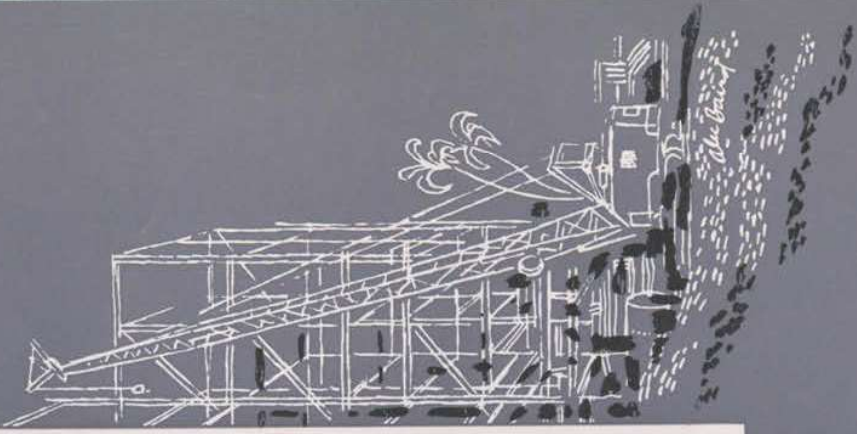


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*Annual Report for the Year 1953*

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BUILDING TODAY FOR TOMORROW'S NEEDS

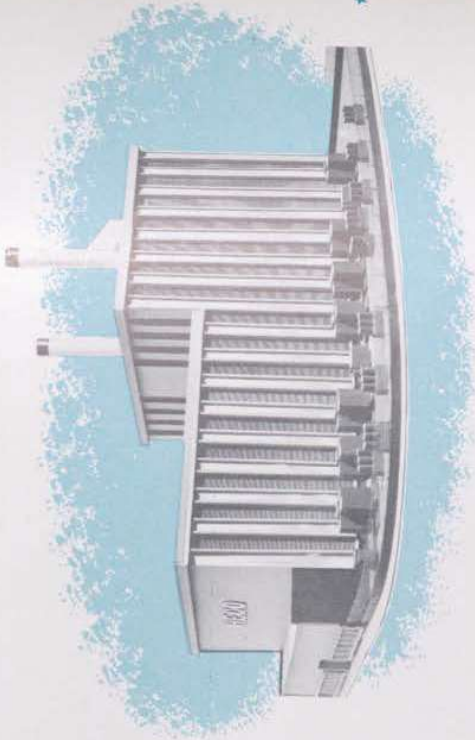


THE HAWAIIAN ELECTRIC COMPANY, LIMITED

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### MORE POWER FOR OAHU

Hawaiian Electric's new \$10,000,000 generating plant, under construction since February, 1953, will provide new power to fill Oahu's rapidly-expanding needs. The first unit of the plant, built almost entirely by Island firms, will be completed early in 1955. It is strategically located to fill heavy commercial and industrial demands without long transmissions of power.



# THE HAWAIIAN ELECTRIC COMPANY

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.

★ ★ ★ BUILDING TODAY FOR TOMORROW'S NEEDS ★ ★ ★



# FACTS IN BRIEF 1953

(SUMMARY FOR THREE YEARS)

## REVENUE RECEIVED FROM:

	1953	% of Total	1952	% of Total	1951	% of Total
Utility Operations:						
Residential Energy .....	\$ 6,130,295	26.9	\$ 5,297,155	27.8	\$ 4,800,761	26.1
Commercial and Industrial Energy.....	8,560,129	37.6	7,543,551	39.5	6,915,183	37.6
Other .....	344,665	1.5	301,376	1.6	243,133	1.3
Non-Utility Operations .....	7,759,665	34.0	5,935,228	31.1	6,447,806	35.0
	<u>\$22,794,754</u>	<u>100.0</u>	<u>\$19,077,310</u>	<u>100.0</u>	<u>\$18,406,883</u>	<u>100.0</u>

## EXPENSES FOR:

Wages and Salaries, Employee Benefits.....	\$ 5,209,552	22.9	\$ 4,490,691	23.5	\$ 3,980,011	21.7
Taxes, Federal and Local .....	2,809,608	12.3	2,381,206	12.5	2,570,813	14.0
Fuel Oil .....	3,394,594	14.9	2,969,867	15.6	2,620,342	14.2
Wear of Facilities (Depreciation) .....	1,281,779	5.6	1,195,752	6.3	1,114,579	6.0
Cost of Merchandise (Supply Company) .....	5,824,300	25.6	4,329,933	22.7	4,617,542	25.1
Material and Services from Others.....	1,637,397	7.2	1,490,564	7.8	1,359,828	7.4
Interest on Borrowed Money and Miscellaneous Income Deductions.....	619,588	2.7	620,243	3.3	568,660	3.1

## DIVIDENDS PAID:

On Preferred Stock.....	\$ 427,500	1.9	\$ 427,500	2.2	\$ 427,500	2.3
On Common Stock .....	1,150,000	5.0	1,025,000	5.4	1,000,000	5.4
Earnings Reinvested in Business.....	440,436	1.9	146,554	0.7	147,608	0.8
	<u>\$22,794,754</u>	<u>100.0</u>	<u>\$19,077,310</u>	<u>100.0</u>	<u>\$18,406,883</u>	<u>100.0</u>

## 1953 Results

THE HAWAIIAN ELECTRIC COMPANY, LIMITED

The outstanding feature of 1953 for The Hawaiian Electric Company was expansion. During the year the Company launched the largest construction program in its history. This was necessitated by the rapid acceleration of peak demand which reached 168,000 kw in December, 17,500 kw higher than in 1952. During the year, \$6,995,460 was spent on plant improvement. Of this amount \$4,038,364 was spent for prepayments on Generating Unit No. 8, construction of the new Honolulu Power Plant No. 3 building adjacent to Honolulu Power Plant No. 1, and for transmission facilities from the new plant. The budget for 1954 to carry on this program is \$9,713,190.

The Company sold approximately 20,000,000 more kwh of energy than had been anticipated, due largely to the unprecedented sales to plantations for pumping during the prolonged severe drought in the largest sugar production year of record.

Heavy production maintenance expense was experienced during the year and is anticipated likewise for 1954. This increase in maintenance expense is due largely to the extensive repairs made to the older generating equipment at the Honolulu Power Plant as well as to the rising costs of maintenance.

In 1953 the Company profited by the generally good economic conditions in the Territory. A record tourist year, a record sugar crop, and the increased availability of loans for construction for homes for both private and military use were factors in the Company's showing.

### RATE DECISION

The final decision in the 1952 Rate Case was issued by the Public Utilities Commission on June 12, 1953, although the new energy rates had been in effect since January 13, 1953.

#### T. Fuel Oil Clause

A fuel oil clause which provides that the price of electricity to our customers will fluctuate with the cost of fuel oil was extended to all energy sold by the Company. This is the first time that a fuel oil clause has applied to Commercial Rate Schedules "A" and "C," and the Residential Schedule "AC." The oil clause will also apply to the first 5,000 kwh's on Power Schedules "B," "D" and "P3" whereas, previously, the first 5,000 kwh's were excluded.

All of the fuel oil clauses are based on oil priced at \$2.00 per barrel. An increase or decrease in the cost of electric energy to our customers will be made for each full cent the price of oil per barrel changes above or below \$2.00 on all rate schedules with the exception of "A" and "AC." On these two schedules, the change of price per kwh will be made after a ten cent rise or fall in the price of fuel oil.

#### 2. Rate Base

In arriving at the rate base on a historical cost basis, a credit was granted the Company for the consumer's contributions reserve amortization of \$250,000 existing at the end of 1952. Further amortization was precluded, but credit will be given for the fractional portion of the reserve corresponding to the years of service existing prior to transfer to surplus.

### 3. Cost of Money

In the final determination of the amount of the rate increase, the Commission allowed the Company to earn only 9.4% on the utility portion of the common shareholders' equity of the business. During the rate case, the Company's witness spoke for a return of no less than 11%.

### 4. Rate of Return

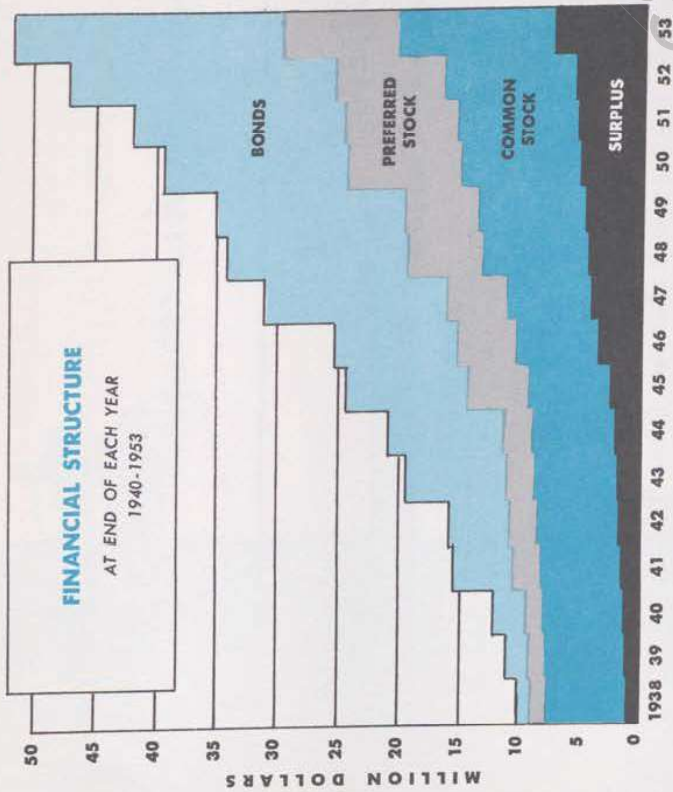
The new rate schedules instituted on January 13, 1953 were designed to produce on a twelve month basis an increase of 8.3% in electric revenue. The Company in 1953, as a result of the new rates, experienced an increase of 6.9%. In its application to the Public Utilities Commission, the Company had asked for rate increases sufficient to produce a 6.35% return on the rate base. Actually, the return for 1953 was 5.62%.

