

HAWAIIAN ELECTRIC CO INC
Form 10-Q
August 04, 2011
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2011

OR

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.
HAWAIIAN ELECTRIC INDUSTRIES, INC. and Principal Subsidiary	1-8503	99-0208097
HAWAIIAN ELECTRIC COMPANY, INC.	1-4955	99-0040500

State of Hawaii

(State or other jurisdiction of incorporation or organization)

Edgar Filing: HAWAIIAN ELECTRIC CO INC - Form 10-Q

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:

Edgar Filing: HAWAIIAN ELECTRIC CO INC - Form 10-Q

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

Class of Common Stock	Outstanding July 21, 2011
Hawaiian Electric Industries, Inc. (Without Par Value)	95,877,918 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"/>

Table of Contents

Hawaiian Electric Industries, Inc. and Subsidiaries

Hawaiian Electric Company, Inc. and Subsidiaries

Form 10-Q Quarter ended June 30, 2011

INDEX

Page No.

- ii Glossary of Terms
- iv Forward-Looking Statements

PART I.

Item 1.

- 1
- 2
- 3
- 4
- 5

FINANCIAL INFORMATION

Financial Statements

Hawaiian Electric Industries, Inc. and Subsidiaries

Consolidated Statements of Income (unaudited) - three and six months ended June 30, 2011 and 2010

Consolidated Balance Sheets (unaudited) - June 30, 2011 and December 31, 2010

Consolidated Statements of Changes in Shareholders' Equity (unaudited) - six months ended June 30, 2011 and 2010

Consolidated Statements of Cash Flows (unaudited) - six months ended June 30, 2011 and 2010

Notes to Consolidated Financial Statements (unaudited)

Hawaiian Electric Company, Inc. and Subsidiaries

Consolidated Statements of Income (unaudited) - three and six months ended June 30, 2011 and 2010

Consolidated Balance Sheets (unaudited) - June 30, 2011 and December 31, 2010

Consolidated Statements of Changes in Common Stock Equity (unaudited) - six months ended June 30, 2011 and 2010

Consolidated Statements of Cash Flows (unaudited) - six months ended June 30, 2011 and 2010

Notes to Consolidated Financial Statements (unaudited)

Item 2.

- 23
- 24
- 25
- 26
- 27
- 46
- 46
- 51
- 58
- 66
- 67

Management's Discussion and Analysis of Financial Condition and Results of Operations

HEI Consolidated

Electric Utilities

Bank

Quantitative and Qualitative Disclosures About Market Risk

Controls and Procedures

PART II.

Item 1.

Item 1A.

Item 5.

Item 6.

Signatures

OTHER INFORMATION

Legal Proceedings

Risk Factors

Other Information

Exhibits

Table of Contents

Hawaiian Electric Industries, Inc. and Subsidiaries

Hawaiian Electric Company, Inc. and Subsidiaries

Form 10-Q Quarter ended June 30, 2011

GLOSSARY OF TERMS

Terms	Definitions
AFUDC	Allowance for funds used during construction
AOI	Accumulated other comprehensive income
ARO	Asset retirement obligation
ASB	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.
ASHI	American Savings Holdings, Inc., a wholly owned subsidiary of Hawaiian Electric Industries, Inc. and the parent company of American Savings Bank, F.S.B.
CIP CT-1	Campbell Industrial Park 110 MW combustion turbine No. 1
Company	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.).
Consumer Advocate	Division of Consumer Advocacy, Department of Commerce and Consumer Affairs of the State of Hawaii
DBEDT	State of Hawaii Department of Business, Economic Development and Tourism
D&O	Decision and order
DG	Distributed generation
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
DRIP	HEI Dividend Reinvestment and Stock Purchase Plan
DSM	Demand-side management
ECAC	Energy cost adjustment clauses
EIP	2010 Equity and Incentive Plan
Energy Agreement	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
EPA	Environmental Protection Agency federal
EPS	Earnings per share
Exchange Act	Securities Exchange Act of 1934
FDIC	Federal Deposit Insurance Corporation
federal	U.S. Government
FHLB	Federal Home Loan Bank
FHLMC	Federal Home Loan Mortgage Corporation
FNMA	Federal National Mortgage Association
FSS	Forward Starting Swaps

