HAWAIIAN ELECTRIC CO INC
Form 10-Q
May 10, 2010
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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, 2010

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

State of Hawaii

(State or other jurisdiction of incorporation or organization)

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 x No o

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 x No o

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 o No o

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 o No o

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 o No x

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 o No x

APPLICABLE ONLY TO CORPORATE ISSUERS:

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 May 7, 2010
Hawaiian Electric Industries, Inc. (Without Par Value)	93,174,549 Shares
Hawaiian Electric Company, Inc. ($6-2/3 Par Value)	13,786,959 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 x

Accelerated filer o

Non-accelerated filer o
(Do not check if a smaller reporting company)

Smaller reporting company o

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 o

Accelerated filer o

Non-accelerated filer x
(Do not check if a smaller reporting company)

Smaller reporting company o

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Hawaiian Electric Industries, Inc. and Subsidiaries

Hawaiian Electric Company, Inc. and Subsidiaries

Form 10-Q Quarter ended March 31, 2010

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Hawaiian Electric Industries, Inc. and Subsidiaries

Hawaiian Electric Company, Inc. and Subsidiaries

Form 10-Q Quarter ended March 31, 2010

GLOSSARY OF TERMS

Terms	Definitions
AFUDC	Allowance for funds used during construction
AOCI	Accumulated other comprehensive income
ASB	American Savings Bank, F.S.B., a wholly-owned subsidiary of American Savings Holdings, Inc. and parent company of American Savings Investment Services Corp. (and its subsidiary, Bishop Insurance Agency of Hawaii, Inc., substantially all of whose assets were sold in 2008). Former subsidiaries include ASB Service Corporation (dissolved in January 2004), ASB Realty Corporation (dissolved in May 2005) and AdCommunications, Inc. (dissolved in May 2007).
ASHI	American Savings Holdings, Inc., formerly HEI Diversified, Inc., a wholly owned subsidiary of Hawaiian Electric Industries, Inc. and the parent company of American Savings Bank, F.S.B.
CEIS	Clean Energy Infrastructure Surcharge
CHP	Combined heat and power
CIP CT-1	Campbell Industrial Park combustion turbine No. 1
Company	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 subsidiaries (listed under ASB); Pacific Energy Conservation Services, Inc.; HEI Properties, Inc.; HEI Investments, Inc. (dissolved 2008); 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.). Former subsidiaries of HEI (other than former subsidiaries of HECO and ASB and former subsidiaries of HEI sold or dissolved prior to 2004) include Hycap Management, Inc. (dissolution completed in 2007); Hawaiian Electric Industries Capital Trust I (dissolved and terminated in 2004)*, HEI Preferred Funding, LP (dissolved and terminated in 2004)*, Malama Pacific Corp. (discontinued operations, dissolved in June 2004), and HEI Power Corp. (discontinued operations, dissolved in 2006) and its dissolved subsidiaries. (*unconsolidated subsidiaries as of January 1, 2004).
	When used in Hawaiian Electric Company, Inc. sections, the Company refers to Hawaiian Electric Company, Inc. and its direct subsidiaries.
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
DOD	Department of Defense federal
DOE	Department of Energy federal
DOH	Department of Health of the State of Hawaii
DRIP	HEI Dividend Reinvestment and Stock Purchase Plan
DSM	Demand-side management
ECAC	Energy cost adjustment clauses
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

Exchange Act	Securities Exchange Act of 1934
FASB	Financial Accounting Standards Board
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

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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. Former subsidiaries include HECO Capital Trust I (dissolved and terminated in 2004)* and HECO Capital Trust II (dissolved and terminated in 2004)*. (*unconsolidated subsidiaries as of January 1, 2004).
HEI	Hawaiian Electric Industries, Inc., direct parent company of Hawaiian Electric Company, Inc., American Savings Holdings, Inc., Pacific Energy Conservation Services, Inc., HEI Properties, Inc., HEI Investments, Inc. (dissolved 2008), Hawaiian Electric Industries Capital Trust II, Hawaiian Electric Industries Capital Trust III and The Old Oahu Tug Service, Inc. (formerly Hawaiian Tug & Barge Corp.). Former subsidiaries (other than those sold or dissolved prior to 2004) are listed under Company.
HEIII	HEI Investments, Inc. (formerly HEI Investment Corp.) (dissolved in 2008), a wholly owned subsidiary of Hawaiian Electric Industries, Inc.
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
IRP	Integrated resource plan
Kalaeloa	Kalaeloa Partners, L.P.
kV	Kilovolt
kW	Kilowatt
KWH	Kilowatthour
MECO	Maui Electric Company, Limited, an electric utility subsidiary of Hawaiian Electric Company, Inc.
MW	Megawatt/s (as applicable)
MWh	Megawatthour
NII	Net interest income
NPV	Net portfolio value
NQSO	Nonqualified stock option
O&M	Operation and maintenance
OPEB	Postretirement benefits other than pensions
OTS	Office of Thrift Supervision, Department of Treasury
PBF	Public benefits fund
PPA	Power purchase agreement
PRPs	Potentially responsible parties
PUC	Public Utilities Commission of the State of Hawaii
RBA	Revenue balancing account
REG	Renewable Energy Group Marketing and Logistics, LLC
RFP	Request for proposal
RHI	Renewable Hawaii, Inc., a wholly owned subsidiary of Hawaiian Electric Company, Inc.
ROACE	Return on average common equity
ROR	Return on average rate base
RPS	Renewable portfolio standards
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

