



1963
ANNUAL
REPORT

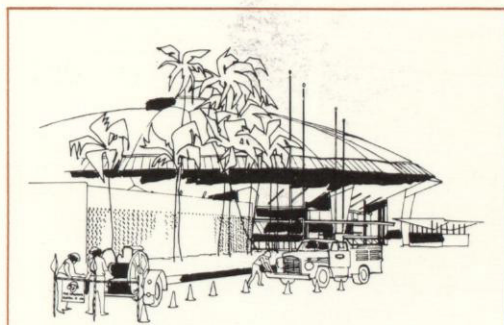
THE HAWAIIAN ELECTRIC CO., LTD.



Hawaiian Electric gained its 110,000th residential customer during 1963 as Island growth continued.

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THE COVER

Spectacular 12-acre, \$10 million Honolulu International Center opens in May, 1964, with arena, theater and exhibition pavilion, making the Island a candidate for major national conventions.

HIGHLIGHTS

1963

	% Increase		% Increase
REVENUES	5.5%	EARNINGS	(3.2%)
Gross revenues increased to \$38,503,049		Utility earnings per share on common stock outstanding at year end were \$1.21 compared with \$1.25 in 1962	
SALES	6.3%	CUSTOMERS	3.5%
Kilowatt hour sales rose to 1,799,823,813		Number served increased by 4,362 to a total of 130,228	
PEAK DEMAND	4.6%	RESIDENTIAL USE	4.5%
Maximum kilowatt demand increased by 17,000 kw to 389,000 kw		Average annual use of electricity by our residential customers increased to 5,588 kwh in 1963, approximately one-quarter greater than the national average	
EXPENSES	6.8%	UTILITY PLANT	10.0%
Expenses increased \$2,120,493 to \$33,098,470		Utility plant in service and work in progress increased \$15,408,044 to \$169,300,569	
NET INCOME	(1.8%)		
Utility net income decreased by \$99,627 to \$5,404,579			



Hawaii's economy, soundly based on a variety of activities, continued to expand during 1963. Tourism showed the most dramatic advance with an 18 per cent increase over the previous year, and a sharp rise also occurred in the dollar volume recorded by Hawaii's sugar industry. National defense operations remained strong, and upward trends were shown in diversified manufacturing and in new construction.

The general upward trend of the local economy was reflected in kilowatt hour sales and revenue, both of which increased approximately 6 per cent above the 1962 totals. Temporary negative factors present in the local economy during the year had an effect on electric sales and contributed to the lower earnings recorded by the Company. Earnings also were affected by a substantial decrease in interest charged to construction in 1963. Earnings per share of common stock were \$1.21 compared with utility earnings of \$1.25 in 1962.

Exceptionally heavy rainfall during the first quarter of the year delayed construction, slowed sugar production and reduced electric sales to plantations for pumping of irrigation water. A newspaper strike of seven weeks, as well as prolonged negotiations for contracts in the sugar and construction industries, had a temporary retarding effect on business generally.

Federal expenditures for civilian agencies in Hawaii equalled tourist expenditures of \$170 million in 1963, and the presence of national defense operations added \$360 million to our local economy. Hawaii is headquarters for Commander in Chief of the Pacific and is destined to continue its role as the nation's forward area defense post for years to come.

LETTER FROM THE PRESIDENT

Hawaii is one of the world's major producers of cane sugar. In 1963 sugar prices were at unusually high levels, and Hawaii sugar recorded an all-time high in dollar volume, reaching an estimated \$188 million. High sugar prices are expected to continue throughout 1964 and into 1965. Pineapple, Hawaii's second largest agricultural product, added approximately \$124 million to the economy in 1963.

The spectacular growth of tourism, which has increased 76 per cent since the arrival of jet travel in 1959, promises to reach new heights in the years ahead. Our experience in 1963 indicates a growing number of visitors from countries around the Pacific and, particularly, from Japan. The economy class \$100 air fare between Hawaii and the West Coast went into effect November 1, 1963 and brought an immediate sizeable increase in the number of visitors. Eventual further reductions in travel time will be an additional stimulus to tourism. New convention facilities and additional tourist accommodations will be available in 1964.

Manufacturing, carried on in a large number of small plants, represents one of Hawaii's greatest growth factors. In 1963, manufacturing reached an estimated total of \$255 million and can be expected to increase as more and more products are made for local use and for export.

Labor contracts extending into 1965 and beyond are now in effect for Hawaii's basic industries, and we look forward to steady continued expansion of the economy. Between 1959 and 1962 Hawaiian Electric kilowatt hour sales grew at a rate of about 11 to 14 per cent per year. Those were years of greatly accelerated growth following statehood, the beginning of jet travel and new in-

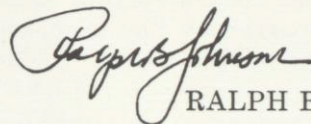
dustrial development. Economic growth has returned to a more normal rate, and this Company anticipates an increase in kilowatt hour sales of close to 8 per cent per year, which historically has been our normal rate.

The first unit at our new Kahe generating station went into operation in 1963 and has a capability of 83,000 kilowatts, exceeding original estimates. It is the largest and most efficient plant we have ever built. Kahe No. 2, a companion unit, is scheduled for completion in late 1964.

Vitality of the Hawaii economy presents a constant challenge to this Company. In the past seven years our generating capability has almost doubled, and we expect to spend approximately \$90 million for capital improvements during the next five years.

The fact that we do keep abreast and sufficiently ahead of demands for service is a tribute to all engaged in the effort. I thank all our stockholders, directors, officers and employees, each of whom in his own way is helping to keep this Company a fine service organization.

I wish to pay special tribute to George Hogg, who retired in March, 1963 as Financial Vice President after 41 faithful years with the Company. He was also a director from 1953 until his retirement, and those of us who worked closely with him miss his wise and gentle counsel.



RALPH B. JOHNSON,
President

March, 1964

**SUMMARY
OF
FINANCIAL
RESULTS**

		1963	1962	% Increase or (Decrease)
	% of Total	Amount	Amount	
WE RECEIVED INCOME FROM				
Sales to residential customers	41.2	\$15,853,928	\$14,885,791	6.5
Sales to industrial and commercial customers	57.1	21,975,573	20,941,250	4.9
Other sources	1.7	673,548	655,142	2.8
Total	100.0	\$38,503,049	\$36,482,183	5.5
WE HAD THESE EXPENSES				
Wages and employee benefits charged to operations	22.8	\$ 8,792,494	\$ 7,962,482	10.4
Fuel oil	20.6	7,941,575	7,753,833	2.4
Other materials and services	6.6	2,552,993	2,457,011	3.9
Depreciation	8.0	3,056,109	2,783,708	9.8
Federal and local taxes	22.1	8,500,514	8,200,233	3.7
Interest on borrowed money and other miscellaneous expenses	5.9	2,254,785	1,820,710	23.8
Total		\$33,098,470	\$30,977,977	6.8
LEAVING AS UTILITY NET INCOME		\$ 5,404,579	\$ 5,504,206	(1.8)
DIVIDEND FROM SUBSIDIARY*			459,123	
NET INCOME		\$ 5,404,579	\$ 5,963,329	(9.4)
FROM WHICH WE PAID STOCKHOLDERS				
Preferred dividends	3.1	\$ 1,197,002	\$ 1,163,893	2.8
Common dividends	8.3	3,195,189	2,977,336	7.3
AND WE RETAINED IN OUR BUSINESS	2.6	\$ 1,012,388	\$ 1,822,100	(44.4)
	100.0			

* Subsidiary sold in 1962.

Review of the Year

Revenue from the sale of electric energy in 1963 totaled \$38,412,587, a 5.7 per cent increase over 1962. The number of kilowatt hours sold reached 1,799,823,813, a growth of approximately 6 per cent. These increases represent a return to a more normal rate of growth following extraordinary percentage increases in each of the last four years. During those years, large industrial loads were added in industrial parks and elsewhere throughout our service area, and commercial load was greatly increased by rapid construction of resort and related facilities. In 1963 industrial and commercial loads increased 5.2 per cent, and the residential load increased 8.0 per cent.

All of the Company's rate schedules provide for adjustment in the cost of electricity to our customers when fuel oil prices vary from \$2 per barrel. A fuel oil price reduction went into effect on June 1, 1963, enabling us to adjust rates to the lowest since 1955.

Earnings

Utility earnings per share on common stock outstanding at year end were \$1.21

compared with \$1.25 in 1962. An increase in the State Public Utility Tax, added interest on bonds, and reduced interest charged to construction were primarily responsible for the slight reduction in earnings per share.

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 \$1,012,388 were used to help finance the plant expansion program.

