



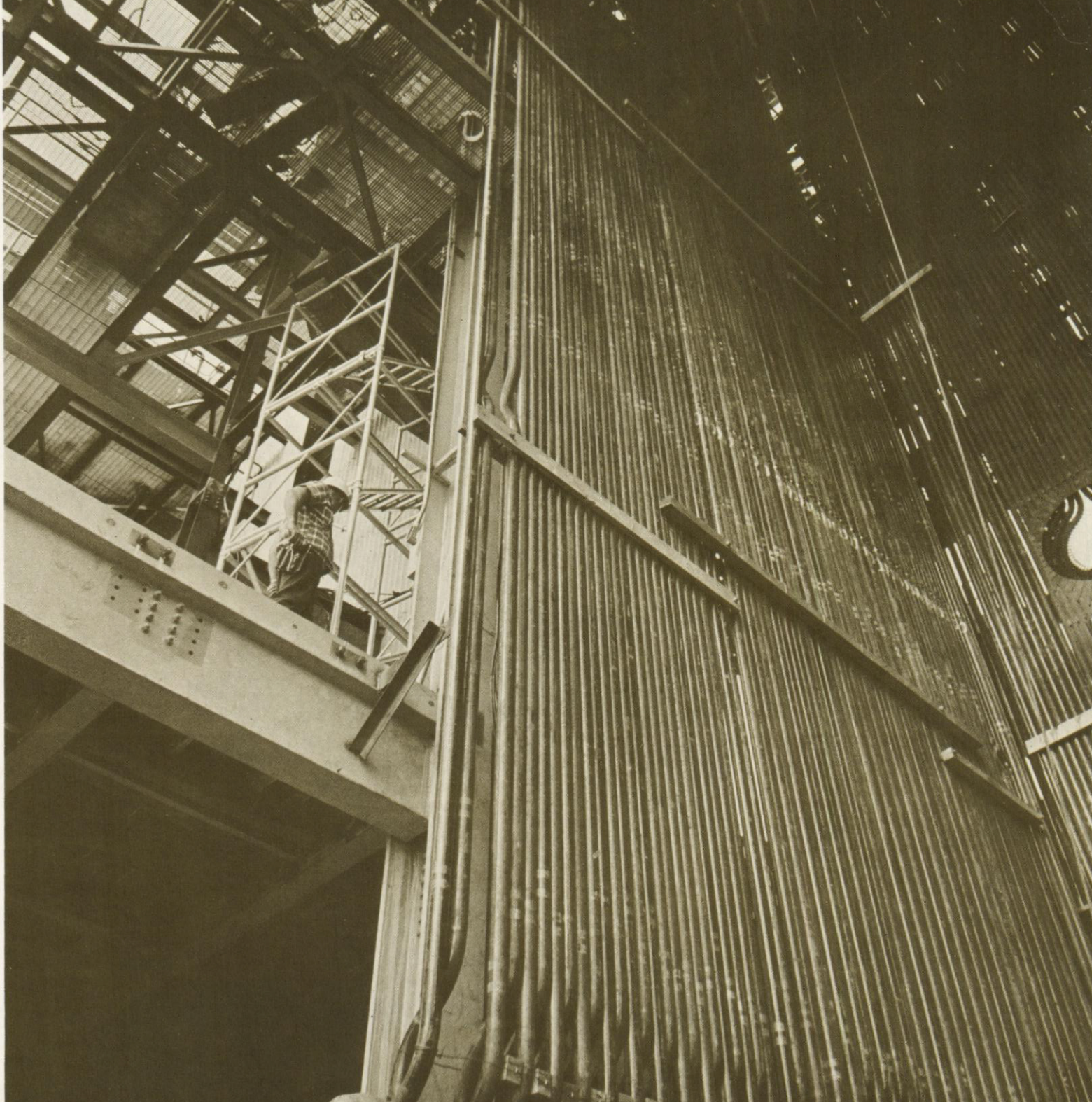
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THE HAWAIIAN ELECTRIC CO., LTD.

70TH ANNUAL REPORT

1960

In 1960 plant expansion centered round 55,000 kw addition at Waiiau. View is inside the boiler, whose tubes are 8 stories high.



On the Cover — Light and shadow sharply accentuate dynamically changing Honolulu and new Waikiki.

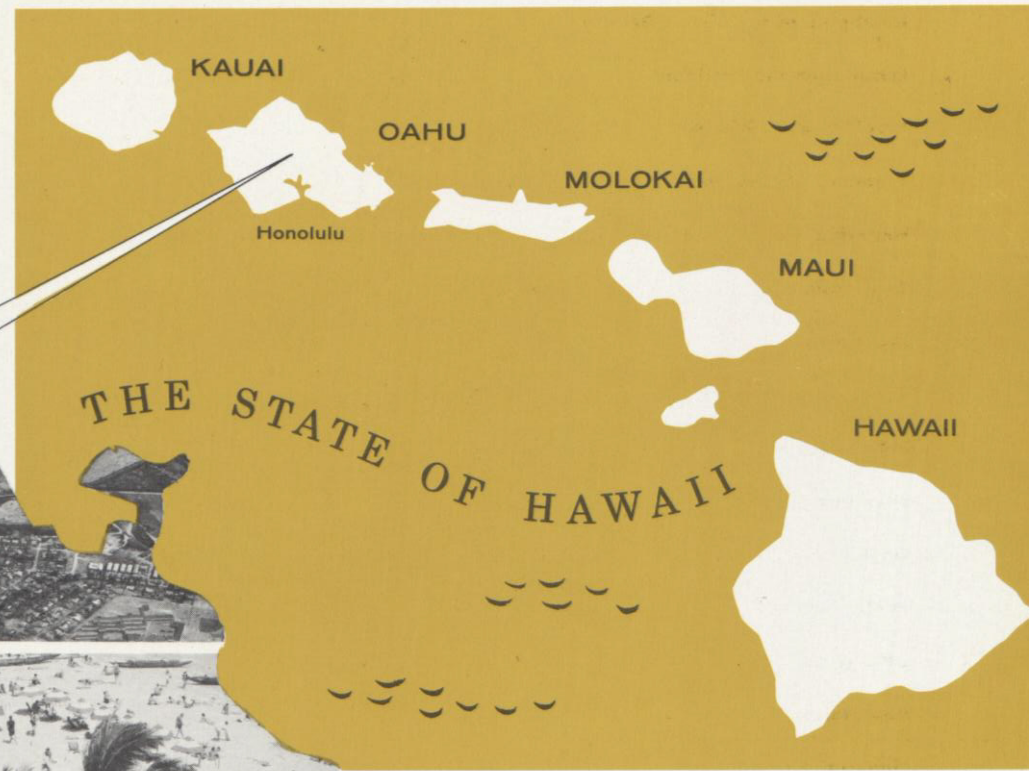
THE HAWAIIAN ELECTRIC CO., LTD.



OAHU

HONOLULU

WAIKIKI



The multi-island State of Hawaii, lying in mid-Pacific, is about one-third larger than the State of Connecticut and has a civilian population of 595,000 with personal income of \$1.45 billion. Hawaiian Electric serves the Island of Oahu,

an area of 604 square miles, supporting 79.1% of the State's population and 77.2% of the labor force. Oahu is the seat of State government, center of commerce, industry and national defense, and mecca for visitors from the world over.

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HIGHLIGHTS

		Percentage Increase
Utility plant.....	\$119,591,079	14.3%
Peak load.....	313,000 kw	8.9
Kwh sales.....	1,370,879,756	13.9
Revenues.....	\$30,768,748	12.5
Expenses.....	\$26,498,663	12.7
Net income.....	\$4,270,085	11.3
Earnings per share common.....	\$3.59	9.5
Customers.....	117,227	5.3
Average residential use.....	4,920 kwh	7.5



LETTER FROM THE PRESIDENT

Presentation of this report on 1960 accomplishments is made with a sense of great satisfaction, for it has been the most rewarding year in our history.

The life of an electric utility is tied into the life of the community through two main functions. One is to provide power adequate for all the community's needs and the other is to foresee and prepare for greater needs in the future. Fulfilling this double role on Oahu today places high demands upon all members of our organization.

During the past two years our area has been the scene of unprecedented activity. The peak demand on our system increased 15.9 per cent in 1959 and 8.9 per cent in 1960. Although a more normal rate of growth of 8 per cent annually is predicted for the next few years, the Company's plant and facilities will be increased as much during the next decade as they have been in the entire previous history

of the Company. Plant expenditures in 1960 alone amounted to \$15,770,000. To help finance these expenditures, the Company sold 116,463 shares of common stock at \$49 per share and 250,000 shares of preferred stock at \$20 per share.

