

HAWAIIAN ELECTRIC CO INC  
Form 10-Q  
May 10, 2011  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D. C. 20549

**FORM 10-Q**

**x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2011

OR

**o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Exact Name of Registrant as Specified in Its Charter	Commission File Number	I.R.S. Employer Identification No.
<b>HAWAIIAN ELECTRIC INDUSTRIES, INC.</b> and Principal Subsidiary	1-8503	99-0208097
<b>HAWAIIAN ELECTRIC COMPANY, INC.</b>	1-4955	99-0040500

State of Hawaii

(State or other jurisdiction of incorporation or organization)

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**900 Richards Street, Honolulu, Hawaii 96813**

(Address of principal executive offices and zip code)

**Hawaiian Electric Industries, Inc. ----- (808) 543-5662**

**Hawaiian Electric Company, Inc. ----- (808) 543-7771**

(Registrant's telephone number, including area code)

**Not applicable**

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether Registrant Hawaiian Electric Industries, Inc. (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether Registrant Hawaiian Electric Company, Inc. (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether Registrant Hawaiian Electric Industries, Inc. has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether Registrant Hawaiian Electric Company, Inc. has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether Registrant Hawaiian Electric Industries, Inc. is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate by check mark whether Registrant Hawaiian Electric Company, Inc. is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

**APPLICABLE ONLY TO CORPORATE ISSUERS:**

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Indicate the number of shares outstanding of each of the issuers' classes of common stock, as of the latest practicable date.

<b>Class of Common Stock</b>	<b>Outstanding April 29, 2011</b>
Hawaiian Electric Industries, Inc. (Without Par Value)	95,323,855 Shares
Hawaiian Electric Company, Inc. (\$6-2/3 Par Value)	13,830,823 Shares (not publicly traded)

Indicate by check mark whether Registrant Hawaiian Electric Industries, Inc. is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>

Indicate by check mark whether Registrant Hawaiian Electric Company, Inc. is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input checked="" type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>

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Table of Contents

**Hawaiian Electric Industries, Inc. and Subsidiaries**

**Hawaiian Electric Company, Inc. and Subsidiaries**

Form 10-Q Quarter ended March 31, 2011

**INDEX**

**Page No.**

- ii Glossary of Terms
- iv Forward-Looking Statements

**PART I.**

**Item 1.**

**FINANCIAL INFORMATION**

Financial Statements

- 1 Hawaiian Electric Industries, Inc. and Subsidiaries
- 2 Consolidated Statements of Income (unaudited) - three months ended March 31, 2011 and 2010
- 3 Consolidated Balance Sheets (unaudited) - March 31, 2011 and December 31, 2010
- 4 Consolidated Statements of Changes in Shareholders' Equity (unaudited) - three months ended March 31, 2011 and 2010
- 5 Consolidated Statements of Cash Flows (unaudited) - three months ended March 31, 2011 and 2010
- 5 Notes to Consolidated Financial Statements (unaudited)

Hawaiian Electric Company, Inc. and Subsidiaries

- 22 Consolidated Statements of Income (unaudited) - three months ended March 31, 2011 and 2010
- 23 Consolidated Balance Sheets (unaudited) - March 31, 2011 and December 31, 2010
- 24 Consolidated Statements of Changes in Common Stock Equity (unaudited) - three months ended March 31, 2011 and 2010
- 25 Consolidated Statements of Cash Flows (unaudited) - three months ended March 31, 2011 and 2010
- 26 Notes to Consolidated Financial Statements (unaudited)

**Item 2.**

- 44 Management's Discussion and Analysis of Financial Condition and Results of Operations
- 44 HEI Consolidated
- 51 Electric Utilities
- 65 Bank
- 72 **Item 3.** Quantitative and Qualitative Disclosures About Market Risk
- 73 **Item 4.** Controls and Procedures

**PART II.**

**OTHER INFORMATION**

- 74 **Item 1.** Legal Proceedings
- 74 **Item 1A.** Risk Factors
- 74 **Item 5.** Other Information
- 75 **Item 6.** Exhibits
- 76 **Signatures**



