Go to...

Section 1: 10-Q (10-Q)

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 March 31, 2010

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.	**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 ☒ 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:

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 ☒ Accelerated filer ☐

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

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 ☐ Accelerated filer ☐

Non-accelerated filer ☒ Smaller reporting company ☐
(Do not check if a smaller reporting company)

Table of Contents

Hawaiian Electric Industries, Inc. and Subsidiaries
Hawaiian Electric Company, Inc. and Subsidiaries
Form 10-Q—Quarter ended March 31, 2010

INDEX

Page No.		
ii	Glossary of Terms	
iv	Forward-Looking Statements	
	PART I. FINANCIAL INFORMATION	
	Item 1.	Financial Statements
		Hawaiian Electric Industries, Inc. and Subsidiaries
1		Consolidated Statements of Income (unaudited) - three months ended March 31, 2010 and 2009
2		Consolidated Balance Sheets (unaudited) - March 31, 2010 and December 31, 2009
3		Consolidated Statements of Changes in Stockholders' Equity (unaudited) - three months ended March 31, 2010 and 2009
4		Consolidated Statements of Cash Flows (unaudited) - three months ended March 31, 2010 and 2009
5		Notes to Consolidated Financial Statements (unaudited)
		Hawaiian Electric Company, Inc. and Subsidiaries
20		Consolidated Statements of Income (unaudited) - three months ended March 31, 2010 and 2009
21		Consolidated Balance Sheets (unaudited) - March 31, 2010 and December 31, 2009
22		Consolidated Statements of Changes in Common Stock Equity (unaudited) - three months ended March 31, 2010 and 2009
23		Consolidated Statements of Cash Flows (unaudited) - three months ended March 31, 2010 and 2009
24		Notes to Consolidated Financial Statements (unaudited)
50	Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations
50		HEI Consolidated
58		Electric Utilities
80		Bank
87	Item 3.	Quantitative and Qualitative Disclosures About Market Risk
88	Item 4.	Controls and Procedures
	PART II. OTHER INFORMATION	
89	Item 1.	Legal Proceedings
89	Item 1A.	Risk Factors
89	Item 5.	Other Information
90	Item 6.	Exhibits
91	Signatures	

Table of Contents

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

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. 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

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 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;

Table of Contents

- 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.

Table of Contents

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Hawaiian Electric Industries, Inc. and Subsidiaries
Consolidated Statements of Income (unaudited)

Three months ended March 31 (in thousands, except per share amounts)	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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

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 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.

Table of Contents

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

Table of Contents

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.

Table of Contents

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

Table of Contents

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.

Table of Contents

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:

	Pension benefits		Other benefits	
Three months ended March 31	**2010**	**2009**	**2010**	**2009**
(in thousands)				
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

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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

Three months ended March 31	2010 Shares	2010 (1)	2009 Shares	2009 (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	2010 (1)	2009 Shares	2009 (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:

14

Table of Contents

	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	160,939	$ 15.30	24,131(2)	$ 13.34
Vested	—	—	—	—
Forfeited	(535)	$ 13.34	—	—
Outstanding, end of period	184,535	$ 15.05	24,131	$ 13.34

(1) Weighted-average grant-date fair value per share based on the average price of HEI common stock on grant date less the present value of expected dividends to be paid over the performance period, using a discount rate equal to the risk-free interest rate based on the U.S. Treasury yield at the date of grant.

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

On February 8, 2010, LTIP grants (under the 2010-2012 LTIP) with performance conditions were made, payable in 160,939 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 $2.5 million based on the weighted-average grant date fair value per share of $15.30. The 2010-2012 LTIP goals with performance conditions include HEI consolidated net income, HECO consolidated ROACE, ASB net income and ASB ROA—all based on 2-year averages (2011-2012).

As of March 31, 2010, there was $2.4 million of total unrecognized compensation cost related to the nonvested shares linked to performance conditions. The cost is expected to be recognized over a weighted-average period of 2.6 years.

7 • Commitments and contingencies

See Note 4, "Bank subsidiary," above and Note 5, "Commitments and contingencies," of HECO's "Notes to Consolidated Financial Statements."

8 • Cash flows

Supplemental disclosures of cash flow information. For the three months ended March 31, 2010 and 2009, the Company paid interest (net of amounts capitalized and including bank interest) to non-affiliates amounting to $24 million and $25 million, respectively.

