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1962 Annual Report / The Hawaiian Electric Co., Ltd.



Honolulu's steady growth shows dramatically in this aerial view of the city's widening industrial sections and expanding residential areas.

THE COVER

The new Kahe Power Plant now under construction is interpreted in watercolor by Honolulu illustrator Clemente Lagundimao, Jr.

C O N T E N T S

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LETTER FROM THE PRESIDENT



Continued growth of the Company during 1962 reflects the prosperity prevailing in our service area. Kilowatt hour sales increased 11.6 per cent. Net income from utility operations totaled \$5,504,206. Utility earnings per share on common stock amounted to \$1.25 on the 3,473,032 shares outstanding at the end of the year, compared with \$1.20 on 3,157,302 shares in 1961 (adjusted for 3-for-1 split).

A non-recurring dividend of \$459,123 (after taxes) from the Company's merchandising subsidiary, Honolulu Electrical Products Co., Ltd., boosted total net income to \$5,963,329 and brought total earnings per share on common stock outstanding at the end of 1962 to \$1.38.

The Company split its common stock on a three-for-one basis on February 1, 1962, benefiting the stockholders by increasing the marketability of the stock and broadening public interest in the Company. In October 315,730 shares of common stock were sold to help finance capital expenditures. Chiefly as a result of the stock split and the new issue, the number of holders of the Company's common stock increased by 36 per cent in 1962.

Construction work on the Company's generating station at Kahe progressed on schedule, which will put the first unit of 82,500 kw capability into commercial operation in March of 1963. To meet fast-growing demands for electric service, the schedule for completion of the second Kahe unit has been advanced from early 1965 to November, 1964.

Late in the year the Company sold its wholly-owned merchandising subsidiary, Honolulu Electric Products Co., Ltd., to Mr. J. C. Earle of Honolulu. The subsidiary company was formed on January 3, 1956, but Hawaiian Electric had from the earliest days engaged in the distribution and sale of electrical equipment and appliances.

The economic strength of Hawaii is detailed in the text of this report, beginning at page 6, and graphs accompanying that text are helpful in measuring some of the tangible elements which underlie our economic fortunes. I wish to bring out in this

letter three facts (less tangible but nonetheless real and extremely important) which need recognition in evaluating the expansion potential of Hawaii and our Company.

First is our geographic position. The fastest growing areas of the world today are in those countries bordering the Pacific Ocean—the western part of the United States, western Canada, Japan, Australia, New Zealand and Hawaii. Situated in the middle of the Pacific, Hawaii is destined to become increasingly important in ways not yet fully discerned.

In addition, Hawaii is filled with a natural beauty and spirit of aloha, exerting a power of attraction impossible to measure or trace. These traditional qualities, strongly held, give promise not only of continued tremendous expansion of tourist trade but of business and industry as well. The desire to live and work in these islands and the appeal of products made or grown in Hawaii increase year after year.

Finally, improvements in transportation and communication have greater significance for Hawaii than for most other areas. The islands are now lifted from their historic isolation into the full stream of national and international action.

These three factors—geographic location, natural beauty, and technical advances in transportation and communication—work together as silent partners toward the general economic advancement of Hawaii. They have a beneficial influence on the growth of all segments of the islands' economy—and, in turn, on the future operations of this Company.

In closing, I wish to express my gratitude for the outstanding loyalty and cooperation extended by all members of the Hawaiian Electric family—stockholders, directors, employees and customers. We look forward to continued Company expansion in the years ahead.

A handwritten signature in dark ink, reading "Ralph B. Johnson". The signature is written in a cursive, flowing style.

RALPH B. JOHNSON
President

March, 1963

1962—A Year of Continued Growth for the Company

A review of the 1962 financial results shows healthy growth of the Company and attests to the economic strength of our service area.

Net income for the year amounted to \$5,963,329, including a non-recurring cash dividend of \$459,123 (after taxes) from our merchandising subsidiary, Honolulu Electrical Products Co., Ltd. After payment of \$1,166,616 in dividends to preferred stockholders, there remained \$4,796,713 of earnings for the common stock, equivalent to

\$1.38 per share on the shares outstanding at the end of the year.

Utility earnings per share on the shares of common stock outstanding at the end of the year, was \$1.25 per share on 3,473,032 shares as compared with \$1.20 per share on 3,157,302 shares in 1961 (adjusted for 3-for-1 split).

Stock Split

On February 1, 1962 a three-for-one stock split of the Company's common stock was effected, reducing the par value from \$20 to \$6 $\frac{2}{3}$ per share and increasing the number of shares of common stock outstanding to 3,157,302 shares.

Dividends

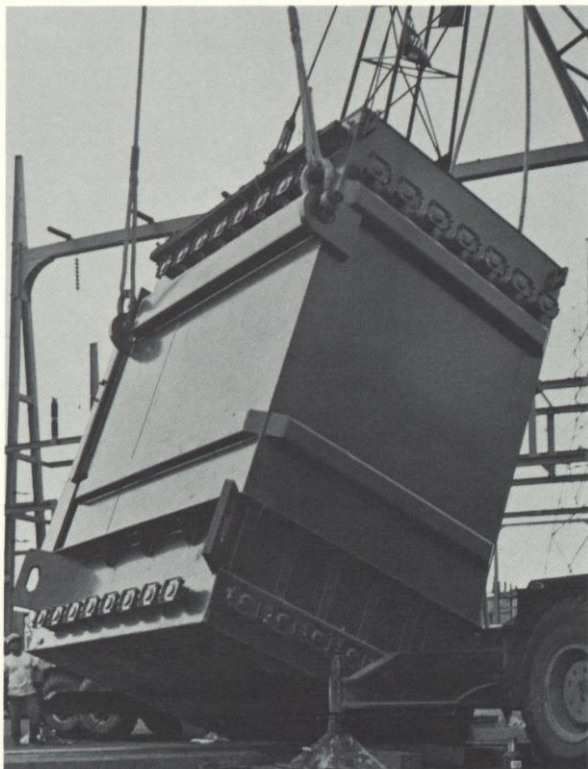
Dividends at the rate of 23 cents per share were paid quarterly on the common stock, totaling 92 cents for the year. Retained earnings of \$1,819,377, up \$735,379 from 1961, were used to help finance the plant expansion program.

Financing

To pay for part of the construction program, the Company issued and sold both preferred and common stock during the year.

In June an issue of 250,000 shares of Series J 4 $\frac{3}{4}$ per cent (Cumulative) Preferred Stock was sold to five insurance companies. Net proceeds from the sale were

Expansion program moves ahead: an 82-ton, \$195,000 transformer is gently unloaded at new substation.



1962 HIGHLIGHTS

| | |
|---|--|
| <p>UTILITY PLANT 13.4% Utility plant in service and work in progress increased \$18,162,772 to \$153,892,525</p> <p>PEAK DEMAND 9.1% Maximum kilowatt demand increased by 31,000 kw to 372,000 kw</p> <p>SALES 11.6% Kilowatt hour sales rose to 1,693,762,500</p> <p>REVENUES 11.3% Gross revenues increased to \$36,941,306</p> <p>EXPENSES 9.2% Expenses increased \$2,615,927 to \$30,977,977</p> | <p style="text-align: right;">Increase</p> <p>NET INCOME 14.2% Utility net income* increased by \$685,940 to \$5,504,206</p> <p>EARNINGS 4.2% Utility earnings* per share on common stock outstanding at year end were \$1.25 on 3,473,032 shares as compared with \$1.20 on 3,157,302 shares in 1961 (adjusted for 3-for-1 split)</p> <p>CUSTOMERS 3.5% Number served increased by 4,198 to a total of 125,866</p> <p>RESIDENTIAL USE 5.2% Average annual use of electricity by our residential customers increased to 5,349 kwh in 1962, approximately one-quarter greater than the national average</p> |
|---|--|

* Exclusive of a non-recurring dividend of \$459,123 received from the Company's subsidiary

SUMMARY OF FINANCIAL RESULTS

| | % of Total | 1962 Amount | 1961 Amount | % Increase or (Decrease) |
|---|---------------|----------------|----------------|--------------------------------|
| WE RECEIVED INCOME FROM | | | | |
| Sales to residential customers | 40.29 | \$14,885,791 | \$13,728,458 | 8.43 |
| Sales to industrial and commercial customers | 56.69 | 20,941,250 | 18,809,080 | 11.34 |
| Other sources | 3.02 | 1,114,265 | 642,778 | 73.35 |
| Total | 100.00 | \$36,941,306 | \$33,180,316 | 11.34 |
| WE HAD THESE EXPENSES | | | | |
| Wages and employee benefits charged to operations | 21.55 | \$ 7,962,482 | \$ 7,277,569 | 9.41 |
| Fuel oil | 20.99 | 7,753,834 | 6,848,729 | 13.22 |
| Other materials and services | 6.91 | 2,551,546 | 2,318,530 | 10.05 |
| Depreciation | 7.54 | 2,783,708 | 2,473,339 | 12.55 |
| Federal and local taxes | 22.20 | 8,200,233 | 7,690,567 | 6.63 |
| Interest on borrowed money and other miscellaneous expenses | 4.67 | 1,726,174 | 1,753,316 | (1.55) |
| Total | | \$30,977,977 | \$28,362,050 | 9.22 |
| LEAVING AS NET INCOME | | \$ 5,963,329 | \$ 4,818,266 | 23.77 |
| FROM WHICH WE PAID STOCKHOLDERS | | | | |
| Preferred dividends | 3.16 | \$ 1,166,616 | \$ 1,042,783 | 11.88 |
| Common dividends | 8.06 | 2,977,336 | 2,691,485 | 10.62 |
| AND WE RETAINED IN OUR BUSINESS | 4.92 | \$ 1,819,377 | \$ 1,083,998 | 67.84 |
| | 100.0 | | | |

used to retire short term bank loans. In October the Company issued and sold 315,730 additional shares of common stock at \$21.25 per share, offering the owners of record on September 12 one share for each ten held. In 1963 the Company expects to seek additional funds for capital improvements through the sale of bonds.

In 1962 the Company spent \$19,162,299 for plant construction. Expenditures for the construction of new facilities in 1963 are estimated at \$17,915,000.