Table of Contents

Hawaiian Electric Industries, Inc. and Subsidiaries

Hawaiian Electric Company, Inc. and Subsidiaries

Form 10-Q Quarter ended March 31, 2011

**GLOSSARY OF TERMS**

<b>Terms</b>	<b>Definitions</b>
<b>AFUDC</b>	Allowance for funds used during construction
<b>AOCI</b>	Accumulated other comprehensive income
<b>AOS</b>	Adequacy of supply
<b>ARO</b>	Asset retirement obligation
<b>ASB</b>	American Savings Bank, F.S.B., a wholly-owned subsidiary of American Savings Holdings, Inc. American Savings Investment Services Corp. and its subsidiary, Bishop Insurance Agency of Hawaii, Inc. (dissolved in 2010) are former subsidiaries.
<b>ASHI</b>	American Savings Holdings, Inc., a wholly owned subsidiary of Hawaiian Electric Industries, Inc. and the parent company of American Savings Bank, F.S.B.
<b>CIP CT-1</b>	Campbell Industrial Park 110 MW combustion turbine No. 1
<b>Company</b>	When used in Hawaiian Electric Industries, Inc. sections, the Company refers to Hawaiian Electric Industries, Inc. and its direct and indirect subsidiaries, including, without limitation, Hawaiian Electric Company, Inc. and its subsidiaries (listed under HECO); American Savings Holdings, Inc. and its subsidiary, American Savings Bank, F.S.B. and its former subsidiaries (listed under ASB); Pacific Energy Conservation Services, Inc. (dissolved on April 1, 2011); HEI Properties, Inc.; Hawaiian Electric Industries Capital Trust II and Hawaiian Electric Industries Capital Trust III (inactive financing entities); and The Old Oahu Tug Service, Inc. (formerly Hawaiian Tug & Barge Corp.).
<b>Consumer Advocate</b>	Division of Consumer Advocacy, Department of Commerce and Consumer Affairs of the State of Hawaii
<b>DBEDT</b>	State of Hawaii Department of Business, Economic Development and Tourism
<b>DBF</b>	State of Hawaii Department of Budget and Finance
<b>D&amp;O</b>	Decision and order
<b>DG</b>	Distributed generation
<b>Dodd-Frank Act</b>	Dodd-Frank Wall Street Reform and Consumer Protection Act
<b>DOH</b>	Department of Health of the State of Hawaii
<b>DRIP</b>	HEI Dividend Reinvestment and Stock Purchase Plan
<b>DSM</b>	Demand-side management
<b>ECAC</b>	Energy cost adjustment clauses
<b>EIP</b>	2010 Equity and Incentive Plan
<b>Energy Agreement</b>	Agreement dated October 20, 2008 and signed by the Governor of the State of Hawaii, the State of Hawaii Department of Business, Economic Development and Tourism, the Division of Consumer Advocacy of the Department of Commerce and Consumer Affairs, and HECO, for itself and on behalf of its electric utility subsidiaries committing to actions to develop renewable energy and reduce dependence on fossil fuels in support of the HCEI
<b>EPA</b>	Environmental Protection Agency federal
<b>EPS</b>	Earnings per share
<b>Exchange Act</b>	Securities Exchange Act of 1934
<b>FDIC</b>	Federal Deposit Insurance Corporation
<b>federal</b>	U.S. Government
<b>FHLB</b>	Federal Home Loan Bank
<b>FHLMC</b>	Federal Home Loan Mortgage Corporation
<b>FNMA</b>	Federal National Mortgage Association



