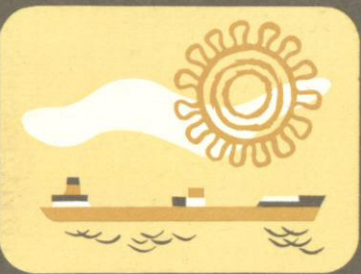
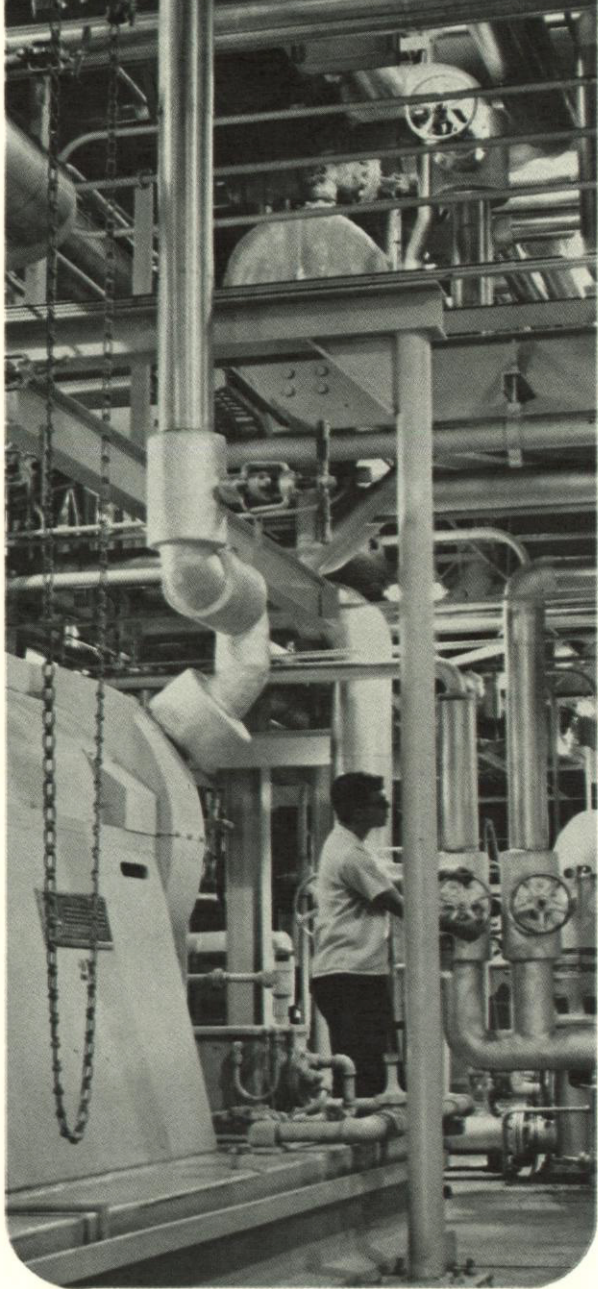


HAWAIIAN ELECTRIC 1964 ANNUAL REPORT





THE COVER

An artist illustrates Hawaii's reliance on sea-borne oil to fuel power plants at Hawaiian Electric's three generating stations. Company serves Oahu's 600,000 people with light and power for home, commercial and industrial use.

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HIGHLIGHTS

1964

	% Increase
SALES	9.6%
Kilowatt-hour sales reached a record 1,972,109,970	
REVENUE	8.2%
Gross revenues increased to \$41,661,775	
NET INCOME	9.4%
Rose to \$5,910,749	
EARNINGS PER SHARE	14.9%
Earnings per share were \$1.39 on common stock outstanding at year end	
UTILITY PLANT	6.8%
Now totals \$180,785,174	
PEAK DEMAND	9.5%
Maximum kilowatt demand increased by 37,000 kw to 426,000	
CUSTOMERS	3.9%
Number served increased by 5,124 to a total of 135,352	
RESIDENTIAL USE	3.8%
Average annual residential use, up 215 kwh, is now 5,803 kwh	

SUMMARY OF FINANCIAL RESULTS

(Dollars in thousands)

	1964	1963	% Increase or (Decrease)
	% of Total	Amount	Amount
WE RECEIVED FROM			
Sales to residential customers	40.5	\$16,891	\$15,854
Sales to industrial and commercial customers	57.0	23,728	21,976
Other sources	2.5	1,043	673
Total	100.0	\$41,662	\$38,503
WE HAD THESE EXPENSES			
Wages and employee benefits charged to operations	21.0	\$ 8,734	\$ 8,808
Fuel oil	20.6	8,601	7,942
Other materials and services	9.2	3,822	2,740
Depreciation	8.8	3,672	3,144
Federal and local taxes	19.9	8,309	8,209
Interest on borrowed money and other miscellaneous expenses	6.3	2,613	2,255
Total		\$35,751	\$33,098
LEAVING AS NET INCOME		\$ 5,911	\$ 5,405
FROM WHICH WE PAID STOCKHOLDERS			
Preferred dividends	2.6	\$ 1,077	\$ 1,197
Common dividends	7.8	3,265	3,195
AND WE RETAINED IN OUR BUSINESS	3.8	\$ 1,569	\$ 1,013
	100.0		

**LETTER FROM
THE PRESIDENT**



The economy of Hawaii reached a new high in 1964, exceeding all expectations. Diversified manufacturing, tourism, defense spending and construction were the major growth segments. Although no large manufacturing projects were started in 1964, small and medium-sized companies were added to our system. These, together with the high-level operation of those already in existence, demanded more service from Hawaiian Electric Company than anticipated.

Tourism, stimulated by a substantial air fare reduction, increased 18 per cent over the previous year and created additional demand for hotel rooms and apartments. The construction of new homes, office buildings, and hotels reached an all-time high.

Federal expenditures in Hawaii for defense set a new record in 1964, and it seems reasonably certain that Hawaii will continue to be an active center for military operations in the Pacific for some time to come.

Hawaii's sugar industry set a new production record in 1964, partly offsetting the impact of a decline in price from the abnormally high 1963 level. Pineapple sales ran high and prices were firm; diversified agriculture continued to advance over the year before.

Responding to these favorable aspects of our economy, Hawaiian Electric Company's sales were 9.6 per cent

above the year before. Earnings of \$1.39 per share were 18 cents above the per share earnings of 1963. As a result, the Company was able to raise its dividend to 25 cents in the last quarter, making the annual rate \$1 per share. For the first time, 14.9 per cent of the 1964 common stock dividend is exempt from federal income taxes.

During the year the Company conducted meetings in six Mainland cities to bring the story of Hawaii and Hawaiian Electric Company to the nation's financial community in an effort to widen the market for the Company's securities. The changing of our corporate name to Hawaiian Electric Company, Inc. and the listing of our stock on both the New York and Pacific Coast Stock Exchanges were also part of our financial relations program.

In 1964 the Company spent nearly \$14 million for capital improvements, much of it to complete the second unit at Kahe Power Plant, located in the vicinity of Barber's Point. This unit has a capability of 83,000 kw, giving us a total capability of 166,000 kw at this site. These two units at Kahe will improve considerably the efficiency of our over-all operations in the future.

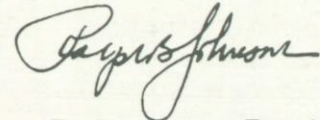
Ever increasing demands of a rapidly developing service area offer a constant challenge to Hawaiian Electric Company. Our experience in the past

few years has indicated a growth rate of close to 8 per cent per year compounded, a somewhat higher rate than the average in the electric utility industry on the continental United States. With similar rapid growth forecast at least for the next few years, our requirements for new plant will be substantial.

A sad note in 1964 was the death of Mr. Alva E. Steadman on September 20. He had been an able and respected member of our Board of Directors since 1941.

The Company was fortunate to obtain two of Honolulu's outstanding businessmen as directors in 1964. Mr. Fred P. Lowrey, president of Lewers & Cooke, Ltd., was elected to the Board at the annual stockholders' meeting on March 16 and Mr. Gilbert W. Root, president of Cooke Trust Company, Ltd., was elected by the Directors on October 20 to serve out the unexpired term of Mr. Steadman.

I want to take this opportunity to express my appreciation to all of our Directors, officers and employees who, through their competence, loyalty and cooperation, contribute so much to our continuing progress and success.



