

P.V.

ANNUAL REPORT FOR THE YEAR 1954

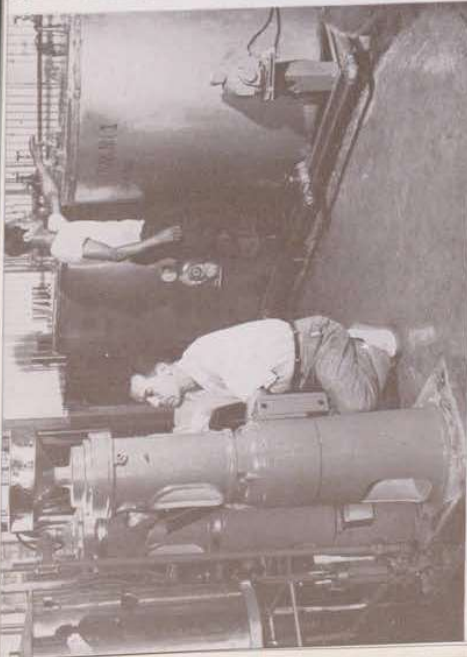
HARVARD UNIV.
U.S. OF H.A.
BAYER LIBRARY
CORPORATION
RECORDS
DIVISION



WAIKIKI . . . BUILDING TODAY FOR TOMORROW'S NEEDS



THE HAWAIIAN ELECTRIC COMPANY, LIMITED



Hawaii is at work today to expand its economy— to create new jobs, produce new revenue, provide a more prosperous future. Its community-wide program of island development has brought major building projects for industry, more productive use of the land in agriculture.

Highpoint of the expansion is the rapid growth of tourist trade, but other smaller industries have grown beside it. Tuna, papaya and macadamia nut packing, for example, are increasing many times in

size. Wood carving and curio manufacturing have found larger markets both at home and on the mainland. The garment industry is sending its colorful products around the world.

The Hawaiian Electric Co., Ltd., which provides the increased power need for much of this expansion, is growing with the community. Its new generating plant is one example of the Company's continuing program of planning ahead, building today for tomorrow's needs.





Highlights of the Year

THE HAWAIIAN ELECTRIC COMPANY, LIMITED

UTILITY REVENUES were \$15,974,270, an increase of 6.25% over 1953.

MERCHANDISE REVENUES were \$6,239,505, 19.4% less than 1953.

CORPORATE NET INCOME was \$2,283,787, an increase of 12.17% over 1953.

EARNINGS FOR COMMON STOCK were \$2.65 per share on 700,000 shares, as compared with \$2.45 per share on 650,000 shares in 1953.

SHAREHOLDERS (Common) increased by 403, or 12% over 1953, to 3,762.

ELECTRIC CUSTOMERS at December 31 had increased by 3,983, or 4.6% over 1953, to 90,576.

RESIDENTIAL USE OF ELECTRICITY by the average customer increased to 3,501 kilowatt-hours for the year.

AVERAGE RESIDENTIAL PRICE for electricity was 2.648 cents per kilowatt-hour, a decrease from 1953 which was 2.688 cents.

POWER DEMAND. The all-time peak demand of 172,200 kilowatts occurred in November.

GENERATING CAPABILITY AND EFFICIENCY were increased by completion of a 50,000-kilowatt turbo-generator in the new Honolulu Power Plant.

ADDITIONAL MONEY for construction was obtained from new issue of \$1,000,000 common stock and the sale of \$6,000,000 Series I bonds.

ENERGY SALES increased 4.31% over 1953 to 729,582,908 kilowatt hours.

POWER AT WORK FOR HONOLULU—Aerial view from over harbor shows two Honolulu plants, with Number Eight at right, and downtown portion of city.



1954 RESULTS

The President's Report to Shareholders, Employees and Customers

Operations for the year 1954 showed the effect of continued expansion of the local economy. Although heavy rains in the latter part of the year reduced water pumping loads below normal, utility revenue was \$15,974,270. This was 6.25% greater than in 1953.

After deduction of all expenses including depreciation, net income for the corporation, including non-utility revenues, was \$2,283,787. After the payment of \$427,500 to preferred shareholders, a balance of \$1,856,287 was available for common shareholders. A dividend was paid to holders of common stock on the basis of 650,000 shares for three quarters and on 700,000 shares for the last quarter of the year. The \$2.00 dividend paid to holders of common stock amounted to a total payout of \$1,325,000, leaving a balance to surplus of \$531,287. This is the fifty-fourth consecutive year a dividend has been paid on the common stock.

Because 1954 was a year of very heavy construction, the substantial sum of \$484,676 in interest and taxes was charged to construction capital accounts and credited to income deductions and operating expenses. This book adjustment had the effect of increasing the Company's apparent net income. Without these credits and with the additional burden of increased depreciation, other items of expense and bond interest, net income will fall below safe limits in 1955 and later years unless electric rates are increased.

RATE CASE

A forecast of 1955 and 1956 earnings and other studies showed that additional net income will be required not only in 1955 and 1956 but in subsequent years as well, and that an increase in rates should be made early in 1955 to provide adequate earnings.

In 1953 the Public Utilities Commission of the Territory of Hawaii approved an increase effective January 13, 1953 which was calculated to yield approximately 8.3% additional annual revenue. This was considerably less than the Company had requested. In our annual report for the year 1952 we stated:

"However, the Company is committed to a construction program during 1953, 1954 and 1955 which will require additional capital in the form of bonds, preferred stock and common stock, thereby materially increasing capital costs, so the adequacy of the increase may not be known until 1955 or 1956."

In our annual report for the year 1953 it was again pointed out that:

"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."

In 1940 the Company had an average of \$336 invested in generating, transmission, distribution and other plant and equipment for each of its customers. In 1953 this had risen to an average of \$637 of plant for each customer. By the end of 1954 this average investment per customer was \$704.

This increase in the average investment per customer shows the effect of inflation on the Company's growing business. Today it costs more to extend service to new customers than it did in past years. Also, it costs more to maintain service for customers, both old and new, because as facilities wear out replacement is more expensive.

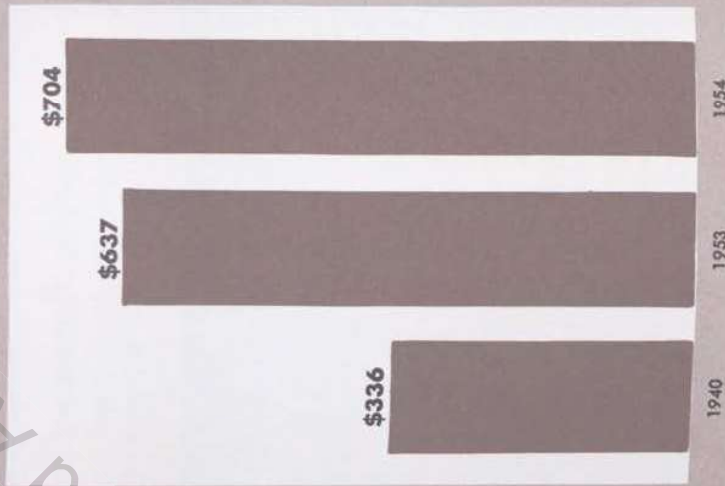
Inflation is a major reason that the cost of utility service goes up in spite of all of the economies and efficiencies of modern operations.

Only with increased electric rates can we (1) serve the enormously increased public demand for electric power by providing adequate facilities; (2) keep our Company sound in order to pay proper wages to our employees and a reasonable return to our stockholders; (3) make our Company increasingly attractive as an investment opportunity; and thus (4) be in a favorable position to meet the present and future needs of our customers.

In order for the Company to maintain its financial integrity and continue to give adequate public service, a general increase in rates and charges was requested in an application to the Public Utilities Commission. We began preparation of our case early in 1954, made application for an increase averaging about 11% on July 26 and went to a hearing before the Commission on December 3. The hearing was concluded on January 14, 1955. At the time of this printing, the Commission has not notified the Company of its decision.