The economy of our service area and the Company's high growth potential have contributed to the good market acceptance enjoyed by our securities. The Company's total capitalization is now \$128,976,330, consisting of 44 per cent bonds, 19 per cent preferred stock and 37 per cent common stock equity.

Ownership

During 1962 the number of owners of our common stock was increased by 2,513, bringing the total to 9,537. Five years ago the total number was 4,698.

Owners of the Company's common stock reside in 49 states, the District of Columbia and United States possessions, and in three

foreign countries. Since Hawaii received statehood, the Company has gained many institutional investors such as trust companies, funds and insurance companies.

As Hawaiian Electric continues to grow and national interest in Hawaii increases, more of our common stock is finding its way into the national market. Historically, our common stock has been preponderantly island-owned. During the past five years, however, the number of holders of our common stock has more than doubled and there has been a definite trend toward wider distribution. Compared with five years ago the percentage of stock held by Hawaii residents has decreased from 91 to 75.

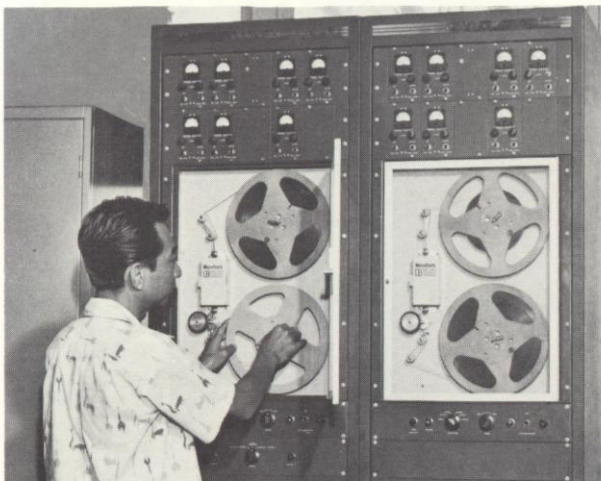
Series B Preferred

The 10,343 shares of Series B Preferred Stock left outstanding after the close of the exchange offer in 1961 were redeemed at \$24 per share plus accrued dividends on January 15, 1962. Because of restrictive covenants, elimination of this series will permit greater flexibility in future financing.

Merchandising Subsidiary

The Company sold Honolulu Electrical Products Co., Ltd., its wholly-owned mer-

Modern new seven-track tape recorder was installed for voice recording of Load and Trouble Dispatcher.



Company's computer center has latest available equipment to aid in planning system expansion.



chandising subsidiary, to Mr. J. C. Earle of Honolulu for \$3,792,627.32. These funds will be reinvested in utility plant.

Expenses

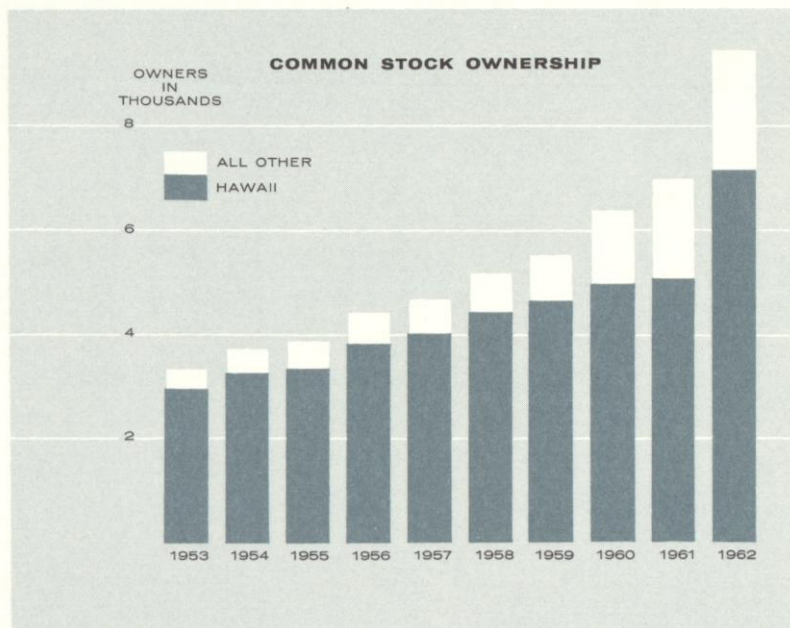
Operating expenses rose 9.9 per cent above 1961. Wages, together with the amount paid to employees in benefits represent our largest operating expense. Company-paid benefits of \$2,199,871 account for approximately 20 per cent of the total labor cost of \$11,007,916. Fuel oil is the second largest operating expense, totaling \$7,753,834, a 13.2 per cent increase over 1961. The average cost per barrel in 1962 was \$2.431 (.077 cents more than in 1961), and the number of barrels used in 1962 increased 279,048. All rate schedules contain a fuel oil clause which provides for adjustment in cost of electricity to our customers when fuel oil prices vary from \$2 per barrel.

PAYROLL & BENEFITS

| | 1962 | 1961 |
|---------------------------------|--------------|--------------|
| Wages for productive work..... | \$ 8,808,045 | \$ 7,927,662 |
| Benefits paid by the Company | | |
| Vacations..... | 440,969 | 400,912 |
| Holidays..... | 339,578 | 245,461 |
| Sickness..... | 218,614 | 187,243 |
| Excused absence, etc..... | 27,570 | 36,673 |
| Annuity and life insurance..... | 683,946 | 768,577 |
| Cash pensions..... | 58,261 | 59,793 |
| Medical aid dues..... | 201,356 | 213,228 |
| Social Security insurance..... | 196,823 | 176,560 |
| Unemployment insurance..... | 32,754 | 15,418 |
| Total benefits..... | \$ 2,199,871 | \$ 2,103,865 |
| Total payroll and benefits.. | \$11,007,916 | \$10,031,527 |

Taxes

State and Federal taxes for 1962 increased 5.1 per cent. Taxes charged to income amounted to \$8,200,232, which was 22.5 per cent of the total revenue and equivalent to \$2.36 per share of the common stock. Federal investment tax credit for the year 1962 amounted to \$236,361. Fifty-two per cent, or \$122,908, is charged to income as deferred income taxes.



TAXES

| STATE | 1962 | 1961 |
|------------------------|--------------|--------------|
| Income..... | \$ 460,584 | \$ 454,417 |
| Public Utility..... | 2,297,936 | 2,069,260 |
| Franchise Royalty..... | 888,235 | 819,490 |
| Other..... | 109,254 | 104,236 |
| | \$ 3,756,009 | \$ 3,447,403 |
| FEDERAL | | |
| Income..... | \$ 4,328,039 | \$ 4,270,479 |
| Payroll and other..... | 232,608 | 193,261 |
| | \$ 4,560,647 | \$ 4,463,740 |
| Total Taxes..... | \$ 8,316,656 | \$ 7,911,143 |

Antitrust Suits

During 1962 the Company filed in the United States District Court for the Southern District of California at Los Angeles 19 actions under the Federal antitrust laws for the recovery of treble damages arising out of alleged overcharges on purchases by the Company of electrical apparatus. In prosecuting these cases the Company is working closely with the Pacific Gas & Electric Company, Southern California Edison Company, San Diego Gas & Electric Company, California Electric Power Company and Nevada Power Company, which have filed similar actions in the Los Angeles court.

The New State Expands at a Faster Rate than the Nation

In view of the important relationship between an electric utility and its service area, we are devoting this special section to a summary of the principal segments in Hawaii's economy, with particular emphasis on our service area which includes the entire Island of Oahu.

While the economy of our service area gathers much of its strength and stability from that of the state as a whole, there are significant differences between the two. The neighbor islands are chiefly agricultural, with a growing number of resort developments. Oahu (where four-fifths of the state's population of approximately 700,000 live and work) is the center of state government, commerce, visitors, national defense, and East-West learning and culture.

Hawaii's economy is soundly based on a variety of activities providing stability and a strong growth potential.

Future expansion of the Hawaii economy is firmly grounded in the diversified manufacturing which began an impressive growth about 1955 and in the already thriving mar-

ket for visitors. These activities are centered chiefly on Oahu and are the major force behind much of the Company's recent expansion and future plans.

Serving as stabilizing factors in the state economy as a whole are the basic agricultural crops of sugar and pineapple, together with Federal expenditures for national defense. These segments of Hawaii's economy are relatively undisturbed by temporary fluctuations in the nation's general economy.

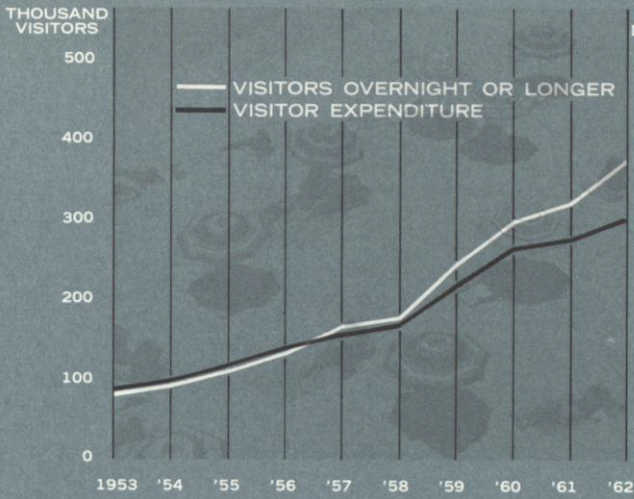
New IBM Building, with unique honeycomb exterior, helps fill growing city's need for office space.



Diversified Manufacturing

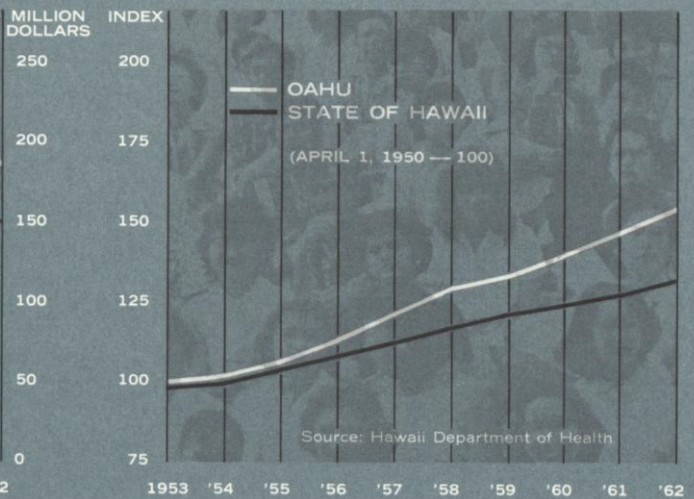
Efforts to broaden the base of our economy by bringing new industry to Hawaii and enlarging existing industry began shortly after the close of World War II and began to show impressive results by 1955. In 1958 a 1,200-acre industrial park was opened on the southwest tip of Oahu. Since then a number of industries new to Hawaii have been established there and in other sections throughout our service area. Imported raw materials are processed mainly for local consumption.