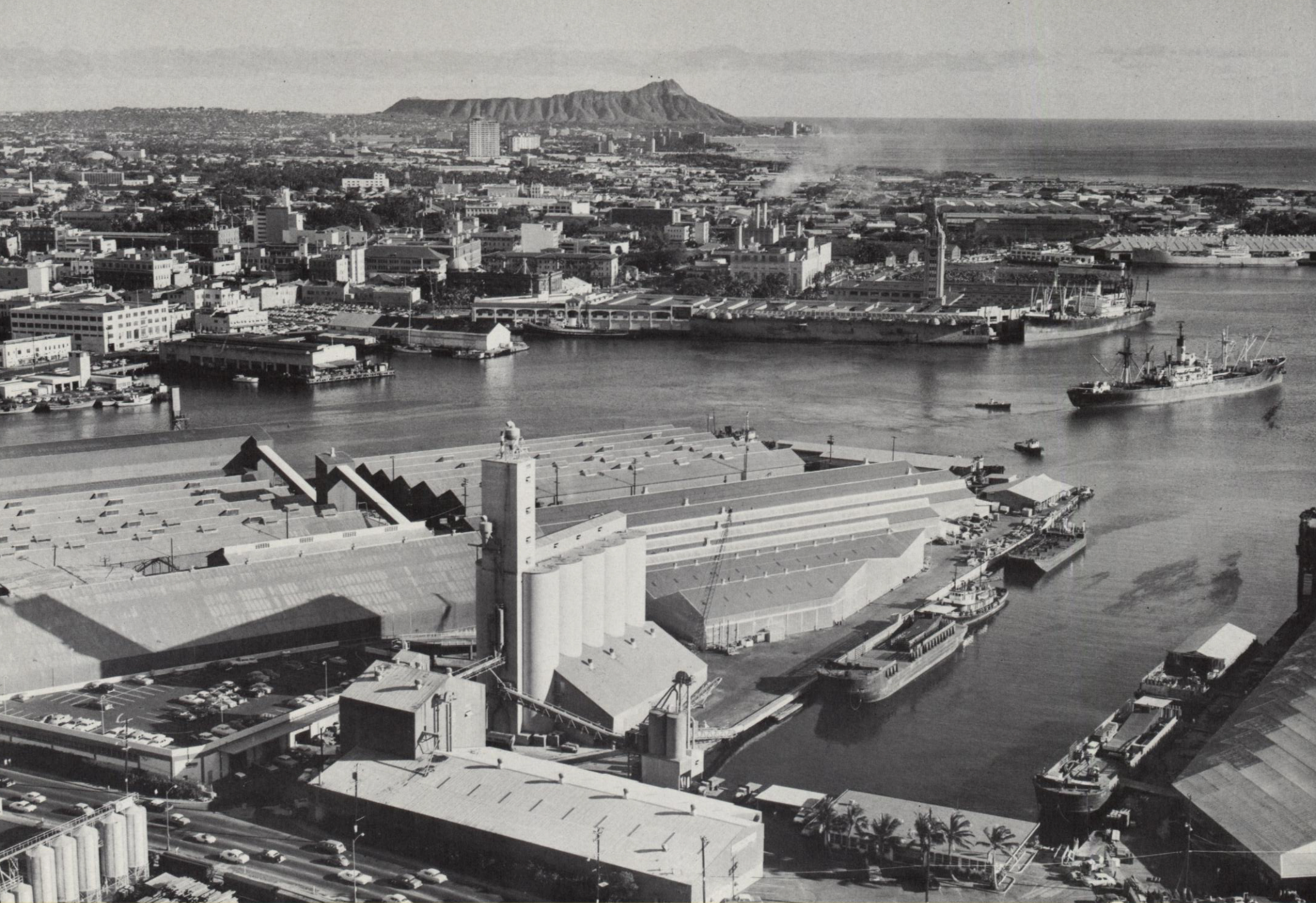
A substantial increase in gross revenues, coupled with operating efficiencies, enabled the Company to earn \$3.59 per share on the average number of shares outstanding during the year. Earnings on the 1,048,163 shares outstanding at year end were \$3.33 per share, compared with \$3.28 on 931,700 in 1959.

There is an indefinable quality about the Islands which will continue to attract visitors and new residents, alike. This quality is created partly by the semi-tropical climate and beauty but, more importantly, by the harmonious blending of races and cultures with the spirit of aloha which prevails.

The job of supplying ever-greater needs for electric power as Hawaii's growth continues can and will be met through the combined intelligent efforts of our directors, officers and employees, aided by the cooperative understanding of shareholders and customers.

Ralph B. Johnson
President

March, 1961



Busy Honolulu harbor, gateway to state and world seaport. City spreads outward and upward toward Waikiki in distance.

1960 - YEAR OF ACCOMPLISHMENT AND PREPARATION

The rate of growth in Hawaii continued at an all-time high throughout 1960 and was reflected in the operations and financial results of the Company. Substantial increases were reflected in electric energy output, kilowatt hour sales, operating revenue, and net income.

EARNINGS

Earnings per share on the average number of shares of common stock outstanding were \$3.59 as compared with \$3.28 for the previous year.

Earnings per share on the 1,048,163 shares of common stock outstanding at the end of the year were \$3.33, which is 5 cents higher than 1959 earnings on 931,700 shares.

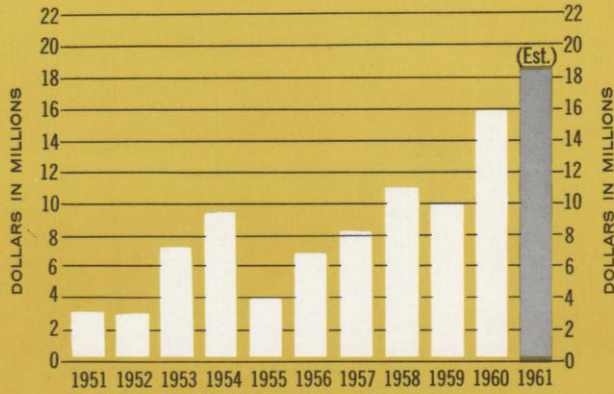
DIVIDENDS

Dividends at the rate of 62½ cents per share were paid quarterly on the common stock, totaling \$2.50 for the year. Retained earnings of \$1,084,778, up \$361,080 from 1959, were used to help finance the plant expansion program.

SUMMARY OF FINANCIAL RESULTS

	% of Total	1960 Amount	1959	% Increase or (Decrease)
WE RECEIVED INCOME FROM				
Sales to residential customers.....	42.23	\$12,992,245	\$11,694,070	11.10
Sales to industrial and commercial customers....	56.07	17,251,428	15,162,872	13.77
Other sources	1.70	525,075	489,754	7.21
Total.....	100.00	\$30,768,748	\$27,346,696	12.51
WE HAD THESE EXPENSES				
Wages and employee benefits charged to operations.....	21.42	\$ 6,590,401	\$ 6,133,552	7.45
Fuel oil.....	21.78	6,700,584	6,046,340	10.82
Other materials and services.....	6.56	2,020,326	1,978,351	2.12
Depreciation.....	7.33	2,254,074	1,935,579	16.45
Federal and local taxes.....	23.68	7,286,072	6,187,613	17.75
Interest on borrowed money and other miscellaneous expenses	5.35	1,647,206	1,228,432	34.09
Total.....		\$26,498,663	\$23,509,867	12.71
LEAVING AS NET INCOME.....		\$ 4,270,085	\$ 3,836,829	11.29
FROM WHICH WE PAID STOCKHOLDERS				
Preferred dividends.....	2.55	\$ 783,268	\$ 783,882	(.08)
Common dividends	7.81	2,402,039	2,329,250	3.12
AND WE RETAINED IN OUR BUSINESS.....	3.52	\$ 1,084,778	\$ 723,697	49.89
	<u>100.00</u>			

CAPITAL EXPENDITURES



FINANCING

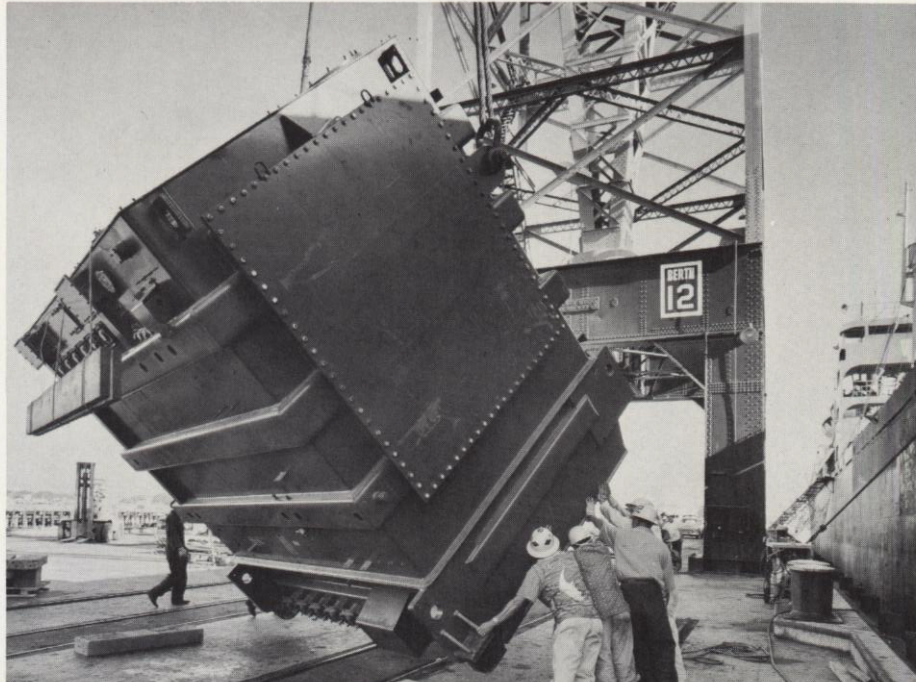
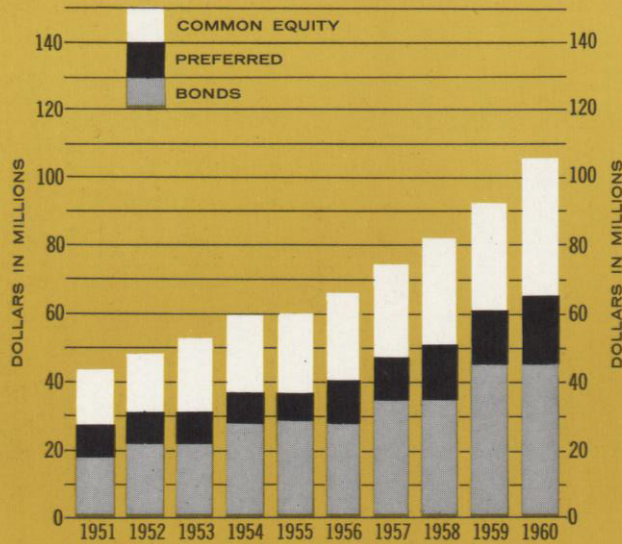
In September the Company issued and sold 116,463 additional shares of common stock, offering the owners one share for each eight held, at \$49 per share, which was approximately 11 per cent under the market price. At year end common stock was selling at \$62.

In October the Company sold \$5 million of Series H 5¼ per cent (Cumulative) Preferred Stock. Net proceeds from the sale of common and preferred stock were applied to the construction program for 1960. In 1961 the Company expects to seek additional funds for capital improve-

ments through the sale of bonds. Capital expenditures for 1961 are estimated to be \$18,500,000. Since 1954 capital expenditures have averaged approximately \$10,000,000 per year.

Maintenance of a sound financial structure and the Company's high growth potential have contributed to the good market acceptance enjoyed by our securities. The Company maintains a program of financial information directed to bankers, trust investment officers, investment counsel, financial analysts and brokers. Meetings are frequently held for such groups in major cities. Interest in the Company on the part of financial

CAPITALIZATION



Pearl Harbor had only crane able to lift \$187,000 transformer for Waiau's new unit.

groups throughout the nation has increased markedly in the last two years.