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### Table of Contents

Terms	Definitions
<b>GAAP</b>	U.S. generally accepted accounting principles
<b>GHG</b>	Greenhouse gas
<b>GNMA</b>	Government National Mortgage Association
<b>HCEI</b>	Hawaii Clean Energy Initiative
<b>HECO</b>	Hawaiian Electric Company, Inc., an electric utility subsidiary of Hawaiian Electric Industries, Inc. and parent company of Hawaii Electric Light Company, Inc., Maui Electric Company, Limited, HECO Capital Trust III (unconsolidated subsidiary), Renewable Hawaii, Inc. and Uluwehiokama Biofuels Corp.
<b>HEI</b>	Hawaiian Electric Industries, Inc., direct parent company of Hawaiian Electric Company, Inc., American Savings Holdings, Inc., Pacific Energy Conservation Services, Inc. (dissolved on April 1, 2011), HEI Properties, Inc., Hawaiian Electric Industries Capital Trust II, Hawaiian Electric Industries Capital Trust III and The Old Oahu Tug Service, Inc. (formerly Hawaiian Tug & Barge Corp.)
<b>HEIRSP</b>	Hawaiian Electric Industries Retirement Savings Plan
<b>HELCO</b>	Hawaii Electric Light Company, Inc., an electric utility subsidiary of Hawaiian Electric Company, Inc.
<b>HPOWER</b>	City and County of Honolulu with respect to a power purchase agreement for a refuse-fired plant
<b>IPP</b>	Independent power producer
<b>IRP</b>	Integrated resource plan
<b>Kalaeloa</b>	Kalaeloa Partners, L.P.
<b>KWH</b>	Kilowatthour
<b>MECO</b>	Maui Electric Company, Limited, an electric utility subsidiary of Hawaiian Electric Company, Inc.
<b>MW</b>	Megawatt/s (as applicable)
<b>NII</b>	Net interest income
<b>NPV</b>	Net portfolio value
<b>NQSO</b>	Nonqualified stock option
<b>O&amp;M</b>	Operation and maintenance
<b>OPEB</b>	Postretirement benefits other than pensions
<b>OTS</b>	Office of Thrift Supervision, Department of Treasury
<b>PBF</b>	Public benefits fund
<b>PPA</b>	Power purchase agreement
<b>PRPs</b>	Potentially responsible parties
<b>PUC</b>	Public Utilities Commission of the State of Hawaii
<b>RAM</b>	Revenue adjustment mechanism
<b>RBA</b>	Revenue balancing account
<b>REG</b>	Renewable Energy Group Marketing & Logistics, LLC
<b>RFP</b>	Request for proposal
<b>REIP</b>	Renewable Energy Infrastructure Program
<b>RHI</b>	Renewable Hawaii, Inc., a wholly owned subsidiary of Hawaiian Electric Company, Inc.
<b>ROACE</b>	Return on average common equity
<b>ROR</b>	Return on average rate base
<b>RPS</b>	Renewable portfolio standards
<b>SAR</b>	Stock appreciation right
<b>SEC</b>	Securities and Exchange Commission
<b>See</b>	Means the referenced material is incorporated by reference
<b>SOIP</b>	1987 Stock Option and Incentive Plan, as amended
<b>SPRBs</b>	Special Purpose Revenue Bonds
<b>TDR</b>	Troubled debt restructuring
<b>UBC</b>	Uluwehiokama Biofuels Corp., a non-regulated subsidiary of Hawaiian Electric Company, Inc.
<b>VIE</b>	Variable interest entity

Table of Contents

**FORWARD-LOOKING STATEMENTS**

This report and other presentations made by Hawaiian Electric Industries, Inc. (HEI) and Hawaiian Electric Company, Inc. (HECO) and their subsidiaries contain forward-looking statements, which include statements that are predictive in nature, depend upon or refer to future events or conditions, and usually include words such as expects, anticipates, intends, plans, believes, predicts, estimates or similar expressions. In addition, any statements concerning future financial performance, ongoing business strategies or prospects or possible future actions are also forward-looking statements. Forward-looking statements are based on current expectations and projections about future events and are subject to risks, uncertainties and the accuracy of assumptions concerning HEI and its subsidiaries (collectively, the Company), the performance of the industries in which they do business and economic and market factors, among other things. **These forward-looking statements are not guarantees of future performance.**

Risks, uncertainties and other important factors that could cause actual results to differ materially from those described in forward-looking statements and from historical results include, but are not limited to, the following:

- international, national and local economic conditions, including the state of the Hawaii tourism and construction industries, the strength or weakness of the Hawaii and continental U.S. real estate markets (including the fair value and/or the actual performance of collateral underlying loans held by American Savings Bank, F.S.B. (ASB), which could result in higher loan loss provisions and write-offs), decisions concerning the extent of the presence of the federal government and military in Hawaii, and the implications and potential impacts of capital and credit market conditions and federal and state responses to those conditions;
- weather and natural disasters (e.g., hurricanes, earthquakes, tsunamis, lightning strikes and the potential effects of global warming, such as more severe storms and rising sea levels), including their impact on Company operations and the economy (e.g., the effect of the March 2011 natural disasters in Japan on its economy and tourism in Hawaii);
- global developments, including unrest and conflict in North Africa and the Middle East, terrorist acts, the war on terrorism, continuing U.S. presence in Afghanistan and potential conflict or crisis with North Korea;
- the timing and extent of changes in interest rates and the shape of the yield curve;
- the ability of the Company to access credit markets to obtain commercial paper and other short-term and long-term debt financing (including lines of credit) and to access capital markets to issue HEI common stock under volatile and challenging market conditions, and the cost of such financings, if available;
- the risks inherent in changes in the value of pension and other retirement plan assets and securities available for sale;
- changes in laws, regulations, market conditions and other factors that result in changes in assumptions used to calculate retirement benefits costs and funding requirements;
- the impact of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act) and of the rules and regulations that the Dodd-Frank Act requires to be promulgated;
- increasing competition in the banking industry (e.g., increased price competition for deposits, or an outflow of deposits to alternative investments, which may have an adverse impact on ASB's cost of funds);

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- the implementation of the Energy Agreement with the State of Hawaii and Consumer Advocate (Energy Agreement) setting forth the goals and objectives of a Hawaii Clean Energy Initiative (HCEI), revenue decoupling and the fulfillment by the electric utilities of their commitments under the Energy Agreement (given the Public Utilities Commission of the State of Hawaii (PUC) approvals needed; the PUC's potential delay in considering HCEI-related costs; reliance by the Company on outside parties like the state, independent power producers (IPPs) and developers; potential changes in political support for the HCEI; and uncertainties surrounding wind power, the proposed undersea cable (to bring power to Oahu from Lanai and/or Molokai), biofuels, environmental assessments and the impacts of implementation of the HCEI on future costs of electricity);
- capacity and supply constraints or difficulties, especially if generating units (utility-owned or IPP-owned) fail or measures such as demand-side management (DSM), distributed generation (DG), combined heat and power or other firm capacity supply-side resources fall short of achieving their forecasted benefits or are otherwise insufficient to reduce or meet peak demand;
- the risk to generation reliability when generation peak reserve margins on Oahu are strained;
- fuel oil price changes, performance by suppliers of their fuel oil delivery obligations and the continued availability to the electric utilities of their energy cost adjustment clauses (ECACs);
- the impact of fuel price volatility on customer satisfaction and political and regulatory support for the utilities;

