Turn-of-the-century Honolulu was a booming place.

Hawaii’s business and political leaders were looking across the Pacific and hoping to attract hordes of travelers to the shimmering beaches of Waikiki, an area some envisioned as a new Southern California.

Hawaiian Electric Co. was crucial to that vision. In 1901, soon after it laid wire to Waikiki, the first grand hotel in the Islands, the Moana, opened its doors with 75 rooms. The first electric-powered elevator in the Islands was among its many perks.

In those early years, HECO was developing unique expertise as it set up and began to maintain a fast-growing power system in and around one of the most remote island cities on earth.

Company engineers were laying the first building blocks of the infrastructure that would remain in place for decades. That meant getting to know local homes, the right pathways for moving power around the island and how electricity should be managed between the sea and the Koolau mountains.

It was also the company’s first taste of a natural monopoly on the power system that it still holds today. The exclusive 10-year franchise from the Hawaii government that HECO was awarded in 1893 gave the company an enormous head start in the energy sector at a particularly crucial time.

In 1898, the U.S. annexed Hawaii and made it a territory. Federal resources began flowing to the islands, creating more demand for development.

HECO began to network in Washington, D.C., forging political connections that would only grow stronger and more significant over the next century.

In those early years, Hawaiian Electric’s temporary franchise insulated it from direct competition in the electricity market.
But it was an era when trusts and monopolies were generating great suspicion in the United States. And even in isolated Hawaii, critics began to blame a lack of competition for problems that HECO's customers were experiencing.

Like power outages.

"That same monopoly, the Hawaiian Electric Company, gave another instance last night of its utter disregard of the rights of the people and its patrons by keeping them without light for a period of one hour and one-half," a Dec. 22, 1900, article in the Honolulu Republican newspaper proclaimed.

"If this were a country where force electrical storms raged there would be some excuse for this condition of affairs but as it is there is no excuse whatever for an indifference to the public demands," the author wrote.

"With an exclusive franchise, such as that possessed by the Hawaiian Electric Company, there is all the more reason why it should be provided with duplicate machinery and ready at all times to furnish light and power to its patrons no matter what might happen."

Hope resided, the writer argued, in the fact that HECO's exclusive franchise would expire in a few years.

"Fortunately," the author added, "there will be other electric companies in Honolulu in many more months."

The fact that its exclusive grip on Honolulu's electricity market was set to expire in 1904 doomed large for HECO. The company knew it would need the approval of federal authorities to retain any sort of dominant position.

So the company reached out to its friends in Washington, arguing that its long years of exclusive experience building an electricity network in Honolulu should give it the right to continue on without the threat of competition.

As it turned out, Congress agreed and gave HECO another franchise to provide electric service to Honolulu — as long as the company provided it to everyone. The government also required HECO to lower its rates, implement a sliding scale, and install electric meters.

In exchange, Congress made the deal revenue-ending.

From a business perspective, that was great news. The company could start planning for the future.

Soon after, in 1905, HECO switched from coal to oil to generate most of its power as a cost-saving measure. (Ironically, coal is now the cheapest way that Hawaiian Electric generates electricity.) The cost to ratepayers was a big issue in an era when electricity was quickly evolving from a luxury into a necessity for residents.

 Complaint Desk, Circa 1900

People began grumbling about prices, which naturally led to people grumbling about HECO, much as happens today.

Even in the early 1900s, customers were complaining that Hawaiian Electric was becoming too big for its britches — so influential, as powerful and as unconstrained that it seemed to be disregarding the public interest.

In 1905, one local electrician captured that particular public sentiment when he criticized HECO’s efforts to take control of the Honolulu Government Electric Light Station. A takeover "would give the Hawaiian Electric Company a monopoly which might become a dangerous one for the community," an article in the Evening Bulletin reported.

But in Hawaii at the start of the 20th century, it made sense for a company to have an effective monopoly on providing power. That was the only way a small but growing company could afford to build the expensive facilities and infrastructure needed to reach deep into the islands.

"In a small island market, if you're smart, monopolistic competition is the way you want to go," said David Higbee, a former CEO of Hawaiian Electric and son of the late George Higbee, the late publisher of the Honolulu Star-Bulletin. "It's how you build the system."
dominate, whether it was in freight transportation or electricity.

Robbie Ahn — a former HECO executive who is now an unpaid advisor to Gov. David Ige — observed that Hawaii, as a result of its limited population and resources, often can only afford to build infrastructure once. He pointed to Oahu’s highways as one example and the Honolulu rail project as another.

That applied in many ways to the development of the power supply system, he said, including the construction of the islands’ large power plants. It will likely be a factor in how the utility manages the increasing use of renewable energy in the coming decades.

By 1901, HECO was providing power to 2,500 homes and businesses, and 40,919 electric lights. (Fast forward a century to 2016: HECO now serves 232,105 residential and business customers, thousands of electric cars and countless lights just on Oahu.)