For the three months ended March 31, 2010 and 2009, the Company paid income taxes amounting to $7.9 million and $0.7 million, respectively.

Supplemental disclosures of noncash activities. Noncash increases in common stock for director and officer compensatory plans of the Company were $0.9 million and $0.5 million for the three months ended March 31, 2010 and 2009, respectively.

Under the HEI Dividend Reinvestment and Stock Purchase Plan (DRIP), common stock dividends reinvested by shareholders in HEI common stock in noncash transactions amounted to $6 million and $5 million for the first quarters of 2010 and 2009, respectively. HEI satisfied the requirements of the HEI DRIP and the HEIRSP (from April 16, 2009 through September 3, 2009) and the ASB 401(k) Plan (from May 7, 2009 through September 3, 2009) by acquiring for cash its

common shares through open market purchases rather than by issuing additional shares. Effective September 4, 2009, HEI resumed satisfying the requirements of the HEI DRIP, HEIRSP and ASB 401(k) Plan through the issuance of additional shares of common stock.

Table of Contents

9 • Recent accounting pronouncements and interpretations

Variable interest entities. In June 2009, the Financial Accounting Standards Board issued a standard that amends the guidance in ASC Topic 810 related to the consolidation of variable interest entities (VIEs). The standard eliminates exceptions to consolidating qualifying special-purpose entities (QSPEs), contains new criteria for determining the primary beneficiary, and increases the frequency of required reassessments to determine whether a company is the primary beneficiary of a VIE. It also clarifies, but does not significantly change, the characteristics that identify a VIE. The Company adopted this standard in the first quarter of 2010 and the adoption did not impact the Company's or HECO's consolidated financial condition, results of operations or liquidity.

10 • Fair value of financial instruments

Fair value estimates are based on the price that would be received to sell an asset, or paid upon the transfer of a liability, in an orderly transaction between market participants at the measurement date. The fair value estimates are generally determined based on assumptions that market participants would use in pricing the asset or liability and are based on market data obtained from independent sources. However, in certain cases, the Company uses its own assumptions about market participant assumptions based on the best information available in the circumstances. These valuations are estimates at a specific point in time, based on relevant market information, information about the financial instrument and judgments regarding future expected loss experience, economic conditions, risk characteristics of various financial instruments and other factors. These estimates do not reflect any premium or discount that could result if the Company were to sell its entire holdings of a particular financial instrument at one time. Because no market exists for a portion of the Company's financial instruments, fair value estimates cannot be determined with precision. Changes in the underlying assumptions used, including discount rates and estimates of future cash flows, could significantly affect the estimates. Fair value estimates are provided for certain financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. In addition, the tax ramifications related to the realization of the unrealized gains and losses could have a significant effect on fair value estimates and have not been considered.

The Company used the following methods and assumptions to estimate the fair value of each applicable class of financial instruments for which it is practicable to estimate that value:

Cash and equivalents and federal funds sold. The carrying amount approximated fair value because of the short maturity of these instruments.

Investment and mortgage-related securities. Fair value was based on observable inputs using market-based valuation techniques.

Loans receivable. For residential real estate loans, fair value is calculated by discounting estimated cash flows using discount rates based on current industry pricing for loans with similar contractual characteristics.

For other types of loans, fair value is estimated by discounting contractual cash flows using discount rates that reflect current industry pricing for loans with similar characteristics and remaining maturity. Where industry pricing is not available, discount rates are based on ASB's current pricing for loans with similar characteristics and remaining maturity.

The fair value of all loans was adjusted to reflect current assessments of loan collectibility.

Deposit liabilities. The fair value of demand deposits, savings accounts, and money market deposits was the amount payable on demand at the reporting date. The fair value of fixed-maturity certificates of deposit was estimated by discounting the future cash flows using the rates currently offered for deposits of similar remaining maturities.

Other bank borrowings. Fair value was estimated by discounting the future cash flows using the current rates available for borrowings with similar credit terms and remaining maturities.

Table of Contents

Long-term debt. Fair value was obtained from a third-party financial services provider based on the current rates offered for debt of the same or similar remaining maturities.

