

HAWAIIAN PUBLIC
BUSINESS INFORMATION
CORPORATION FILE



**HAWAIIAN ELECTRIC
COMPANY, INC.
1969 ANNUAL REPORT**

1969 HIGHLIGHTS / HAWAIIAN ELECTRIC COMPANY, INC.

■ **NEW SUBSIDIARY** Preparations for a merger with Hilo Electric Light Company, Ltd. were completed during 1969 and the merger became effective February 1, 1970. Consolidated financial statements in this report represent Hawaiian Electric and its two wholly-owned subsidiaries, Maui Electric Company, Ltd. and Hilo Electric Light Company, Ltd.

■ **SALES** Consolidated kilowatt hour sales for the three companies rose to 3,321,863,374, a 10 per cent increase over 1968.

■ **REVENUES** Consolidated operating revenues increased 8.1 per cent to \$71,881,816.

■ **NET INCOME and EARNINGS PER SHARE** Net income available for common stockholders increased 6.2 per cent to \$8,159,323. This amounted to \$1.94 per share, an increase of 11 cents over 1968 earnings after their restatement to include Hilo Electric Light Company.

■ **DIVIDEND** The indicated annual dividend on common stock was increased 10 per cent to \$1.32 per share in the second quarter of 1969.

■ **PEAK DEMAND** The highest non-coincidental peak demand for electricity on the systems of the three companies totaled 704,000 kilowatts, an increase of 10.8 per cent over the previous year.

■ **CUSTOMERS** In combination with its two subsidiaries, Hawaiian Electric serves 97 per cent of the state's population. Number of customers now served is 198,666, an increase of 3.9 per cent over 1968.

■ **RESIDENTIAL USE** Average annual residential usage of electricity by customers of all three companies increased to 6,840 kilowatt hours, 4.5 per cent more than in 1968.

ON THE COVER: Company participated in the tenth anniversary celebration of Hawaiian statehood by donating an exterior illumination system for Iolani Palace, one-time seat of the Hawaiian monarchy and later the Hawaii Capitol.



**HAWAIIAN
ELECTRIC
COMPANY, INC.**

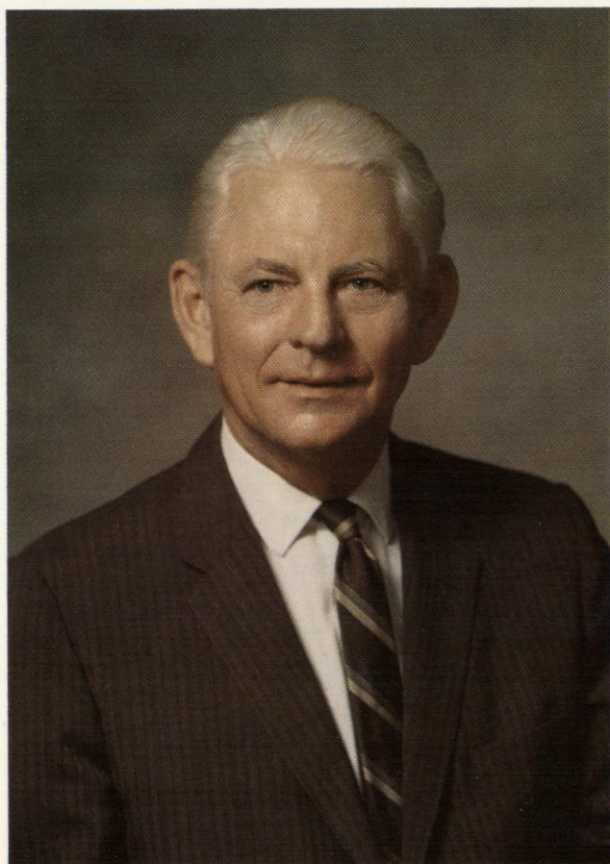
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A few steps from Iolani Palace is the new State Capitol, whose soaring lines symbolize Hawaii's progress during her first decade as a full member of the Union. Transition from the old to the new was a dramatic event of tenth anniversary year.



LETTER FROM THE PRESIDENT



1969 marked the end of the first decade of statehood for Hawaii — a decade of spectacular growth in the state and for Hawaiian Electric.

Kilowatt hour sales reached an all time high of 3,322,000,000. This was 10 per cent above the previous year and exceeded the average annual growth rate of 9.3 per cent experienced throughout the ten year period just ended.

Combined earnings of Hawaiian Electric and Maui Electric were \$2.04 per share of common stock, 12 cents more than in 1968.

Hilo Electric Light Company became a wholly-owned subsidiary on February 1, 1970 and, in accordance with accounting principles, the financial statements in this report include Hilo Electric for the entire year 1969 as well as for all prior years shown for purposes of comparison. On this basis, consolidated earnings per share in 1969 were \$1.94 compared with restated 1968 earnings of \$1.83.

Prior to the merger plans, it was recognized that Hilo Electric needed a rate increase in order to bring their earnings to a fair level. The Hawaii Public Utilities Commission has approved a rate increase for Hilo, effective March 1, 1970. If the increase had been in effect for the year 1969, it is estimated that the Company would have received approximately \$1,000,000 of additional revenue.

Consolidated operating revenues rose to a record \$71,881,816—an increase of \$5,408,231 over the preceding year and more than double 1959 revenues.

On Oahu we have added 51,000 customers during the past decade, and peak demand on the Oahu system has risen from 287,500 kw to 628,000 kw.

The neighbor islands are taking part in the general shift to a higher level economy, and our mergers with Maui Electric on November 1, 1968 and now with Hilo Electric are well timed to benefit our stockholders, customers and employees.

Approximately 88 per cent of all electric energy sold in the entire island group is generated by the Company system serving the Island of Oahu. In combination with our two new subsidiaries, we now serve 97 per cent of Hawaii's population and produce 97 per cent of the electricity generated.

During the next five years we plan to add 286 megawatts to our generating plant on Oahu and will expend approximately \$166,000,000 for new plant and equipment.

Being located in one of the beauty spots of the world, we have for years given special attention to the environmental effects of producing and distributing electric power.

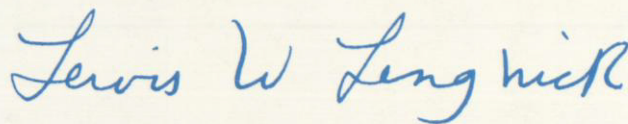
Years in advance of the current concern with improving the quality of life in the United States, we worked diligently with the problem of power plant stack discharge. The use of low sulfur oil was found to be the most practical method of control and in June 1969, after two years of preparations, our Honolulu power plant was converted.

The sudden death of President Russell H. Hassler in May stunned and saddened members of the Company and the community. Mr. Hassler was admired and respected for his many achievements in the world of business and finance, his academic accomplishments, and his devoted service to the community.

In accepting the responsibility of the Presidency, I have been grateful for the support of the Company's loyal and capable employees and for the assistance I have received from the executive staff and the Board of Directors.

Keeping abreast of rapid growth presents constant challenges, but successfully meeting such challenges has characterized the Company's entire 78-year history.

I am confident that this tradition will be carried on and that our obligations to stockholders, employees and the community at large will be faithfully fulfilled as we reach new high levels of achievement in the coming decade.



President

February 16, 1970

ECONOMY OF THE ISLANDS

While statehood in 1959 had a strong impact on Hawaii's economic growth, many other factors contributed substantially. Commercial jet travel started the same year, cutting time distance almost in half and also cutting travel costs. Vastly improved communication systems virtually eliminated delays that formerly tended to isolate Hawaii from the mainstream of national life. Since 1959, resident population in Hawaii has increased 28 per cent, compared with 15 per cent for the nation as a whole; and civilian employment has increased 45 per cent.

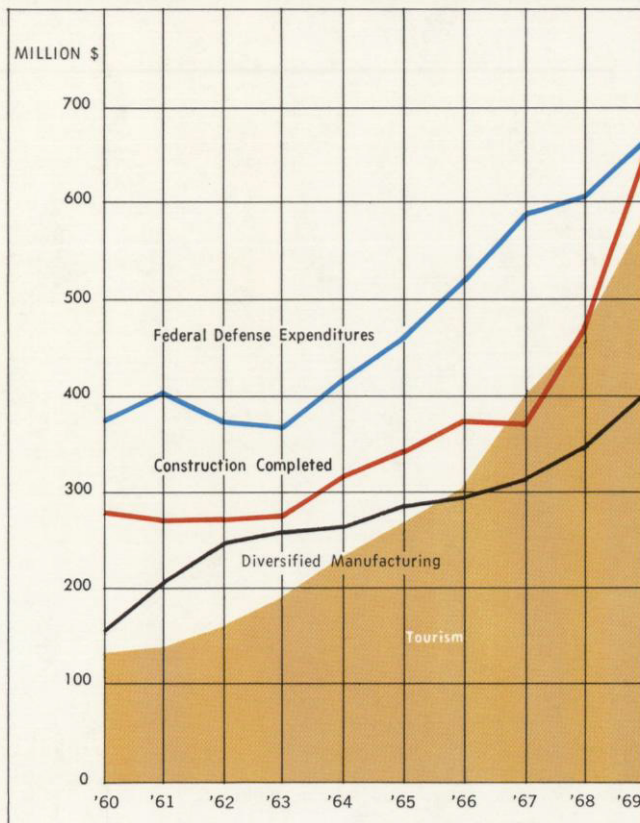
In the decade just ended, the dollar volume of construction put in place moved from \$193.5

million to \$541.2 million. Diversified manufacturing (excluding sugar milling and pineapple canning) grew at an average annual rate of 7.7 per cent, reflecting increased volume and diversity. Federal government spending in both civilian and defense categories increased steadily, and the dollar volume of local Federal purchases rose 137 per cent. Tourism enjoyed an average annual growth rate of 19 per cent, and Honolulu has become one of the top convention cities.