RALPH B. JOHNSON, President
March, 1965

**REVIEW
OF THE YEAR**

EARNINGS

Earnings per share on the 3,473,032 shares of common stock outstanding in 1964 increased 15 per cent to \$1.39. Net income was \$5,910,749 on gross revenues of \$41,661,775. Revenue from energy sales increased 7.6 per cent. Kilowatt hour sales to commercial and industrial customers, up 10 per cent, showed the greatest improvement. Residential sales were up 8 per cent, with a large majority of all new single-family residences going all-electric. Average annual residential use reached 5,803 kilowatt hours, about 25 per cent above the national average.

Among factors affecting net income was the Company's election in 1964 to amortize the entire amount of the investment credit over the service lives of the properties. Effective January 1, 1964, the Company revised its accounting procedure to distribute employee benefits, non-productive labor and certain administrative expenses between operating and plant accounts on the same basis as productive wages. Income adjustments applicable to prior years and gain on sale and exchange of assets also increased net income. These accounting changes resulted in an increase in net income of approximately \$285,000.

Changes effected in our capital structure over the last two years are also now

being reflected in improved earnings per share.

DIVIDENDS

Common stock dividends totaled 94 cents per share. Dividends were paid at the rate of 23 cents a quarter for the first three quarters. The rate was increased to 25 cents per share the last quarter. The Company has paid dividends continuously since 1901. For the first time, part of the Company's dividends on common stock (14.9 per cent) were non-taxable. The non-taxable status results primarily from the difference between the depreciation shown on our statements and that allowed for tax purposes. This difference has been accentuated by the use of accelerated depreciation for income tax purposes.

OWNERSHIP

Ownership of the Company has become increasingly diversified. In 1964 a total of 30.3 per cent of the Company's 10,051 common stockholders were located in 46 states other than Hawaii, the District of Columbia, and in 12 foreign countries. They owned 30.3 per cent of the common stock.

Institutional investors have shown continued faith in the Company by including our bonds, preferred stock and common stock in their investment portfolios.

LISTING ON STOCK EXCHANGES

On October 13, the 73rd anniversary of the founding of the Company, the symbol HE was listed on the board of the New York Stock Exchange. The following day the stock was traded for the first time on the Pacific Coast Stock Exchange. The Company sought listing on these major exchanges to improve marketability of its stock for its many individual stockholders and institutional investors.

FINANCING

In January the \$3.5 million Series "G" 5.75% Preferred Stock was called and replaced by Series "K" 4.65% Preferred Stock. During 1964 the Company financed its capital improvement program through short-term bank loans and internally generated funds. At December 31, the Company owed \$6 million in short-term bank loans.

The Company plans on selling \$11 million of First Mortgage Bonds early in 1965. The proceeds will go toward financing the 1965 plant expenditure program and to repay existing bank loans.

CAPITAL EXPENDITURES

Capital expenditures in 1964 amounted to \$13.8 million. Current

G. Keith Funston, New York Stock Exchange President, wears lei at listing ceremonies for "HE," with (from left) President Johnson, Financial Vice President Russell H. Hassler, and Joseph M. McHugh, Company's stock specialist, attending.



FGT PR
100 GIANT MARKETS

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MIC
FEDERAL & CHEMICALS PHILIPP

+

FGT
100 GIANT MARKETS

000

GRX
GENL REFRACATORIES

+191

HE
HAWAIIAN ELECTRIC

+346

CS PREF
CITIES SERVICE

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D
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VISC. PUBLIC SERVICE

-207

EQT
EQUITABLE GAS

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DAL
DELTA AIR LINES

+626

RDL
RITTER CO.

-277

SES
SHAHMOON IND.

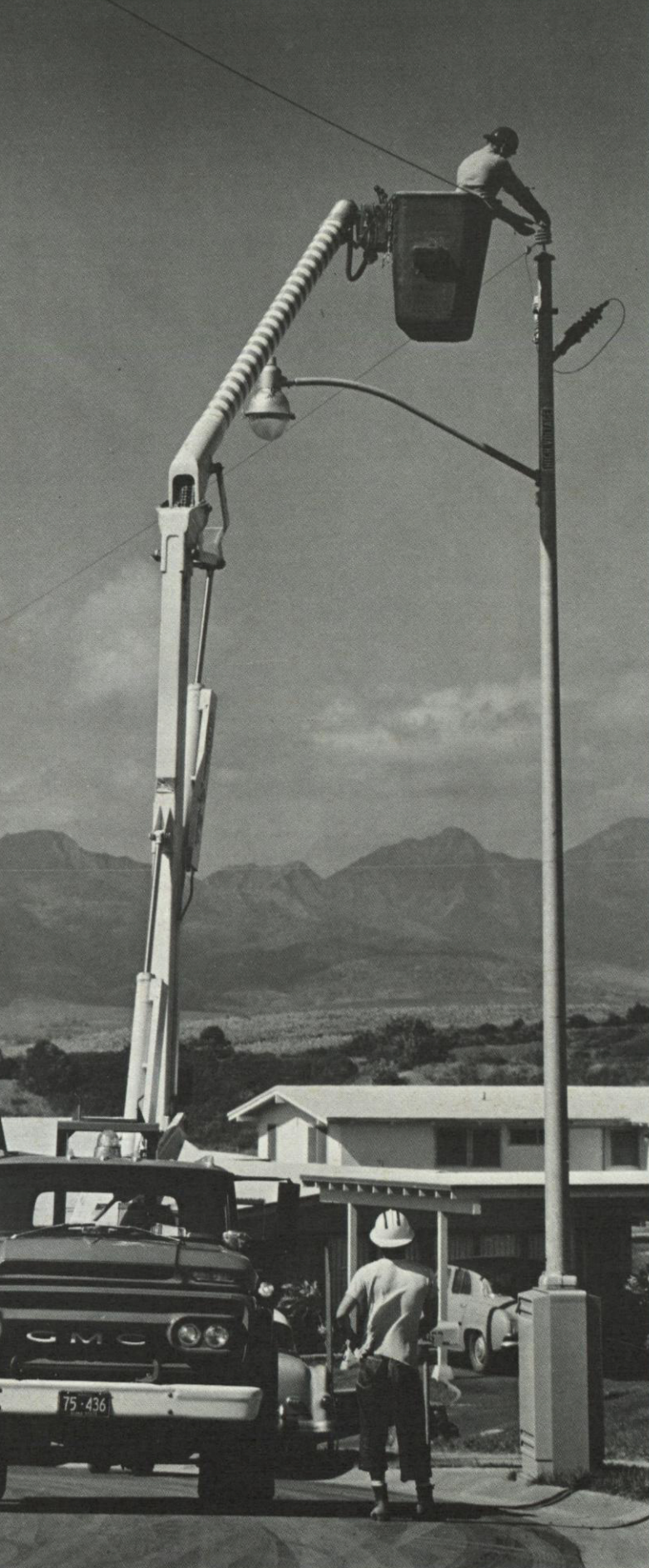
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TNB
THE THOMAS & BETTS CO.

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GO
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plans call for expenditures of \$97 million during the next five years. In the last ten years the Company's plant in service increased by \$111 million, or 161 per cent.

TAXES

	1964	Percent of Operating Revenue
Taxes Other Than Income		
Public Utility.....	\$2,920,626	7.0
Franchise Royalty.....	1,028,886	2.5
Other.....	408,254	1.0
	<u>\$4,357,766</u>	<u>10.5</u>
Income Taxes		
State		
Current.....	\$ 256,658	0.6
Deferred.....	162,882	0.4
	<u>\$ 419,540</u>	<u>1.0</u>
Federal		
Current.....	\$2,118,695	5.1
Deferred.....	1,413,047	3.4
	<u>\$3,531,742</u>	<u>8.5</u>
Total Income Taxes.....	<u>\$3,951,282</u>	<u>9.5</u>
Total Taxes.....	<u>\$8,309,048</u>	<u>20.0</u>

CORPORATE NAME CHANGE

On March 16 stockholders approved a name change from The Hawaiian Electric Company, Limited to Hawaiian Electric Company, Inc. This step was taken to eliminate any possible impression that Hawaiian Electric was a foreign corporation.

ANTITRUST SUITS

The Company settled suits against 12 companies for alleged overcharges on purchases of electrical equipment.

Bucket truck makes easier work of servicing part-underground system. Power transformer is in base of street light pole, with primary line overhead, secondary ones underneath sidewalk.