In view of anticipated continued expansion of our production and distribution facilities and the increasing cost of operation, some additional relief through further rate adjustments may be necessary. Thorough studies of this situation will be conducted during 1954.

## FINANCIAL SUMMARY

Operating revenues from all sources totaled \$22,778,698 during 1953, an increase of \$3,709,551 or 19.5% over the preceding year. Net income was \$2,017,936, as compared to \$1,599,054 for 1952. Interest and taxes on work in progress during 1953 inflated the Company's earnings by \$160,368. This amount will be approximately \$675,000 in 1954. The earnings on common stock were at the rate of \$2.45 per share on the 650,000 shares outstanding at December 31. Without the credits to operating expense for interest and taxes on construction work in progress, the rate of earnings would be \$2.20. Dividends of \$2.00 per share were paid on 550,000 shares of common stock and \$0.50 per share was paid on the additional 100,000 shares issued in November. This is the fifty-third consecutive year that a dividend has been paid on the common stock.

After payment of dividends, the Company had remaining \$440,436 which was retained in the business and used to build additional electric production and distribution facilities. Total dividends paid to owners of preferred stock



amounted to \$427,500, and to owners of common stock, \$1,150,000. Interest on our First Mortgage Bonds was earned 3.8 times, and dividends on our preferred stock, 4.7 times.

### TAXES

Taxes of all kinds, Federal and Territorial, applying against the current year's operation, totaled \$2,905,082.

Of this amount, \$2,809,608 was a direct charge against income, and \$95,474 was absorbed through plant and other accounts.

	1953	1952
<i>Federal</i>		
Income .....	\$1,354,723	\$1,091,547
Payroll, etc. ....	81,908	72,877
	<u>\$1,436,631</u>	<u>\$1,164,424</u>

### *Territorial*

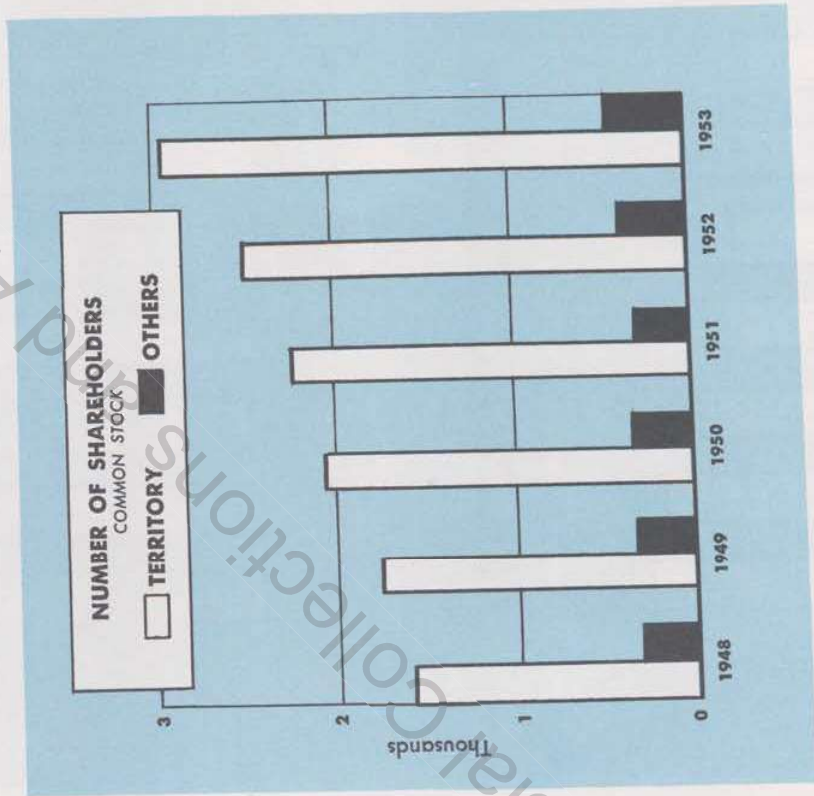
Income .....	\$ 187,082	\$ 162,822
Public Utility .....	684,635	599,811
Franchise Royalty.....	365,010	324,324
Gross Income, etc.....	231,724	150,443
	<u>\$1,468,451</u>	<u>\$1,237,400</u>
	<u>\$2,905,082</u>	<u>\$2,401,824</u>

### FINANCING

During November 1953 the Company issued and sold 100,000 shares of common stock at the par value of \$20 per share. The right to subscribe for the stock was offered first to the common stockholders in accordance with their preemptive rights. This sale was not underwritten, and the warrants to subscribe were very much in demand throughout the entire subscription period. The \$2,000,000 realized from the sale of these securities was used for capital expenditures and will be applied toward the Company's 1954 construction budget.

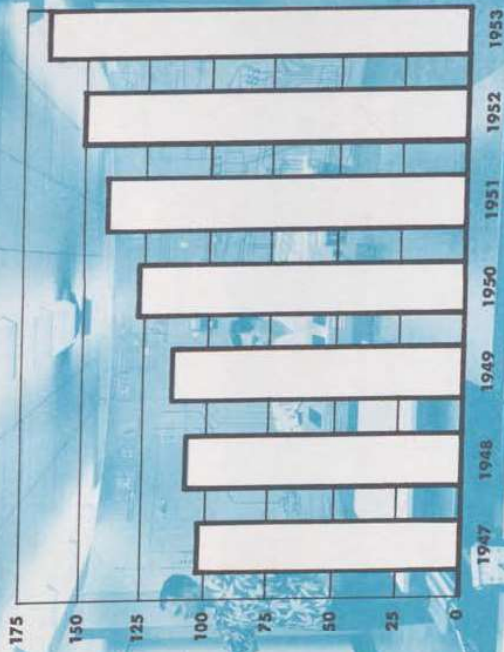
### OWNERSHIP OF THE COMPANY

Stock of The Hawaiian Electric Company is widely distributed among men and women, investment trusts, religious and educational institutions and many other owners. A large majority of the owners live in the Territory of Hawaii, as indicated in the chart below:

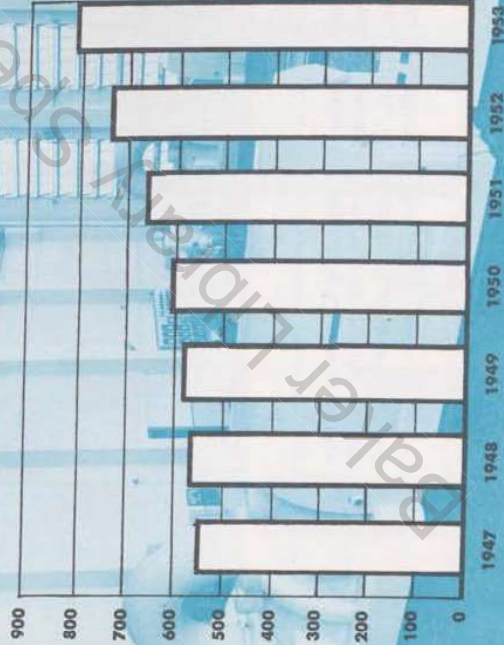


Shareholders are kept informed regarding Company affairs by means of quarterly statements of earnings, the public press and the annual report. The number of owners increased from 2,865 in 1952 to 3,359 in 1953.

**KW PEAK—Thousands KW**



**GROSS PLANT OUTPUT—Million KWH**



## EXPANDING FACILITIES

During 1953 gratifying progress was made on the new generating station on Ala Moana Boulevard. On December 31, 1953 the following work was completed: Piling, foundation and substructure, circulating water tunnels, structural steel, turbine foundation, fuel oil tanks and fuel oil dikes. Twenty per cent of the building side walls were installed.

A total of 3.5 miles of 44,000-volt line was added to the transmission system, 2.6 miles of this being in the Kaimuki area. A total of 5.3 miles of overhead ground wire was installed over the Waiau-Koolau and Waiau-School 44 kv lines to reduce to a minimum the possibility of outage due to lightning.

A great many pole lines, both transmission and distribution, were relocated during the year due to widening or relocating of streets and highways. The major ones were Moanalua Road between Aiea and Tripler Hospital, Mauka Arterial, Waiawa Cutoff, Aliamanu Subdivision area and the McCully Improvement District.

Total distribution substation capacity was increased by 12,700 kva. The following substations were completely rebuilt at new locations: Aiea, Kahala and Waimea. New substations were added in Kalihi Valley and Pauoa Valley. The capacities of Ewa, Kahuku and Kaimuki substations were increased.