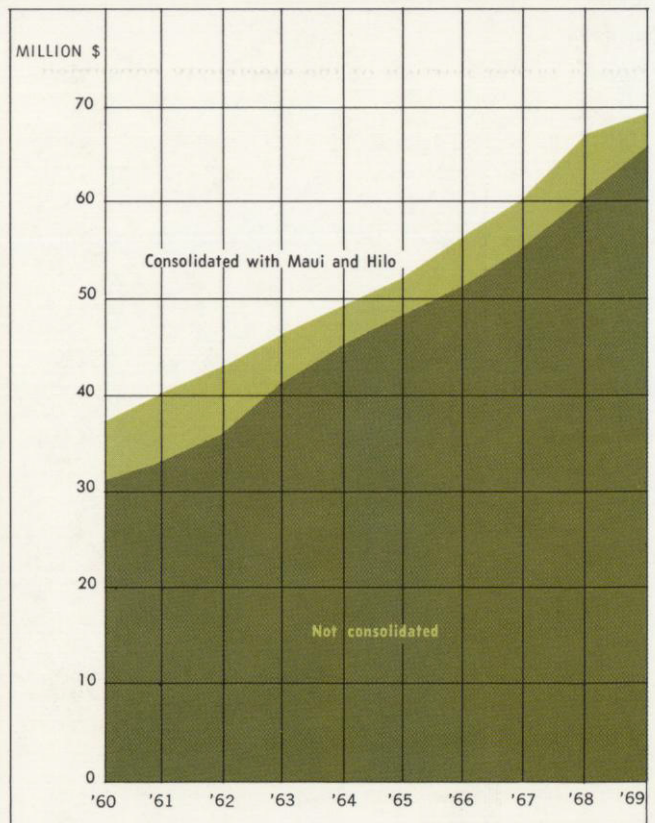
Kilowatt hours of electricity generated on Oahu increased 154 per cent during the decade, compared with 94 per cent in the nation as a whole.

ELECTRIC REVENUES AND HAWAII'S ECONOMIC GROWTH COMPARED

Major Contributors to Economy



Value of Electric Sales



FINANCIAL REVIEW

Sales, revenues and earnings all gained significantly in 1969.

Maui Electric Company completed its first full year of operations as a wholly-owned subsidiary and, at year end, all necessary steps had been taken to achieve a merger with Hilo Electric Light Company. Final approval from the Securities and Exchange Commission came on January 26, 1970, making it possible to effect the merger on February 1, 1970 and to include the Hilo company in this report.

This section presents the financial results from the operations of Hawaiian Electric, Maui Electric and Hilo Electric on a consolidated basis. The accompanying table shows the relative financial size and contribution to earnings of the three companies.

Sales and Revenues

Kilowatt hour sales were 10 per cent higher than the previous year, exceeding the average growth rate of recent years.

Sales gains in the bulk power schedules were unusually high, 14.5 per cent, reflecting the completion of hotel, apartment, commercial and governmental buildings during 1969. In addition, a larger portion of the electricity consumed by the military complex in the Pearl Harbor Naval Shipyard and Hickam Air Force Base area during 1969 was supplied by the Company.

Sales to residential customers increased 8.4 per cent, primarily the result of increased consumption by existing customers.

Revenues from sales of electricity totaled \$71,569,000, up \$5,407,000 or 8.2 per cent from last year. Sales to industrial customers accounted for 48 per cent of the increase in revenue.

CONDENSED STATEMENTS OF INCOME For Year Ended December 31, 1969 (Dollars in Thousands)

	Hawaiian Electric	Hilo Electric	Maui Electric	Consolidated
REVENUES	\$60,057	\$6,730	\$5,095	\$71,882
EXPENSES				
Operation	23,143	2,621	2,410	28,174
Maintenance	3,239	391	223	3,853
Depreciation	6,101	1,143	661	7,905
Taxes	14,318	1,217	821	16,356
	46,801	5,372	4,115	56,288
OPERATING INCOME	13,256	1,358	980	15,594
INCOME DEDUCTIONS	4,849	697	450	5,996
NET INCOME	\$ 8,407	\$ 661	\$ 530	\$ 9,598

SOURCES OF ELECTRIC SALES REVENUE

	Hawaiian Electric	Hilo Electric	Maui Electric	Consolidated
Residential	40%	48%	43%	41%
Commercial	26%	29%	28%	26%
Industrial	32%	22%	26%	31%
Street Lighting	2%	1%	3%	2%
	100%	100%	100%	100%



Tall office buildings, a pedestrian shopping mall and ornamental landscaping have brought new life and a jaunty spirit to downtown Honolulu, a city in evolution.

	TAXES (Dollars in Thousands)		1968	
	1969	Percent of Operating Revenues	Amount	Percent of Operating Revenues
TAXES OTHER THAN INCOME				
Public Service	\$ 5,324	7.4	\$ 4,915	7.4
Franchise Royalty	1,701	2.4	1,562	2.3
F.I.C.A. and Unemployment	399	0.6	369	0.6
Other	178	0.2	161	0.2
	<u>7,602</u>	<u>10.6</u>	<u>7,007</u>	<u>10.5</u>
INCOME TAXES				
State				
Current	755	1.1	675	1.0
Deferred	220	0.3	224	0.3
	<u>975</u>	<u>1.4</u>	<u>899</u>	<u>1.3</u>
Federal				
Current	5,754	8.0	4,786	7.2
Deferred	1,808	2.5	1,846	2.8
Investment Credit Deferred—Net ..	217	0.3	655	1.0
	<u>7,779</u>	<u>10.8</u>	<u>7,287</u>	<u>11.0</u>
TOTAL INCOME TAXES..	<u>8,754</u>	<u>12.2</u>	<u>8,186</u>	<u>12.3</u>
TOTAL TAXES CHARGED TO OPERATIONS	\$16,356	22.8	\$15,193	22.8

Taxes

Taxes charged against income amounted to \$16,356,000, almost twice the amount of earnings available for common stockholders. Taxes paid to state and county government based on gross revenues amounted to 10.6 per cent of revenues. State and Federal Income Taxes absorbed 12.2 per cent of revenue. The 10 per cent Federal Income Tax Surcharge totaled \$721,000 and reduced earnings per share by approximately 17 cents. Taxes were our largest expense item, absorbing nearly 23 cents of each revenue dollar.

Interest Costs

Interest rates increased dramatically in 1969. The higher cost of financing capital improve-

Some 1.4 million tourists came to Hawaii during statehood anniversary year. Waikiki Beach remains a favorite attraction for couples and conventions.



ments caused our 1969 interest payments to increase by \$909,000. Interest paid in 1969 amounted to \$6,416,000, or 8.9 per cent of total revenue as compared with 8.3 per cent in 1968.

Interest Capitalized

Interest charged to the value of plant additions and credited to earnings to provide a return to the stockholders for funds used during construction, was down by \$235,000. Interest During Construction contributed 12 cents to earnings per share in 1969, compared with 18 cents in 1968.

To reflect the higher cost of money, the Company increased interest charged to construction from 6 to 7 per cent in July 1969.

Operation and Maintenance

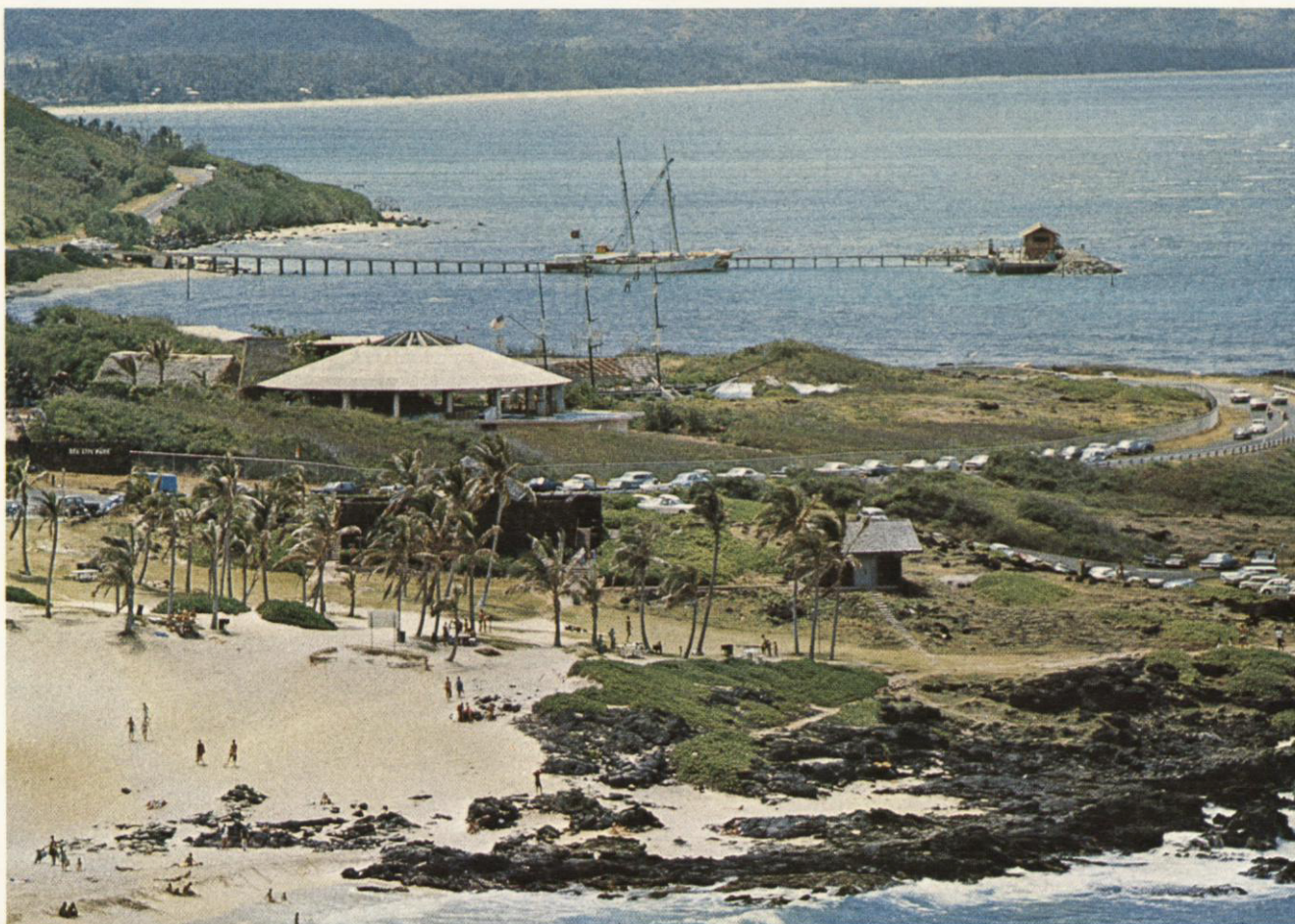
Operation and maintenance expenses absorbed 44.6 per cent of revenue, down as a percentage of total revenue for the sixth consecutive year. This has been achieved during a period of significant increases in wage rates and material costs.

Greater efficiency of our new and larger generating units has been the biggest contributor to the improvements in operation costs.

As a percentage of revenue, the cost of maintaining our plant facilities has been declining. It was only 5.4 per cent in 1969, compared with 6.5 per cent five years ago.

This improvement has been accomplished by increasing the productivity of field maintenance crews, acquiring the most efficient tools and

Sea Life Park and Oceanic Institute on Oahu give emphasis to Hawaii's growing importance in oceanography and marine science.



equipment, and adhering to preventive maintenance schedules.