The major settlement, with Westinghouse Electric Corporation, plus reimbursement for expenses, amounted to about \$1,050,000, to be paid within five years with interest at 4½ per cent. Approximately \$8,000 was received in settlement of the other suits.

The settlements represent a reduction in prices paid for equipment, and fixed assets have been reduced by the amount of the settlements.

PLANT GROWTH

Marked growth in our facilities took place with the completion of a second unit at the Kahe Valley Generating Station, increasing the peak capability on our system to 623,000 kilowatts, more than twice that of 10 years ago.

Kahe No. 2, a twin of No. 1, was placed in commercial service on schedule on November 1. It is an oil-burning unit with a capability of 83,000 kilowatts.

A peak load of 426,000 kilowatts was recorded for the year, a rise of 9.5 per cent above the 1963 peak.

Our Engineering Department completed design for a new generating unit to be built at the Waiau Station beginning in mid-1965 and negotiations were completed for a new 219-acre power plant site at Heeia-Kea Valley on Windward Oahu. While no immediate plant

construction was planned, the Windward Oahu location will ultimately be used for facilities to serve the rapidly expanding load on the southeastern portion of Oahu.

Four 46,000-volt substations were built, at Kahuku, Makaha and Kunia, and at the midtown Kapiolani Business District.

A fourth floor was added to the Ward Avenue Building and the structure redesigned and painted in harmony with the new Honolulu International Center, which it faces. The addition provided needed space for Engineering and Operating Departments expansion and a room for computer equipment. Improvements to the exterior included an attractive entrance and modernizing of the facade.

IMPROVED OPERATIONS

A major improvement to our operations was made with the purchase of an Automatic Dispatch System. This equipment automatically controls the amount of load on each major generating unit at our Honolulu, Waiau and Kahe generating stations. Using data processed by our computer, the ADS operates the generating units so that they produce maximum efficiency during normal operation and provide maximum recovery during emergencies.

Two new pieces of insulating-oil equipment were put into use in 1964. The first is a 5,500-gallon aluminum tanker semi-trailer, complete with filtering and pumping equipment. The second is a filter truck capable of drying and cleaning 100 gallons of oil per minute. This new equipment will appreciably reduce the man hours used for transformer and oil circuit breaker maintenance.

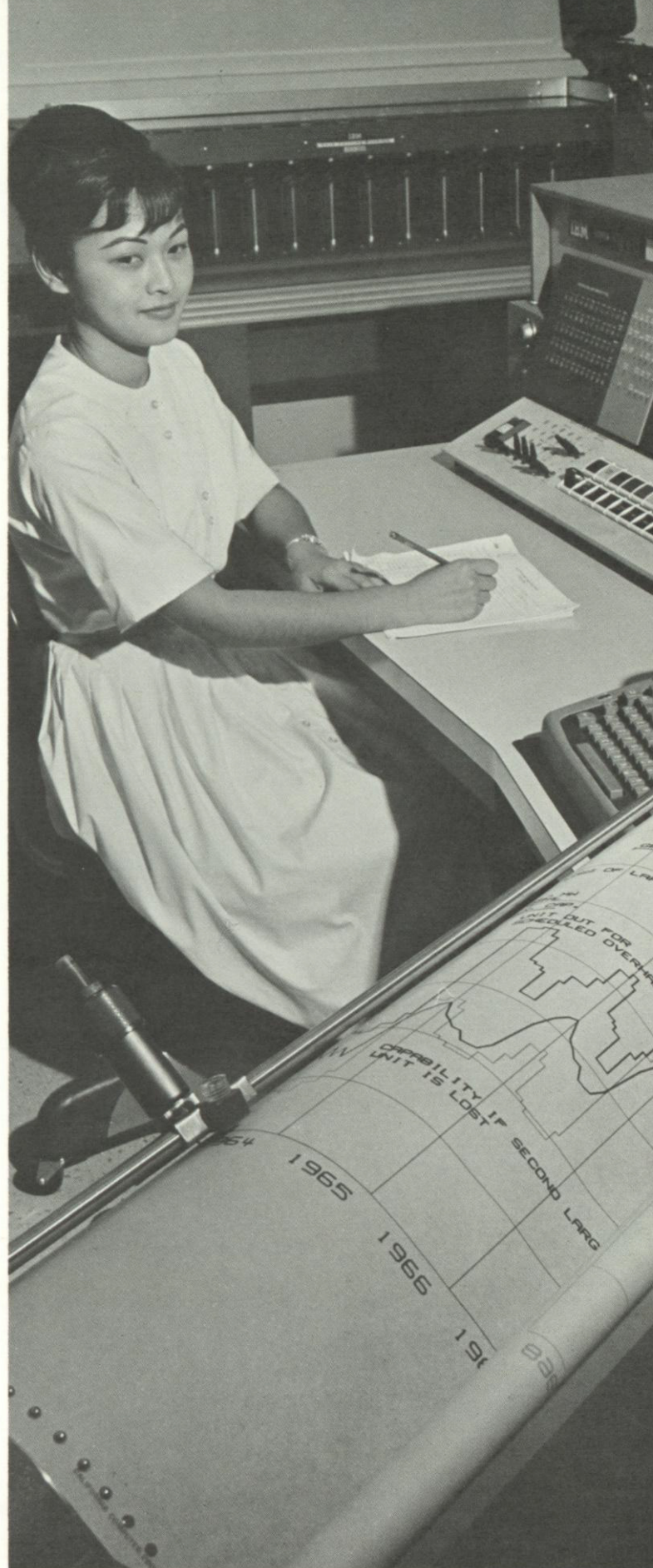
Three 35-foot insulated single-man bucket trucks for use on energized overhead lines were purchased as replacements for obsolete ladder trucks. This equipment greatly speeds the installation of electric power lines.

During the year Distribution engineers developed a new line truck body design, utilizing time-motion study techniques. The first "low-silhouette" line body is now being constructed, and will be field tested in 1965 by our three-man line construction crews.

FUNCTION AND BEAUTY

An electric utility's responsibility for providing dependable service is matched by its interest in keeping the community attractive. Hawaiian Electric constantly strives to build beauty into its vital functions, and make its installations and equipment fit gracefully into their Hawaiian surroundings.

Computers make engineering forecasts as far ahead as 20 years. Digital plotter shown here draws graphs and types information from computer's calculations in single operation.





Special care is taken to landscape power plants and substations, promote use of underground wiring, and improve the appearance of overhead systems.

Each year we make more progress in our efforts to promote the use of underground lines. With the continued cooperation of developers, new subdivisions using underground systems are increasing. This year we experimented successfully with shallow trenching under sidewalks in a new effort to cut the cost of underground distribution.

We also developed streamlined versions of a partially underground system that costs less than an all underground system. It is being used in many new subdivisions. The secondary-wiring portion is underground, with the primary overhead system supported on trim street light standards.

SELLING ELECTRICAL LIVING

The industry slogan, "Live Better Electrically," is highly successful, but continuous selling and promotion are necessary to dramatize the desirability of electric living. Hawaiian Electric conducts a complete marketing program directed to industrial, commercial and residential customers. The Company received recognition in national competition for its advertising from the Public Utilities Advertising Associa-



Top: Hawaii's year-round greenery is a natural help in making substations harmonize with area.

Left: Tropicana Village, complex of Gold Medallion apartments, was enlarged to 216 units.

tion. A first award was given for the Company's complete advertising program. First awards also were given for the Company's television and radio advertising.

Residential construction on Oahu totaled 6,741 units, a 3.6-per-cent increase over 1963. Owners of new homes and apartments have shown a decided preference for total electric living.

Sales of major appliances on Oahu increased 27 per cent in 1964, reflecting the cooperation among all components of the electrical industry to increase sales. Coordinated through the Pacific Coast Electrical Association (Hawaii), Hawaiian Electric, manufacturers, contractors, distributors and dealers all participated in PCEA programs to increase appliance sales and the commercial application of electricity. The Company worked with PCEA on many industry events, including National Electrical Week and a local Home Show attended by 30,000 persons.

The Home Service Division continued its year-round schedule of classes for the homemaker in cooking, laundering, lighting and wiring. Staff economists made home calls to demonstrate the use of all makes of electrical appliances.

AIDING ISLAND GROWTH

Since the end of the war, and especially since statehood, Hawaii has been developing its resources to attract new industry. Various organizations—government, civic and industrial—are helping to develop and promote Hawaii as a place of economic opportunity.