Table of Contents**GLOSSARY OF TERMS, continued**

Terms	Definitions
GAAP	U.S. generally accepted accounting principles
GHG	Greenhouse gas
GNMA	Government National Mortgage Association
HCEI	Hawaii Clean Energy Initiative
HECO	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.
HEI	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.)
HEIRSP	Hawaiian Electric Industries Retirement Savings Plan
HELCO	Hawaii Electric Light Company, Inc., an electric utility subsidiary of Hawaiian Electric Company, Inc.
HPOWER	City and County of Honolulu with respect to a power purchase agreement for a refuse-fired plant
IPP	Independent power producer
Kalaeloa	Kalaeloa Partners, L.P.
KWH	Kilowatt-hour
MECO	Maui Electric Company, Limited, an electric utility subsidiary of Hawaiian Electric Company, Inc.
MW	Megawatt/s (as applicable)
NII	Net interest income
NPV	Net portfolio value
NQSO	Nonqualified stock option
O&M	Other operation and maintenance
OPEB	Postretirement benefits other than pensions
OTS	Office of Thrift Supervision, Department of Treasury
PPA	Power purchase agreement
PUC	Public Utilities Commission of the State of Hawaii
RAM	Revenue adjustment mechanism
RBA	Revenue balancing account
RFP	Request for proposal
REIP	Renewable Energy Infrastructure Program
RHI	Renewable Hawaii, Inc., a wholly owned subsidiary of Hawaiian Electric Company, Inc.
ROACE	Return on average common equity
RORB	Return on average rate base
RPS	Renewable portfolio standard
SAR	Stock appreciation right
SEC	Securities and Exchange Commission
See	Means the referenced material is incorporated by reference
SOIP	1987 Stock Option and Incentive Plan, as amended
TDR	Troubled debt restructuring
UBC	Uluwehiokama Biofuels Corp., a non-regulated subsidiary of Hawaiian Electric Company, Inc.
VIE	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, defense 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);

Edgar Filing: HAWAIIAN ELECTRIC CO INC - Form 10-Q

- 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;

Edgar Filing: HAWAIIAN ELECTRIC CO INC - Form 10-Q

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 increasing costs and earn a reasonable return on 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;

Edgar Filing: HAWAIIAN ELECTRIC CO INC - Form 10-Q

- 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)

(in thousands, except per share amounts)	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
Revenues				
Electric utility	\$ 728,738	\$ 584,095	\$ 1,374,073	\$ 1,132,206
Bank	66,318	71,632	131,631	142,546
Other	(737)	(63)	(752)	(48)
	794,319	655,664	1,504,952	1,274,704
Expenses				
Electric utility	686,220	542,660	1,286,347	1,048,162
Bank	42,498	45,857	86,057	95,000
Other	1,940	3,516	5,512	7,204
	730,658	592,033	1,377,916	1,150,366
Operating income (loss)				
Electric utility	42,518	41,435	87,726	84,044
Bank	23,820	25,775	45,574	47,546
Other	(2,677)	(3,579)	(6,264)	(7,252)
	63,661	63,631	127,036	124,338
Interest expense other than on deposit liabilities and other bank borrowings	(24,177)	(20,520)	(44,317)	(40,901)
Allowance for borrowed funds used during construction	553	790	1,073	1,569
Allowance for equity funds used during construction	1,317	1,847	2,561	3,620
Income before income taxes	41,354	45,748	86,353	88,626
Income taxes	13,742	16,013	29,806	31,292
Net income	27,612	29,735	56,547	57,334
Preferred stock dividends of subsidiaries	473	473	946	946
Net income for common stock	\$ 27,139	\$ 29,262	\$ 55,601	\$ 56,388
Basic earnings per common share	\$ 0.28	\$ 0.31	\$ 0.58	\$ 0.61
Diluted earnings per common share	\$ 0.28	\$ 0.31	\$ 0.58	\$ 0.61
Dividends per common share	\$ 0.31	\$ 0.31	\$ 0.62	\$ 0.62
Weighted-average number of common shares outstanding				
	95,393	93,159	95,107	92,867
Dilutive effect of share-based compensation	162	255	287	292
Adjusted weighted-average shares	95,555	93,414	95,394	93,159

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)	June 30, 2011	December 31, 2010
Assets		
Cash and cash equivalents	\$ 266,746	\$ 330,651
Accounts receivable and unbilled revenues, net	319,533	266,996
Available-for-sale investment and mortgage-related securities	711,347	678,152
Investment in stock of Federal Home Loan Bank of Seattle	97,764	97,764
Loans receivable held for investment, net	3,580,418	3,489,880
Loans held for sale, at lower of cost or fair value	4,784	7,849
Property, plant and equipment, net of accumulated depreciation of \$2,055,204 in 2011 and \$2,037,598 in 2010	3,204,996	3,165,918
Regulatory assets	478,766	478,330
Other	494,527	487,614
Goodwill	82,190	82,190
Total assets	\$ 9,241,071	\$ 9,085,344
Liabilities and shareholders equity		
Liabilities		
Accounts payable	\$ 168,187	\$ 202,446
Interest and dividends payable	29,593	27,814
Deposit liabilities	4,054,949	3,975,372
Short-term borrowings other than bank		24,923
Other bank borrowings	239,122	237,319
Long-term debt, net other than bank	1,440,006	1,364,942
Deferred income taxes	316,843	278,958
Regulatory liabilities	309,809	296,797
Contributions in aid of construction	339,489	335,364
Other	796,573	823,479
Total liabilities	7,694,571	7,567,414
Preferred stock of subsidiaries - not subject to mandatory redemption	34,293	34,293
Shareholders equity		
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: 95,853,329 shares in 2011 and 94,690,932 shares in 2010	1,343,537	1,314,199
Retained earnings	178,513	181,910
Accumulated other comprehensive loss, net of tax benefits	(9,843)	(12,472)
Total shareholders equity	1,512,207	1,483,637
Total liabilities and shareholders equity	\$ 9,241,071	\$ 9,085,344