Depreciation

Depreciation totaled \$7,905,000, up 12.8 per cent from last year. Approximately two-thirds of the increase was due to the large amount of plant placed in service in 1968. One-third of the increase resulted from a change in the method of computing depreciation that the Company instituted for its facilities on Oahu in 1968. (Note No. 2 to the Consolidated Financial Statements explains this change.)

Although the change had no appreciable effect on the previous year's earnings, 1969 earnings were decreased by about 8 cents per common share.

PAYROLL & BENEFITS

	1969	1968
WAGES FOR PRODUCTIVE WORK	\$15,704,354	\$14,381,544
BENEFITS		
Vacations	1,114,753	1,023,761
Holidays	650,867	658,987
Sickness	453,186	352,342
Leaves and Excused Absences ..	82,703	88,810
Pension Plans	1,886,318	1,671,725
Cash Pensions	23,131	26,186
Group Life Insurance	135,829	131,415
Medical and Hospital Plans	519,371	481,614
Social Security Insurance	624,526	552,850
Unemployment Insurance	77,752	87,922
Other Employee Benefits	108,133	100,983
	<u>5,676,569</u>	<u>5,176,595</u>
TOTAL	<u>\$21,380,923</u>	<u>\$19,558,139</u>

Polynesian style apparel has become an important export industry in Hawaii, with sales volume exceeding \$30 million.



Earnings and Dividends

Consolidated net income amounted to \$9,598,000. After paying dividends totaling \$1,439,000 to preferred stockholders, earnings that accrued to common stockholders were \$8,159,000, an increase of 6.2 per cent over the previous year.

Earnings per common share amounted to \$1.94, an increase of 11 cents, or 6 per cent over restated (to include Hilo Electric Light Company) earnings per share in 1968.

Dividends totaling \$1.29 per share were paid to holders of Hawaiian Electric common stock. Holders of Hilo Electric Light Company common stock received dividends amounting to \$1.10 per share in 1969. About 65 per cent of earnings available for common stockholders was paid out in dividends.

The dividend on Hawaiian Electric common stock was increased in the second quarter of 1969 by 12 cents per share on an annual basis, a 10 per cent increase. The indicated annual dividend rate is presently \$1.32 per share.

The Company estimates that 21.16 per cent of common stock dividends paid in 1969 on Hawaiian Electric common stock may be excluded by the stockholders from taxable income for Federal Income Tax purposes.

Ownership

Traditionally, residents of Hawaii have been the principal holders of our common stock. This is still true, but as the Company continues to grow, common stock ownership is becoming more widely distributed. The number of owners has more than doubled during the past ten years and at the end of 1969 totaled 11,826. Residents of Hawaii now own approximately 60 per cent of the shares, compared with 70 per cent five years ago and 89 per cent in 1959.

When Maui Electric was merged into Hawaiian Electric on November 1, 1968, the 1,282 owners of Maui Electric common stock were issued 255,960 shares of Hawaiian Electric Series L convertible preferred stock with voting rights. Gradual conversion of Series L accounted for the issuance of 16,212 additional shares of common stock by December 31, 1969. Eventually, the Maui merger will mean the issuance of a total of approximately 245,000 additional shares

of Hawaiian Electric common stock.

On February 1, 1970, the effective date of the merger with Hilo Electric, the 2,501 owners of Hilo Electric became owners of approximately 528,000 shares of Hawaiian Electric common stock. They will be entitled to participate in the Hawaiian Electric first quarter dividend, payable March 10, 1970.

Detailed information on the pooling of interests with Maui Electric and Hilo Electric is given in Note No. 1 to the Consolidated Financial Statements.

A majority of new homes were all-electric, as in this residential development overlooking Pearl Harbor, and nearly all wiring in subdivisions went underground.





OAHU IN REVIEW

This section covers Hawaiian Electric operations on the Island of Oahu.

The total investment in plant for our Oahu system at the end of the year was \$270,000,000, nearly twice the amount invested only eight years ago.

Additional facilities during the year required an expenditure of \$23,800,000. Our capital budget for 1970 is \$31,100,000.

Projections for the next five years indicate that we will need to spend approximately \$166,000,000 on capital improvements, as compared with \$97,700,000 spent in the past five years.

Financing

In late November, \$18,000,000 was raised through the sale of first mortgage bonds. The bonds bear an annual interest of 9 per cent and will mature in five years. The proceeds were used to pay off short term borrowings arising from our construction program and will help finance 1970 plant additions on Oahu.

Generation

Construction of the third 86,000-kilowatt generating unit at our Kahe Power Station on Oahu's Waianae coast was well advanced at year's end, with the structural steel frame essentially completed. Further work on the boiler, installation of the turbo-generator, and other internal work will carry the project forward until the latter part of 1970 when the new unit is expected to begin operation.

When Kahe 3 is in service, our total generating capability on the Island of Oahu will rise to 851,000 kilowatts, more than double the figure for 1960.

During 1969 \$7,250,000 was spent on construction of Kahe 3, and another \$9,000,000 will be expended before its completion. Kahe 4, on which engineering design is nearly completed, is scheduled to go into operation in 1972.

Additions to generating facilities on Oahu are expected to cost \$11,000,000 in 1970. This includes additions to existing facilities as well as progress expenditures on future generating units.

Low Sulfur Oil

Study and experimentation, over many years, in the area of stack discharge control led to the use of low sulfur oil at our downtown Honolulu plant in 1969. Necessary plant conversion, costing in excess of \$800,000, was completed in June.

The new oil has reduced discharges of sulfur dioxide and sulfur trioxide, major contributors to the visible plumes, by 75 to 95 per cent.

Residential construction is increasing in the vicinity of our Waiiau Power Station in Pearl City. We are planning, subject to governmental approval, for conversion of the Waiiau plant to the use of low sulfur oil if a reliable, dependable supply at a reasonable price can be obtained.

Conversion of the Waiiau plant, where more than half of the power needs of Oahu are produced, is scheduled for completion in 1971.

Nuclear Power Studies

We have been actively interested in nuclear energy as a source of generating power since the late 1950s when we joined with 51 other electric utility companies in the nation contributing support to a pilot nuclear plant at Peach Bottom, Pennsylvania.

Since 1958 we have undertaken four separate studies to determine the feasibility and economics of nuclear energy to meet power supply needs

A third generating unit rises at Kahe Station, located off Company's palm-fringed beach. It will add 86,000 kilowatts to the system when completed in late 1970.

Installation of heating pipes to keep low-sulfur oil from solidifying inside the storage tank was part of conversion to the clean-burning fuel.

Atmosphere over Honolulu Power Plant is clear as it operates on low-sulfur oil.



Sources of interference with radio or television reception can be quickly detected with new device used by Distribution Department.

on Oahu. The most recent study, done in 1969 by Burns and Roe, Inc., of Oradell, New Jersey, made cost comparisons of incorporating nuclear units in various combination patterns and at various future dates through 1997.

This latest study concluded that the best method of meeting power supply needs in Hawaii in the foreseeable future will be by the use of fuel oil fired generating equipment.

The Company will continue monitoring all developments in the nuclear power field, as it has in the past. It is not inconceivable that a breakthrough may occur and that smaller reactors may become realities in the decade ahead.

Transmission and Distribution

During 1969 we doubled the capacity of our existing Kahe to Waiau 138,000-volt transmission line, and in 1970 we will double the capacity of the existing Waiau to Wahiawa 138,000-volt line.

COMPANY PROFILE

	Subsidiaries		
	Parent Company	MAUI ELECTRIC CO. (acquired Nov. 1, 1968)	HILO ELECTRIC LIGHT CO. (acquired Feb. 1, 1970)
Service Area	Island of Oahu 608 sq. miles	Islands of Maui and Lanai 868 sq. miles	Island of Hawaii 4,038 sq. miles
Population (7/1/69)	645,000	45,000	67,000
Metered customers	162,000	15,000	21,000
Electricity sold	3,004,187,000 kwh	131,199,000 kwh	186,477,000 kwh
Average annual use per res. customer	7,222 kwh	5,160 kwh	4,932 kwh
Plant in service	\$255,200,000	\$20,115,000	\$36,400,000
Generating facilities	3 generating sites 14 generating units	1 generating site 5 generating units	6 generating sites 17 generating units
Type of plant	steam	4 steam 1 diesel	5 steam 7 diesel 4 hydro 1 gas turbine
Total capability	765,000 kw	40,000 kw	58,000 kw
Peak load, 1969	628,000 kw	30,690 kw	44,750 kw
Transmission system	138,000 v 46,000 v	69,000 v 23,000 v	69,000 v 34,500 v
Personnel	1,400	120	200

HAWAIIAN ELECTRIC COMPANY, INC. / FINANCIAL SECTION

Sand Sculpture by Joe Hadley

SUMMARY OF FINANCIAL RESULTS

(Dollars in Thousands)

	1969		1968	
	Amount	% of Total	Amount	% of Total
WE RECEIVED FROM				
Operating Revenues	\$71,882	99.5	\$66,474	99.6
Other Income	344	0.5	262	0.4
Total	72,226	100.0	66,736	100.0
WE HAD THESE EXPENSES				
Wages and Employment Benefits				
Charged to Operation	13,514	18.7	12,668	19.0
Fuel Oil	13,910	19.3	12,723	19.1
Other Materials and Services	4,707	6.5	4,829	7.2
Depreciation and Amortization	7,906	11.0	7,046	10.5
Federal and Local Taxes	16,356	22.6	15,193	22.8
Interest on Borrowed Money and Other Miscellaneous Expenses	6,740	9.3	5,887	8.8
Interest Charged to Construction	(505)	(0.7)	(740)	(1.1)
Total	62,628	86.7	57,606	86.3
LEAVING AS NET INCOME	9,598	13.3	9,130	13.7
FROM WHICH WE PAID STOCKHOLDERS				
Preferred Dividends	1,439	2.0	1,141	1.7
Common Dividends	5,315	7.4	5,212	7.8
AND WE RETAINED IN OUR BUSINESS	\$ 2,844	3.9	\$ 2,777	4.2

HAWAIIAN ELECTRIC COMPANY, INC.
CONSOLIDATED BALANCE SHEET

December 31, 1969
(with comparative figures for 1968)