If the 11% increase which is being sought is granted, the rise in cost of electricity still would be far below that of

INCREASE IN AVERAGE PLANT INVESTMENT PER CUSTOMER



other commodities over the past fifteen years. Even with an 11% increase in the cost of electricity at this time, a comparison of percentage increases since 1940 would show an increase of 82.2% in the cost of living and an increase of only 17.8% in the cost of electricity for residential customers.

TAXES

Taxes of all kinds, Federal and Territorial, applying against the current year's operations, totaled \$2,831,022. Of this amount, \$2,637,844 was a direct charge against income, and \$193,178 was absorbed through plant and other accounts.

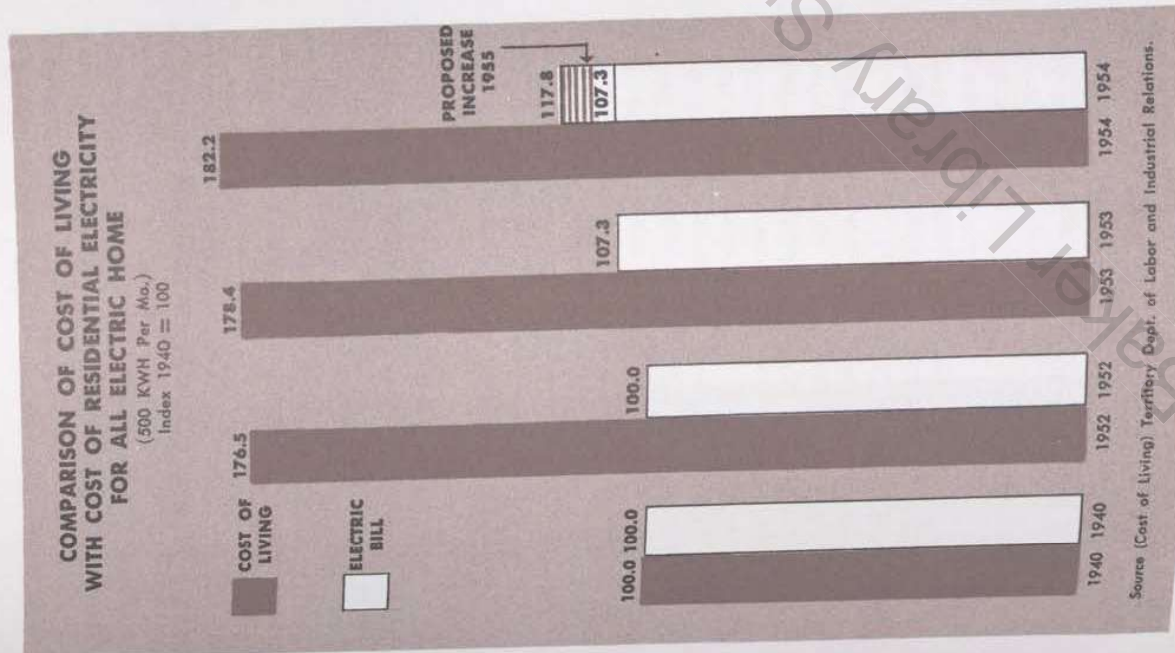
	1954	1953
Federal		
Income	\$1,135,676	\$1,354,723
Payroll, other	107,695	81,908
	<u>\$1,243,371</u>	<u>\$1,436,631</u>
Territorial		
Income	\$ 168,113	\$ 187,082
Public Utility	797,335	684,635
Franchise Royalty	393,600	365,010
Gross Income, other	228,603	231,724
	<u>\$1,587,651</u>	<u>\$1,468,451</u>
	<u>\$2,831,022</u>	<u>\$2,905,082</u>

FINANCING

During April, 1954 \$6,000,000 was received from the sale of Series 1, 3.45% First Mortgage Bonds, to a group of insurance companies. These bonds become due March 1, 1984.

In November the Company issued and sold 50,000 shares of common stocks at the par value of \$20 per share.

The proceeds of \$7,000,000 from the sale of these securities were applied toward the Company's 1954 construction budget.

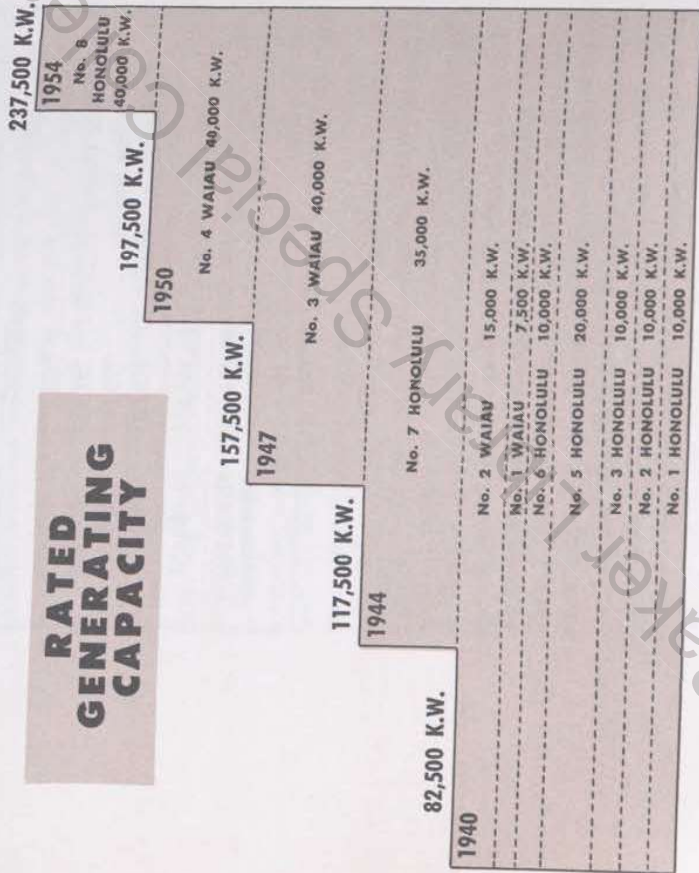




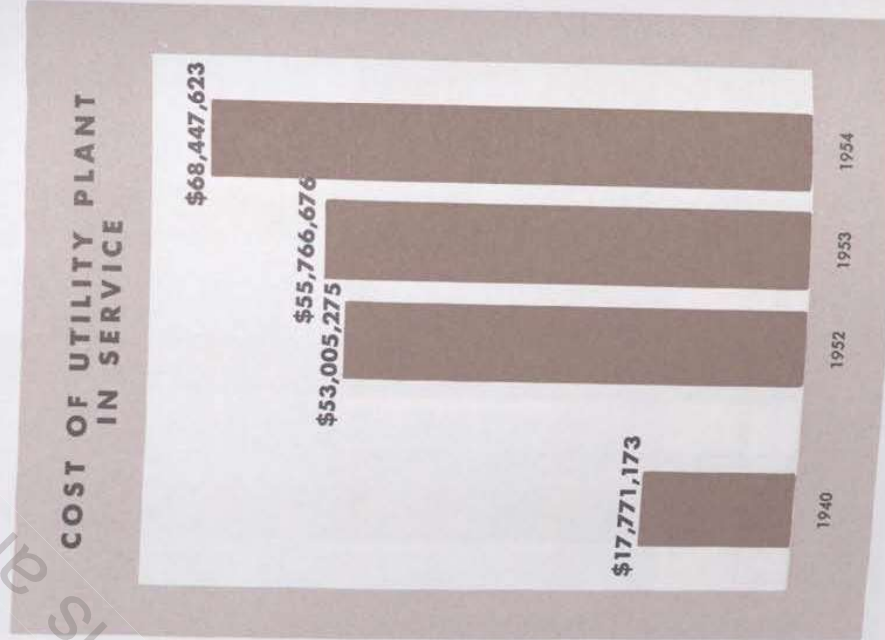
EXPANDING FACILITIES

Capital expenditures in 1954 reached an all-time high of \$9,198,943. The largest single item was Generating Unit No. 8, installed in the new Honolulu Power Plant. Total 1954 expenditures on this unit, which went into commercial operation on December 17, and on the building itself were \$5,600,000. Additional expenditures in the amount of approximately \$100,000 will be required to complete the new plant in 1955.