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)	Common stock		Retained	Accumulated	Total
	Shares	Amount	earnings	other comprehensive loss	
Balance, December 31, 2010	94,691	\$ 1,314,199	\$ 181,910	\$ (12,472)	\$ 1,483,637
Comprehensive income (loss):					
Net income for common stock			55,601		55,601
Net unrealized gains on securities:					
Net unrealized gains on securities arising during the period, net of taxes of \$2,341				3,435	3,435
Less: reclassification adjustment for net realized gains included in net income, net of taxes of \$2				(3)	(3)
Derivatives qualified as cash flow hedges:					
Net unrealized holding losses arising during the period, net of tax benefits of \$9				(3)	(3)
Less: reclassification adjustment to net income, net of tax benefits of \$41				64	64
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 \$2,108				3,488	3,488
Less: reclassification adjustment for impact of D&Os of the PUC included in regulatory assets, net of taxes of \$2,801				(4,352)	(4,352)
Other comprehensive income				2,629	
Comprehensive income					58,230
Issuance of common stock, net	1,162	29,338			29,338
Common stock dividends (\$0.62 per share)			(58,998)		(58,998)
Balance, June 30, 2011	95,853	\$ 1,343,537	\$ 178,513	\$ (9,843)	\$ 1,512,207
Balance, December 31, 2009	92,521	\$ 1,265,157	\$ 184,213	\$ (7,722)	\$ 1,441,648
Comprehensive income (loss):					
Net income for common stock			56,388		56,388
Net unrealized gains on securities:					
Net unrealized gains on securities arising during the period, net of taxes of \$1,747				2,646	2,646
Derivatives qualified as cash flow hedges:					
Net unrealized holding losses arising during the period, net of tax benefits of \$662				(1,039)	(1,039)
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 \$1,248				1,959	1,959
Less: reclassification adjustment for impact of D&Os of the PUC included in regulatory assets, net of taxes of \$1,080				(1,697)	(1,697)
Other comprehensive income				1,869	
Comprehensive income					58,257
Issuance of common stock, net	1,099	24,314			24,314

Edgar Filing: HAWAIIAN ELECTRIC CO INC - Form 10-Q

Common stock dividends (\$0.62 per share)				(57,586)			(57,586)
Balance, June 30, 2010	93,620	\$	1,289,471	\$	183,015	\$	(5,853) \$ 1,466,633

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

Table of Contents

Hawaiian Electric Industries, Inc. and Subsidiaries

Consolidated Statements of Cash Flows (unaudited)

Six months ended June 30 (in thousands)	2011	2010
Cash flows from operating activities		
Net income	\$ 56,547	\$ 57,334
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation of property, plant and equipment	75,243	79,606
Other amortization	11,965	2,149
Provision for loan losses	7,105	6,349
Loans receivable originated and purchased, held for sale	(64,028)	(136,197)
Proceeds from sale of loans receivable, held for sale	71,829	167,583
Changes in deferred income taxes	39,051	(2,381)
Changes in excess tax benefits from share-based payment arrangements	(55)	97
Allowance for equity funds used during construction	(2,561)	(3,620)
Decrease in cash overdraft	(2,305)	(302)
Changes in assets and liabilities		
Increase in accounts receivable and unbilled revenues, net	(52,537)	(25,012)
Increase in fuel oil stock	(6,509)	(49,759)
Decrease (increase) in accounts, interest and dividends payable	(41,989)	1,359
Changes in prepaid and accrued income taxes and utility revenue taxes	8,333	(30,699)
Changes in other assets and liabilities	(44,908)	11,732
Net cash provided by operating activities	55,181	78,239
Cash flows from investing activities		
Available-for-sale investment and mortgage-related securities purchased	(193,119)	(379,896)
Principal repayments on available-for-sale investment and mortgage-related securities	161,526	203,783
Proceeds from sale of available-for-sale investment securities	2,066	
Net decrease (increase) in loans held for investment	(104,824)	61,017
Proceeds from sale of real estate acquired in settlement of loans	3,977	2,118
Capital expenditures	(89,088)	(76,659)
Contributions in aid of construction	8,153	9,430
Other	(2,911)	(10)
Net cash used in investing activities	(214,220)	(180,217)
Cash flows from financing activities		
Net increase (decrease) in deposit liabilities	79,577	(57,226)
Net increase (decrease) in short-term borrowings with original maturities of three months or less	(24,923)	13,023
Net increase (decrease) in retail repurchase agreements	1,803	(41,112)
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	55	(97)
Net proceeds from issuance of common stock	12,071	10,789
Common stock dividends	(47,331)	(46,246)
Preferred stock dividends of subsidiaries	(946)	(946)
Other	(172)	(1,805)
Net cash provided by (used in) financing activities	95,134	(123,620)
Net decrease in cash and cash equivalents	(63,905)	(225,598)
Cash and cash equivalents, beginning of period	330,651	503,922
Cash and cash equivalents, end of period	\$ 266,746	\$ 278,324

Edgar Filing: HAWAIIAN ELECTRIC CO INC - Form 10-Q

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 and the unaudited consolidated financial statements and the notes thereto in HEI's Quarterly Report on SEC Form 10-Q for the quarter ended March 31, 2011.