Other construction included 21 new and rebuilt transformer vaults, underground distribution systems for 8 subdivisions, totaling 199 homesites, and overhead systems for 27 subdivisions, totaling 1,889 homesites. Approximately 12,547 kva in distribution capacity was added during the year.

A total of 4,540 feet of 44,000-volt duct line was constructed as a continuation of the 2,323 feet constructed in 1952. Power will be transmitted in underground cable at 44,000 volts from the new Honolulu power plant to our two major substations situated at Iwilei and on School Street. This installation will be the first 44,000-volt cable used in the Company's system, all other cable being 11,000 volts or lower. It will be the first gas-filled cable used. This new type cable offers many advantages over the solid cable of this voltage rating. It is smaller in diameter, easier to install, and less expensive. It provides an automatic check on the con-



dition of the cable sheath at all times by having a remote indicator which records the gas pressure within the cable. Should a leak develop, an alarm is sounded and additional gas is supplied to the cable, which keeps out water until the leak is repaired. In solid cable, under similar conditions, water could enter a hole and result in a failure of the cable.

Although this underground cable extends only 6,863 feet, it will represent a large investment. Cost of one cable alone installed in the ducts will be \$13 per foot; the over-all cost of the duct line and the three cables from the power plant to the substation will be approximately \$800,000.

Another first for the Company's system was the installation of two units of supervisory control equipment in the load dispatcher's office. This device, by use of two control wires to Iwilei and School Street substations, enables the load dispatcher located at Ward Avenue to open and close circuit breakers at the substations. He can also take meter readings and thereby quickly check system conditions.

In the past, when a circuit breaker opened at these stations, valuable time was lost until an operator could be sent to reclose it. If station meter readings were needed, it was necessary to send an operator to get this information. With our modern supervisory control these functions can now be performed by the load dispatcher in a few seconds.

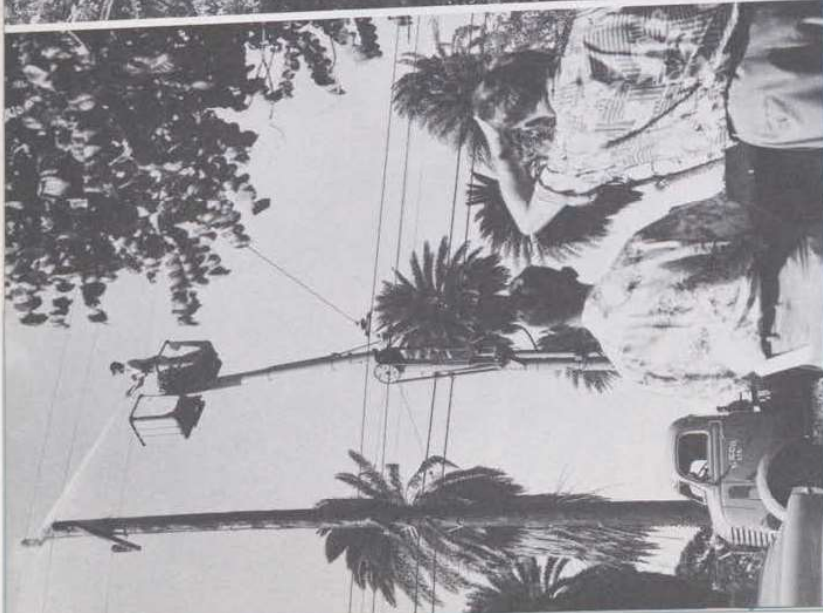
Predicted loads for 1954 will approach our system capacity during the overhaul period. Hence a very thorough and comprehensive maintenance program was carried out in the Generation Department during 1953. Every generator and its related equipment received a thorough inspection and needed repairs. Seven rotors from the Company's ten generators were removed for this work. Maintenance and repair of boilers was the most extensive attempted since the beginning of World War II. One of the four boilers at the Honolulu power plant was completely rebuilt and two others were partially rebuilt. Rebuilding of the fourth boiler was started. This work afforded the opportunity to use new and improved refractory materials. All four boilers at Waiiau were fully reconditioned. This should insure the utmost in equipment reliability and reduce to a minimum the possibility of an unscheduled outage of major generating equipment.

New practices in the Distribution and System Operation Departments include the use of a hydraulic boom truck for tree trimming and for line work. The truck is also used for washing insulators on live lines by means of high-pressure water.

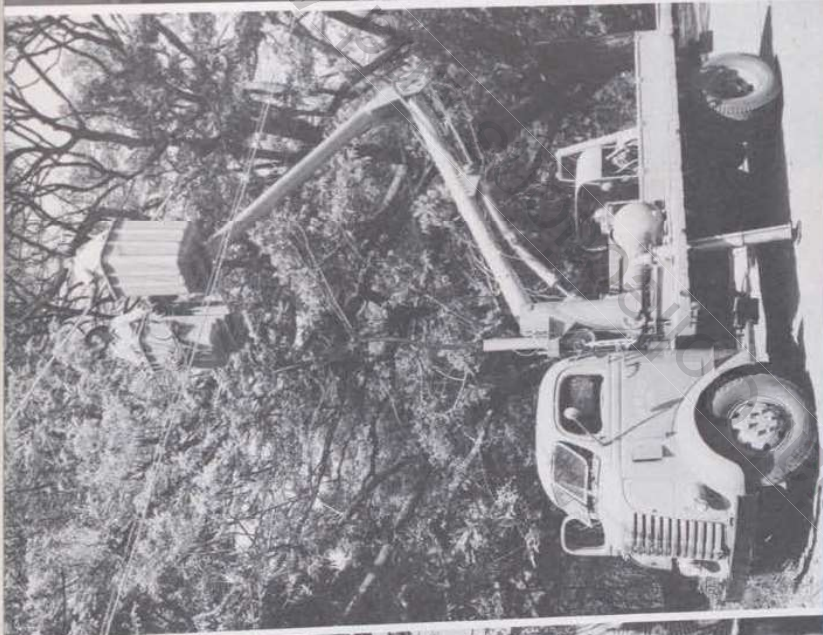


New electronic equipment speeds operations in load dispatcher's office, providing efficient remote controls for switching gear, meter reading.

Year	Total Customers	KWH Sold	Average KWH Used Per Residential Customer	Average Residential Rate Per KWH
1948	68,996	494,404,760	2,359	2.78c
1949	73,913	507,418,883	2,551	2.70c
1950	76,229	522,324,630	2,688	2.66c
1951	80,307	575,221,538	2,867	2.62c
1952	83,708	647,314,521	3,076	2.56c
1953	86,593	699,439,219	3,243	2.69c



Service is uninterrupted as insulators are cleaned of dust and salt spray from top of new "Sky-Lift."



Tree trimming is safer and speedier with "Sky-Lift" to hoist workers close, power tools to do the work.



Mechanical brush cutter turns trimmed branches into compost, eliminates frequent hauling to incinerator.



In Hawaii, tree trimming is a year-long operation. The semi-tropical climate keeps foliage growing at a rapid rate. This new truck has a hydraulically-operated boom, powered by a power take-off from the truck engine, which enables workmen to reach a distance in the air of about 40 feet through 360 degrees. Power-trimming tools are also provided which speed the job.

After the trees have been trimmed, the problem of disposing of the rubbish is simplified by the addition of a chipper for brush disposal. Limbs up to four inches in diameter can be fed into the new machine, and they are ground into fine chips which are fed into a truck or to the side of the road.

These chips make good fertilizer and have been used for compost. When hauled away, one truckload is equivalent to about five loads of loose brush.

The washing of insulators becomes quite a problem when our lines are located near the ocean, where salt vapor is present, or where there is an excessive amount of dust in the air. Accumulation of foreign matter on insulators may cause an arcing which could short circuit the line. The new truck, with its high-pressure water system, saves much time in the performance of this vital task and eliminates the necessity for de-energizing the line and disrupting service to our customers.