But more than 100 years ago, demand threatened to exceed supply. So the company installed its first turbine generator, helping ramp up to 24-hour service for its customers.

Hawaiian Electric, though, was bracing toward big changes.

By that time, John A. McCandless and his brothers, part of a well-known family of ranchers, businessmen and politicians, were running HECO and prices continued to rise.

The power company began offering flat rates, which had been $1 for every 16-candle power lamp used before midnight. Night owls, who used electricity later than that, paid an additional 25 cent supplement for each lamp.

To figure out who was using electricity in the wee hours, HECO sent out a man on horseback or in a buggy to monitor customers' homes late into the night.

Rivals And Regulators: Some Things Haven't Changed

Much like today, anger over prices ultimately helped lead to change — and competition.

Even in the early 1900s, Hawaii was a business and political hotbed of Hawaiian Electric. Gas executives like W. W. Castle lassoed HECO to what they insisted was price gouging.

The power company defended itself by citing recent rate cuts and arguing that prices were based on mainland models.

But dissatisfaction paved the way for the creation of another HECO nemesis — the Hawaii Public Utilities Commission, a regulatory body that was envisioned to, among other things, help limit the power company's natural monopoly, particularly when it came to rate-making.
The commission finally gained life by territorial lawmakers in 1909 and in many ways is still the same regulatory body, charged with considering and approving rate increases.

But in 1913, faced with an uncertain regulatory environment, utility shareholders saw the writing on the wall and decided to cash out.

John McCarl and his brothers sold their majority stake of 2,388 shares in Hawaiian Electric for more than $500,000, which was a fortune at the time, and resigned their positions on the power company’s board of directors.

The influential Cooke and Atherton families took over running the utility. Richard and Clarence Cooke and Frank Atherton slipped into top executive positions. They would be widely credited with bringing long-term stability to HECO’s board. Their involvement also marked the beginning of a significant upgrade of the planning, management, investment and value of the company.

One of the first things they did was to ask the new PUC for permission to change HECO’s rate structure in order to bring prices down. The commission agreed and Hawaiian Electric sharply reduced both residential rates and the minimum monthly service fee. Some prices were cut in half.

It seems likely that the public was still unaware of the situation. The new ownership ran the business in a more efficient and strategic way, especially by being responsive to customers’ and regulators’ concerns about high prices — and they were rewarded with large profits.

But the takeover by the Athertons and the Cookes also gave powerful island families another advantage. Hawaii’s biggest businesses could suddenly call on members of their own families — relatives they often co-invested with — to make decisions that would benefit their mutual business interests.

In her book, “Seeds of Sugar,” Carol MacLennan examined the handful of intermarried families that long dominated Hawaii’s plantation era and their impact on the economy of Hawaii.

### EARLY HAWAIIAN ELECTRIC BOARD MEMBERS WERE ON MANY CORPORATE DIRECTORIES IN HAWAII

<table>
<thead>
<tr>
<th>Board Member</th>
<th>Companies</th>
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<tbody>
<tr>
<td>Richard Cooke</td>
<td>Cooke &amp; Cooke, Ewa Plantation, Hawaiian Pineapple Co.</td>
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<tr>
<td>J. B. Atherton</td>
<td>Hawaii Trust, First National Bank, Honolulu Star-Advertiser</td>
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Richard Cooke, for instance, was president of Hawaiian Electric, but he was also on the boards of C. Brewer & Co., Castle & Cooke, Bank of Hawaii and several trust companies. His interests and the interests of the Cooke family were the same — for a very long time.

Cooke was the board secretary for Hawaiian Electric between 1913 and 1930, and HECO’s president from 1920 until 1941. He was replaced by his brother Clarence, who had been secretary and then vice president of the company, according to MacLennan.

HECO’s vice president was Frank Cooke Atherton, who joined the company in 1907 and stayed for 36 years. Related to both families, Atherton was also the vice president of Castle & Cooke, and in later years was on the boards of Bank of Hawaii, Hawaiian Pineapple Co., International Trust Co. and even the Honolulu Star-Bulletin, among others.

Even after World War II, the family remained closely tied to HECO. J. B. Atherton took a seat on the board that he held into the 1950s, according to MacLennan’s research.

Hawaiian Electric seemed solidly in the arms of Hawaii’s elite families and the powerful institutions that controlled the state on the eve of World War I.

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**About the Author**

Eric Pepe is the special projects and innovations editor for Civil Beat. He’s written extensively for Newsweek magazine, the Los Angeles Times, Honolulu Civil Beat and Salon magazine. He has also contributed to The New York Times, The Guardian, Mother Jones, Salon, Slate and Vice magazine. You can reach him by email at ep@hawaiipublicradio.org or follow him on Twitter at @ephp.