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 June 30, 2011 and December 31, 2010, the results of its operations for the three and six months ended June 30, 2011 and 2010 and cash flows for the six months ended June 30, 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
Three months ended June 30, 2011				
Revenues from external customers	\$ 728,702	\$ 66,318	\$ (701)	\$ 794,319
Intersegment revenues (eliminations)	36		(36)	
Revenues	728,738	66,318	(737)	794,319
Income (loss) before income taxes	28,603	23,806	(11,055)	41,354
Income taxes (benefit)	11,080	8,611	(5,949)	13,742
Net income (loss)	17,523	15,195	(5,106)	27,612
Preferred stock dividends of subsidiaries	499		(26)	473
Net income (loss) for common stock	17,024	15,195	(5,080)	27,139
Six months ended June 30, 2011				
Revenues from external customers	\$ 1,374,001	\$ 131,631	\$ (680)	\$ 1,504,952
Intersegment revenues (eliminations)	72		(72)	
Revenues	1,374,073	131,631	(752)	1,504,952
Income (loss) before income taxes	59,870	45,533	(19,050)	86,353
Income taxes (benefit)	22,659	16,487	(9,340)	29,806
Net income (loss)	37,211	29,046	(9,710)	56,547
Preferred stock dividends of subsidiaries	998		(52)	946
Net income (loss) for common stock	36,213	29,046	(9,658)	55,601
Tangible assets (at June 30, 2011)	4,279,122	4,801,483	71,422	9,152,027
Three months ended June 30, 2010				
Revenues from external customers	\$ 584,048	\$ 71,632	\$ (16)	\$ 655,664
Intersegment revenues (eliminations)	47		(47)	
Revenues	584,095	71,632	(63)	655,664
Income (loss) before income taxes	28,354	25,747	(8,353)	45,748
Income taxes (benefit)	10,213	9,616	(3,816)	16,013
Net income (loss)	18,141	16,131	(4,537)	29,735
Preferred stock dividends of subsidiaries	499		(26)	473
Net income (loss) for common stock	17,642	16,131	(4,511)	29,262
Six months ended June 30, 2010				
Revenues from external customers	\$ 1,132,123	\$ 142,546	\$ 35	\$ 1,274,704
Intersegment revenues (eliminations)	83		(83)	
Revenues	1,132,206	142,546	(48)	1,274,704
Income (loss) before income taxes	57,866	47,483	(16,723)	88,626
Income taxes (benefit)	21,174	17,616	(7,498)	31,292
Net income (loss)	36,692	29,867	(9,225)	57,334
Preferred stock dividends of subsidiaries	998		(52)	946
Net income (loss) for common stock	35,694	29,867	(9,173)	56,388
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 23 through 36 (HECO and Subsidiaries Consolidated Statements of Income (unaudited) through Note 11).

4 • Bank subsidiary**Selected financial information**

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

Consolidated Statements of Income Data (unaudited)

(in thousands)	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
Interest and dividend income				
Interest and fees on loans	\$ 45,648	\$ 49,328	\$ 91,745	\$ 99,073
Interest and dividends on investment and mortgage-related securities	3,793	3,646	7,562	6,963
Total interest and dividend income	49,441	52,974	99,307	106,036
Interest expense				
Interest on deposit liabilities	2,387	3,852	4,980	8,275
Interest on other borrowings	1,382	1,418	2,749	2,844
Total interest expense	3,769	5,270	7,729	11,119
Net interest income	45,672	47,704	91,578	94,917
Provision for loan losses	2,555	990	7,105	6,349
Net interest income after provision for loan losses	43,117	46,714	84,473	88,568
Noninterest income				
Fee income on deposit liabilities	4,599	7,891	9,048	15,411
Fees from other financial services	7,240	6,649	14,186	13,063
Fee income on other financial products	1,861	1,735	3,534	3,260
Other income	3,177	2,383	5,556	4,776
Total noninterest income	16,877	18,658	32,324	36,510
Noninterest expense				
Compensation and employee benefits	18,166	18,907	35,671	36,309
Occupancy	4,288	4,216	8,528	8,441
Data processing	2,058	4,564	4,028	8,902
Services	1,949	1,845	3,720	3,573
Equipment	1,772	1,640	3,429	3,349
Other expense	7,955	8,453	15,888	17,021
Total noninterest expense	36,188	39,625	71,264	77,595
Income before income taxes	23,806	25,747	45,533	47,483
Income taxes	8,611	9,616	16,487	17,616
Net income	\$ 15,195	\$ 16,131	\$ 29,046	\$ 29,867

Edgar Filing: HAWAIIAN ELECTRIC CO INC - Form 10-Q

Table of Contents

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

Consolidated Balance Sheets Data (unaudited)

