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HAWAIIAN ELECTRIC COMPANY, INC. / 1970 ANNUAL REPORT

Cover photo

Kaneohe spreads out below and Kailua appears partially at upper right in a dramatic photo from over the Koolau Ridge. Kailua and Kaneohe are Hawaii's second and third largest urban centers after Honolulu. Installation in foreground atop ridge houses reflectors of the Company's microwave communication system. They "bend" signals over ridge from Ward Avenue Operations Center, permitting remote control of key points in power system, including Koolau substation serving Kaneohe-Kailua. Microwave links also enable Ward Avenue and 150 service vehicles in field to talk back and forth by radio.

HIGHLIGHTS

SALES Consolidated kilowatt hour sales rose to 3,640,678-787, a 9.6 per cent increase over 1969.

REVENUES Consolidated operating revenues increased 10.9 per cent to \$79,700,663.

EARNINGS PER SHARE Earnings per share increased 20 cents to \$2.14, an advance of 10.3 per cent over the previous year.

DIVIDENDS In the fourth quarter of 1970, the indicated annual dividend on common stock was increased 9 per cent to \$1.44 per share.

PEAK DEMAND The highest non-coincidental peak demand for electricity on the systems of Hawaiian Electric and its

subsidiaries totaled 765,000 kilowatts, an increase of 8.7 per cent over the previous year.

GENERATING CAPABILITY At Kahe a new 90,000-kilowatt generating unit went into operation October 1, bringing capability of the Oahu system to 873,000 kilowatts. The peak in power demand on Oahu rose 8.3 per cent to 680,000 kilowatts on December 14.

CUSTOMERS At year end, the total number of customers served was 207,007, an increase of 4.2 per cent over 1969.

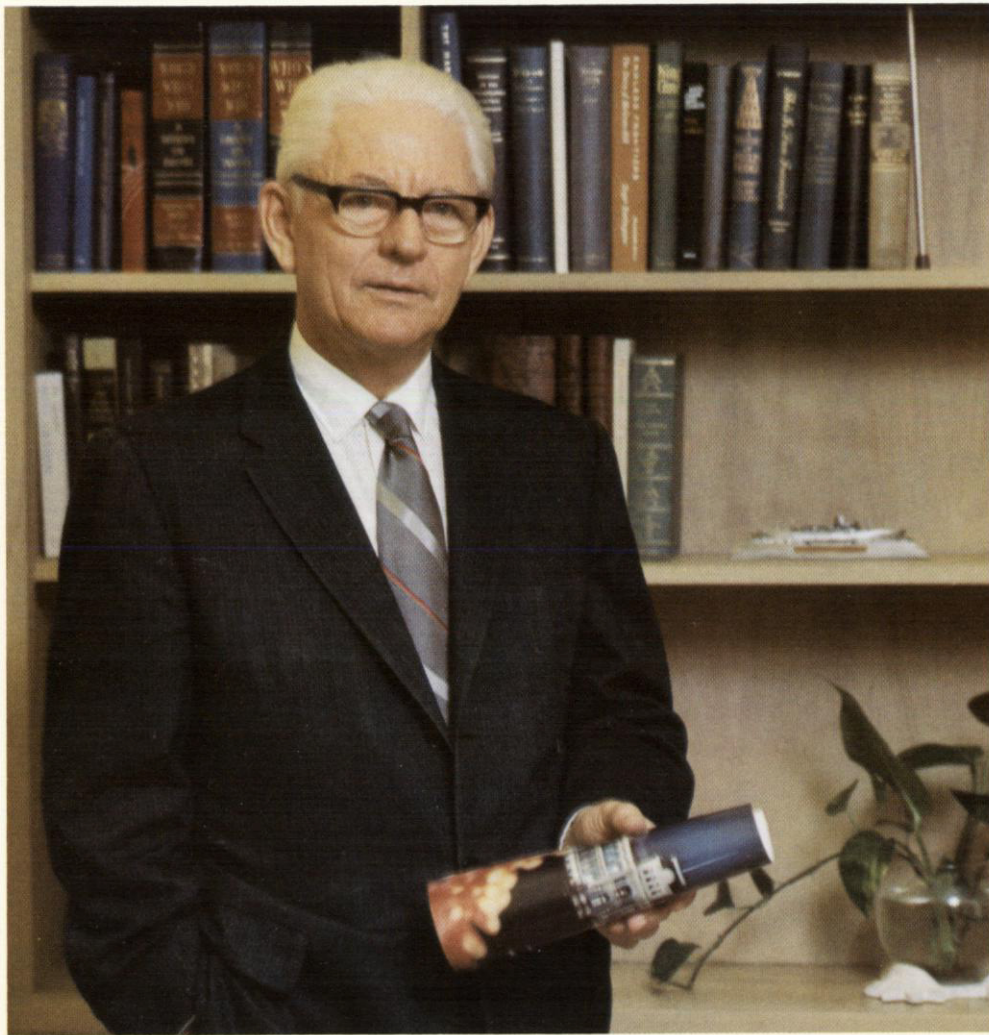
RESIDENTIAL USE Average annual residential usage of electricity by customers of all three companies increased to 7,099 kilowatt hours, 3.8 per cent more than in 1969.



HAWAIIAN ELECTRIC COMPANY, INC.

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TO OUR STOCKHOLDERS

It is a pleasure to send you this report on the 1970 accomplishments of your Company.

Acquisition of Hilo Electric Light Company was achieved on February 1, 1970, just 15 months after our merger with Maui Electric Company. With these two wholly-owned subsidiaries, Hawaiian Electric is prepared to assist, and at the same time benefit from, the continued economic development on three major islands serving 95 per cent of the state's population.

Financial results of the year were excellent. Consolidated kilowatt-hour sales increased 9.6 per cent over 1969, and earnings per share rose 10.3 per cent, from \$1.94 to \$2.14. The fourth quarter dividend payment on common stock was increased by 3 cents to 36 cents per share.

In light of severe shortages that have developed in world fuel oil supplies, we are fortunate that early in 1970 we signed a 10-year contract with Standard Oil Company of California, insuring an adequate supply of fuel oil on terms favorable to us. This will take care of the needs of our two major plants at Waiiau and Kahe which generate 83 per cent of our power.

For the Honolulu plant, which generates 17 per cent of our electric power, we have a contract with about eight years remaining.

In 1969 we converted our Honolulu power plant for use of low sulfur oil in order to minimize air pollution, and in 1970 we made good progress toward conversion of our Waiiau station. When this is completed, about the middle of 1971, we will have approximately 69 per cent of our generation capability burning low sulfur oil. The estimated capital cost of these conversions is \$1,550,000.

Our third generating unit at Kahe was completed and placed in operation October 1. It has a capability of 90,000 kilowatts and will be followed by a companion unit scheduled for completion in mid-1972.

It is estimated that capital expenditures for the Company and its subsidiaries during the next five years will be \$243,000,000. This is 60 per cent greater than during the previous five years.

On Oahu, peak demand is climbing at a rate of more than 8 per cent annually, and peak demand on the islands served by our subsidiary companies is growing at a substantially faster rate. Faster growth during the next five years calls for the building of appreciably more plant and facilities than in the preceding five-year period. A key factor in the 60-per-cent-higher capital expenditure budget, however, is the inflation of construction costs. Since 1960, construction costs in Hawaii have been rising at the rate of about 5½ per cent per year.

Certain economies are realized through Company growth. Other economies are achieved through the Company's ongoing research and development work and adoption of more efficient methods in all phases of its operation.

In spite of all these economies, the cost of doing business has accelerated. For example, the high cost of financing plant expansion has become an even greater consideration than it was in the past. In October the Company sold \$23,000,000 of 30-year bonds. This issue,

as well as the \$18,000,000 of 5-year bonds sold in 1969, bears an annual interest rate of 9 per cent. Five million dollars received from the 1970 sale was used to retire a matured issue of 25-year bonds that carried 3.125 per cent interest. As recently as five years ago, the Company sold \$11,000,000 of bonds with an annual interest rate of 4.55 per cent.

Environmental problems created by construction and operation of generation facilities and transmission lines have been of great concern, and they will command even greater attention in the years ahead. These, too, will add to our costs.