SPRBs	Special Purpose Revenue Bonds
TOOTS	The Old Oahu Tug Service, a wholly owned subsidiary of Hawaiian Electric Industries, Inc.
UBC	Uluwehiokama Biofuels Corp., a newly formed, non-regulated subsidiary of Hawaiian Electric Company, Inc.
VIE	Variable interest entity

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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. I 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 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 current capital and credit market conditions and federal and state responses to those conditions, such as the Emergency Economic Stabilization Act of 2008 and the American Economic Recovery and Reinvestment Act of 2009;

- weather and natural disasters, such as hurricanes, earthquakes, tsunamis, lightning strikes and the potential effects of global warming (such as more severe storms and rising sea levels);

- global developments, including terrorist acts, the war on terrorism, continuing U.S. presence in Iraq and Afghanistan, potential conflict or crisis with North Korea or in the Middle East, Iran s nuclear activities and potential H1N1 and avian flu pandemics;

- 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 and market for securities available for sale and in the value of pension and other retirement plan assets;

- changes in laws, regulations, market conditions and other factors that result in changes in assumptions used to calculate retirement benefits costs and funding requirements and the fair value of ASB used to test goodwill for impairment;

- the impact of potential legislative and regulatory changes increasing oversight of and reporting by banks in response to the recent financial crisis and federal bailout of financial institutions;

- increasing competition in the electric utility and banking industries (e.g., increased self-generation of electricity may have an adverse impact on HECO s revenues and increased price competition for deposits, or an outflow of deposits to alternative investments, may have an adverse impact on ASB s cost of funds);

- 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 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, 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 (CHP) 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;

- 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 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 and its subsidiaries) or their competitors;

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- 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, regulatory changes resulting from the HCEI, environmental laws and regulations, the regulation of greenhouse gas emissions (GHG), healthcare reform, governmental fees and assessments (such as Federal Deposit Insurance Corporation assessments), potential carbon cap and trade legislation that may fundamentally alter costs to produce electricity and accelerate the move to renewable generation, and the potential elimination of the Office of Thrift Supervision (OTS) and the grandfathering provisions of the Gramm-Leach-Bliley Act of 1999 (Gramm Act) that have permitted HEI to own ASB);

- decisions by the PUC in rate cases (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 in other proceedings by the PUC and by other agencies and courts on land use, environmental and other permitting issues (such as required corrective actions, restrictions and penalties that may arise, for example with respect to environmental conditions or renewable portfolio standards (RPS));

- enforcement actions by the OTS 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 banking regulations or with respect to capital adequacy);

- increasing operation and maintenance expenses and investment in infrastructure for the electric utilities, resulting in the need for more frequent rate cases;

- the ability of ASB to execute its performance improvement project, including the reduction of expenses through the conversion to the Fiserv Inc. bank platform system;

- the risks associated with the geographic concentration of HEI s businesses and ASB s loans, ASB s concentration in a single product type (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 (IFRS) or new U.S. accounting standards, the potential discontinuance of regulatory accounting and the effects of potentially required consolidation of variable interest entities 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;

- the risks of suffering losses and incurring liabilities that are uninsured; 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.

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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)	2010	2009
Revenues		
Electric utility	$ 548,111	$ 461,797
Bank	70,914	82,032
Other	15	(32)
	619,040	543,797
Expenses		
Electric utility	505,502	430,728
Bank	49,143	64,911
Other	3,688	3,500
	558,333	499,139
Operating income (loss)		
Electric utility	42,609	31,069
Bank	21,771	17,121
Other	(3,673)	(3,532)
	60,707	44,658
Interest expense other than on deposit liabilities and other bank borrowings	(20,381)	(17,833)
Allowance for borrowed funds used during construction	779	1,622
Allowance for equity funds used during construction	1,773	3,605
Income before income taxes	42,878	32,052
Income taxes	15,279	11,184
Net income	27,599	20,868
Preferred stock dividends of subsidiaries	473	473
Net income for common stock	$ 27,126	$ 20,395
Basic earnings per common share	$ 0.29	$ 0.23
Diluted earnings per common share	$ 0.29	$ 0.22
Dividends per common share	$ 0.31	$ 0.31
Weighted-average number of common shares outstanding	92,572	90,604
Dilutive effect of share-based compensation	276	88
Adjusted weighted-average shares	92,848	90,692

See accompanying Notes to Consolidated Financial Statements for HEI.

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Hawaiian Electric Industries, Inc. and Subsidiaries

Consolidated Balance Sheets (unaudited)

(dollars in thousands)		March 31, 2010		December 31, 2009
Assets				
Cash and equivalents	$	341,330	$	502,443
Federal funds sold		702		1,479
Accounts receivable and unbilled revenues, net		233,885		241,116
Available-for-sale investment and mortgage-related securities		584,485		432,881
Investment in stock of Federal Home Loan Bank of Seattle		97,764		97,764
Loans receivable, net		3,623,127		3,670,493
Property, plant and equipment, net of accumulated depreciation of $1,970,087 and $1,945,482		3,091,190		3,088,611
Regulatory assets		426,146		426,862
Other		412,121		381,163
Goodwill, net		82,190		82,190
	$	8,892,940	$	8,925,002
Liabilities and stockholders equity				
Liabilities				
Accounts payable	$	189,149	$	186,994
Deposit liabilities		4,008,391		4,058,760
Short-term borrowings other than bank		60,238		41,989
Other bank borrowings		294,154		297,628
Long-term debt, net other than bank		1,364,847		1,364,815
Deferred income taxes		189,512		188,875
Regulatory liabilities		297,332		288,214
Contributions in aid of construction		323,090		321,544
Other		678,491		700,242
		7,405,204		7,449,061
Preferred stock of subsidiaries - not subject to mandatory redemption		34,293		34,293
Stockholders 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: 93,095,818 shares and 92,520,638 shares		1,277,333		1,265,157
Retained earnings		182,646		184,213
Accumulated other comprehensive loss, net of tax benefits		(6,536)		(7,722)
		1,453,443		1,441,648
	$	8,892,940	$	8,925,002

See accompanying Notes to Consolidated Financial Statements for HEI.