(in thousands)	June 30, 2011	December 31, 2010
Assets		
Cash and cash equivalents	\$ 178,251	\$ 204,397
Federal funds sold	1,249	1,721
Available-for-sale investment and mortgage-related securities	711,347	678,152
Investment in stock of Federal Home Loan Bank of Seattle	97,764	97,764
Loans receivable held for investment, net	3,580,418	3,489,880
Loans held for sale, at lower of cost or fair value	4,784	7,849
Other	234,524	234,806
Goodwill	82,190	82,190
Total assets	\$ 4,890,527	\$ 4,796,759
Liabilities and shareholder s equity		
Deposit liabilities noninterest-bearing	\$ 912,034	\$ 865,642
Deposit liabilities interest-bearing	3,142,915	3,109,730
Other borrowings	239,122	237,319
Other	99,260	90,683
Total liabilities	4,393,331	4,303,374
Common stock	331,348	330,562
Retained earnings	170,157	169,111
Accumulated other comprehensive loss, net of tax benefits	(4,309)	(6,288)
Total shareholder s equity	497,196	493,385
Total liabilities and shareholder s equity	\$ 4,890,527	\$ 4,796,759
Other assets		
Bank-owned life insurance	\$ 119,671	\$ 117,565
Premises and equipment, net	56,415	56,495
Prepaid expenses	17,700	18,608
Accrued interest receivable	15,178	14,887
Mortgage-servicing rights	6,854	6,699
Real estate acquired in settlement of loans, net	4,722	4,292
Other	13,984	16,260
	\$ 234,524	\$ 234,806
Other liabilities		
Accrued expenses	\$ 13,036	\$ 16,426
Federal and state income taxes payable	34,167	28,372
Cashier s checks	26,486	22,396
Advance payments by borrowers	10,061	10,216
Other	15,510	13,273
	\$ 99,260	\$ 90,683

Other borrowings consisted of securities sold under agreements to repurchase and advances from the Federal Home Loan Bank (FHLB) of Seattle of \$174 million and \$65 million, respectively, as of June 30, 2011 and \$172 million and \$65 million, respectively, as of December 31, 2010.

Edgar Filing: HAWAIIAN ELECTRIC CO INC - Form 10-Q

Bank-owned life insurance is life insurance purchased by ASB on the lives of certain key employees, with ASB as the beneficiary. The insurance is used to fund employee benefits through tax-free income from increases in the cash value of the policies and insurance proceeds paid to ASB upon an insured's death.

As of June 30, 2011, ASB had total commitments to borrowers for loan commitments and unused lines and letters of credit of \$1.3 billion.

Table of Contents**Investment and mortgage-related securities portfolio.**

Available-for-sale securities. The book value and aggregate fair value by major security type were as follows:

(in thousands)	June 30, 2011				December 31, 2010			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Federal agency obligations	\$ 292,346	\$ 1,049	\$ (439)	\$ 292,956	\$ 317,945	\$ 171	\$ (2,220)	\$ 315,896
Mortgage-related securities FNMA, FHLMC and GNMA	365,908	10,680	(209)	376,379	310,711	9,570	(311)	319,970
Municipal bonds	41,459	568	(15)	42,012	43,632	7	(1,353)	42,286
	\$ 699,713	\$ 12,297	\$ (663)	\$ 711,347	\$ 672,288	\$ 9,748	\$ (3,884)	\$ 678,152

The following table details the contractual maturities of available-for-sale securities. All positions with variable maturities (e.g. callable debentures and mortgage-related securities) are disclosed based upon the bond's contractual maturity.

June 30, 2011 (in thousands)		
	Amortized Cost	Fair value
Due in one year or less	\$ 10,800	\$ 10,830
Due after one year through five years	272,346	273,366
Due after five years through ten years	41,577	41,673
Due after ten years	9,082	9,099
	333,805	334,968
Mortgage-related securities-FNMA,FHLMC and GNMA	365,908	376,379
Total available-for-sale securities	\$ 699,713	\$ 711,347

Gross unrealized losses and fair value. The gross unrealized losses and fair values (for securities held in available for sale by duration of time in which positions have been held in a continuous loss position) were as follows:

(in thousands)	Less than 12 months		12 months or more		Total	
	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value
June 30, 2011						
Federal agency obligations	\$ (439)	\$ 39,555	\$	\$	\$ (439)	\$ 39,555
Mortgage-related securities FNMA, FHLMC and GNMA	(100)	19,793	(109)	20,164	(209)	39,957
Municipal bonds	(15)	4,540			(15)	4,540
	\$ (554)	\$ 63,888	\$ (109)	\$ 20,164	\$ (663)	\$ 84,052
December 31, 2010						
Federal agency obligations	\$ (2,220)	\$ 205,316	\$	\$	\$ (2,220)	\$ 205,316

Edgar Filing: HAWAIIAN ELECTRIC CO INC - Form 10-Q

Mortgage-related securities FNMA, FHLMC and GNMA	(311)	30,986	(311)	30,986
Municipal bonds	(1,353)	41,479	(1,353)	41,479
	\$ (3,884)	\$ 277,781	\$ (3,884)	\$ 277,781

The unrealized losses on ASB's investments in obligations issued by federal agencies were caused by interest rate movements. The contractual terms of these investments do not permit the issuer to settle the securities at a price less than the amortized cost bases of the investments. Because ASB does not intend to sell the securities and has determined it is more likely than not that it will not be required to sell the investments before recovery of their amortized costs bases, which may be at maturity, ASB does not consider these investments to be other-than-temporarily impaired at June 30, 2011.