On Oahu there has been no general increase in electric rates for almost 16 years. The rapid rise in costs of financing, construction, labor, supplies and services now leaves the Company no alternative but to seek a general rate increase. We have announced our intention, and will make application to the Public Utilities Commission early in 1971.

The Public Utilities Commission approved new rates effective March 1, 1970 for Hilo Electric. Maui Electric received a rate increase March 1, 1968.

Hawaii's economy is soundly based on activities that remain stable and relatively unaffected by Mainland recessions. Even the tourist industry, the one segment of our economy that is somewhat vulnerable, showed favorable overall results for the year in spite of a severe downtrend during the first six months.

Unemployment in Hawaii averaged 3.6 per cent for 1970. This compares favorably with the nationwide unemployment rate of 5 per cent. Total personal income increased more than 11 per cent during the year and

pushed gross state product past the \$4 billion level for the first time—to \$4.1 billion.

Growth is expected to continue at a high level on all the islands. Resort developments on Maui and Hawaii are giving a strong boost to those areas and will keep the state a popular vacationland for years to come.

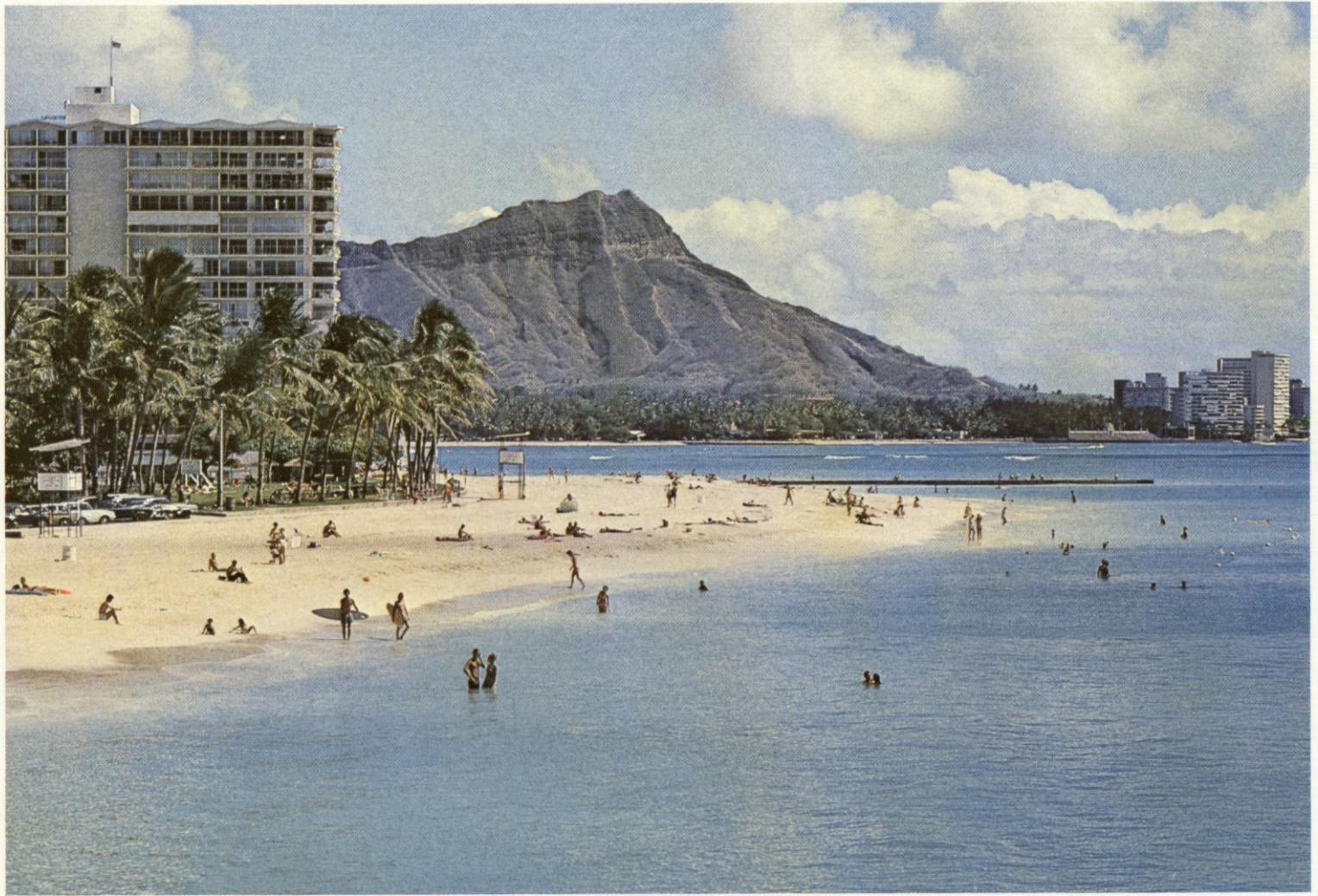
Outlines of the decade ahead are taking shape rapidly. They show it to be a period of major transition. Now that a substantial part of society's needs for goods and services have been satisfied, the focus of attention is shifting heavily to quality of life and the quest for equality.

Traditionally, Hawaiian Electric has taken a leadership role in fostering betterment of the community it serves. Our service area is now expanded significantly—and expanding, also, is our role in helping to develop reasonable solutions to a wide range of problems, both social and environmental. Electric energy itself is basic to the eventual solution of many problems related to quality of life, and we feel that the Company's prospects for the future are bright, indeed.

I hope you will enjoy reading your copy of this report on 1970 operations. Your comments and suggestions are welcomed.

Lewis W. Longnick
President

February 16, 1971



REVIEW OF THE YEAR

Hawaiian Electric and its subsidiary companies shared in the growth of the state's economy in 1970. Sales, revenue and earnings all made substantial gains.

Kilowatt-hour sales rose to over 3.64 billion, an increase of 9.6 per cent over kilowatt hours sold in 1969.

Operating revenues totaled \$79,701,000, an increase of 10.9 per cent, reflecting growth in kilowatt-hour sales, higher fuel oil adjustment clause revenue, and a general rate increase granted Hilo Electric Light Company, effective March 1, 1970.

Net income for the year was \$10,462,000. After preferred dividend payments of \$1,419,000, there remained \$9,043,000 available for common stockholders, an increase of 10.8 per cent over the previous year.

Earnings per share on the average number of common shares outstanding during the year were \$2.14, an increase of 20 cents or 10.3 per cent over 1969. An average of 4.4 per cent more common shares were outstanding during 1970. The increase resulted from conversions of Series L preferred stock and convertible debentures.

Dividends on common stock were 33 cents per share for the first three quarters and were increased to 36 cents per share for the fourth quarter.

◀ Tourism continued to grow as a leading force in Hawaii's economy. The islands played host to more than one and a half million visitors in 1970, a record.

SUMMARY OF FINANCIAL RESULTS

(Dollars in Thousands)

	1970		1969	
	Amount	Percent of Total	Amount	Percent of Total
WE RECEIVED FROM				
Operating Revenues	\$79,701	99.8	\$71,882	99.5
Other Income	120	0.2	344	0.5
Total	79,821	100.0	72,226	100.0
WE HAD THESE EXPENSES				
Wages and Employment Benefits				
Charged to Operation	14,772	18.5	13,514	18.7
Fuel Oil	16,448	20.6	13,910	19.3
Other Materials and Services	5,467	6.9	4,707	6.5
Depreciation and Amortization	8,646	10.8	7,906	11.0
Federal and Local Taxes	16,675	20.9	16,356	22.6
Interest on Borrowed Money and				
Other Miscellaneous Expenses	8,567	10.7	6,740	9.3
Interest Charged to Construction	(1,216)	(1.5)	(505)	(0.7)
Total	69,359	86.9	62,628	86.7
LEAVING AS NET INCOME	10,462	13.1	9,598	13.3
FROM WHICH WE PAID STOCKHOLDERS				
Preferred Dividends	1,419	1.8	1,439	2.0
Common Dividends	5,696	7.1	5,315	7.4
AND WE RETAINED IN OUR BUSINESS	\$ 3,347	4.2	\$ 2,844	3.9

Total dividends on common stock during the year amounted to a payout of 63 per cent of available earnings.

The Company estimates that 27.57 per cent of common stock dividends paid in 1970 represents a return of capital for tax purposes and, accordingly, may be excluded by the stockholders from their gross dividend income on income tax returns for the year.