The accompanying chart shows the rated capacity of all generating equipment of the Company for the years of installation and the capacity of the new generators installed from 1944 through 1954.



Expansion of the Company's plant, shown on the chart of generating capacity growth, has cost a very large amount of money. In 1940 the cost of the entire plant of the Company, including the transmission and distribution systems as well as the electric generating equipment, totaled \$17,771,173. In the two years from 1952 to 1954 this cost, as shown on the next chart, increased 29%.



Unit No. 8 is the first of two generators to be installed in the new power plant and was scheduled for completion in March of 1955. In June of 1954 it was found that equipment deliveries would permit completion in 1954, and the load growth was such that it seemed advisable to have the plant in operation in December. Accordingly, the work was pushed to completion three months ahead of the original timetable.

Because the new power plant occupies such a prominent position on the waterfront at the foot of Richards Street, considerable thought was given to the design of the building. The architects have achieved a pleasing and striking appearance with high, smooth panels of gray concrete divided by yellow aluminum louvres extending the height of the building.

Test runs and subsequent commercial operation of the equipment have been very satisfactory. The turbo-generator, boiler and auxiliary equipment have a capability rating of 50,000 kilowatts. On a test run of several hours' duration, 57,500 kilowatts was generated continuously.

Several features at this generating station are new for us. Steam is used at 1,250 pounds pressure per square inch and 950° F. temperature. These are higher conditions than have previously been used. To reduce manpower requirements, many automatic and labor-saving devices are installed, including automatic soot blowers, closed-circuit television for viewing the interior of the furnace and automatic voltage regulation of the generator. Silencers were installed on all safety valves to minimize noise.

To carry power from the new generating station to the transmission system, 30,000 feet of gas-filled 44,000-volt cable was installed from the plant to Iwilei and School Street substations. These 44,000-volt cables were our first installation of this type. To insure that proper splices would be made, a mock-up of a manhole was built at Ward Avenue and three cable-splicing crews were trained by splicing salvaged ends of cable under close supervision. Electronic equipment, capable of producing 140,000 volts, was purchased to test both cable and splices.

Eight hundred forty feet of existing duct line and 12 manholes on Beretania Street were rebuilt to make existing facilities adequate for 44,000-volt cables to be installed in 1955.

A total of 2.5 miles of new 44,000-volt line was added to the transmission system. Of this amount, 1.2 miles in the Kaimuki area was converted from 11,000 volts; 4.25 miles of 44,000-volt line was relocated because of newly-cultivated fields, highway projects or housing areas; 3.33 miles of 11,000-volt line was relocated to remove it from cultivated fields.

Three and six-tenths miles of overhead ground wire was installed on the double circuit Iwilei-Koolau, Waiau-Koolau 44,000-volt lines, completing the ground wire installation from Waiau to Koolau.

Total distribution substation capacity was increased by 19,525 kva. A new substation was added in Kalihi Valley. The capacity of Kapiolani, Kaneohe, Kailua, Kapaa, Makiki, Puahala, Pearl City, Halawa, Aiea and Kahala Substations was increased.

Other construction included 36 new and rebuilt transformer vaults, underground distribution systems for 4 subdivisions totaling 110 homesites and overhead systems for 22 subdivisions totaling 1,444 homesites. Approximately 12,170 kva in distribution capacity was added during the year.

POWER PLANT MAINTENANCE

During 1954 the Waiau Power Plant was painted. The Honolulu Power Plant still had an undercoating of corrosive wartime camouflage paint, which made for an unsightly appearance. The camouflage paint was removed by sand-blasting, and a plaster finish was installed to protect the reinforcing steel. Also, ventilation at this plant was inadequate because most of the windows were still blocked by steel splinterproofing. The splinterproofing was removed and louvres similar to those used in the new Honolulu Power Plant were installed, greatly increasing the ventilation and improving working conditions in this building.

On Boiler No. 13 in the Bishop Street plant it was necessary to install a new superheater and new water wall tubes and to replace all furnace tile work and exterior insulation. Also at this plant, silencers were installed on the safety valves of Boilers 12, 13 and 15.

GOVERNMENT INSTALLATIONS

The first eleven months of this year showed a decline in kilowatt-hour sales to military installations, but after arrival of the 25th Division at Schofield Barracks, they increased, and the annual total was about the same as it was in 1953. We received 15% of our kilowatt-hour sales and 8% of our revenue from the military.

Government-authorized housing projects completed during the year included 260 units at Coral Rose Gardens, Barber's Point; 425 units at Radford Terrace, Puuloa; and

75 units at Peninsula Homes, Pearl City. Likins-Foster have now completed 845 of their proposed 1,015 units of Title IX housing at Aliamahu.

The Territorial Department of Public Instruction building program in 1954 included 97 classrooms, 6 work shops and 4 cafeterias. An elementary school at Barber's Point was built with the help of Federal funds.

SUGAR PLANTATIONS

The Plantations have completed their first full year of operation under Rate Schedule "E" after cancellation of the special power sales contracts on January 1, 1954.

Waialua's subdivision program has continued, and we have added 50 plantation homes to our lines during 1954. In December the plantation transferred to our system the Plantation Hospital and adjacent nurses' quarters.

STATISTICS FOR 6-YEAR PERIOD

	1949	1950	1951	1952	1953	1954
Electric utility plant in service	\$41,490,618	\$48,667,329	\$51,228,431	\$53,005,275	\$55,766,676	\$68,447,623
Utility (operating) revenues	\$10,666,903	\$10,779,211	\$11,959,077	\$13,142,082	\$15,035,089	\$15,974,270
Total kilowatt-hour sales	507,418,883	522,324,630	575,221,538	647,314,521	699,439,219	729,582,908
Peak kilowatt demand	116,000	126,000	140,000	150,500	168,000	172,200
Number of customers (average)	71,971	75,081	78,427	82,096	85,251	88,255
Number of residential customers (average)	58,379	60,979	63,931	67,358	70,330	73,144
Federal tax	\$807,381	\$1,169,899	\$1,368,490	\$1,164,425	\$1,436,631	\$1,243,371
Territorial tax	\$1,164,469	\$1,195,916	\$1,226,523	\$1,237,399	\$1,468,451	\$1,587,651
Total payroll and benefits	\$4,538,293	\$4,952,371	\$4,944,050	\$5,412,910	\$6,317,971	\$7,062,222
Number of employees at December 31	1,191	1,200	1,187	1,242	1,341	1,320



New Breakers Hotel, one of many new tourist centers in Waikiki, reflects economic development of community, growing demands for electrical power.



Modern design and careful landscaping of Kapahulu substation illustrates how effectively power equipment can be blended into community surroundings.

AREA DEVELOPMENT

During the year, a study was made of the activities of several Mainland utility companies designed to draw new industries into their territory. It was found that the term "area development" represented a multitude of activities, many of which are now performed here by Electric Sales Representatives and Engineers in our Commercial Department.

The principal objectives of area development work as viewed by many companies are: (1) to create new electric business, (2) to stimulate economic development in the area served by the utility, and (3) to improve public relations.

Much has been said and written during the year concerning the economy of the Territory. It is true that the tourist

industry, by bringing in new money, offers one of the greatest opportunities for improving the Islands' economy. However, it is felt that we should not rely solely upon this source. Your Company's success is directly dependent upon economic conditions within the Territory, and it is believed that every possible effort should be made to expand the local economy.