TOURISM



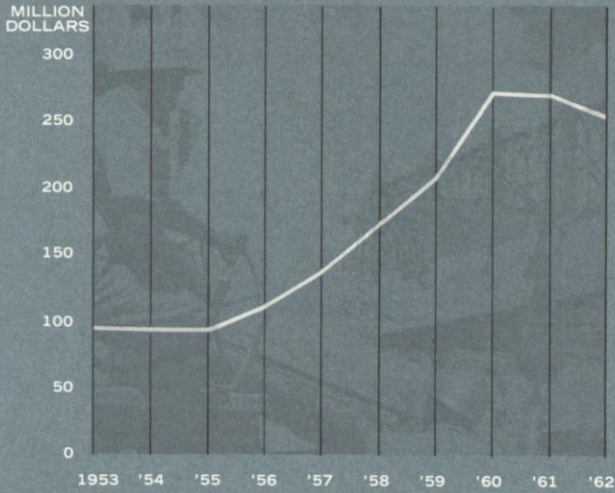
Tourism booms on all Hawaii's islands, but Oahu is center of the industry — 90% of visitor dollars are spent here.

CIVILIAN POPULATION



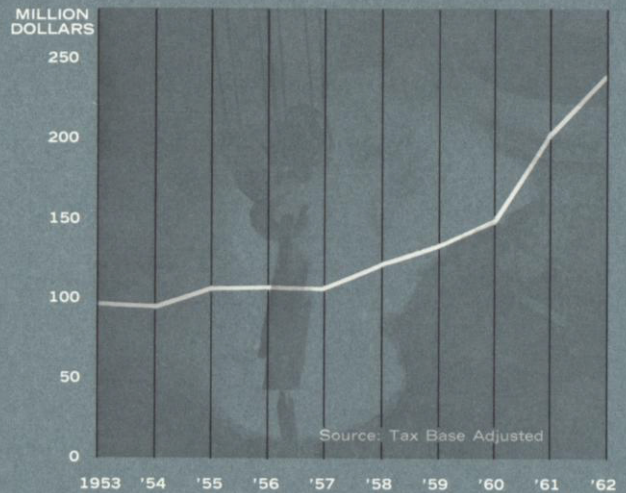
More than 80% of Hawaii's people live in HECO's service area, Oahu, and population continued to climb in 1962.

CONSTRUCTION



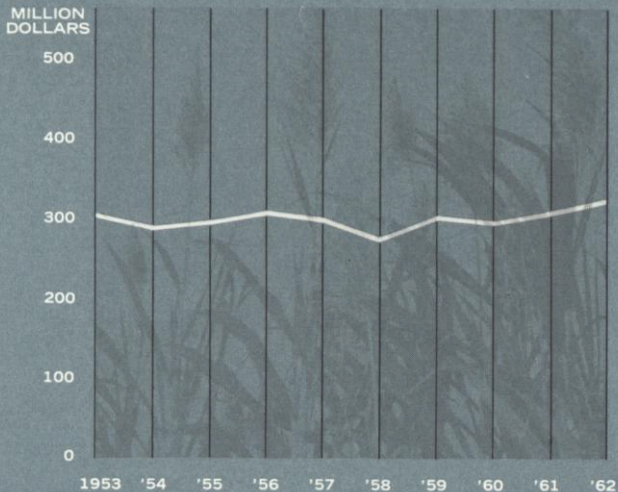
The level of construction activity, 90% of it in HECO's service area, holds well above pre-statehood years.

DIVERSIFIED MANUFACTURING



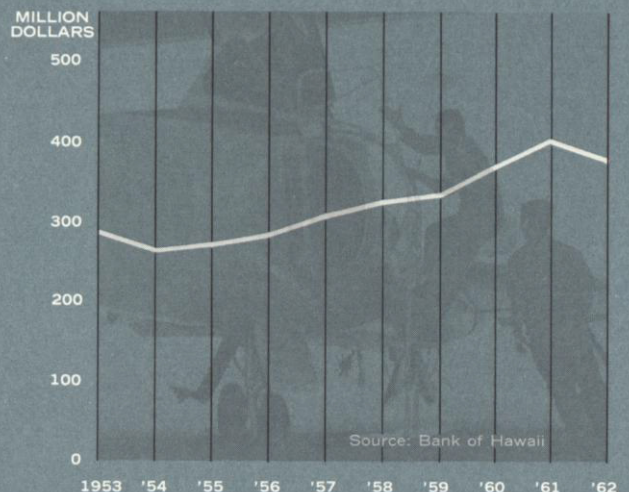
Emphasis on diversification has helped give Hawaii's economy a fresh, new look — and increased stability.

AGRICULTURE



Oahu has 30% of total agriculture and 75% of diversified agriculture, the area of greatest potential expansion.

FEDERAL DEFENSE EXPENDITURES



Diversification of Hawaii's manufacturing capability is main factor in 10-year rise. A full 98% is spent on Oahu.

Notable among the larger plants are the \$65 million Standard Oil Company of California refinery, a steel mill and two cement plants. Other manufacturing and processing includes garments (for local and export markets) furniture and wood products, stone, clay and glass products, plastics and processed foods.

While most of the manufacturing is done in a large number of small plants, they represent in the aggregate one of Hawaii's greatest growth factors of the past few years, exceeding tourism in total dollar volume. For example, the apparel industry alone had a dollar volume of over \$22 million in 1962.

Visitors

In the period between the close of World War II and 1958 the number of visitors rose rapidly from 15,000 to 172,000. In 1958 visitor expenditures amounted to almost \$83 million. Since the arrival of statehood and jet travel, coming almost simulta-

neously, this phase of our economy has shown a substantial increase. In 1962 the number of visitors spending more than one or two days as a stopover to other destinations was 362,000 (a 13.2 per cent increase over 1961), and total visitor expenditures were approximately \$154 million.

Provision for visitor accommodations and facilities continued on a major scale during 1962 with development and promotion of additional resorts on the Islands of Maui, Kauai and Hawaii and extension of the resort complex in our service area. Continued development of resorts on the neighbor islands should aid these areas economically and, at the same time, keep the state a popular vacationland for years to come.

Agriculture

The basic agricultural crops are sugar and pineapple. Sugar milling and the canning of pineapple fruit and juice constitute Hawaii's oldest industries. Production areas are chiefly on the other islands, as is 80 per

Waikiki's Ilikai Cooperative Apartments will be largest in Hawaii, with 1,056 one- and two-bedroom units on 27 floors.





The upward trend in tourist trade and population is mirrored in the rising skyline of Waikiki. Along the area's sunny streets, just a short stroll from the world's most famous beach, bright and modern hotel and apartment buildings are added each year.

cent of the sugar milling. Approximately 33 per cent of Hawaii's pineapple is grown on Oahu, and 72 per cent of the fruit is processed by canneries in our service area.

Both the sugar and pineapple industries in Hawaii spend large sums on research and lead the world in production techniques. Both have created by-product industries, and there are some possibilities of further development along this line.

Although most of Hawaii's diversified agricultural production is for local consumption, coffee produced on the Island of Hawaii has been a significant export item for many years. There is some exporting of fresh papaya, flowers and processed fruit and nuts; with greater use of air shipment and development of markets in the countries bordering the Pacific, this activity is being expanded.

National Defense

Another important stabilizer in the state's economy is the presence of national defense

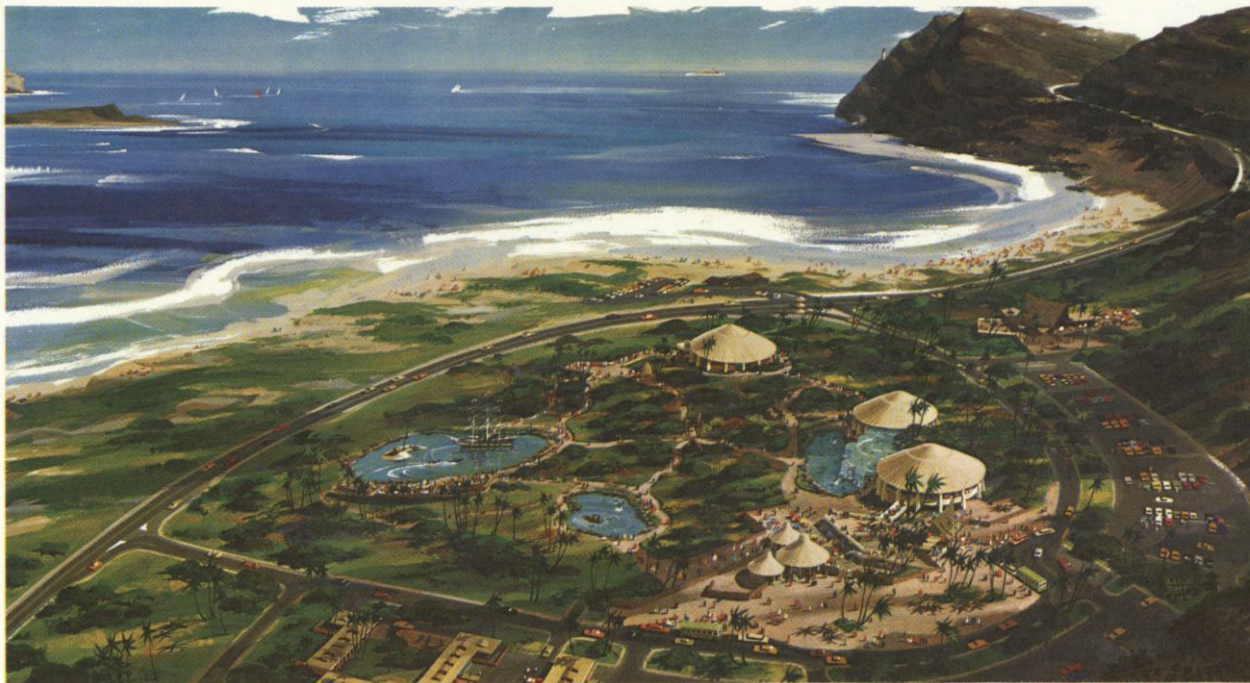
operations. Approximately 98 per cent of the Federal expenditures for this purpose in Hawaii are made in our service area. Headquarters for Commander in Chief of the Pacific were established on Oahu in July, 1957.