CONDENSED STATEMENTS OF INCOME

For Year Ended December 31, 1970

(Dollars in Thousands)

	Hawaiian Electric	Hilo Electric	Maui Electric	Consolidated
REVENUES	\$65,459	\$8,445	\$5,797	\$79,701
EXPENSES				
Operation	26,388	3,078	2,857	32,323
Maintenance	3,509	570	285	4,364
Depreciation	6,678	1,284	684	8,646
Taxes	14,069	1,676	930	16,675
	50,644	6,608	4,756	62,008
OPERATING INCOME	14,815	1,837	1,041	17,693
INCOME DEDUCTIONS	5,923	904	404	7,231
NET INCOME	\$ 8,892	\$ 933	\$ 637	\$10,462



Expenses

Our fuel oil expenses rose sharply during 1970, largely as a result of several price increases during the last half of the year. At year end we were paying approximately 23 per cent more for fuel than we were in June. The Company

was reimbursed for approximately 90 per cent of the increased price of fuel oil through the fuel oil price adjustment clauses in our rate schedules.

Our fuel oil adjustment clauses serve to raise or lower our rates in recognition of fuel oil price changes. These clauses save the expense of frequent rate cases.

SOURCES OF ELECTRIC SALES REVENUE

	Hawaiian Electric	Hilo Electric	Maui Electric	Consolidated
Residential	40%	44%	42%	41%
Commercial	25%	42%	30%	27%
Industrial	33%	13%	25%	30%
Street Lighting	2%	1%	3%	2%
	100%	100%	100%	100%

◀ A third unit completed at the Kahe Generating Station added 90,000 kilowatts of capability to the Company system. Plant is set back from highway along scenic Waianae Coast. Roadside landscaping and a beach park developed by Hawaiian Electric have won community approval.

The higher prices of fuel oil, materials and services, as well as higher labor costs, caused operation and maintenance expenses to increase as a percentage of revenue. In 1970 these expenses absorbed 46 per cent of revenue compared with 44.6 per cent in 1969.

Charges against income to provide for the depreciation of our plant and equipment absorbed 10.8 per cent of revenue in 1970, up from 10 per cent in 1969. Depreciation expenses have begun to reflect the sharply rising costs of construction.

Interest expenses rose dramatically in 1970, reflecting high interest rates on

first mortgage bonds sold late in 1969 and 1970. Interest expenses took 10.4 per cent of revenue compared with 8.6 per cent in 1969.

Taxes were again our largest expense item, requiring 21 cents of every revenue dollar. County, state and federal taxes charged to operations were equivalent to \$3.95 per share of common stock. This compares with per-share earnings of \$2.14 that remained for common stockholders.

Interest Charged to Construction

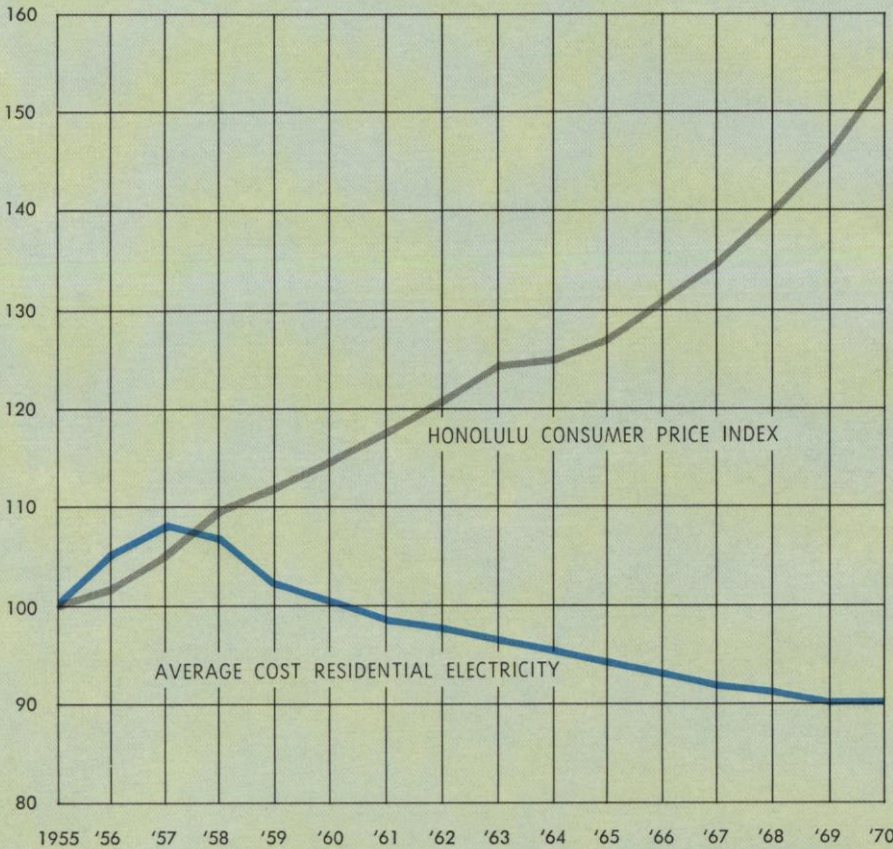
Work on two major construction projects caused earnings to benefit greatly from interest charged to construction in 1970. The projects were a \$17,000,000 generating unit completed at Kahe and a warehouse and parking complex at Ward Avenue. A total of \$1,216,000 was charged to the value of plant and credited to earnings to provide a return to our investors for funds used during the construction period. This accounted for 29 cents of per-share earnings, compared with 12 cents in 1969.

TAXES

(Dollars in Thousands)

	1970		1969	
	Amount	Percent of Operating Revenues	Amount	Percent of Operating Revenues
TAXES OTHER THAN INCOME				
Public Service	\$ 5,712	7.2	\$ 5,324	7.4
Franchise Royalty	1,875	2.3	1,701	2.4
F.I.C.A. and Unemployment	465	0.6	399	0.6
Other	195	0.2	178	0.2
	<u>8,247</u>	<u>10.3</u>	<u>7,602</u>	<u>10.6</u>
INCOME TAXES				
State				
Current	770	1.0	755	1.1
Deferred	225	0.3	220	0.3
	<u>995</u>	<u>1.3</u>	<u>975</u>	<u>1.4</u>
Federal				
Current	5,229	6.6	5,754	8.0
Deferred	1,741	2.2	1,808	2.5
Investment Credit Deferred — Net	463	0.5	217	0.3
	<u>7,433</u>	<u>9.3</u>	<u>7,779</u>	<u>10.8</u>
TOTAL INCOME TAXES	8,428	10.6	8,754	12.2
TOTAL TAXES CHARGED TO OPERATIONS	\$16,675	20.9	\$16,356	22.8

**COMPARISON OF HONOLULU CONSUMER PRICES
AND RESIDENTIAL RATE IN CENTS FOR KWH INDEX 1955 = 100**



Six men can work 580 feet down for as long as 20 days in world's only undersea testing facility, operated by Makapuu Oceanic Center off Oahu's windward shore. Center, which also runs Sea Life Park, is a leader in oceanographic research.

Financing

In October, Hawaiian Electric sold \$23,000,000 of 30-year first mortgage bonds with a 9 per cent coupon. The proceeds were used primarily to help finance the 1970 construction program on the Island of Oahu. Five million dollars was used to refund matured first mortgage bonds issued at 3-1/8 per cent interest in 1945.

Hilo Electric, prior to the merger in February 1970, had entered into an agreement to sell \$2,000,000 of convertible subordinated notes at 6½ per cent interest and \$2,000,000 of 20-year first mortgage bonds at 7¼ per

cent interest. The transactions were finalized with six institutional investors immediately after the merger. The notes are convertible into Hawaiian Electric common stock at the rate of \$37.75 a share.

Company Ownership

Owners of the Company's common stock now number 13,887, including 815 employees of the Company and its subsidiaries.

Sixty-six per cent of the owners are residents of Hawaii and hold approximately 59 per cent of the issued shares. Other owners are distributed throughout the other 49 states and several foreign countries.

To the Company's knowledge, no stockholder holds more than 2 per cent of the common stock.