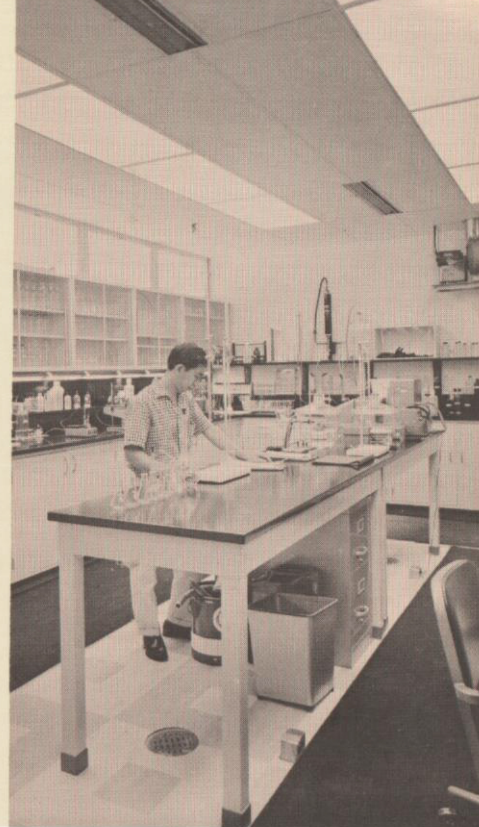
Financing Program

The Company has been taking a number of steps to strengthen its financial structure and, at the same time, reduce its capital costs. In order to move to a capital structure more in line with other Class A electric utilities, the First Mortgage Indenture was amended as of June 20, 1963. Prior to the amendment, the Company was limited to a ratio of bonds to the capital structure of 50 per cent. The amendment changed the limit to approximately 56 per cent.



A modern microwave and mobile radio system, developed to monitor and control power plants and substations and to communicate with service crews, covers the Island.

High temperatures and pressures of modern steam generating plants require purity of water within critical limits, making a chemistry laboratory an essential part of plant operation.



In July, \$16 million of Series M 4.45% First Mortgage Bonds were sold to private purchasers. Proceeds from the sale of the Series M Bonds were used to liquidate a \$1 million short-term bank loan, to redeem \$5 million of Series D 3½% Bonds (due February 1, 1964), and to redeem the \$2.6 million principal amount of the Series F 5½% (Cumulative) Preferred Stock. The remainder of the proceeds from the sale of the Series M Bonds was to provide funds for additional plant facilities.

Series F Preferred Stock was redeemed as of July 15, 1963, and the Series D Bonds were called and redeemed on August 1, 1963. On November 19, 1963 the Board of Directors authorized the redemption of Series G 5¾% (Cumulative) Preferred Stock as of January 15, 1964. In December, a special meeting of stockholders was called for January 21, 1964 to ask the stockholders for approval of a Series K 4.65% (Cumulative) Preferred Stock to be issued in January, 1964 to replace the Series G.

Capital expenditures in 1963 amounted to \$16,301,313, and we expect to spend approximately \$90,000,000 for capital improvements during the next five years.

Taxes

State and Federal taxes continue to be a major expense of doing business. In 1963 taxes paid by the Company took 22 cents of every dollar of revenue. This is equivalent to \$2.45 per share of the common stock.

TAXES		Per cent of Operating Revenue
	1963	
Taxes Other Than Income		
Public Utility	\$2,717,924	7.1
Franchise Royalty	959,450	2.5
Other	368,042	0.9
	\$4,045,416	10.5
Income Taxes		
State		
Current	\$ 295,851	0.8
Deferred	129,530	0.3
	\$ 425,381	1.1
Federal		
Current	\$3,197,786	8.3
Deferred	1,109,149	2.9
Investment Credit	(277,218)	(0.7)
	\$4,029,717	10.5
Total Income Taxes.....	\$4,455,098	11.6
Total Taxes	\$8,500,514	22.1

Ownership

The Company continues to enjoy widespread acceptance of its securities. The number of owners of Hawaiian Electric common stock has more than doubled in the past seven years. In 1963 the number increased by 509, bringing the total of 10,046.

Six years ago the total number of owners was 5,199, and residents of Hawaii held 91 per cent of the stock. Today, only 71 per cent of the stock is held by Hawaii residents. The remaining 29 per cent is distributed among 2,926 residents of 46 other states and 5 foreign countries.

Antitrust Suits

The antitrust suits filed by the Company in 1962 for recovery of damages arising out of alleged overcharges on purchases by the Company of electrical apparatus are still pending in the United States District Court

for the Southern District of California at Los Angeles.

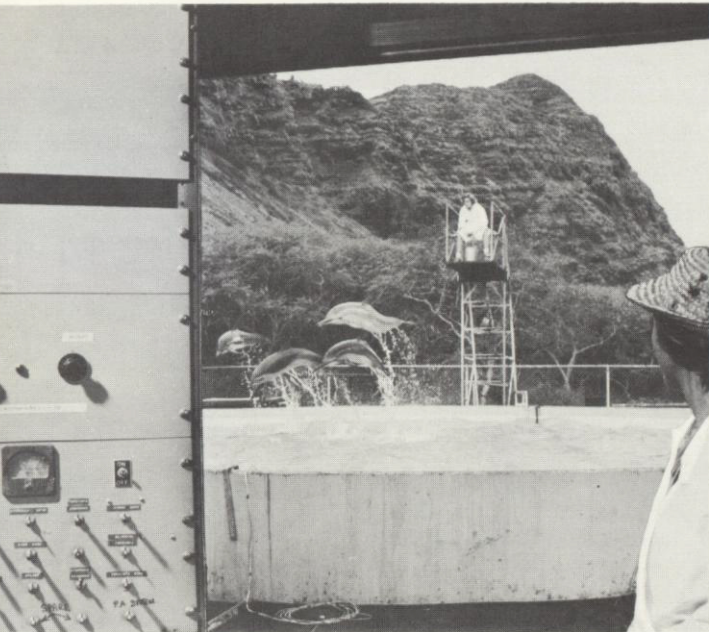
People in the Organization

The success and advancement of any organization is grounded in the quality of its people. Throughout the Company's history, Hawaiian Electric has drawn high caliber employees, working under the direction of men experienced and well trained.

Outside Directors of the Company hold or have held management positions in other organizations of long and respected standing in the community. Including the two Directors who also are officers of the Company, the Directors' years of intimate association with the affairs of Hawaiian Electric range from 37 to 1, and average approximately 20.

At the time of the annual meeting in March, 1963 Mr. George Hogg, Financial Vice President and a Director, retired from

Unique research at Sea Life Park utilizes electronic sound generator and underwater loud speaker for porpoise training. The program is one of many under way at this new marine research center and oceanarium.



Contemporary garden lighting units blend pleasantly with traditional thatched huts in the Polynesian Cultural Center at Laie. Six Pacific villages—Hawaiian, Tahitian, Samoan, Tongan, Fijian, Maori—have been authentically recreated on a 15-acre site.



the Company after 41 years of service. Mr. Russell H. Hassler was elected a Director at the annual meeting (filling the vacancy left by Mr. Hogg) and, at the Board meeting held the same day, was appointed to the position of Financial Vice President. Mr. Hassler joined Hawaiian Electric on September 1, 1962, bringing the Company a wealth of knowledge and experience in corporate financial matters through his former association with Harvard University Graduate School of Business Administration and consultant work for companies here and in the eastern part of the United States.

Other Company officers and assistant officers have an average length of service of 24.5 years with the Company, and nearly all of them have completed executive development programs locally and on the mainland.

During 1963 our average work force was 1,376. Of this number, 120 were new hires. Hawaiian Electric is fortunate in having a

relatively young group of employees. The average age is 39, and the average length of service is 13 years.

PAYROLL & BENEFITS

	1963	1962
Wages for productive work	\$ 9,634,433	\$ 8,808,045
Company-paid benefits		
Vacations	494,342	440,969
Holidays	336,305	339,578
Sickness	233,692	218,614
Excused absence, etc.....	31,861	27,570
Annuity and life insurance	804,181	683,946
Cash pensions	48,747	58,261
Medical aid dues	243,694	201,356
Social Security insurance	237,170	196,823
Unemployment insurance	79,595	32,754
Total benefits.....	\$ 2,509,587	\$ 2,199,871
Total payroll and benefits	\$12,144,020	\$11,007,916

First Gold Medallion apartments in Hawaii are Tropicana Village's 276 units, 96 of which were built in 1963. Company sales representatives worked closely with owner J. A. Warford, right.



The \$10.2 million Queen Emma Gardens in downtown Honolulu, shown nearing completion, features 582 apartments with all-electric kitchens. In foreground is shopping center developed to serve the area. Commercial sales representative assists N. C. Adams, district manager of Long's Drug Stores in Hawaii.



The apprenticeship program to develop journeymen (sponsored jointly by the Company, the Hawaii State Department of Labor and Industrial Relations, and the State Department of Education) graduated 20 full-fledged journeymen during the year. The program calls for approximately four years of applied work and 576 hours of related training. At the beginning of 1963 we had 62 men in training in nine different trades. Twenty-five more began training in September.

Employees have shown increasing interest in self-improvement courses. The Company reimburses them for half the tuition cost upon satisfactory completion of courses in approved subjects, and 258 employees were reimbursed under this plan during 1963.

Recreational clubs for employees include two choral groups, golf, bowling, mountain ball, basketball, baseball and a camera club. Employees have teams in the commercial leagues for both basketball and baseball. The choral groups frequently perform in public concert and for private parties.

New Labor Contract

A mutual feeling of confidence and respect has characterized a long relationship with the International Brotherhood of Electrical Workers, Local 1260, AFL-CIO, which represents 76 per cent of our employees. Negotiations for a new contract in 1963 centered mainly on wage increases, and the one-year agreement, effective March 1, 1963, resulted in an increase of approximately 5 per cent in the wage and salary schedules. The present average hourly rate of pay for those in the bargaining unit is \$3.08. Studies of local and mainland employee benefit programs conducted during the year show that our program compares favorably with the outstanding ones in other companies. Men in our security force are represented by the United Plant Guard Workers, Independent Local 650, under a contract extending to April 30, 1964.