This command includes fighting men of all services and extends from Antarctica to the Aleutians and runs westward from American coastlines into the Indian Ocean.

Military services were an integral part of Hawaii's economy long before World War II. Since the war, they have become a major segment, although they provided only 11 per cent of the Company's total revenue during 1962.

Over the years, the technology of defense has changed materially, and Hawaii has proved to be just as suitable for the new weaponry and technology of the military as it was in the days of conventional methods of warfare. It appears that Hawaii's role as the nation's forward area readiness headquarters will continue to be one of major importance.

A unique oceanarium exhibit, Sea Life Park, and a marine research center, Pacific Oceanics Institute, are combined in elaborate project now under construction at Makapuu. Architect's drawing shows completed plant.





First National Bank's new 19-story downtown building rises high above the mellowing landmarks of an earlier era.



Expanding role of education in the Islands is reflected in modern new facilities of Hawaii's East-West Center.

New multi-million-dollar airport terminal helps equip Honolulu for jet-age role as transportation center of the Pacific.



Hawaiian Electric Responds to the Growing Community Needs

Evidence of growth is best seen by viewing certain factors over a span of a few years, rather than one year at a time.

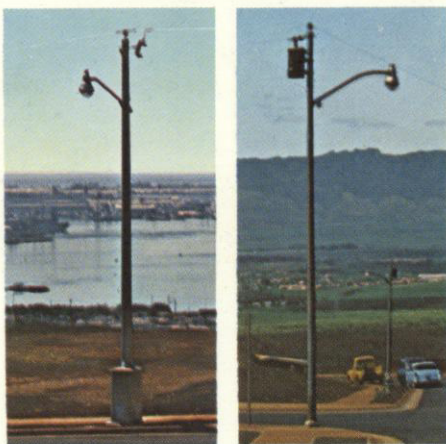
During the past five years the peak demand for kilowatts has grown approximately 64 per cent, and kilowatt hour sales during this period have increased more than 74 per cent.

To help preserve Hawaii's beauty:

NEW OVERHEAD WIRING

A new residential distribution system, more attractive than conventional overhead wires, yet costing less than underground facilities, has been developed by HECO.

Only a single primary line is overhead; secondary cables are buried beneath sidewalks. Transformers are placed either in the base or at the top of light standards.



Our number of customers increased 22 per cent during the past five years. The 74 per cent increase in kilowatt hour sales resulted from the high residential use of electricity in our area and from a sharp increase in commercial and industrial sales. Residential customers averaged 5,349 kwh in 1962 compared with the national average of about 4,277 kwh. Kilowatt hour sales to commercial and industrial customers in our area has increased 85 per cent in the last five years.

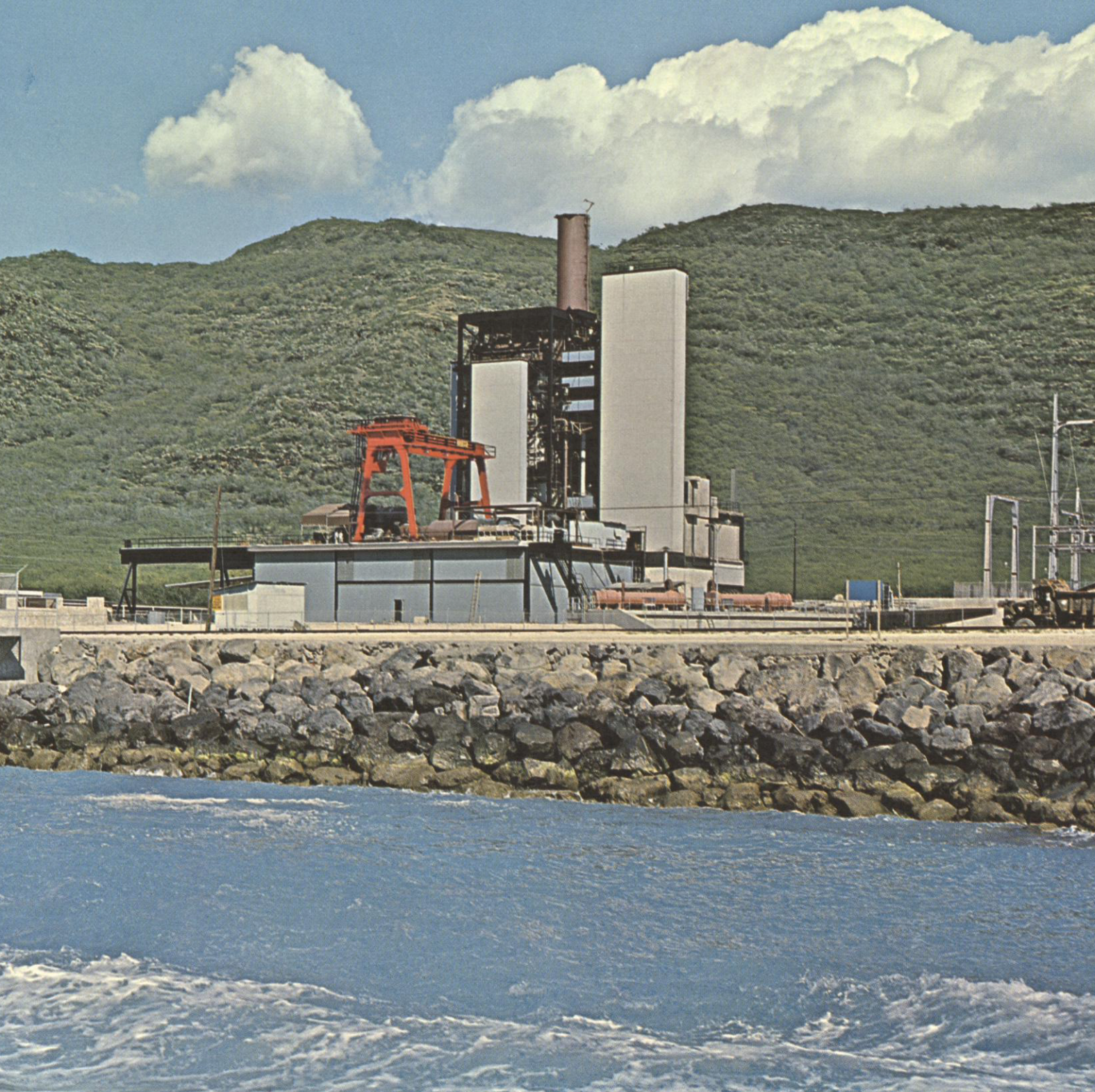
In the five-year period 1958 through 1962 we invested \$72.6 million in the expansion and improvement of our system, and a total of \$92.6 million is budgeted for the next five years.

New Plant

During 1962 construction work on the Company's third generating station being established at Kahe progressed on schedule to put the first unit into commercial operation in March, 1963.

Kahe Unit 1, the largest and most efficient to be placed on our system to date, with a capability of 82,500 kw, will bring the Company's total generating capability to 539,500 kw. Higher efficiency of this unit is due primarily to higher steam conditions and reheat. It will have steam conditions at the throttle of the turbine of 1,800 pounds pressure and 1,000° F temperature, with one stage of reheat to 1,000° F. This is the first reheat unit to be constructed in the State of Hawaii.

New Kahe generating station is located in a secluded valley on Oahu's leeward coast, a site suitable for future nuclear plants. First unit, pictured here nearing completion, required 20 months of construction. An adjacent second unit is to follow immediately.