The Stanford Research Institute has been engaged by The Hawaiian Electric Company to make a study of the following possibilities: (1) development of new industries in the Islands, (2) attraction of new industries here from the Mainland, and (3) encouragement of local industries to do more light manufacturing. When this group has made its report, The Hawaiian Electric Company plans to help in carrying out its recommendations and has budgeted \$50,000 for this program in 1955.

COMMERCIAL ENGINEERS

The Company's Commercial Engineers devoted a great deal of time in 1954 to promoting adequate wiring in homes and in commercial establishments. They assisted electrical contractors in making wiring plans for new and old buildings, and the local banks cooperated by making it possible to secure financing for such work. An advertising program was used to stimulate rewiring of old homes.

These engineers helped schools, stores, shops and industrial plants in planning new lighting installations. They drew plans and specifications for street lighting in the many new subdivisions and assisted the Territory of Hawaii and the City and County of Honolulu with street lighting installations. Street lighting is our fastest-growing load.

RESIDENTIAL SALES

Sixty-one subdivisions were completed during 1954 and 27 more are under construction. A total of 3,122 or more than 80% of all new residences installed all-electric kitchens during 1954, and 954 other customers added electric ranges or water heaters to their homes. This accounts to a large extent for our rapid increase in annual kilowatt-hour usage from 3,221 per residence in 1953 to 3,501 per residence in 1954.

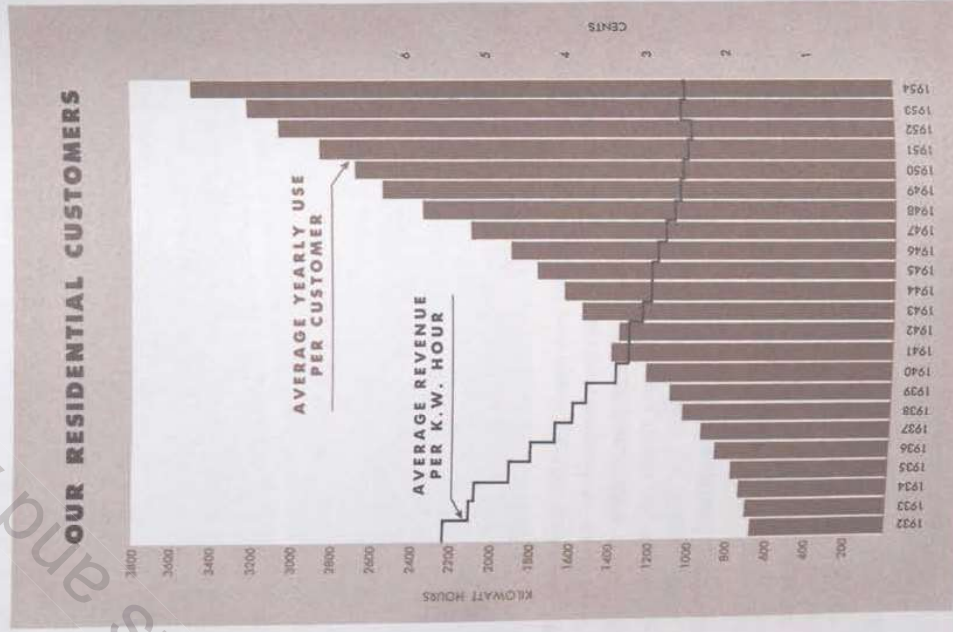
The accompanying chart shows the rapid increase in use of electricity by our customers and the corresponding decrease in cost of electricity per kilowatt-hour.

BRANCH OFFICES

Electric energy revenue collected in our Wahiawa Branch amounted to \$453,292, a 5.3% increase over 1953, and in Kailua collections amounted to \$255,152, a 23.1% increase over 1953.

SUPERVISION OF RATES

During the year a study was made to determine the cost to the Company of providing service to our various classes



of customers. This study was used in our recent rate hearing to assist in formulating the various rate schedules.

The Rate Division of the Company supervises the application of rates and assists customers in selecting the schedule of rates most advantageous for their operations. From time to time, bills to customers using large blocks of power are reviewed and their operations are carefully studied to make sure that they are receiving the greatest possible value from their electric service. A similar review is made of all commercial accounts at regular intervals.

ELECTRIC SALES REPRESENTATIVES

Electric Sales Representatives of the Company furnish electrical information to builders of new homes and stores and maintain a counseling service for present users. By making regular contacts with present users, it is often possible to point out the advantage of doing many additional jobs the electrical way.

New commercial loads added during the year amount to 5,657 horsepower. This increase exceeds that of last year's by 1,165 horsepower.

<i>Added Connected Load</i>	
Cooling	Horsepower
Heating	2,173
Air Conditioning	734
Refrigeration	1,290
Miscellaneous Power	709
Total	5,657

Among the larger air conditioning installations were those for Woolworth's (283 h.p.), Honolulu Gas Company (233 h.p.), Long's Drug Store (56 h.p.), The Queen's Hospital (235 h.p.), Medical Arts Building (47 h.p.), Times Supermarket (14 h.p.), Piggly Wiggly (68 h.p.), Moanalua Shopping Center (214 h.p.), Kaimuki Branch of Bishop National Bank (80 h.p.), Mayflower Restaurant (23 h.p.) and Star Supermarket (75 h.p.).



During December rain and wind storms, load dispatcher's staff directed power crews in 'round-the-clock operation to maintain electric service.



Gas-filled cable, the first used in the Territory, was installed to transmit power from new generating plant to Iwilei and School Street substations.



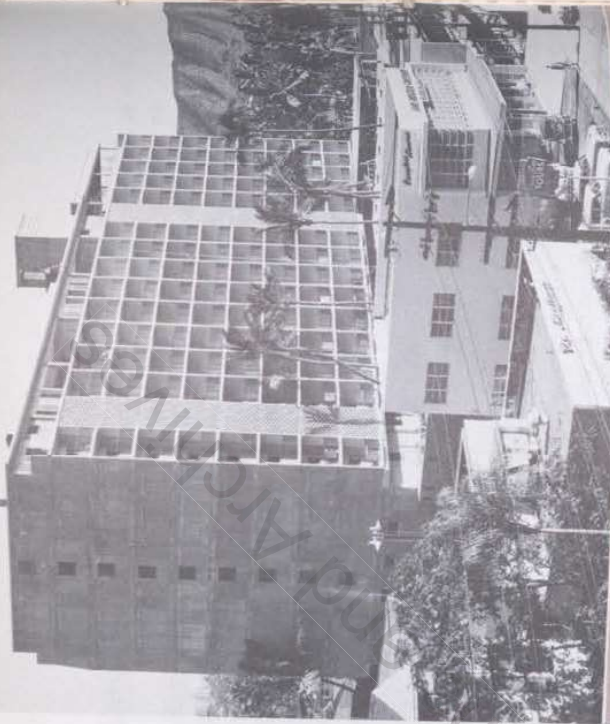
In manhole near School Street, underground crews test splice in the new cable. Filled with nitrogen gas, it warns of trouble before any failure.

Waikiki

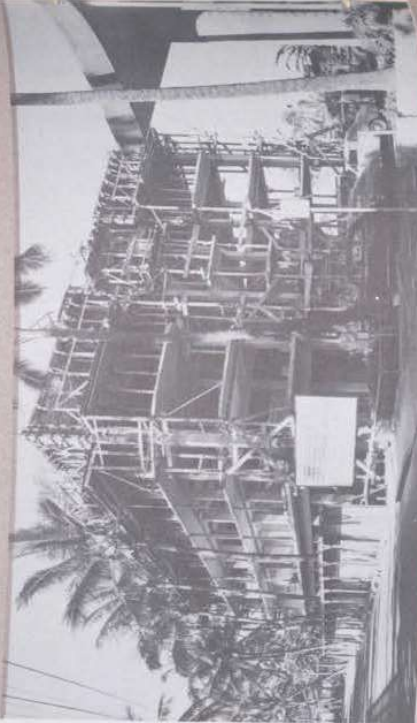
... growing up



The changing skyline of Waikiki is a dramatic, forceful illustration of the growth of Hawaii's tourist industry. These six hotels and apartments, all under construction at the year's end, represent only a part of the many new building projects now being planned for the area. Seemingly an almost "overnight" expansion, this rapid growth is the product of years of planning and promotion by many community organizations—a forward-looking approach that is reflected in The Hawaiian Electric Company's own continuing program of "building today for tomorrow's needs."