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### Table of Contents

- the risks associated with increasing reliance on renewable energy, as contemplated under the Energy Agreement, including the availability and cost of non-fossil fuel supplies for renewable energy generation and the operational impacts of adding intermittent sources of renewable energy to the electric grid;
- the ability of IPPs to deliver the firm capacity anticipated in their power purchase agreements (PPAs);
- the ability of the electric utilities to negotiate, periodically, favorable fuel supply and collective bargaining agreements;
- new technological developments that could affect the operations and prospects of HEI and its subsidiaries (including HECO and its subsidiaries and ASB) or their competitors;
- federal, state, county and international governmental and regulatory actions, such as changes in laws, rules and regulations applicable to HEI, HECO, ASB and their subsidiaries (including changes in taxation, increases in capital requirements, regulatory changes resulting from the HCEI, environmental laws and regulations, the regulation of greenhouse gas (GHG) emissions, governmental fees and assessments (such as Federal Deposit Insurance Corporation assessments), and potential carbon cap and trade legislation that may fundamentally alter costs to produce electricity and accelerate the move to renewable generation);
- decisions by the PUC in rate cases and other proceedings (including the risks of delays in the timing of decisions, adverse changes in final decisions from interim decisions and the disallowance of project costs);
- decisions by the PUC and by other agencies and courts on land use, environmental and other permitting issues (such as required corrective actions and restrictions and penalties that may arise, such as with respect to environmental conditions or renewable portfolio standards (RPS));
- potential enforcement actions by the Office of Thrift Supervision (OTS) (or its regulatory successors, the Office of the Comptroller of the Currency and the Federal Reserve Board) and other governmental authorities (such as consent orders, required corrective actions, restrictions and penalties that may arise, for example, with respect to compliance deficiencies under existing or new banking and consumer protection laws and regulations or with respect to capital adequacy);
- ability to recover and earn on increasing costs and capital investments not covered by revenue adjustment mechanisms;
- the risks associated with the geographic concentration of HEI's businesses and ASB's loans, ASB's concentration in a single product type (i.e., first mortgages) and ASB's significant credit relationships (i.e., concentrations of large loans and/or credit lines with certain customers);
- changes in accounting principles applicable to HEI, HECO, ASB and their subsidiaries, including the adoption of International Financial Reporting Standards or new U.S. accounting standards, the potential discontinuance of regulatory accounting and the effects of potentially required consolidation of variable interest entities (VIEs) or required capital lease accounting for PPAs with IPPs;
- changes by securities rating agencies in their ratings of the securities of HEI and HECO and the results of financing efforts;
- faster than expected loan prepayments that can cause an acceleration of the amortization of premiums on loans and investments and the impairment of mortgage-servicing assets of ASB;
- changes in ASB's loan portfolio credit profile and asset quality which may increase or decrease the required level of allowance for loan losses and charge-offs;
- changes in ASB's deposit cost or mix which may have an adverse impact on ASB's cost of funds;
- the final outcome of tax positions taken by HEI, HECO, ASB and their subsidiaries;

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- the risks of suffering losses and incurring liabilities that are uninsured or underinsured; and
- other risks or uncertainties described elsewhere in this report and in other reports (e.g., Item 1A. Risk Factors in the Company's Annual Report on Form 10-K) previously and subsequently filed by HEI and/or HECO with the Securities and Exchange Commission (SEC).

Forward-looking statements speak only as of the date of the report, presentation or filing in which they are made. Except to the extent required by the federal securities laws, HEI, HECO, ASB and their subsidiaries undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Table of Contents**PART I - FINANCIAL INFORMATION****Item 1. Financial Statements**

Hawaiian Electric Industries, Inc. and Subsidiaries

**Consolidated Statements of Income (unaudited)**

Three months ended March 31 (in thousands, except per share amounts)	2011	2010
<b>Revenues</b>		
Electric utility	\$ 645,335	\$ 548,111
Bank	65,313	70,914
Other	(15)	15
	710,633	619,040
<b>Expenses</b>		
Electric utility	600,127	505,502
Bank	43,559	49,143
Other	3,572	3,688
	647,258	558,333
<b>Operating income (loss)</b>		
Electric utility	45,208	42,609
Bank	21,754	21,771
Other	(3,587)	(3,673)
	63,375	60,707
Interest expense other than on deposit liabilities and other bank borrowings	(20,140)	(20,381)
Allowance for borrowed funds used during construction	520	779
Allowance for equity funds used during construction	1,244	1,773
<b>Income before income taxes</b>	44,999	42,878
Income taxes	16,064	15,279
<b>Net income</b>	28,935	27,599
Preferred stock dividends of subsidiaries	473	473
<b>Net income for common stock</b>	\$ 28,462	\$ 27,126
<b>Basic earnings per common share</b>	\$ 0.30	\$ 0.29
<b>Diluted earnings per common share</b>	\$ 0.30	\$ 0.29
<b>Dividends per common share</b>	\$ 0.31	\$ 0.31
<b>Weighted-average number of common shares outstanding</b>	94,817	92,572
Dilutive effect of share-based compensation	365	276
<b>Adjusted weighted-average shares</b>	95,182	92,848