OWNERSHIP

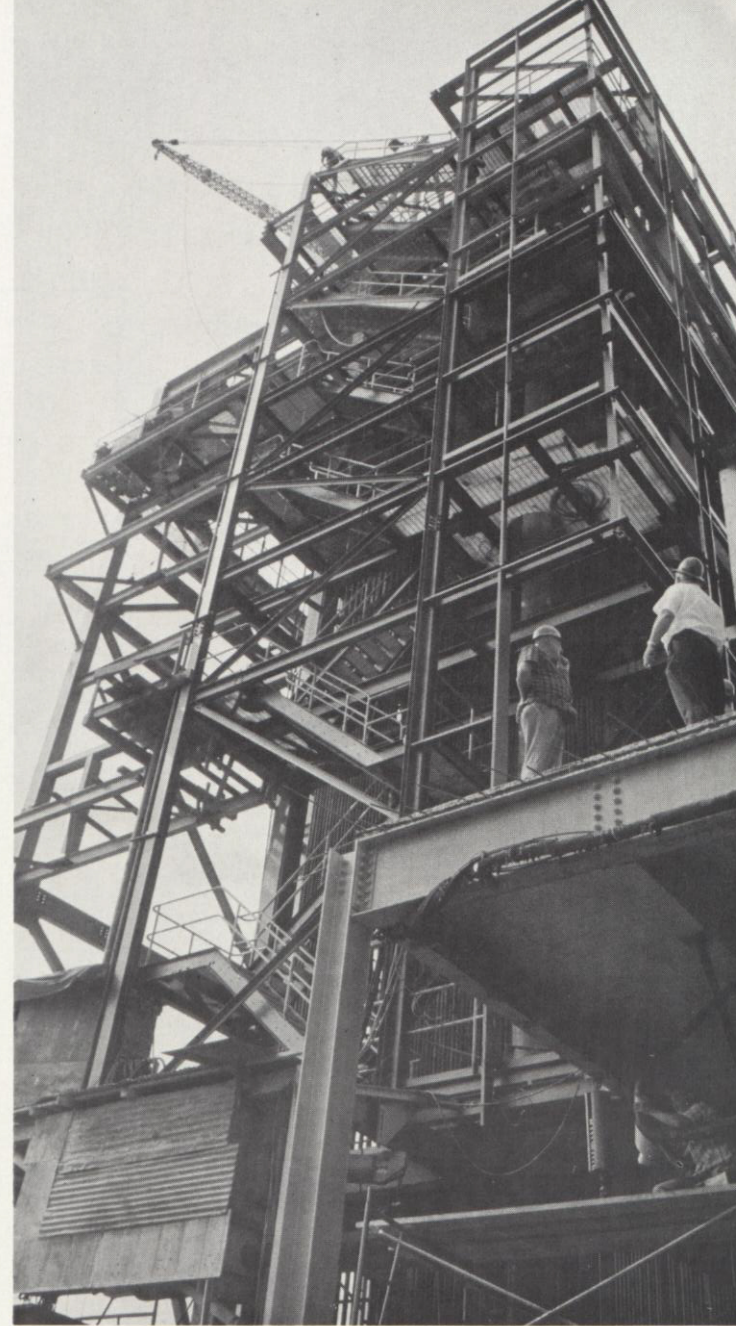
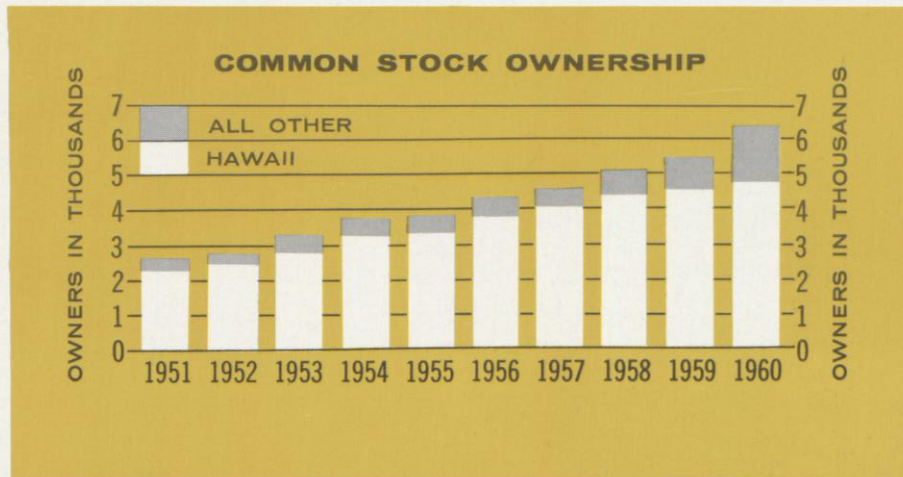
As the Company continues to grow, common stock ownership becomes more widely distributed. The number of owners has almost doubled during the last five years. In 1960 the number increased from 5,586 to 6,400, a 14.6 per cent increase. Approximately 82 per cent of the total shares are owned by residents of Hawaii.

The Company is not an affiliate of any other corporation. The largest single holding is an eleemosynary trust which owns less than 2.5 per cent of the common stock.

MERCHANDISING

Honolulu Electrical Products Co., Ltd., the wholly-owned subsidiary of the Company, had a most successful year in the merchandising of electrical equipment, fixtures, appliances and accessories. Gross profits increased from \$2,039,651 in 1959 to \$2,632,330 in 1960. After operating charges, depreciation accruals, taxes and interest on borrowings, \$369,986 of net income remained.

The subsidiary represents approximately 250 mainland manufacturers and is the sole representative in Hawaii for Westinghouse Electric Corporation, continuing a relationship that has existed since 1905 between The Hawaiian Electric Company, Limited and Westinghouse.



Unit 6 outdoor addition to Waiiau plant, costing \$8½ million, nears completion.

EXPENSES

State and Federal taxes for 1960 increased 17.7 per cent. The amount paid by the Company in taxes amounted to \$7.59 per share on the average number of shares of common stock outstanding during the year, while \$3.59 was earned per share of common stock and available to the shareowners.

Wages, together with the amount paid to employees in benefits, represent our largest operating expense. Company-paid benefits account for approximately 22.03 per cent of the total payroll of \$8,910,703.

Fuel oil is the second largest operating expense, totaling \$6,700,584, a 10.8 per cent increase over 1959. The average cost per barrel in 1960 moved only slightly higher (from \$2.51 to \$2.52), but 246,115 more barrels were used. Since 1953 all rate schedules have contained an escalation clause based upon an oil price of \$2 per barrel.

TAXES

STATE	1960	1959
Income.....	\$ 431,167	\$ 380,080
Public Utility.....	1,831,353	1,602,677
Franchise Royalty.....	756,256	673,227
Other.....	89,399	79,767
	<u>\$3,108,175</u>	<u>\$2,735,751</u>
FEDERAL		
Income.....	\$4,078,291	\$3,374,814
Payroll and other.....	175,650	143,534
	<u>\$4,253,941</u>	<u>\$3,518,348</u>
	<u>\$7,362,116</u>	<u>\$6,254,099</u>

PAYROLL AND BENEFITS

	1960	1959
Wages for productive work.....	\$6,947,699	\$6,277,971
Benefits paid by the Company		
Vacations.....	364,134	323,565
Holidays.....	225,251	231,373
Sickness.....	202,506	171,448
Excused absence, etc.....	29,186	28,307
Annuity and life insurance.....	715,741	633,958
Cash pensions.....	61,627	65,010
Medical aid dues.....	189,551	159,860
Social Security insurance.....	164,047	130,786
Unemployment insurance.....	10,961	10,597
Total benefits.....	<u>\$1,963,004</u>	<u>\$1,754,904</u>
Total payroll and benefits.....	<u>\$8,910,703</u>	<u>\$8,032,875</u>

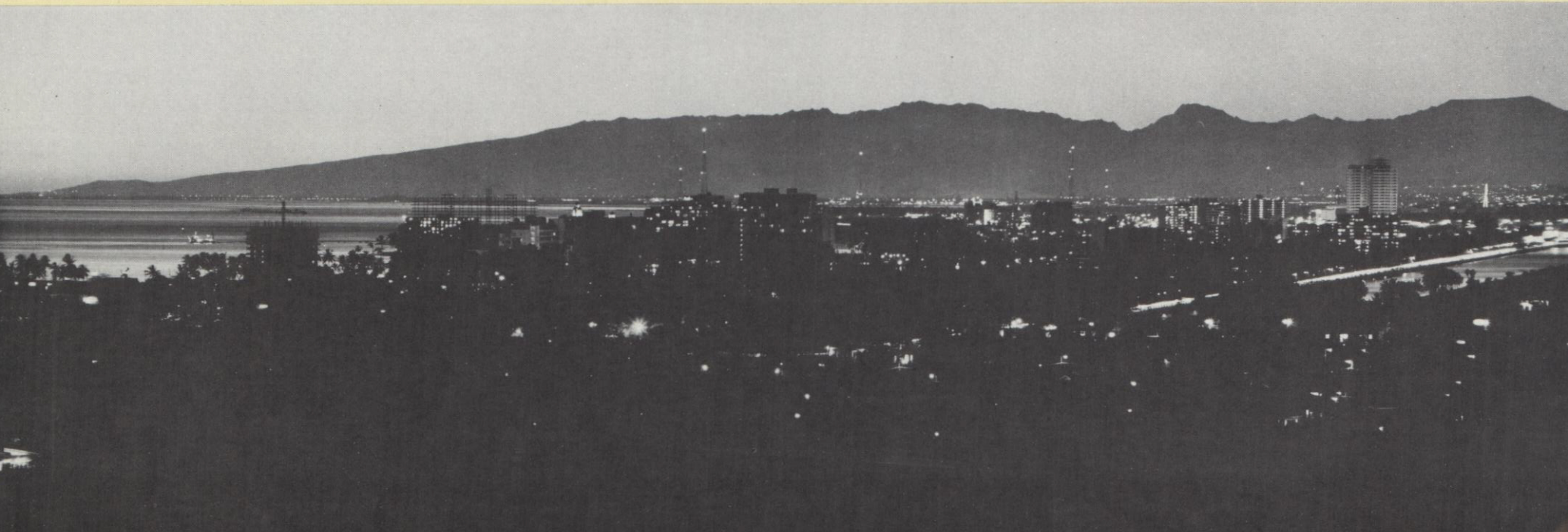
SERVICE AREA

With Hawaii's rapid rate of development, directing growth in an orderly and harmonious fashion becomes of prime importance. Wishing to aid such efforts, the Company in July changed the name of its Industrial Development Section to Area Development Office and enlarged its function. Also, the Company has representation on various boards and committees of government and civic agencies devoted to sound planning.