Waikiki Biltmore was enlarged even before its completion.

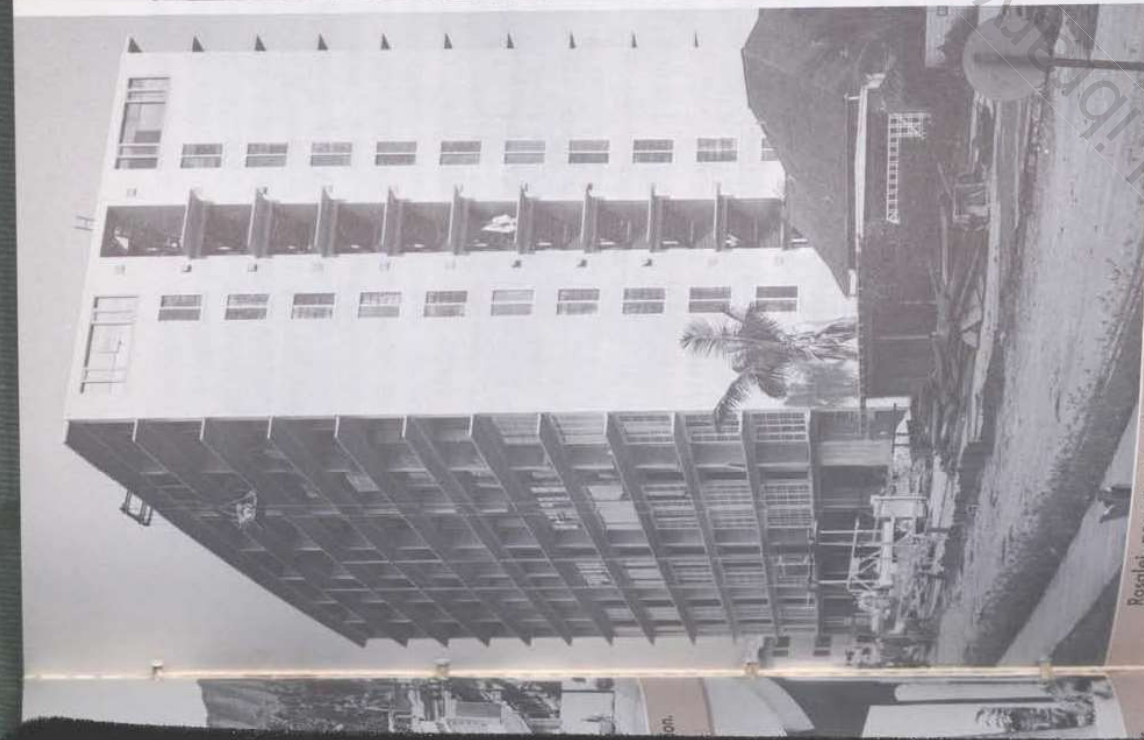
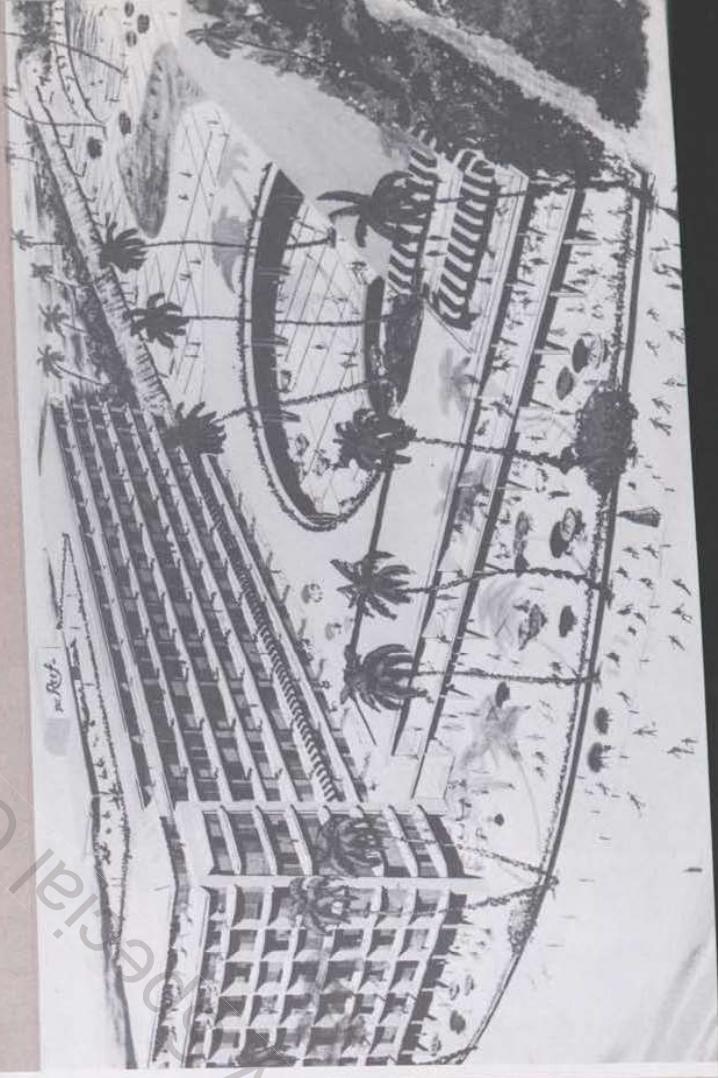


Capital Apartments replace group of single-family units.

The Hawaiiana is designed around central pool and patio.



Princess Kaiulani, to open in June, towers over Hawaiian-styled street shops.



Rovalei, near the Ala Wai, is tallest apartment building.

First unit of Reef Hotel on the beach opens in mid-1955.

ELECTRIC SALES PROMOTION

With full cooperation from the Electrical Living Committee and the Lighting Committee of PCEA (Hawaii), the Company successfully conducted organized sales promotion programs in ranges, water heaters, clothes dryers, dish washers, garbage disposal units, room air conditioners, food freezers, television sets, housewares, lamp bulbs, table lamps, and all-electric homes.

These programs were designed to create a desire for "electrical living," thus stimulating the sale of electrical products by the electric appliance dealers on Oahu and increasing Company revenue from the sale of electricity. A model all-electric home, called the Cinderella Home, was visited by more than 50,000 persons during the month it was exhibited and highlighted the year's program of advertising and promotion. As a part of the observance of Light's Diamond Jubilee, the Cinderella Home was a community-wide project in which many Island business firms participated. Lighting and wiring in the home, as well as the kitchen and laundry rooms, were planned by Company staff members.

Company-sponsored concerts by the Honolulu Symphony Orchestra were presented on radio and television, and three music scholarships were awarded to promising young students.

Institutional advertisements in newspapers followed the progress on construction of the new Honolulu Power Plant. The Public Utilities Advertising Association judged the Company's entire advertising program to be best in comparison with that of other utilities of its size in the nation. In the Association's "Better Copy" contest, our advertisements received four major awards in competition with 2,000 entries from throughout the United States and Canada. The employee magazine received third place award. This is the eighth consecutive year that our advertising has received national recognition.

HOME SERVICE

Friendly relations with our customers were widely developed in thousands of contacts made by Home Service Department staff. Personal contacts were made through home calls, weekly cooking classes for the general public and group demonstrations for women's clubs, appliance salesmen, students, Scouts, Cubs and Brownies.

The Reddy Kilowatt cooking classes again drew overflow audiences. Each month throughout the year, appliances of a different distributor were used in the weekly cooking demonstrations, and the programs were planned to emphasize special features of the equipment used.