CAPITALIZATION AND LIABILITIES

	1969	1968	Increase (Decrease)
CAPITALIZATION:			
Common Equity:			
Common Stock of \$6 $\frac{2}{3}$ Par Value Per Share. Authorized 6,600,000 Shares (4,500,000 Shares in 1968); Outstanding 4,213,929 Shares (4,187,693 Shares in 1968) (Note 3)	\$ 28,092,860	\$ 27,917,953	\$ 174,907
Premium on Common Stock	17,665,479	17,176,229	489,250
Capital Stock Expense	(1,249,949)	(1,246,926)	(3,023)
Retained Earnings	<u>31,173,603</u>	<u>28,278,918</u>	<u>2,894,685</u>
	75,681,993	72,126,174	3,555,819
Cumulative Preferred Stock of \$20 Par Value Per Share. Authorized 2,400,000 Shares (2,000,000 Shares in 1968); Outstanding 1,353,721 Shares (1,370,617 Shares in 1968) (Note 4)	27,074,420	27,412,340	(337,920)
Cumulative Preferred Stock of \$100 Par Value Per Share. Authorized None in 1968; 80,000 Shares in 1969; (None Outstanding). (Note 4)	—	—	—
Total Stockholders' Equity	<u>102,756,413</u>	<u>99,538,514</u>	<u>3,217,899</u>
Long-Term Debt (Note 5)	<u>127,895,914</u>	<u>113,730,357</u>	<u>14,165,557</u>
Total Capitalization	<u>230,652,327</u>	<u>213,268,871</u>	<u>17,383,456</u>
CURRENT LIABILITIES:			
Mortgage Debt — Current Portion and Sinking Fund Requirement	5,209,489	214,155	4,995,334
Notes Payable	5,500,000	9,306,927	(3,806,927)
Drafts Payable	2,722,172	2,106,016	616,156
Accounts Payable	2,630,218	2,318,570	311,648
Customer Deposits	320,584	380,038	(59,454)
Federal Taxes on Income (Note 2)	310,631	202,586	108,045
Taxes, Other than Federal Taxes on Income	2,140,299	1,961,383	178,916
Interest Accrued	1,510,915	1,416,602	94,313
Payroll Accrued	355,018	708,164	(353,146)
Dividends Accrued	296,700	286,411	10,289
Other	304,876	163,983	140,893
Total Current Liabilities	<u>21,300,902</u>	<u>19,064,835</u>	<u>2,236,067</u>
DEFERRED CREDITS:			
Deferred Income Taxes (Note 2)	17,391,244	15,579,323	1,811,921
Unamortized Depreciation Adjustment	704,000	792,000	(88,000)
Unamortized Investment Credit (Note 6)	3,167,176	2,949,693	217,483
Unamortized Premium on Debt	163,255	34,057	129,198
Other	1,640,915	1,372,101	268,814
Total Deferred Credits	<u>23,066,590</u>	<u>20,727,174</u>	<u>2,339,416</u>
CONTRIBUTIONS IN AID OF CONSTRUCTION	10,706,471	9,311,587	1,394,884
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 7 and 8)	<u>\$285,726,290</u>	<u>\$262,372,467</u>	<u>\$23,353,823</u>

See Accompanying Notes to Consolidated Financial Statements.

HAWAIIAN ELECTRIC COMPANY, INC.
CONSOLIDATED BALANCE SHEET

December 31, 1969
(with comparative figures for 1968)

ASSETS

	1969	1968	Increase (Decrease)
UTILITY PLANT, at Cost:			
In Service:			
Land	\$ 6,883,129	\$ 6,727,938	\$ 155,191
Plant and Equipment	304,846,752	289,974,192	14,872,560
	<u>311,729,881</u>	<u>296,702,130</u>	<u>15,027,751</u>
Property Held for Future Use	12,562	12,562	—
Construction in Progress	16,473,397	5,222,733	11,250,664
Plant Acquisition Adjustment	615,532	681,528	(65,996)
	<u>328,831,372</u>	<u>302,618,953</u>	<u>26,212,419</u>
Less Accumulated Depreciation	62,677,625	56,195,852	6,481,773
Net Utility Plant	<u>266,153,747</u>	<u>246,423,101</u>	<u>19,730,646</u>
OTHER PROPERTY AND IMPROVEMENTS,			
at Cost Less Accumulated Depreciation	1,365,251	1,361,393	3,858
CURRENT ASSETS:			
Cash	3,401,953	1,785,105	1,616,848
Temporary Investments	1,250,000	—	1,250,000
Accounts Receivable	7,932,936	7,349,433	583,503
Less Allowance for Uncollectible Accounts	94,447	79,880	14,567
Net Accounts Receivable	<u>7,838,489</u>	<u>7,269,553</u>	<u>568,936</u>
Construction and Operating Materials and Supplies, at Average Cost	3,663,049	3,818,277	(155,228)
Other	322,291	293,233	29,058
Total Current Assets	<u>16,475,782</u>	<u>13,166,168</u>	<u>3,309,614</u>
DEFERRED CHARGES:			
Unamortized Debt Expense	1,180,040	1,015,140	164,900
Other	551,470	406,665	144,805
Total Deferred Charges	<u>1,731,510</u>	<u>1,421,805</u>	<u>309,705</u>
	<u>\$285,726,290</u>	<u>\$262,372,467</u>	<u>\$23,353,823</u>

See Accompanying Notes to Consolidated Financial Statements.

HAWAIIAN ELECTRIC COMPANY, INC.
STATEMENT OF CONSOLIDATED INCOME

Year Ended December 31, 1969
(with comparative figures for 1968)

	1969	1968	Increase (Decrease)
OPERATING REVENUES	<u>\$71,881,816</u>	<u>\$66,473,585</u>	<u>\$ 5,408,231</u>
OPERATING EXPENSES:			
Production:			
Fuel Oil	13,909,836	12,723,563	1,186,273
Other	4,152,848	3,901,480	251,368
Transmission and Distribution	2,389,985	2,355,579	34,406
Maintenance	3,852,649	3,435,320	417,329
Customer Accounts and Sales.....	2,977,757	3,010,546	(32,789)
Administrative and General	3,634,401	3,643,829	(9,428)
Depreciation (Note 2)	7,904,862	7,010,346	894,516
Taxes, Other than Income Taxes	7,601,833	7,006,797	595,036
Investment Credit Deferred (Net)	217,484	654,832	(437,348)
Federal Income Taxes:			
Currently Payable	5,753,689	4,786,265	967,424
Deferred	1,807,895	1,846,484	(38,589)
State Income Taxes:			
Currently Payable	755,333	674,825	80,508
Deferred	220,013	223,674	(3,661)
Pensions and Pension Plan Costs	1,197,353	1,069,995	127,358
Amortization of Depreciation Adjustment	(88,000)	(88,000)	—
	<u>56,287,938</u>	<u>52,255,535</u>	<u>4,032,403</u>
OPERATING INCOME	15,593,878	14,218,050	1,375,828
OTHER INCOME	234,573	57,595	176,978
TOTAL INCOME	<u>15,828,451</u>	<u>14,275,645</u>	<u>1,552,806</u>
MISCELLANEOUS INCOME DEDUCTIONS	267,270	326,260	(58,990)
INCOME BEFORE INTEREST CHARGES	<u>15,561,181</u>	<u>13,949,385</u>	<u>1,611,796</u>
INTEREST CHARGES:			
Interest on Long-Term Debt	5,170,162	5,057,573	112,589
Amortization of Net Bond Premium and Expense	52,301	51,523	778
Other Interest Charges	1,246,078	450,128	795,950
Interest Charged to Construction	(505,188)	(739,942)	234,754
	<u>5,963,353</u>	<u>4,819,282</u>	<u>1,144,071</u>
NET INCOME	<u>\$ 9,597,828</u>	<u>\$ 9,130,103</u>	<u>\$ 467,725</u>
Primary Earnings Per Share*	\$1.94	\$1.83	
Fully Diluted Earnings Per Share**	\$1.86	\$1.76	

*Primary earnings per share are based on the average number of common shares outstanding in each year.

**Fully diluted earnings per share give effect to the dilution which would result from the conversion of the company's convertible debentures and the \$1.44 convertible preferred stock into common stock.

See Accompanying Notes to Consolidated Financial Statements.

HAWAIIAN ELECTRIC COMPANY, INC.

STATEMENT OF SOURCE AND DISPOSITION OF CONSOLIDATED FUNDS

Year Ended December 31, 1969
(with comparative figures for 1968)

	1969	1968
SOURCE OF FUNDS:		
Net Income	\$ 9,597,828	\$ 9,130,103
Depreciation and Amortization	8,224,381	7,363,113
Deferred Income Taxes	2,027,908	2,070,158
Investment Credit, Net	217,484	654,832
	<hr/>	<hr/>
Funds Available from Operations	20,067,601	19,218,206
Contributions in Aid of Construction	1,445,390	1,340,268
Temporary Investments	—	3,771,134
Commercial Paper	—	3,000,000
Short-Term Bank Loans	1,443,073	1,656,927
Sale of First Mortgage Bonds	18,000,000	1,000,000
Proceeds from Long-Term Note Payable	2,175,000	—
Drafts Payable	616,156	—
Miscellaneous, Net	—	2,192,651
	<hr/>	<hr/>
TOTAL	<u>43,747,220</u>	<u>32,179,186</u>
DISPOSITION OF FUNDS:		
Plant Construction Expenditures	28,231,318	23,855,398
Dividends on Preferred Stock	1,438,505	1,141,337
Dividends on Common Stock	5,315,145	5,211,729
Retirement of Long-Term Debt	688,109	1,178,732
Drafts Payable	—	791,990
Redemption of Commercial Paper	3,000,000	—
Payment of Short-Term Bank Loans	2,250,000	—
Temporary Investments	1,250,000	—
Miscellaneous, Net	1,574,143	—
	<hr/>	<hr/>
TOTAL	<u>\$43,747,220</u>	<u>\$32,179,186</u>

OPINION OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors and Shareholders
Hawaiian Electric Company, Inc.:

We have examined the consolidated balance sheet of Hawaiian Electric Company, Inc. and subsidiaries as of December 31, 1969 and the related statements of income, retained earnings, premium on common stock and source and disposition of funds 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. We did not examine the financial statements of Hilo Electric Light Company, Limited, a consolidated subsidiary, which statements were examined by other independent public accountants whose report has been furnished to us.

In our opinion, based upon our examination and the report of other independent public accountants referred to above, the accompanying consolidated bal-

ance sheet and statements of consolidated income, retained earnings and premium on common stock present fairly the financial position of Hawaiian Electric Company, Inc. and subsidiaries as of December 31, 1969 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Also, in our opinion, the accompanying statement of source and disposition of consolidated funds presents fairly the information shown therein.

Peat, Marwick, Mitchell & Co.

Peat, Marwick, Mitchell & Co.

January 30, 1970

reductions in taxes currently payable resulting from the use of the straight-line method rather than the compound interest method of computing depreciation and deducting interest and certain overhead expenses charged to construction. These differences between taxable income and book income amounted to \$2,121,080.