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Hawaiian Electric Industries, Inc. and Subsidiaries

Consolidated Statements of Changes in Stockholders Equity (unaudited)

(in thousands, except per share amounts)	Common stock Shares	Common stock Amount	Retained earnings	Accumulated other comprehensive loss	Total
Balance, December 31, 2009	**92,521**	**$ 1,265,157**	**$ 184,213**	**$ (7,722)**	**$ 1,441,648**
Comprehensive income:					
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:					
Amortization of net loss, prior service gain and transition obligation included in net periodic benefit cost, net of taxes of $609				958	958
Less: reclassification adjustment for impact of D&Os of the PUC included in regulatory assets, net of tax benefits of $526				(825)	(825)
Comprehensive income			27,126	1,186	28,312
Issuance of common stock, net	575	12,176			12,176
Common stock dividends ($0.31 per share)			(28,693)		(28,693)
Balance, March 31, 2010	**93,096**	**$ 1,277,333**	**$ 182,646**	**$ (6,536)**	**$ 1,453,443**
Balance, December 31, 2008	**90,516**	**$ 1,231,629**	**$ 210,840**	**$ (53,015)**	**$ 1,389,454**
Comprehensive income:					
Net income for common stock			20,395		20,395
Net unrealized gains on securities arising during the period, net of taxes of $5,711				8,649	8,649
Retirement benefit plans:					
Amortization of net loss, prior service gain and transition obligation included in net periodic benefit cost, net of taxes of $1,862				2,918	2,918
Less: reclassification adjustment for impact of D&Os of the PUC included in regulatory assets, net of tax benefits of $1,668				(2,619)	(2,619)
Comprehensive income			20,395	8,948	29,343
Issuance of common stock, net	924	13,419			13,419
Common stock dividends ($0.31 per share)			(28,113)		(28,113)
Balance, March 31, 2009	**91,440**	**$ 1,245,048**	**$ 203,122**	**$ (44,067)**	**$ 1,404,103**

See accompanying Notes to Consolidated Financial Statements for HEI.

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Hawaiian Electric Industries, Inc. and Subsidiaries

Consolidated Statements of Cash Flows (unaudited)

Three months ended March 31 (in thousands)	2010	2009
Cash flows from operating activities		
Net income	$ 27,599	$ 20,868
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation of property, plant and equipment	39,798	38,494
Other amortization	1,565	594
Provision for loan losses	5,359	8,300
Loans receivable originated and purchased, held for sale	(78,685)	(171,390)
Proceeds from sale of loans receivable, held for sale	82,814	192,367
Changes in deferred income taxes	(129)	(2,530)
Changes in excess tax benefits from share-based payment arrangements	(43)	(21)
Allowance for equity funds used during construction	(1,773)	(3,605)
Increase in cash overdraft	681	
Changes in assets and liabilities		
Decrease in accounts receivable and unbilled revenues, net	7,231	101,743
Decrease (increase) in fuel oil stock	(26,506)	15,028
Increase (decrease) in accounts payable	2,155	(24,873)
Changes in prepaid and accrued income taxes and utility revenue taxes	(48,689)	(48,253)
Changes in other assets and liabilities	(1,508)	(11,045)
Net cash provided by operating activities	**9,869**	**115,677**
Cash flows from investing activities		
Available-for-sale investment and mortgage-related securities purchased	(170,385)	(109,364)
Principal repayments on available-for-sale investment and mortgage-related securities	48,338	180,918
Net decrease in loans held for investment	38,072	163,721
Proceed from sale of real estate acquired in settlement of loans	1,279	
Capital expenditures	(34,816)	(80,510)
Contributions in aid of construction	3,729	2,362
Other		86
Net cash provided by (used in) investing activities	**(113,783)**	**157,213**
Cash flows from financing activities		
Net decrease in deposit liabilities	(50,369)	(26,051)
Net increase in short-term borrowings with original maturities of three months or less	18,249	
Net decrease in retail repurchase agreements	(3,461)	(2,366)
Proceeds from other bank borrowings		310,000
Repayments of other bank borrowings		(552,517)
Proceeds from issuance of long-term debt		3,148
Changes in excess tax benefits from share-based payment arrangements	43	21
Net proceeds from issuance of common stock	5,557	7,365
Common stock dividends	(23,048)	(22,765)
Preferred stock dividends of subsidiaries	(473)	(473)
Decrease in cash overdraft		(5,865)
Other	(4,474)	(5,463)
Net cash used in financing activities	**(57,976)**	**(294,966)**
Net decrease in cash and equivalents and federal funds sold	(161,890)	(22,076)
Cash and equivalents and federal funds sold, beginning of period	503,922	183,435
Cash and equivalents and federal funds sold, end of period	**$ 342,032**	**$ 161,359**

See accompanying Notes to Consolidated Financial Statements for HEI.