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

Hawaiian Electric Industries, Inc. and Subsidiaries

**Consolidated Balance Sheets (unaudited)**

(dollars in thousands)	March 31, 2011	December 31, 2010
<b>Assets</b>		
Cash and cash equivalents	\$ 316,254	\$ 330,651
Accounts receivable and unbilled revenues, net	286,876	266,996
Available-for-sale investment and mortgage-related securities	670,949	678,152
Investment in stock of Federal Home Loan Bank of Seattle	97,764	97,764
Loans receivable held for investment, net	3,549,750	3,489,880
Loans held for sale, at lower of cost or fair value	4,308	7,849
Property, plant and equipment, net of accumulated depreciation of \$2,032,500 in 2011 and \$2,037,598 in 2010	3,175,375	3,165,918
Regulatory assets	481,812	478,330
Other	462,258	487,614
Goodwill	82,190	82,190
<b>Total assets</b>	<b>\$ 9,127,536</b>	<b>\$ 9,085,344</b>
<b>Liabilities and shareholders equity</b>		
<b>Liabilities</b>		
Accounts payable	\$ 162,748	\$ 202,446
Interest and dividends payable	27,496	27,814
Deposit liabilities	4,035,255	3,975,372
Short-term borrowings other than bank		24,923
Other bank borrowings	244,674	237,319
Long-term debt, net other than bank	1,439,974	1,364,942
Deferred income taxes	291,470	278,958
Regulatory liabilities	304,375	296,797
Contributions in aid of construction	338,070	335,364
Other	752,630	823,479
<b>Total liabilities</b>	<b>7,596,692</b>	<b>\$ 7,567,414</b>
Preferred stock of subsidiaries - not subject to mandatory redemption	34,293	34,293
<b>Shareholders equity</b>		
Preferred stock, no par value, authorized 10,000,000 shares; issued: none		
Common stock, no par value, authorized 200,000,000 shares; issued and outstanding: 95,288,966 shares in 2011 and 94,690,932 shares in 2010	1,329,901	1,314,199
Retained earnings	180,960	181,910
Accumulated other comprehensive loss, net of tax benefits	(14,310)	(12,472)
<b>Total shareholders equity</b>	<b>1,496,551</b>	<b>1,483,637</b>
<b>Total liabilities and shareholders equity</b>	<b>\$ 9,127,536</b>	<b>\$ 9,085,344</b>

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

Hawaiian Electric Industries, Inc. and Subsidiaries

**Consolidated Statements of Changes in Shareholders Equity (unaudited)**

(in thousands, except per share amounts)	Shares	Common stock Amount	Retained earnings	Accumulated other comprehensive loss	Total
<b>Balance, December 31, 2010</b>	<b>94,691</b>	<b>\$ 1,314,199</b>	<b>\$ 181,910</b>	<b>\$ (12,472)</b>	<b>\$ 1,483,637</b>
Comprehensive income (loss):					
Net income for common stock			28,462		28,462
Net unrealized losses on securities:					
Net unrealized losses on securities arising during the period, net of tax benefits of \$414				(626)	(626)
Losses on derivatives qualified as cash flow hedges:					
Holding losses arising during the period, net of tax benefits of \$6				(9)	(9)
Less: reclassification adjustment to net income, net of tax benefits of \$3				5	5
Retirement benefit plans:					
Less: amortization of net loss, prior service gain and transition obligation included in net periodic benefit cost, net of tax benefits of \$631				1,039	1,039
Less: reclassification adjustment for impact of D&Os of the PUC included in regulatory assets, net of taxes of \$1,431				(2,247)	(2,247)
Other comprehensive income				(1,838)	
Comprehensive income					26,624
Issuance of common stock, net	598	15,702			15,702
Common stock dividends (\$0.31 per share)			(29,412)		(29,412)
<b>Balance, March 31, 2011</b>	<b>95,289</b>	<b>\$ 1,329,901</b>	<b>\$ 180,960</b>	<b>\$ (14,310)</b>	<b>\$ 1,496,551</b>
<b>Balance, December 31, 2009</b>	<b>92,521</b>	<b>\$ 1,265,157</b>	<b>\$ 184,213</b>	<b>\$ (7,722)</b>	<b>\$ 1,441,648</b>
Comprehensive income (loss):					
Net income for common stock			27,126		27,126
Net unrealized gains on securities arising during the period, net of taxes of \$696				1,053	1,053
Retirement benefit plans:					
Less: amortization of net loss, prior service gain and transition obligation included in net periodic benefit cost, net of tax benefits of \$609				958	958
Less: reclassification adjustment for impact of D&Os of the PUC included in regulatory assets, net of taxes of \$526				(825)	(825)
Other comprehensive income				1,186	
Comprehensive income					28,312
Issuance of common stock, net	575	12,176			12,176
Common stock dividends (\$0.31 per share)			(28,693)		(28,693)
<b>Balance, March 31, 2010</b>	<b>93,096</b>	<b>\$ 1,277,333</b>	<b>\$ 182,646</b>	<b>\$ (6,536)</b>	<b>\$ 1,453,443</b>