More than 4,400 single-family homes and 3,600 apartment units were built on Oahu during 1960. More than 83 per cent of all homes built and 65 per cent of all apartment units completed during the year are all-electric.

The April census showed a 35.3 per cent increase since 1950 in the civilian population on Oahu, our service area.

Lights sparkle over Waikiki and greater Honolulu, center of state's population and heart of our service area.





New pad-mount transformer, easy to install and service, reduces the cost of underground wiring.

The Company has found ways to greatly reduce the cost of underground distribution and urges this type of installation in new subdivisions. In 1960, underground service was provided for 1,018 homesites as compared with 488 in 1959. Hawaiian Electric also makes a definite contribution to maintenance of the Island's beauty by co-operating with the Shade Tree Council and keeping Company facilities in good condition and attractively landscaped.



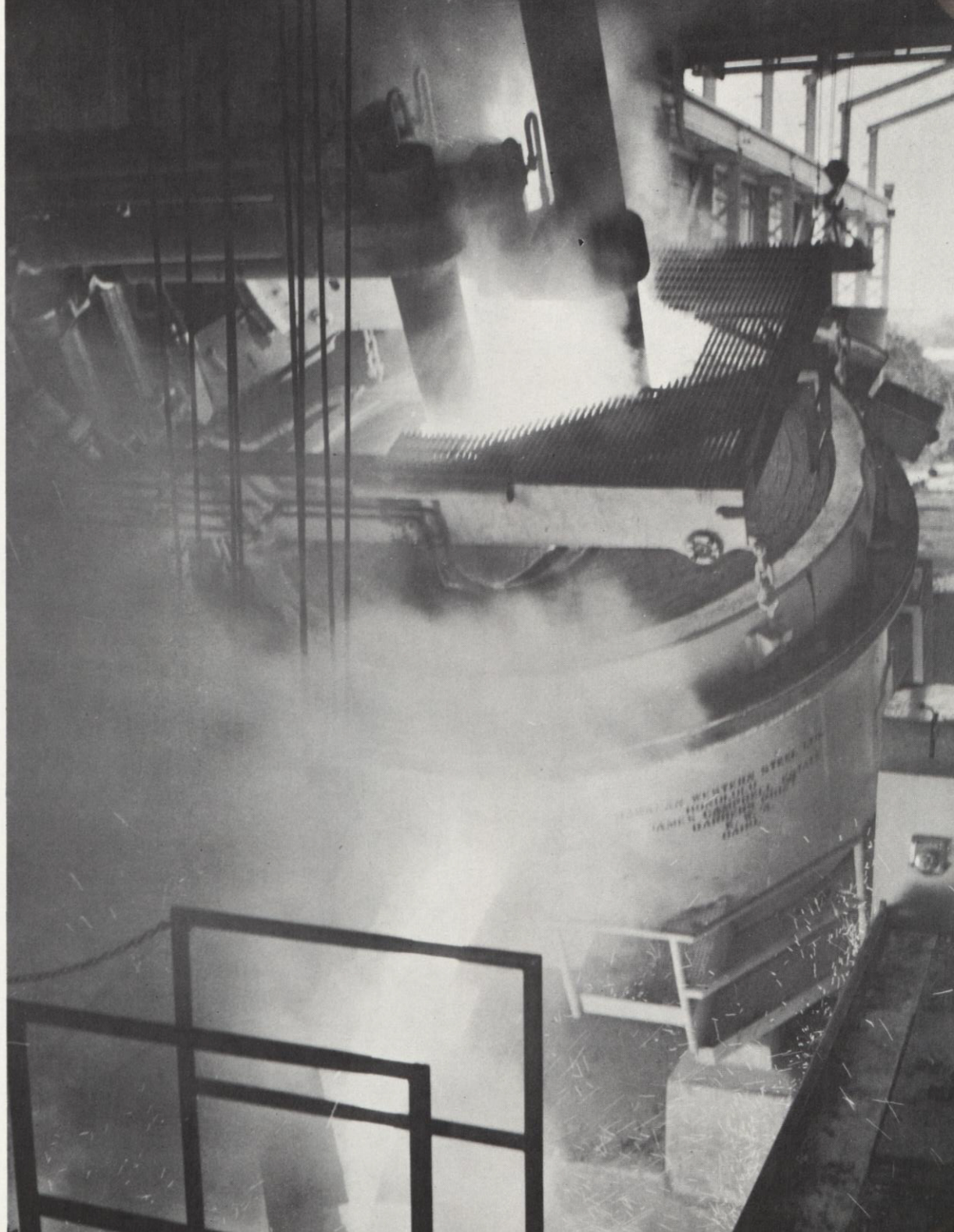
A vigorous sales effort for electric living is carried on with homeowners, prospective homeowners and all phases of the home building industry. Additional emphasis was placed on the all-electric home in 1960 and there was a 22 per cent increase in the number of living units that met the specifications for a bronze or gold

Medallion certifies that home is adequately wired to meet power needs of both present, future.

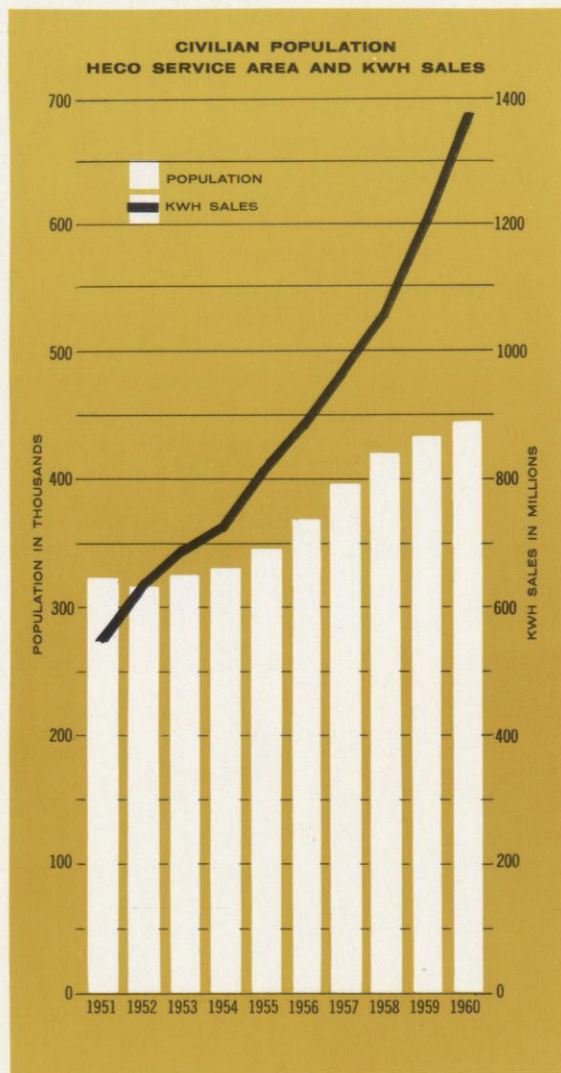
medallion. Residential customers accounted for 34 per cent of the increased electric sales during the year. The average annual residential use of electricity per customer increased 345 kwh in 1960 to 4,920 kwh, which is more than 25 per cent higher than the national average.

Commercial and industrial customers (excluding governmental agencies) accounted for 48 per cent of the increased electric sales. Several new industrial plants went into operation in the Barbers Point area, the largest being the Hawaii refinery of Standard Oil Company of California. The refinery, together with two cement plants and a steel mill, were added to our Company system late in the year; the full impact of their electric requirements will be reflected in the operating results in 1961 and thereafter.

Electric arc furnace at Hawaiian Western Steel plant, one of new industries using electric power.



Tourism in Hawaii set a record with 293,622 visitors, 20.7% over 1959. New hotels and hotel expansion provided about 2,000 new rooms for Oahu tourists who spent nearly \$130 million during the year.

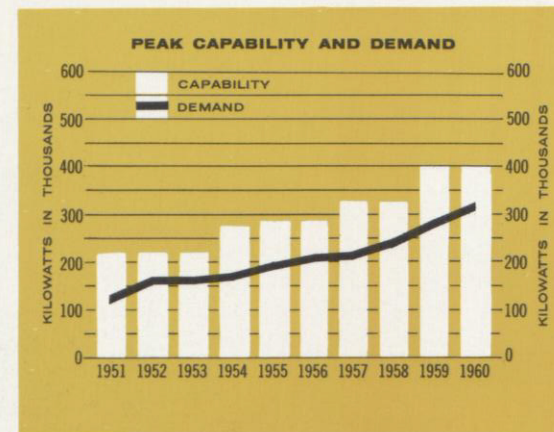


Kahe site (right) was chosen in anticipation of atomic power. Valley is ideal for nuclear plant, shielded by mountains, sea. HECO will build one there as soon as economically feasible.

RELIABLE POWER

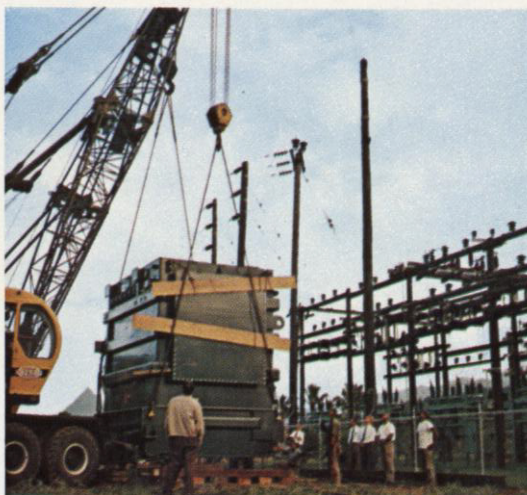
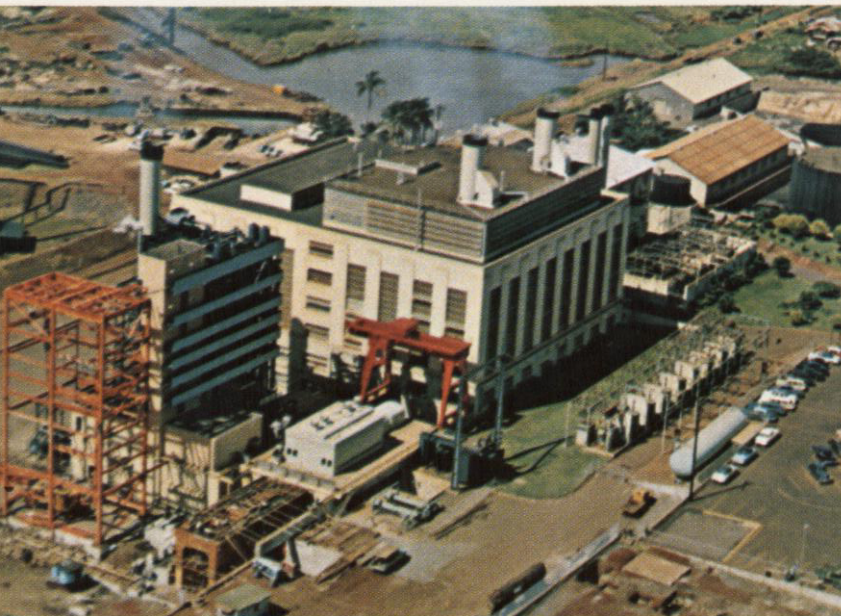
As the use of electricity increases, the Company is ready to supply the growing demand for electric power. The peak load in 1960 rose to 313,000 kw, which is an 8.9 per cent increase over the 1959 peak. Planning, engineering and construction are carried out to assure an adequate reserve capability.