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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 incorporated by reference in HEI s Form 10-K for the year ended December 31, 2009.

In the opinion of HEI s management, the accompanying unaudited consolidated financial statements contain all material adjustments required by GAAP to present fairly the Company s financial position as of March 31, 2010 and December 31, 2009 and the results of its operations and cash flows for the three months ended March 31, 2010 and 2009. 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.

In April 2010, management evaluated the impact of Accounting Standards Update (ASU) 2009-04, Accounting for Redeemable Equity Instruments, and the provisions of the utilities $34 million of preferred stock that allowed preferred shareholders to potentially control the board if preferred dividends were not paid for four quarters, which could lead to the redemption of the preferred shares. This evaluation resulted in the movement of preferred stock of subsidiaries on the consolidated balance sheet from stockholders equity to mezzanine equity and the removal of preferred stock of subsidiaries from the consolidated statement of changes in stockholders equity for all prior periods presented, which changes were immaterial to the financial statements. There were no changes to previously reported operating income, net income, earnings per share and cash flows.

2 • Segment financial information

(in thousands)	Electric Utility	Bank	Other	Total
Three months ended March 31, 2010				
Revenues from external customers	$ 548,075	$ 70,914	$ 51	$ 619,040
Intersegment revenues (eliminations)	36		(36)	
Revenues	548,111	70,914	15	619,040
Profit (loss)*	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
Assets (at March 31, 2010)	3,957,323	4,926,101	9,516	8,892,940
Three months ended March 31, 2009				
Revenues from external customers	$ 461,761	$ 82,032	$ 4	$ 543,797
Intersegment revenues (eliminations)	36		(36)	
Revenues	461,797	82,032	(32)	543,797
Profit (loss)*	23,083	17,092	(8,123)	32,052
Income taxes (benefit)	8,452	6,210	(3,478)	11,184
Net income (loss)	14,631	10,882	(4,645)	20,868
Preferred stock dividends of subsidiaries	499		(26)	473
Net income (loss) for common stock	14,132	10,882	(4,619)	20,395
Assets (at March 31, 2009)	3,793,747	5,159,756	6,453	8,959,956

* Income (loss) before income taxes.

Intercompany electric sales of consolidated HECO 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.

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.

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3 • Electric utility subsidiary

For HECO s consolidated financial information, including its commitments and contingencies, see pages 20 through 49.

4 • Bank subsidiary

Selected financial information

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

Consolidated Statements of Income Data (unaudited)

Three months ended March 31 **(in thousands)**	**2010**	**2009**
Interest and dividend income		
Interest and fees on loans	$ 49,745	$ 58,092
Interest and dividends on investment and mortgage-related securities	3,317	7,676
	53,062	65,768
Interest expense		
Interest on deposit liabilities	4,423	11,565
Interest on other borrowings	1,426	3,264
	5,849	14,829
Net interest income	47,213	50,939
Provision for loan losses	5,359	8,300
Net interest income after provision for loan losses	41,854	42,639
Noninterest income		
Fee income on deposit liabilities	7,520	6,711
Fees from other financial services	6,414	5,919
Fee income on other financial products	1,525	1,044
Other income	2,393	2,590
	17,852	16,264
Noninterest expense		
Compensation and employee benefits	17,402	19,360
Occupancy	4,225	5,129
Data processing	4,338	3,187
Services	1,728	3,418
Equipment	1,709	2,790
Other expense	8,568	7,927
	37,970	41,811
Income before income taxes	21,736	17,092
Income taxes	8,000	6,210
Net income	$ 13,736	$ 10,882

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

Consolidated Balance Sheets Data (unaudited)

(in thousands)	March 31, 2010	December 31, 2009
Assets		
Cash and equivalents	$ 308,291	$ 425,896
Federal funds sold	702	1,479
Available-for-sale investment and mortgage-related securities	584,485	432,881
Investment in stock of Federal Home Loan Bank of Seattle	97,764	97,764
Loans receivable, net	3,623,127	3,670,493
Other	229,542	230,282
Goodwill, net	82,190	82,190
	$ 4,926,101	$ 4,940,985
Liabilities and stockholder s equity		
Deposit liabilities noninterest-bearing	$ 801,846	$ 808,474
Deposit liabilities interest-bearing	3,206,545	3,250,286
Other borrowings	294,154	297,628
Other	122,721	92,129
	4,425,266	4,448,517
Common stock	329,469	329,439
Retained earnings	175,391	172,655
Accumulated other comprehensive loss, net of tax benefits	(4,025)	(9,626)
	500,835	492,468
	$ 4,926,101	$ 4,940,985

Other assets

(in thousands)	March 31, 2010	December 31, 2009
Bank-owned life insurance	$ 114,465	$ 113,433
Premises and equipment, net	53,320	54,428
Prepaid expenses	23,752	24,353
Accrued interest receivable	14,831	15,247
Mortgage-servicing rights	4,521	4,200
Real estate acquired in settlement of loans, net	4,164	3,959
Other	14,489	14,662
	$ 229,542	$ 230,282

Other liabilities

(in thousands)	March 31, 2010	December 31, 2009

Accrued expenses	$	44,871	$	17,270
Federal and state income taxes payable		30,528		19,141
Cashier s checks		24,735		26,877
Advance payments by borrowers		6,515		10,989
Other		16,072		17,852
	$	122,721	$	92,129

Other borrowings consisted of securities sold under agreements to repurchase and advances from the Federal Home Loan Bank (FHLB) of Seattle of $229 million and $65 million, respectively, as of March 31, 2010 and $233 million and $65 million, respectively, as of December 31, 2009.