Off-balance sheet financial instruments. The fair value of loans serviced for others was calculated by discounting expected net income streams using discount rates that reflect industry pricing for similar assets. Expected net income streams are estimated based on industry assumptions regarding prepayment speeds and income and expenses associated with servicing residential mortgage loans for others. The fair value of commitments to originate loans was estimated based on the change in current primary market prices of new commitments. Since lines of credit can expire without being drawn and customers are under no obligation to utilize the lines, no fair value was assigned to unused lines of credit. The fair value of letters of credit was estimated based on the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements. The fair value of HECO-obligated preferred securities of trust subsidiaries was based on quoted market prices.

The estimated fair values of certain of the Company's financial instruments were as follows:

	March 31, 2010		December 31, 2009	
(in thousands)	Carrying or notional amount	Estimated fair value	Carrying or notional amount	Estimated fair value
Financial assets				
Cash and equivalents	$ 341,330	$ 341,330	$ 502,443	$ 502,443
Federal funds sold	702	702	1,479	1,479
Available-for-sale investment and mortgage-related securities	584,485	584,485	432,881	432,881
Investment in stock of Federal Home Loan Bank of Seattle	97,764	97,764	97,764	97,764
Loans receivable, net	3,623,127	3,728,618	3,670,493	3,760,954
Financial liabilities				
Deposit liabilities	4,008,391	4,012,571	4,058,760	4,063,888
Short-term borrowings—other than bank	60,238	60,238	41,989	41,989
Other bank borrowings	294,154	307,203	297,628	307,154
Long-term debt	1,364,847	1,358,025	1,364,815	1,336,250
Off-balance sheet items				
HECO-obligated preferred securities of trust subsidiary	50,000	51,000	50,000	48,480

As of March 31, 2010 and December 31, 2009, loan commitments and unused lines and letters of credit issued by ASB had notional amounts of $1.2 billion and their estimated fair value on such dates was $0.1 million and $0.2 million, respectively. As of March 31, 2010 and December 31, 2009, loans serviced by ASB for others had notional amounts of $611.2 million and $577.5 million and the estimated fair value of the servicing rights for such loans was $6.5 million and $5.6 million, respectively.

Table of Contents

Bank.

Assets measured at fair value on a recurring basis. While securities held in ASB's investment portfolio trade in active markets, they do not trade on listed exchanges nor do the specific holdings trade in quoted markets by dealers or brokers. All holdings are valued using market-based approaches that are based on exit prices that are taken from identical or similar market transactions, even in situations where trading volume may be low when compared with prior periods as has been the case during the current market disruption. Inputs to these valuation techniques reflect the assumptions that consider credit and nonperformance risk that market participants would use in pricing the asset based on market data obtained from independent sources. Available-for-sale securities were comprised of federal agency obligations and mortgage-backed securities and municipal bonds.

Assets measured at fair value on a recurring basis were as follows:

	Fair value measurements using		
(in millions)	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
March 31, 2010			
Available-for-sale securities			
Mortgage-related securities-FNMA, FHLMC and GNMA	$ —	$ 307	$ —
Investment securities-federal agency obligation	—	276	—
Municipal bonds	—	1	—
	$ —	$ 584	$ —
December 31, 2009			
Available-for-sale securities			
Mortgage-related securities-FNMA, FHLMC and GNMA	$ —	$ 328	$ —
Investment securities-federal agency obligation	—	104	—
Municipal bonds	—	1	—
	$ —	$ 433	$ —

Assets measured at fair value on a nonrecurring basis. From time to time, ASB may be required to measure certain assets at fair value on a nonrecurring basis in accordance with U.S. GAAP. These adjustments to fair value usually result from the application of lower-of-cost-or-market accounting or write-downs of individual assets. As of March 31, 2010 and December 31, 2009, there were no adjustments to fair value for ASB's assets measured at fair value on a nonrecurring basis in accordance with U.S. GAAP.