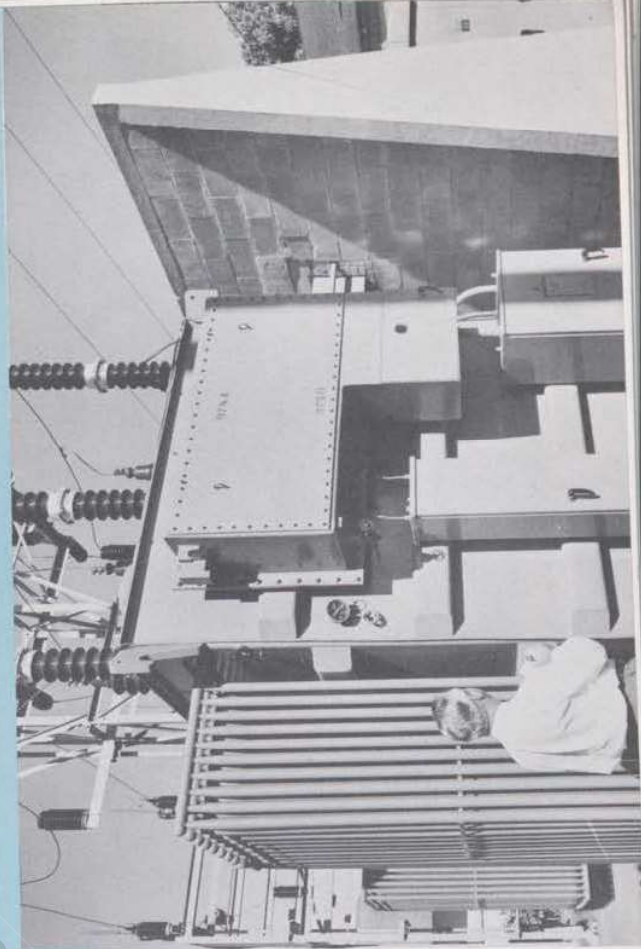


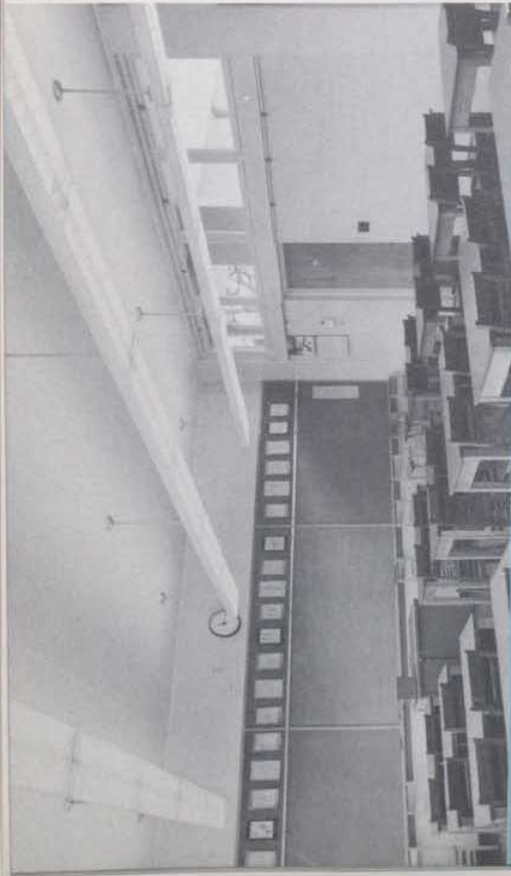
Expanding need for electric power in Waialae-Kahala district required new substation nearby. Cost of land, equipment and installation was \$98,000.

### LAND MATTERS

The Company acquired 58,794 square feet of property for the new Honolulu Power Plant site from the Territory of Hawaii through an exchange of Company property and purchase of 38,612 square feet for \$210,500. Five other parcels of land were purchased for substations at Pauoa, Waimea, Kapaehulu, Kalihi Valley and Kaneohe. These five lots cost a total of \$65,289. The limited amount of available land and the necessity of placing substations near the center of growing electrical loads is reflected in the price the Company must pay for property to locate its principal facilities.

New equipment in Kaimuki substation, enlarged to fill increasing demands for electric power. New unit shown, plus switching gear, cost \$86,000.





Proper classroom lighting, as in this modern installation at Washington Intermediate School, stimulates learning and protects young eyes.

### COMMERCIAL POWER SALES

Commercial Engineers of the Company have continued the policy of assisting Honolulu architects and engineers in preparing plans and specifications for lighting installations in schools, offices and public buildings. Standards of lighting have advanced substantially in the past few years, necessitating a restudy of older installations in public buildings. Lighting intensities of 50- to 100-foot candles are commonplace today as compared with 2- to 5-foot candles incorporated in the design of The Hawaiian Electric Company building 25 years ago.

A commercial customer contact system was expanded this year to enable Company representatives to contact all commercial customers at least once a year to assist them in finding additional ways to use electricity to good advantage. On the first call, Company men are making a complete rate analysis under the new rates.

Much new heavy-duty cooking equipment was added to the system during the year. Some of the larger installations included five schools, seven restaurants and four bakeries.

Assistance has been given to both users and potential users of commercial equipment in the use and layout of commercial kitchens. Cooperation is given architects, distributors, dealers and commercial engineers in making recommendations as to proper selection and placing of equipment. Upon

request, assistance is given in checking the adequacy of wiring for and the correct installation of equipment. Demonstrations are given when requested on the operation and proper maintenance of all types of commercial electric cooking equipment.

New commercial load connected to our lines during 1953 totaled approximately 4,492 horsepower, which is 1,513 horsepower more than that added last year.

Cooking .....	1,178 h.p.
Heating .....	398
Air Conditioning .....	815
Refrigeration .....	363
Miscellaneous Power .....	1,738
	<hr/>
	4,492 h.p.

Air conditioning is rapidly becoming a necessity for downtown buildings. Among those installing new units (in their buildings) this year were S. H. Kress & Company and Andrade & Company. New air conditioned buildings planned for 1954 include F. W. Woolworth, Honolulu Gas Company, Long's Drug Store and the Honolulu Star-Bulletin Press Building.

### GOVERNMENT HOUSING

Military authorities have been instrumental in authorizing the construction of defense housing under FHA Title VIII and Title IX financing. This has been a two-year program, and all units are scheduled for completion by June 1954. Title VIII housing having all-electric facilities will total 2,077 units, and Title IX housing having all-electric facilities will total 1,027.

The Hawaii Housing Authority has completed another 511 all-electric housing units this year . . . 400 units in Kalihi Valley Homes and 111 units in Palolo Housing.

### MILITARY INSTALLATIONS

Energy sales to the armed forces of the Federal Government have gradually leveled off until this source of revenue is more normal. During the peak war years this demand accounted for as much as 33.1% of our total revenue, as compared with 8.9% this year.



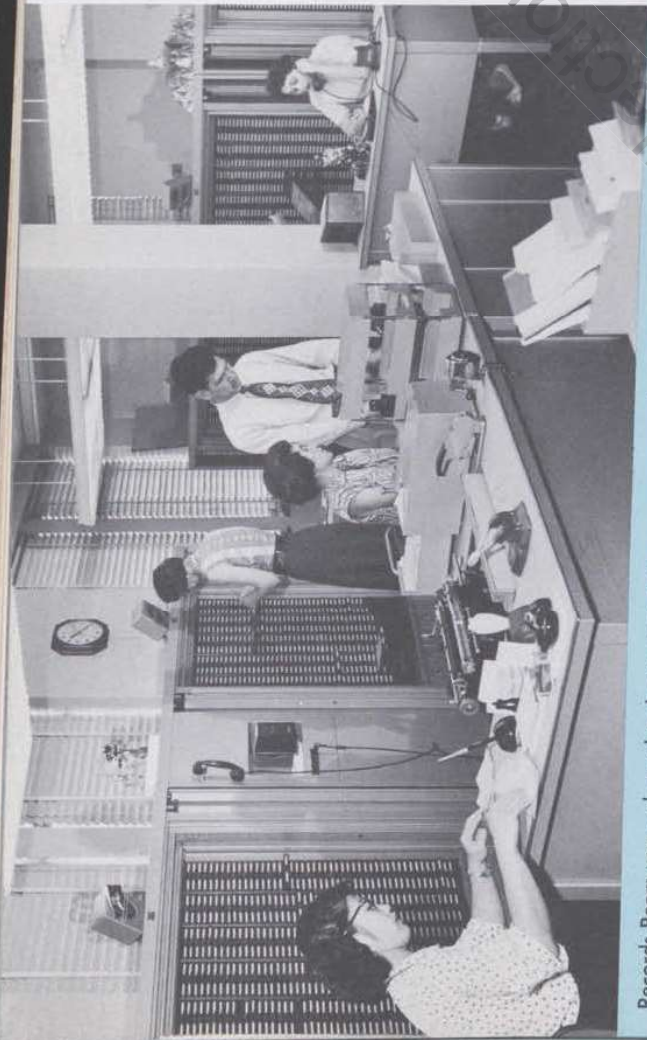
🏠 In the Kalihi Valley Homes project, built by Hawaii Housing Authority, 400 homes are equipped with electric range, water heater, refrigerator.



🏠 All homes are all-electric in Aliamamu subdivision where 1,026 units will be equipped with electric range, water heater, refrigerator. Cost of installing distribution system will be \$121,000.

🏠 Electric power distribution system in Sections C and D of the fast-expanding Waialae-Kahala subdivision, shown here, was installed for a cost of \$37,000. Five other sections are to be installed.





Records Room was enlarged to keep pace with company growth—30,000 new customers since 1944.



Prizewinners receive food prepared on stage in Home Service Department's "Better Copy" contest.

### CUSTOMER RECORDS

The conversion of our Customer History Records to a smaller type card has doubled the capacity of our files and has furnished space for 75,000 new customers. In anticipation of the need for another cabinet next year for Service Location Records, the Records Room was enlarged and the desks and lighting rearranged, resulting in improved working conditions.

### BRANCH OFFICES

The collections on electric energy revenue at our Wahiawa Branch Office show an increase of 17.7% over last year, while Kailua collections show an increase of 19.1%.

### UTILITY PROMOTIONAL ACTIVITIES

The Company developed a full and varied program of newspaper, magazine, radio and television advertising during

1953, all based on the central theme of "Electrical Living," with extra emphasis this year on the dealer promotional program carried on in cooperation with the Electrical Living Committee of the Pacific Coast Electrical Association (Hawaii).