Bank-owned life insurance is life insurance purchased by ASB on the lives of certain 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.

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As of March 31, 2010, ASB had commitments to borrowers for undisbursed loan funds, loan commitments and unused lines and letters of credit of $1.2 billion.

Investment and mortgage-related securities portfolio.

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

	March 31, 2010				December 31, 2009			
(in thousands)	**Book value**	**Gross unrealized gains**	**Gross unrealized losses**	**Estimated fair value**	**Book value**	**Gross unrealized gains**	**Gross unrealized losses**	**Estimated fair value**
Investment securities federal agency obligations	$ 276,427	$ 267	$ (164)	$ 276,530	$ 104,091	$ 109	$ (156)	$ 104,044
Mortgage-related securities FNMA, FHLMC and GNMA	297,160	9,471		306,631	319,642	7,967	(88)	327,521
Municipal bonds	1,300	24		1,324	1,300	16		1,316
	$ 574,887	$ 9,762	$ (164)	$ 584,485	$ 425,033	$ 8,092	$ (244)	$ 432,881

The following tables detail the contractual maturities and yields of available-for-sale securities. All positions with variable maturities (e.g., callable debentures and mortgage backed securities) are disclosed based upon the bond s contractual maturity. Actual average maturities may be substantially shorter than those detailed below.

			Maturity<1 year		Maturity 1-5 years		Maturity 5-10 years		Maturity>10 years	
(dollars in thousands)	**Book value**	**Weighted average yield (%)**	**Book value**	**Yield (%)**	**Book value**	**Yield (%)**	**Book value**	**Yield (%)**	**Book value**	**Yield (%)**
March 31, 2010										
Investment securities federal agency obligations	$ 276,427	1.23	$		$ 244,578	1.11	$ 21,849	2.13	$ 10,000	2.11
Mortgage-related securities FNMA, FHLMC and GNMA	297,160	3.78			4,832	2.34	129,615	3.79	162,713	3.81
Municipal bonds	1,300	2.27	500	1.92	800	2.50				
	$ 574,887	2.55	$ 500	1.92	$ 250,210	1.14	$ 151,464	3.55	$ 172,713	3.71
December 31, 2009										
Investment securities federal agency obligations	$ 104,091	1.08	$		$ 94,091	1.01	$ 10,000	1.80	$	
Mortgage-related securities FNMA, FHLMC and GNMA	319,642	3.85			5,787	2.32	138,617	3.80	175,238	3.94
Municipal bonds	1,300	2.27	500	1.92	800	2.50				
	$ 425,033	3.17	$ 500	1.92	$ 100,678	1.10	$ 148,617	3.67	$ 175,238	3.94

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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:

	Less than 12 months		12 months or more		Total	
	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value
March 31, 2010						
Investment securities federal agency obligations	$ (164)	$ 118,512	$	$	$ (164)	$ 118,512
Mortgage-related securities FNMA, FHLMC and GNMA						
Municipal bonds						
	$ (164)	$ 118,512	$	$	$ (164)	$ 118,512
December 31, 2009						
Investment securities federal agency obligations	$ (156)	$ 54,834	$	$	$ (156)	$ 54,834
Mortgage-related securities FNMA, FHLMC and GNMA	(88)	15,352			(88)	15,352
Municipal bonds						
	$ (244)	$ 70,186	$	$	$ (244)	$ 70,186

The unrealized losses on ASB s investments in obligations issued by federal agencies were caused by interest rate increases. 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 March 31, 2010.

The fair values of ASB s investment securities could decline if the current economic environment continues to deteriorate.

Federal Deposit Insurance Corporation restoration plan. Under the Federal Deposit Insurance Reform Act of 2005 (the Reform Act), the Federal Deposit Insurance Corporation (FDIC) may set the designated reserve ratio within a range of 1.15% to 1.50%. The Reform Act requires that the FDIC s Board of Directors adopt a restoration plan when the Deposit Insurance Fund (DIF) reserve ratio falls below 1.15% or is expected to within six months. Financial institution failures have significantly increased the DIF s loss provisions, resulting in declines in the reserve ratio.

In May 2009, the board of directors of the FDIC voted to levy a special assessment on deposit institutions to build the DIF and restore public confidence in the banking system. ASB s special assessment was $2.3 million and ASB recorded the charge in June 2009.

In November 2009, the Board of Directors of the FDIC approved a restoration plan that required banks to prepay, on December 30, 2009, their estimated quarterly, risk-based assessments for the fourth quarter of 2009, and for all of 2010, 2011 and 2012. For the fourth quarter of 2009 and all of 2010, the prepaid assessment rate was assessed according to a risk-based premium schedule adopted earlier in 2009. The prepaid assessment rate for 2011 and 2012 was the current assessment rate plus 3 basis points. The prepaid assessment was recorded as a prepaid asset as of December 30, 2009, and each quarter thereafter ASB will record a charge to earnings for its regular quarterly assessment and offset the prepaid expense until the asset is exhausted. Once the asset is exhausted, ASB will record an accrued expense payable each quarter for the assessment to be paid. If the prepaid assessment is not exhausted by December 30, 2014, any remaining amount will be returned to ASB. ASB s prepaid assessment was approximately $24 million. For the quarter ended March 31, 2010, ASB s assessment rate was 15 basis points of deposits, or $1.5 million, compared to an assessment rate of 12 basis points of deposits, or $1.3 million for the same quarter in 2009.

