opportunity to present all brands of electrical equipment as the appliances demonstrated are supplied by a different distributor each month. Since these classes have been attended by capacity crowds throughout the year, the message of "Electrical Living" has been presented to approximately 10,000 homemakers.

Demonstrations on major appliances in the customer's home have become more and more necessary with the advent of many new features on each appliance. An average of 275 home calls are made per month. Department demonstrations bring this total to approximately 350 per month.

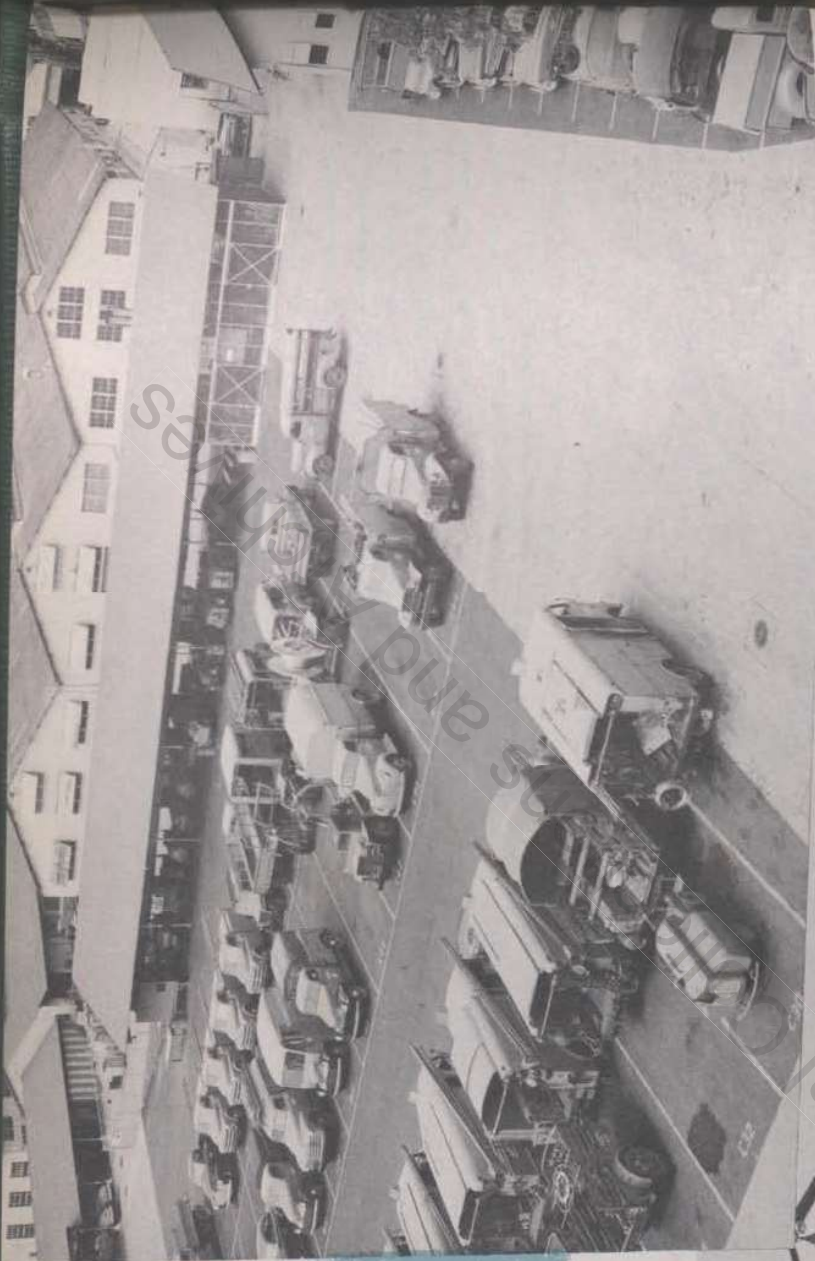
Youngsters come in for their full share of attention from the Home Service Department. Throughout the week numerous programs are arranged for groups of students, Girl Scouts, and Brownies. In addition to the cooking and nutrition classes presented to the Girl Scouts in the past, a new series "Light for Living" was inaugurated this year. Youth classes average ten per week during the school year.