Rates

Rising costs of doing business—particularly the higher level of wages and employee benefits and substantially higher costs of new capital—are forcing companies throughout the electric industry to seek rate increases.

The Public Utilities Commission approved new rate schedules, effective March 1, 1970, for Hilo Electric on the Island of Hawaii and for Maui Electric on the Island of Lanai. Early in 1968 the Commission had approved new rates for Maui Electric customers on the Island of Maui.

Hawaiian Electric has made no request for a general rate increase on

Oahu since the one approved in June, 1955. The only rate adjustments during this 15½-year period have been those brought about by changes in fuel oil prices.

A large portion of the funds required for expansion of our system is obtained from the sale of bonds, and since 1965 bond interest has increased from 4.55 per cent to 9 per cent. Today, one-third of Hawaiian Electric's outstanding bond indebtedness is costing the Company 9 per cent in interest payments. In addition to the \$23,000,000 of 30-year bonds issued in

October 1970, a five-year bond issue in the amount of \$18,000,000 sold late in 1969 carries this high interest rate.

Our projections indicate the need for a rate increase on Oahu, and we plan to file a request with the Hawaii Public Utilities Commission early in 1971.



An excellent beach plus fine hotels and a golf course are elements making Kaanapali a prime resort attraction on the Valley Island. Maui Electric plans to double its transmission service to this growing area by mid-1971.

Generation

During the next five years, considerable growth is expected on all the islands served by Hawaiian Electric companies.

In October 1970, generating capability was added on both Oahu and Hawaii, and Maui Electric started negotiations for a second power plant site at Kealia.

The Oahu unit was a steam turbine generator, Kahe 3, having a capability of 90,000 kilowatts and raising the total generating capability of the Oahu system to 873,000 kilowatts. A companion 90,000-kilowatt unit, Kahe 4, is scheduled for operation in 1972. Estimated combined cost of these two units is \$34,000,000.

Hilo Electric's diesel generating station at Waimea, to be operated by remote control from Hilo, was enlarged by the addition of a 2,750-kilowatt diesel generating unit. Under a new contract negotiated in 1970 with Puna Sugar Company, Hilo Electric will be able to draw 12,000 kilowatts of additional firm power onto its system, bringing its total capability to 72,750 kilowatts.

The combined capability of Maui Electric's five generating units at Kahului is 40,000 kilowatts. The Company has contracts for drawing as much as 13,000 kilowatts of power from sugar plantations during most of the year.



HAWAIIAN ELECTRIC COMPANY, INC. / FINANCIAL SECTION

A section of the memory circuitry of the Burroughs B2500 computer system. Microphoto by Rick Golt.

HAWAIIAN ELECTRIC COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

December 31, 1970
 (with comparative figures for 1969)

Capitalization and Liabilities

	1970	1969	Increase (Decrease)
CAPITALIZATION:			
Common Equity:			
Common Stock of \$6-2/3 Par Value Per Share. Authorized 6,600,000 Shares; Outstanding 4,226,558 Shares (4,213,929 Shares in 1969) (Note 3)	\$28,177,053	\$ 28,092,860	\$ 84,193
Premium on Common Stock	16,653,980	16,415,530	238,450
Retained Earnings	34,629,372	31,173,603	3,455,769
	<u>79,460,405</u>	<u>75,681,993</u>	<u>3,778,412</u>
Cumulative Preferred Stock of \$20 Par Value Per Share. Authorized 2,400,000 Shares; Outstanding 1,348,733 Shares (1,353,721 Shares in 1969). (Note 4)	26,974,660	27,074,420	(99,760)
Cumulative Preferred Stock of \$100 Par Value Per Share. Authorized 80,000 Shares; (None Outstanding). (Note 4)	—	—	—
Total Stockholders' Equity	106,435,065	102,756,413	3,678,652
Long-Term Debt (Note 5)	153,201,101	127,895,914	25,305,187
Total Capitalization	<u>259,636,166</u>	<u>230,652,327</u>	<u>28,983,839</u>
CURRENT LIABILITIES:			
Long-Term Debt—Current Portion and Sinking Fund Requirements	988,821	5,209,489	(4,220,668)
Notes Payable	3,150,000	5,500,000	(2,350,000)
Drafts Payable	2,695,362	2,722,172	(26,810)
Accounts Payable	3,447,924	2,630,218	817,706
Federal Taxes and Other Taxes (Note 2)	2,595,651	2,450,930	144,721
Interest Accrued	2,115,829	1,510,915	604,914
Other	1,258,689	1,277,178	(18,489)
Total Current Liabilities	<u>16,252,276</u>	<u>21,300,902</u>	<u>(5,048,626)</u>
DEFERRED CREDITS:			
Deferred Income Taxes (Note 2)	19,356,948	17,391,244	1,965,704
Unamortized Depreciation Adjustment	616,000	704,000	(88,000)
Unamortized Investment Credit (Note 6)	3,630,607	3,167,176	463,431
Unamortized Premium on Debt	131,504	163,255	(31,751)
Other	1,823,635	1,640,915	182,720
Total Deferred Credits	<u>25,558,694</u>	<u>23,066,590</u>	<u>2,492,104</u>
CONTRIBUTIONS IN AID OF CONSTRUCTION ..	12,375,594	10,706,471	1,669,123
COMMITMENTS AND CONTINGENT LIABILITIES			
(Notes 7 and 8)	<u>\$313,822,730</u>	<u>\$285,726,290</u>	<u>\$28,096,440</u>

See Accompanying Notes to Consolidated Financial Statements.

HAWAIIAN ELECTRIC COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

December 31, 1970
(with comparative figures for 1969)

Assets

	1970	1969	Increase (Decrease)
UTILITY PLANT, at Cost:			
In Service:			
Land	\$ 8,109,048	\$ 6,883,129	\$ 1,225,919
Plant and Equipment	346,252,755	304,846,752	41,406,003
	354,361,803	311,729,881	42,631,922
Property Held for Future Use	12,562	12,562	—
Construction in Progress	8,506,180	16,473,397	(7,967,217)
Plant Acquisition Adjustment	581,445	615,532	(34,087)
	363,461,990	328,831,372	34,630,618
Less Accumulated Depreciation (Note 2)	69,572,109	62,677,625	6,894,484
Net Utility Plant	293,889,881	266,153,747	27,736,134
OTHER PROPERTY AND IMPROVEMENTS,			
at Cost Less Accumulated Depreciation of			
\$148,320 (\$119,425 in 1969)	421,626	1,365,251	(943,625)
CURRENT ASSETS:			
Cash	3,757,860	3,401,953	355,907
Temporary Investments	100,000	1,250,000	(1,150,000)
Accounts Receivable	9,005,734	7,932,936	1,072,798
Less Allowance for Uncollectible Accounts	109,876	94,447	15,429
Net Accounts Receivable	8,895,858	7,838,489	1,057,369
Construction and Operating Materials and			
Supplies, at Average Cost	4,023,989	3,663,049	360,940
Prepaid Expenses	280,412	322,291	(41,879)
Total Current Assets	17,058,119	16,475,782	582,337
DEFERRED CHARGES:			
Unamortized Debt Expense	1,627,611	1,180,040	447,571
Other	825,493	551,470	274,023
Total Deferred Charges	2,453,104	1,731,510	721,594
	\$313,822,730	\$285,726,290	\$28,096,440

See Accompanying Notes to Consolidated Financial Statements.