Kitchen-planning and lighting services continued to expand for the benefit of those building or remodeling. This year, with the addition of a residential lighting consultant, new home builders have received help in planning not only in the kitchen and laundry but throughout the house and grounds.

COMMERCIAL COOKING

Assistance was given commercial cooking establishments in the form of recommendations on kitchen planning, se-

More than 50,000 people visited the all-electric "Cinderella Home," the model house built as part of the observance of Light's Diamond Jubilee.



lection of proper equipment, instruction and demonstration for its use, and inspection service to insure trouble-free operation. This service is available to all dealers in commercial electric cooking equipment on Oahu and to Army and Navy installations, as well as to restaurants, hotels and clubs, and it has proved to be a valuable phase of the over-all promotional effort.

MERCHANDISING

The Hawaiian Electric Supply Company maintained a high volume of sales of electrical apparatus, supplies and appliances during 1954, thereby contributing substantially to the additional domestic and industrial load on the utility system.

The merchandising division enjoyed its fair share of the large market for electrical equipment in the Islands. The idea of all-electric homes has become more and more popular. Many new large apartments are installing all-electric kitchens. Major hotels under construction have adopted electricity for commercial cooking and are providing electrical appliances for rooms. One new hotel, the Waikiki

One of the largest air-conditioning installations made during the year was the 235 h.p. unit in the new surgical wing of The Queen's Hospital.

Biltmore, installed a television set, a radio and a refrigerator in each of its 252 rooms. This is the first large hotel in Hawaii to equip its rooms in this manner.

Commercial air conditioning is becoming more widespread in the Islands, and the engineering and sales staff of the Supply Company worked with many different firms during the year on the installation of air conditioning equipment.

Installation of IBM electric accounting machines was completed August 1, 1954. These machines handle all the records for merchandise receiving reports, inventory control, accounts receivable, statistical reports and customer invoices. Early in 1955 other operations are to be placed on this equipment. The machines perform these services with greater efficiency and at lower cost than was formerly possible.

Comparative revenue for the past five years:

Year	Revenue
1950	\$5,778,594
1951	6,447,732
1952	5,927,065
1953	7,743,609
1954	6,239,505

New IBM electric accounting machines lower cost and increase efficiency in preparing statistical reports, invoices and other financial records.





EMPLOYEE RELATIONS AND ACTIVITIES

As of December 31, 1954, the Company had 1,320 employees, 75% of whom were covered by agreements with the International Brotherhood of Electrical Workers, Local 1260.

A new agreement for utility employees became effective September 1, 1954 and will remain in effect until August 31, 1955. In addition to certain changes covering hours of work and job seniority, wage and salary increases were given to certain employees working in the trades and crafts and in office and clerical jobs. The increase averaged 4.2 cents an hour and affected 675 employees of the 846 in the bargaining unit on September 1, 1954.

A new agreement for The Hawaiian Electric Supply Company became effective on November 30, 1954 and will remain in effect until November 30, 1955. Only minor modifications were made to last year's agreement. A wage-reopening clause was included which will become effective June 30, 1955.

Twenty-one indentured apprentices are in training in various trades and crafts. The majority of them are well past the midpoint of their training and are making fine progress. Five related training courses were offered during the year and were attended by the apprentices and by 107 other employees. One self-improvement course was attended by 43 employees.

PAYROLL AND BENEFITS

	1954	1953
Employees at December 31.....	1,320	1,341
Wages:		
For Productive Work.....	\$5,707,503	\$5,414,754
Non-productive Wages:		
Vacations.....	238,387	207,236
Holidays.....	226,717	156,828
Sickness.....	131,879	127,671
Excused Absence, etc.....	30,494	29,015
	\$ 627,477	\$ 520,750
Total Payroll	\$6,334,980	\$5,935,504
Benefits Paid by Company:		
Annuity, Life Insurance.....	484,499	189,522
Medical Aid Dues.....	118,626	108,504
Social Security Insurance.....	94,110	68,152
Unemployment Insurance.....	30,007	16,289
	\$ 727,242	\$ 382,467
Total Payroll and Benefits	\$7,062,222	\$6,317,971

The sports program was actively supported. Bowling again led all other sports, with 128 men and women employees forming the 20-team Bowling League. Other activities included the Golf Club, Inter-departmental Basketball and Mountainball Leagues, the Camera Club and the Fishing Club. A total of 570 employees took part in these activities.

Hawaiian Electric golfers at annual tournament.



Orchid growers exhibited 16 outstanding plants.



Camera Club members pose with pictures.



EMPLOYEES RETIRED IN 1954

The employees maintained the previous year's high level of giving to the Community Chest. The total amount contributed by employees was \$16,647.04, an average of \$12.93 for each employee, which is one of the highest company averages in the community.

YEARS OF SERVICE		
	Number of Employees	Percentage
Less than 1 year.....	76	5.76
1 year to 5 years.....	316	23.94
6 years to 10 years.....	378	28.64
11 years to 20 years.....	322	24.39
21 years to 30 years.....	141	10.68
31 years and over.....	87	6.59
Totals	1,320	100.00

(Includes executives and the active payroll; excludes directors, extended leaves and military leaves.)

The stockholders approved a modification to the Company's retirement plan which amends the group annuity contract with the Prudential Insurance Company of America. The amendment insures the supplementation to the annuities purchased under the original contract and makes all of the options contained in the original contract applicable to the supplemental annuity.

JAMES CURRY—29 years and 1 month—continuous service. He was a maintenance supervisor in the power plant when he retired on February 13, 1954.

HAWAIIAN ELECTRIC SUPPLY COMPANY at the time of her retirement on June 8, 1954.

JOSEPH CAZINHA—29 years and 8 months—continuous service. He was a mechanic 1/c in the power plant at the time of his retirement on July 9, 1954.

NOBORU SASAKI—34 years and 1 month—continuous service. He was a major appliance salesman with The Hawaiian Electric Supply Company at the time of his retirement on December 31, 1954.

HARRY STERN—36 years and 8 months—continuous service. He was a progress clerk with The Hawaiian Electric Supply Company at the time of his retirement on May 10, 1954.

RUTH ROCKAFELLOW—7 years and 10 months—continuous service. She was a stenographer-secretary with The

Annual Awards Dinner honored 98 employees.

Annual Awards Dinner honored 98 employees.

Annual Awards Dinner honored 98 employees.

Annual Awards Dinner honored 98 employees.

DEATHS—1954

RAMON SANTANA, JR.—Yardman, System Operation Department. Died February 26.

HERBERT KALAMA—Wireman Journeyman 2/c, Wiring Department. Military Leave—September 13, 1946. Missing in Korea on July 20, 1950, declared dead by the Army on February 15, 1954.

OLA ANAE—Lineman 1/c, Distribution Department. Died April 13.

DAVID HARBOTTLE—Associate Cadas-tral Engineer, Engineering Department. Died June 13.

FREDERICK COLBURN—Assistant Superintendent, Distribution Department. Died August 23.

THESCO salesmen won national Lewyt contest.



Top HECO bowlers display individual prizes.



Annual Awards Dinner honored 98 employees.