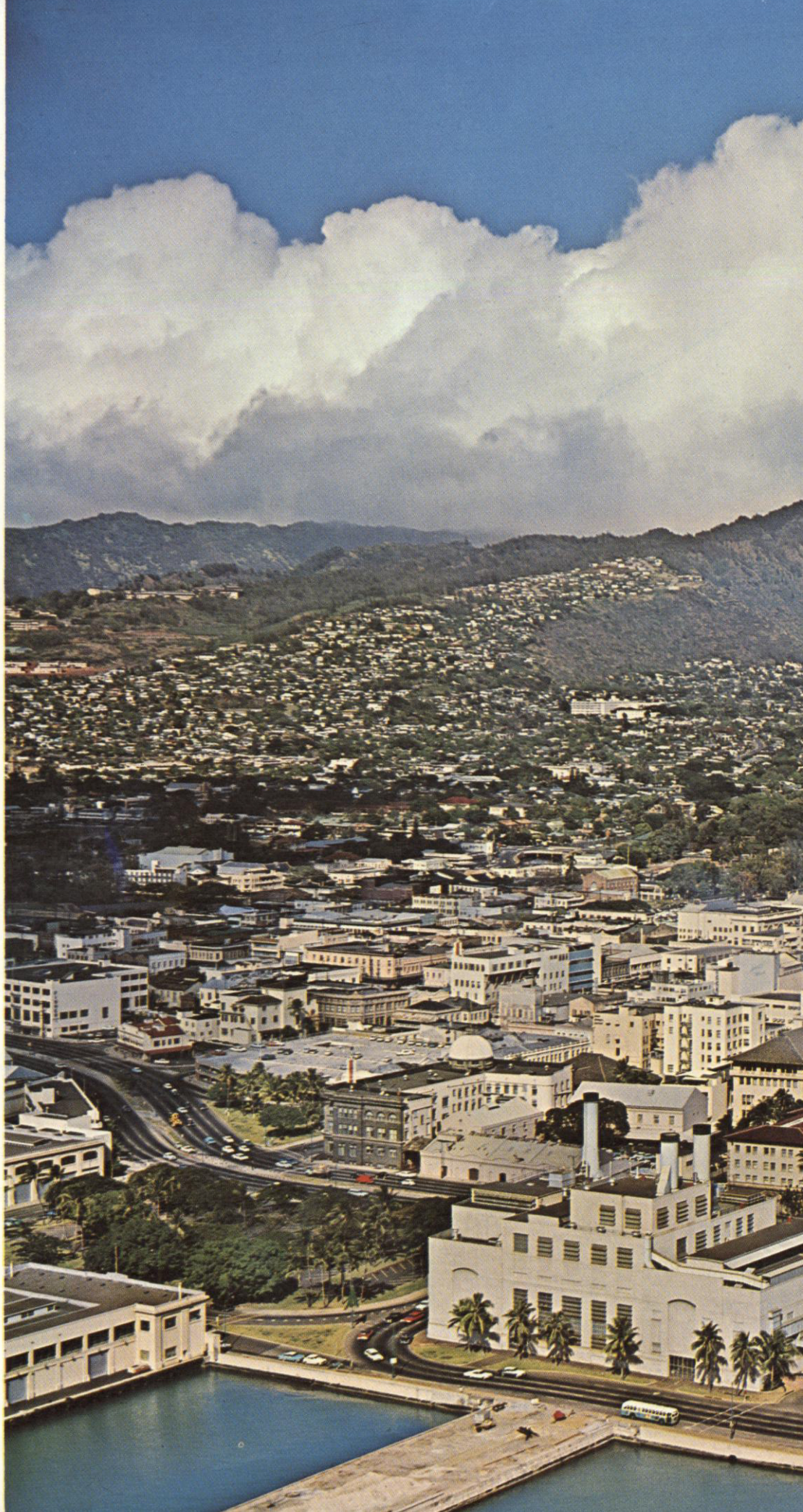


Changing Face of the City

Through rainbow-crowned Nuuanu Valley, a broad new freeway brings traffic into downtown Honolulu, center of the state's business and financial life. As evidence of its vitality, more than \$9 million in construction was completed in the downtown area in 1962.

Hawaiian Electric's Honolulu power plant is in the foreground, its administrative offices just two blocks away.

To its right are the green lawns of Iolani Palace, seat of the state's government.







Multi-ampere transformer tester, developed by the company, has saved many man-hours.

Kahe 2, which will be identical to Kahe 1, is scheduled for completion in November, 1964.

Major overhauls on all generating equipment were completed on schedule during 1962, and all of our generating plant is in excellent condition.

Enlarged Transmission

The Kahe station will be linked to the other two stations at Honolulu and Waiiau, and to the entire system, by 138 kv transmission facilities.

Expansion of the 138 kv system was continued with completion of the first of two 138 kv lines from the Waiiau Power Plant to the Kahe site. Part of an additional 138 kv line was constructed and placed in operation initially at 46 kv to supply power to the Kaimuki-Waikiki area. Twelve new substations were energized, tested and put in service. Three of them have 138/46 kv transformers, providing connections for the 138 kv system at Waiiau, Koolau and Kahe. During the year 16.5 miles of 46 kv transmission line was built.

Service Improvement

It is forecast that by 1972 the use of elec-

tricity will be more than double what it is today. In planning system expansion, Hawaiian Electric uses the most modern methods and computers available.

As Company facilities are increased to meet enlarged demand, our engineers are constantly seeking methods and equipment to improve the service and the appearance of our facilities.

Special attention is given to attractive power plant design, landscaping of substations and improved appearance of power lines. As a result of special Company efforts to promote the installation of underground distribution systems and to find ways of reducing the cost, 41 per cent of the subdivision lots planned during 1962 provided for underground service. Underground service was provided for 825 homesites in 1962 and for 980 the previous year.

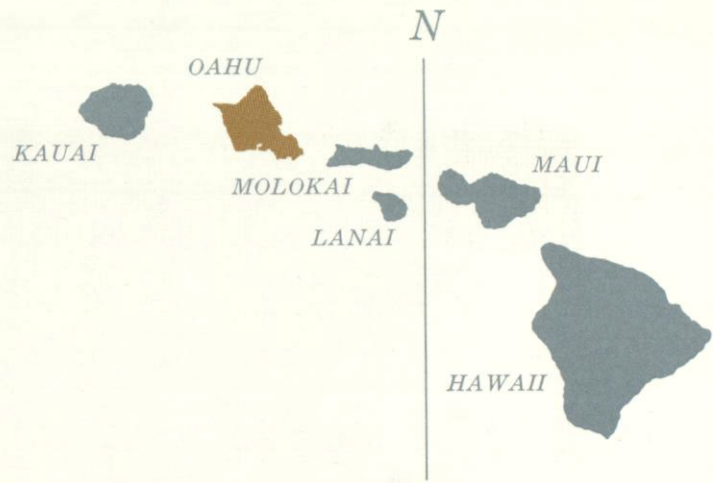
Our engineers developed and have made a trial installation of a distribution system that is partially overhead and partially underground, costing approximately half as much as an all-underground system. This new system has gained national recognition. They also have developed new construction methods to improve the appearance of overhead systems. New designs are being used which permit a reduction in the number of poles, and, in residential areas, most poles are constructed without cross-arms.

Management Strengthening

As our system grows in size and complexity, responsibilities of management increase, and there is need for additional delegation of authority to carry heavier duties. Four new vice presidents were appointed in 1962—three being department managers and one joining the Company on September 1. In addition, new appointments were made during the year to the offices of Financial Vice President, Controller, Treasurer and Budget Director.

Company Service Area

Hawaiian Electric's service area, shown below, is the entire Island of Oahu, with an area of 604 square miles and a population of more than half a million—four-fifths of the state's total. On Oahu is located the center of finance, business, industry and U. S. defense in the Pacific.



The Board appointed George Hogg Financial Vice President on March 12. Mr. Hogg came to the Company in 1921. He had served as Vice President and Treasurer since 1948 and as a Director since 1953. By action of the Board, also on March 12, Eugene A. Helbush was promoted to Controller, becoming the accounting officer of the Company responsible to the Financial Vice President. Mr. Helbush continues as Assistant Secretary and Assistant Treasurer. At the same time, Will B. Johnstone, Jr. was appointed Treasurer, responsible to the Financial Vice President. Prior to this appointment he had been Assistant Secretary and Assistant Treasurer. The position of Budget Director was created under the new Financial Vice President, and Edward A. Murty, Assistant Secretary and Assistant Treasurer, was promoted to this position.

On May 8 the Board of Directors appointed Russell H. Hassler Vice President, effective September 1. At the time of appointment he was Associate Dean of Harvard University's Graduate School of Business Administration and was well known in Honolulu through the Harvard Advanced Management Programs. In addition to his

duties on the Harvard staff, he had served at various times as consultant to a number of companies, including Hawaiian Electric. He brings a wealth of knowledge and experience in corporate financial matters.

Three vice president appointments were made effective August 21. These are Jesse R. Zeigler, Vice President and Manager of Operations, who joined the Company in 1939 and was named Operations Manager in 1958; Carl H. Williams, Vice President and Manager of Engineering, who joined the Company in 1945 and succeeded Mr. Zeigler as Manager of Engineering in 1955; and Herbert Heinrich, Vice President and Manager of the Commercial Department, who came to the Company in 1936 and has been Commercial Manager since 1958.

Employees

Employees are among the most important assets of the company in meeting future growth of our area. Hawaiian Electric is fortunate in having a relatively young group of employees, the average age being 38.7 with an average length of service of 13 years. The average length of service

Six new company officers were appointed in 1962, l to r: Jesse R. Zeigler, Carl H. Williams, Will B. Johnstone, Jr., Eugene A. Helbush, Herbert Heinrich and Russell H. Hassler.





Training model, accurate in scale even to current in power lines, was developed to demonstrate new safety procedures.



"Strato-Lift," one of many new vehicles, speeds installation, adds safety, eases lineman's work.

Power plant trainees learn on company-developed "control board" which simulates real conditions.



among supervisors and officers is 21.1 and 23 years, respectively.

During 1962 the number of employees was increased by sixty-three, bringing the total at year end to 1,356. Our apprenticeship program to develop journeymen graduated 23 during the year. This program, with the exception of the apprentice draftsmen, was accelerated and now calls for three years of on-the-job training, instead of almost four, and the related training time has been reduced from 576 to 432 hours.

Since early in 1959 an intensive program has been carried on to increase conscious attention to safety practices, and as a result of the cooperation given this program we have cut our number of accidents in half.

The good employer-employee relations enjoyed in the past continued throughout 1962. The International Brotherhood of Electrical Workers, Local 1260, AFL-CIO, represents 77 per cent of our employees. The present contract covering the period from March 1, 1961 to February 28, 1963

was reopened for wages only at the end of the first year, in accordance with the contract. Employee wage and salary increases and adjustments averaging 5.36 per cent were negotiated on March 1, 1962. Employees in our security force are represented by the United Plant Guard Workers of America, Independent Local 650, under a contract extending to April 30, 1963.

Wage and salary rates of the Company compare favorably with those of the community and with mainland utilities of comparable size. The present average hourly rate of pay is \$3.23. Company-paid benefits of \$2,199,871 account for approximately 20 per cent of the total labor cost of \$11,007,916.

Sales Promotion

The combined sales and service efforts of our Commercial and Promotional Departments have had an excellent effect on the growth of kilowatt hour sales. Regular calls are made on commercial and industrial accounts for the purpose of providing information and technical advice to assure the fullest and most economical use of electric power.

A vigorous sales effort for electric living was carried on with homeowners, prospective homeowners and all phases of the home building industry. Eighty-five per cent of the 3,916 new homes constructed on Oahu during 1962 were all-electric, and 225 met the specifications for a bronze or gold medallion.

Information and assistance is available to the general public on wiring, lighting, kitchen planning and remodeling. Cooking classes for the general public and for many special groups in the Home Service Auditorium totaled 395, with a total attendance of 21,424. Our staff of 10 home economists averaged 477 calls per month in 1962, giving home demonstrations on major electrical appliances.

To gain ease and confidence high above the ground, lineman trainees toss volley ball from pole to pole.





Employees' Glee Club sings colorful Island melodies in July Festival of Hawaiian Song, co-sponsored by company.

Personnel staff member explains details of employee benefits in one of 25 separate meetings held at various work locations.