11 • Subsequent events

Effective May 7, 2010, HEI entered into a revolving unsecured credit agreement establishing a line of credit facility of $125 million, with a letter of credit sub-facility, expiring on May 7, 2013, with a syndicate of eight financial institutions. Any draws on the facility bear interest at the "Adjusted LIBO Rate" plus 225 basis points or the greatest of (a) the "Prime Rate," (b) the sum of the "Federal Funds Rate" plus 50 basis points and (c) the "Adjusted LIBO Rate" for a one month "Interest Period" plus 100 basis points per annum, as defined in the agreement. Annual fees on undrawn commitments are 40 basis points. The agreement contains provisions for revised pricing in the event of a ratings change. For example, a ratings downgrade of HEI's Issuer Rating (e.g., from BBB/Baa2 to BBB-/Baa3 by Standard & Poor's (S&P) and Moody's Investors Service (Moody's), respectively) would result in a commitment fee increase of 5 basis points and an interest rate increase of 25 basis points on any drawn amounts. On the other hand, a ratings upgrade (e.g., from BBB/Baa2 to BBB+/Baa1 by S&P or Moody's, respectively) would result in a commitment fee decrease of 10 basis points and an interest rate decrease of 25 basis points on any drawn amounts. The agreement does not contain clauses that would affect access to the lines by reason of a ratings downgrade, nor does it have broad "material adverse change" clauses. However, the agreement does contain customary conditions which must be met in order to draw on it, including compliance with its covenants (such as covenants preventing its subsidiaries from entering into agreements that restrict the ability of the subsidiaries to pay dividends to, or to repay borrowings from, HEI). In

Table of Contents

addition to customary defaults, HEI's failure to maintain its financial ratio, as defined in its agreement, or meet other requirements may result in an event of default. For example, under its agreement, it is an event of default if HEI fails to maintain a nonconsolidated "Capitalization Ratio" (funded debt) of 50% or less (ratio of 20% as of March 31, 2010, as calculated under the agreement) and "Consolidated Net Worth" of $975 million (Net Worth of $1.5 billion as of March 31, 2010, as calculated under the agreement).

HEI's $125 million credit facility will be maintained to support the issuance of commercial paper, but also may be drawn to repay HEI's short-term and long-term indebtedness, to make investments in or loans to subsidiaries and for HEI's working capital and general corporate purposes. HEI's $100 million syndicated credit facility expiring March 31, 2011 was terminated concurrently with the effectiveness of this new syndicated credit facility.

12 • Earnings per share (EPS)

For the three months ended March 31, 2010, under the two-class method of computing basic and diluted EPS, distributed earnings were $0.31 per share and undistributed losses were $0.02 per share for both unvested restricted stock awards and unrestricted common stock. For the three months ended March 31, 2009, under the two-class method of computing basic and diluted EPS, distributed earnings were $0.31 per share and undistributed losses were $0.09 per share for both unvested restricted stock awards and unrestricted common stock.

As of March 31, 2010 and 2009, the antidilutive effects of SARs (474,000 shares of HEI common stock) and SARs and NQSOs (1,048,500 shares of HEI common stock), respectively, for which the exercise prices were greater than the closing market price of HEI's common stock were not included in the computation of diluted EPS.

Table of Contents

Hawaiian Electric Company, Inc. and Subsidiaries
Consolidated Statements of Income (unaudited)

Three months ended March 31 (in thousands)	**2010**	**2009**
Operating revenues	$ 546,712	$ 459,285
Operating expenses		
Fuel oil	211,752	145,289
Purchased power	116,782	114,484
Other operation	59,244	62,397
Maintenance	27,053	26,163
Depreciation	38,642	36,424
Taxes, other than income taxes	51,791	45,735
Income taxes	11,041	8,544
	516,305	439,036
Operating income	30,407	20,249
Other income		
Allowance for equity funds used during construction	1,773	3,605
Other, net	1,241	2,368
	3,014	5,973
Interest and other charges		
Interest on long-term debt	14,383	11,912
Amortization of net bond premium and expense	667	675
Other interest charges	599	626
Allowance for borrowed funds used during construction	(779)	(1,622)
	14,870	11,591
Net income	18,551	14,631
Preferred stock dividends of subsidiaries	229	229
Net income attributable to HECO	18,322	14,402
Preferred stock dividends of HECO	270	270
Net income for common stock	$ 18,052	$ 14,132

HEI owns all the common stock of HECO. Therefore, per share data with respect to shares of common stock of HECO are not meaningful.

See accompanying “Notes to Consolidated Financial Statements” for HECO.