Two separate series of institutional advertisements were developed during the year, the first telling the story of how electricity is produced, the second describing the planning and building of the Company's new generating plant. One of the individual ads was selected from more than one hundred utility ads from throughout the nation as the "ad of the week" by the magazine *Utility Spotlight*.

In the annual nationwide Public Utilities Advertising Association "Better Copy" contest, the Company received awards for the seventh consecutive year. One of its ads was selected as the best single advertisement promoting the use of electricity of any utility of its size in America and Canada, and second awards were given to its complete advertising program and to its institutional series.



Popular Cooking Classes. Nearly 800 Honolulu homemakers attend each month.



Electric kitchens in modern Honolulu homes were pictured in company's newspaper advertising.

### SALES PROMOTION

A number of promotional programs were successfully carried on in 1953 with the complete cooperation of the Electrical Living Committee, PCEA (Hawaii), appliance distributors and dealers and electrical contractors.

During February and March, sales of the electric dryer were stimulated by providing free home trials. From April through June free wiring was provided with the purchase of an electric range and/or water heater. From July through August the home food freezer was the appliance selected for promotion. The last three months of the year were devoted to the promotion of electrical housewares and television under the slogan "Gifts That Keep On Giving."

As in the past, floor space was made available on the second floor for the various distributors to display their products, and all distributors were kept aware of all planned promotions by receiving mimeographed copies of the complete plan before the program was launched. All distributors participated in the subcommittees of the Electrical Living

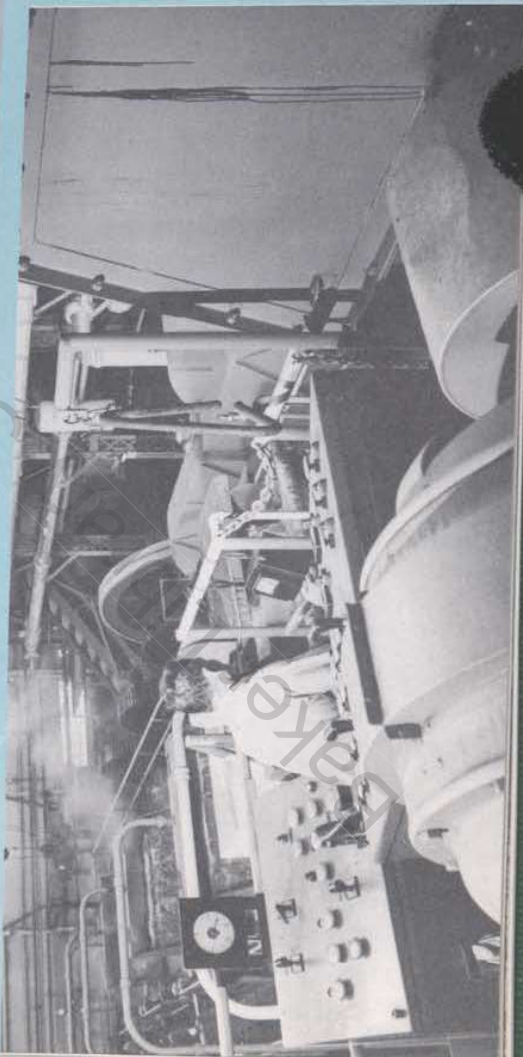
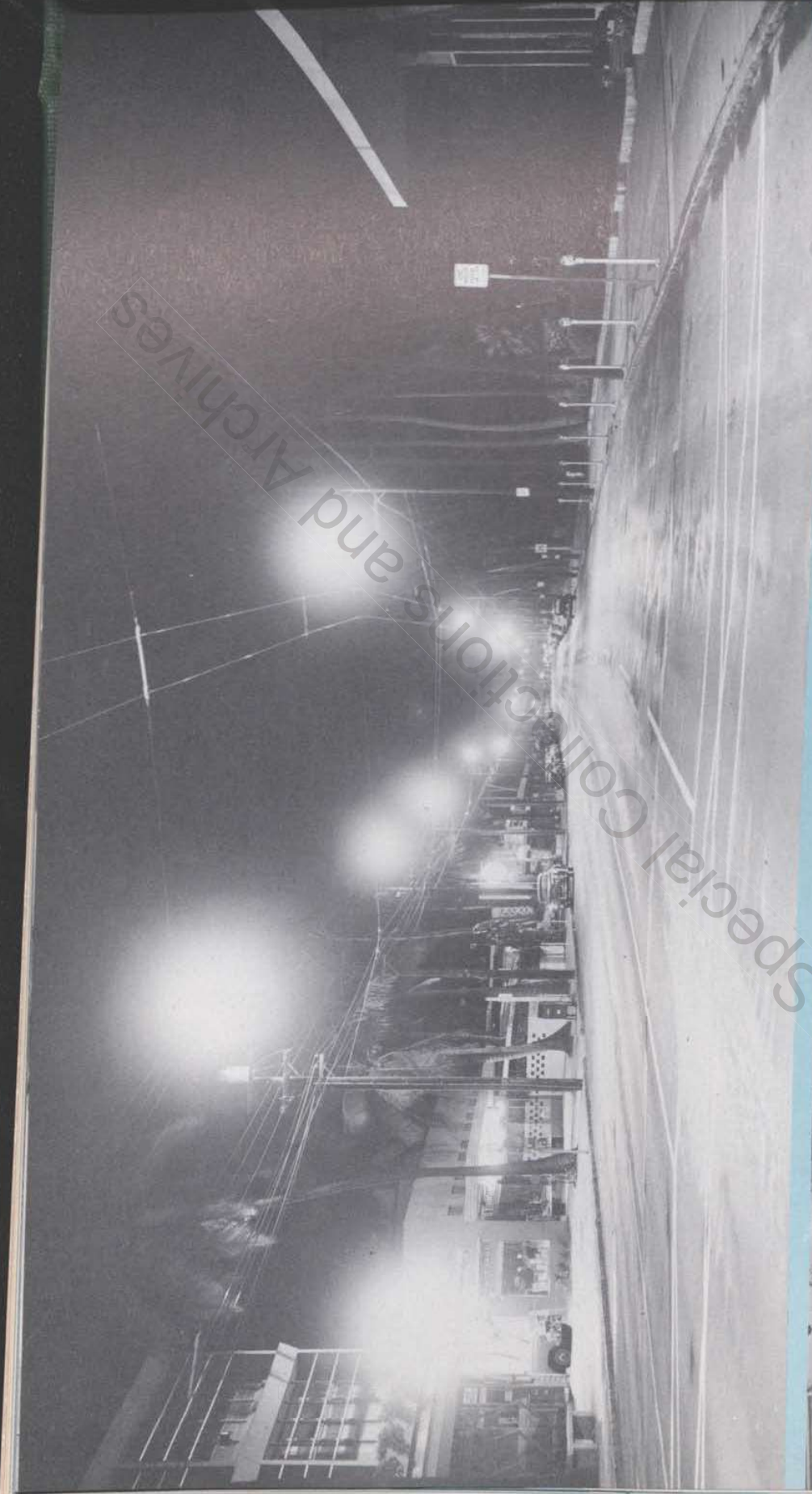
Committee, PCEA (Hawaii), and full discussion and agreement was reached before the launching of any program.

### HOME SERVICE DEPARTMENT

Activities of the Home Service Department continue to reach all ages, from adults down to Brownies and Cub Scouts. Weekly cooking schools, scheduled for the general public, retained their popularity, with the auditorium being well filled at each session. As in previous years, equipment of a different distributor was used each month in the demonstration kitchen.

Special activity in residential lighting promotion included a High School Lamp-Building Contest, a series of classes in lamp making for University Extension Club members and a study-lamp making project for the Salvation Army Home.

With the increase of home building on Oahu, the home-call program of demonstration and instruction in the use of major appliances was stepped up to meet the need. An average of 350 home calls were made each month. Owners of both new and remodeled homes have received help in kitchen-planning activities.



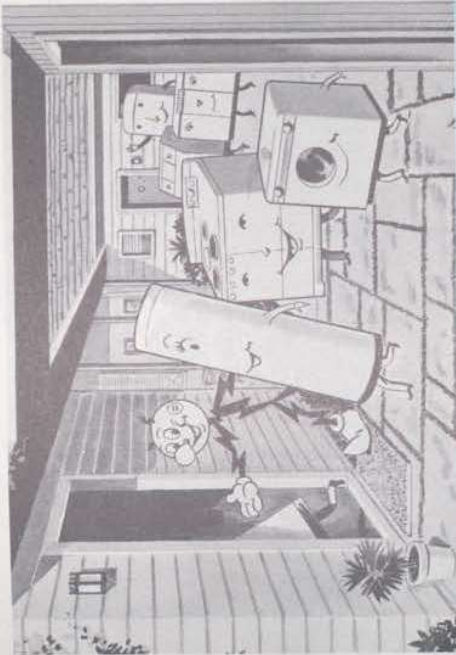
A long line of 400-watt mercury vapor lamps, providing 20,000 lumens each, puts Kalakaua Avenue in a new light. The lamps, purchased through The Hawaiian Electric Supply Co., aid traffic safety and reflect the city's growing use of electric power.

Efficient electric equipment furnished by The Hawaiian Electric Supply Co. and economical electric power furnished by Hawaiian Electric Co. team together to speed work of Ewa Plantation mill operations — typical of many new industrial installations.