It is the opinion of management, that, if in the future, income reported for income tax purposes should exceed book income as a result of the above amount for which no deferred income taxes are provided, taxes then payable on such excess represent allowable expenses in determination of future rates.

(3) COMMON STOCK

The Company had reserved 229,501 shares of its common stock for conversion of the Series L Convertible Preferred Stock and 204,738 shares for conversion of the 4 $\frac{1}{8}$ % Convertible Debentures. In addition, the Company has reserved 52,980 shares of its common stock for conversion of \$2,000,000 of 6 $\frac{1}{2}$ % Convertible Subordinated Notes of Hilo Electric Light Company, Limited to be issued on February 1, 1970.

(4) PREFERRED STOCK

Outstanding \$20 par value preferred stock consisted of the following series:

Series C, 4 $\frac{1}{4}$ % — 150,000 shares	\$ 3,000,000
Series D, 5% — 50,000 shares	1,000,000
Series E, 5% — 150,000 shares	3,000,000
Series H, 5 $\frac{1}{4}$ % — 250,000 shares	5,000,000
Series I, 5% — 89,657 shares	1,793,140
Series J, 4 $\frac{3}{4}$ % — 250,000 shares	5,000,000
Series K, 4.65% — 175,000 shares	3,500,000
Series L, \$1.44 — 239,064 shares (issued in 1968 in connection with acquisition of Maui — See Note 1)	4,781,280
	<u>\$27,074,420</u>

In addition, the Company in 1969 authorized 80,000 shares of cumulative preferred stock of \$100 par value per share. None had been issued at December 31, 1969.

Series C, D, E, H, J and K preferred stocks are redeemable on any dividend payment date at the option of the Company at par (in each instance \$20) together with accrued and unpaid dividends plus a premium of \$1 per share.

The Series I preferred stock is redeemable on 30 days' notice at the option of the Company at par (\$20) together with accrued and unpaid dividends.

The Series L preferred stock is redeemable at \$38.50 a share after December 31, 1973, and each share is convertible into .96 of a share of common stock at any time prior to redemption. Each share of Series L preferred stock has the same voting privileges as each share of common stock except on matters where class voting is required by statute.

(5) LONG-TERM DEBT

The following first mortgage bonds, convertible debentures and bank notes payable were outstanding:

First Mortgage Bonds:	
The Company:	
Series F, 3%, due 1977	\$ 5,000,000
Series G, 3 $\frac{1}{2}$ %, due 1981	3,000,000
Series H, 3 $\frac{1}{2}$ %, due 1982	4,000,000
Series I, 3.45%, due 1984	6,000,000
Series J, 4.70%, due 1987	7,000,000
Series K, 4.75%, due 1989	10,000,000
Series L, 4.65%, due 1991	12,000,000
Series M, 4.45%, due 1993	16,000,000
Series N, 4.55%, due 1995	11,000,000

Series O, 5.75%, due 1997	13,000,000
Series P, 9%, due 1974	18,000,000
	<u>105,000,000</u>

Hilo:

Series B, 4%, due 1976	1,250,000
Series C, 5%, due 1971	750,000
Series D, 6 $\frac{1}{4}$ %, due 1983	400,000
Series E, 4 $\frac{3}{4}$ %, payable \$10,000 annually to 1984, remainder 1985	880,000
Series F, 6%, due 1988	2,000,000
Series G, 5 $\frac{7}{8}$ %, due 1989	2,970,000
	<u>8,250,000</u>

Maui:

Series C, 4 $\frac{1}{4}$ %, due \$10,000 annually to 1977, remainder 1978	860,000
Series D, 4 $\frac{7}{8}$ %, due 1988	750,000
Series E, 5.1%, due \$25,000 annually 1971 to 1990, remainder 1991	2,500,000
Series F, 6 $\frac{7}{8}$ %, due \$10,000 annually 1978 to 1992, remainder 1993	1,000,000
	<u>5,110,000</u>
Total First Mortgage Bonds	<u>118,360,000</u>

Convertible Debentures — Hawaiian Electric Company, Inc., 4 $\frac{1}{8}$ %, due 1982		6,654,000
Second Mortgage Notes — Hilo Electric Light Company, Ltd., payable in monthly installments of \$13,090 including interest: United States Government, Small Business Administration, 3%		690,223
Banks, 5 $\frac{1}{2}$ %		76,691
		<u>766,914</u>

Bank Notes Payable — Maui Electric Company, Ltd., $\frac{1}{2}$ of 1% over prime rate, due \$5,000 monthly to June 1972, remainder July 1972		2,115,000
Total Long-Term Debt		<u>\$127,895,914</u>

The first mortgage bonds of the Company, Maui and Hilo are secured by separate indentures which by their terms purport to be a lien on substantially all of the real and personal property, now owned or hereafter acquired, of the respective companies.

The 4 $\frac{1}{8}$ % convertible debentures, which are due in 1982, are convertible into common stock at \$32.50 a share and are redeemable at the option of the Company at a premium to March 1, 1970 of 3.24% reducing annually thereafter to no premium in 1981.

(6) INVESTMENT CREDITS

Investment credits allowed under the Revenue Act of 1962 have reduced the consolidated income tax liability in the amount of \$346,653. The Company and its subsidiaries have elected to amortize the entire amount of the investment credit over the estimated useful lives of the properties giving rise to the credits.

(7) PENSION PLAN

The Company and its subsidiaries have pension plans covering substantially all of their employees. The total pension cost under these plans, including amounts charged to plant, was \$1,905,849. The costs of the plans include amortization of prior service costs over a forty-year period by the Company, and thirty and ten-year periods by Maui and Hilo, respectively. It is the Company's policy to fund pension costs accrued. At January 1, 1969, the date of the last determination, the actuarially computed value of vested benefits exceeded the pension funds by approximately \$5,800,000.

(8) COMMITMENTS AND CONTINGENT LIABILITIES

The Company and its subsidiaries had commitments approximating \$25,100,000 in connection with its plant expansion program.

HAWAIIAN ELECTRIC COMPANY, INC.

STATEMENT OF CONSOLIDATED RETAINED EARNINGS

Year Ended December 31, 1969
(with comparative figures for 1968)

	1969	1968	Increase (Decrease)
BALANCE AT BEGINNING OF PERIOD	\$28,278,918	\$25,457,775	\$2,821,143
NET INCOME FOR PERIOD	9,597,828	9,130,103	467,725
OTHER ADDITIONS—Transfers from Contributions in Aid of Construction	50,507	44,106	6,401
	<u>37,927,253</u>	<u>34,631,984</u>	<u>3,295,269</u>
DEDUCTIONS:			
Cash Dividends on Capital Stock:			
Series C at \$0.85 Per Share Per Annum	127,500	127,500	—
Series D at \$1.00 Per Share Per Annum	50,000	50,000	—
Series E at \$1.00 Per Share Per Annum	150,000	150,000	—
Series H at \$1.05 Per Share Per Annum	262,500	262,500	—
Series I at \$1.00 Per Share Per Annum	89,657	89,657	—
Series J at \$0.95 Per Share Per Annum	237,500	237,500	—
Series K at \$0.93 Per Share Per Annum	162,750	162,750	—
Series L at \$1.44 Per Share Per Annum	358,598	61,430	297,168
	<u>1,438,505</u>	<u>1,141,337</u>	<u>297,168</u>
Common Stock (Annual Rates Per Share: 1969, \$1.29; 1968, \$1.20)	4,737,645	4,391,067	346,578
Common Stock — Subsidiaries Prior to Merger:			
Maui Electric Company, Limited	—	243,162	(243,162)
Hilo Electric Light Company, Limited	577,500	577,500	—
	<u>6,753,650</u>	<u>6,353,066</u>	<u>400,584</u>
BALANCE AT END OF PERIOD	<u>\$31,173,603</u>	<u>\$28,278,918</u>	<u>\$2,894,685</u>

STATEMENT OF CONSOLIDATED PREMIUM ON COMMON STOCK

Year Ended December 31, 1969
(with comparative figures for 1968)

	1969	1968	Increase (Decrease)
PREMIUM ON COMMON STOCK:			
Balance at Beginning of Period	\$17,176,229	\$17,160,366	\$ 15,863
Premium Received on Conversion of Debentures and Series L Preferred Stock	489,250	15,863	473,387
Balance at End of Period	<u>\$17,665,479</u>	<u>\$17,176,229</u>	<u>\$ 489,250</u>

See Accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) POOLING OF INTERESTS

In November 1968, the Company acquired, in exchange for 255,960 shares of its Series L, \$1.44 cumulative Convertible Preferred Stock, all of the capital stock of Maui Electric Company, Limited (Maui). On January 26, 1970, the Company received final approval for the acquisition of Hilo Electric Light Company, Limited (Hilo) through an exchange of 527,895 shares of its \$6 $\frac{2}{3}$ par value common stock for all of the capital stock of Hilo. The effective date of the merger will be February 1, 1970. These transactions have been accounted for as poolings of interests, and accordingly, the consolidated financial statements include the accounts of the acquired companies as though the transactions had been consummated prior to January 1, 1968.

(2) DEPRECIATION AND FEDERAL INCOME TAXES

Prior to 1968, the Company computed the depreciation recorded in its accounts on a 4% compound interest method utilizing the remaining life principle. With the approval of the Public Utilities Commission,

the Company has computed depreciation on plant additions first subject to depreciation after January 1, 1968 on the straight-line remaining life method. All assets subject to depreciation prior to January 1, 1968 remain on the compound interest method. Depreciation expense for 1969 was approximately \$330,000 greater than it would have been had not the method of depreciation been changed.

Maui Electric Company, Limited computes depreciation on the straight-line remaining life method. Hilo Electric Light Company, Limited computes depreciation on the straight-line method.