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The FDIC may impose additional special assessments in the future if it is deemed necessary to ensure the DIF ratio does not decline to a level that is close to zero or that could otherwise undermine public confidence in federal deposit insurance. Management cannot predict with certainty the timing or amounts of any additional assessments.

Deposit insurance coverage. The Emergency Economic Stabilization Act of 2008 temporarily raised the basic limit on federal deposit insurance coverage from $100,000 to $250,000 per depositor, effective October 3, 2008. The basic deposit insurance coverage limit will return to $100,000 after December 31, 2013 for all interest bearing deposit categories except for individual retirement accounts and certain other retirement accounts, which will continue to be insured at $250,000 per owner. The FDIC has extended its Transaction Account Guarantee Program, which provides unlimited deposit insurance coverage for non-interest bearing deposit transaction accounts through December 31, 2010. Institutions currently participating in the program have the option to continue in the program or opt out. ASB has elected to not continue participating in the program after June 30, 2010.

5 • Retirement benefits

Defined benefit plans. For the first quarter of 2010, the utilities contributed $8.4 million and HEI contributed $0.2 million to their respective retirement benefit plans, compared to $9.4 million and $0.4 million, respectively, in the first quarter of 2009. The Company s current estimate of contributions to its retirement benefit plans in 2010 is $34 million ($33 million to be made by the utilities and $1 million by HEI), compared to contributions of $25 million in 2009 ($24 million made by the utilities and $1 million by HEI). In addition, the Company expects to pay directly $2 million of benefits in 2010, compared to the $1 million paid in 2009.

The components of net periodic benefit cost were as follows:

Three months ended March 31 (in thousands)	Pension benefits 2010	Pension benefits 2009	Other benefits 2010	Other benefits 2009
Service cost	$ 6,953	$ 6,341	$ 1,123	$ 1,056
Interest cost	16,040	15,538	2,684	2,847
Expected return on plan assets	(17,194)	(14,276)	(2,752)	(2,215)
Amortization of unrecognized transition obligation	1	1		785
Amortization of prior service cost (gain)	(97)	(93)	(52)	3
Recognized actuarial loss (gain)	1,716	3,969	(1)	116
Net periodic benefit cost	7,419	11,480	1,002	2,592
Impact of PUC D&Os	3,008	(4,091)	1,288	(325)
Net periodic benefit cost (adjusted for impact of PUC D&Os)	$ 10,427	$ 7,389	$ 2,290	$ 2,267

The Company recorded retirement benefits expense of $10 million and $7 million in the first quarters of 2010 and 2009, respectively, and charged the remaining amounts primarily to electric utility plant.

In the third quarter 2009, 1) the Company amended the executive life benefit plan to limit it to current participants and to freeze the executive life benefits at current levels and 2) HECO eliminated the electric discount benefit. The Company s cost for postretirement benefits other than pensions has been adjusted to reflect the negative plan amendments, which reduced benefits. The elimination of HECO s electric discount benefit has generated credits through other benefit costs and will generate credits over the next few years as the total negative amendment credit is amortized.

Also, see Note 4, Retirement benefits, of HECO s Notes to Consolidated Financial Statements.

Defined contribution plan. On May 7, 2009, the ASB 401(k) Plan was spun-off from the existing Hawaiian Electric Industries Retirement Savings Plan (HEIRSP). The new Plan allows ASB employees the opportunity to defer a portion of their earnings on a pre-tax basis and receive a matching contribution (AmeriMatch) after one year with ASB. AmeriMatch equals 100% of the first 4% of the participant s eligible pay that is deferred to the plan and is fully vested. In addition, participants are eligible for an annual discretionary profit sharing contribution (AmeriShare) that is based on ASB s performance and achievement of its financial goals for the year. On

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May 15, 2009, ASB contributed $2.1 million to fund AmeriShare for the 2008 plan year. This AmeriShare contribution was allocated pro-rata to accounts of eligible participants based on a flat 4% percent of eligible pay. On March 17, 2010, ASB contributed $1.9 million to fund AmeriShare for the 2009 plan year. This equated to a 3.6% of eligible pay contribution for eligible participants. For the first quarters of 2010 and 2009, ASB s total expense for its employees participating in the HEIRSP and the new ASB 401(k) Plan combined was $0.8 million. For the first quarters of 2010 and 2009, ASB s cash contributions were $2.3 million and $0.5 million, respectively.

6 • Share-based compensation

Under the 1987 Stock Option and Incentive Plan, as amended (SOIP), HEI may issue an aggregate of 7.7 million shares of common stock (4.4 million available for issuance under outstanding and future grants and awards as of March 31, 2010) to officers and key employees as incentive stock options, nonqualified stock options (NQSOs), restricted stock awards, restricted stock units, stock appreciation rights (SARs), stock performance awards or dividend equivalents. HEI has issued new shares for NQSOs, restricted stock awards (nonvested stock), restricted stock units, stock performance awards, SARs and dividend equivalents under the SOIP. All information presented has been adjusted for the 2-for-1 stock split in June 2004.