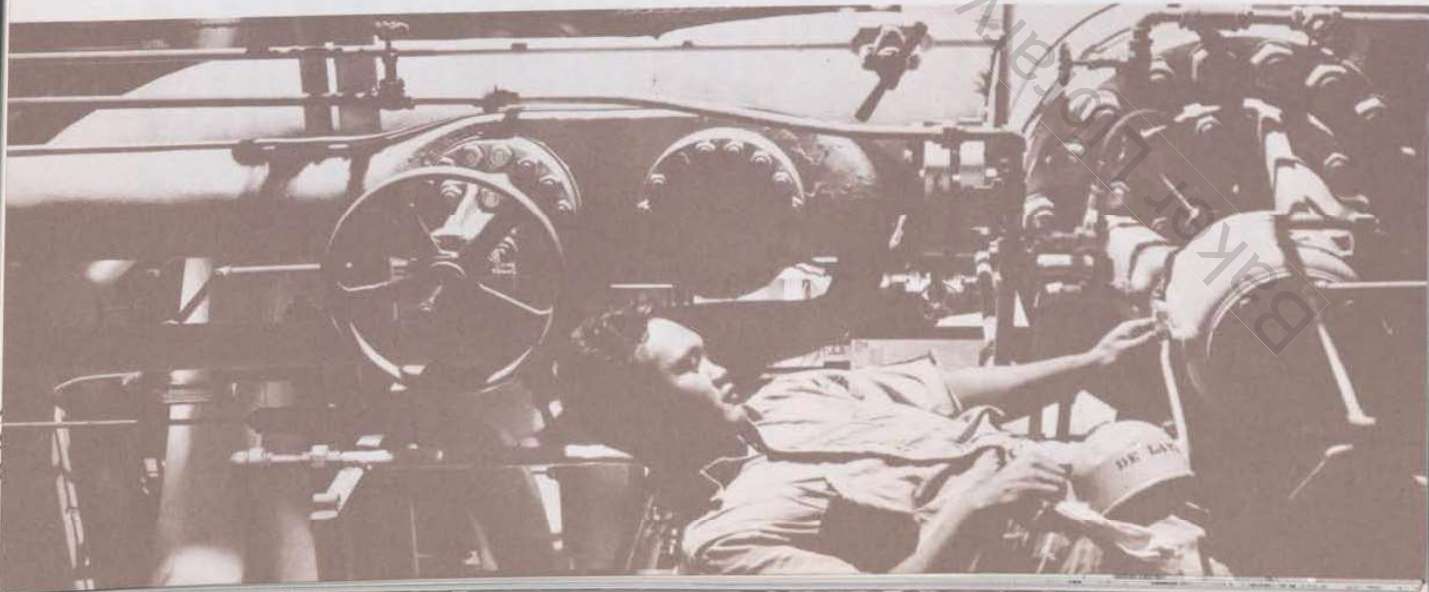


BALANCE SHEET

December 31, 1954

ASSETS

FIXED ASSETS:		
Utility plant in service.....	\$68,447,623	
Utility construction in progress.....	193,131	\$68,640,754
Non-utility plant:		
Merchandise Department.....	856,354	
Total fixed assets.....	\$69,497,108	
Less, reserves for depreciation.....	11,378,111	\$58,118,997
INVESTMENTS—REAL ESTATE:		
At cost less amortization.....		31,175
CURRENT AND ACCRUED ASSETS:		
Cash on hand and in banks.....		\$ 1,108,855
Temporary cash investments.....		1,000,000
Installment notes receivable.....		151,583
Accounts receivable:		
Electric energy.....	\$ 1,531,246	
Merchandise.....	940,191	
Other.....	84,088	
Less, reserves for uncollectible accounts.....	\$ 2,555,525	
Merchandise and supplies:	174,247	
Utility supplies.....		2,381,278
Merchandise.....		
Prepaid insurance, rent, taxes.....	\$ 1,303,143	2,792,977
	1,489,834	179,856
		7,614,549
DEFERRED DEBITS:		
Unamortized debt expense.....		\$ 233,751
Work in progress.....		57,579
Clearing accounts.....		36,906
Claims on manufacturers and carriers.....		68,734
Unamortized rate hearing expense.....		161,270
Other deferred debits.....		6,691
CAPITAL STOCK EXPENSE.....		
		499,123
		<u>\$66,848,775</u>



BALANCE SHEET

December 31, 1954

LIABILITIES

CAPITAL STOCK:		
Preferred—authorized, issued and outstanding 450,000 shares, par value \$20.00.....		\$ 9,000,000
Series B, 5%, 100,000 shares		
Series C, 4¼%, 150,000 shares		
Series D, 5%, 50,000 shares		
Series E, 5%, 150,000 shares		
Common—authorized, issued and outstanding 700,000 shares, par value \$20.00.....	14,000,000	\$23,000,000
LONG TERM DEBT:		
First mortgage bonds:		
Series D, 3½%, due 1964.....	\$ 5,000,000	
Series E, 3½%, due 1970.....	5,000,000	
Series F, 3%, due 1977.....	5,000,000	
Series G, 3½%, due 1981.....	3,000,000	
Series H, 3½%, due 1982.....	4,000,000	
Series I, 3.45%, due 1984.....	6,000,000	28,000,000
CURRENT AND ACCRUED LIABILITIES:		
Accounts payable.....	\$ 934,237	
Customers' deposits and interest thereon.....	112,666	
Accrued taxes.....	1,812,631	
Interest accrued on long term debt.....	261,396	
Accrued payroll.....	216,537	
Other current and accrued liabilities.....	30,848	3,368,315
DEFERRED CREDITS:		
Unamortized depreciation reserve adjustment.....	\$ 2,024,000	
Unamortized premium on debt.....	205,680	
Other deferred credits.....	68,050	2,297,730
RESERVES:		
Injuries and damages to others.....	\$ 25,000	
Workmen's compensation liability.....	83,130	
Inventory.....	162,335	
Tax contingency.....	95,471	365,936
CONTRIBUTIONS IN AID OF CONSTRUCTION:		
EARNINGS REINVESTED IN BUSINESS:		
Unrestricted.....	\$ 7,539,593	
Restricted.....	744,902	8,284,495
		<u>\$66,848,775</u>

STATEMENT OF INCOME

For the Year Ended December 31, 1954

UTILITY OPERATING REVENUES:		
Sales of electric energy.....	\$15,861,032	
Other electric revenue.....	113,238	\$15,974,270
UTILITY OPERATING COSTS:		
Operating expenses.....	\$ 9,545,128	
Depreciation.....	1,316,300	
Taxes.....	2,553,095	
	\$13,414,523	
Less:		
Taxes charged to construction.....	\$ 161,559	
Amortization of depreciation reserve adjustment.....	88,000	13,164,964
Utility operating income.....	249,559	\$ 2,809,306
OTHER INCOME:		
Merchandise Department:		
Gross revenue.....	\$ 6,185,238	
Cost of sales.....	4,492,692	
Gross profit.....	\$ 1,692,546	
Interest on sales agreements.....	54,267	
	\$ 1,746,813	
Expenses:		
Operating.....	\$1,415,670	
Depreciation.....	54,641	
Taxes.....	246,308	1,696,619
Merchandise Department net income.....	\$ 50,194	
Miscellaneous interest.....	33,746	83,940
Gross income.....		\$ 2,893,246
INCOME DEDUCTIONS:		
Interest on long term debt.....	\$ 877,475	
Amortization of debt expense.....	12,057	
Amortization of premium on debt—credit.....	(15,185)	
Interest charged to construction—credit.....	(323,117)	
Donations.....	47,084	
Miscellaneous other deductions.....	11,145	609,459
Net income for the year.....		\$ 2,283,787

STATEMENT OF EARNINGS REINVESTED IN BUSINESS

For the Year Ended December 31, 1954

UNRESTRICTED REINVESTED EARNINGS:		
Balance January 1, 1954.....		\$ 6,921,335
Net income for the year.....		2,283,787
Transfer from contributions in aid of construction (Contributions held over 23 years).....		17,410
Transfer from restricted reinvested earnings arising from retirements of revalued utility plant (see below).....		37,655
Gain on sale of land.....		31,906
		\$ 9,292,093
Less, cash dividends:		
On preferred stock.....	\$ 427,500	
On common stock.....	1,325,000	1,752,500
Balance December 31, 1954.....		\$ 7,539,593
RESTRICTED REINVESTED EARNINGS:		
Balance January 1, 1954.....	\$ 782,557	
Less, transfer to unrestricted reinvested earnings (see above).....	37,655	744,902
Balance December 31, 1954.....		\$ 8,284,495
Earnings Reinvested in Business— December 31, 1954.....		\$ 8,284,495

NOTES TO FINANCIAL STATEMENTS

APPLICATION FOR RATE INCREASE

The Company has applied to the Public Utilities Commission of the Territory of Hawaii for an increase in rates which, if granted, would produce an estimated \$777,300 increase in the annual net income of the Company. Hearings on this application were completed in January, 1955, but no decision has been announced by the Commission to the date of this report.