The accompanying notes are an integral part of these consolidated financial statements.



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Table of Contents

Hawaiian Electric Industries, Inc. and Subsidiaries

**Consolidated Statements of Cash Flows (unaudited)**

Three months ended March 31 (in thousands)	2011	2010
<b>Cash flows from operating activities</b>		
Net income	\$ 28,935	\$ 27,599
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation of property, plant and equipment	37,708	39,798
Other amortization	2,354	1,565
Provision for loan losses	4,550	5,359
Loans receivable originated and purchased, held for sale	(35,015)	(78,685)
Proceeds from sale of loans receivable, held for sale	43,048	82,814
Changes in deferred income taxes	16,687	(129)
Changes in excess tax benefits from share-based payment arrangements	(22)	(43)
Allowance for equity funds used during construction	(1,244)	(1,773)
Increase (decrease) in cash overdraft	(2,688)	681
Changes in assets and liabilities		
Decrease (increase) in accounts receivable and unbilled revenues, net	(19,880)	7,231
Increase in fuel oil stock	(3,513)	(26,506)
Increase (decrease) in accounts, interest and dividends payable	(40,016)	2,155
Changes in prepaid and accrued income taxes and utility revenue taxes	(1,594)	(48,689)
Changes in other assets and liabilities	(42,544)	(1,508)
<b>Net cash provided by (used in) operating activities</b>	<b>(13,234)</b>	<b>9,869</b>
<b>Cash flows from investing activities</b>		
Available-for-sale investment and mortgage-related securities purchased	(109,307)	(170,385)
Principal repayments on available-for-sale investment and mortgage-related securities	114,529	48,338
Net decrease (increase) in loans held for investment	(70,269)	38,072
Proceeds from sale of real estate acquired in settlement of loans	1,253	1,279
Capital expenditures	(38,491)	(34,816)
Contributions in aid of construction	5,749	3,729
Other	145	
<b>Net cash used in investing activities</b>	<b>(96,391)</b>	<b>(113,783)</b>
<b>Cash flows from financing activities</b>		
Net increase (decrease) in deposit liabilities	59,883	(50,369)
Net increase (decrease) in short-term borrowings with original maturities of three months or less	(24,923)	18,249
Net increase (decrease) in retail repurchase agreements	7,368	(3,461)
Proceeds from issuance of long-term debt	125,000	
Repayment of long-term debt	(50,000)	
Changes in excess tax benefits from share-based payment arrangements	22	43
Net proceeds from issuance of common stock	5,674	5,557
Common stock dividends	(23,593)	(23,048)
Preferred stock dividends of subsidiaries	(473)	(473)
Other	(3,730)	(4,474)
<b>Net cash provided by (used in) financing activities</b>	<b>95,228</b>	<b>(57,976)</b>
Net decrease in cash and cash equivalents	(14,397)	(161,890)
Cash and cash equivalents, beginning of period	330,651	503,922
<b>Cash and cash equivalents, end of period</b>	<b>\$ 316,254</b>	<b>\$ 342,032</b>

The accompanying notes are an integral part of these consolidated financial statements.