Through its Area Development Office, the Company cooperates with all elements in the community to help expand the scope of the islands' economy.

Interest has been directed toward the promising field of oceanics. Greater knowledge of the oceans can help this country in military defense and in making useful predictions for fisheries, ocean travel and underseas communications.

A group of local companies headed by Hawaiian Electric had an industrial research firm make a comprehensive study of the potential for development in Hawaii of ocean-related industries. This study disclosed an encouraging picture for oceanic activity based on the proper and timely development of Hawaii's unique attributes.

Addition of second unit at Kahe Valley doubled station's size to a total generating capability of 166,000 kilowatts. Jesse R. Zeigler, left, is Vice President in Charge of Operations. Right: Frank R. Hicks, Generation Department Manager.





RECORD IN TOURISM

Oahu continues as the center of tourism in Hawaii. New low jet fares contributed greatly to the 18-per-cent increase in the number of visitors, a record 510,000 staying overnight or longer in 1964.

Visitor spending, now \$225 million annually, has passed both sugar and pineapple as a local dollar producer.

New tourist attractions on Oahu and the neighbor islands make the Hawaii vacation and the Hawaii convention a more attractive package. Major national and international conventions are now being successfully booked for Honolulu.

MANUFACTURING GAINS

Manufacturing has been one of the greatest sources of economic growth in the State for the past ten years, and it has substantial long-range potential.

Hawaii's three-quarters of a million population and the islands' export market offer an attractive inducement for selected new manufacturing plants.



High-pressure stream of water washes salt and dirt from insulators to insure continuous service, especially in areas exposed to ocean winds.



Budding female scientists won recognition as girls took part for first time in our Motor Building Contest for National Electrical Week.

TOURISM State of Hawaii

MILLION
DOLLARS

350

300

250

200

150

100

50

1954 1955 1956 1957 1958 1959 1960 1961 1962 1963 1964

Source: Hawaii Visitors Bureau

The addition of several small plants in 1964, plus the expansion of a number of existing facilities, helped increase the total of diversified manufacturing (exclusive of sugar and pineapple processing) to \$260 million.

DIVERSIFIED MANUFACTURING State of Hawaii

MILLION
DOLLARS

350

300

250

200

150

100

50

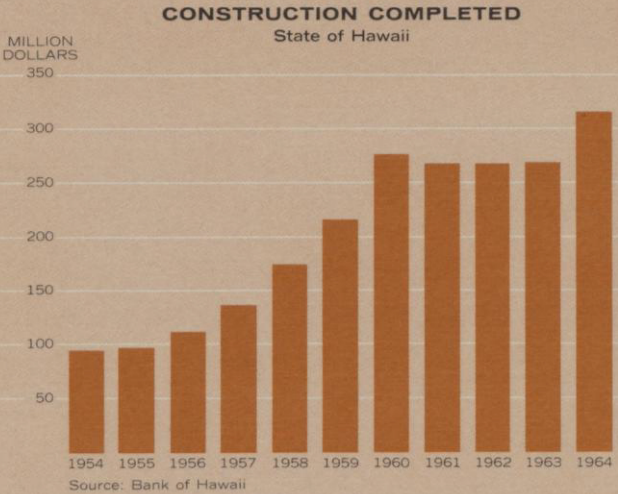
1954 1955 1956 1957 1958 1959 1960 1961 1962 1963 1964 (Est.)

Source: Tax Base Adjusted

BUILDING AT NEW PEAK

Construction completed in the State of Hawaii reached a record high of \$315 million. More than 90 per cent of the new construction was in the Company's service area.

Honolulu ranked 11th in the nation in the dollar volume of new building permits in 1964. Construction scheduled for 1965 and 1966 will continue at a high level.

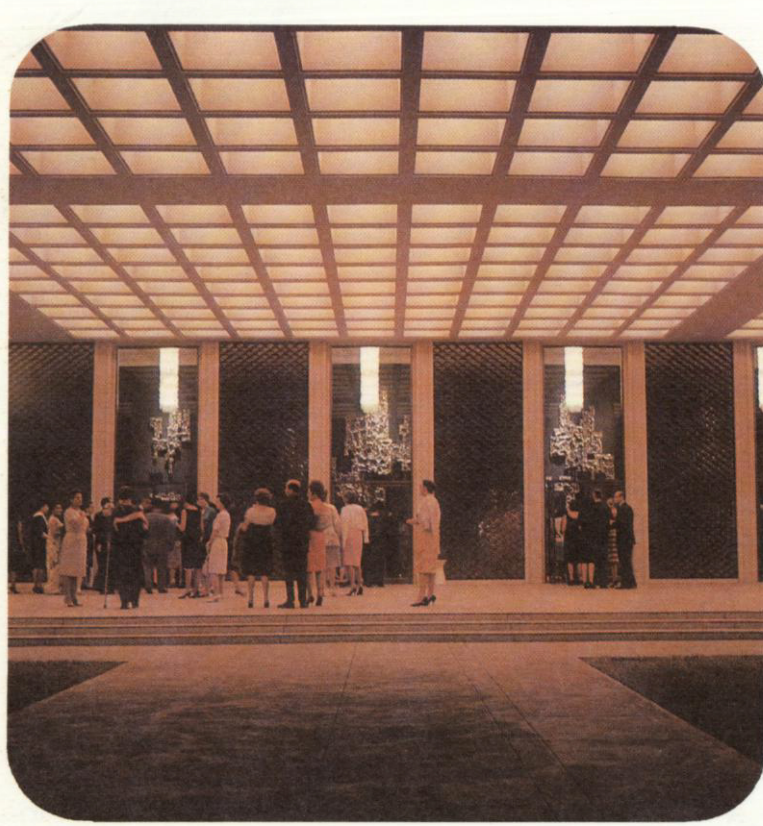


THE COMMUNITY CONTINUES TO GROW

Fountains are keyed to night illumination at The Ilikai, world's largest condominium. Dramatic symbol of Hawaii's economic growth, it contains 1,014 apartments and hotel rooms. ▶

Construction of second phase, Ala Moana Center, will increase project to 160 stores, parking for 8,000 cars and estimated \$100 million sales by 1970. Imaginative shopping center is one of largest in the world. ▶