Scheduled demonstrations for club groups reached another thousand homemakers. Programs in stores or theaters for the general public sponsored by dealers or distributors reached thousands more. Thus the story of Electrical Living is being continuously carried to all age groups through the activities of the Home Service Department.



GROWING INDUSTRY in island communities is a prime interest and aim of The Hawaiian Electric Company, Ltd. These booklets are from a series produced and distributed by HECO to encourage young industries.

MERCHANDISE DEPARTMENT'S operations are housed in large warehouses pictured here. The foreground parking area is for the Utility Section.



MODERN EQUIPMENT used in daily operation of Merchandising Department provides speedy and efficient service to customers.

MERCHANDISE OPERATIONS

The sales volume for 1951 of both the wholesale and retail operations of the Merchandise Department maintained a high level throughout the year. In the latter part of the year, there was ample evidence of selling resistance and a need for more aggressive sales effort.

Increases in Federal and Territorial taxes offset the economies that were established with the result that the net profit on the year's operations was not consistent with the favorable activity for the year.

New franchise lines were added to the list of outstanding manufacturers represented by the department in order to broaden the scope of its activity and give a more substantial basis of income. Additional specialty sales personnel were employed to promote the acceptance of these products thereby assuring the Department's continued growth through increased sales and profits.

Comparative sales figures for the period from 1947 through 1951 are as follows:

	Revenue	Net Profit
1947	\$5,815,399	\$419,537
1948	6,114,764	285,051
1949	4,428,409	147,104
1950	5,778,594	295,120
1951	6,447,732	264,886

LAND MATTERS

Two condemnation suits affecting the Company's properties were settled out of court during the year. The first involved certain lands in Iwilei which were owned by Bishop Trust Company as Trustee for The Hawaiian Electric Company, Standard Oil Company of California and Oahu Railway and Land Company. The other was for a portion of the lands located in Iwilei where the Company's fuel oil tanks had been constructed. In both suits a cash settlement was

made for the takings but in each case perpetual easements were reserved for fuel oil lines and underground conduits in the road right of way.

STOCKHOLDERS

Investors in the Company's common stock increased again this year from 2,373 to 2,525. As in previous years nearly all of the new investors were local residents.

	Territory of Hawaii	Mainland	Foreign	Total
Common	2,230	289	7	2,525
Preferred "B"	628	113	4	745
Preferred "C"	933	110	7	1,040
Preferred "D"	564	174	0	738
Preferred "E"	575	333	0	908

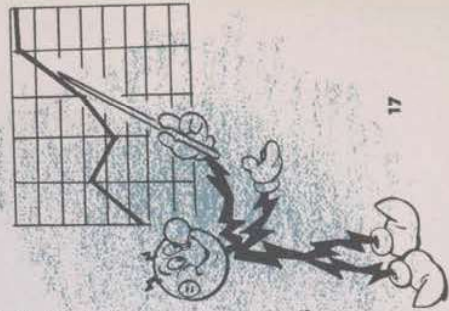
EDUCATIONAL PROGRAM

Three employees completed the four year apprenticeship program for draftsmen.

Employees continued to show interest in the after hours self-improvement courses which are conducted in the Company conference rooms. Participation in any part of this program is entirely voluntary.

One hundred fifty-four of our supervisors, meeting in small groups, saw the presentation "How Our Business System Operates." This information was given in a series of three 1½ hour meetings on successive days. An additional period of 1½ hours was devoted to the significant items in the annual report for 1950. The non-supervisory employees attended two hour meetings which combined portions of the "How Our Business System Operates" program and the annual report for 1950.

On-the-job training remains one of the most important phases of our educational program. During the year this program was improved in many departments.



RECREATION

In April 1951, The Hawaiian Electric Company Employees' Golf Club was formed. The membership at the end of the year was about 65. Tournaments have been held on a semi-monthly basis.