Since early in 1956 the Company has been making plans for the establishment of a new power plant site to supplement those already established at Honolulu and Waiau. In 1960 we purchased 485 acres of land at Kahe Valley and developed a master plan for its use. Engineering for installation of the first of two 82,500 kw oil-burning units was begun on May 3. The first unit is scheduled for operation in March 1963, to be followed by the second one early in 1965.



TRANSFORMER . . . Mammoth transformer for 138,000-volt transmission is unloaded, trucked through mountains, placed at substation.

POWER . . . New unit will raise total capability to 455,000 kw.



MILITARY . . . \$365 million expenditure



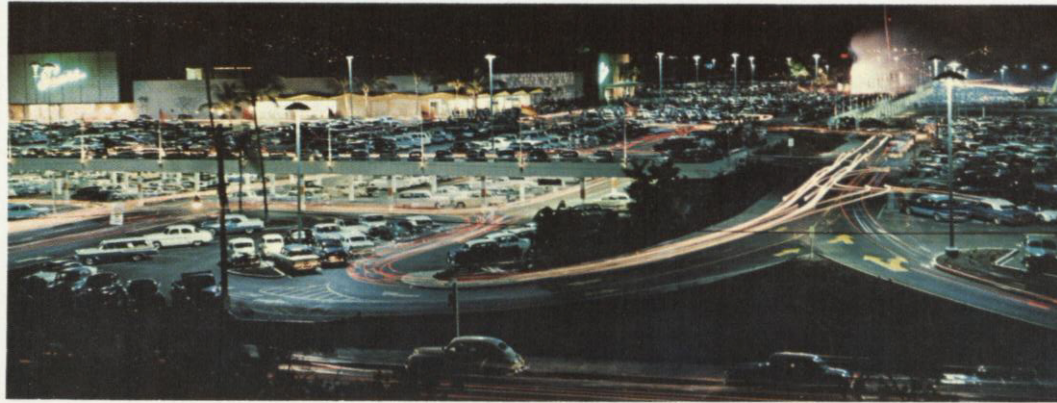
ELEGANCE . . . Waikiki apartment living attracts visitors and Hawaii residents alike.



New power is created to serve a new Hawaii. Greater national interest in Hawaii created by Statehood has resulted in large investment, especially on Oahu, the seat of Island government and the focal point of industry, commerce, and population. More than 40,000 residential units will be built in the 1960s. The Neighbor Islands also contribute materially to the State's economy with their corporate agriculture: the primary source of pineapple and an important source of sugar for the world. Other economic bases include tourism, which has rocketed 600 per cent since 1950; the development of industry and manufacturing; construction, with its 31 per cent increase over 1959. Defense expenditures are a stabilizing force not affected by many conditions which disturb the economic status of the rest of the nation.



es are centered on Island of Oahu.



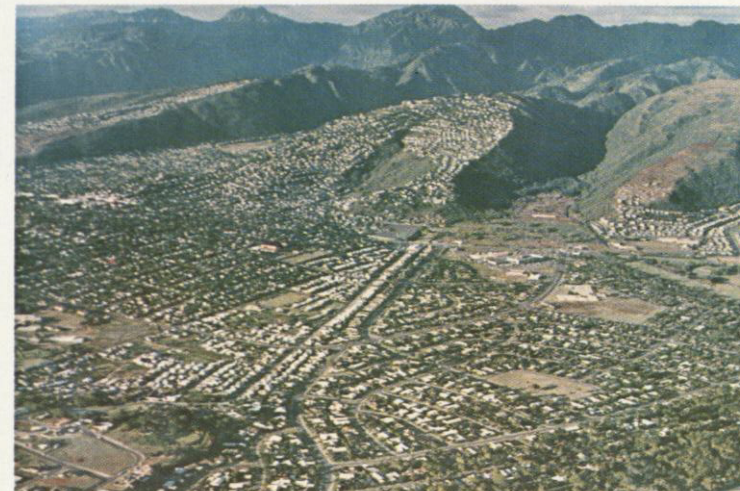
SHOPS . . . One of the nation's largest shopping centers is Ala Moana. Plans have been announced to more than double its size in 5 years.



HIGHWAYS . . . Freeways, complex traffic levels herald a new pace for Honoluluans.



INDUSTRY . . . Two cement plants (one shown above), a new steel mill and other heavy industries are blossoming on the Oahu scene.



HOMES . . . In seven years this area (foreground), changed from fewer than 150 farms to a suburb of 1,200 residences.



AGRICULTURE . . . Hawaii's agriculture is largest private contributor to the economy. Mechanization is advanced.

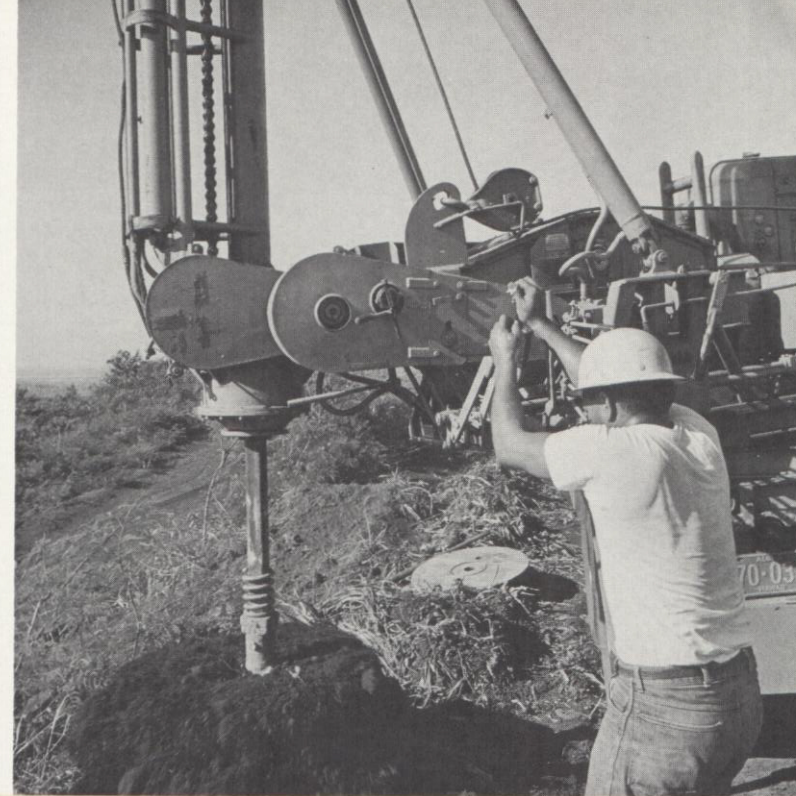
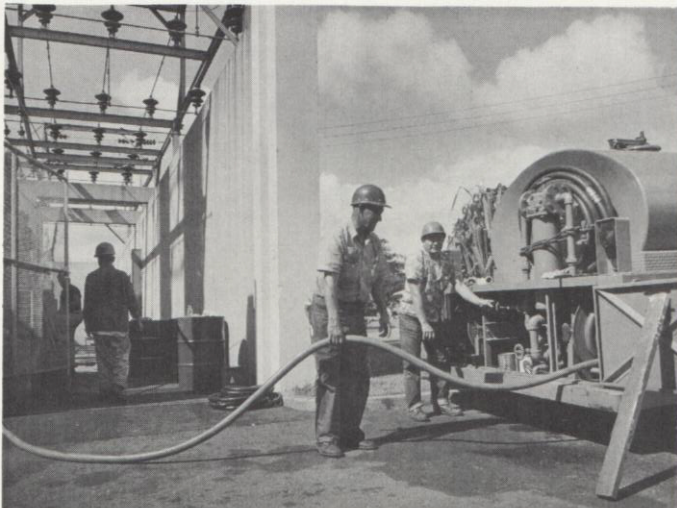
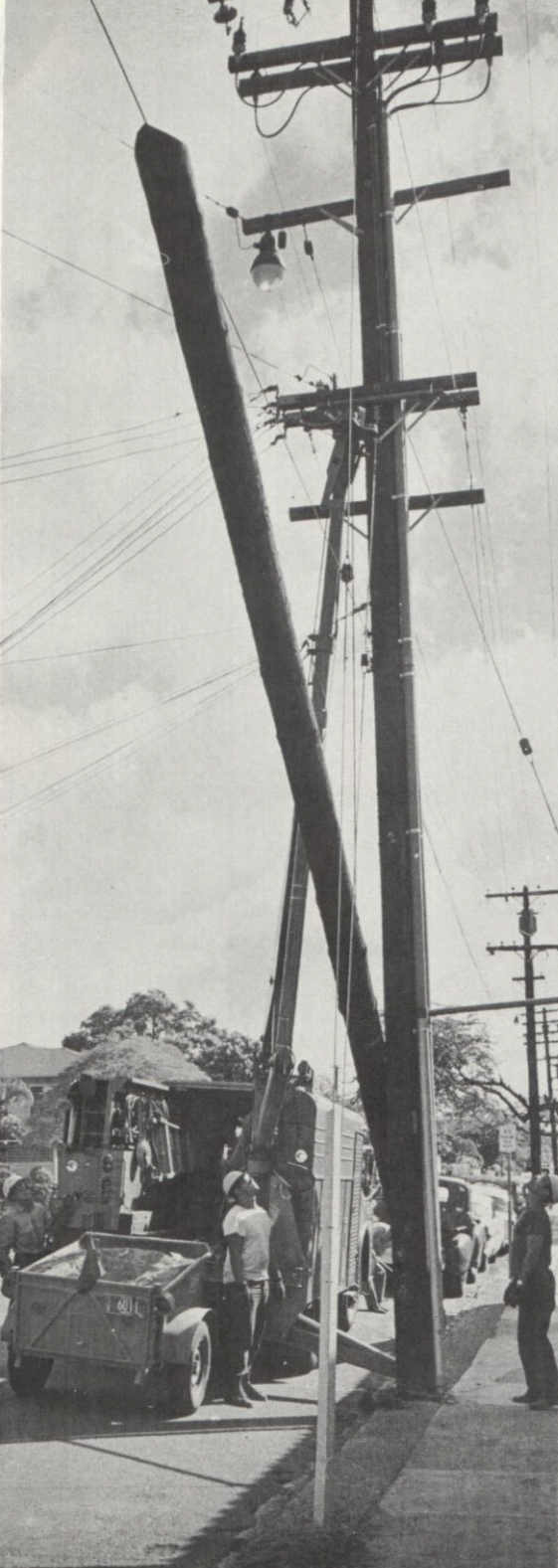
Design work on the 55,000 kw Unit No. 6 at Waiiau was completed by the Engineering Department during 1960 and construction is well along for completion by August 1961. This unit, similar to Waiiau Unit No. 5, which went into operation in October 1959, will bring the Company's generating capability to 455,000 kw.