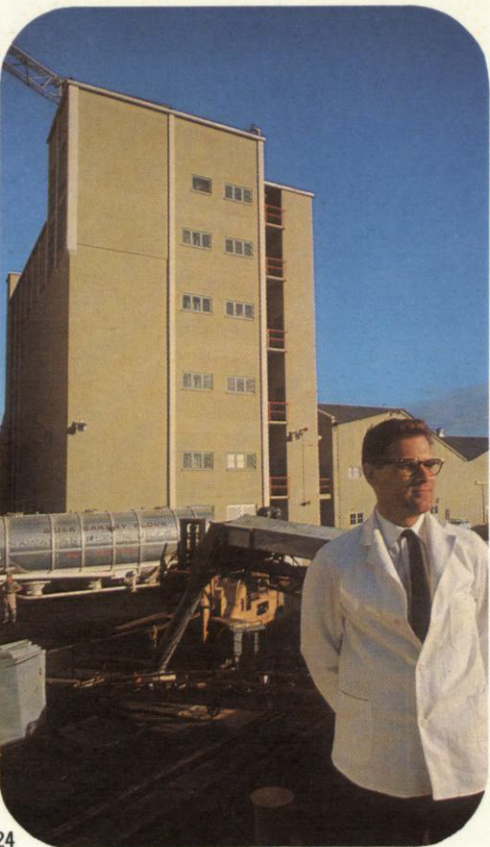
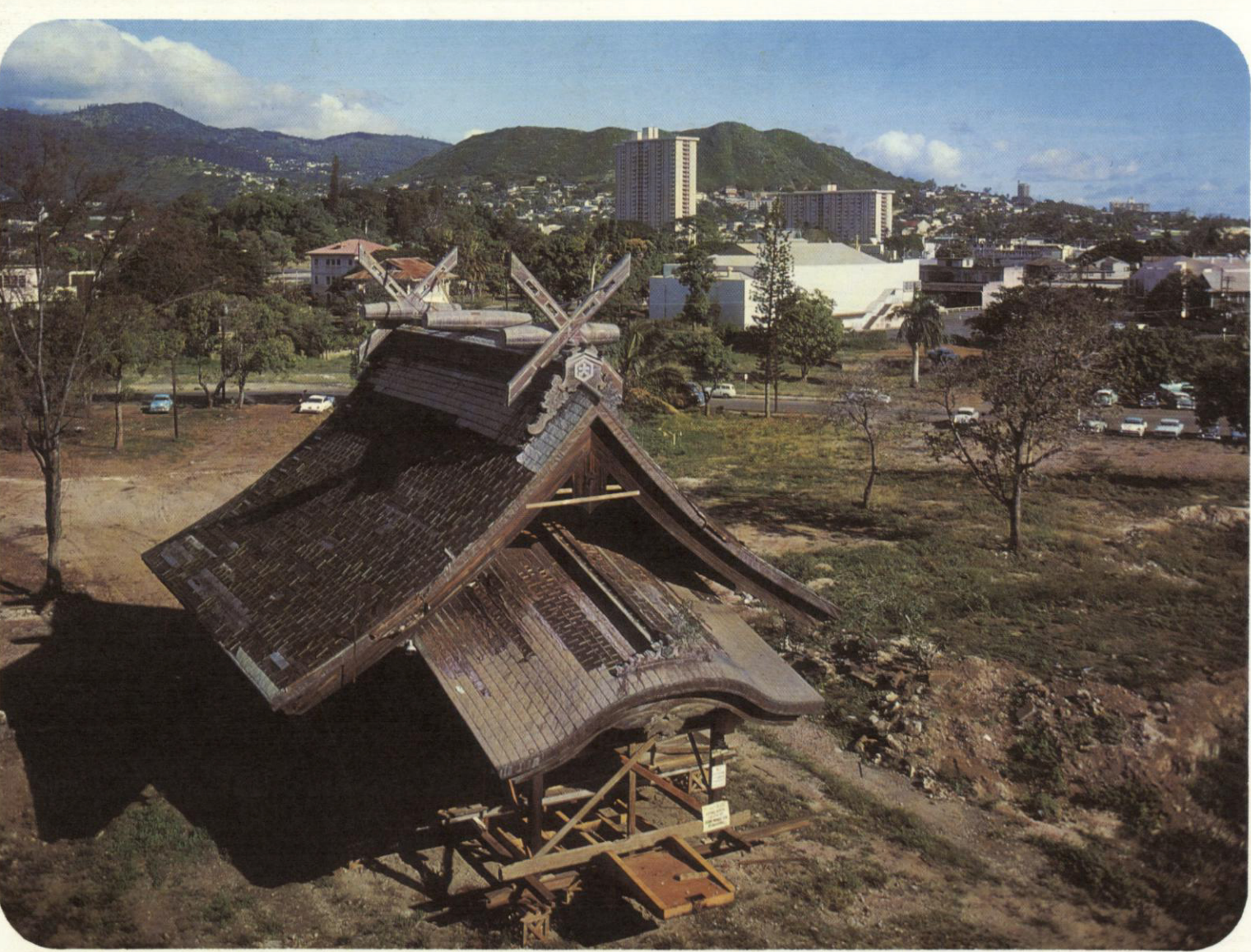
- △ Elegant continental-style Concert Hall became new home of Honolulu Symphony and center of city's musical life.
- △ Waikiki welcomed new luxury movie palace when Royal Theatre opened in October with first showing of "Becket."
- △ Sunset creates dramatic patterns of light and shadow on the Federal Aviation Building at the gateway to Waikiki.



East-West Center grantees stroll near University of Hawaii's Institute of Geophysics, background, a \$3 million center of research in natural phenomena ranging from upper atmosphere to ocean depths.

A scale model of Sea Life Park, Honolulu's unusual oceanarium, shows the projected Oceanics Institute, to right, planned for research and development in the promising field of oceanography.





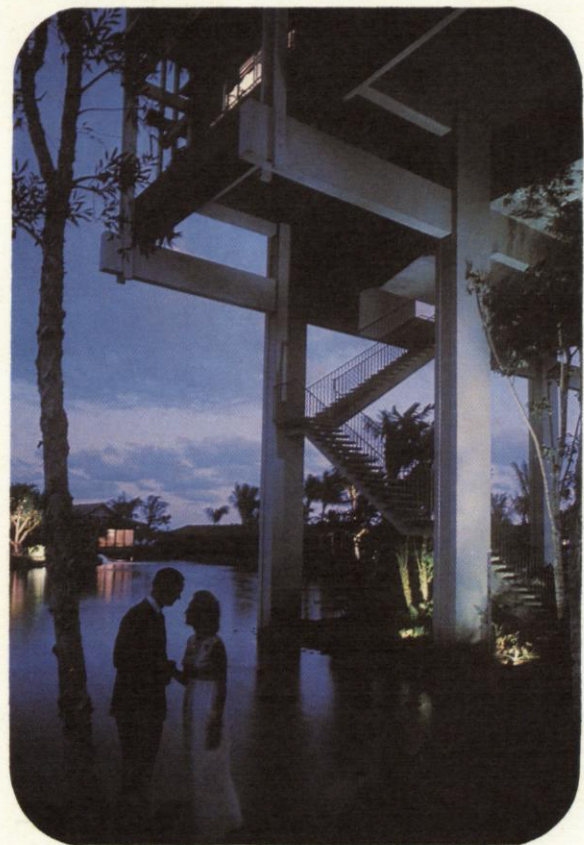
Japanese shrine heads for a new site as land is cleared for replacements like Queen Emma Apartments, background, a result of urban renewal.



Hawaiian Flour Mills opened world's newest mill, capable of meeting all Island needs. L. C. Blackburn is Manager.



The Kahala Hilton Hotel uses 1,200 gallons of water per minute to provide garden waterfalls and for air-conditioning its 900 rooms, dining area and the large all-electric kitchen.



DEFENSE SPENDING RISES

Hawaii's strategic location has long made it the center of our country's western defense. Spending reached a new record of nearly \$416 million as Hawaii continues to achieve new importance in the modern defense complex of inner and outer space.

Hawaii's excellent facilities are being put to more intensive use. The Polaris submarine training center, additional communications facilities, and projected underwater research promise future expansion.

FEDERAL DEFENSE EXPENDITURE

State of Hawaii

MILLION
DOLLARS

700

600

500

400

300

200

100

1954 1955 1956 1957 1958 1959 1960 1961 1962 1963 1964

Source: First National Bank

HAWAIIAN ELECTRIC PEOPLE

Hawaiian Electric owes much of its reputation for providing excellent service to the quality of its employees. Not only are they highly qualified technically, but they also are active in civic affairs and in community organizations. Our employees pursue a variety of recreational activities. They have two choral groups whose members perform at various functions, both public and private, throughout the year. Employees participate in many of the organized sports leagues. A camera club holds the interest of a large number of the Company's workers.

We have a relatively young work force of 1,381 men and women.

PAYROLL & BENEFITS

	1964	1963
Wages for productive work.....	\$ 9,903,786	\$ 9,634,433
Company-paid benefits		
Vacations.....	\$ 529,156	\$ 494,342
Holidays.....	372,094	336,305
Sickness.....	268,713	233,692
Leaves and excused absences.....	64,389	31,861
Pension and group life insurances.....	953,828	804,181
Cash pensions.....	36,333	48,747
Medical and hospital plans...	254,148	243,694
Social Security insurance.....	241,105	237,170
Unemployment insurance.....	129,057	79,595
Total benefits.....	\$ 2,848,823	\$ 2,509,587
Total payroll and benefits.....	\$12,752,609	\$12,144,020

APPRENTICES AND TRAINING

Maintaining a well-trained technical force is of particular importance to Hawaiian Electric. An indentured apprenticeship program graduated 16 journeyman craftsmen in 1964. Another 134 employees were reimbursed under a voluntary plan of training for self-improvement. The Company pays half the employees' costs for approved programs satisfactorily completed.