HAWAIIAN ELECTRIC COMPANY, INC. AND SUBSIDIARIES
STATEMENT OF CONSOLIDATED INCOME

Year Ended December 31, 1970
(with comparative figures for 1969)

	1970	1969	Increase (Decrease)
OPERATING REVENUES	\$79,700,663	\$71,881,816	\$7,818,847
OPERATING EXPENSES:			
Production:			
Fuel Oil	16,447,780	13,909,836	2,537,944
Other	4,378,885	4,152,848	226,037
Transmission and Distribution	2,680,820	2,389,985	290,835
Maintenance	4,364,343	3,852,649	511,694
Customer Accounts and Sales	3,257,043	2,977,757	279,286
Administrative and General	4,375,455	3,546,401	829,054
Depreciation (Note 2)	8,645,996	7,904,862	741,134
Taxes, Other than Income Taxes	8,246,854	7,601,833	645,021
Investment Credit Deferred, Net	463,432	217,484	245,948
Federal Income Taxes:			
Currently Payable	5,228,702	5,753,689	(524,987)
Deferred	1,740,955	1,807,895	(66,940)
State Income Taxes:			
Currently Payable	769,953	755,333	14,620
Deferred	224,750	220,013	4,737
Pensions and Pension Plan Costs (Note 7)	1,183,043	1,197,353	(14,310)
	<u>62,008,011</u>	<u>56,287,938</u>	<u>5,720,073</u>
OPERATING INCOME	17,692,652	15,593,878	2,098,774
OTHER INCOME	120,285	234,573	(114,288)
TOTAL INCOME	17,812,937	15,828,451	1,984,486
MISCELLANEOUS INCOME DEDUCTIONS	321,491	267,270	54,221
INCOME BEFORE INTEREST CHARGES	17,491,446	15,561,181	1,930,265
INTEREST CHARGES:			
Interest on Long-Term Debt	7,438,644	5,170,162	2,268,482
Amortization of Net Bond Premium and Expense	81,511	52,301	29,210
Other Interest Charges	725,427	1,246,078	(520,651)
Interest Charged to Construction	(1,215,801)	(505,188)	(710,613)
	<u>7,029,781</u>	<u>5,963,353</u>	<u>1,066,428</u>
NET INCOME	<u>\$10,461,665</u>	<u>\$ 9,597,828</u>	<u>\$ 863,837</u>
Primary Earnings Per Share*	\$2.14	\$1.94	
Fully Diluted Earnings Per Share**	\$2.04	\$1.86	

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

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

See Accompanying Notes to Consolidated Financial Statements.

In addition, the Company has reserved 52,980 shares of its common stock for conversion of \$2,000,000 of 6½% Convertible Subordinated Notes of Hilo Electric Light Company, Limited issued on February 1, 1970.

(4) Preferred Stock

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

Series C, 4¼%	— 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, 5¼%	— 250,000 shares	— 5,000,000
Series I, 5%	— 89,657 shares	— 1,793,140
Series J, 4¾%	— 250,000 shares	— 5,000,000
Series K, 4.65%	— 175,000 shares	— 3,500,000
Series L, \$1.44	— 234,076 shares	— 4,681,520
		<u>\$26,974,660</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, 1970.

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, 3½%	due 1981	— 3,000,000
Series H, 3½%	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
Series Q, 9%	due 2000	— 23,000,000
		<u>128,000,000</u>

Hilo:

Series B, 4%	due 1976	— 1,250,000
Series D, 6¼%	due 1983	— 400,000
Series E, 4%	due \$10,000	
	annually to 1984,	
	remainder 1985	— 870,000
Series F, 6%	due 1988	— 2,000,000
Series G, 5-7/8%	due 1989	— 2,970,000
Series H, 7¾%	due 1990	— 2,000,000
		<u>9,490,000</u>

Maui:

Series C, 4¼%	due \$10,000	
	annually to 1977,	
	remainder 1978	— 850,000
Series D, 4-7/8%	due 1988	— 750,000
Series E, 5.1%	due \$25,000	
	annually to 1990,	
	remainder 1991	— 2,475,000
Series F, 6-7/8%	due \$10,000	
	annually 1978 to 1992,	
	remainder 1993	— 1,000,000
		<u>5,075,000</u>
Total First Mortgage		
Bonds		— 142,565,000
Convertible Debentures —		
the Company, 4-1/8%	due 1982	— 6,398,000
Second Mortgage Notes — Hilo,		
payable in monthly installments		
of \$13,090 including interest:		
United States Government,		
Small Business Admin., 3%		— 569,791
Banks, 5½%		— 63,310
		<u>633,101</u>
Convertible Subordinated Notes —		
Hilo, 6½%, due 1985		— 2,000,000
Bank Notes Payable — Maui, ½ of		
1% over prime rate, due \$5,000		
monthly to June 1972, remainder		
July 1972		— 1,605,000
		<u>1,605,000</u>
Total Long-Term Debt		<u>\$153,201,101</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 4-1/8% 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, 1971 of 2.95% 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 \$593,000. 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 \$1,893,000. 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, 1970, the date of the last determination, the actuarially computed value of vested benefits exceeded the pension funds by approximately \$8,433,000.

(8) Commitments and Contingent Liabilities

The Company and its subsidiaries have commitments approximating \$42,500,000 in connection with its plant expansion program.

HAWAIIAN ELECTRIC COMPANY, INC. AND SUBSIDIARIES
STATEMENT OF CONSOLIDATED SOURCE AND DISPOSITION OF FUNDS

Year Ended December 31, 1970
 (with comparative figures for 1969)

	1970	1969
SOURCE OF FUNDS:		
Net Income	\$10,461,665	\$ 9,597,828
Depreciation	9,027,201	8,224,381
Deferred Income Taxes	1,978,556	2,027,908
Investment Credit, Net	465,046	217,484
Funds Available from Operations	21,932,468	20,067,601
Contributions in Aid of Construction	1,885,340	1,445,390
Temporary Investments	1,550,000	—
Commercial Paper	1,600,000	—
Short-Term Bank Loans	2,850,000	1,443,073
Sale of First Mortgage Bonds	27,000,000	18,000,000
Proceeds from Long-Term Note Payable	—	2,175,000
Drafts Payable	—	616,156
TOTAL	56,817,808	43,747,220
DISPOSITION OF FUNDS:		
Plant Construction Expenditures	35,684,158	28,231,318
Dividends on Preferred Stock	1,418,526	1,438,505
Dividends on Common Stock	5,695,618	5,315,145
Redemption of Long-Term Debt	5,174,480	688,109
Redemption of Commercial Paper	—	3,000,000
Payment of Short-Term Bank Loans	7,710,000	2,250,000
Temporary Investments	—	1,250,000
Miscellaneous, Net	1,135,026	1,574,143
TOTAL	\$56,817,808	\$43,747,220

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Pooling of Interests

On January 26, 1970, the Company received final approval for the acquisition, effective February 1, 1970, of Hilo Electric Light Company, Limited (Hilo) through an exchange of its capital stock for all of the capital stock of Hilo. Maui Electric Company, Limited (Maui) was acquired in a similar manner in 1968. The consolidated financial statements reflect the combinations as poolings of interests.

(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.

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 accel-

erated method on qualifying properties and the straight-line method on the remainder of the plant. Reductions in taxes currently payable of \$1,981,000 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 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 \$2,629,500.

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 has reserved 224,713 shares of its common stock for conversion of the Series L Convertible Preferred Stock and 196,862 shares for conversion of the 4-1/8% Convertible Debentures.

HAWAIIAN ELECTRIC COMPANY, INC. AND SUBSIDIARIES
STATEMENT OF CONSOLIDATED RETAINED EARNINGS

Year Ended December 31, 1970
 (with comparative figures for 1969)

	1970	1969	Increase (Decrease)
BALANCE AT BEGINNING OF PERIOD	\$31,173,603	\$28,278,918	\$2,894,685
NET INCOME FOR PERIOD	10,461,665	9,597,828	863,837
OTHER ADDITIONS	108,248	50,507	57,741
	<u>41,743,516</u>	<u>37,927,253</u>	<u>3,816,263</u>
DEDUCTIONS:			
Cash Dividends on Capital Stock:			
Preferred Dividends (Annual Rate Per Share):			
Series C - \$0.85	127,500	127,500	—
Series D - \$1.00	50,000	50,000	—
Series E - \$1.00	150,000	150,000	—
Series H - \$1.05	262,500	262,500	—
Series I - \$1.00	89,657	89,657	—
Series J - \$0.95	237,500	237,500	—
Series K - \$0.93	162,750	162,750	—
Series L - \$1.44	338,619	358,598	(19,979)
	<u>1,418,526</u>	<u>1,438,505</u>	<u>(19,979)</u>
Common Stock (Annual Rate Per Share:			
1970, \$1.35; 1969, \$1.29)	5,695,618	4,737,645	957,973
Common Stock—Subsidiary Prior to Merger	—	577,500	(577,500)
	<u>7,114,144</u>	<u>6,753,650</u>	<u>360,494</u>
BALANCE AT END OF PERIOD	<u>\$34,629,372</u>	<u>\$31,173,603</u>	<u>\$3,455,769</u>

STATEMENT OF CONSOLIDATED PREMIUM ON COMMON STOCK

Year Ended December 31, 1970
 (with comparative figures for 1969)

	1970	1969	Increase (Decrease)
BALANCE AT BEGINNING OF PERIOD	\$16,415,530	\$15,929,303	\$486,227
Premium Received on Conversion of Debentures and Series L Preferred Stock	271,020	489,250	(218,230)
Cost of Purchasing Fractional Shares of Hilo Common Stock	(32,481)	—	(32,481)
Sundry	(89)	(3,023)	2,934
BALANCE AT END OF PERIOD	<u>\$16,653,980</u>	<u>\$16,415,530</u>	<u>\$238,450</u>

See Accompanying Notes to Consolidated Financial Statements.