Table of Contents

Hawaiian Electric Company, Inc. and Subsidiaries
Consolidated Balance Sheets (unaudited)

(in thousands, except par value)	March 31, 2010	December 31, 2009
Assets		
Utility plant, at cost		
Land	$ 52,542	$ 52,530
Plant and equipment	4,711,777	4,696,257
Less accumulated depreciation	(1,872,332)	(1,848,416)
Construction in progress	145,118	132,980
Net utility plant	3,037,105	3,033,351
Current assets		
Cash and equivalents	31,510	73,578
Customer accounts receivable, net	127,059	133,286
Accrued unbilled revenues, net	84,762	84,276
Other accounts receivable, net	7,348	8,449
Fuel oil stock, at average cost	105,167	78,661
Materials and supplies, at average cost	37,156	35,908
Prepayments and other	14,917	16,201
Total current assets	407,919	430,359
Other long-term assets		
Regulatory assets	426,146	426,862
Unamortized debt expense	13,936	14,288
Other	72,217	73,532
Total other long-term assets	512,299	514,682
	$ 3,957,323	$ 3,978,392
Capitalization and liabilities		
Capitalization		
Common stock ($6 2/3 par value, authorized 50,000 shares; outstanding 13,787 shares)	$ 91,931	$ 91,931
Premium on capital stock	385,658	385,659
Retained earnings	829,938	827,036
Accumulated other comprehensive income, net of income taxes	1,839	1,782
Common stock equity	1,309,366	1,306,408
Cumulative preferred stock — not subject to mandatory redemption	34,293	34,293
Long-term debt, net	1,057,847	1,057,815
Total capitalization	2,401,506	2,398,516
Current liabilities		
Short-term borrowings—nonaffiliates	13,748	—
Accounts payable	135,886	132,711
Interest and preferred dividends payable	21,736	21,223
Taxes accrued	104,770	156,092
Other	50,522	48,192
Total current liabilities	326,662	358,218
Deferred credits and other liabilities		
Deferred income taxes	178,792	180,603
Regulatory liabilities	297,332	288,214
Unamortized tax credits	57,441	56,870
Retirement benefits liability	294,955	296,623
Other	77,545	77,804
Total deferred credits and other liabilities	906,065	900,114
Contributions in aid of construction	323,090	321,544
	$ 3,957,323	$ 3,978,392

See accompanying “Notes to Consolidated Financial Statements” for HECO.

Table of Contents

Hawaiian Electric Company, Inc. and Subsidiaries
Consolidated Statements of Changes in Common Stock Equity (unaudited)

(in thousands)	Common stock Shares	Common stock Amount	Premium on capital Stock	Retained earnings	Accumulated other comprehensive income (loss)	Total
Balance, December 31, 2009	**13,787**	**$ 91,931**	**$ 385,659**	**$ 827,036**	**$ 1,782**	**$ 1,306,408**
Comprehensive income:						
Net income for common stock	—	—	—	18,052	—	18,052
Retirement benefit plans:						
Amortization of net loss, prior service gain and transition obligation included in net periodic benefit cost, net of taxes of $563	—	—	—	—	882	882
Less: reclassification adjustment for impact of D&Os of the PUC included in regulatory assets, net of tax benefits of $526	—	—	—	—	(825)	(825)
Comprehensive income	—	—	—	18,052	57	18,109
Common stock dividends	—	—	—	(15,150)	—	(15,150)
Common stock issue expenses	—	—	(1)	—	—	(1)
Balance, March 31, 2010	**13,787**	**$ 91,931**	**$ 385,658**	**$ 829,938**	**$ 1,839**	**$ 1,309,366**
Balance, December 31, 2008	**12,806**	**$ 85,387**	**$ 299,214**	**$ 802,590**	**$ 1,651**	**$ 1,188,842**
Comprehensive income:						
Net income for common stock	—	—	—	14,132	—	14,132
Retirement benefit plans:						
Amortization of net loss, prior service gain and transition obligation included in net periodic benefit cost, net of taxes of $1,706	—	—	—	—	2,678	2,678
Less: reclassification adjustment for impact of D&Os of the PUC included in regulatory assets, net of tax benefits of $1,668	—	—	—	—	(2,619)	(2,619)
Comprehensive income	—	—	—	14,132	59	14,191
Common stock dividends	—	—	—	(10,536)	—	(10,536)
Balance, March 31, 2009	**12,806**	**$ 85,387**	**$ 299,214**	**$ 806,186**	**$ 1,710**	**$ 1,192,497**

See accompanying “Notes to Consolidated Financial Statements” for HECO.