Successful basketball, bowling and mountainball leagues were run for teams made up of employees. The Company annual golf tournament was held on November 17 at the Mid-Pacific Country Club.

The Camera Club and the Fishing Club met throughout the year and the membership in both of these organizations is growing.

EMPLOYEE SERVICE RECORD

Years of Service	Number of Employees	Per Cent of Total
Less than 1 year.....	93	7.75
1 year - 5 years.....	444	37.00
6 years-10 years.....	183	15.25
11 years-20 years.....	264	22.00
21 years-30 years.....	166	13.83
31 years and over.....	50	4.17
	<u>1,200</u>	<u>100.00</u>

LABOR RELATIONS

Labor relations and personnel relations ran along smoothly through the year 1951. The Utility agreement for the physical workers expired on August 31, 1951, and the Merchandise Department agreement expired on September 15, 1951. Negotiations for the two agreements commenced on July 12, 1951, and bargaining was conducted on a separate basis for each with separate bargaining committees. On September 19, 1951, the two agreements were signed by the Company and the Union. The new agreement covering 540 employees of the Utility operations of the Company became effective September 1, 1951, and continues in effect until August 31, 1952. It provided for a 14¢ per hour wage increase. The minimum starting rate is now \$1.19 per hour. The other new agree-

ment covering 178 employees of the Merchandise Department of the Company became effective September 16, 1951, and continues in effect until November 30, 1952. It provided for a 7½¢ increase for all physical and clerical workers in the Merchandise unit. In addition, Saturdays and Sundays were made premium days, a five cent per hour differential was given for abnormal work schedules, and other non-cost items were given to clear up inconsistencies in the contract.

At the same time, the Company made salary adjustments to those employees not covered by the Union agreements. The salaried employees in the Merchandise Department received an increase of 7½%, and the salaried employees in the Utility operations of the Company received an increase of 9.28%, both effective on the same dates as the respective Union agreements.

On September 17, 1951, the Union requested recognition for the clerical and office workers of the Utility divisions of the Company. The National Labor Relations Board election was held on October 5, 1951, and resulted in 102 employees voting to be represented by the Union and 65 voting against Union representation. The result of this election created a new bargaining unit in the Company. One negotiating session with the new group was held on December 17, 1951. The Union asked to modify the present Utility agreement covering the trades and crafts to include the new bargaining unit and to include the present salary classification plan of the Company for the office workers. The amendment was signed on January 3, 1952.

The Company now has 1200 employees. Of this total 894 will be covered by Union agreement—714 in the Utility, and 180 in the Merchandising operations.

In collective bargaining, the Company's policy of direct negotiation with its employees has had excellent results and the relationship with the Union has been friendly. Close cooperation has resulted in settlement of grievances with a minimum of friction.



FISH STORIES and prizes highlight the annual Fishing Club party of employees.



JOB TRAINING—Employees receive class instruction in new and proper uses of materials and tools used in today's utility field.



HECO GOLF CLUB is an employee-sponsored activity. Seventy-nine golfers played in this year's tournament.



CAMERA CLUB on a field trip.

BALANCE SHEET

December 31, 1951

ASSETS AND OTHER DEBITS

FIXED ASSETS:

Utility plant in service.....	\$51,228,431
Utility construction in progress.....	262,053
Non-utility plant:	
Merchandise Department.....	779,085
Total fixed Assets.....	<u>\$52,269,569</u>
Less, reserves for depreciation.....	12,319,230
	<u>\$39,950,339</u>

CURRENT AND ACCRUED ASSETS:

Cash on hand and in banks.....	\$ 141,822
Installment notes receivable.....	1,119,646
Accounts receivable:	
Electric Energy.....	\$ 1,195,291
Merchandise.....	856,506
Other.....	75,805
	<u>\$ 2,125,602</u>
Less, reserves for uncollectible accounts.....	122,024
Merchandise and supplies:	
Utility supplies.....	\$ 1,039,673
Non-utility merchandise.....	1,900,322
Prepaid insurance, rent, taxes.....	93,714
	<u>2,939,995</u>
	6,298,755