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, 1970 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.

In our opinion, the accompanying consolidated balance sheet and statements of consolidated income, retained earnings, premium on common stock and source and disposition of funds present fairly the financial position of Hawaiian Electric Company, Inc. and subsidiaries as of December 31, 1970 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.

Peat, Marwick, Mitchell & Co.
 Peat, Marwick, Mitchell & Co.

January 29, 1971

HAWAIIAN ELECTRIC COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED STATISTICAL SUMMARY

	1970	1969	1968	1967	1966	1965
FINANCIAL STATISTICS (Millions of Dollars)						
Utility Plant in Service	\$354.95	\$312.36	\$297.40	\$274.14	\$260.29	\$227.47
Construction in Progress	8.51	16.47	5.22	8.56	3.02	9.61
TOTAL UTILITY PLANT	363.46	328.83	302.62	282.70	263.31	237.08
Accumulated Depreciation	69.57	62.68	56.20	52.03	47.18	42.42
Capitalization: (December 31)						
Long-Term Debt	153.20	127.90	113.73	113.97	94.15	91.82
Preferred Stock	26.97	27.07	27.41	27.41	27.41	27.41
Common Stock	28.18	28.09	27.92	27.92	27.92	27.50
Premium on Common Stock	16.65	16.42	15.93	16.04	16.04	14.71
Retained Earnings	34.63	31.17	28.28	25.46	23.00	20.40
TOTAL	259.63	230.65	213.27	210.80	188.52	181.84
Long-Term Debt Interest	7.44	5.17	5.06	4.84	3.98	3.80
Preferred Dividends	1.42	1.44	1.45	1.45	1.45	1.40
Common Dividends	5.70	5.32	5.21	4.79	4.59	4.21
OPERATING STATISTICS:						
Sales of Electricity	79.39	71.57	66.16	60.02	55.84	52.20
Other Operating Revenues .....	.31	.31	.32	.26	.25	.21
TOTAL OPERATING REVENUES	79.70	71.88	66.48	60.28	56.09	52.41
Operating Expenses:						
Fuel Oil	16.45	13.91	12.72	11.48	10.91	10.18
Other Production	4.38	4.15	3.90	3.61	3.27	3.16
Transmission & Distribution	2.68	2.39	2.36	2.16	1.95	1.93
Customer Accounts & Sales	3.26	2.98	3.01	2.88	3.21	3.12
Administrative & General	5.56	4.74	4.63	4.19	3.78	3.44
Maintenance	4.36	3.85	3.44	3.46	3.55	3.31
Depreciation	8.65	7.91	7.01	6.63	5.89	5.35
Taxes Other than Income	8.25	7.60	7.01	6.50	6.10	5.54
Federal Income Taxes	5.23	5.75	4.78	3.53	2.70	3.01
Federal Income Taxes Deferred	1.74	1.81	1.85	1.83	1.59	1.60
Investment Credit Deferred, Net .....	.46	.22	.66	.19	.75	.35
State Income Taxes .....	.77	.76	.67	.50	.44	.37
State Income Taxes Deferred .....	.22	.22	.22	.24	.22	.19
Total Operating Expenses	62.01	56.29	52.26	47.20	44.36	41.55
Operating Income	17.69	15.59	14.22	13.08	11.73	10.86
Other Income .....	.12	.23	.06	.32	.15	.10
Income Deductions & Interest Charges	(7.35)	(6.22)	(5.15)	(5.09)	(3.70)	(3.73)
NET INCOME	\$ 10.46	\$ 9.60	\$ 9.13	\$ 8.31	\$ 8.18	\$ 7.23
COMMON SHARES (Millions)	4.23	4.21	4.19	4.19	4.19	4.11
COMMON STOCK STATISTICS:						
Earned Per Share:						
On Average Shares	\$ 2.14	\$ 1.94	\$ 1.83	\$ 1.64	\$ 1.62	\$ 1.47
On Year End Shares	2.14	1.94	1.83	1.64	1.61	1.42
Dividends Paid Per Share	1.35	1.29	1.20	1.08	1.04	1.00
Equity Per Share	\$ 18.80	\$ 17.96	\$ 17.22	\$ 16.58	\$ 15.99	\$ 15.22
MISCELLANEOUS STATISTICS:						
Kilowatt Hour Sales (Billions)	3.64	3.32	3.02	2.73	2.55	2.36
Average Annual Residential Use (KWH)	7,099	6,840	6,546	6,124	5,920	5,730
Revenue Per Residential KWH	2.62¢	2.61¢	2.63¢	2.65¢	2.66¢	2.70¢
Customers, December 31: (Thousands)						
Residential	175	168	162	157	150	144
Total	207	199	191	185	177	171
Generating Capability, December 31 (MW)	987	876	881	823	815	715
Peak Demand (MW)*	765	704	635	580	546	498

*Noncoincident and nonintegrated.

Note: Years 1965 through 1968 are restated to reflect the pooling of interests with subsidiaries.



Windowpanes of new Bishop Trust Building reflect a corner of Financial Plaza of the Pacific, completed two years earlier. Continuing office and apartment building construction was creating new skyline and lively growth in downtown Honolulu.

PAYROLL & BENEFITS

	1970	1969
WAGES FOR PRODUCTIVE WORK	\$17,557,110	\$15,704,354
BENEFITS		
Vacations	1,192,017	1,114,753
Holidays	800,100	650,867
Sickness	435,310	453,186
Leaves and Excused Absences ..	84,338	82,703
Pension Plans	1,893,487	1,886,318
Cash Pensions	23,497	23,131
Group Life Insurance	198,656	135,829
Medical and Hospital Plans	547,818	519,371
Social Security Insurance	661,217	624,526
Unemployment Insurance	68,104	77,752
Other Employee Benefits	149,879	108,133
	<u>6,054,423</u>	<u>5,676,569</u>
TOTAL	<u>\$23,611,533</u>	<u>\$21,380,923</u>

Nuclear Power

The Kahe Valley power station site on Oahu, consisting of approximately 485 acres, is bounded on three sides by mountains and on the fourth side by ocean, making it suitable as a nuclear power plant site. It was acquired in 1961 and, in our development of the valley, we are reserving space for future nuclear power plants.

Use of nuclear power in Hawaii cannot be justified at the present time, inasmuch as the smallest reactors presently available are too large to be integrated into our system. We have

been following the development of nuclear power for the past fifteen years, and we will continue to consider it in making studies for expansion of our generation facilities. We will build a nuclear plant when the economic and other factors involved will justify our doing so.

Transmission and Distribution

Expansion of the transmission and distribution networks was the major cost element in capital expenditure budgets of our three companies.

Including land and rights-of-way acquisition, total 1970 transmission and distribution expenditures amounted to \$19,000,000. The amount budgeted for transmission and distribution in 1971 is \$25,500,000 out of the combined capital budgets of \$42,600,000.

On Oahu we doubled the capacity of our existing 138,000-volt lines from Kahe to Waiau and Waiau to Wahiawa during 1970. Also, construction was



started on a second 138,000-volt line extending 20 miles from Kahe to Halawa. This is to be completed in 1972.

From Hilo Electric's new substation in Kona, the Company completed seven miles of 69,000-volt transmission line to feed the new Keahole Airport. Also, construction was begun on six miles of 69,000-volt line into Boise Cascade's development on the Kona coast. This line and the three substations required for it, are scheduled for completion in June 1971.