The fair values of ASB's investment securities could decline if interest rates rise or spreads widen.

Edgar Filing: HAWAIIAN ELECTRIC CO INC - Form 10-Q

Table of Contents

Allowance for loan losses. ASB must maintain an allowance for loan losses that is adequate to absorb estimated probable credit losses associated with its loan portfolio. The allowance for loan losses consists of an allocated portion, which estimates credit losses for specifically identified loans and pools of loans, and an unallocated portion.

The allowance for loan losses was comprised of the following:

(in thousands)	Residential 1-4 family	Commercial real estate	Home equity line of credit	Residential land	Commercial construction	Residential construction	Commercial loans	Consumer loans	Unallocated	Total
June 30, 2011										
Allowance for loan losses:										
Beginning balance	\$ 6,497	\$ 1,474	\$ 4,269	\$ 6,411	\$ 1,714	\$ 7	\$ 16,015	\$ 3,325	\$ 934	\$ 40,646
Charge-offs	(2,695)		(362)	(2,790)			(1,773)	(1,518)		(9,138)
Recoveries	33		4	19			300	314		670
Provision	3,694	168	(695)	1,385	15	(2)	327	1,350	863	7,105
Ending balance	\$ 7,529	\$ 1,642	\$ 3,216	\$ 5,025	\$ 1,729	\$ 5	\$ 14,869	\$ 3,471	\$ 1,797	\$ 39,283
Ending balance: individually evaluated for impairment	\$ 230	\$	\$	\$ 3,067	\$	\$	\$ 1,923	\$	\$	\$ 5,220
Ending balance: collectively evaluated for impairment	\$ 7,299	\$ 1,642	\$ 3,216	\$ 1,958	\$ 1,729	\$ 5	\$ 12,946	\$ 3,471	\$ 1,797	\$ 34,063
Financing Receivables:										
Ending balance	\$ 2,028,502	\$ 321,967	\$ 466,783	\$ 51,901	\$ 38,419	\$ 3,738	\$ 640,221	\$ 83,059	\$	\$ 3,634,590
Ending balance: individually evaluated for impairment	\$ 30,816	\$ 13,543	\$ 1,263	\$ 41,268	\$	\$	\$ 54,620	\$ 25	\$	\$ 141,535
Ending balance: collectively evaluated for impairment	\$ 1,997,686	\$ 308,424	\$ 465,520	\$ 10,633	\$ 38,419	\$ 3,738	\$ 585,601	\$ 83,034	\$	\$ 3,493,055
December 31, 2010										
Allowance for loan losses:										
Beginning balance	\$ 5,522	\$ 861	\$ 4,679	\$ 4,252	\$ 3,068	\$ 19	\$ 19,498	\$ 2,590	\$ 1,190	\$ 41,679
Charge-offs	(6,142)		(2,517)	(6,487)			(6,261)	(3,408)		(24,815)
Recoveries	744		63	63			1,537	481		2,888
Provision	6,373	613	2,044	8,583	(1,354)	(12)	1,241	3,662	(256)	20,894
Ending balance	\$ 6,497	\$ 1,474	\$ 4,269	\$ 6,411	\$ 1,714	\$ 7	\$ 16,015	\$ 3,325	\$ 934	\$ 40,646
Ending balance: individually evaluated for impairment	\$ 230	\$	\$	\$ 1,642	\$	\$	\$ 1,588	\$	\$	\$ 3,460
Ending balance: collectively evaluated for impairment	\$ 6,267	\$ 1,474	\$ 4,269	\$ 4,769	\$ 1,714	\$ 7	\$ 14,427	\$ 3,325	\$ 934	\$ 37,186
Financing Receivables:										
Ending balance	\$ 2,087,813	\$ 300,689	\$ 416,453	\$ 65,599	\$ 38,079	\$ 5,602	\$ 551,683	\$ 80,138	\$	\$ 3,546,056
Ending balance: individually evaluated for impairment	\$ 34,615	\$ 12,156	\$ 827	\$ 39,631	\$	\$	\$ 28,886	\$ 76	\$	\$ 116,191
Ending balance: collectively evaluated	\$ 2,053,198	\$ 288,533	\$ 415,626	\$ 25,968	\$ 38,079	\$ 5,602	\$ 522,797	\$ 80,062	\$	\$ 3,429,865

for impairment

Credit quality. ASB performs an internal loan review and grading on an ongoing basis. The review provides management with periodic information as to the quality of the loan portfolio and effectiveness of its lending policies and procedures. The objectives of the loan review and grading procedures are to identify, in a timely manner, existing or emerging credit quality problems so that appropriate steps can be initiated to avoid or minimize future losses. Loans subject to grading include commercial, commercial real estate and commercial construction loans.

A ten-point risk rating system is used to determine loan grade and is based on borrower loan risk. The risk rating is a numerical representation of risk based on the overall assessment of the borrower's financial and operating strength including earnings, operating cash flow, debt service capacity, asset and liability structure, competitive issues, experience and quality of management, financial reporting issues and industry/economic factors.