Special Collections and Archives

Take





Thousands of home appliances were installed and serviced by the staff of The Hawaiian Electric Supply Co.

## MERCHANDISE OPERATIONS

The Hawaiian Electric Supply Company performs valuable services in supplying many of the electrical items needed in the Territory and in adding a substantial load to the lines of the utility that produces revenue through the sale of kilowatt hours.

During the year, the Supply Company sold and installed electric appliances for eighteen large housing developments, thereby adding to the utility lines 2,330 electric ranges, 1,296 electric refrigerators, 241 electric water heaters and 77 electric dishwashers and garbage disposers. In addition, many smaller apartment-house projects of two to thirty units were sold electrical equipment.

In the industrial field, sizeable orders also added to the load of the utility system. Supply Company sales development and engineering facilities assisted the plantations, industrial organizations, electrical contractors and others in determining their electrical needs. An example of industrial installations was the ventilating equipment, control center, and other items for the new Katihi Tunnel, which the Supply Company is handling. This job alone will add approximately 400 kw of electric demand.

The thousands of electric ranges, water heaters, refrigerators, radios, and television sets sold to the home owner are serviced by a staff of competent servicemen. Good service is assured through complete knowledge of product, plus an inventory of parts for both current and earlier models. In the industrial field, motors, generators, transformers, X-ray equipment, and other electrical products, both large and small, are maintained in good operating order by industrial service specialists.

To relieve congestion on The Hawaiian Electric Company main office switchboard and improve telephone service, a new telephone switchboard that is entirely independent of the utility's was installed at Clayton Street.

As a result of a thorough study of clerical requirements, an order was placed for nine IBM electric accounting machines to automatically process invoices, accounts receivable, sales analysis statistics, inventory control reports, and other clerical details. This new system will improve service to customers and appreciably reduce the Company's cost of doing business. Four to six months will be required to install the new machines; therefore, the benefits will not be realized until the latter part of 1954.

The volume of sales for 1953 was the greatest in the Division's history. Higher operating costs, taxes, and a highly competitive market reduced the net income to an abnormal low. Analysis of this situation shows clearly that we have outgrown our present buildings, which were not designed for the size, scope and complexities of today's operations and that old methods and techniques cannot produce satisfactory profit under present competitive conditions. A new plant, new equipment and a thorough overhauling of operations are in order. These matters have been under intensive study for some time and should materialize into a definite plan in 1954.

The comparative sales and net profit figures of the years 1949 through 1953 are as follows:

Year	Revenue	Net Profit
1949	\$4,428,409	\$147,104
1950	5,778,594	295,120
1951	6,447,732	264,886
1952	5,927,065	147,226
1953	7,743,609	132,487

**EMPLOYEE  
ACTIVITIES**



Oldtimers all. They joined Hawaiian Electric in 1918, this year observed their 35th year of company service.



Fifteen employees, including two not shown in the "class picture" taken at the annual service awards presentation, celebrated 30 years of service to the company in 1953.



A quarter century of Hawaiian Electric. These seven employees and six others not shown marked their 25th anniversary with the company during 1953.



An even ten employees, including four not shown, were presented twenty-year service awards during the year.



Forty years of service to the company. Y. Wa Chinn receives a service pin and congratulations from President L. A. Hicks.



Power plant employees attend class to study the "why" of plant operation and maintenance. Similar classroom instruction on other subjects is given regularly during the year.

**EMPLOYEE RELATIONS AND ACTIVITIES**

On January 16, 1953 a consent election was conducted by the National Labor Relations Board for the retail outside salesmen of The Hawaiian Electric Supply Company. As a result of the election, Local Union 1260, International Brotherhood of Electrical Workers, became the representative of the retail outside salesmen in the merchandising operations. This is the same union that represents other Company employees.

A new agreement between the Union and the Company, covering 865 utility employees, was signed on August 28, 1953 and will remain in effect until August 31, 1954. It provided for an average increase of 5% on a graduated basis to the trades and crafts group, making the minimum starting rate \$1.30 an hour and increasing the top journeyman rate eleven cents to \$2.27 an hour. The salary schedule of the office and clerical workers was modified to reflect an equivalent percentage increase, with part of the adjustment becoming effective on March 1, 1954. The Company also made salary adjustments to those utility employees not covered by the agreement. Other changes were made in the seniority clause, sickness benefit plan, and the lines of progression for promotion.

The agreement between the Union and The Hawaiian Electric Supply Company expired on November 30, 1953. A memorandum of agreement was signed on December 23, 1953 incorporating minor changes which included a one-year agreement to November 30, 1954 and a wage reopening clause effective June 30, 1954.

Certain modifications were made in the seniority clause and sickness benefit plan. In addition, adjustments were made for employees working in overclassified work and for employees scheduled to work on week ends. The contract was signed on January 20, 1954.

**PAYROLL AND BENEFITS**

Employees at December 31.....	1953 1,341	1952 1,242
Wages:		
For Productive Work.....	\$5,414,754	\$4,609,353
Non-productive Wages:		
Vacations.....	207,236	190,676
Holidays.....	156,828	182,390
Sickness.....	127,671	89,073
Excused Absence, etc.....	29,015	17,491
	\$ 520,750	\$ 479,630
	\$5,935,504	\$5,088,983
Total Payroll.....		
Benefits Paid by Company:		
Annuity, Life Insurance.....	189,522	151,121
Medical Aid Dues.....	108,504	102,021
Social Security Insurance.....	68,152	60,174
Unemployment Insurance.....	16,289	10,611
Total Benefits.....	\$ 382,467	\$ 323,927
Total Payroll and Benefits.....	\$6,317,971	\$5,412,910

The Company now has 1,341 employees; of this total, 1,030, or 76.8% are covered by union agreement.

On February 16, 1953 twenty-five employees were indentured as apprentices and started their training. The five related training courses of the apprenticeship program were offered to other employees as self-improvement courses and were attended by 168 employees on a voluntary basis. Three other self-improvement courses were offered and completed by sixty-four employees.

Bowling, golf, basketball and mountain ball continue to be popular with the employees. Inter-department competition was scheduled and conducted by employee committees.

Community Chest contributions from the employees were most gratifying. Realizing that a real need for an increased budget existed, the employees, exclusive of executives, more than doubled their previous year's giving. The average contribution was more than \$11 per employee and contributions totaled over \$14,000.

#### Employee Service Record

	No. of Employees	Percentage
Less than 1 year.....	148	11.04
1 year to 5 years.....	284	21.18
6 years to 10 years.....	376	28.04
11 years to 20 years.....	309	23.04
21 years to 30 years.....	149	11.11
31 years and over.....	75	5.59
	<b>1,341</b>	<b>100.00</b>

#### RETIREMENTS

The following employees were retired during the year:

Vitaliano Carlos, Utilityman, Power Plant, 26 years  
 Ben Hussey, Distribution Engineer, Engineering Department, 37 years  
 Chion Monzen, Watchman, System Operation Department, 32 years  
 Alger B. Ostermeyer, Warehouseman, The Hawaiian Electric Supply Company, 11 years  
 Sadajiro Sasaki, Yardman, Maintenance Shop, 40 years  
 Samuel Shacklett, Mechanic, Power Plant, 17 years  
 Alice C. Wood, Retail Sales Clerk, The Hawaiian Electric Supply Company, 29 years

#### MANAGEMENT CHANGES

In February the Board of Directors made important changes in the management of the Company. Mr. L. W. Lengnick was appointed Vice President and Executive Engineer with administrative jurisdiction over the Generation, Distribution, Engineering, System Operation, and Buildings and Maintenance Departments; Mr. R. B. Johnson was assigned the responsibility for administrative supervision over all operations of the Company, with the exception of Finance and Merchandising, and Mr. George Hogg was appointed a Director.

#### DEATHS

The Company records with regret the following employee deaths during the year:

Kenneth K. H. Lum, Assistant to Supervisor, Electric Energy Division, General Accounting Department  
 Died January 12, 1953  
 Hoon Luke, Collector, Utility Credit and Collection Department  
 Retired June 1, 1946  
 Died February 16, 1953  
 Joseph Pokakaa, Foreman, Distribution Department  
 Died March 10, 1953  
 Joseph Yannell, Switchboard Operator, Generation Department  
 Died April 1, 1953  
 Donato Ronia, Turbine Operator, Generation Department  
 Died April 27, 1953  
 James Kakalia, Janitor, Generation Department  
 Retired December 1, 1949  
 Died July 2, 1953