EFFECT OF PLANT EXPANSION PROGRAM ON NET INCOME

The uniform system of accounts for electric utilities prescribed by the Public Utilities Commission of the Territory of Hawaii requires the inclusion of certain indirect expenses in the cost of the utility plant. Accordingly, the Company includes as a component of the cost of plant constructed: interest, taxes and administrative and general expense during construction (computed by the application of pre-determined percentages to construction costs accumulated on the projects); engineering and supervision expenses; and, in certain instances, a markon allowed the Merchandise Department of the Company to defray purchasing and handling costs incurred on material and equipment obtained through that department. It is estimated that this required accounting practice has resulted in net increases in the annual net income of the Company amounting to approximately \$805,000, \$410,000 and \$155,000 for the years ended December 31, 1954, 1953 and 1952 respectively. As the major portion of the four-year expansion program started in 1952 was completed as of December 31, 1954, it is estimated that the increase in net income through these credits to operations will not exceed \$175,000 in the year ended December 31, 1955.

DEPRECIATION

The provision for depreciation for the year has been computed under a five per cent sinking fund method pursuant to an order of the Public Utilities Commission of the Territory of Hawaii which prescribes that the interest portion of the annual provision be computed on reserves for depreciation established by the Commission for rate making purposes. For Federal income tax purposes, the Company has taken deductions for depreciation on the straight line method at rates accepted by the Treasury Department in previous years. During 1954, the provision for depreciation for Federal income tax purposes exceeded the provision on the books by \$485,780.

FEDERAL INCOME TAXES

Federal income taxes for 1954 amounted to \$1,135,676, computed on taxable income of \$2,238,697. The Company's Federal income tax returns have been examined by agents of the Internal Revenue Service through the calendar year 1952, and all adjustments to the returns as filed have been settled.

PENSION PLAN

In addition to contributions to the regular retirement annuity plan and direct payments to pensioners, operating expenses were charged with a payment of \$309,883 (the maximum allowable as a deduction for Federal income tax purposes) to the deposit administration pension plan adopted by the Company during the year to supplement the existing retirement annuity plan. The amount of the annual contribution to the fund is to a certain extent within the discretion of the Company, but it is estimated that a minimum annual payment of \$125,000 would have been required for the first ten years of the plan to meet the Company's obligations during the ten-year period.

CONTINGENT LIABILITIES

Contingent liabilities existing as of December 31, 1954 consisted of: Guarantor's liability on installment notes receivable sold under guarantees of purchase—\$639,191.
Merchandise held on consignment—\$231,805.

Auditor's Certificate

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

February 15, 1955

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, 1954, and the related statements 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 auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of income and earnings reinvested in business present fairly the financial position of The Hawaiian Electric Company, Limited at December 31, 1954, 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.

HENRY DAVIS AUDIT COMPANY

H. Davis
Certified Public Accountant

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.
*Executives' Assistant
and Budget Director*

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

L. W. CLIFFORD
Manager

Appliance Department

R. C. COOPER
Manager

Operations Department

V. A. NAHL
Manager

Retail Department

D. I. SROAT
Manager

Credit Department

W. S. WILLIS
Manager

Apparatus and Supply Department

The Directors and Officers

DECEMBER 31, 1954

DIRECTORS

J. B. AHERTON
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. LENGNIK..... *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

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 31, 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.

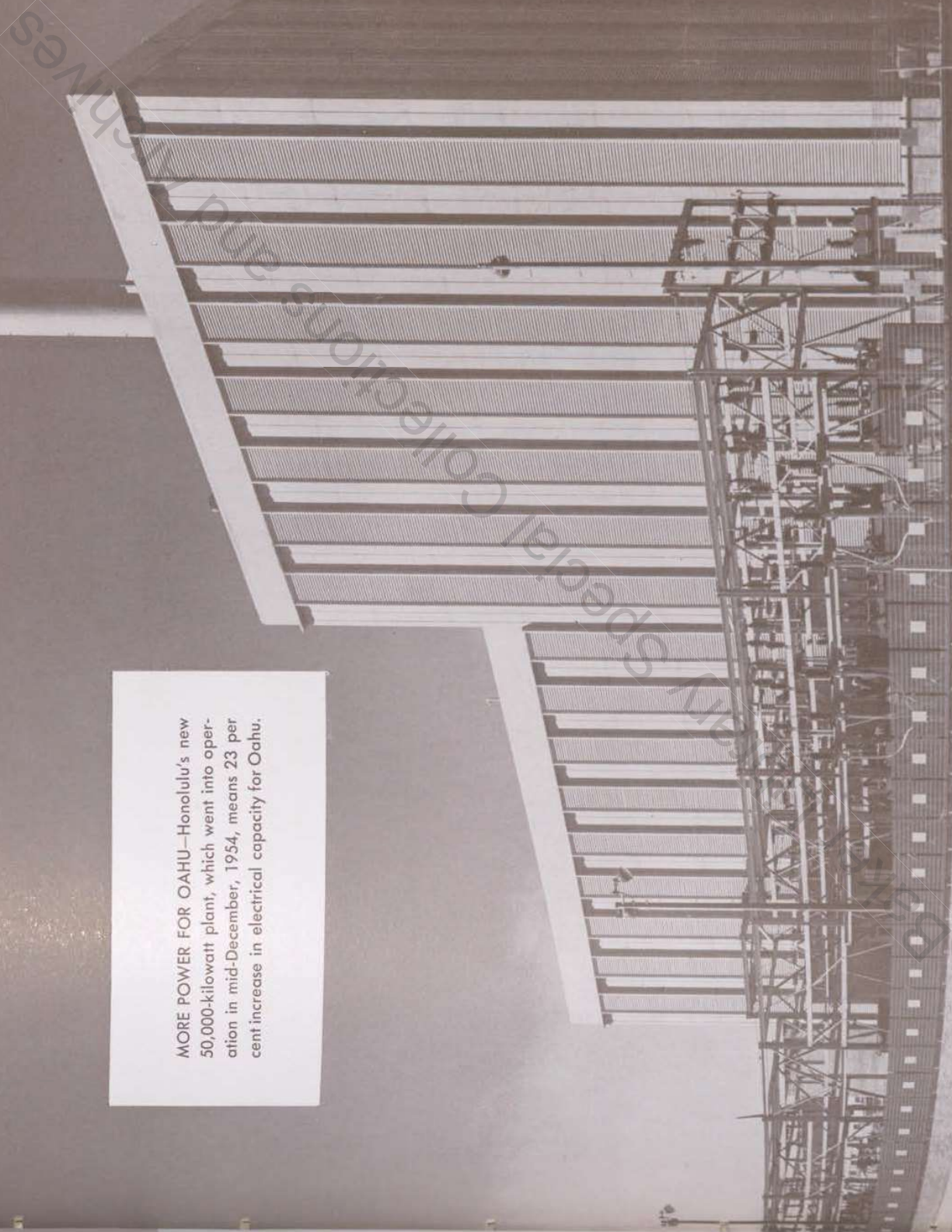
All of the properties of the Company are located on the Island of Oahu. The Company derives all of its income from

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, D and E Preferred Stock.

MORE POWER FOR OAHU—Honolulu's new 50,000-kilowatt plant, which went into operation in mid-December, 1954, means 23 per cent increase in electrical capacity for Oahu.



Baker Library Special Collections and Archives



T H E H A W A I I A N E L E C T R I C C O M P A N Y , L I M I T E D