HECO home economist slices egg in decorative Japanese manner in class on Oriental cookery.



Board of Directors

| | |
|--|--|
| P. E. SPALDING <i>Chairman of the Board</i> | DUDLEY C. LEWIS <i>Attorney-at-Law</i> Lewis, Buck & Saunders |
| LESLIE A. HICKS <i>Chairman</i> Finance Committee of the Board | J. SCOTT B. PRATT, III <i>President</i> Hawaiian Trust Company, Limited |
| T. A. COOKE <i>Trustee of Estates</i> | H. M. RICHARDS <i>Staff Assistant</i> Castle & Cooke, Inc. |
| G. W. FISHER <i>President</i> Bishop Trust Company, Limited | A. E. STEADMAN <i>Chairman of the Board</i> Cooke Trust Company, Limited |
| GEORGE HOGG <i>Financial Vice President</i> | H. V. VON HOLT <i>Estate Management</i> |
| RALPH B. JOHNSON <i>President</i> | HEATON L. WRENN <i>Attorney-at-Law</i> Anderson, Wrenn & Jenks |

Officers

| | |
|---|--|
| P. E. SPALDING <i>Chairman of the Board</i> | |
| RALPH B. JOHNSON <i>President</i> | |
| GEORGE HOGG <i>Financial Vice President</i> | |
| RUSSELL H. HASSLER <i>Vice President</i> | CARL H. WILLIAMS <i>Vice President, Engineering</i> |
| HERBERT HEINRICH <i>Vice President, Commercial</i> | JESSE R. ZEIGLER <i>Vice President, Operations</i> |
| LEWIS W. LENGNICK <i>Vice President, Executive Engineer</i> | EUGENE A. HELBUSH <i>Controller, Asst. Secretary and Asst. Treasurer</i> |
| CARL J. SCHIFFERS <i>Admin. Vice President, Industrial Relations</i> | WILL B. JOHNSTONE <i>Treasurer</i> |
| RICHARD L. SUMMERS <i>Vice President and Secretary</i> | EDWARD A. MURTY <i>Budget Director, Asst. Secretary and Asst. Treasurer</i> |

Department Managers

| | |
|--|---|
| WILLIAM J. FROOME <i>System Operation</i> | C. DUDLEY PRATT, JR. <i>Distribution</i> |
| FRANK R. HICKS <i>Generation</i> | FRANCIS H. WILLIAMS <i>Promotional</i> |
| CURTIN A. LESER <i>Personnel</i> | G. MURRAY WINSLEY <i>Purchasing and Stores</i> |

Financial Statements

Auditors' Opinion

PEAT, MARWICK, MITCHELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS
TRUSTCO BUILDING
P. O. BOX 3556
HONOLULU II, HAWAII

February 2, 1963

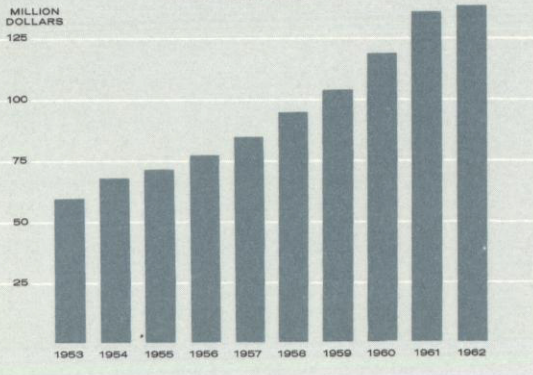
The Stockholders
The Hawaiian Electric Company, Limited

We have examined the balance sheet of The Hawaiian Electric Company, Limited as of December 31, 1962, and the related statements of income, earnings reinvested in business, and premium on common stock 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, earnings reinvested in business, and premium on common stock present fairly the financial position of The Hawaiian Electric Company, Limited at December 31, 1962, 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.

PLANT INVESTMENT



BALANCE SHEET

ASSETS

December 31, 1962
(With comparative figures for 1961)

| | 1962 | 1961 | Increase (Decrease) |
|--|----------------------|----------------------|------------------------|
| UTILITY PLANT, at cost: | | | |
| In service..... | \$138,753,104 | \$129,775,924 | \$ 8,977,180 |
| Construction in progress..... | 15,139,421 | 5,953,828 | 9,185,593 |
| | <u>\$153,892,525</u> | <u>\$135,729,752</u> | <u>\$18,162,773</u> |
| Less accumulated depreciation (Note 1)..... | 22,162,655 | 20,037,840 | 2,124,815 |
| | <u>\$131,729,870</u> | <u>\$115,691,912</u> | <u>\$16,037,958</u> |
| INVESTMENTS: | | | |
| Capital stock of wholly-owned subsidiary, at cost (Note 2)..... | ----- | 3,000,000 | (3,000,000) |
| Real estate and improvements, at cost less accumulated depreciation..... | 50,334 | 33,515 | 16,819 |
| | <u>\$ 50,334</u> | <u>\$ 3,033,515</u> | <u>\$(2,983,181)</u> |
| CURRENT ASSETS: | | | |
| Cash..... | 1,655,599 | 1,588,632 | 66,967 |
| Certificates of deposit..... | ----- | 2,000,000 | (2,000,000) |
| Accounts receivable..... | 4,038,667 | 3,352,873 | 685,794 |
| Allowance for uncollectible accounts..... | (67,475) | (67,475) | ----- |
| Receivable on sale of investment..... | 3,529,300 | ----- | 3,529,300 |
| Construction and operating materials and supplies, at average cost..... | 2,143,788 | 2,437,808 | (294,020) |
| Prepaid expenses..... | 164,307 | 86,943 | 77,364 |
| | <u>\$ 11,464,186</u> | <u>\$ 9,398,781</u> | <u>\$ 2,065,405</u> |
| DEFERRED CHARGES: | | | |
| Unamortized debt expense..... | 583,322 | 615,925 | (32,603) |
| Clearing accounts..... | 67,612 | 129,303 | (61,691) |
| Other..... | 48,376 | 59,077 | (10,701) |
| | <u>\$ 699,310</u> | <u>\$ 804,305</u> | <u>(104,995)</u> |
| | <u>\$143,943,700</u> | <u>\$128,928,513</u> | <u>\$15,015,187</u> |

See accompanying notes to financial statements.

Notes to Financial Statements

NOTE 1—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 \$2,753,703 in 1962 and \$1,518,749 in 1961. Tax reductions arising from that portion of the excess depreciation taken for tax purposes resulting from accelerated depreciation and adoption of guideline lives in 1962 are charged to income and credited to a reserve for future taxes on income. (See Note 8). The company has consistently followed the policy of making no similar provision for the remainder of the excess, \$532,215 in 1962 and \$278,815 in 1961.

NOTE 2—SALE OF WHOLLY-OWNED SUBSIDIARY

The company sold the stock of its wholly-owned subsidiary during the year for \$3,792,627. In accordance with the "Uniform

System of Accounts for Electric Utilities", the net gain after expenses of sale and applicable taxes, \$592,821, was credited to earnings reinvested in business. A dividend received from the subsidiary, \$459,123 after applicable taxes, is included in other income on the accompanying statement of income.

NOTE 3—COMMON STOCK

On January 22, 1962, the shareholders approved a change in the authorized common stock from 1,100,000 shares of a par value of \$20 a share to 3,300,000 shares of a par value of \$6 2/3 a share and a reclassification of each share of the previously outstanding common shares into 3 of the newly authorized shares. For comparative purposes, the 1961 figures on the accompanying financial statements have been adjusted for the 3 for 1 stock split.

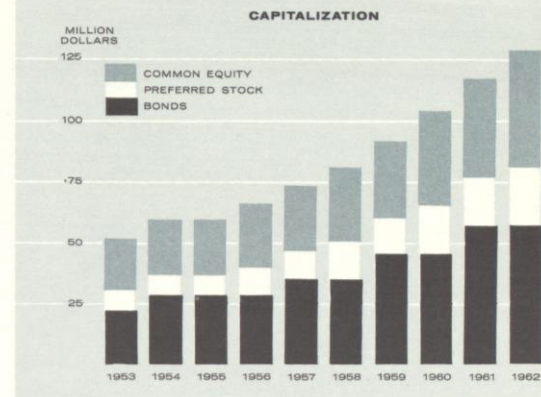
NOTE 4—EARNINGS REINVESTED IN THE BUSINESS

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 \$553,316 as of December 31, 1962.

BALANCE SHEET

LIABILITIES

December 31, 1962
(With comparative figures for 1961)



CAPITALIZATION:

| | 1962 | 1961 | Increase (Decrease) |
|---|---------------|---------------|------------------------|
| Capital stock and surplus: | | | |
| Common stock of \$6 $\frac{2}{3}$ par value per share (Note 3): | | | |
| Authorized, 4,500,000 shares (3,300,000 shares in 1961); | | | |
| Outstanding, 3,473,032 shares (3,157,302 shares in 1961) | \$ 23,153,547 | \$ 21,048,680 | \$ 2,104,867 |
| Premium on common stock | 11,238,917 | 6,634,521 | 4,604,396 |
| Capital stock expense | (1,205,331) | (983,301) | (222,030) |
| Earnings reinvested in business (restricted): | | | |
| 1962, \$553,316; 1961, \$569,294—Notes 4 and 7) | 13,856,057 | 11,438,347 | 2,417,710 |
| Cumulative preferred stock of \$20 par value per share (Note 5) | \$ 47,043,190 | \$ 38,138,247 | \$ 8,904,943 |
| 24,933,140 | 20,191,080 | 4,742,060 | |
| Total capital stock and surplus | \$ 71,976,330 | \$ 58,329,327 | \$ 13,647,003 |
| First mortgage bonds (Note 6) | 57,000,000 | 57,000,000 | — |
| Total capitalization | \$128,976,330 | \$115,329,327 | \$ 13,647,003 |
| CURRENT LIABILITIES: | | | |
| Accounts payable | 1,142,565 | 1,662,340 | (519,775) |
| Accrued taxes | 2,956,068 | 2,850,419 | 105,649 |
| Accrued interest | 650,730 | 649,258 | 1,472 |
| Accrued payroll | 213,927 | 153,286 | 60,641 |
| Accrued dividends (Note 7) | 263,252 | 216,495 | 46,757 |
| Other | 355,645 | 323,454 | 32,191 |
| | \$ 5,582,187 | \$ 5,855,252 | (273,065) |
| DEFERRED CREDITS: | | | |
| Unamortized depreciation adjustment | 1,320,000 | 1,408,000 | (88,000) |
| Other | 262,508 | 270,716 | (8,208) |
| | \$ 1,582,508 | \$ 1,678,716 | \$ (96,208) |
| RESERVES: | | | |
| Future taxes on income (Note 8) | 3,958,481 | 2,615,616 | 1,342,865 |
| Workmen's compensation liability | 75,113 | 75,113 | — |
| | \$ 4,033,594 | \$ 2,690,729 | \$ 1,342,865 |
| CONTRIBUTIONS IN AID OF CONSTRUCTION | 3,769,081 | 3,374,489 | 394,592 |
| | 143,943,700 | \$128,928,513 | \$ 15,015,187 |

See accompanying notes to financial statements.