THE HAWAIIAN ELECTRIC COMPANY, LIMITED

Department Managers

UTILITY OPERATIONS

H. N. DEGAA  
*Cashier*  
Cashier's Department

HERBERT HEINRICH  
*Manager*  
System Operation Department

E. A. HELBUSH  
*Internal Auditor*  
Internal Auditing Department

R. E. JACOBSON  
*Manager*  
Utility Credit & Collection Dept.

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

C. A. LESER  
*Manager*  
Personnel Department

J. P. MICHELS  
*Manager*  
Distribution Department

D. M. MONCRIEF, JR.  
*Assistant Commercial Manager*  
Commercial Department

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

EMIL OLSON  
*Manager*  
Generation Department

J. H. WINK  
*Chief Accountant*  
General Accounting Department

J. R. ZEIGLER  
*Manager*  
Engineering Department

MERCHANDISE OPERATIONS

THE HAWAIIAN ELECTRIC  
SUPPLY COMPANY

PAUL H. ANDERSON  
*General Manager*  
Appliance Department

L. W. CLIFFORD  
*Manager*  
Service Department

R. C. COOPER  
*Manager*  
Retail Department

V. A. NAHL  
*Manager*  
Credit Department

D. I. SROAT  
*Manager*  
Apparatus and Supply Department

W. S. WILLIS  
*Manager*

# BALANCE SHEET

December 31, 1953

## ASSETS

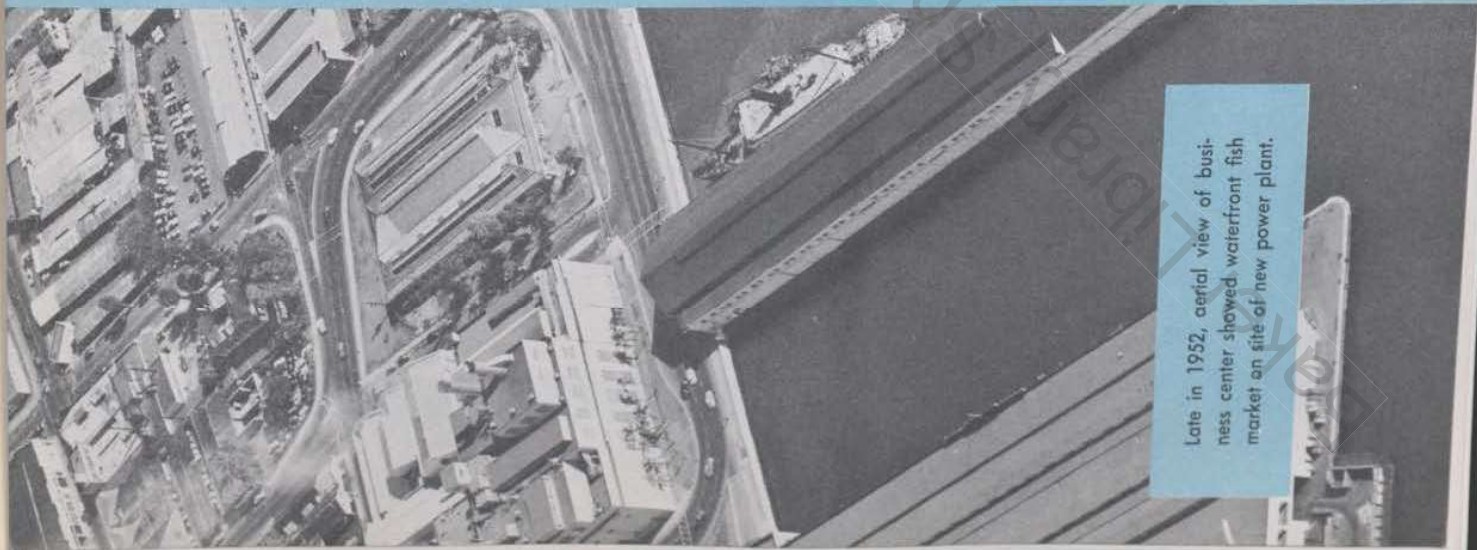
<b>FIXED ASSETS:</b>		
Utility plant in service.....	\$55,766,675	
Utility construction in progress.....	4,732,984	\$60,499,659
Non-Utility plant:		
Merchandise Department.....	825,885	
Total fixed assets.....	\$61,325,544	
Less, reserves for depreciation.....	10,910,742	\$50,414,802
<b>INVESTMENT—REAL ESTATE:</b>		
At cost less amortization.....		31,964
<b>CURRENT AND ACCRUED ASSETS:</b>		
Cash on hand and in banks.....	\$ 1,868,649	
Installment notes receivable.....	254,875	
Accounts receivable:		
Electric energy.....	\$ 1,465,477	
Merchandise.....	965,169	
Other.....	62,425	
Less, reserves for uncollectible accounts.....	\$ 2,493,071	
Merchandise and supplies.....	149,838	2,343,233
Utility supplies.....	\$ 1,312,520	
Non-Utility merchandise.....	1,910,954	3,223,474
Prepaid insurance, rent, taxes.....	159,056	7,849,287
<b>DEFERRED DEBITS:</b>		
Unamortized debt expense.....	\$ 206,178	
Other work in progress.....	70,647	
Clearing accounts.....	87,564	
Claims on manufacturers and carriers.....	67,574	
Other deferred debits.....	54,387	486,150
<b>CAPITAL STOCK EXPENSE</b> .....		476,854
		<u>\$59,259,057</u>

**NOTE 1:**

In compliance with a Public Utility Commission order filed on June 12, 1953, the Company increased the book value of the utility plant to agree with the historical cost used by the Commission, with a compensating credit of \$817,009 being made to restricted surplus. This restricted surplus is to be transferred to unrestricted surplus as the revalued assets are retired from service, with the result that \$34,452 was credited to unrestricted surplus in this manner during 1953.

Similarly, the reserves for depreciation of the utility plant were reduced to the computed reserve under the presently used sinking fund method, with compensating credits of \$2,200,000 and \$980,588 being made to deferred credits and unrestricted surplus respectively. The deferred credit thus created is to be amortized over a period of twenty-five years, resulting in a reduction of utility operating expenses of \$88,000 during 1953.

The Commission also directed that contributions received for line extensions be transferred to unrestricted surplus after having been held in the contributions in aid of construction account for twenty-three years, resulting in an addition to unrestricted surplus of \$16,274 in 1953.



Late in 1952, aerial view of business center showed waterfront fish market on site of new power plant.

# BALANCE SHEET

December 31, 1953

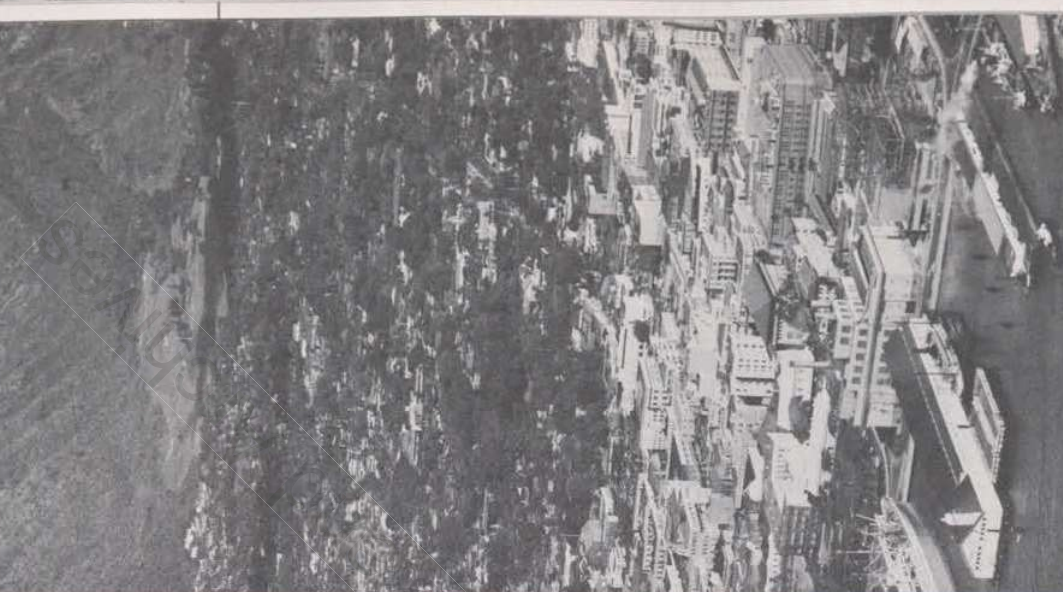
## LIABILITIES

<b>CAPITAL STOCK:</b>	
Common capital stock, outstanding 650,000 shares, par value \$20.....	\$13,000,000
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>\$22,000,000</u>
<b>LONG TERM DEBT:</b>	
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, 3% series "F," due 1977.....	5,000,000
First mortgage bonds, 3 1/2% series "G," due 1981.....	3,000,000
First mortgage bonds, 3 1/2% series "H," due 1982.....	4,000,000
	<u>22,000,000</u>
<b>CURRENT AND ACCRUED LIABILITIES:</b>	
Accounts payable.....	\$ 763,600
Customers' deposits and interest thereon.....	124,706
Accrued taxes.....	2,028,659
Interest accrued on long term debt.....	192,396
Accrued payroll.....	194,860
Other current and accrued liabilities.....	24,278
	<u>3,528,499</u>
<b>DEFERRED CREDITS:</b>	
Unamortized depreciation reserve adjustment.....	\$ 2,112,000
Unamortized premium on debt.....	220,865
Other deferred credits.....	57,650
	<u>2,390,495</u>
<b>RESERVES:</b>	
Injuries and damages to others.....	\$ 25,000
Workmen's compensation liability.....	79,899
Sales agreement repossession.....	28,250
Inventory.....	168,119
Tax contingency.....	112,505
	<u>413,773</u>
<b>CONTRIBUTIONS IN AID OF CONSTRUCTION.....</b>	
	<u>1,422,398</u>
<b>EARNINGS REINVESTED IN BUSINESS:</b>	
Unrestricted earned surplus.....	\$ 6,921,335
Restricted earned surplus.....	782,557
	<u>\$59,259,057</u>

**NOTE 2:**

It is estimated that approximately \$6,686,635 will be expended during 1954 and 1955 in completing the new power plant now under construction. Commitments for a substantial portion of this construction had been entered into as of December 31, 1953.