Our employees take a real interest and pride in the Company and the part it plays

in the community. Hawaiian Electric men and women contribute their share to community betterment through participation in community affairs and by giving their best to their jobs. They have a strong sense of belonging to an organization which has public service as its fundamental objective. The Company frequently receives letters of praise and appreciation for outstanding performance of its employees in situations of special importance to the customer.

Power and Progress

During the first half of 1963 the first generating unit at our new Kahe Valley power station was completed and ready for continuous service. Kahe No. 1 is an oil-burning unit with a capability of 83,000 kw, bringing the total generating capability of the Company to 540,000 kw. Improved steam conditions make this unit the most efficient on the system. It provides 1800 pounds pressure and 1000° F. temperature, with one stage of reheat to 1000° F.

Satisfactory progress is now being made on construction of the second Kahe unit, scheduled for completion in late 1964. Kahe No. 2 will be identical to Kahe No. 1 and will share a number of the same facilities, such as the circulating water system, elevator, control room, oil tanks, machine shop, administrative facilities and miscellaneous auxiliary equipment.

The Kahe Valley power station is well suited for the operation of a nuclear plant and was purchased with this in mind. During 1963 it became evident that Hawaiian Electric would not be using nuclear power as early as had been anticipated. Developments in the nuclear energy field have not progressed sufficiently to make it economical on our size system. This, and other economic considerations, led to the decision to install two more oil-burning units at the Waiiau station following completion of Kahe No. 2. These will be Waiiau Units No. 7 and No. 8.

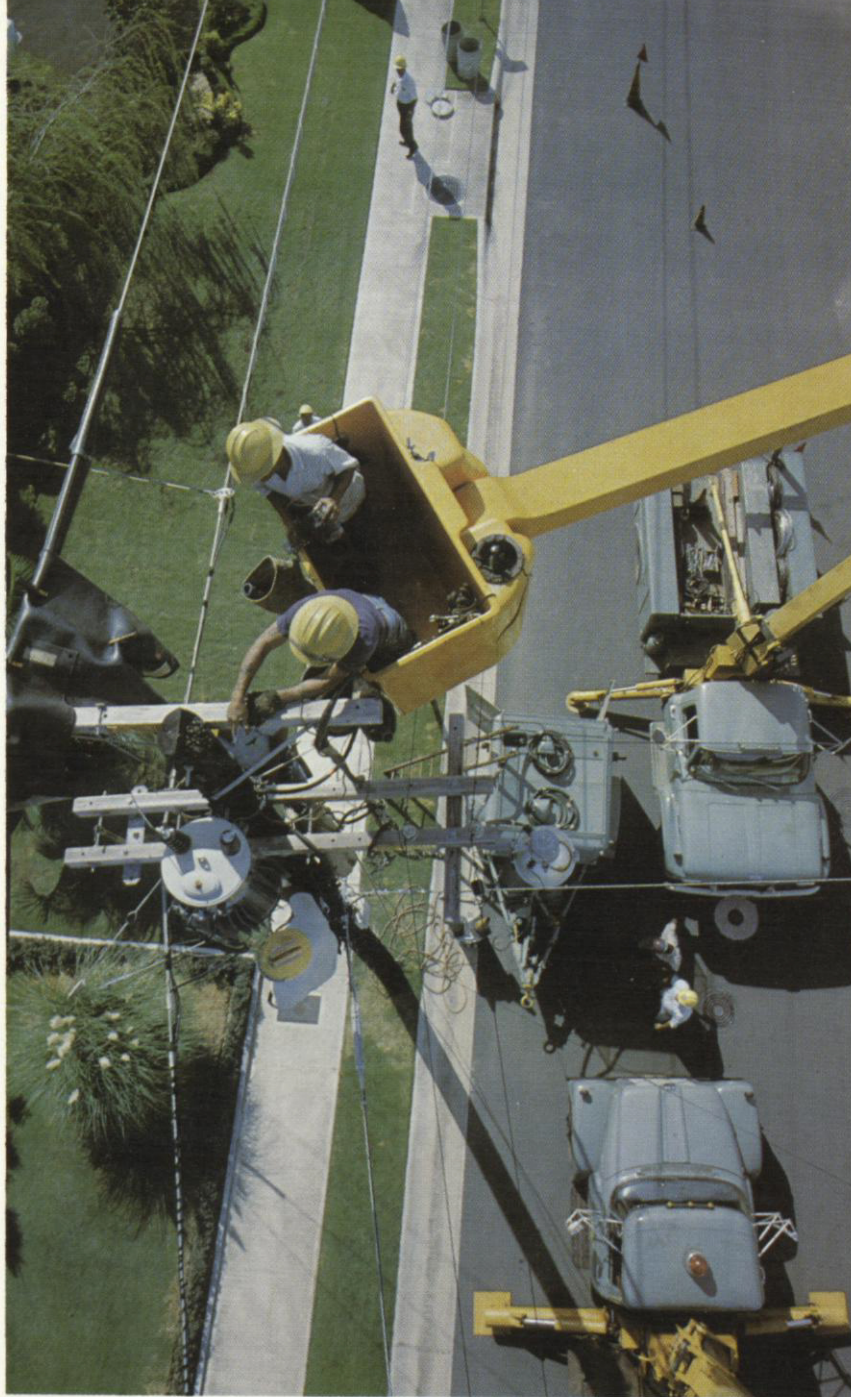
The Engineering Department has started design of Waiiau No. 7, and the turbine generator and boiler have been ordered. This unit is planned for commercial operation in late 1966. It will be the same size and have the same steam conditions as the new Kahe units. Following the addition of Waiiau No. 8 in 1968, there is a possibility that it will be economical for our next unit to be a nuclear one. The Company will continue to follow progress in this field.

Major overhauls on generating equipment at the Honolulu and Waiiau power stations were completed on schedule during 1963, and our generating plant is in excellent condition.

Transmission and Distribution

Carrying out the program to build a 138 kv transmission system (started in 1958), the Company during 1963 completed construction of 18.5 additional miles of 138 kv line from Kahe to Wahiawa. The Waiiau to Wahiawa 138 kv line which was built in 1960 and initially operated at 46 kv will be used in conjunction with this line to supply Wahiawa and provide an additional tie between the Waiiau power plant and Kahe.

There are now about 82 miles of 138 kv transmission line in service and 355 miles of 46 kv. This is nearly two and a half times the transmission mileage in service in 1953.



TOP: Working in an aerial basket, linemen replace a pole transformer while, far below, a portable trailer transformer keeps lines in service. Modern equipment makes job safer and reduces cost.

RIGHT: Accounting work is speeded and more statistical data provided with installation of Company's new IBM 1401 computer system, replacing previous conventional punch card accounting machines.





The Company has under construction or in planning approximately 12 miles of 46 kv and 6 miles of 138 kv transmission line.

A new 138 kv substation was constructed at Wahiawa to take care of the additional need for power in that area. Three new unit substations elsewhere on the system were energized, tested and put into service. Total substation transformer capacity was increased during the year by 197,500 kva, and approximately 82 per cent of this increase was for 138/46 kv transformations.

Facilities Design

Recognizing the importance of maintaining Hawaii's natural beauty and charm, Hawaiian Electric actively encourages beautification of the community and constantly seeks ways to improve the appearance of Company physical facilities. Special consideration is given to attractive power plant design, landscaping of substations and improved appearance of power lines.

In fairness to all our customers, the difference in cost between underground and overhead installations is borne initially by the subdividers. The Company makes a special effort to promote the installation of underground distribution systems and to find ways of reducing the cost. Forty-one per cent of the subdivision lots planned during 1963 provided for underground service.



TOP: Seven of the ten homes built in Hawaii-Kai marina area for the annual Parade of Homes qualified for Medallion all-electric awards. Company worked with home builders in developing the eight-day event.

LEFT: Alii Shores, on the gentle slopes overlooking Kaneohe Bay, is one of Oahu's new subdivisions with underground electric service and all Medallion homes. Several thousand homes are to be built.

New Methods and Equipment

To offset rising costs for materials, labor and taxes, the Company constantly seeks ways to improve efficiency in all areas of its operations. Also, as the Company grows, it is necessary to make changes to bring about smoother functioning of the system and better customer service. Various new methods and equipment were introduced during 1963.

The use of computers is a development of far-reaching profit significance to business management. Hawaiian Electric started using a computer for certain accounting purposes in 1948. With the purchase and installation of an IBM type 1401 magnetic tape computer system in 1963, most of our conventional punch-card accounting machines will be replaced, and we are able to process routine accounting tasks more quickly and efficiently. Also, we will have available accounting, statistical, engineering and sales data not practical before.

Hawaiian Electric, in 1958, was one of the first utilities in the United States to start using the Westinghouse powercasting approach to work out system planning problems. Since 1961 the Company has rented an IBM 1620 computer for some of its engineering work and in 1963 purchased its own IBM 1620. With this equipment it is possible to obtain useful studies which formerly would not have been practical.