For the NQSOs and SARs, the exercise price of each NQSO or SAR generally equaled the fair market value of HEI s stock on or near the date of grant. NQSOs, SARs and related dividend equivalents issued in the form of stock awarded prior to and through 2004 generally become exercisable in installments of 25% each year for four years, and expire if not exercised ten years from the date of the grant. The 2005 SARs awards, which have a ten year exercise life, generally become exercisable at the end of four years (i.e., cliff vesting) with the related dividend equivalents issued in the form of stock on an annual basis for retirement eligible participants. Accelerated vesting is provided in the event of a change-in-control or upon retirement. NQSOs and SARs compensation expense has been recognized in accordance with the fair value-based measurement method of accounting. The estimated fair value of each NQSO and SAR grant was calculated on the date of grant using a Binomial Option Pricing Model.

Restricted stock awards generally become unrestricted four to five years after the date of grant and are forfeited for terminations of employment during the vesting period, except that pro-rata vesting is provided for terminations by reason of death, disability or termination without cause. Restricted stock awards compensation expense has been recognized in accordance with the fair-value-based measurement method of accounting. Dividends on restricted stock awards are paid quarterly in cash.

Restricted stock units generally vest and will be issued as unrestricted stock four years after the date of the grant and are forfeited for terminations of employment during the vesting period, except that pro-rata vesting is provided for terminations due to death, disability and retirement. Restricted stock units expense has been recognized in accordance with the fair-value-based measurement method of accounting. Dividend equivalent rights on restricted stock units are accrued quarterly and are paid in cash at the end of the restriction period when the restricted stock units vest.

Stock performance awards granted under the 2009-2011 and 2010-2012 Long-Term Incentive Plans (LTIP) entitle the grantee to shares of common stock once service conditions and performance conditions are satisfied at the end of the three-year performance period. LTIP awards are forfeited for terminations of employment during the performance period, except that pro-rata participation is provided for terminations due to death, disability and retirement based upon completed months of service after a minimum of 12 months of service in the performance period. Compensation expense for the portion of the LTIP awards payable in HEI common stock has been recognized in accordance with the fair-value-based measurement method of accounting for performance shares.

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The Company s share-based compensation expense and related income tax benefit are as follows:

Three months ended March 31 **($ in millions)**	**2010**	**2009**
Share-based compensation expense (1)	0.6	0.4
Income tax benefit	0.2	0.1

(1) The Company has not capitalized any share-based compensation cost. For the first quarter of 2010, the estimated forfeiture rates were 41.0% for restricted stock awards, 5.9% for restricted stock units and 10.2% for performance shares.

Nonqualified stock options. Information about HEI s NQSOs is summarized as follows:

March 31, 2010			**Outstanding & Exercisable**		
Year of grant		**Range of exercise prices**	**Number of options**	**Weighted-average remaining contractual life**		**Weighted-average exercise price**
2001	$	17.96	65,000	1.1	$	17.96
2002		21.68	122,000	1.9		21.68
2003		20.49	139,500	2.5		20.49
	$	17.96 21.68	326,500	2.0	$	20.43

As of December 31, 2009, NQSOs outstanding totaled 374,500 (representing the same number of underlying shares), with a weighted-average exercise price of $19.73. As of March 31, 2010, all NQSOs outstanding were exercisable and had an aggregate intrinsic value (including dividend equivalents) of $1.7 million.

NQSO activity and statistics are summarized as follows:

Three months ended March 31 **($ in thousands, except prices)**		**2010**	**2009**
Shares expired		2,000	
Weighted-average exercise price	$	20.49	
Shares exercised		46,000	
Weighted-average exercise price	$	14.74	
Cash received from exercise	$	678	
Intrinsic value of shares exercised (1)	$	549	
Tax benefit realized for the deduction of exercises	$	214	

(1) Intrinsic value is the amount by which the fair market value of the underlying stock and the related dividend equivalents exceeds the exercise price of the option.

Since April 21, 2007, all NQSOs were vested.

Stock appreciation rights. Information about HEI s SARs is summarized as follows:

March 31, 2010		Outstanding & Exercisable		
Year of grant	Range of exercise prices	Number of shares underlying SARs	Weighted-average remaining contractual life	Weighted-average exercise price
2004	$ 26.02	150,000	2.8	$ 26.02
2005	26.18	324,000	3.3	26.18
	$ 26.02 26.18	474,000	3.2	$ 26.13

As of December 31, 2009, the shares underlying SARs outstanding totaled 480,000, with a weighted-average exercise price of $26.13. As of March 31, 2010, all SARs outstanding were exercisable and had no intrinsic value.

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SARs activity and statistics are summarized as follows:

Three months ended March 31 ($ in thousands, except prices)		2010		2009
Shares forfeited				6,000
Weighted-average exercise price			$	26.18
Shares expired		6,000		
Weighted-average exercise price	$	26.18		
Shares exercised				
Dividend equivalent shares distributed under Section 409A				3,143
Weighted-average Section 409A distribution price			$	13.64
Intrinsic value of shares distributed under Section 409A(1)			$	43
Tax benefit realized for Section 409A distributions			$	17

(1) Intrinsic value is the amount by which the fair market value of the underlying stock and the related dividend equivalents exceeds the exercise price of the right.

Since April 7, 2009, all SARs were vested.