Maui Electric started engineering and rights-of-way acquisition for the building of a second 69,000-volt

transmission line to Lahaina from the Kahului power plant. It will parallel the present 69,000-volt line over the mountains to the Kaanapali resort region. This 20-mile line is to be in service by the end of July 1971.

Installation of automatic equipment was nearing completion at year end at Maui Electric's Kahului power plant to provide supervisory control of the Lahaina substation.

New Facilities

On Oahu, improvements at our operations headquarters on Ward Avenue, started late in 1969 and costing \$6,000,000, were substantially completed and some of the facilities in use at year end.

The new multi-purpose building provides a warehouse, three-deck parking garage, meeting rooms, a cafeteria and space for the Data Processing Center, Health Center, and Safety Office.

The new warehouse, modern in every respect, will be ready to receive all transmission and distribution materials and supplies about March 1, 1971.

◀ Service trucks are tested under simulated highway conditions on a dynamometer installed in Automotive Division.

◀ Burroughs B2500 installed in Data Processing Center in new Ward Avenue building performs wide range of computer functions, can be expanded to meet increasingly complex demands of future.

Employees eat and meet in cheerful new Ward Avenue Cafeteria, overlooking palm-fringed Honolulu International Center across the way. ▶



Hilo Electric began using a newly constructed baseyard at Kailua-Kona in September. This will improve efficiency of their operations and make it possible to better handle growth occurring on the Kona side of the "Big Island." These facilities were constructed at a cost of \$190,000.

Late in 1969 Hilo Electric began construction at Hilo of a new warehouse and office facility for the purchasing and stores and the transmission and distribution functions. Estimated to cost \$260,000, this was substantially completed by the end of 1970, and 90 per cent of the personnel to be stationed there had moved in.

Data Processing

Installation of a Burroughs B2500 in 1970—together with a stepped-up program for acquainting management and supervisory personnel with meaningful applications of the equipment—will assist the Company with increasingly complex problems of the 1970s and beyond.

The new equipment, as well as the space reserved for the Data Processing Center in the new Ward Avenue building, can be easily expanded and provides great flexibility for handling a broad range of projects.

Current processing on our B2500 computer system includes customer

billing for Hawaiian Electric and the subsidiary companies. Among other information systems now operating are stockholder accounting, payroll and personnel accounting, capital budget, automotive fleet management and cost accounting.

During 1970, stock codes in use at Hawaiian Electric and the subsidiaries were standardized to permit uniformity in reporting of inventory. A major effort is now under way to provide computer information for monitoring capital construction projects for all companies.

Hawaiian Electric Employees Glee Club, in continuing demand at community events, entertained at Outdoor Circle's Festival of Old Hawaii at Moanalua Gardens, presented with Company's cooperation.



Engineering Department designers at Ward Avenue plan both for day-to-day service and to provide for community's power needs well into future.



Underground Wiring

All new subdivision tracts on Oahu are required to have underground distribution lines, in accordance with an ordinance passed by the Honolulu City Council in 1966. Thirty-seven subdivision tracts containing 3,206 lots were started in 1970. More than 80 per cent of all new commercial and industrial services installed on Oahu during the year were placed underground.

Conversion of distribution lines from overhead to underground continued in various areas where modernization was in progress, particularly at the sites of the Kauluwela Redevelopment Project and the Paki portion of the Kapahulu Redevelopment Project.

In 1968 the State Legislature passed an act authorizing the counties to share with the utility companies and property owners the cost of placing existing overhead lines underground in improvement districts.

Approximately \$6,400,000 was spent during the year on underground work, and \$8,500,000 is budgeted for 1971.

Marketing

A wide range of activities to promote increased use of electricity are conducted on Oahu, Maui and Hawaii.

On the basis of sustained market research, promotional programs and advertising are aimed at areas that promise the greatest gain. We work cooperatively with builders, developers, distributors and electric appliance dealers on a continuing basis. Company advertising in all types of local media supports our programs and, when appropriate, is coordinated with the PCEA (Hawaii) promotional calendar.

Selective promotional programs are used. Commercial electric cooking is an



◀ From over the Ala Wai Canal, Waikiki appears as an impressive concentration of hotels and apartments. A recent trend to high-rise living continues in various communities of Oahu. Hawaiian Electric installed new services at 6,200 apartments and 3,920 individual houses.

Home Service economists prepared pork dishes as a feature of Department's Narcissus Festival Cooking School, conducted for public in observance of Chinese Year of the Pig.



excellent target for promotion because of its long hours of use, particularly in the Waikiki resort area. In 1970, on Oahu alone, there was a 39 per cent increase in connected kilowatts for food service operations. This provided a corresponding increase in annual revenue from that segment of our commercial load.

Young people, our customers of tomorrow, are reached through classes conducted by our staff of home economists and also through a number of special programs and events scheduled throughout the calendar year.

Sales Growth

The all-electric living concept has taken firm hold among residential customers in our service area.

Approximately 95 per cent of the 3,920 new single-family homes connected on Oahu in 1970 were all-electric. Eighty-two per cent of the 6,200 apartment units added during the year have all-electric kitchens.

Use of electricity for cooking has increased dramatically on Oahu over the past 20 years. Electricity has captured 80 per cent of the total residential cooking market today, compared with 48 per cent in 1951.

Saturation of the market in air conditioners is much lower. Only 14 per cent of our residential customers on

Oahu have air conditioning. On Maui and Hawaii this figure is 2 per cent. With the trend toward year 'round use of air conditioning in Hawaii, there is good potential for expansion of this market. Virtually all newly constructed commercial buildings have central air conditioning, and the total air-conditioning kilowatt load in 1970 increased 20.4 per cent over 1969.

Throughout the islands served by Hawaiian Electric, the prospect for sales growth from expansion continues to be excellent, with construction of new residential areas, shopping centers, office buildings and resort developments. Approximately 6,000 hotel rooms were added during 1970, and more than 9,000 are under construction at the present time.



Some of 665 men and women at Ward Avenue headquarters pose on steps of new building nearing completion at year's end. Imposing structure contains warehouse and parking garage, Data Processing Center, cafeteria and other improvements.

Employees

Employees of Hawaiian Electric and its subsidiaries are an exceptional group of men and women, carefully selected and trained to bring high quality electric service to the three major islands of Oahu, Maui and Hawaii.

Resourcefulness, ingenuity and a strong sense of responsibility are common among our employees. These qualities are of special importance in view of our insular position in the center of the Pacific Ocean. Each island has its

independent system for generation and transmission of power, and there is no interconnection between them.

Stability of the work force also is of special value to Hawaiian Electric. At the end of 1970, the total number employed by the Company and its two subsidiaries was 1,790. The average length of service of the group is 14.5 years, and more than half have been employed by the utilities more than 10 years. The average length of service among officers is 22 years.

Approximately 75 per cent of employees in our three companies are represented by the International Brotherhood of Electrical Workers, AFL-CIO.



Portrait of Company Leadership
 President Lewis W. Lengnick is photographed with his fellow officers, from left: Francis H. Williams, Vice President, Sales and Marketing; Carl H. Williams, Vice President, Planning; Andrew T. F. Ing, Financial Vice President and Treasurer; Richard L. Summers, Vice President, Employee Relations and Public Affairs; Francis R. Montgomery, Vice President, Engineering; Colin C. Murdoch, Maui Electric Executive Vice President and General Manager; Mr. Lengnick; William MacKenzie, Hilo Electric President; and Jesse R. Zeigler, Vice President, Operations.

A 14-month labor agreement, from July 1, 1970 to September 1, 1971, was negotiated for the bargaining unit employees of Hilo Electric.

Hawaiian Electric Company's current agreement with the IBEW expires on June 30, 1971, and the agreements of Maui Electric and Hilo Electric provide that the wage agreement reached in Hawaiian Electric's new contract will apply to the subsidiary companies.

Directors and Officers

Our Board of Directors and the community lost two valued members and friends with the death of Herbert M. Richards on March 7 and Senator William H. Hill on June 6.

Mr. Richards had served on the Board since 1942 and, through his many affiliations, he had contributed substantially to the business, cultural, social and religious life of the community.