NOTE 5—PREFERRED STOCK

The following series of preferred stock were authorized and outstanding at December 31, 1962:

| | Shares | Par Value |
|-----------------------------|-----------|--------------|
| Series C, 4 $\frac{1}{4}$ % | 150,000 | \$ 3,000,000 |
| Series D, 5% | 50,000 | 1,000,000 |
| Series E, 5% | 150,000 | 3,000,000 |
| Series F, 5 $\frac{1}{2}$ % | 132,000 | 2,640,000 |
| Series G, 5 $\frac{3}{4}$ % | 175,000 | 3,500,000 |
| Series H, 5 $\frac{1}{4}$ % | 250,000 | 5,000,000 |
| Series I, 5% | 89,657 | 1,793,140 |
| Series J, 4 $\frac{3}{4}$ % | 250,000 | 5,000,000 |
| | 1,246,657 | \$24,933,140 |

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, 1962:

| | |
|---------------------------------------|--------------|
| Series D, 3 $\frac{1}{2}$ %, due 1964 | \$ 5,000,000 |
| Series E, 3 $\frac{1}{8}$ %, due 1970 | 5,000,000 |
| Series F, 3%, due 1977 | 5,000,000 |
| Series G, 3 $\frac{1}{2}$ %, due 1981 | 3,000,000 |
| Series H, 3 $\frac{1}{2}$ %, 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 |
| Series L, 4.65%, due 1991 | 12,000,000 |
| | \$57,000,000 |

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.

continued

STATEMENT OF INCOME

Year ended December 31, 1962 (With comparative figures for 1961)

| | 1962 | 1961 | Increase (Decrease) |
|--|---------------------|---------------------|------------------------|
| OPERATING REVENUES: | | | |
| Sales of electric energy..... | \$36,349,676 | \$33,001,888 | \$3,347,788 |
| Other electric revenues..... | 69,307 | 72,731 | (3,424) |
| | \$36,418,983 | \$33,074,619 | \$3,344,364 |
| OPERATING EXPENSES: | | | |
| Fuel oil..... | 7,753,833 | 6,848,729 | 905,104 |
| Operation..... | 8,052,544 | 7,542,759 | 509,785 |
| Maintenance..... | 2,366,950 | 1,839,102 | 527,848 |
| Depreciation..... | 2,871,708 | 2,561,339 | 310,369 |
| Federal income taxes..... | 4,291,072 | 4,270,478 | 20,594 |
| Taxes, other than federal income..... | 3,909,160 | 3,544,965 | 364,195 |
| Amortization of depreciation adjustment..... | (88,000) | (88,000) | ----- |
| | \$29,157,267 | \$26,519,372 | \$2,637,895 |
| OPERATING INCOME | \$ 7,261,716 | \$ 6,555,247 | \$ 706,469 |
| OTHER INCOME: | | | |
| Dividend (Note 2)..... | 459,123 | — | 459,123 |
| Interest..... | 59,799 | 103,697 | (43,898) |
| Miscellaneous..... | 3,400 | 2,000 | 1,400 |
| | \$ 522,322 | \$ 105,697 | \$ 416,625 |
| GROSS INCOME | \$ 7,784,038 | \$ 6,660,944 | \$1,123,094 |
| INCOME DEDUCTIONS: | | | |
| Interest on long-term debt..... | 2,295,250 | 2,126,300 | 168,950 |
| Amortization of premium on debt..... | (15,185) | (15,185) | ----- |
| Amortization of debt expense..... | 32,603 | 30,264 | 2,339 |
| Other interest charges..... | 72,292 | 10,916 | 61,376 |
| Interest charged to construction..... | (641,368) | (383,900) | (257,468) |
| Donations..... | 60,241 | 60,955 | (714) |
| Miscellaneous other deductions..... | 16,877 | 13,328 | 3,549 |
| | \$ 1,820,710 | \$ 1,842,678 | \$ (21,968) |
| NET INCOME FOR THE YEAR | \$ 5,963,328 | \$ 4,818,266 | \$1,145,062 |

See accompanying notes to financial statements.

NOTE 7—ACCRUED DIVIDENDS

The company initiated the policy of accruing dividends on its outstanding preferred stock during the year. The preferred dividends applicable to the period from the date of the last quarterly payment, October 15 to December 31, 1962, \$263,252, are shown under current liabilities on the accompanying balance sheet. For comparative purposes, the accompanying financial statements have been adjusted to reflect this change as of January 1, 1961.

NOTE 8—RESERVE FOR FUTURE TAXES ON INCOME

Pursuant to the Revenue Act of 1962, the company's income tax liability was reduced by an "investment credit" of \$236,362. This credit represents with certain limitations 3% of the amounts expended in 1962 for the acquisition of qualified facilities. The Act provides that, for tax purposes, the cost base of such facilities be reduced by the amount of the related credit for purposes of computing allowable depreciation charges over their productive lives. For financial reporting purposes the company, with the permission of the Public Utilities Commission, has treated 48% of the investment credit as a reduction of federal income tax expense for 1962 and deferred the balance of 52% to subsequent periods to offset the effect of reduced tax depreciation allowances arising from the credit.

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, additional depreciation arising from adoption in 1962 of certain "guideline" lives for tax reporting, and 52% of the "investment credit" referred to in the preceding paragraph. Accordingly, income was charged and a reserve for future taxes on income was credited with \$1,342,865 for 1962 and \$681,426 for 1961.

NOTE 9—COMMITMENTS AND GENERAL

At December 31, 1962, the company had purchase commitments approximating \$8,500,000 in connection with its plant expansion program.

Estimated unfunded pension costs for services prior to December 31, 1962 consist of costs for past services existing as of January 1, 1956, \$3,295,600, and supplemental costs resulting from wage and salary increases subsequent to that date, \$1,846,400.

Certain minor reclassifications have been made in the 1961 figures on the accompanying financial statements to conform to the revised "Uniform System of Accounts for Electric Utilities".

continued

STATEMENT OF EARNINGS REINVESTED IN BUSINESS

Year ended December 31, 1962 (With comparative figures for 1961)

| | 1962 | 1961 | Increase (Decrease) |
|---|---------------------|---------------------|------------------------|
| BALANCE, JANUARY 1 | \$11,438,347 | \$10,904,530 | \$ 533,817 |
| DEDUCT: | | | |
| Accrued dividends (Note 7) | ----- | 217,260 | (217,260) |
| BALANCE, JANUARY 1, as adjusted | \$11,438,347 | \$10,687,270 | \$ 751,077 |
| ADD: | | | |
| Net income for year | 5,963,328 | 4,818,266 | 1,145,062 |
| Transfers from contributions in aid of construction (contributions held over 23 years) | 37,302 | 28,307 | 8,995 |
| Gain on sale of subsidiary (Note 2) | 592,821 | ----- | 592,821 |
| Gain on sale of real property | 15,885 | ----- | 15,885 |
| | \$18,047,683 | \$15,533,843 | \$2,513,840 |
| DEDUCT: | | | |
| Cash dividends: | | | |
| Preferred stock (Note 7) | 1,163,893 | 1,042,018 | 121,875 |
| Common stock (1962, \$.92 a share; 1961, \$.855 a share) | 2,977,336 | 2,691,485 | 285,851 |
| Common stock (12,813 shares) issued as premium on exchange of preferred shares: | | | |
| Par value transferred to common stock | ----- | 85,420 | (85,420) |
| Excess of market value over par value transferred to premium on common stock | ----- | 273,344 | (273,344) |
| Pro rata share of capital stock expense applicable to preferred stock reacquired | 9,025 | 3,229 | 5,796 |
| Premium paid on redemption of 10,343 shares of Series B preferred stock at \$4 per share | 41,372 | ----- | 41,372 |
| | \$ 4,191,626 | \$ 4,095,496 | \$ 96,130 |
| BALANCE, DECEMBER 31 | <u>\$13,856,057</u> | <u>\$11,438,347</u> | <u>\$2,417,710</u> |

See accompanying notes to financial statements.