All of our facilities are in excellent condition, and the 1960 overhaul program was arranged so that no major jobs are expected on any of the large generating units until after commercial operation of Waiiau Unit No. 6.

Design work progressed during the year on the 138 kv transmission system, and a contract was let for construction of the first 138 kv switching station. Twelve more miles of 138 kv transmission were constructed and put into operation at 46 kv. The first transmission of electric power at 138 kv on our system will start the middle of 1961.

Crew works on construction of 138,000-volt switching station at Waiiau plant for use upon completion of Unit 6 (background).





The Company continually seeks methods to offset increasing expenses. During the year new work methods were adopted and several new types of equipment purchased to provide immediate and long-range savings. At left, three-man-crew line truck locates poles with rotating hydraulic boom. In center panel, top: hydraulic loading crane on truck streamlines operation; center: three-drum construction winch pulls up to 300 feet of cable a minute; bottom: transformer oil tanker fills or empties transformers at 60 gallons per minute, eliminates barrels. Above, hydraulic pole hole digger can drill 6-foot hole in three minutes.



EMPLOYEES

One of the most valuable assets of the Company in meeting future growth is the quality and stability of its work force. Hawaiian Electric is fortunate in having a relatively young group of employees, the average age being 39.3, with an average length of service of 13 years. The average length of service among the supervisors and officers is 21.4 and 24.2 years, respectively.

During 1960 sixty employees were added, bringing the total at year end to 1,217. We initiated a major-scale training program in the Generation Department to provide personnel necessary for operation of the new plant at Kahe Valley in March 1963.

Our apprenticeship program provides the Company with trade skills needed for our expanding service requirements. We now have 79 men training in 8 different trades. At the present rate of expansion of this program, the number of journeymen incorporated in our work force in the next four years will be double the number added between 1955 and 1960.

A company is sum of its people. HECO force is young but experienced.



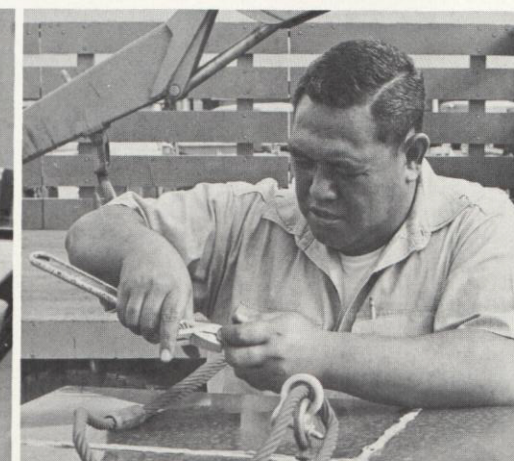
Graduate apprentices



Familiar voices of HECO



Machine accounting



Equipment delivery

The retirement plan and group life insurance program for employees is on a contributory basis and is insured with The Prudential Insurance Company of America. A liberal hospital and medical plan for employees and their families is provided entirely at Company expense.

The International Brotherhood of Electrical Workers, Local 1260, AFL-CIO represents 77.9 per cent of our employees. Employees in our security force are represented by the United Plant Guard Workers of America, Independent Local 650.



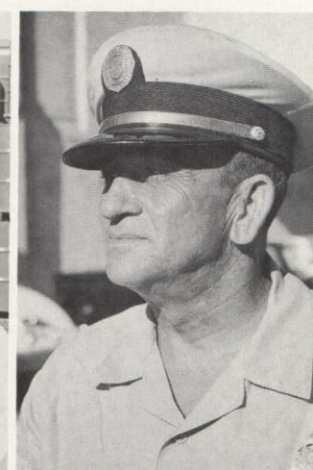
Substation foreman



Underground troubleshooter



Maintenance superintendent



Power plant guard

PUBLIC SERVICE

Providing the best possible service at the lowest possible cost is one of our primary objectives. This is partially accomplished through the combined sales and service efforts of our Commercial and Promotional Departments, which have had a definite effect upon the growth of kilowatt hour sales.

Today more of our customers are "Living Better Electrically" than ever before. With more customers, each using more electricity, the average kilowatt-hour cost has continued to decline while the cost of living rises.

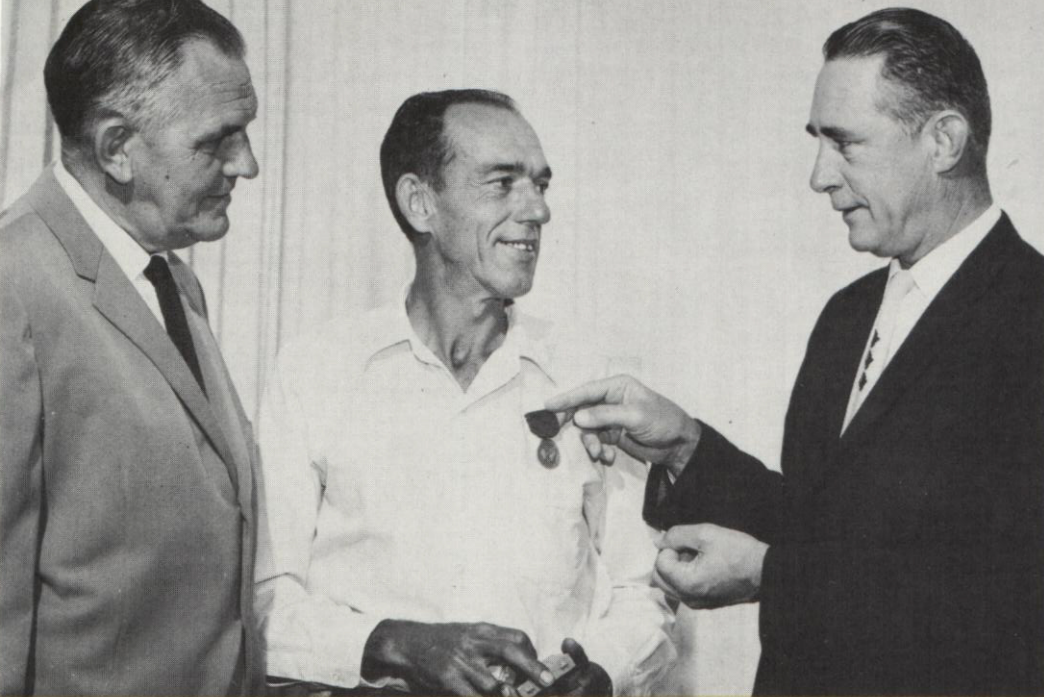
The Company has established a reputation not only for providing friendly, efficient service but also for actively promoting social, cultural and economic betterment of the community.



Home economists serve samples of food prepared during demonstration of electric cooking in public class at Home Service Auditorium.



Company-sponsored Junior Achievement group meets with HECO advisers.



John Veriato, Jr. receives EEI award from Mr. Johnson and Red Cross honor from John F. Rolfes, left, for saving a life by resuscitation.



Company's institutional series on Hawaiian culture received awards at Honolulu Advertising Artists and Designers' 4th annual exhibition.



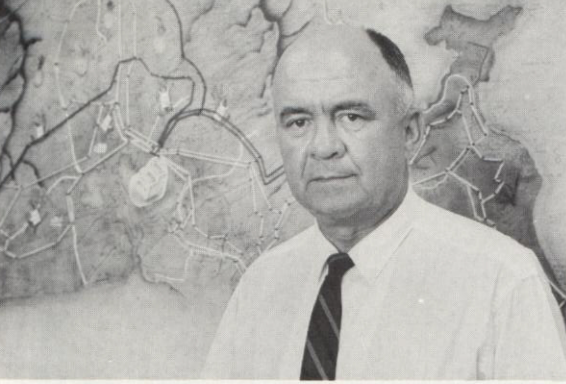
Hawaiian Electric Glee Club of 18 voices sang on special occasions, including a Christmas program on TV.



OFFICERS

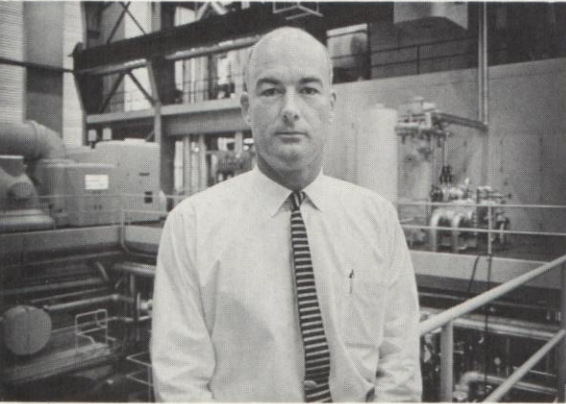
Philip E. Spalding (*left*), *Board Chairman*, with Ralph B. Johnson, *President*. Below: (*left to right*), Carl J. Schiffers, *Administrative Vice President*; George Hogg, *Vice President and Treasurer*; Lewis W. Lengnick, *Vice President and Executive Engineer*; Richard L. Summers, *Vice President and Secretary*; Edward A. Murty, *Assistant Secretary and Assistant Treasurer*; Will B. Johnstone, Jr., *Assistant Secretary and Assistant Treasurer*, and Eugene A. Helbush, *Assistant Secretary and Assistant Treasurer*.