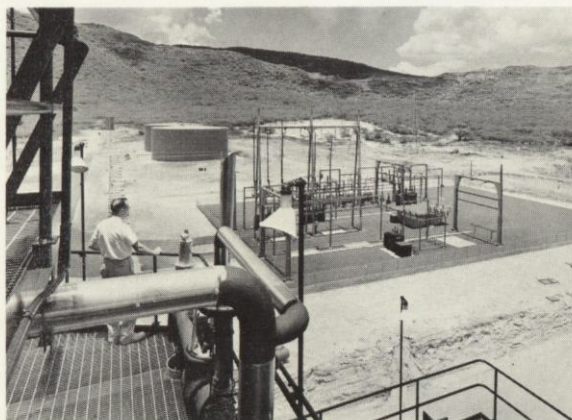
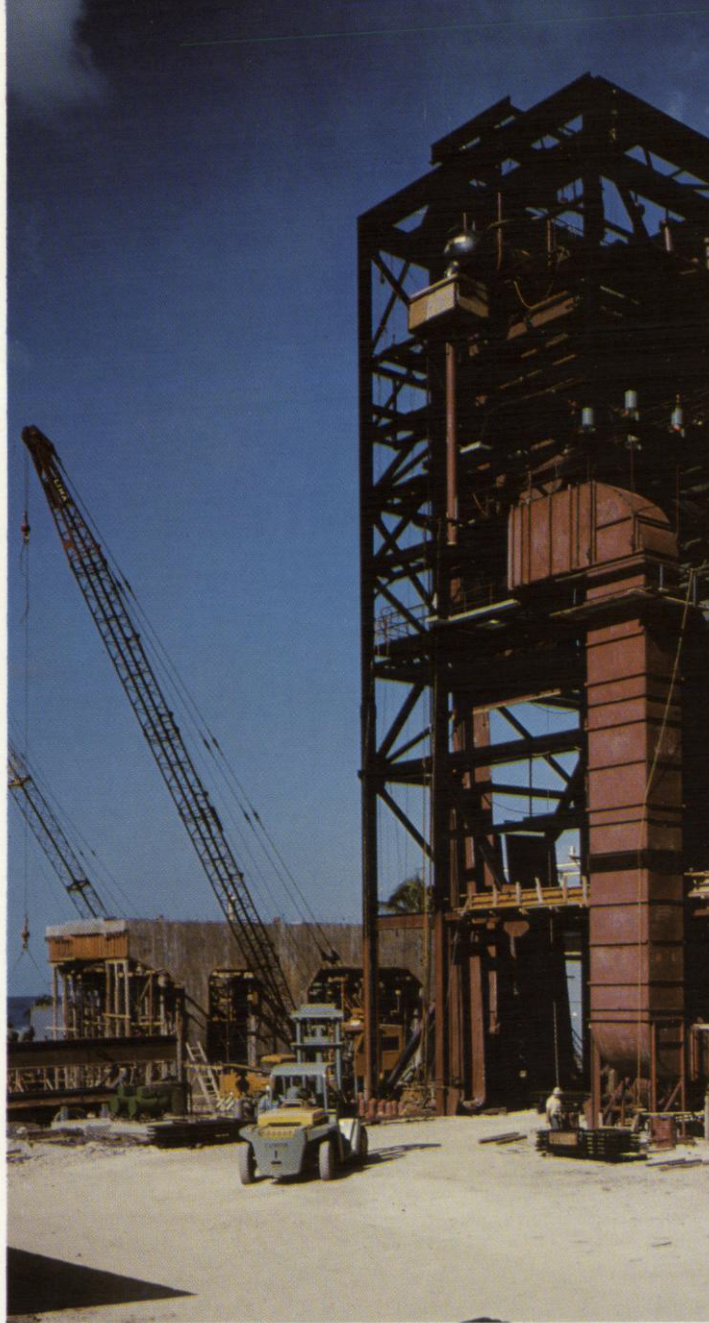
TOP: Kahala Hilton, city's first luxury hotel away from Waikiki, is bordered by Waialae Country Club and faces scenic Maunaloa Bay. Hotel is air-conditioned; has 300 rooms and an electric kitchen.

RIGHT: Sleek ocean-going yachts from the Trans-Pacific Race moor near the Ilikai Apartment-Hotel. The 24-story building will have 1,014 units, five restaurants and a glass-walled outside elevator.



KAHE

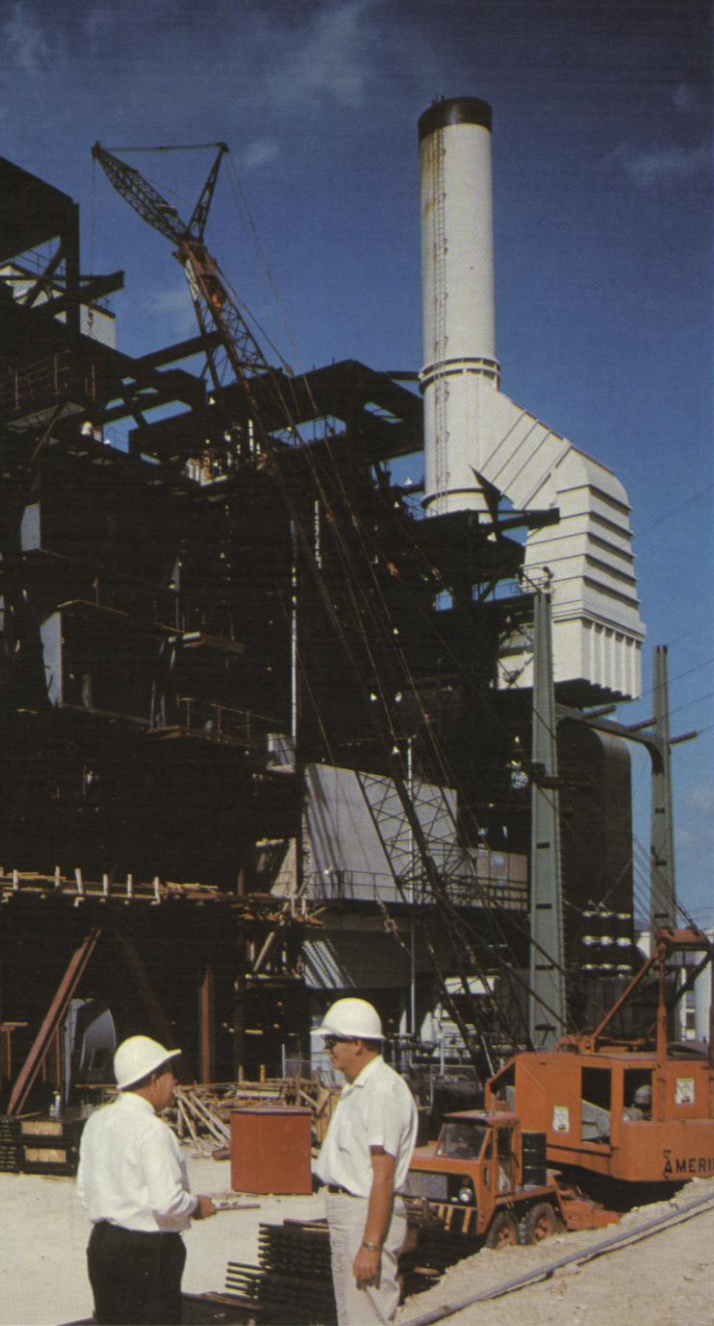
Within days after the completion of Kahe Unit 1, on the far right, construction of its twin, Unit 2, was begun alongside the first plant. It will use some of the same facilities to reduce costs.



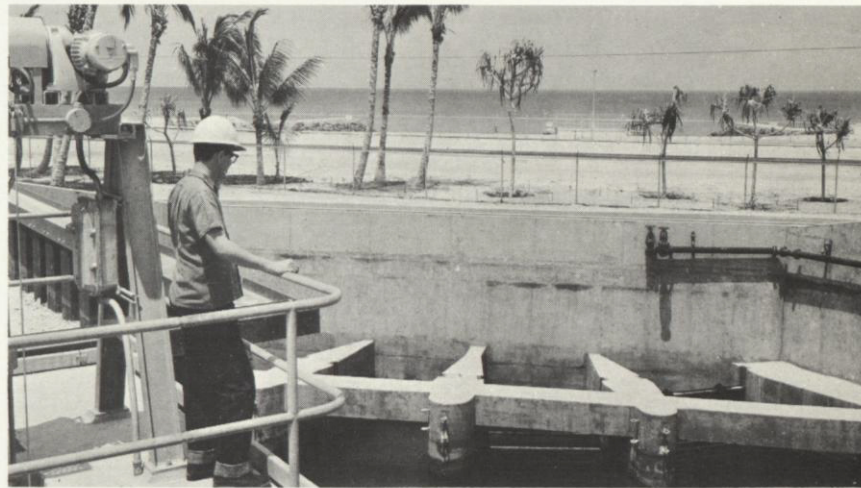
Electricity leaves the plant at 14,400 volts but is boosted in the adjacent switchyard to 138,000 volts for more economical transmission to substations.



Oil and water for the plant are pumped from nearby tanks through insulated pipelines. At full load, boiler burns 5,000 gallons of oil an hour.



Water for the boiler must be purified. It is turned into steam in a flash evaporator, filtered, recondensed.



Generating station is located by the ocean, and sea water is pumped in and out of the plant for cooling purposes.



Nerve center of plant is the Control Room, serving both Kahe 1 and Kahe 2. The two plants are the company's 15th and 16th power-producing units.



Kahe plants are outdoor type with boiler structure left unenclosed, saving building costs. Plant is most economical in system.