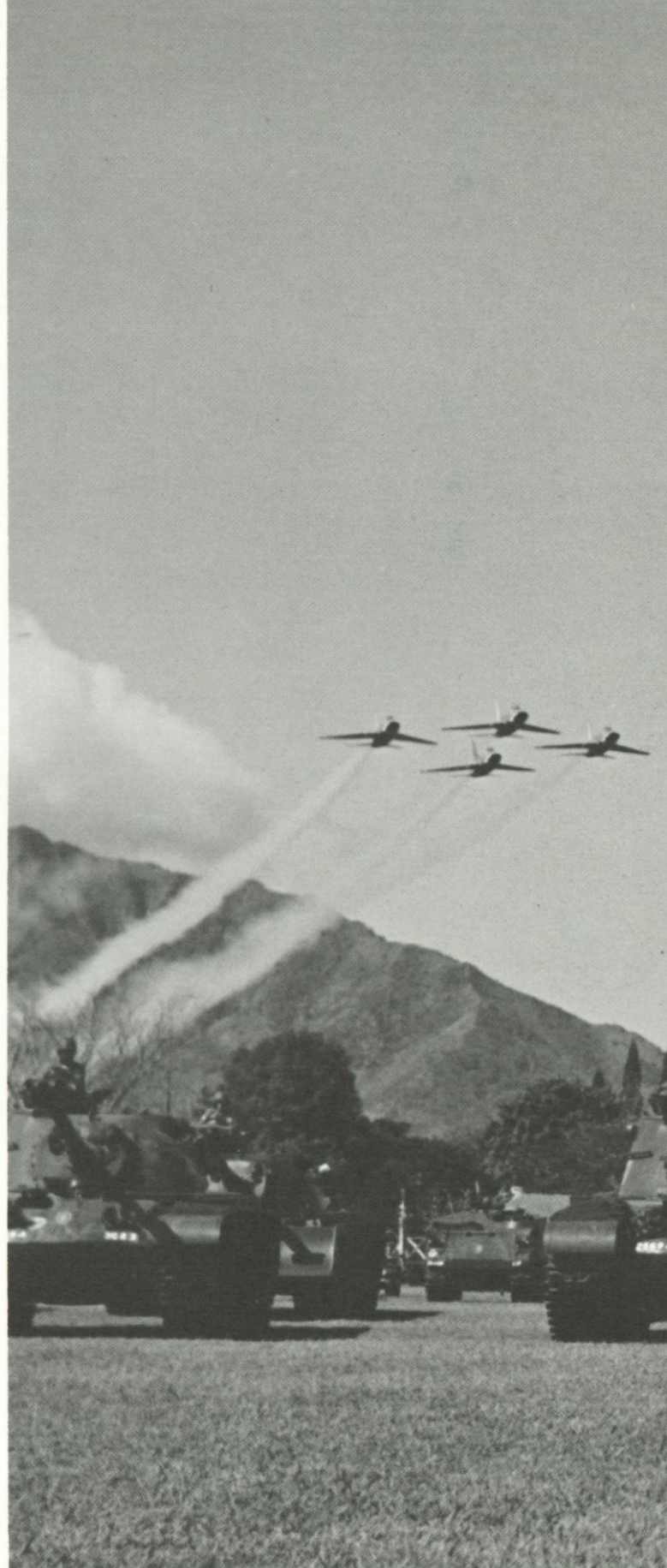
LABOR CONTRACTS

Confidence and respect characterize the association between the Company and the International Brotherhood of Electrical Workers, Local 1260, AFL-CIO, which represents 76 per cent of our workers.

A new three-year contract became effective March 1, 1964. It provides wage increases, certain improvements in the pension and group life insurance plans and other fringe benefits. There is no wage reopening in the life of the contract.

A more liberal pension plan retroactive to March 1, 1964 was approved by the stockholders at a special meeting held September 29, 1964. Employee pensions will be increased \$54 per

Thunderbird jets fly over tanks at Schofield Barracks during a review. Might of the armed forces is dramatized in Hawaii, where the U. S. last year spent \$416 million on defense. The Islands' strategic role in Pacific still grows.

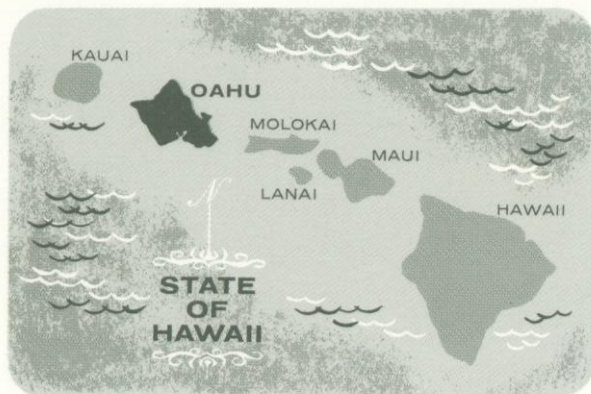


U. S. Army photo



SYSTEM MAP RECORDS EXPANSION

Lewis W. Lengnick, Vice President and Executive Engineer, heads all Hawaiian Electric physical operations. Map indicates the expanding facilities on Oahu, Company's service area. The island contains in its 640 square miles four-fifths of the State's population of more than 700,000. It is not only the population center but key point of U. S. defense and hub of growing Pacific trade. Smaller map indicates relationship of Oahu to other Hawaiian islands.



month by March 1, 1968. Employee contributions to the plan will be gradually reduced until March 1, 1970, when the Company will assume the entire cost of the plan.

A separate three-year contract, effective May 1, 1964, was negotiated with the United Plant Guard Workers of America, Local 650, representing the Company's 21 security force men. It provides the same wage increases pattern and additional fringe benefits negotiated with the IBEW.

DIRECTORS

Our Board of Directors and the community lost a valued member and friend with the death of Alva E. Steadman, chairman of the board of Cooke Trust Company, Ltd. Mr. Steadman had been a Hawaiian Electric director since November 20, 1941, just short of 23 years. His passing is recorded with sorrow.

Two Honolulu business leaders were added to the Board of Directors in 1964. They were Fred P. Lowrey, president of Lewers & Cooke, Ltd., and Gilbert W. Root, president of Cooke Trust Company, Ltd. Mr. Lowrey was elected at the March 16, 1964 annual meeting of stockholders and Mr. Root was elected October 20, 1964 by the Board to fill the unexpired term of Mr. Steadman.

Fourth floor was added to Ward Avenue Building for expansion of Engineering, Operations, Distribution Departments. ▶

Engineering Department's Distribution Division, headed by Frank Ah Kan Shim (standing), in new space on added floor. ▶



BALANCE SHEET

ASSETS

December 31, 1964
(with comparative figures for 1963)

	1964	1963	Increase (Decrease)
UTILITY PLANT, at cost:			
In service:			
Land.....	\$ 4,755,845	\$ 4,917,465	\$ (161,620)
Plant and equipment.....	174,238,451	158,171,273	16,067,178
	\$178,994,296	\$163,088,738	\$15,905,558
Construction in progress.....	1,790,878	6,211,831	(4,420,953)
	\$180,785,174	\$169,300,569	\$11,484,605
Less accumulated depreciation (Note 1).....	(27,127,586)	(24,622,098)	(2,505,488)
	\$153,657,588	\$144,678,471	\$ 8,979,117
 OTHER PROPERTY AND IMPROVEMENTS, at cost			
less accumulated depreciation.....	230,841	48,241	182,600
 CURRENT ASSETS:			
Cash.....	2,123,335	1,680,792	442,543
Temporary cash investments.....	.....	992,813	(992,813)
Notes receivable.....	844,228	.....	844,228
Accounts receivable.....	3,933,587	3,918,937	14,650
Provision for uncollectible accounts.....	(58,730)	(67,419)	8,689
Construction and operating materials and supplies, at average cost.....	2,829,869	2,286,979	542,890
Prepayments.....	192,520	241,437	(48,917)
	\$ 9,864,809	\$ 9,053,539	\$ 811,270
 DEFERRED CHARGES:			
Unamortized debt expense.....	686,931	720,091	(33,160)
Clearing accounts.....	45,121	230,487	(185,366)
Other.....	123,616	176,273	(52,657)
	\$ 855,668	\$ 1,126,851	\$ (271,183)
	<u>\$164,608,906</u>	<u>\$154,907,102</u>	<u>\$ 9,701,804</u>

See accompanying notes to financial statements.

Notes to Financial Statements

NOTE 1—DEPRECIATION AND FEDERAL INCOME TAXES

The company computes the depreciation recorded in its accounts on a 4% sinking fund, group method, utilizing the remaining-life principle. For income tax purposes, the company computes depreciation using an accelerated method on qualifying properties and the straight-line method on the remainder of the plant. The deductions for depreciation taken for income tax purposes exceeded the amounts provided for in the accounts by \$3,695,360 in 1964 and \$2,817,397 in 1963.