Table of Contents

Hawaiian Electric Industries, Inc. and Subsidiaries

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

**1 • Basis of presentation**

The accompanying unaudited consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) for interim financial information, the instructions to SEC Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheet and the reported amounts of revenues and expenses for the period. Actual results could differ significantly from those estimates. The accompanying unaudited consolidated financial statements and the following notes should be read in conjunction with the audited consolidated financial statements and the notes thereto included in HEI's Form 10-K for the year ended December 31, 2010.

In the opinion of HEI's management, the accompanying unaudited consolidated financial statements contain all material adjustments required by GAAP to fairly state the Company's financial position as of March 31, 2011 and December 31, 2010, the results of its operations and cash flows for the three months ended March 31, 2011 and 2010. All such adjustments are of a normal recurring nature unless otherwise disclosed in this Form 10-Q or other referenced material. Results of operations for interim periods are not necessarily indicative of results for the full year. When required, certain reclassifications are made to the prior period's consolidated financial statements to conform to the current presentation.

Table of Contents**2 • Segment financial information**

(in thousands)	Electric Utility	Bank	Other	Total
<b>Three months ended March 31, 2011</b>				
Revenues from external customers	\$ 645,299	\$ 65,313	\$ 21	\$ 710,633
Intersegment revenues (eliminations)	36		(36)	
Revenues	645,335	65,313	(15)	710,633
Income (loss) before income taxes	31,267	21,727	(7,995)	44,999
Income taxes (benefit)	11,579	7,876	(3,391)	16,064
Net income (loss)	19,688	13,851	(4,604)	28,935
Preferred stock dividends of subsidiaries	499		(26)	473
Net income (loss) for common stock	19,189	13,851	(4,578)	28,462
Tangible assets (at March 31, 2011)	4,211,560	4,769,234	57,710	9,038,504
<b>Three months ended March 31, 2010</b>				
Revenues from external customers	\$ 548,075	\$ 70,914	\$ 51	\$ 619,040
Intersegment revenues (eliminations)	36		(36)	
Revenues	548,111	70,914	15	619,040
Income (loss) before income taxes	29,512	21,736	(8,370)	42,878
Income taxes (benefit)	10,961	8,000	(3,682)	15,279
Net income (loss)	18,551	13,736	(4,688)	27,599
Preferred stock dividends of subsidiaries	499		(26)	473
Net income (loss) for common stock	18,052	13,736	(4,662)	27,126
Tangible assets (at December 31, 2010)	4,285,680	4,707,870	2,905	8,996,455

Intercompany electricity sales of the electric utilities to the bank and other segments are not eliminated because those segments would need to purchase electricity from another source if it were not provided by consolidated HECO, the profit on such sales is nominal and the elimination of electric sales revenues and expenses could distort segment operating income and net income for common stock.

Bank fees that ASB charges the electric utility and other segments are not eliminated because those segments would pay fees to another financial institution if they were to bank with another institution, the profit on such fees is nominal and the elimination of bank fee income and expenses could distort segment operating income and net income for common stock.

Table of Contents**3 • Electric utility subsidiary**

For consolidated HECO financial information, including its commitments and contingencies, see pages 22 through 36 (HECO and Subsidiaries Consolidated Statements of Income (Unaudited) through Note 10).

**4 • Bank subsidiary****Selected financial information**

American Savings Bank, F.S.B. and Subsidiaries

**Consolidated Statements of Income Data (unaudited)**

<b>Three months ended March 31</b> <b>(in thousands)</b>	<b>2011</b>	<b>2010</b>
<b>Interest and dividend income</b>		
Interest and fees on loans	\$ 46,097	\$ 49,745
Interest and dividends on investment and mortgage-related securities	3,769	3,317
	49,866	53,062
<b>Interest expense</b>		
Interest on deposit liabilities	2,593	4,423
Interest on other borrowings	1,367	1,426
	3,960	5,849
<b>Net interest income</b>	<b>45,906</b>	<b>47,213</b>
Provision for loan losses	4,550	5,359
<b>Net interest income after provision for loan losses</b>	<b>41,356</b>	<b>41,854</b>
<b>Noninterest income</b>		
Fee income on deposit liabilities		