STATEMENT OF PREMIUM ON COMMON STOCK

*Year ended December 31, 1962
(With comparative figures for 1961)*

| | 1962 | 1961 | Increase (Decrease) |
|---|---------------------|--------------------|------------------------|
| BALANCE, JANUARY 1 | \$ 6,634,521 | \$6,361,117 | \$ 273,344 |
| Premium received from sale of common stock— 315,730 shares at \$14.58 a share | 4,604,396 | ----- | 4,604,396 |
| Transfer from earnings reinvested in business representing excess of market value over par value of common stock issued on exchange of preferred shares | ----- | 273,344 | (273,344) |
| BALANCE, DECEMBER 31 | <u>\$11,238,917</u> | <u>\$6,634,521</u> | <u>\$4,604,396</u> |

**TEN
YEARS'
GROWTH**



Statistics for decade
from 1953 to 1962
show extent and rapidity
of Company's progress

| FINANCIAL STATISTICS | 1962 | 1961 | 1960 | 1959 | 1958 | 1957 | 1956 | 1955 | 1954 | 1953 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Utility Plant in Service..... | \$138,753,104 | \$129,775,924 | \$113,434,638 | \$103,684,332 | \$ 88,774,189 | \$ 83,773,541 | \$ 74,021,642 | \$ 71,224,120 | \$ 68,447,623 | \$ 55,766,675 |
| Construction Work in Progress..... | 15,139,421 | 5,953,828 | 6,156,441 | 947,025 | 6,795,891 | 1,329,826 | 3,682,033 | 508,216 | 193,132 | 4,732,984 |
| TOTAL UTILITY PLANT..... | \$153,892,525 | \$135,729,752 | \$119,591,079 | \$104,631,357 | \$ 95,570,080 | \$ 85,103,367 | \$ 77,703,675 | 71,732,336 | \$ 68,640,755 | \$ 60,499,659 |
| Depreciation Reserve ¹ | 22,162,655 | 20,037,840 | 18,254,920 | 16,461,713 | 15,048,858 | 13,499,467 | 12,566,409 | 11,697,350 | 11,000,169 | 10,534,715 |
| Capital Structure (Dec. 31) | | | | | | | | | | |
| Bonds..... | 57,000,000 | 57,000,000 | 45,000,000 | 45,000,000 | 35,000,000 | 35,000,000 | 28,000,000 | 28,000,000 | 28,000,000 | 22,000,000 |
| Preferred Stock @ \$20.00 Par..... | 24,933,140 | 20,191,080 | 20,256,880 | 15,320,000 | 15,320,780 | 11,914,080 | 12,000,000 | 9,000,000 | 9,000,000 | 9,000,000 |
| Common Stock @ \$6 $\frac{2}{3}$ Par..... | 23,153,547 | 21,048,680 | 20,963,260 | 18,634,000 | 18,634,000 | 16,940,000 | 16,940,000 | 14,000,000 | 14,000,000 | 13,000,000 |
| Premium on Capital Stock..... | 11,238,917 | 6,634,521 | 6,361,177 | 2,983,750 | 2,983,750 | 1,078,000 | 1,078,000 | ----- | ----- | ----- |
| Capital Stock Expense..... | (1,205,331) | (983,301) | (964,029) | (861,898) | (854,234) | (689,319) | (684,872) | (499,667) | (499,123) | (476,854) |
| Surplus..... | 13,856,057 | 11,654,841 | 10,904,530 | 9,816,331 | 9,080,501 | 8,658,708 | 8,111,607 | 8,776,877 | 8,284,495 | 7,703,892 |
| TOTAL..... | \$128,976,330 | \$115,545,821 | \$102,521,818 | \$ 90,892,183 | \$ 80,164,797 | \$ 72,901,469 | \$ 65,444,735 | \$ 59,277,210 | \$ 58,785,372 | \$ 51,227,038 |
| Bond Interest..... | 2,295,250 | 2,126,300 | 1,737,250 | 1,600,028 | 1,262,250 | 1,184,569 | 933,250 | 933,250 | 877,475 | 726,250 |
| Preferred Dividends..... | 1,166,616 | 1,042,783 | 783,268 | 783,882 | 585,496 | 591,675 | 436,208 | 427,500 | 427,500 | 427,500 |
| Common Dividends..... | 2,977,336 | 2,691,485 | 2,402,039 | 2,329,250 | 2,170,438 | 2,117,500 | 1,951,950 | 1,750,000 | 1,325,000 | 1,150,000 |
| Earned Per Share Common: | | | | | | | | | | |
| On Average Shares..... | 1.48 ⁵ | 3.60 | 3.59 | 3.28 | 3.03 | 3.12 | 3.45 | 3.16 | 2.82 | 2.81 |
| On Year End Shares..... | 1.38 ⁵ | 3.59 | 3.33 | 3.28 | 2.78 | 3.12 | 3.12 | 3.16 | 2.65 | 2.45 |
| Common Dividend Rate..... | 0.92 ⁵ | 2.565 | 2.50 | 2.50 | 2.50 | 2.50 | 2.50 | 2.50 | 2.00 | 2.00 |
| Common Equity Per Share ² | 13.55 ⁵ | 36.44 | 35.55 | 32.81 | 32.03 | 30.68 | 30.04 | 31.82 | 31.12 | 31.12 |
| OPERATING STATISTICS | | | | | | | | | | |
| Electric Energy Sales..... | \$ 36,349,676 | \$ 33,001,888 | \$ 30,668,320 | \$ 27,225,105 | \$ 25,393,300 | \$ 23,789,452 | \$ 20,957,554 | \$18,177,388 | \$ 15,861,032 | \$ 14,909,080 |
| Other Utility Revenue..... | 69,307 | 72,731 | 62,358 | 39,569 | 32,792 | 78,133 | 154,561 | 123,825 | 113,238 | 126,009 |
| TOTAL UTILITY REVENUE..... | \$ 36,418,983 | \$ 33,074,619 | \$ 30,730,678 | \$ 27,264,674 | \$ 25,426,092 | \$ 23,867,585 | \$ 21,112,115 | \$ 18,301,213 | \$ 15,974,270 | \$ 15,035,089 |
| Operating Expenses: | | | | | | | | | | |
| Fuel and Purchased Power..... | 7,764,159 | 6,855,975 | 6,710,765 | 6,060,354 | 5,916,045 | 6,126,488 | 4,483,059 | 3,686,714 | 3,507,805 | 3,401,961 |
| Other Operating..... | 8,042,218 | 7,636,659 | 6,617,149 | 6,025,505 | 5,808,360 | 5,717,907 | 5,071,188 | 4,522,512 | 4,376,507 | 3,853,815 |
| Maintenance..... | 2,366,950 | 1,862,832 | 2,020,341 | 2,072,208 | 2,019,718 | 1,904,764 | 1,884,638 | 1,938,400 | 1,747,543 | 1,662,107 |
| Depreciation..... | 2,871,708 | 2,561,339 | 2,342,074 | 2,023,579 | 1,881,521 | 1,488,721 | 1,395,927 | 1,314,639 | 1,316,300 | 1,248,268 |
| Federal Taxes ³ | 4,474,437 | 4,270,478 | 4,077,883 | 3,374,815 | 2,936,268 | 2,300,604 | 2,310,239 | 1,779,546 | 1,075,988 | 1,212,956 |
| State Taxes ⁴ | 3,725,795 | 3,420,089 | 3,087,551 | 2,719,565 | 2,548,980 | 2,254,898 | 2,031,574 | 1,578,252 | 1,390,380 | 1,248,211 |
| Taxes to Construction..... | ----- | ----- | ----- | ----- | ----- | ----- | (31,762) | (3,189) | (161,559) | (53,456) |
| Depreciation Reserve Amortization..... | (88,000) | (88,000) | (88,000) | (88,000) | (88,000) | (88,000) | (88,000) | (88,000) | (88,000) | (88,000) |
| Utility Net Expense..... | \$ 29,157,267 | \$ 26,519,372 | \$ 24,767,763 | \$ 22,188,026 | \$ 21,022,892 | \$ 19,705,382 | \$ 17,056,863 | \$ 14,728,874 | \$ 13,164,964 | \$ 12,485,862 |
| Utility Operating Income..... | 7,261,716 | 6,555,247 | 5,962,915 | 5,076,648 | 4,403,200 | 4,162,203 | 4,055,252 | 3,572,339 | 2,809,306 | 2,549,227 |
| Other Income..... | 522,323 | 105,697 | 38,070 | 82,022 | 6,360 | 71,055 | 2,551 | 72,905 | 83,940 | 148,543 |
| Income Deductions..... | 1,820,710 | 1,842,678 | 1,730,900 | 1,321,841 | 1,236,097 | 1,002,983 | 981,454 | 1,003,148 | 609,459 | 679,834 |
| CORPORATE NET INCOME..... | \$ 5,963,329 | \$ 4,818,266 | \$ 4,270,085 | \$ 3,836,829 | \$ 3,173,463 | \$ 3,230,275 | \$ 3,076,349 | \$ 2,642,096 | \$ 2,283,787 | \$ 2,017,936 |
| MISCELLANEOUS STATISTICS | | | | | | | | | | |
| Kilowatt Hour Sales..... | 1,693,762,500 | 1,518,183,693 | 1,370,879,756 | 1,204,880,410 | 1,054,934,160 | 970,745,580 | 885,045,654 | 814,090,642 | 729,582,908 | 699,439,219 |
| KWH Annual Residential Use..... | 5,349 | 5,085 | 4,920 | 4,575 | 4,393 | 4,225 | 3,983 | 3,788 | 3,501 | 3,242 |
| Cents Per Residential KWH..... | 2.65¢ | 2.66¢ | 2.72¢ | 2.77¢ | 2.89¢ | 2.93¢ | 2.85¢ | 2.71¢ | 2.65¢ | 2.69¢ |
| Customers (Dec. 31)..... | 125,866 | 121,668 | 117,227 | 111,378 | 106,455 | 102,909 | 99,134 | 94,915 | 90,576 | 86,593 |
| Residential Customers (Dec. 31)..... | 107,008 | 103,376 | 99,377 | 94,287 | 90,185 | 86,928 | 83,309 | 79,348 | 75,274 | 71,587 |
| Installed KW Capability (Dec. 31)..... | 457,000 | 457,000 | 400,000 | 400,000 | 340,000 | 340,000 | 280,000 | 280,000 ⁴ | 275,000 | 220,000 |
| Peak KW Demand..... | 372,000 | 341,000 | 313,000 | 287,500 | 248,000 | 227,000 | 204,000 | 193,000 | 172,200 | 168,000 |

¹ Includes retirement work in progress.² On shares outstanding Dec. 31.³ Does not include taxes charged through clearing accounts or capitalized.⁴ 5,000 KW capability added by boiler improvements.⁵ Based on 3 for 1 stock split in 1962.



The "other side" of the Island, Windward Oahu, predominantly rural just a decade ago, is now an area of subdivisions, the suburbs of the city.

TRANSFER AGENTS

Morgan Guaranty Trust Company of New York
New York

Wells Fargo Bank
San Francisco

Office of the Company
(David Freitas, E. L. Bourke, A. C. Sloggett, Jean Potter, Transfer Agents)
900 Richards Street, Honolulu 13

REGISTRARS

The Chase Manhattan Bank
New York

The Bank of California *National Association*
San Francisco

Cooke Trust Company, Limited
Honolulu



In rural areas, as in the city, company facilities are landscaped to blend into their surroundings. At Hauula, tropic plants and natural wood gates turn a substation into a garden setting.