Communication and Control

Since 1951, the Company has leased a mobile radio system to assist in normal switching operations and for restoration of service in cases of outage. The Federal Communications Commission ordered discontinuance of all broad band radio operations of the type we had been leasing. During 1963 the Company purchased and installed a new mobile radio system consisting of 7 base stations, 2 relay stations and 69 mobile units. This new system provides greater power and better coverage on an island-wide frequency and can be used more extensively for coordination of work on construction projects, installation of new service and repairs on transmission and distribution facilities.

Modern controls and automatic devices are in use in our power plants, and our substations are the modern, completely automatic type. In 1963 the trend toward automatic operations was extended to permit remote

monitoring and control of many of our outlying installations from the Ward Avenue Control Room. This was possible through the installation of an advanced microwave system, operating in conjunction with the network of radio and relaying stations.

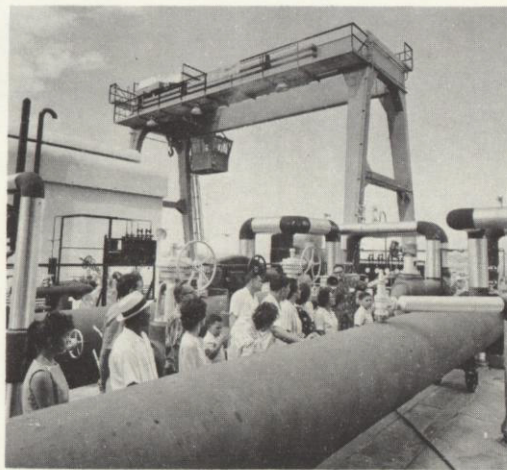
Sales Promotion

The Company pursues a well-developed sales promotion program aimed at increased use of electricity and the maintenance of good will toward the Company and its services. In the commercial and industrial markets, regular calls are made by Company representatives for the purpose of providing information and technical advice to assure the fullest and most economical use of electric power.

Over the years, Hawaiian Electric has helped develop a high degree of cooperation among local members of the electrical industry, and promotional programs of the Company augment those of electric manufacturers, dealers and distributors. Also, Company



At Kahe Open House for employees and surrounding community, children were entertained while parents toured plant facilities.



Guides led Open House guests through a step-by-step story of how power is produced at Kahe. Home Service Department served lunch to 800 visitors.

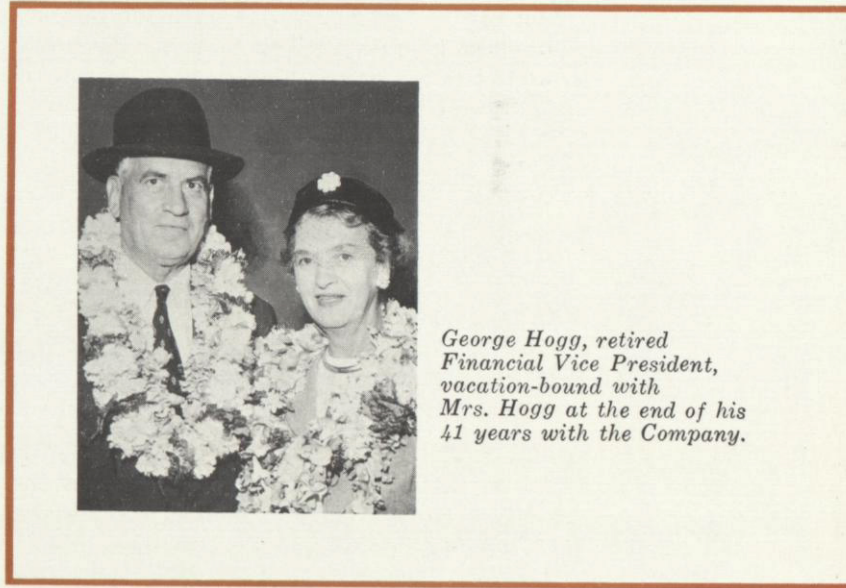


More than 125 employees rolled strikes and spares in HECO Mixed Handicap Bowling League. Game has been a popular Company activity for almost 25 years.

representatives maintain close contact with architects, planners, developers and builders, laying emphasis on the Medallion Home program and promoting wiring adequate to meet future increased use of electricity. Ninety per cent of the 3,587 new homes constructed on Oahu during 1963 were all-electric, and 8.3 per cent of these met specifications for a bronze or gold medallion.

Home Service

All-electric living is the general theme underlying the many activities of our staff of home economists who make up the Company's Home Service Department. Attendance at the 574 classes held by the Home Service Department staff during 1963 totaled nearly 23,000. Other work of the department includes testing and distribution of recipes, demonstrations at shows and model homes, and home demonstrations of major electrical appliances. Appliance demonstrations during 1963 averaged 445 per month.



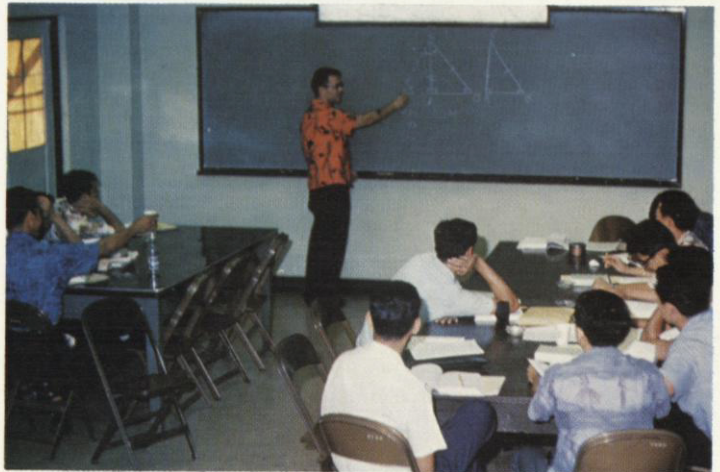
George Hogg, retired Financial Vice President, vacation-bound with Mrs. Hogg at the end of his 41 years with the Company.



As part of Aloha Week observance the main lobby was decorated in the manner and spirit of Old Hawaii.



Company home economists create demonstrations about electricity in programs for schools and children's groups.



Classes in geometry are included in related training courses of apprenticeship program, helping employees to prepare themselves for more highly skilled positions.



Area Development

Interest in sound economic development of its service area leads the Company into broad fields, encompassing industrial development, city planning, urban renewal, downtown improvement, resort development and preservation of the area's unique culture and general attractiveness. This activity, which started at Hawaiian Electric in March, 1955 as the Industrial Development Section, was broadened in August, 1960 and renamed the Area Development Office.

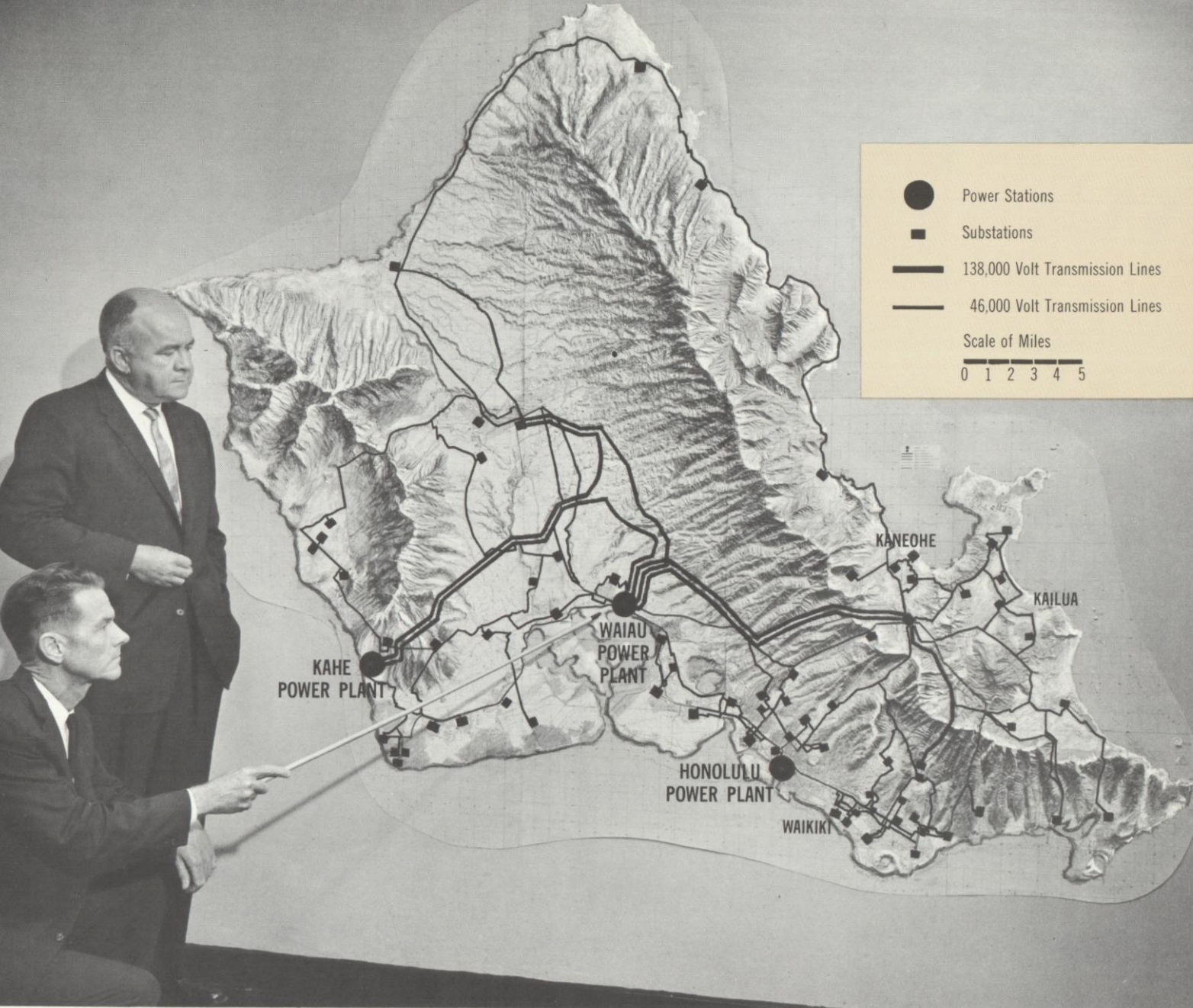
The Company's Area Development Office is the only private activity in the state devoted exclusively to area development. Continuous study and investigation in this field have made the Company an important source of information for civic and governmental agencies concerned with various aspects of area development.