Section 409A. As a result of the changes enacted in Section 409A of the Internal Revenue Code of 1986, as amended (Section 409A), for the three months ended March 31, 2009 a total of 3,143 dividend equivalent shares for NQSO and SAR grants were distributed to SOIP participants. Section 409A, which amended the rules on deferred compensation, required the Company to change the way certain affected dividend equivalents are paid in order to avoid significant adverse tax consequences to the SOIP participants. Generally, dividend equivalents subject to Section 409A will be paid within 2½ months after the end of the calendar year. Upon retirement, an SOIP participant may elect to take distributions of dividend equivalents subject to Section 409A at the time of retirement or at the end of the calendar year. The dividend equivalents associated with the 2005 SAR grants had no intrinsic value at December 31, 2009; thus, no distribution will be made in 2010. No further dividend equivalents are intended to be paid in accordance with this Section 409A modified distribution.

Restricted stock awards. Information about HEI s grants of restricted stock awards is summarized as follows:

	2010			2009		
Three months ended March 31	Shares		(1)	Shares		(1)
Outstanding, beginning of period	129,000	$	25.50	160,500	$	25.51
Granted						
Restrictions ended	(1,565)		25.97	(594)		24.11
Forfeited	(6,735)		25.75	(21,406)		25.75
Outstanding, end of period	120,700	$	25.48	138,500	$	25.48

(1) Represents the weighted-average grant-date fair value per share. The grant date fair value of a restricted stock award share was the closing or average price of HEI common stock on the date of grant.

For the three months ended March 31, 2010 and 2009, total restricted stock vested had a fair value of $41,000 and $14,000, respectively.

The tax benefits realized for the tax deductions related to restricted stock awards were immaterial for the first quarters of 2010 and 2009.

As of March 31, 2010, there was $0.7 million of total unrecognized compensation cost related to nonvested restricted stock awards. The cost is expected to be recognized over a weighted-average period of 1.7 years.

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Restricted stock units. Information about HEI s grants of restricted stock units is summarized as follows:

Three months ended March 31	2010 Shares		(1)	2009 Shares		(1)
Outstanding, beginning of period	70,500	$	16.99			
Granted				70,500(2)	$	16.99
Restrictions ended	(250)	$	16.99			
Forfeited	(1,250)	$	16.99			
Outstanding, end of period	69,000	$	16.99	70,500	$	16.99

(1) Represents the weighted-average grant-date fair value per share. The grant date fair value of the restricted stock units was the average price of HEI common stock on the date of grant.

(2) Total weighted-average grant-date fair value of $1.2 million.

For the three months ended March 31, 2010, total restricted stock units vested had a fair value of $4,000 and related tax benefits to be realized will be immaterial.

As of March 31, 2010, there was $0.8 million of total unrecognized compensation cost related to the nonvested restricted stock units. The cost is expected to be recognized over a weighted-average period of 2.8 years.

LTIP payable in stock. The 2010-2012 LTIP and the 2009-2011 LTIP provide for payment in shares of HEI common stock based on the satisfaction of performance goals and service conditions over a three-year performance period. The number of shares of HEI common stock is fixed on the date the grant are made based on target performance levels. The payout varies from 0% to 200% of the number of target shares depending on achievement of the goals. The LTIP contains a market condition based on total return to shareholders (TRS) of HEI stock as a percentile to the Edison Electric Institute Index over the three-year period. The 2009-2011 LTIP performance condition is HEI return on average common equity (ROACE). The 2010-2012 LTIP goals with performance conditions include HEI consolidated net income, HECO consolidated ROACE, ASB net income and ASB return on assets all based on 2 year averages (2011-2012).

LTIP linked to TRS. Information about HEI s LTIP grants linked to TRS is summarized as follows:

Three months ended March 31	2010 Shares		(1)	2009 Shares		(1)
Outstanding, beginning of period	36,198	$	13.08			
Granted	97,191	$	18.69	36,198(2)	$	13.08

Vested						
Forfeited	(801)	$	13.08			
Outstanding, end of period	132,588	$	17.19	36,198	$	13.08

(1) Weighted-average grant-date fair value per share determined using a Monte Carlo simulation model.

(2) Total weighted-average grant-date fair value of $0.5 million.

On February 8, 2010, LTIP grants (under the 2010-2012 LTIP) were made with the TRS condition payable with 97,191 shares of HEI common stock (based on the grant date price of $18.95 and target performance levels) with a weighted-average grant date fair value of $1.8 million based on the weighted-average grant date fair value per share of $18.69.

The grant date fair values were determined using a Monte Carlo simulation model utilizing actual information for the common shares of HEI and its peers for the period from the beginning of the performance period to the grant date and estimated future stock volatility and dividends of HEI and its peers over the remaining three-year performance period. The expected stock volatility assumptions for HEI and its peer group were based on the three-year historic stock volatility, and the annual dividend yield assumptions were based on dividend yields calculated on the basis of daily stock prices over the same three-year historical period. The following table summarizes the assumptions used to determine the fair value of the LTIP linked to TRS and the resulting fair value of LTIP granted:

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	2010	2009
Risk-free interest rate	1.30%	1.30%
Expected life in years	3	3
Expected volatility	27.9%	23.7%
Dividend yield	6.55%	4.53%
Range of expected volatility for Peer Group	22.3% to 52.3%	20.8% to 46.9%
Grant date fair value (per share)	$18.69	$13.08

As of March 31, 2010, there was $1.7 million of total unrecognized compensation cost related to the nonvested shares linked to TRS. The cost is expected to be recognized over a weighted-average period of 2.5 years.

*LTIP linked to other performance conditions***.** Information about HEI s LTIP grants linked to other performance conditions is summarized as follows:

	2010		2009	
Three months ended March 31	**Shares**	**(1)**	**Shares**	**(1)**
Outstanding, beginning of period	24,131	$ 13.34		
Granted				