For income tax purposes, the Company and its subsidiaries compute depreciation using an accelerated method on qualifying properties and the straight-line method on the remainder of the plant. Reductions in taxes currently payable of \$2,142,000 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 and its subsidiaries consistently followed the policy of making no similar provision for deferred income taxes for

CONSOLIDATED STATISTICAL SUMMARY

	1969	1968	1967	1966	1965	1964
FINANCIAL STATISTICS (Millions of Dollars)						
Utility Plant in Service	\$312.36	\$297.40	\$274.14	\$260.29	\$227.47	\$212.33
Construction in Progress	16.47	5.22	8.56	3.02	9.61	3.26
TOTAL UTILITY PLANT	328.83	302.62	282.70	263.31	237.08	215.59
Accumulated Depreciation	62.68	56.20	52.03	47.18	42.42	38.03
Capitalization: (December 31)						
Long-Term Debt	127.90	113.73	113.96	94.14	91.82	81.01
Preferred Stock @ \$20 Par	27.07	27.41	27.41	27.41	27.41	26.56
Common Stock @ \$6 $\frac{2}{3}$ Par	28.09	27.92	27.93	27.93	27.49	26.25
Premium on Common Stock	17.67	17.18	17.15	17.15	15.82	11.13
Capital Stock Expense	(1.25)	(1.25)	(1.11)	(1.11)	(1.11)	(.98)
Retained Earnings	31.17	28.28	25.46	23.00	20.40	18.39
TOTAL	230.65	213.27	210.80	188.52	181.83	162.36
Long-Term Debt Interest	5.17	5.06	4.84	3.98	3.80	3.36
Preferred Dividends	1.44	1.45	1.45	1.45	1.40	1.38
Common Dividends	4.74	4.39	3.79	3.79	3.52	3.26
OPERATING STATISTICS						
Sales of Electricity	71.57	66.16	60.02	55.84	52.20	48.96
Other Operating Revenues .....	.31	.32	.26	.25	.21	.21
TOTAL OPERATING REVENUES ..	71.88	66.48	60.28	56.09	52.41	49.17
Operating Expenses:						
Fuel Oil	13.91	12.72	11.48	10.91	10.18	9.83
Other	4.15	3.90	3.61	3.27	3.16	2.94
Transmission & Distribution	2.39	2.36	2.16	1.95	1.93	1.98
Customer Accounts & Sales	2.98	3.01	2.88	3.21	3.12	2.79
Administrative & General	4.74	4.63	4.19	3.78	3.44	3.31
Maintenance	3.85	3.44	3.46	3.55	3.31	3.32
Depreciation	7.91	7.01	6.63	5.89	5.35	4.77
Taxes Other than Income	7.60	7.01	6.50	6.10	5.54	5.08
Federal Income Taxes	5.75	4.78	3.53	2.70	3.01	2.74
Federal Income Taxes Deferred	1.81	1.85	1.83	1.59	1.60	1.57
Investment Credit Deferred, Net .....	.22	.66	.19	.75	.35	.51
State Income Taxes .....	.76	.67	.50	.44	.37	.33
State Income Taxes Deferred .....	.22	.22	.24	.22	.19	.18
Total Operating Expenses	56.29	52.26	47.20	44.36	41.55	39.35
Operating Income	15.59	14.22	13.08	11.73	10.86	9.82
Other Income .....	.23	.06	.32	.15	.10	.24
Income Deductions & Interest Charges	(6.22)	(5.15)	(5.09)	(3.70)	(3.73)	(3.12)
NET INCOME	\$ 9.60	\$ 9.13	\$ 8.31	\$ 8.18	\$ 7.23	\$ 6.94
COMMON SHARES (Millions)	4.21	4.19	4.19	4.19	4.11	3.94
COMMON STOCK STATISTICS						
Earned Per Share: (Restated)						
On Average Shares	\$ 1.94	\$ 1.83	\$ 1.64	\$ 1.62	\$ 1.47	\$ 1.41
On Year End Shares	1.94	1.83	1.64	1.61	1.42	1.41
Dividends Paid Per Share	1.29	1.20	1.08	1.04	1.00	.94
Equity Per Share	\$ 17.96	\$ 17.22	\$ 16.58	\$ 15.99	\$ 15.22	\$ 13.91
MISCELLANEOUS STATISTICS						
Kilowatt Hour Sales (Billions)	3.32	3.02	2.73	2.55	2.36	2.20
Average Annual Residential Use (KWH)	6,840	6,546	6,124	5,921	5,730	5,479
Revenue Per Residential KWH	2.61¢	2.63¢	2.65¢	2.66¢	2.70¢	2.74¢
Customers, December 31: (Thousands)						
Residential	168	162	157	150	144	139
Total	199	191	185	177	171	165
Generating Capability, December 31 (MW) ..	879	881	823	815	715	700
Peak Demand (MW) *	704	635	580	546	498	475

*Noncoincident and nonintegrated.

Note: Years 1964 through 1969 are restated to reflect the pooling of interests with subsidiaries.

We have started construction of the 138,000-volt switching station which will be needed when Kahe 3 goes into service.

The control room at Ward Avenue, the nerve center of the Oahu system, is now connected to a special power system provided by a bank of 25 heavy-duty batteries. Unaffected by system disturbances, the batteries provide a firm source of power for the new computers now used to operate and control the system.

Expansion of transmission and distribution systems on Oahu in 1970 will cost \$14,900,000.

Underground Wiring

Our growing network of underground facilities was increased considerably in 1969. Seventy-

two per cent of new services to homes were underground, and more than 80 per cent of commercial and industrial lines installed were underground.

In the more than forty active subdivisions, nearly all wiring was placed underground.

Conversions from overhead distribution to underground continued in various areas where modernization was in progress—particularly at the sites of the new Nuuanu Stream esplanade, the realignment of Beretania Street, extension of Maunakea Street, and the Kukui Redevelopment project.

Approximately \$4,450,000 was spent during the year on underground work and \$6,600,000 more is budgeted for 1970.



Transmission facilities increased in keeping with growing power demand on Oahu. New equipment in 1969 included transformer of 80-plus tons, shown being unloaded at Waiau Generating Station.

Imaginative design by Hawaiian Electric engineers transformed a boom truck into an efficient vehicle for laying underground cable in new subdivision.

Hawaiian Electric chose type and design of poles that best fit Hawaiian landscape at a highway project near Pearl Harbor. Wooden ones photographed are tinted blue-gray to blend with sea and sky.



Promotional Activities

Sales and promotional activities were carried on continuously through vigorous programs directed to builders, developers, distributors and electric appliance dealers. Advertising in newspapers, local magazines, and on radio and television supports our programs and, when appropriate, is coordinated with the PCEA (Hawaii) promotional calendar.

Our staff of highly trained home economists participates in many community activities and provides educational services for users of home and commercial appliances. Cooking classes in the Company auditorium and demonstrations of appliances in homes and businesses have proved to be most successful ways of building adherents to the electric way of life.

Recognizing that our youth of today will be our customers tomorrow, we place strong emphasis on various programs for youth. These include cooking classes for the girl scouts and other school groups and participation in the Junior Miss contest and a youth oriented fair.

With the Department of Education, we co-sponsored an electric motor building contest, a school competition in lamp building, and a better lighting poster contest.

For the ninth consecutive year, young island musicians were featured on the Hawaiian Electric Music Hour, a twice-weekly radio program of fine music.

Growing Demand

We installed service for 4,019 new single family homes on Oahu, 39 per cent more than in 1968. Over 96 per cent of these new homes were all-electric. A total of 3,165 new apartment units were completed, compared with 2,983 the previous year.

Other sources of additional load were a number of new office buildings and commercial structures, some of them high rises in the downtown and Kapiolani areas; various facilities added by federal, state and municipal governments, including major additions at the University of Hawaii and the all-electric new State Capitol building; and more than 3,900 new hotel rooms.

At year end, total customers on the Oahu system numbered 162,439 or 6,053 more than last year. The effect on our load is increased by the high average annual residential use of electricity in our area. Residential customers' aver-



Aspirants to Hawaii Junior Miss title entered a recipe contest conducted by Hawaiian Electric in collaboration with Kaimuki Jaycees.



age annual use rose to 7,222 kilowatt hours, approximately 15 per cent higher than the average of investor-owned utilities.

Kilowatt hour sales were favorably affected by the 8 per cent rise in sales of major electrical appliances, as reported by local dealers and distributors. Commercial air conditioning sales alone were 15 per cent higher than last year.

Employees

Excellence of service to the community continued to be the prime goal of the Company's employees during the year.

The 1,425 members of the Hawaiian Electric family on Oahu take pride in the Company's outstanding service record and growth during the decade of statehood, and they complement this by participation in community activities.

Approximately 74 per cent of the employees are represented by the International Brotherhood of Electrical Workers, Local 1260, AFL-CIO. The present contract between the Union and the Company is effective through June 30, 1971.

For the past five years a Joint Review Committee, composed of Union and Company representatives, has met regularly to solve potential problems. Chaired by a Federal mediator, the Committee has effectively fostered good Company-Union relations.

Training

The Company continued its extensive training efforts during the year, with close to 30 per cent of our employees participating in educational programs covering management, supervisory work and technical advances.

Evening courses in supervisory development were held in cooperation with the Hawaii Employers Council and 113 of our employees participated. A similar program within the Company began in October for shift workers in the Generation Department.

Among buildings singled out for the All-Electric Building Award in 1969 was the new Capitol. Governor John A. Burns (left) receives the plaque from President Lengnick.

Our state-approved apprenticeship program is one of the largest of its kind in Hawaii, currently involving 38 apprentices and 31 qualified helpers who will be entering the indentured program in 1970.

Hawaiian Electric's College Summer Student Program, initiated in 1954, provides young men and women opportunities for eventual careers in our business, while earning college tuition money during the vacation months. Many have returned to regular employment with the Company following graduation.

HECO Officers and Directors

At a special Directors' meeting May 19, Lewis W. Lengnick, Senior Vice President, Engineering and Operations, was appointed President and Chief Executive Officer of the Company, succeeding Russell H. Hassler, whose sudden death on May 17 ended an outstanding career with Hawaiian Electric.

Mr. Lengnick joined the Company as an engineer in 1941, was appointed Vice President in 1953, and was elected to the Board in 1966. He has been closely involved in all major de-

velopments in Hawaiian Electric's growth since the close of World War II.