CONSIGNED MERCHANDISE

(Contra).....\$211,252

DEFERRED DEBITS:

Unamortized debt expense.....	\$ 182,152
Other work in progress.....	22,520
Clearing accounts.....	36,387
Claims on manufacturers and carriers.....	38,658
Other deferred debits.....	2,537
	<u>282,254</u>

CAPITAL STOCK EXPENSE

422,145

\$46,953,493

BALANCE SHEET

December 31, 1951

LIABILITIES AND OTHER CREDITS

CAPITAL STOCK:

Common capital stock, outstanding 500,000 shares, par value \$20.....	\$10,000,000
Cumulative preferred stock, par value \$20, outstanding:	
Series "B", 5%, 100,000 shares.....	2,000,000
Series "C", 4 1/4%, 150,000 shares.....	3,000,000
Series "D", 5%, 50,000 shares.....	1,000,000
Series "E", 5%, 150,000 shares.....	3,000,000
	<u>\$19,000,000</u>

LONG TERM DEBT:

First mortgage bonds, 3 1/2% series "D" due 1964.....	\$ 5,000,000
First mortgage bonds, 3 1/8% series "E" due 1970.....	5,000,000
First mortgage bonds, 5% series "F" due 1977.....	5,000,000
First mortgage bonds, 3 1/2% series "G" due 1981.....	3,000,000
	<u>18,000,000</u>

CURRENT AND ACCRUED LIABILITIES:

Accounts payable.....	\$ 529,869
Customers' credit balances.....	41,223
Customers' deposits and interest thereon.....	112,558
Accrued taxes.....	1,599,600
Interest accrued on long term debt.....	145,729
Accrued payroll.....	125,108
Other current and accrued liabilities.....	107
	<u>2,554,194</u>

CONSIGNED MERCHANDISE LIABILITY

(Contra).....\$211,252

DEFERRED CREDITS:

Unamortized premium on debt.....	\$ 251,236
Customers' advances for construction.....	18,694
Deferred customers' deposits.....	15,625
Unearned interest on sales agreements.....	146,114
Other deferred credits.....	14,566
	<u>446,235</u>

RESERVES:

Injuries and damages to others.....	\$ 25,000
Workmen's compensation liability.....	71,469
Sales agreement repositioning.....	32,476
Inventory.....	177,859
Tax contingency.....	112,505
	<u>419,309</u>

**CONTRIBUTIONS IN AID OF CONSTRUCTION
EARNED SURPLUS**

1,178,740

5,355,015

\$46,953,493

AUDITORS' OPINION

STATEMENT OF INCOME AND SURPLUS

For the Year Ended December 31, 1951

UTILITY OPERATING REVENUES:		\$11,879,223	\$11,959,077
Sales of electric energy.....		79,854	
Other electric revenues.....			
UTILITY OPERATING COSTS:			
Operating expenses.....		\$ 6,851,363	
Depreciation.....		1,086,230	
Taxes.....		2,117,197	
		<u>\$10,054,790</u>	
Less, taxes charged to construction.....		4,351	10,050,439
Utility operating income.....			<u>\$ 1,908,638</u>
OTHER INCOME:			
Merchandise Department:			
Gross revenue.....		\$ 6,350,025	
Cost of sales.....		4,617,542	
Gross profit.....		<u>\$ 1,732,483</u>	
Interest on sales agreements.....		97,707	
Sub-total.....		<u>\$ 1,830,190</u>	
Expenses:			
Operating expenses.....	\$1,078,988		
Depreciation.....	28,349		
Taxes.....	457,967		
Net Merchandise Department income.....		1,565,304	
Miscellaneous interest.....		74	
Gross income.....		<u>\$ 264,886</u>	264,960
			<u>\$ 2,173,998</u>
INCOME DEDUCTIONS:			
Interest on long term debt.....		\$ 523,667	
Amortization of debt expense.....		8,512	
Amortization of premium on debt—credit.....		15,261	
Other interest charges.....		53,696	
Interest charged to construction—credit.....		8,703	
Donations.....		36,580	
Net income for the year.....		<u>\$ 1,575,107</u>	
EARNED SURPLUS ACCOUNT:			
Earned surplus January 1, 1951.....		\$ 5,199,720	
Unamortized premium and expense on "A" bonds redeemed, net.....		832	
Gain on land condemned by Territory of Hawaii.....		2,384	
Income taxes over accrued 1950.....		4,472	
Gross surplus.....		<u>\$ 5,207,408</u>	
			<u>\$ 6,782,515</u>
DEDUCTIONS FROM SURPLUS:			
Cash dividends on preferred stock.....		\$ 427,500	
Cash dividends on common stock.....		1,000,000	
EARNED SURPLUS AT END OF YEAR.....		<u>\$ 1,427,500</u>	<u>\$ 5,355,015</u>