Other contingent liabilities existing as of December 31, 1953, consisted of:  
 Guarantor's liability to the extent of \$1,115,247 on installment notes receivable sold under  
 guarantees of repurchase.  
 Merchandise held on consignment—\$195,350.



Late in 1953, similar aerial view shows construction progress. Steel framework of plant is now in place.

## STATEMENT OF INCOME AND EARNINGS REINVESTED IN BUSINESS

For the Year Ended December 31, 1953

<b>UTILITY OPERATING REVENUES:</b>		
Sales of electric energy.....	\$14,909,080	
Other electric revenue.....	126,009	\$15,035,089
<b>UTILITY OPERATING COSTS:</b>		
Operating expenses.....	\$ 8,770,231	
Depreciation.....	1,248,268	
Taxes.....	2,520,819	
Less, taxes charged to construction.....	\$12,539,318	12,485,862
Utility operating income.....	53,456	\$ 2,549,227
<b>OTHER INCOME:</b>		
Merchandise Department:		
Gross revenue.....	\$ 7,620,004	
Cost of sales.....	5,824,300	
Gross profit.....	\$ 1,795,704	
Interest on sales agreements.....	123,605	
Expenses:		
Operating.....	\$1,411,066	
Depreciation.....	33,511	
Taxes.....	342,245	
Net Merchandise Department income.....	\$ 132,487	
Miscellaneous interest.....	16,056	
Gross income.....	\$ 148,543	\$ 2,697,770
<b>INCOME DEDUCTIONS:</b>		
Interest on long term debt.....	\$ 726,230	
Amortization of debt expense.....	11,061	
Amortization of premium on debt—credit.....	( 15,185)	
Interest charged to construction—credit.....	(106,912)	
Donations.....	44,678	
Miscellaneous other deductions.....	19,942	
Net income for the year.....	\$ 679,834	\$ 2,017,936
<b>EARNINGS REINVESTED IN BUSINESS:</b>		
Unrestricted earned surplus:		
Balance, January 1, 1953.....	\$ 5,501,570	
Depreciation restored to surplus.....	980,588	
Contributions in aid of construction held over 23 years.....	16,274	
Retirements of utility plant adjustment.....	34,452	
Cash dividends on preferred stock.....	\$ 427,500	
Cash dividends on common stock.....	1,150,000	
Loss on disposition of land and improvements.....	51,985	
Balance, December 31, 1953.....	\$ 1,629,485	\$ 6,921,335
Restricted earned surplus:		
Adjustment of cost basis of utility plant (net of 1953 retirements).....	782,557	
<b>EARNINGS REINVESTED IN BUSINESS, DECEMBER 31, 1953.....</b>	<b>\$ 7,703,892</b>	

### HENRY DAVIS AUDIT COMPANY PUBLIC ACCOUNTANTS ROOM 309 STANGENWALD BUILDING HONOLULU 10, HAWAII

To the Stockholders of  
The Hawaiian Electric Company, Limited

We have examined the balance sheet of The Hawaiian Electric Company, Limited as of December 31, 1953, and the related statement of income and earnings reinvested in business for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statement of income and earnings reinvested in business present fairly the financial position of The Hawaiian Electric Company, Limited, at December 31, 1953, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the revaluation of the utility plant and the related reserves for depreciation, of which we approve, and the effect of these revaluations on the income and earned surplus of the Company, as described in Note 1 to the balance sheet.

HENRY DAVIS AUDIT COMPANY  
*R. Z. Allen*  
Certified Public Accountant.

Honolulu, Hawaii  
February 15, 1954



The Directors and Officers  
DECEMBER 31, 1953

**DIRECTORS**

J. B. ATHERTON  
T. A. COOKE  
G. W. FISHER  
L. A. HICKS

GEORGE HOGG  
RALPH B. JOHNSON  
DUDLEY C. LEWIS  
U. J. RAINALTER  
H. M. RICHARDS

P. E. SPALDING  
A. E. STEADMAN  
H. V. VON HOLT  
HEATON L. WRENN

**OFFICERS**

P. E. SPALDING.....Chairman of the Board  
L. A. HICKS.....President  
RALPH B. JOHNSON.....Administrative Vice-President and Secretary  
GEORGE HOGG.....Vice-President and Treasurer  
CARL J. SCHIFFERS.....Vice-President and Assistant Secretary

PAUL H. ANDERSON.....Vice-President  
H. P. FIELD.....Vice-President  
L. W. LENGNICK.....Vice-President  
C. E. NOLAN.....Vice-President  
JAMES H. WINK.....Assistant Treasurer  
R. L. SUMMERS.....Assistant Secretary

**THE HAWAIIAN ELECTRIC COMPANY, LIMITED**  
900 RICHARDS STREET (PALACE SQUARE) HONOLULU, HAWAII

MEET YOUR  
COMPANY  
OFFICERS



PHILIP E. SPALDING



LESLIE A. HICKS



RALPH B. JOHNSON



GEORGE HOGG



CARL J. SCHIFFERS



PAUL H. ANDERSON



HARRY P. FIELD



LEWIS W. LENGNICK



CHARLES E. NOLAN

## B R I E F B I O G R A P H I E S

PHILIP E. SPALDING, *Chairman of the Board*, was born in Minneapolis, Minnesota. In 1912 he came to Hawaii and entered the contracting business. He later joined the firm of C. Brewer and Company, Limited, becoming President in 1941 and serving in that capacity until 1952. He was elected Director of The Hawaiian Electric Company in 1926 and has been Chairman of the Board since June, 1945.

LESLIE A. HICKS, *President and Director*, was born in Presque Isle, Maine. He became a resident of Hawaii in 1908 and received a B.S. degree in civil engineering from the University of Hawaii in 1917. After serving two years in the U. S. Army, he joined The Hawaiian Electric Company in 1919 as Assistant to the Chief Engineer. He was elected Director in 1936; was appointed Manager in 1937 and President in 1943.

RALPH B. JOHNSON, *Administrative Vice-President, Secretary and Director*, was born on Oahu. He received a B.S. degree in civil engineering from Massachusetts Institute of Technology in 1927. Prior to joining the Company as an engineer in 1936 he had worked for eight years at Ewa Plantation Company as an engineer and superintendent. He was a Commander in the U. S. Naval Reserve and served in the Submarine Service from 1941 to 1945. He was appointed Secretary of The Hawaiian Electric Company in 1939, elected Director in 1943 and appointed Administrative Vice-President in 1952.

GEORGE HOGG, *Vice-President, Treasurer and Director*, was born in Glasgow, Scotland. He was employed by the Canadian Pacific Railway prior to coming to the Islands. He came to Hawaii in 1921 and joined the Merchandise Department of The Hawaiian Electric Company in June of that year. He was appointed Vice-President and Treasurer in 1948 and elected Director in 1953.

CARL J. SCHIFFERS, *Vice-President, Assistant Secretary and Industrial Relations Manager*, was born in Portland, Oregon. Prior to joining The Hawaiian Electric Company in March, 1939 as assistant to the Personnel Manager, he had been employed for eighteen years as an engineer for Pacific Gas & Electric Company, San Francisco. He was appointed Vice-President in 1947.

PAUL H. ANDERSON, *Vice-President of The Hawaiian Electric Company and General Manager of The Hawaiian Electric Supply Company*, was born in San Francisco, California. Before coming to The Hawaiian Electric Company in 1939 as Manager of the Merchandise Department he had been employed in the Los Angeles offices of General Electric Company and Westinghouse Electric Supply Company. He was appointed Vice-President of The Hawaiian Electric Company in 1946.

HARRY P. FIELD, *Vice-President and Commercial Manager*, was born in Norfolk, Virginia. He received a B.S. degree in electrical engineering from Massachusetts Institute of Technology in 1921. He was in the electrical contracting business in New York State and later worked as an industrial sales engineer for General Electric Company, Richmond, Virginia. He joined The Hawaiian Electric Company as Manager of Kelvinator Sales in July, 1926. He was appointed Vice-President in 1947.

LEWIS W. LENGNIK, *Vice-President and Executive Engineer*, was born in Aiken, South Carolina. He received a B.S. degree in electrical engineering from Virginia Polytechnic Institute in 1928. His first employment was with Stone & Webster Service Corporation, Boston, Massachusetts. He had been an engineer with Gulf States Utilities, Beaumont, Texas for ten years prior to coming to Hawaii in August, 1941 as an electrical engineer for The Hawaiian Electric Company. He was appointed Vice-President in 1953.

CHARLES E. NOLAN, *Vice-President and Production Manager*, was born in Livingston, California. He was graduated from St. Mary's College, Oakland, California in 1917. After serving in the U. S. Army and working two years for Standard Oil Company of California at Richmond, California, he came to Hawaii in 1921 and started at The Hawaiian Electric Company as a sales clerk. He was appointed Vice-President in 1947.

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