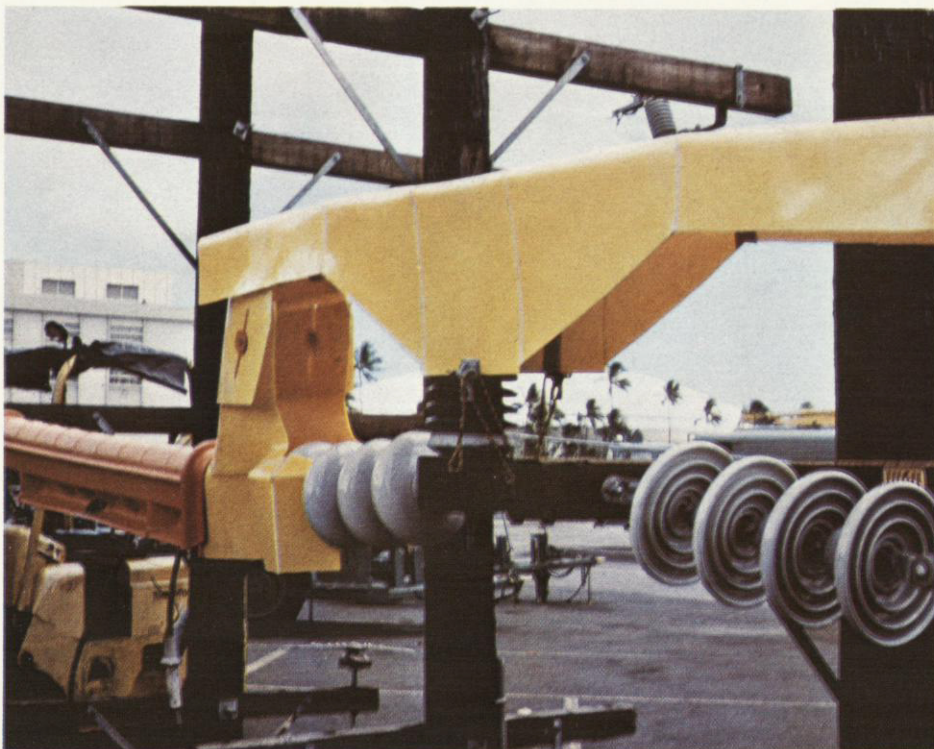
Mr. Lengnick's previous engineering responsibility was assumed by Francis R. Montgomery. In December the Directors appointed him Vice President, Engineering, effective January 1, 1970. Mr. Montgomery has been with Hawaiian Electric since 1951 and an Engineering Department Manager since 1966.

Andrew T. F. Ing, formerly Director of Finance for the State of Hawaii, joined Hawaiian Electric June 1 as Financial Vice President and Treasurer, and at a Board meeting on June 25 he was elected a Director of the Company, filling the unexpired term of Mr. Hassler. During his Government career, Mr. Ing also served as Lieutenant Governor of Hawaii.

Will B. Johnstone, Jr., Treasurer since 1962, chose early retirement in April after almost 31 years with the Company.

At the annual meeting of stockholders in April, new Directors were elected to fill three vacancies on the Board.

One Board vacancy was filled by Philip E. Spalding, Jr., President of Hawaiian Western



Hawaiian Electric employees devised a method of welding polyethylene in order to fabricate this arched shield, providing a protection for men working on live power lines at jumper points. Such protection is commercially unavailable.



Visitors to Pop Expo '69 found out how hard it is to generate electricity by muscular exertion.

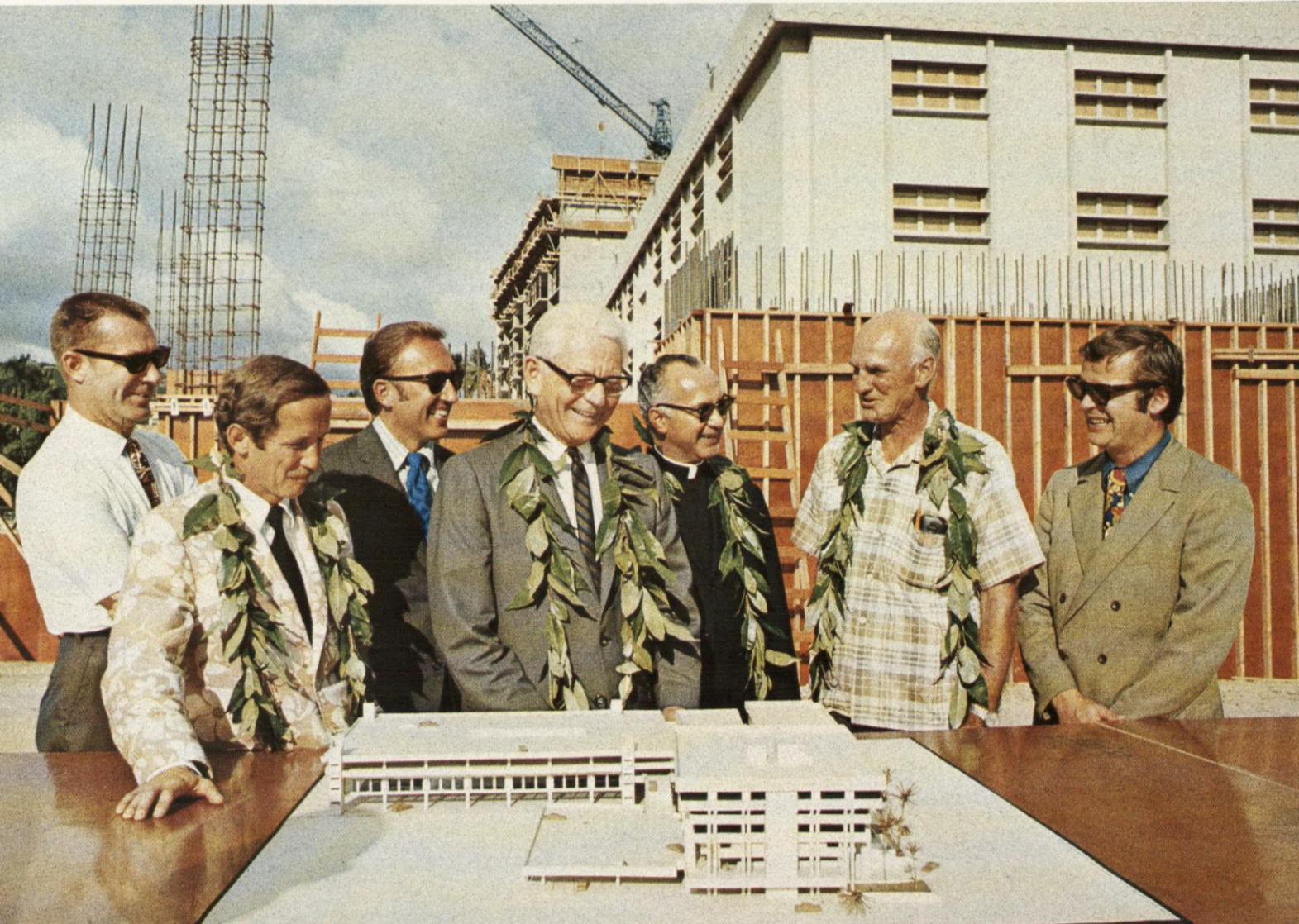
Steel, Limited. The other two vacancies were filled by Raymond R. Lyons, President and General Manager of Maui Electric, and Colin C. Cameron, a Maui Electric Director and prominent Valley Isle businessman.

On May 19 the Directors created a six-member Executive Committee of the Board, with J. Scott B. Pratt III as Chairman; Dudley C. Lewis, Vice Chairman; Philip E. Spalding, Jr., Secretary; Lewis W. Lengnick, Herbert M. Richards, and Herman V. von Holt.

Maui Electric Co., Ltd.

In February, Raymond R. Lyons was appointed President. Colin C. Murdoch, who has been with the Company 33 years and Assistant General Manager since 1968, was appointed Vice President and General Manager on June 1.

At Ward Avenue construction site, Mr. Lengnick (center) and a group including the architects and contractor, look over a scale model of building additions. Grounds were consecrated on this occasion.



At the December meeting of Maui Electric's Board of Directors, Mr. Lyons was named Board Chairman, effective January 1, 1970, at the time of his retirement as President of the Company.

Other appointments made effective January 1, 1970 were: Mr. Lengnick, President to succeed Mr. Lyons; Colin C. Murdoch, Executive Vice President and General Manager; Andrew T. F. Ing, Financial Vice President; and Peter C. Lewis, Secretary.

The Board adopted a resolution honoring Mr. J. Walter Cameron for his long and valued service. He had been Maui Electric Company President and Chairman of the Board for 20 years. He will remain a Director.

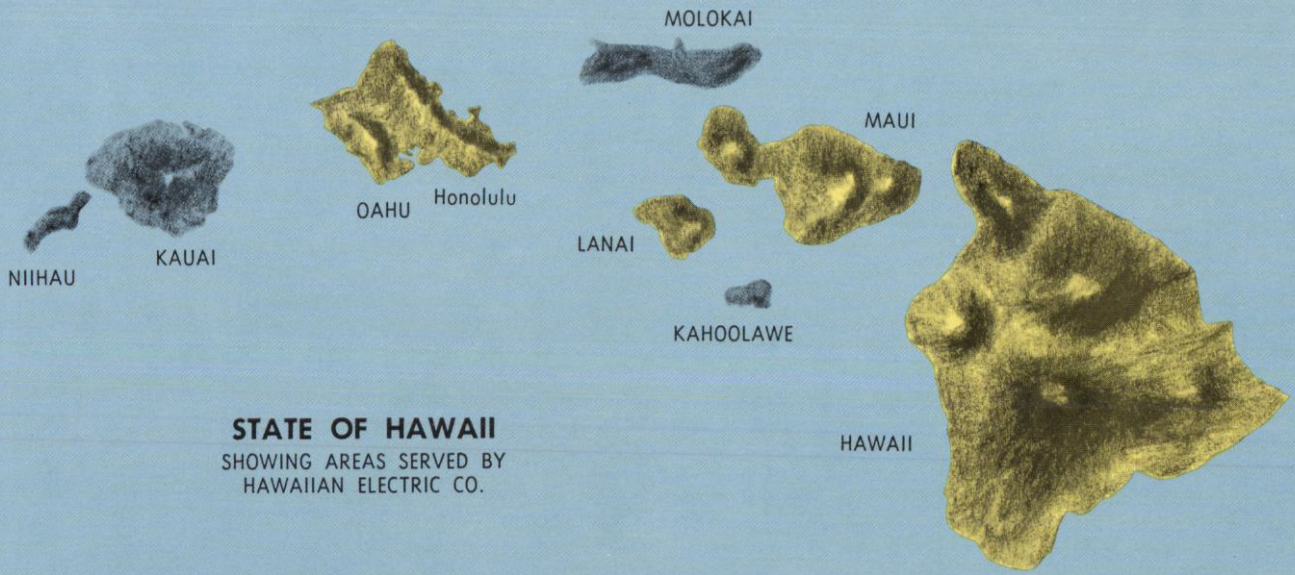
At a December meeting of Maui Electric Company stockholders, Mr. Murdoch and Richard L. Summers were elected to the Board.

Hawaiian Electric Employees Glee Club sang Hawaiian songs at ceremonies held when Iolani Palace was first lighted and turned over to a committee for restoration as a museum.



Swimming and picnicking are fine at beach park created by Hawaiian Electric in front of Kahe Power Plant. A popular spot for employee outings, Kahe Park is also open to the general public.





STATE OF HAWAII
 SHOWING AREAS SERVED BY
 HAWAIIAN ELECTRIC CO.