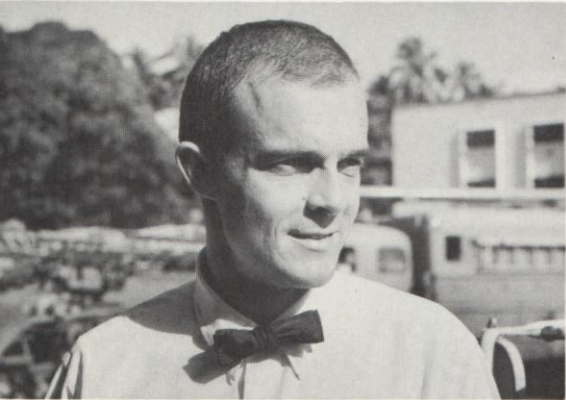


**DEPARTMENT
MANAGERS**

Jesse R. Zeigler
Operations



Frank R. Hicks
Generation

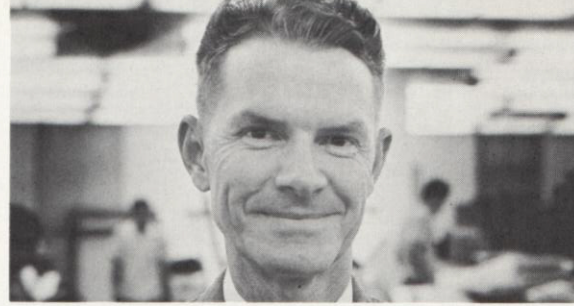


C. Dudley Pratt, Jr.
Distribution

Appointed Feb. 1, 1961.



William J. Froome
System Operation



Carl H. Williams
Engineering



G. Murray Winsley
Purchasing and Stores



Herbert Heinrich
Commercial



Curtin A. Leser
Personnel



Francis H. Williams
Promotional



BALANCE SHEET

ASSETS

December 31, 1960
(With comparative figures for 1959)

	1960	1959	Increase (Decrease)
UTILITY PLANT (Note 1):			
In service.....	\$113,434,639	\$103,684,332	\$ 9,750,307
Construction in progress.....	6,156,440	947,025	5,209,415
	<u>\$119,591,079</u>	<u>\$104,631,357</u>	<u>\$14,959,722</u>
Less accumulated depreciation (Note 2).....	18,276,075	16,473,407	1,802,668
	<u>\$101,315,004</u>	<u>\$ 88,157,950</u>	<u>\$13,157,054</u>
INVESTMENTS:			
Capital stock of wholly-owned subsidiary, at cost (Note 3).....	3,000,000	3,000,000
Real estate and improvements, at cost less accumulated depreciation.....	34,205	27,446	6,759
	<u>\$ 3,034,205</u>	<u>\$ 3,027,446</u>	<u>\$ 6,759</u>
CURRENT ASSETS:			
Cash.....	1,266,394	2,128,891	(862,497)
Temporary cash investments.....	3,000,000	2,000,000	1,000,000
Accounts receivable.....	2,993,900	2,619,884	374,016
Allowance for uncollectible accounts.....	(67,475)	(67,475)
Construction and operating materials and supplies, at average cost.....	2,195,413	1,997,682	197,731
Prepaid expenses.....	124,378	246,877	(122,499)
	<u>\$ 9,512,610</u>	<u>\$ 8,925,859</u>	<u>\$ 586,751</u>
DEFERRED CHARGES:			
Unamortized debt expense.....	464,392	446,856	17,536
Clearing accounts.....	48,240	37,511	10,729
Other.....	49,136	74,296	(25,160)
	<u>\$ 561,768</u>	<u>\$ 558,663</u>	<u>\$ 3,105</u>
CAPITAL STOCK EXPENSE:			
(no provision made for amortization).....	964,029	861,898	102,131
	<u>\$115,387,616</u>	<u>\$101,531,816</u>	<u>\$13,855,800</u>

See accompanying notes to financial statements.

BALANCE SHEET

LIABILITIES

December 31, 1960
(With comparative figures for 1959)

CAPITALIZATION:	1960	1959	Increase (Decrease)
Capital stock and surplus:			
Common stock (\$20 par value)			
Authorized, 1,100,000 shares			
Outstanding, 1960, 1,048,163 shares; 1959, 931,700 shares.....	\$ 20,963,260	\$ 18,634,000	\$ 2,329,260
Premium on common stock.....	6,361,177	2,983,750	3,377,427
Earnings reinvested in business (restricted:			
1960, \$583,991; 1959, \$598,988—Note 4).....	10,904,530	9,816,331	1,088,199
	<u>\$ 38,228,967</u>	<u>\$ 31,434,081</u>	<u>\$ 6,794,886</u>
Cumulative preferred stock (\$20 par value) (Note 5).....	20,256,880	15,320,000	4,936,880
	<u>\$ 58,485,847</u>	<u>\$ 46,754,081</u>	<u>\$11,731,766</u>
First mortgage bonds (Note 6).....	45,000,000	45,000,000
	<u>\$103,485,847</u>	<u>\$ 91,754,081</u>	<u>\$11,731,766</u>
 CURRENT LIABILITIES:			
Accounts payable.....	1,225,521	811,910	413,611
Accrued taxes.....	2,923,309	2,660,550	262,759
Accrued interest on long-term debt.....	495,896	495,896
Accrued payroll.....	132,532	91,730	40,802
Accrued retirement annuity premium.....	471,705	27,390	444,315
Other.....	109,917	86,431	23,486
	<u>\$ 5,358,880</u>	<u>\$ 4,173,907</u>	<u>\$ 1,184,973</u>
 DEFERRED CREDITS:			
Unamortized depreciation adjustment.....	1,496,000	1,584,000	(88,000)
Unamortized premium on debt.....	114,568	129,753	(15,185)
Other.....	50,798	43,061	7,737
	<u>\$ 1,661,366</u>	<u>\$ 1,756,814</u>	<u>\$ (95,448)</u>
 RESERVES:			
Future taxes on income (Note 7).....	1,934,190	1,311,259	622,931
Workmen's compensation liability.....	75,113	75,113
	<u>\$ 2,009,303</u>	<u>\$ 1,386,372</u>	<u>\$ 622,931</u>
CONTRIBUTIONS IN AID OF CONSTRUCTION.....	2,872,220	2,460,642	411,578
	<u>\$115,387,616</u>	<u>\$101,531,816</u>	<u>\$13,855,800</u>

See accompanying notes to financial statements.



STATEMENT OF INCOME

Year Ended December 31, 1960
(With comparative figures for 1959)

	1960	1959	Increase (Decrease)
OPERATING REVENUES:			
Sales of electric energy.....	\$30,668,320	\$27,225,105	\$3,443,215
Other electric revenues.....	62,358	39,569	22,789
	<u>\$30,730,678</u>	<u>\$27,264,674</u>	<u>\$3,466,004</u>
OPERATING COSTS:			
Fuel oil.....	6,700,584	6,046,340	654,244
Other operating expenses.....	6,537,944	5,969,827	568,117
Maintenance.....	1,989,090	2,048,666	(59,576)
Depreciation.....	2,342,074	2,023,579	318,495
Taxes.....	7,286,071	6,187,614	1,098,457
Amortization of depreciation adjustment.....	(88,000)	(88,000)	-----
	<u>\$24,767,763</u>	<u>\$22,188,026</u>	<u>\$2,579,737</u>
OPERATING INCOME	<u>\$ 5,962,915</u>	<u>\$ 5,076,648</u>	<u>\$ 886,267</u>
OTHER INCOME:			
Interest.....	36,269	82,022	(45,753)
Miscellaneous.....	1,801	-----	1,801
	<u>\$ 38,070</u>	<u>\$ 82,022</u>	<u>\$ (43,952)</u>
GROSS INCOME	<u>\$ 6,000,985</u>	<u>\$ 5,158,670</u>	<u>\$ 842,315</u>
INCOME DEDUCTIONS:			
Interest on long-term debt.....	1,737,250	1,600,028	137,222
Amortization of premium on debt.....	(15,185)	(15,185)	-----
Amortization of debt expense.....	22,586	21,060	1,526
Other interest charges.....	26,008	20,975	5,033
Interest charged to construction.....	(116,052)	(371,596)	255,544
Donations.....	54,243	54,578	(335)
Miscellaneous other deductions.....	22,050	11,981	10,069
	<u>\$ 1,730,900</u>	<u>\$ 1,321,841</u>	<u>\$ 409,059</u>
NET INCOME FOR THE YEAR	<u>\$ 4,270,085</u>	<u>\$ 3,836,829</u>	<u>\$ 433,256</u>

See accompanying notes to financial statements.

STATEMENT OF EARNINGS REINVESTED IN BUSINESS

Year Ended December 31, 1960
(With comparative figures for 1959)

	1960	1959	Increase (Decrease)
BALANCE, JANUARY 1	\$ 9,816,331	\$ 9,080,501	\$ 735,830
ADD:			
Net income for year.....	4,270,085	3,836,829	433,256
Transfers from contributions in aid of construction (contributions held over 23 years).....	21,123	10,645	10,478
Gain on sale of land (after applicable income taxes).....	-----	4,717	(4,717)
	<u>\$14,107,539</u>	<u>\$12,932,692</u>	<u>\$1,174,847</u>
DEDUCT:			
Cash dividends:			
Preferred stock.....	783,268	783,882	(614)
Common stock (\$2.50 a share).....	2,402,039	2,329,250	72,789
Net adjustment, resulting from federal income tax examination for years 1957, 1958, 1959.....	14,473	-----	14,473
Pro rata share of capital stock expense applicable to preferred stock reacquired.....	3,229	3,229	-----
	<u>\$ 3,203,009</u>	<u>\$ 3,116,361</u>	<u>\$ 86,648</u>
BALANCE, DECEMBER 31 (Note 4).....	<u>\$10,904,530</u>	<u>\$ 9,816,331</u>	<u>\$1,088,199</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1—UTILITY PLANT

Plant constructed by the Company is stated at cost of construction, which includes indirect costs and, in certain instances, a mark-on allowed the Company's subsidiary on materials and equipment obtained through the subsidiary. During the year the Company purchased materials aggregating \$6,726,231 from its wholly-owned subsidiary, the major portion of which related to capital additions. The subsidiary's mark-on on these purchases amounted to \$690,991, less related gross income taxes of \$235,418. The actual amount of inter-company profit on these transactions is not ascertainable due to inability to determine the amount of applicable expenses of the subsidiary but, after deducting such expenses, it is not considered to be material in relation to total utility plant expenditures.