Tax reductions of \$1,575,929 in 1964 and \$1,238,679 in 1963 arising from the use of accelerated depreciation and variations in service lives have been charged to income and credited to deferred income taxes. The company has consistently followed the policy of making no similar tax adjustments for the difference between straight-line and sinking fund depreciation which amounted to \$706,383 in 1964 and \$554,889 in 1963.

Notes to Financial Statements (cont.)

NOTE 2—PREFERRED STOCK

The following series of preferred stock were authorized and outstanding at December 31, 1964 and 1963:

	1964	1963
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 G, 5¾%—175,000 shares....	.....	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
Series K, 4.65%—175,000 shares....	3,500,000	.....
	<u>\$22,293,140</u>	<u>\$22,293,140</u>

NOTE 3—FIRST MORTGAGE BONDS

The following series of first mortgage bonds were outstanding at December 31, 1964 and 1963:

	1964	1963
Series E, 3⅞%, due 1970.....	\$ 5,000,000	\$ 5,000,000
Series F, 3 % , due 1977.....	5,000,000	5,000,000
Series G, 3½%, due 1981.....	3,000,000	3,000,000
Series H, 3½%, 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	16,000,000
	<u>\$68,000,000</u>	<u>\$68,000,000</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—INVESTMENT CREDIT

The investment credit allowed under the Revenue Act of 1962 reduced the company's income tax liability by \$497,299 in 1964 and \$568,575 in 1963. In 1963, 48% of the investment credit was treated as a credit to operations and the remaining 52% was deferred to future periods to be amortized over the service lives of the properties giving rise to the credit. In 1964, the company elected to amortize the entire amount of the investment credit over the service lives of the properties. The effect of this accounting change reduced net income by \$238,703 in 1964.

BALANCE SHEET
LIABILITIES

December 31, 1964
(with comparative figures for 1963)

	1964	1963	Increase (Decrease)
CAPITALIZATION:			
Common equity:			
Common stock of \$6 $\frac{2}{3}$ 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.....	(977,824)	(1,057,753)	79,929
Retained earnings.....	15,795,236	14,528,793	1,266,443
	<u>\$ 49,209,876</u>	<u>\$ 47,863,504</u>	<u>\$ 1,346,372</u>
Cumulative preferred stock of \$20 par value per share (Note 2).....	22,293,140	22,293,140	.....
Total proprietary capital.....	\$ 71,503,016	\$ 70,156,644	\$ 1,346,372
First mortgage bonds (Note 3).....	68,000,000	68,000,000	.....
Total capitalization.....	<u>\$139,503,016</u>	<u>\$138,156,644</u>	<u>\$ 1,346,372</u>
CURRENT LIABILITIES:			
Notes payable.....	6,000,000	.....	6,000,000
Accounts payable.....	1,720,354	1,374,475	345,879
Customer deposits.....	107,532	120,123	(12,591)
Taxes accrued.....	2,206,922	2,427,544	(220,622)
Interest accrued.....	592,804	579,525	13,279
Payroll accrued.....	361,514	276,331	85,183
Pension premiums accrued.....	230,881	311,084	(80,203)
Preferred dividends accrued.....	224,981	233,001	(8,020)
Other.....	177,695	244,283	(66,588)
	<u>\$ 11,622,683</u>	<u>\$ 5,566,366</u>	<u>\$ 6,056,317</u>
DEFERRED CREDITS:			
Deferred income taxes (Note 1).....	6,650,182	5,074,253	1,575,929
Unamortized depreciation adjustment.....	1,144,000	1,232,000	(88,000)
Unamortized investment credit (Note 4).....	896,914	414,265	482,649
Unamortized premium on debt.....	61,465	68,317	(6,852)
Other.....	170,500	181,466	(10,966)
	<u>\$ 8,923,061</u>	<u>\$ 6,970,301</u>	<u>\$ 1,952,760</u>
RESERVE FOR INJURIES AND DAMAGES—EMPLOYEES.....	63,347	64,440	(1,093)
CONTRIBUTIONS IN AID OF CONSTRUCTION.....	4,496,799	4,149,351	347,448
	<u>\$164,608,906</u>	<u>\$154,907,102</u>	<u>\$ 9,701,804</u>

See accompanying notes to financial statements.

STATEMENT OF INCOME

Year ended December 31, 1964
(with comparative figures for 1963)

	1964	1963	Increase (Decrease)
OPERATING REVENUES:			
Sales of electricity.....	\$41,341,118	\$38,412,537	\$2,928,531
Other operating revenues.....	159,799	2,152	157,647
Total operating revenues.....	<u>\$41,500,917</u>	<u>\$38,414,739</u>	<u>\$3,086,178</u>
OPERATING EXPENSES:			
Fuel oil.....	8,600,532	7,941,575	658,957
Operation—production, transmission, distribution.....	3,929,076	4,066,137	(137,061)
Operation—customer accounts, sales, administration and general.....	5,199,415	4,806,726	392,689
Maintenance.....	2,945,127	2,384,624	560,503
Depreciation.....	3,671,801	3,144,109	527,692
Taxes, other than income taxes.....	4,357,766	4,045,416	312,350
Income taxes.....	2,375,353	2,925,062	(549,709)
Income taxes deferred (Note 1).....	1,575,929	1,238,679	337,250
Investment credit deferred, net (Note 4).....	482,649	291,357	191,292
Total operating expenses (Note 5).....	<u>\$33,137,648</u>	<u>\$30,843,685</u>	<u>\$2,293,963</u>
OPERATING INCOME	8,363,269	7,571,054	792,215
OTHER INCOME:			
Interest.....	6,511	84,572	(78,061)
Adjustments applicable to prior years, net.....	110,455	*	110,455
Gain on sale and exchange of assets, net.....	46,871	.....	46,871
Miscellaneous.....	(2,979)	3,738	(6,717)
Total other income.....	<u>\$ 160,858</u>	<u>\$ 88,310</u>	<u>\$ 72,548</u>
TOTAL INCOME	<u>\$ 8,524,127</u>	<u>\$ 7,659,364</u>	<u>\$ 864,763</u>
MISCELLANEOUS INCOME DEDUCTIONS	80,901	84,081	(3,180)
INCOME BEFORE INTEREST CHARGES	<u>\$ 8,443,226</u>	<u>\$ 7,575,283</u>	<u>\$ 867,943</u>
INTEREST CHARGES:			
Interest on long-term debt.....	2,832,250	2,569,248	263,002
Amortization of debt expense and premium.....	26,574	25,306	1,268
Other interest expense.....	172,056	9,912	162,144
Interest charged to construction, cr.....	(498,403)	(433,762)	(64,641)
Total interest charges.....	<u>\$ 2,532,477</u>	<u>\$ 2,170,704</u>	<u>\$ 361,773</u>
NET INCOME	<u>\$ 5,910,749</u>	<u>\$ 5,404,579</u>	<u>\$ 506,170</u>

* In 1963, adjustments applicable to prior years were charged to retained earnings.
See accompanying notes to financial statements.

Notes to Financial Statements (cont.)

NOTE 5—OVERHEAD ALLOCATIONS

Effective January 1, 1964, the company revised its accounting procedures to distribute employee benefits, non-productive labor and certain administrative and general expenses between operating expenses and plant accounts on the basis of productive wages. The effect of this accounting change increased net income by \$366,935 in 1964.

Notes to Financial Statements (cont.)

NOTE 6—COMMITMENTS AND GENERAL

At December 31, 1964, the company had purchase commitments approximating \$7,700,000 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, 1964 are estimated to amount to \$3,275,000.

**STATEMENT
OF RETAINED
EARNINGS**

Year ended December 31, 1964
(with comparative figures for 1963)

	1964	1963	Increase (Decrease)
BALANCE, JANUARY 1.....	\$14,528,793	\$13,856,057	\$ 672,736
ADD:			
Net income for the year.....	5,910,749	5,404,579	506,170
Transfers from contributions in aid of construction.....	31,148	27,654	3,494
	<u>\$20,470,690</u>	<u>\$19,288,290</u>	<u>\$1,182,400</u>
DEDUCT:			
Cash dividends on preferred stock.....	1,076,538	1,197,002	(120,464)
Cash dividends on common stock.....	3,264,650	3,195,189	69,461
Premium paid on redemption of preferred stock:			
Series F, 131,900 shares at \$1.....	.....	131,900	(131,900)
Series G, 175,000 shares at \$1.....	175,000	.....	175,000
Capital stock expense applicable to preferred stock redeemed.....	159,266	148,448	10,818
Adjustments applicable to prior years, net.....	.....	86,958	(86,958)
	<u>\$ 4,675,454</u>	<u>\$ 4,759,497</u>	<u>\$ (84,043)</u>
BALANCE, DECEMBER 31.....	<u>\$15,795,236</u>	<u>\$14,528,793</u>	<u>\$1,266,443</u>

See accompanying notes to financial statements.