**MAUI ELECTRIC CO.
SYSTEM MAP
ISLAND OF MAUI**
Area: 728 Sq. Mi.

- POWER PLANT SITES
with generating units
and their capabilities
- MAJOR SUBSTATIONS
- 69,000-VOLT TRANSMISSION
- 23,000-VOLT TRANSMISSION



**HILO ELECTRIC LIGHT CO.
SYSTEM MAP
ISLAND OF HAWAII**
Area: 4,038 Sq. Mi.

- POWER PLANT SITES
with generating units
and their capabilities
- MAJOR SUBSTATIONS
- 69,000-VOLT TRANSMISSION
- 34,500-VOLT TRANSMISSION



HILO ELECTRIC LIGHT CO.

Hilo Electric serves 21,000 customers in widely separated areas on the Big Island of Hawaii. The island, comprised of 4,000 square miles, has a population of 67,000.

Historically, the economy there has been based on sugar, coffee and cattle ranching. Tourism is rapidly increasing in importance, and important overseas markets are being developed for the island's fruits, nuts and flowers.

Interest in the Big Island as a tourist destination area was greatly stimulated by the opening of Laurance Rockefeller's Mauna Kea Beach Hotel in 1966 followed by the start of direct flights from the West Coast to Hilo in 1967. The number of hotel rooms, now 2,737, will be increased to almost 5,000 by the end of 1971.

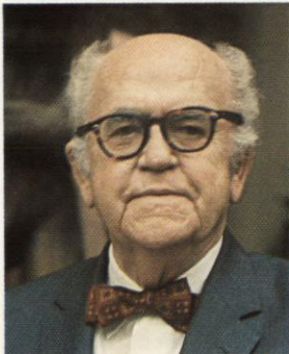
Plans have been announced by nationally known companies for three large new resort-

residential communities on undeveloped ocean-side properties within the next ten years. The combined total cost of two of the projects, as announced by the developers, is \$430,000,000.

Scientific activities lend prestige to the Island of Hawaii. The volcano observatory on Kilauea is well established. The weather station at the 11,000-foot level of Mauna Loa has been enlarged to include a coronameter observatory and apparatus for measuring atmospheric phenomena. A major event of 1969 was completion of preparations to install an 88-inch reflecting astronomical telescope, one of the ten largest in the world, in the newly built \$8,000,000 observatory atop Mauna Kea.

Capital expenditures to provide new generation, transmission and distribution facilities through 1974 are estimated at \$28,500,000.

The Kona-Hilton on the western, or leeward (kona) shore, is one of luxury hotels making the "Big Island" of Hawaii an increasingly attractive tourist resort.



WILLIAM H. HILL,
President



WILLIAM MacKENZIE,
*Executive Vice President
and General Manager*



MAUI ELECTRIC COMPANY, LTD.

In its first year of operations as a wholly-owned subsidiary of Hawaiian Electric, Maui Electric Company reached record sales and earnings, reflecting the continued economic growth of the island.

Makawao and the adjacent Pukalani area now comprise a rapidly growing community. A new shopping center and golf course are planned.

To meet increased electrical demand in the new population center forming in the Makawao area, the Company completed work on a new "low silhouette" design substation and started converting the distribution system from 4 kv to 12 kv.

Maui's tourist industry is rapidly expanding. More than 400 new hotel rooms were added during 1969, bringing the total to 2,700. Extensive resort developments have been announced for the Wailea-Kihei and Waihee areas. These developments, as well as continued expansion in

the Kaanapali-Lahaina district, will make Maui a primary tourist destination area.

Maui Electric completed a major overhaul of its warehousing facilities during the year. Inventory and purchasing procedures were changed to conform to the Hawaiian Electric system.

During the summer of 1969 the Maui subsidiary began using computer services for several of its accounting operations. Residential light and power billings for central Maui and Lahaina were processed by computers at Hawaiian Electric, and it is anticipated that most of the island's billings will be computerized by early 1970.

Capital expenditures for the five-year period through 1974 are estimated at \$15,200,000, which includes the cost of a new 25-acre power plant site and the first generating unit to be installed there for commercial operation in 1973.

Among major resort areas on the Neighbor Islands, the Kaanapali coast of Maui recorded an exceptional spurt of construction activity.



HAWAIIAN ELECTRIC COMPANY, INC.

DIRECTORS

LEWIS W. LENGNICK / *President*
COLIN C. CAMERON / *Investments and Land Developments*
HAROLD C. EICHELBERGER / *Chairman of the Board, Amfac, Inc.*
ANDREW T. F. ING / *Financial Vice President and Treasurer*
DUDLEY C. LEWIS / *Attorney-at-Law, Lewis, Saunders & Sharpless*
FRED P. LOWREY / *Retired / Former President of L&C, Limited*
K. J. LUKE / *President and Chairman of the Board, Hawaii National Bank*
RAYMOND R. LYONS / *Chairman of the Board, Maui Electric Company, Limited*
J. SCOTT B. PRATT, III / *President, Hawaiian Trust Company, Limited*
HERBERT M. RICHARDS / *Retired / Former Assistant Secretary, Castle & Cooke, Inc.*
GILBERT W. ROOT / *Executive Vice President, Trust, First Hawaiian Bank*
PHILIP E. SPALDING, JR. / *President, Hawaiian Western Steel, Ltd.*
RICHARD L. SUMMERS / *Vice President, Employee Relations and Public Affairs*
THURSTON TWIGG-SMITH / *President and Publisher, The Honolulu Advertiser*
HERMAN V. von HOLT / *Estate Management*
RALPH T. YAMAGUCHI / *Attorney-at-Law, Yamaguchi & Tanaka*

OFFICERS

LEWIS W. LENGNICK / *President*
HERBERT HEINRICH / *Vice President, Commercial*
ANDREW T. F. ING / *Financial Vice President and Treasurer*
FRANCIS R. MONTGOMERY / *Vice President, Engineering*
RICHARD L. SUMMERS / *Vice President, Employee Relations and Public Affairs*
CARL H. WILLIAMS / *Vice President, Planning*
JESSE R. ZEIGLER / *Vice President, Operations*
EUGENE A. HELBUSH / *Controller and Assistant Treasurer*
PETER C. LEWIS / *Secretary*
RICHARD E. BELL / *Assistant Secretary*
KENNETH L. BICKMORE / *Assistant Treasurer*
DAVID FREITAS / *Assistant Secretary*
ARTHUR C. SLOGGETT / *Assistant Secretary*

DEPARTMENT MANAGERS

DAVID E. BAKER / *Information Systems*
GLENN M. BUNNELL / *Distribution*
VERN E. CRONKHITE / *Engineering Design*
WILLIAM J. FROOME / *System Operation*
ARDEN G. HENDERSON / *Customer Engineering*
FRANCIS E. KARR / *Generation*
CURTIN A. LESER / *Manpower Planning*
C. DUDLEY PRATT, JR. / *Assistant to the President*
JOHN A. ROLFING, JR. / *Special Projects*
JOHN T. STAYTON, JR. / *Employee Relations*
KENNETH F. STRETCH / *Customer Service*
FRANCIS H. WILLIAMS / *Marketing*
G. MURRAY WINSLEY / *Purchasing and Stores*

TRANSFER AGENTS

MORGAN GUARANTY TRUST COMPANY OF NEW YORK / *New York*
WELLS FARGO BANK / *National Association / San Francisco*
OFFICE OF THE COMPANY / *Honolulu*

REGISTRARS

THE CHASE MANHATTAN BANK / *New York*
THE BANK OF CALIFORNIA / *National Association / San Francisco*
FIRST HAWAIIAN BANK / *Honolulu*

* MAUI ELECTRIC COMPANY, LTD.

DIRECTORS

RAYMOND R. LYONS
Chairman of the Board
RICHARD H. BALDWIN
President and Manager, Haleakala Ranch Company
WILLIAM H. BALTHIS
Maui Representative, Hawaiian Trust Company, Limited
COLIN C. CAMERON
President, Maui Land and Pineapple Company, Inc.
J. WALTER CAMERON
Former President and Chairman of the Board
SANFORD J. LANGA
Attorney-at-Law
KARL C. LEEBRICK
President Emeritus, Mauna Olu College
LEWIS W. LENGNICK
President
FRED G. MANARY
Retired, Former Public Utilities Commissioner
COLIN C. MURDOCH
Executive Vice President and General Manager
HAROLD D. RISING
Vice President and Manager, Maui Branches, First Hawaiian Bank
T. S. SHINN
Vice President, MDG Supply, Inc.
RICHARD L. SUMMERS
Vice President, Hawaiian Electric Company, Inc.
DONALD H. TOKUNAGA
President and Manager, Maui Realty Company, Inc.

OFFICERS

RAYMOND R. LYONS
Chairman of the Board
LEWIS W. LENGNICK
President
COLIN C. MURDOCH
Executive Vice President and General Manager
ANDREW T. F. ING
Financial Vice President
ADDISON W. LEWIS
Treasurer
PETER C. LEWIS
Secretary
EUGENE A. HELBUSH
Assistant Treasurer
HOWARD MURAKAMI
Assistant Treasurer
MRS. L. M. TAKABAYASHI
Assistant Secretary

DEPARTMENT MANAGERS

TYSON E. BENSON
Engineering
ADDISON W. LEWIS
Administration
GEORGE E. LUPPOLD
Production
YOSHIMITSU NAKAMURA
Distribution
KING P. PALMER
Sales

HILO ELECTRIC LIGHT CO., LTD.

DIRECTORS

WILLIAM H. HILL
President
JOHN DYKES
President and Manager, The First Trust Co. of Hilo, Ltd.
A. DOUGLAS EDNIE
Chairman of the Board, The First Trust Co. of Hilo, Ltd.
RICHARD HENDERSON
President and Treasurer, The Realty Investment Co., Ltd.
ORLANDO H. LYMAN
Vice President, The Realty Investment Co., Ltd.
WILLIAM MacKENZIE
Executive Vice President and General Manager
DENZIL W. ROSE
Manager, Hilo Motors
HERBERT C. SHIPMAN
President, Hilo Meat Company, Ltd.

OFFICERS

WILLIAM H. HILL
President
WILLIAM MacKENZIE
Executive Vice President and General Manager
ORLANDO H. LYMAN
First Vice President and Treasurer
A. DOUGLAS EDNIE
Second Vice President
ROSE F. ANDRADE
Secretary
DENZIL W. ROSE
Assistant Secretary

DEPARTMENT MANAGERS

CHARLES KEEHNE
Production
SHIGETO MATSUBARA
Transmission and Distribution
JITSUO NIWAO
Engineering
EDWARD O. RICE
Administration Assistant
ORION YOSHIMURA
Internal Auditing

*Listing reflects changes made effective January 1, 1970



HAWAIIAN ELECTRIC COMPANY, INC.

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