We have examined the Balance Sheet of The Hawaiian Electric Company, Limited, as of December 31, 1951, and the Statement of Income and Surplus for the year then ended, have reviewed the system of internal control and the 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 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, 1951, the Company had a contingent liability of \$65,484 as endorser on notes secured by real estate and executed by employees under the Company's plan of assisting its personnel in financing the purchase of dwellings.

The Federal and Territorial income tax returns of the Company have been examined through 1950 and deficiency assessments levied for the period 1945 to 1950 in the amount of \$89,467 were paid and charged to Tax Contingency Reserve in 1951.

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, 1951, and the results of operations for the year then ended.

HENRY DAVIS AUDIT COMPANY
(S) J. J. DELPECH, C.P.A.

Honolulu, Hawaii
February 12, 1952

RETIREMENTS

Retired with pensions:

Roy Currant (31 years—2 months)

Worked as a Watch Engineer in the Power Plant from November 13, 1919 until January 13, 1951, when he retired.

Louis S. Martins (22 years—11 months)

Started as a Mechanic in the Garage on July 15, 1929 and was Garage Supervisor at the time of his retirement on October 15, 1951.

William Kaapuiki (35 years—11 months)

Started as a Helper in the Distribution Department on January 10, 1916. He was an Estimator in the Engineering Department at the time of his retirement on December 23, 1951.

Nelson R. Robinson (28 years—10 months)

Started as Storeroom Clerk in Wiring Department on March 5, 1923. He was an Estimating Engineer at the time of his retirement on December 31, 1951.

IN MEMORIAM

William W. Richards (Generation-Utilityman 2/c)
Died January 13, 1951

Charles B. Steinhoff (Generation-Watchman)
Retired November 12, 1948
Died January 25, 1951

Arthur C. Gibb (Cashiers-Cashier)
Retired July 1, 1941
Died February 7, 1951

Samuel K. Oba (Generation-Fireman)
Died July 30, 1951

Vincent K. Devereux (Generation-Fireman)
Died August 7, 1951

Albert M. Hussey (Generation-Watch Engineer)
Died August 14, 1951

Manuel F. Silva (General Maintenance-Mechanic 1/c)
Died August 18, 1951

Mary Jane Reid (Mailing & Phone-Supervisor)
Retired November 1, 1937
Died November 15, 1951

Walter E. Dower (Generation-Electrician 1/c)
Died November 29, 1951

The Officers and Directors

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 1951

OFFICERS

P. E. SPALDING.....	Chairman of the Board	PAUL H. ANDERSON.....	Vice-President
L. A. HICKS.....	President	H. P. FIELD.....	Vice-President
L. A. BUESE.....	Vice-President and Executive Engineer	C. E. NOLAN.....	Vice-President and Assistant Secretary
RALPH B. JOHNSON.....	Vice-President and Secretary	CARL J. SCHEFFERS.....	Vice-President and Assistant Secretary
GEORGE HOGG.....	Vice-President and Treasurer	JAMES H. WINK.....	Assistant Treasurer