NOTE 2—ACCUMULATED DEPRECIATION

The Company, since January 1, 1955, has computed depreciation on a four per cent, sinking fund, group method utilizing the remaining-life principle. In reporting for Federal taxes on income, the Company has taken deductions for depreciation on the straight-line method, except that since January 1, 1955, the deductions for depreciation on new additions have been computed under the accelerated depreciation provisions of the 1954 Internal Revenue Code. The deductions for depreciation taken for Federal income tax purposes exceeded the amounts provided for in the accounts by \$1,373,955 in 1960 and \$983,709 in 1959, which amounts included approximately \$1,130,000 and \$778,000 of accelerated depreciation.

NOTE 3—INVESTMENT IN CAPITAL STOCK OF WHOLLY-OWNED SUBSIDIARY

As of December 31, 1960, the Company's equity in the net assets of the subsidiary amounted to \$3,988,161. Net income of the subsidiary in 1960 amounted to \$368,460. The accounts of the Company and the subsidiary have not been consolidated on the accompanying financial statements.

NOTE 4—EARNINGS REINVESTED IN THE BUSINESS

The restriction on earnings reinvested in the business was created in January 1953, through a credit to surplus of \$817,009 arising from the adjustment of the carrying value of the utility plant to agree with the historical cost used by the Public Utilities Commission. The restricted reinvested earnings are reduced as the revalued assets are retired from service, and accordingly the amount so restricted as to payment of dividends had been reduced to \$583,991 as of December 31, 1960.

NOTE 5—PREFERRED STOCK

The following series of preferred stock were outstanding at December 31, 1960:

Authorized and issued:	Shares	Par Value
Series B, 5%.....	100,000	\$ 2,000,000
Series C, 4 1/4%.....	150,000	3,000,000
Series D, 5%.....	50,000	1,000,000
Series E, 5%.....	150,000	3,000,000
Series F, 5 1/2%.....	150,000	3,000,000
Series G, 5 3/4%.....	175,000	3,500,000
Series H, 5 1/4%.....	250,000	5,000,000
	1,025,000	\$20,500,000
Less reacquired Series F shares.....	12,156	243,120
Outstanding	1,012,844	\$20,256,880

In accordance with the terms of the issue, 3,000 shares of Series F preferred stock with a par value of \$60,000 are required to be reacquired annually. Shares so reacquired are not subject to reissue.

NOTE 6—FIRST MORTGAGE BONDS

The following series of first mortgage bonds were outstanding at December 31, 1960:

Series D, 3 1/2%, due 1964.....	\$ 5,000,000
Series E, 3 1/8%, due 1970.....	5,000,000
Series F, 3%, due 1977.....	5,000,000
Series G, 3 1/2%, due 1981.....	3,000,000
Series H, 3 1/2%, due 1982.....	4,000,000
Series I, 3.45%, due 1984.....	6,000,000
Series J, 4.70%, due 1987.....	7,000,000
Series K, 4.75%, due 1989.....	10,000,000
	\$45,000,000

These bonds are secured by a trust indenture which by its terms purports to be a lien on substantially all of the property of the Company, including all of the outstanding capital stock of the subsidiary.

NOTE 7—RESERVE FOR FUTURE TAXES ON INCOME

Permission has been granted by the Public Utilities Commission of the State of Hawaii to charge to income amounts equal to tax reductions arising from accelerated depreciation deductions taken under the provisions of the Internal Revenue Code of 1954. Accordingly, income was charged and a reserve for "future taxes on income" was credited with \$622,931 for 1960 and \$404,809 for 1959.

NOTE 8—COMMITMENTS

At December 31, 1960, the Company had purchase commitments approximating \$9,000,000 in connection with its plant expansion program.

Pension costs for past services under the Company's supplementary pension plan which had not been funded or otherwise provided for at December 31, 1960, are estimated to amount to \$3,761,507.

AUDITOR'S OPINION

PEAT, MARWICK, MITCHELL & Co.

CERTIFIED PUBLIC ACCOUNTANTS
(INCORPORATING CAMERON, TENNENT & DUNN)
TRUSTCO BUILDING
P. O. BOX 3556
HONOLULU II, HAWAII

February 3, 1961

The Stockholders

The Hawaiian Electric Company, Limited

We have examined the balance sheet of The Hawaiian Electric Company, Limited, as of December 31, 1960, and the related statements of income and earnings reinvested in the 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 statements of income and earnings reinvested in the business present fairly the financial position of The Hawaiian Electric Company, Limited, at December 31, 1960, 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.

Peat, Marwick, Mitchell & Co.

TEN YEARS OF GROWTH



Statistics for
decade from
1951 to 1960
show extent
and rapidity
of Company's
progress

	1956	1955	1954	1953	1952	1951
	\$74,021,642	\$71,224,120	\$68,447,623	\$55,766,675	\$53,005,275	\$51,228,431
	3,682,033	508,216	193,132	4,732,984	453,526	262,053
	\$77,703,675	\$71,732,336	\$68,640,755	\$60,499,659	\$53,458,801	\$51,490,484
	12,564,948	11,689,437	11,016,309	10,558,766	12,959,458	12,026,744
	28,000,000	28,000,000	28,000,000	22,000,000	22,000,000	18,000,000
	12,000,000	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000
	16,940,000	14,000,000	14,000,000	13,000,000	11,000,000	10,000,000
	1,078,000	-----	-----	-----	-----	-----
	8,111,607	8,776,877	8,284,495	7,703,892	5,501,570	5,355,015
	\$66,129,607	\$59,776,877	\$59,284,495	\$51,703,892	\$47,501,570	\$42,355,015
	933,250	933,250	877,475	726,250	609,583	523,667
	436,208	427,500	427,500	427,500	427,500	427,500
	1,951,950	1,750,000	1,325,000	1,150,000	1,025,000	1,000,000
	3.45	3.16	2.82	2.81	2.33	2.30
	3.12	3.16	2.65	2.45	2.13	2.30
	2.50	2.50	2.00	2.00	2.00	2.00
	30.85	32.54	31.83	31.85	30.00	30.71
	\$20,957,554	\$18,177,388	\$15,861,032	\$14,909,080	\$13,020,553	\$11,879,223
	154,561	123,825	113,238	126,009	121,529	79,854
	\$21,112,115	\$18,301,213	\$15,974,270	\$15,035,089	\$13,142,082	\$11,959,077
	4,483,059	3,686,714	3,507,805	3,401,961	2,979,835	2,631,634
	4,957,808	4,420,757	4,289,780	3,794,163	3,408,487	3,059,594
	1,884,638	1,938,400	1,747,543	1,662,107	1,399,669	1,160,135
	1,395,927	1,314,639	1,316,300	1,248,268	1,165,737	1,086,230
	2,423,619	1,881,301	1,162,715	1,272,608	995,065	1,063,744
	2,031,574	1,578,252	1,390,380	1,248,211	1,092,671	1,053,453
	(31,762)	(3,189)	(161,559)	(53,456)	(1,625)	(4,351)
	(88,000)	(88,000)	(88,000)	(88,000)	-----	-----
	\$17,056,863	\$14,728,874	\$13,164,964	\$12,485,862	\$11,039,839	\$10,050,439
	4,055,252	3,572,339	2,809,306	2,549,227	2,102,243	1,908,638
	2,551	72,905	83,940	148,543	155,389	264,960
	981,454	1,003,148	609,459	679,834	658,578	598,491
	\$ 3,076,349	\$ 2,642,096	\$ 2,283,787	\$ 2,017,936	\$ 1,599,054	\$ 1,575,107
	885,045,654	814,090,642	729,582,908	699,439,219	647,314,521	575,221,538
	3,983	3,788	3,501	3,242	3,076	2,867
	2.85¢	2.71¢	2.65¢	2.69¢	2.56¢	2.62¢
	99,134	94,915	90,576	86,593	83,708	80,307
	83,309	79,348	75,274	71,587	68,882	65,683
	280,000	280,000‡	275,000	220,000	220,000	220,000
	204,000	193,000	172,200	168,000	150,500	140,000

Dec. 31. † Does not include taxes charged through clearing accounts or capitalized. ‡ 5,000 KW capability added by boiler improvements.

B O A R D O F D I R E C T O R S



P. E. SPALDING..... *Chairman of the Board*
The Hawaiian Electric Company, Limited

J. B. ATHERTON..... *President-Manager*
Hawaiian Telephone Company

T. A. COOKE..... *Trustee of Estates*

G. W. FISHER..... *President*
Bishop Trust Company, Limited

L. A. HICKS..... *Chairman, Finance Committee
of the Board of Directors*
The Hawaiian Electric Company, Limited

GEORGE HOGG..... *Vice President, Treasurer*
The Hawaiian Electric Company, Limited

RALPH B. JOHNSON..... *President*
The Hawaiian Electric Company, Limited

DUDLEY C. LEWIS..... *Attorney-at-Law*
Lewis, Buck & Saunders

J. SCOTT B. PRATT, III..... *President*
Hawaiian Trust Company, Limited

H. M. RICHARDS..... *Staff Assistant*
Castle & Cooke, Inc.

A. E. STEADMAN..... *Chairman of the Board*
Cooke Trust Company, Limited

H. V. VON HOLT..... *Estate Management*

HEATON L. WRENN..... *Attorney-at-Law*
Anderson, Wrenn & Jenks

TRANSFER AGENTS

Morgan Guaranty Trust Company of New York
140 Broadway
New York 15, N. Y.

Wells Fargo Bank
American Trust Company
464 California Street
San Francisco 20, California

The Hawaiian Electric Company, Limited
900 Richards Street
Honolulu 13, Hawaii

REGISTRARS

The Chase Manhattan Bank
40 Wall Street
New York 15, N. Y.

The Bank of California *National Association*
400 California Street
San Francisco 20, California

Cooke Trust Company, Limited
926 Fort Street
Honolulu 13, Hawaii



THE FUTURE DOESN'T JUST HAPPEN

The Hawaiian Electric Company plans and builds decades ahead; growing now for Oahu's coming years. Within the present decade it will have studied, planned, and constructed more than in all its prior 70 years.

Even now, as the second unit at our outdoor power plant at Waiiau nears completion, engineers and planners are preparing the way toward construction of a generating complex on the Waianae coast.

The Hawaiian Electric Company must plan now and build now for the future decades because the future doesn't just happen.

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 T D .

BUILDING TODAY FOR TOMORROW'S NEED