Edgar Filing: HAWAIIAN ELECTRIC CO INC - Form 10-Q

Table of Contents

The loan grade categories are:

- | | |
|-----------------------------|--------------------|
| 1- Substantially risk free | 6- Acceptable risk |
| 2- Minimal risk | 7- Special mention |
| 3- Modest risk | 8- Substandard |
| 4- Better than average risk | 9- Doubtful |
| 5- Average risk | 10- Loss |

Grades 1 through 6 are considered pass grades. Pass exposures generally are well protected by the current net worth and paying capacity of the obligor or by the value of the asset or underlying collateral.

The credit risk profile by internally assigned grade for loans was as follows:

(in thousands)	June 30, 2011			December 31, 2010		
	Commercial real estate	Commercial construction	Commercial	Commercial real estate	Commercial construction	Commercial
Grade:						
Pass	\$ 305,260	\$ 38,419	\$ 557,463	\$ 285,624	\$ 38,079	\$ 462,078
Special mention	1,056		23,820	526		44,759
Substandard	15,651		56,795	14,539		44,259
Doubtful			1,978			556
Loss			165			31
Total	\$ 321,967	\$ 38,419	\$ 640,221	\$ 300,689	\$ 38,079	\$ 551,683

The credit risk profile based on payment activity for loans was as follows:

(in thousands)	30-59 days past due	60-89 days past due	Greater than 90 days	Total past due	Current	Total financing receivables	Recorded Investment > 90 days and accruing
	June 30, 2011						
Real estate loans:							
Residential 1-4 family	\$ 4,775	\$ 2,837	\$ 34,942	\$ 42,554	\$ 1,985,948	\$ 2,028,502	\$
Commercial real estate					321,967	321,967	
Home equity line of credit	993	729	1,492	3,214	463,569	466,783	
Residential land	968	834	14,027	15,829	36,072	51,901	
Commercial construction					38,419	38,419	
Residential construction					3,738	3,738	
Commercial loans	1,400	1,667	2,837	5,904	634,317	640,221	60
Consumer loans	483	280	615	1,378	81,681	83,059	442
Total loans	\$ 8,619	\$ 6,347	\$ 53,913	\$ 68,879	\$ 3,565,711	\$ 3,634,590	\$ 502

December 31, 2010

Real estate loans:

Edgar Filing: HAWAIIAN ELECTRIC CO INC - Form 10-Q

Residential 1-4 family	\$	8,245	\$	3,719	\$	36,419	\$	48,383	\$	2,039,430	\$	2,087,813	\$	
Commercial real estate				4				4		300,685		300,689		
Home equity line of credit		1,103		227		1,659		2,989		413,464		416,453		
Residential land		1,543		1,218		16,060		18,821		46,778		65,599	581	
Commercial construction										38,079		38,079		
Residential construction										5,602		5,602		
Commercial loans		892		1,317		3,191		5,400		546,283		551,683	64	
Consumer loans		629		410		617		1,656		78,482		80,138	320	
Total loans	\$	12,412	\$	6,895	\$	57,946	\$	77,253	\$	3,468,803	\$	3,546,056	\$	965

Edgar Filing: HAWAIIAN ELECTRIC CO INC - Form 10-Q

Table of Contents

The credit risk profile based on nonaccrual loans, accruing loans 90 days or more past due and troubled debt restructured loans was as follows:

(in thousands)	Nonaccrual loans	June 30, 2011 Accruing loans 90 days or more past due	Trouble debt restructured loans	Nonaccrual loans	December 31, 2010 Accruing loans 90 days or more past due	Trouble debt restructured loans
Real estate loans:						
Residential 1-4 family	\$ 34,942	\$	\$ 4,938	\$ 36,420	\$	\$ 5,150
Commercial real estate						1,963
Home equity line of credit	1,492			1,659		
Residential land	16,022		25,857	15,479	581	27,689
Commercial construction						
Residential construction						
Commercial loans	5,442	60	26,203	4,956	64	4,035
Consumer loans	210	442		341	320	
Total	\$ 58,108	\$ 502	\$ 56,998	\$ 58,855	\$ 965	\$ 38,837

The total carrying amount and the total unpaid principal balance of impaired loans were as follows:

(in thousands)	Recorded investment	June 30, 2011 Unpaid principal balance	Related Allowance	Three months ended June 30, 2011 Average recorded investment	Interest income recognized	Six months ended June 30, 2011 Average recorded investment	Interest income recognized
With no related allowance recorded							
Real estate loans:							
Residential 1-4 family	\$ 20,771	\$ 28,523	\$	\$ 20,000	\$ 68	\$ 19,848	\$ 128
Commercial real estate	13,543	13,543		12,396	183	11,276	331
Home equity line of credit	543	1,422		654	1	615	1
Residential land	32,310	40,526		32,092	420	33,177	939
Commercial construction							
Residential construction							
Commercial loans	43,665	43,665		39,419	702	37,284	1,361
Consumer loans							
	110,832	127,679		104,561	1,374	102,200	2,760
With an allowance recorded							
Real estate loans:							
Residential 1-4 family	3,884	3,884	230	3,890	49	3,898	109
Commercial real estate							
Home equity line of credit							
Residential land	8,748	8,808	3,067	8,482	146	7,363	316
Commercial construction							
Residential construction							
Commercial loans	10,955	10,955	1,923	8,418	130	7,179	230
Consumer loans							
	23,587	23,647	5,220	20,790	325	18,440	655
Total							