During 1963 the Area Development Office actively pursued the possibility for expansion of research and development work in Hawaii in the fields of electronics and oceanography. Other activities included helping to organize a trade show for the purpose of interesting local manufacturers in producing goods now imported to the state, giving support to a joint promotion of Hawaii products on the mainland, and assisting manufacturers with interests ranging from glass containers to hollow spun-concrete utility poles.



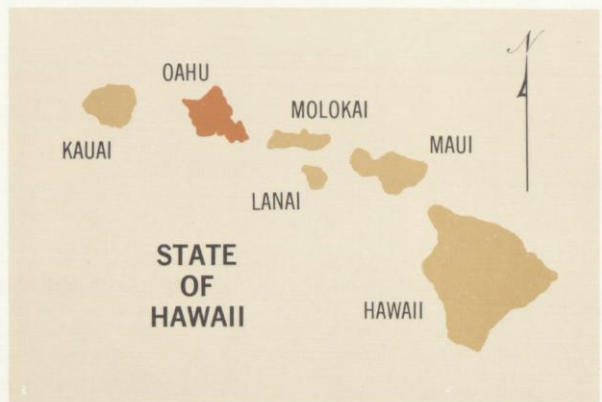
TOP: Company's 138,000-volt system was expanded with construction of \$2 million substation at Wahiawa. Facility is connected with both Waiiau and Kahe stations, and can deliver two million kwh per day.

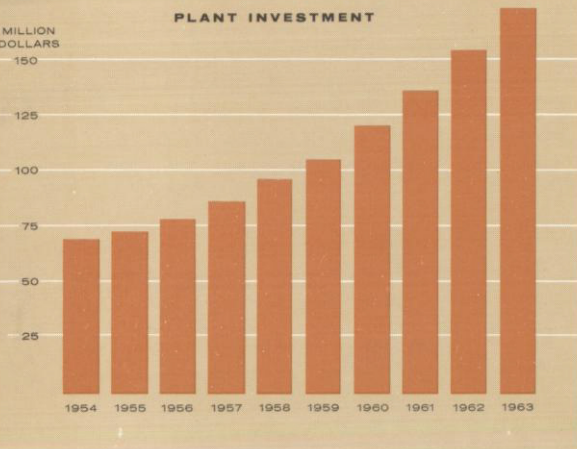
LEFT: Striking architecture of East-West Center is accented by abundant use of lighting. Company service representatives were present for pre-opening tests at John F. Kennedy Theater, right.



COMPANY'S GROWING SYSTEM

Additions to the Company's growing system are regularly recorded on a relief map in the engineering offices. Vice Presidents Jesse R. Zeigler and Carl H. Williams review plans for further expansion. Mr. Williams points to Wai'au Generating Station, where the addition of Wai'au Units 7 and 8 will be the next step in the major building program. The entire Island of Oahu, 604 square miles, is included in the Company's service area. Population is more than 500,000—four-fifths of the State's total—and the Island is center of both U.S. defense and the expanding trade and industry of the Pacific.





BALANCE SHEET

ASSETS

December 31, 1963

(with comparative figures for 1962)

	1963	1962	Increase (Decrease)
UTILITY PLANT, at cost:			
In service.....	\$163,088,738	\$138,753,104	\$24,335,634
Construction in progress.....	6,211,831	15,139,421	(8,927,590)
	<u>\$169,300,569</u>	<u>\$153,892,525</u>	<u>\$15,408,044</u>
Less accumulated depreciation (Note 1).....	24,622,098	22,162,655	2,459,443
	<u>\$144,678,471</u>	<u>\$131,729,870</u>	<u>\$12,948,601</u>
OTHER PROPERTY AND IMPROVEMENTS, at cost			
less accumulated depreciation.....	48,241	50,334	(2,093)
CURRENT ASSETS:			
Cash.....	1,680,792	1,655,599	25,193
Temporary cash investments.....	992,813	.....	992,813
Accounts receivable.....	3,918,937	4,038,667	(119,730)
Allowance for uncollectible accounts.....	(67,419)	(67,475)	56
Receivable on sale of investment.....	.....	3,529,300	(3,529,300)
Construction and operating materials and supplies, at average cost.....	2,286,979	2,143,788	143,191
Prepaid expenses.....	241,437	164,308	77,129
	<u>\$ 9,053,539</u>	<u>\$ 11,464,187</u>	<u>\$(2,410,648)</u>
DEFERRED CHARGES:			
Unamortized debt expense.....	720,091	583,322	136,769
Clearing accounts.....	230,487	67,612	162,875
Other.....	176,273	48,376	127,897
	<u>\$ 1,126,851</u>	<u>\$ 699,310</u>	<u>\$ 427,541</u>
	<u>\$154,907,102</u>	<u>\$143,943,701</u>	<u>\$10,963,401</u>

See accompanying notes to financial statements.

Notes to Financial Statements

NOTE 1—ACCUMULATED DEPRECIATION

The company computes the depreciation recorded in its accounts on a four per cent, sinking fund, group method utilizing the remaining-life principle. For federal income tax purposes, the company deducts depreciation by use of an accelerated method on qualifying properties and the straight-line method on the remainder of the plant. The deductions for depreciation taken for federal income tax purposes exceeded the amounts provided for in the accounts by \$2,817,397 in 1963 and \$2,753,703 in 1962. 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 4). The company has consist-

ently followed the policy of making no similar tax adjustment for the remainder of the excess, \$554,889 in 1963 and \$532,215 in 1962.

NOTE 2—PREFERRED STOCK

The following series of preferred stock were authorized and outstanding at December 31, 1963 and 1962:

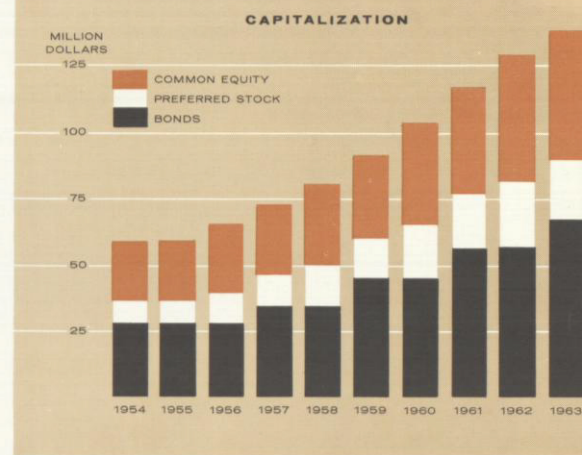
	1963	1962
Series C, 4¼%—150,000 shares.....	\$ 3,000,000	\$ 3,000,000
Series D, 5%—50,000 shares.....	1,000,000	1,000,000
Series E, 5%—150,000 shares.....	3,000,000	3,000,000
Series F, 5¼%—132,000 shares.....	.....	2,640,000
Series G, 5¾%—175,000 shares.....	3,500,000	3,500,000
Series H, 5¼%—250,000 shares.....	5,000,000	5,000,000
Series I, 5%—89,657 shares.....	1,793,140	1,793,140
Series J, 4¾%—250,000 shares.....	5,000,000	5,000,000
	<u>\$22,293,140</u>	<u>\$24,933,140</u>

In January 1964, the company redeemed the \$3,500,000 of Series G, 5¾% preferred stock and issued \$3,500,000 of Series K, 4.65% preferred stock.