HENRY DAVIS AUDIT COMPANY.....Auditor

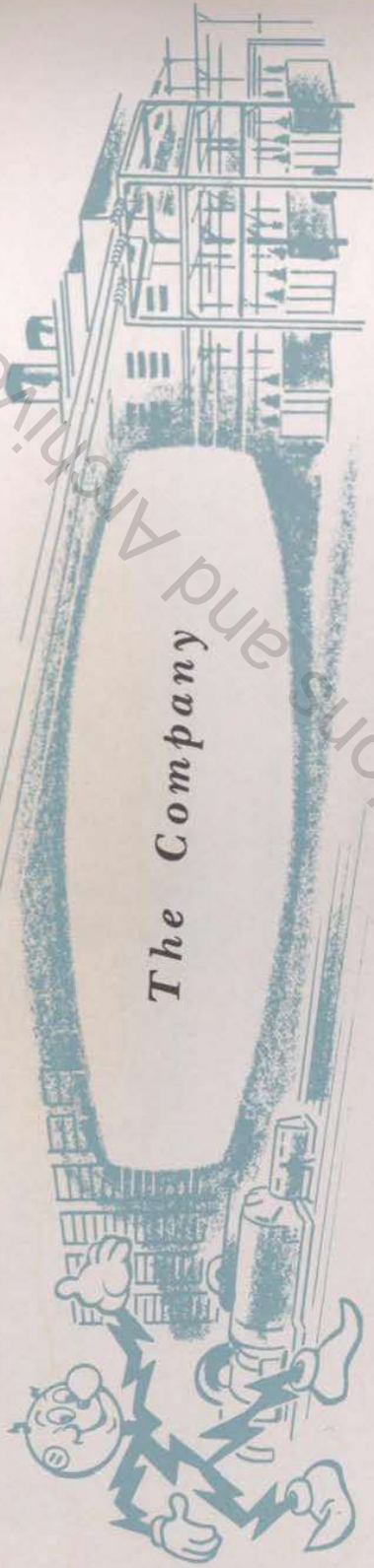
DIRECTORS

J. B. ATHERTON	P. E. SPALDING
L. A. BUESE	A. E. STEADMAN
T. A. COOKE	H. V. VON HOLT
G. W. FISHER	HEATON L. WRENN
L. A. HICKS	
RALPH B. JOHNSON	
DUDLEY C. LEWIS	
U. J. RAINALTER	
H. M. RICHARDS	

THE HAWAIIAN ELECTRIC COMPANY, LIMITED

900 RICHARDS ST. (PALACE SQUARE)
HONOLULU, HAWAII





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 and distributors.

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 Series D, E and F 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", Series "D" and Series "E" Preferred Stock.

Department Managers

UTILITY OPERATIONS

MR. H. N. DE GAA
Cashier

Cashier's Department

MR. HERBERT HEINRICH
Manager

System Operation Dept.

MR. E. A. HEIBUSH
Internal Auditor

General Accounting Dept.

MR. R. E. JACOBSON
Manager

Utility Credit & Collection Dept.

MR. W. B. JOHNSTONE, JR.
Budget Director
General Office

MERCHANDISE OPERATIONS

MR. L. W. CLIFFORD
Manager

Wholesale Appliance Sales

MR. R. C. COOPER
Manager
Service

MR. V. A. NAHL
Manager
Retail Sales

MR. D. I. SROAT
Manager

Credit and Accounting

MR. W. S. WILLIS
Manager
Wholesale Supply Sales

MR. L. W. LENGNIK
Manager

Engineering Department

MR. C. A. LESER
Manager

Personnel Department

MR. J. P. MICHELS
Manager

Distribution Department

MR. D. M. MONCRIEF, JR.
General Supervisor

Commercial Department

MR. E. A. MURTY
Statistician and Claims Agent
Statistical Department

MR. W. L. McCABE
Manager

General Service Dept.

MR. EMIL OLSON
Manager

Generation Department

MR. J. H. WINK
Chief Accountant

General Accounting Department



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