Edgar Filing: HAWAIIAN ELECTRIC CO INC - Form 10-Q

Real estate loans:

Residential 1-4 family	24,655	32,407	230	23,890	117	23,746	237
Commercial real estate	13,543	13,543		12,396	183	11,276	331
Home equity line of credit	543	1,422		654	1	615	1
Residential land	41,058	49,334	3,067	40,574	566	40,540	1,255
Commercial construction							
Residential construction							
Commercial loans	54,620	54,620	1,923	47,837	832	44,463	1,591
Consumer loans							
	\$ 134,419	\$ 151,326	\$ 5,220	\$ 125,351	\$ 1,699	\$ 120,640	\$ 3,415

Table of Contents

(in thousands)	Recorded investment	December 31, 2010 Unpaid principal balance	Related allowance	2010 Average recorded investment	Interest income recognized
With no related allowance recorded					
Real estate loans:					
Residential 1-4 family	\$ 18,205	\$ 24,692	\$	\$ 14,609	\$ 278
Commercial real estate	12,156	12,156		14,276	979
Home equity line of credit					
Residential land	33,777	40,802		29,914	1,499
Commercial construction					
Residential construction					
Commercial loans	22,041	22,041		29,636	1,846
Consumer loans					
	86,179	99,691		88,435	4,602
With an allowance recorded					
Real estate loans:					
Residential 1-4 family	3,917	3,917	230	2,807	175
Commercial real estate					
Home equity line of credit					
Residential land	5,041	5,090	1,642	3,753	327
Commercial construction					
Residential construction					
Commercial loans	6,845	6,845	1,588	2,796	182
Consumer loans					
	15,803	15,852	3,460	9,356	684
Total					
Real estate loans:					
Residential 1-4 family	22,122	28,609	230	17,416	453
Commercial real estate	12,156	12,156		14,276	979
Home equity line of credit					
Residential land	38,818	45,892	1,642	33,667	1,826
Commercial construction					
Residential construction					
Commercial loans	28,886	28,886	1,588	32,432	2,028
Consumer loans					
	\$ 101,982	\$ 115,543	\$ 3,460	\$ 97,791	\$ 5,286

Litigation. In March 2011, a purported class action lawsuit was filed by a customer who claimed that ASB had improperly charged overdraft fees on debit card transactions. Management is evaluating the merits of the claims alleged in the lawsuit, which is in its preliminary stage. Thus, the outcome is not determinable.

5 • Retirement benefits

Retirement benefit plan changes. On March 11, 2011, the utilities union members ratified a new benefit agreement, which included changes to retirement benefits. Changes to retirement benefits for HEI and utility employees commencing employment after April 30, 2011 include a reduction of benefits provided through the defined benefit plan (the Retirement Plan for Employees of Hawaiian Electric Industries, Inc. and Participating Subsidiaries) and the addition of a 50% match by the applicable employer on the first 6% of employee deferrals through the

Edgar Filing: HAWAIIAN ELECTRIC CO INC - Form 10-Q

defined contribution plan (under the Hawaiian Electric Industries Retirement Savings Plan (HEIRSP)). In addition, new eligibility rules and contribution levels applicable to existing and new HEI and utility employees were adopted for postretirement welfare benefits. In general, defined pension benefits are based on the employees' years of service and compensation.

Defined benefit plans. For the six months of 2011, HEI contributed \$0.5 million (unconsolidated) to its retirement benefit plans, compared to \$0.4 million in the first six months of 2010. HEI's current estimate of contributions to its

Table of Contents

retirement benefit plans in 2011 is \$2 million (unconsolidated), compared to \$1 million in 2010. In addition, HEI expects to pay directly \$1 million (unconsolidated) of benefits in 2011, comparable to 2010. For a discussion of HECO's 2011 estimated contributions to the retirement benefit plans, see Note 4, Retirement benefits, of HECO's Notes to Consolidated Financial Statements.

The components of net periodic benefit cost for consolidated HEI were as follows:

(in thousands)	Three months ended June 30				Six months ended June 30			
	Pension benefits		Other benefits		Pension benefits		Other benefits	
	2011	2010	2011	2010	2011	2010	2011	2010
Service cost	\$ 8,824	\$ 7,095	\$ 1,173	\$ 1,168	\$ 17,741	\$ 14,048	\$ 2,440	\$ 2,291
Interest cost	16,271	16,093	2,417	2,652	32,580	32,133	4,878	5,336
Expected return on plan assets	(17,172)	(17,221)	(2,657)	(2,766)	(34,273)	(34,415)	(5,305)	(5,518)
Amortization of unrecognized transition obligation					1	1		
Amortization of prior service gain	(97)	(97)	(309)	(52)	(194)	(194)	(533)	(104)
Recognized actuarial loss (gain)	4,314	1,791	40	(2)	8,719	3,507	55	(3)
Net periodic benefit cost	12,140	7,661	664	1,000				