BALANCE SHEET

LIABILITIES

December 31, 1963
(With comparative figures for 1962)



CAPITALIZATION:

	1963	1962	Increase (Decrease)
Common equity:			
Common stock of \$6-2/3 par value per share.			
Authorized, 4,500,000 shares			
Outstanding, 3,473,032 shares.....	\$ 23,153,547	\$ 23,153,547	\$
Premium on common stock.....	11,238,917	11,238,917	.....
Capital stock expense.....	(1,057,753)	(1,205,331)	147,578
Earnings retained in business (restricted: 1963, \$538,133; 1962, \$553,316)	14,528,793	13,856,057	672,736
	<u>\$ 47,863,504</u>	<u>\$ 47,043,190</u>	<u>\$ 820,314</u>
Cumulative preferred stock of \$20 par value per share (Note 2).....	22,293,140	24,933,140	(2,640,000)
Total stockholders' equity.....	<u>\$ 70,156,644</u>	<u>\$ 71,976,330</u>	<u>\$ (1,819,686)</u>
First mortgage bonds (Note 3).....	68,000,000	57,000,000	11,000,000
Total capitalization.....	<u>\$138,156,644</u>	<u>\$128,976,330</u>	<u>\$ 9,180,314</u>
CURRENT LIABILITIES:			
Accounts payable.....	1,374,475	1,142,565	231,910
Customer deposits.....	120,123	101,466	18,657
Taxes accrued.....	2,427,544	2,956,068	(528,524)
Interest accrued.....	579,525	650,730	(71,205)
Payroll accrued.....	276,331	213,927	62,404
Pension premiums accrued.....	311,084	.....	311,084
Preferred dividends accrued.....	233,001	263,252	(30,251)
Other.....	244,283	254,179	(9,896)
	<u>\$ 5,566,366</u>	<u>\$ 5,582,187</u>	<u>\$ (15,821)</u>
DEFERRED CREDITS:			
Unamortized depreciation adjustment.....	1,232,000	1,320,000	(88,000)
Other.....	249,783	262,508	(12,725)
	<u>\$ 1,481,783</u>	<u>\$ 1,582,508</u>	<u>\$ (100,725)</u>
RESERVES:			
Future taxes on income (Note 4).....	5,488,518	3,958,482	1,530,036
Workmen's compensation liability.....	64,440	75,113	(10,673)
	<u>\$ 5,552,958</u>	<u>\$ 4,033,595</u>	<u>\$ 1,519,363</u>
CONTRIBUTIONS IN AID OF CONSTRUCTION.....			
	<u>4,149,351</u>	<u>3,769,081</u>	<u>380,270</u>
	<u>\$154,907,102</u>	<u>\$143,943,701</u>	<u>\$10,963,401</u>

See accompanying notes to financial statements.

NOTE 3—FIRST MORTGAGE BONDS

The following series of first mortgage bonds were outstanding at December 31, 1963 and 1962:

	1963	1962
Series D, 3 1/8%, due 1964.....	\$	\$ 5,000,000
Series E, 3 1/8%, due 1970.....	5,000,000	5,000,000
Series F, 3%, due 1977.....	5,000,000	5,000,000
Series G, 3 1/2%, due 1981.....	3,000,000	3,000,000
Series H, 3 1/2%, due 1982.....	4,000,000	4,000,000
Series I, 3.45%, due 1984.....	6,000,000	6,000,000
Series J, 4.70%, due 1987.....	7,000,000	7,000,000
Series K, 4.75%, due 1989.....	10,000,000	10,000,000
Series L, 4.65%, due 1991.....	12,000,000	12,000,000
Series M, 4.45%, due 1993.....	16,000,000	.....
	<u>\$68,000,000</u>	<u>\$57,000,000</u>

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.

NOTE 4—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 \$568,575 in 1963 and \$236,362 in 1962. This credit represents, with certain limitations, 3% of the amounts expended 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 and deferred the balance of 52% to subsequent periods to offset the effect of reduced tax depreciation allowances arising from the credit.

continued

STATEMENT OF INCOME

Year ended December 31, 1963 (with comparative figures for 1962)

	1963	1962	Increase (Decrease)
OPERATING REVENUES:			
Sales of electric energy.....	\$38,412,587	\$36,349,676	\$2,062,911
Other electric revenues.....	2,152	69,307	(67,155)
	\$38,414,739	\$36,418,983	\$1,995,756
OPERATING EXPENSES:			
Fuel oil.....	7,941,575	7,753,833	187,742
Operation.....	8,960,863	8,052,544	908,319
Maintenance.....	2,384,624	2,366,950	17,674
Depreciation.....	3,144,109	2,871,708	272,401
Taxes other than income taxes.....	4,045,416	3,452,486	592,930
Federal income taxes.....	4,029,717	4,291,072	(261,355)
State income taxes.....	425,381	456,674	(31,293)
Amortization of depreciation adjustment.....	(88,000)	(88,000)	.....
	\$30,843,685	\$29,157,267	\$1,686,418
OPERATING INCOME.....	\$ 7,571,054	\$ 7,261,716	\$ 309,338
OTHER INCOME:			
Dividend from wholly-owned subsidiary (sold in 1962)...	.....	459,123	(459,123)
Interest.....	84,572	59,799	24,773
Miscellaneous.....	3,738	3,400	338
	\$ 88,310	\$ 522,322	\$ (434,012)
TOTAL INCOME.....	\$ 7,659,364	\$ 7,784,038	\$ (124,674)
MISCELLANEOUS INCOME DEDUCTIONS.....	84,081	77,118	6,963
INCOME BEFORE INTEREST CHARGES.....	\$ 7,575,283	\$ 7,706,920	\$ (131,637)
INTEREST CHARGES:			
Interest on long-term debt.....	2,569,248	2,295,250	273,998
Amortization of premium on debt.....	(15,881)	(15,185)	(696)
Amortization of debt expense.....	41,187	32,603	8,584
Other interest charges.....	9,911	72,292	(62,381)
Interest charged to construction.....	(433,761)	(641,368)	207,607
	\$ 2,170,704	\$ 1,743,592	\$ 427,112
NET INCOME.....	\$ 5,404,579	\$ 5,963,328	\$ (558,749)

See accompanying notes to financial statements.

continued

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 \$1,530,036 for 1963 and \$1,342,865 for 1962.

NOTE 5—COMMITMENTS AND GENERAL

At December 31, 1963, the company had purchase commitments approximating \$9,000,000 in connection with its plant expansion program.

Pension costs for past services at the date of the inception of the supplementary pension plan, July 1, 1956, which have not been funded or otherwise provided for at December 31, 1963 are estimated to amount to \$3,275,000.

**STATEMENT OF EARNINGS
RETAINED IN BUSINESS**

Year ended December 31, 1963 (with comparative figures for 1962)

	1963	1962	Increase (Decrease)
BALANCE, JANUARY 1.....	\$13,856,057	\$11,438,347	\$2,417,710
ADD:			
Net income for year.....	5,404,579	5,963,328	(558,749)
Transfers from contributions in aid of construction (contributions held over 23 years).....	27,654	37,302	(9,648)
Gain on sale of subsidiary.....	18,481	592,821	(592,821)
Sundry.....	18,481	15,885	2,596
	<u>\$19,306,771</u>	<u>\$18,047,683</u>	<u>\$1,259,088</u>
DEDUCT:			
Cash dividends:			
Preferred stock.....	1,197,002	1,163,893	33,109
Common stock, \$.92 a share.....	3,195,189	2,977,336	217,853
Premium paid on redemption of preferred stock:			
Series B, 10,345 shares at \$4.....	.....	41,372	(41,372)
Series F, 131,900 shares at \$1.....	131,900	.....	131,900
Capital stock expense applicable to preferred stock redeemed.....	148,448	9,025	139,423
Additional tax assessments applicable to prior years, net.....	105,439	.....	105,439
	<u>\$ 4,777,978</u>	<u>\$ 4,191,626</u>	<u>\$ 586,352</u>
BALANCE, DECEMBER 31.....	<u>\$14,528,793</u>	<u>\$13,856,057</u>	<u>\$ 672,736</u>

See accompanying notes to financial statements.

STATEMENT OF PREMIUM ON COMMON STOCK

Year ended December 31, 1963 (with comparative figures for 1962)

	1963	1962
BALANCE, JANUARY 1.....	\$11,238,917	\$ 6,634,521
Premium received from sale of common stock— 315,730 shares at \$14.58 a share.....	.....	4,604,396
BALANCE, DECEMBER 31.....	<u>\$11,238,917</u>	<u>\$11,238,917</u>

See accompanying notes to financial statements.

AUDITORS' OPINION

PEAT, MARWICK, MITCHELL & CO.

CERTIFIED PUBLIC ACCOUNTANTS

TRUSTCO BUILDING

P. O. BOX 3556

HONOLULU II, HAWAII

February 4, 1964

The Stockholders

The Hawaiian Electric Company, Limited

We have examined the balance sheet of The Hawaiian Electric Company, Limited as of December 31, 1963, and the related statements of income, earnings retained 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 retained in business, and premium on common stock present fairly the financial position of The Hawaiian Electric Company, Limited at December 31, 1963, 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.