STATEMENT OF SOURCE AND DISPOSITION OF FUNDS

Year ended December 31, 1964 (with comparative figures for 1963)

	1964	1963
SOURCE OF FUNDS:		
Net income.....	\$ 5,910,749	\$ 5,404,579
Depreciation and amortization.....	3,761,501	3,210,170
Deferred income taxes.....	1,575,929	1,238,679
Investment credit, net.....	482,649	291,357
Funds available from operations.....	\$11,730,828	\$10,144,785
Contributions in aid of construction.....	378,596	407,924
Sale of first mortgage bonds, Series M.....	.....	16,000,000
Sale of preferred stock, Series K.....	3,500,000	.....
Collection of amount receivable from sale of investment.....	.....	3,529,300
Settlement of anti-trust suit.....	912,274	.....
Short-term bank loans.....	6,000,000	.....
Miscellaneous, net.....	236,210	(333,683)
TOTAL	\$22,757,908	\$29,748,326
DISPOSITION OF FUNDS:		
Plant construction expenditures.....	\$13,827,501	\$16,301,314
Dividends on preferred stock.....	1,076,538	1,197,002
Dividends on common stock.....	3,264,650	3,195,189
Redemption of first mortgage bonds, Series D.....	.....	5,000,000
Redemption of preferred stock, Series F and G.....	3,500,000	2,640,000
Premium and expense on redemption of preferred stock, Series F and G.....	334,266	280,348
Other changes in net current assets.....	754,953	1,134,473
TOTAL	\$22,757,908	\$29,748,326

AUDITORS' OPINION

January 28, 1965

The Stockholders

Hawaiian Electric Company, Inc.

We have examined the balance sheet of Hawaiian Electric Company, Inc. as of December 31, 1964 and the related statements of income and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of income and retained earnings present fairly the financial position of Hawaiian

Electric Company, Inc. at December 31, 1964 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles which except for the changes in the accounting treatment of the investment credit and the method of allocating overhead expenses as explained in Notes 4 and 5 of Notes to Financial Statements have been applied on a basis consistent with that of the preceding year. Also, in our opinion, the accompanying statement of source and disposition of funds presents fairly the information shown therein.

Peat, Marwick, Mitchell & Co.

PEAT, MARWICK, MITCHELL & CO.

STATISTICAL SUMMARY

FINANCIAL STATISTICS (Millions of Dollars)

	1964	1963	1962	1961	1960	1959	1954
Utility Plant in Service.....	\$178.99	\$163.09	\$138.75	\$129.78	\$113.43	\$103.68	\$68.45
Construction in Progress.....	1.79	6.21	15.14	5.95	6.16	.95	.19
TOTAL UTILITY PLANT.....	\$180.78	\$169.30	\$153.89	\$135.73	\$119.59	\$104.63	\$68.64
Accumulated Depreciation.....	27.13	24.62	22.16	20.04	18.25	16.46	11.00
Capitalization (December 31)							
Bonds.....	68.00	68.00	57.00	57.00	45.00	45.00	28.00
Preferred Stock @ \$20 Par.....	22.29	22.29	24.93	20.19	20.26	15.32	9.00
Common Stock @ \$6 $\frac{2}{3}$ Par.....	23.15	23.15	23.15	21.05	20.96	18.63	14.00
Premium on Common Stock.....	11.24	11.24	11.24	6.63	6.36	2.98	—
Capital Stock Expense.....	(.98)	(1.06)	(1.20)	(.98)	(.97)	(.86)	(.50)
Retained Earnings.....	15.80	14.53	13.86	11.66	10.91	9.82	8.29
TOTAL.....	\$139.50	\$138.15	\$128.98	\$115.55	\$102.52	\$ 90.89	\$58.79
Bond Interest.....	\$ 2.83	\$ 2.57	\$ 2.30	\$ 2.13	\$ 1.74	\$ 1.60	\$.88
Preferred Dividends.....	1.08	1.20	1.16	1.04	.78	.78	.43
Common Dividends.....	3.26	3.20	2.98	2.69	2.40	2.33	1.33
OPERATING STATISTICS							
Sales of Electricity.....	\$ 41.34	\$ 38.41	\$ 36.35	\$ 33.00	\$ 30.67	\$ 27.23	\$15.86
Other Operating Revenue.....	.16	—	.07	.07	.06	.04	.11
TOTAL OPERATING REVENUE.....	\$ 41.50	\$ 38.41	\$ 36.42	\$ 33.07	\$ 30.73	\$ 27.27	\$15.97
Operating Expenses:							
Fuel Oil.....	\$ 8.60	\$ 7.94	\$ 7.76	\$ 6.85	\$ 6.70	\$ 6.05	\$ 3.50
Operation—Production, Transmission, Distribution.....	3.93	4.07	3.56	3.23	2.65	2.38	2.01
Operation—Customer Accounts, Sales, Administration and General.....	5.20	4.80	4.40	4.22	3.80	3.50	2.20
Maintenance.....	2.95	2.38	2.37	1.84	1.99	2.05	1.75
Depreciation.....	3.67	3.15	2.87	2.56	2.34	2.02	1.31
Taxes Other than Income Taxes.....	4.36	4.05	3.45	3.09	2.78	2.43	1.14
Federal Income Taxes.....	2.12	2.63	3.08	3.67	3.53	2.97	1.09
Federal Income Taxes Deferred.....	1.41	1.11	1.09	.60	.55	.41	—
Investment Credit Deferred, Net.....	.48	.29	.12	—	—	—	—
State Income Taxes.....	.26	.29	.33	.38	.36	.38	.16
State Income Taxes Deferred.....	.16	.13	.13	.08	.07	—	—
Total Operating Expenses.....	\$ 33.14	\$ 30.84	\$ 29.16	\$ 26.52	\$ 24.77	\$ 22.19	\$13.16
Operating Income.....	8.36	7.57	7.26	6.55	5.96	5.08	2.81
Other Income.....	.16	.09	.52	.11	.04	.08	.08
Income Deductions and Interest Charges.....	(2.61)	(2.26)	(1.82)	(1.84)	(1.73)	(1.32)	(.61)
NET INCOME.....	\$ 5.91	\$ 5.40	\$ 5.96	\$ 4.82	\$ 4.27	\$ 3.84	\$ 2.28
COMMON SHARES (Millions)*	3.47	3.47	3.47	3.16	3.14	2.80	2.10
COMMON STOCK STATISTICS							
Earned Per Share Common:							
On Average Shares.....	\$ 1.39	\$ 1.21	\$ 1.48	\$ 1.20	\$ 1.20	\$ 1.09	\$.94
On Year End Shares.....	1.39	1.21	1.38	1.20	1.11	1.09	.88
Common Dividend Rate.....	.94	.92	.92	.855	.83	.83	.67
Common Equity Per Share.....	\$ 14.17	\$ 13.78	\$ 13.55	\$ 12.15	\$ 11.85	\$ 10.94	\$10.37
MISCELLANEOUS STATISTICS							
Kilowatt Hour Sales (Billions).....	1.97	1.80	1.69	1.52	1.37	1.21	.73
Average Annual Residential Use (KWH).....	5,803	5,588	5,349	5,085	4,920	4,575	3,501
Revenue Per Residential KWH.....	2.57¢	2.61¢	2.65¢	2.66¢	2.72¢	2.77¢	2.65¢
Customers December 31 (Thousands)							
Residential.....	115	111	107	103	99	94	75
Total.....	135	130	126	122	117	111	91
Generating Capability December 31 (Thousand KW).....	623	540	457	457	400	400	275
Peak Demand (Thousand KW).....	426	389	372	341	313	288	172

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



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In Memoriam
A. E. STEADMAN
1894-1964
Chairman of the Board
Cooke Trust Company, Limited
Director, Hawaiian Electric Company, Inc.
1941-1964



H. V. von HOLT
Estate Management



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

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

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New York

The Bank of California *National Association*
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Honolulu



HAWAIIAN ELECTRIC COMPANY, INC.

P. O. BOX 2750

HONOLULU, HAWAII 96803