Senator Hill died nine days before his 80th birthday. At the time of his death he was Chairman of the Board of Hilo Electric Light Company, as well as a member of the Board of Hawaiian

Company Profile

	Subsidiaries		
	Parent Company		
	HAWAIIAN ELECTRIC CO. (founded Oct. 13, 1891)	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 4,037 sq. miles
Population (4/1/70)	631,000	41,000	63,000
Metered customers	168,531	16,252	22,224
Electricity sold	3,275,673,492 kwh	150,640,977 kwh	214,364,318 kwh
Average annual use per res. customer	7,478 kwh	5,382 kwh	5,256 kwh
Plant in service	\$292,401,000	\$21,109,000	\$40,852,000
Generating facilities Type of plant	3 generating sites 15 generating units steam	1 generating site 5 generating units 4 steam 1 diesel	6 generating sites 18 generating units 5 steam 8 diesel 4 hydro 1 gas turbine
Total capability	873,000 kw	40,000 kw	60,750 kw
Peak load, 1970	680,000 kw	33,500 kw	50,950 kw
Transmission system	138,000 v 46,000 v	69,000 v 23,000 v	69,000 v 34,500 v
Personnel	1462	122	206

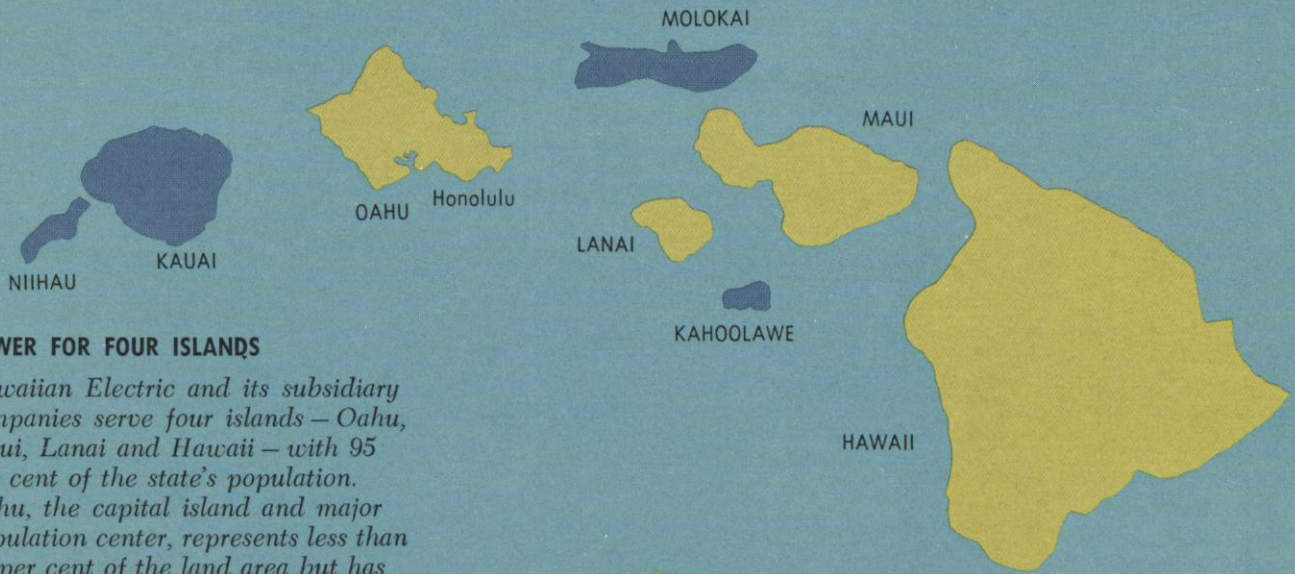
Electric. For almost four decades he had served with distinction in the State Legislature and was Senate President during the first session following statehood.

In July, Richard Henderson was appointed to fill the vacancy on the Hawaiian Electric Board of Directors created by the death of Senator Hill. Also in July, Lewis W. Lengnick was named Chairman of the Board of Hilo Electric, replacing Senator Hill, and William MacKenzie was appointed President of Hilo Electric, succeeding Mr. Lengnick in that capacity.

In April, the management of Hilo Electric was strengthened when Jesse R. Zeigler, Vice President of Operations at Hawaiian Electric, was appointed a Vice President of Hilo Electric and became a Director of that company.

At Hawaiian Electric, Herbert Heinrich retired as Commercial Vice President late in the year after 34 years

of service with the Company. Francis H. Williams was appointed Vice President, Sales and Marketing, and has responsibility for sales, promotion, advertising, area development and market research.



POWER FOR FOUR ISLANDS

Hawaiian Electric and its subsidiary companies serve four islands — Oahu, Maui, Lanai and Hawaii — with 95 per cent of the state's population. Oahu, the capital island and major population center, represents less than 10 per cent of the land area but has close to 90 per cent of the trade and business of the state. The Neighbor Islands are experiencing rapid growth, especially in tourism, and economists look for still greater growth in the resort and other industries in the Seventies.

**HAWAIIAN ELECTRIC CO.
SYSTEM MAP
ISLAND OF OAHU**
Area: 608 Sq. Mi.

- POWER PLANT SITES with generating units and their capabilities
- MAJOR SUBSTATIONS
- 138,000-VOLT TRANSMISSION
- 46,000-VOLT TRANSMISSION



HAWAIIAN ELECTRIC COMPANY, INC.

Directors

LEWIS W. LENGNICK / *President*
COLIN C. CAMERON / *President, Maui Land and Pineapple Company, Inc.*
HAROLD C. EICHELBERGER / *Chairman of the Board, Amfac, Inc.*
RICHARD HENDERSON / *President and Treasurer, The Realty Investment Co., Ltd.*
ANDREW T. F. ING / *Financial Vice President and Treasurer*
DUDLEY C. LEWIS / *Attorney-at-Law, Lewis, Saunders & Key*
FRED P. LOWREY / *Retired / Former President of L&C, Limited*
K. J. LUKE / *President and Chairman of the Board, Hawaii National Bank*
J. SCOTT B. PRATT, III / *President, Hawaiian Trust Company, Limited*
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*
CARL H. WILLIAMS / *Vice President, Planning*
RALPH T. YAMAGUCHI / *Attorney-at-Law, Yamaguchi & Tanaka*

Officers

LEWIS W. LENGNICK / *President*
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*
FRANCIS H. WILLIAMS / *Vice President, Sales and Marketing*
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*

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*
RICHARD A. HOWARD / *Public Relations*
FRANCIS E. KARR / *Generation*
CURTIN A. LESER / *Manpower Planning*
C. DUDLEY PRATT, JR. / *Assistant to the President*
JOHN F. RICHARDSON, JR. / *Principal Planning Engineer*
JOHN A. ROLFING, JR. / *Special Projects*
JOHN T. STAYTON, JR. / *Employee Relations*
KENNETH F. STRETCH / *Customer Service*
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, Ltd.

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 Branch Manager, First Hawaiian Bank

T. S. SHINN
First 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

LILLIAN M. TAKABAYASHI
Assistant Secretary

Managers

TYSON E. BENSON
Engineering

ARTHUR C. FERREIRA, SR.
Distribution

ADDISON W. LEWIS
Administration

GEORGE E. LUPPOLD
Production

KING P. PALMER
Sales and Promotion

HILO ELECTRIC LIGHT CO., LTD.

Directors

LEWIS W. LENGNICK
Chairman of the Board

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
President

DENZIL W. ROSE
Manager, Hilo Motors

HERBERT C. SHIPMAN
President, Hilo Meat Company, Ltd.

CARL H. WILLIAMS
Vice President, Hawaiian Electric Company, Inc.

JESSE R. ZEIGLER
Vice President, Hawaiian Electric Company, Inc.

Officers

LEWIS W. LENGNICK
Chairman of the Board

WILLIAM MacKENZIE
President

JESSE R. ZEIGLER
Vice President

ANDREW T. F. ING
Financial Vice President and Treasurer

PETER C. LEWIS
Secretary

EDWARD O. RICE
Assistant Secretary

ORION YOSHIMURA
Assistant Treasurer

Managers

CHARLES KEEHNE
Electrical Control and Maintenance

SHIGETO MATSUBARA
Distribution

JITSUO NIWAO
Engineering

NORMAN OSS
Production

EDWARD O. RICE
Administration

ORION YOSHIMURA
Accounting



HAWAIIAN ELECTRIC COMPANY, INC.

P. O. Box 2750 / Honolulu, Hawaii 96803