STATISTICAL SUMMARY

FINANCIAL STATISTICS (Millions of dollars)

	1963	1962	1961	1960	1959	1958	1953
Utility Plant in Service.....	\$ 163.09	\$ 138.75	\$ 129.78	\$ 113.43	\$ 103.68	\$ 88.77	\$ 55.77
Construction Work in Progress.....	6.21	15.14	5.95	6.16	.95	6.80	4.73
TOTAL UTILITY PLANT.....	169.30	153.89	135.73	119.59	104.63	95.57	60.50
Depreciation Reserve.....	24.62	22.16	20.04	18.25	16.46	15.05	10.53
Capital Structure (Dec. 31).....							
Bonds.....	68.00	57.00	57.00	45.00	45.00	35.00	22.00
Preferred Stock @ \$20.00 Par.....	22.29	24.93	20.19	20.26	15.32	15.32	9.00
Common Stock @ \$6 2/3 Par.....	23.15	23.15	21.05	20.96	18.63	18.63	13.00
Premium on Capital Stock.....	11.24	11.24	6.63	6.36	2.98	2.98	.....
Capital Stock Expense.....	(1.06)	(1.20)	(.98)	(.97)	(.86)	(.85)	(.47)
Surplus.....	14.53	13.86	11.66	10.91	9.82	9.08	7.70
TOTAL.....	\$ 138.15	\$ 128.98	\$ 115.55	\$ 102.52	\$ 90.89	\$ 80.16	\$ 51.23
Bond Interest.....	\$ 2.57	\$ 2.30	\$ 2.13	\$ 1.74	\$ 1.60	\$ 1.26	\$.73
Preferred Dividends.....	1.20	1.16	1.04	.78	.78	.59	.43
Common Dividends.....	3.20	2.98	2.69	2.40	2.33	2.17	1.15

OPERATING STATISTICS (Millions of Dollars)

Electric Energy Sales.....	\$ 38.41	\$ 36.35	\$ 33.00	\$ 30.67	\$ 27.23	\$ 25.39	\$ 14.91
Other Utility Revenue.....	.....	.07	.07	.06	.04	.03	.13
TOTAL UTILITY REVENUE.....	\$ 38.41	\$ 36.42	\$ 33.07	\$ 30.73	\$ 27.27	\$ 25.42	\$ 15.04
Operating Expenses:							
Fuel.....	\$ 7.94	\$ 7.76	\$ 6.85	\$ 6.70	\$ 6.05	\$ 5.90	\$ 3.40
Other Operation.....	8.96	8.05	7.54	6.54	5.97	5.77	3.80
Maintenance.....	2.39	2.37	1.84	1.99	2.05	2.00	1.66
Depreciation.....	3.14	2.87	2.56	2.34	2.02	1.88	1.25
Federal Taxes ¹	4.26	4.47	4.40	4.20	3.47	3.01	1.27
State Taxes ¹	4.24	3.73	3.42	3.09	2.72	2.55	1.25
Taxes to Construction.....	.....	.....	.....	.....	.....	.....	(.05)
Depreciation Adjustment							
Amortization.....	(.09)	(.09)	(.09)	(.09)	(.09)	(.09)	(.09)
Utility Operating Expense.....	\$ 30.84	\$ 29.16	\$ 26.52	\$ 24.77	\$ 22.19	\$ 21.02	\$ 12.49
Utility Operating Income.....	7.57	7.26	6.55	5.96	5.08	4.40	2.55
Other Income.....	.09	.52 ³	.11	.04	.08	.01	.15
Income Deductions and Interest							
Charges.....	(2.26)	(1.82)	(1.84)	(1.73)	(1.32)	(1.24)	(.68)
CORPORATE NET INCOME.....	\$ 5.40	\$ 5.96	\$ 4.82	\$ 4.27	\$ 3.84	\$ 3.17	\$ 2.02

COMMON SHARES (Millions)²

	3.47	3.47	3.16	3.14	2.80	2.80	1.95
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COMMON STOCK STATISTICS (Dollars)²

Earned Per Share Common:							
On Average Shares.....	\$ 1.21	\$ 1.48 ³	\$ 1.20	\$ 1.20	\$ 1.09	\$ 1.01	\$.94
On Year End Shares.....	1.21	1.38 ³	1.20	1.11	1.09	.93	.82
Common Dividend Rate.....	.92	.92	.85 ⁵	.83	.83	.83	.67
Common Equity Per Share.....	13.78	13.55	12.15	11.85	10.94	10.68	10.37

MISCELLANEOUS STATISTICS

Kilowatt Hour Sales (Billions).....	1.80	1.69	1.52	1.37	1.21	1.06	.70
Average Annual Residential							
Use (KWH).....	5,588	5,349	5,085	4,920	4,575	4,393	3,242
Revenue Per Residential KWH.....	2.61c	2.65c	2.66c	2.72c	2.77c	2.89c	2.69c
Customers Dec. 31 (Thousands)							
Residential.....	111	107	103	99	94	90	72
Total.....	130	126	122	117	111	106	87
Generating Capability Dec. 31							
(Thousand KW).....	540	457	457	400	400	340	220
Peak Demand (Thousand KW).....	389	372	341	313	288	248	168

¹ Does not include taxes charged through clearing accounts or capitalized.

² Reflects 3 for 1 split made in 1962. Prior years adjusted.

³ Includes non-recurring dividend payment from subsidiary.



Left to right, front row: A. E. Steadman, P. E. Spalding, Ralph B. Johnson, Leslie A. Hicks. Back row: H. M. Richards, G. W. Fisher, Dudley C. Lewis, H. V. von Holt, Heaton L. Wrenn, T. A. Cooke, J. Scott B. Pratt, III, Russell H. Hassler.

Board of Directors

P. E. SPALDING
Chairman of the Board

T. A. COOKE
Trustee of Estates

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

RUSSELL H. HASSLER
Financial Vice President

LESLIE A. HICKS
Past President

RALPH B. JOHNSON
President

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

Officers

P. E. SPALDING
Chairman of the Board

RALPH B. JOHNSON
President

RUSSELL H. HASSLER
Financial Vice President

HERBERT HEINRICH
Vice President,
Commercial

LEWIS W. LENGNICK
Vice President,
Executive Engineer

CARL J. SCHIFFERS
Admin. Vice President,
Industrial Relations

RICHARD L. SUMMERS
Vice President and
Secretary

CARL H. WILLIAMS
Vice President,
Engineering

JESSE R. ZEIGLER
Vice President,
Operations

EUGENE A. HELBUSH
Controller, Asst. Secretary
and Asst. Treasurer

WILL B. JOHNSTONE, JR.
Treasurer

EDWARD A. MURTY
Budget Director, Asst. Secretary
and Asst. Treasurer

Department Managers

WILLIAM J. FROOME
System Operation

FRANK R. HICKS
Generation

CURTIN A. LESER
Personnel

C. DUDLEY PRATT, JR.
Distribution

FRANCIS H. WILLIAMS
Promotional

G. MURRAY WINSLEY
Purchasing and Stores

*Growing use of power by
business and industry
accounts for 66 percent
of kilowatt hour sales.*

TRANSFER AGENTS

Morgan Guaranty Trust Company of New York
New York

Wells Fargo Bank
San Francisco

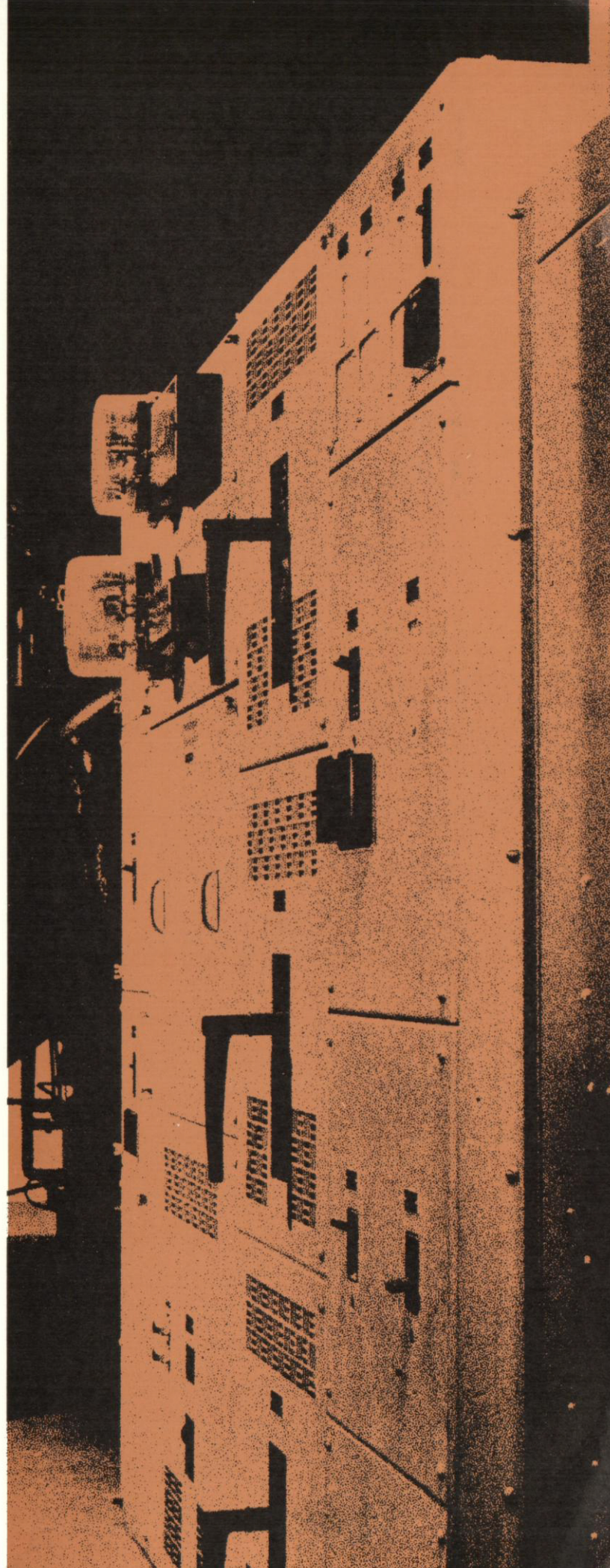
Office of the Company
(David Freitas, E. L. Bourke, A. C. Sloggett,
Jean Potter, Transfer Agents)
900 Richards Street, Honolulu 96813

REGISTRARS

The Chase Manhattan Bank
New York

The Bank of California *National Association*
San Francisco

Cooke Trust Company, Limited
Honolulu





The Koolau Substation in late afternoon, as the sun settles behind the rugged Koolau Range.



THE HAWAIIAN ELECTRIC CO., LTD.

P. O. BOX 2750

HONOLULU, HAWAII 96803