Table of Contents

Hawaiian Electric Company, 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	$ 18,551	$ 14,631
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation of property, plant and equipment	38,642	36,424
Other amortization	2,097	2,206
Changes in deferred income taxes	(1,834)	(1,290)
Changes in tax credits, net	776	2,514
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	7,328	73,131
Decrease (increase) in accrued unbilled revenues	(486)	27,374
Decrease (increase) in fuel oil stock	(26,506)	15,028
Increase in materials and supplies	(1,248)	(1,277)
Increase in regulatory assets	(1,143)	(4,255)
Increase (decrease) in accounts payable	3,175	(15,848)
Changes in prepaid and accrued income and utility revenue taxes	(51,243)	(49,561)
Changes in other assets and liabilities	3,276	5,771
Net cash provided by (used in) operating activities	**(9,707)**	**101,243**
Cash flows from investing activities		
Capital expenditures	(34,189)	(80,315)
Contributions in aid of construction	3,729	2,362
Net cash used in investing activities	**(30,460)**	**(77,953)**
Cash flows from financing activities		
Common stock dividends	(15,150)	(10,536)
Preferred stock dividends of HECO and subsidiaries	(499)	(499)
Proceeds from issuance of long-term debt	—	3,148
Net increase (decrease) in short-term borrowings from nonaffiliates and affiliate with original maturities of three months or less	13,748	(12,211)
Decrease in cash overdraft	—	(5,865)
Other	—	(1)
Net cash used in financing activities	**(1,901)**	**(25,964)**
Net decrease in cash and equivalents	(42,068)	(2,674)
Cash and equivalents, beginning of period	73,578	6,901
Cash and equivalents, end of period	**$ 31,510**	**$ 4,227**

See accompanying “Notes to Consolidated Financial Statements” for HECO.

Table of Contents

Hawaiian Electric Company, 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 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 HECO's Form 10-K for the year ended December 31, 2009.

In the opinion of HECO's management, the accompanying unaudited consolidated financial statements contain all material adjustments required by GAAP to present fairly the financial position of HECO and its subsidiaries as of March 31, 2010 and December 31, 2009 and the results of their 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 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 HECO and its subsidiaries on the consolidated balance sheet from stockholders' equity to mezzanine equity and the removal of preferred stock 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 consolidated operating income, net income and cash flows.

2 • Unconsolidated variable interest entities

HECO Capital Trust III. HECO Capital Trust III (Trust III) was created and exists for the exclusive purposes of (i) issuing in March 2004 2,000,000 6.50% Cumulative Quarterly Income Preferred Securities, Series 2004 (2004 Trust Preferred Securities) ($50 million aggregate liquidation preference) to the public and trust common securities ($1.5 million aggregate liquidation preference) to HECO, (ii) investing the proceeds of these trust securities in 2004 Debentures issued by HECO in the principal amount of $31.5 million and issued by each of Hawaii Electric Light Company, Inc. (HELCO) and Maui Electric Company, Limited (MECO) in the respective principal amounts of $10 million, (iii) making distributions on these trust securities and (iv) engaging in only those other activities necessary or incidental thereto. The 2004 Trust Preferred Securities are mandatorily redeemable at the maturity of the underlying debt on March 18, 2034, which maturity may be extended to no later than March 18, 2053; and are currently redeemable at the issuer's option without premium. The 2004 Debentures, together with the obligations of HECO, HELCO and MECO under an expense agreement and HECO's obligations under its trust guarantee and its guarantee of the obligations of HELCO and MECO under their respective debentures, are the sole assets of Trust III. Trust III has at all times been an unconsolidated subsidiary of HECO. Since HECO, as the common security holder, does not absorb the majority of the variability of Trust III, HECO is not the primary beneficiary and does not consolidate Trust III in accordance with accounting rules on the consolidation of VIEs. Trust III's balance sheets as of March 31, 2010 and December 31, 2009 each consisted of $51.5 million of 2004 Debentures; $50.0 million of 2004 Trust Preferred Securities; and $1.5 million of trust common securities. Trust III's income statements for the three months ended March 31, 2010 and 2009 each consisted of $0.8 million of interest income received from the 2004 Debentures; $0.8 million of distributions to holders of the Trust Preferred Securities; and

Table of Contents

$25,000 of common dividends on the trust common securities to HECO. So long as the 2004 Trust Preferred Securities are outstanding, HECO is not entitled to receive any funds from Trust III other than pro-rata distributions, subject to certain subordination provisions, on the trust common securities. In the event of a default by HECO in the performance of its obligations under the 2004 Debentures or under its Guarantees, or in the event HECO, HELCO or MECO elect to defer payment of interest on any of their respective 2004 Debentures, then HECO will be subject to a number of restrictions, including a prohibition on the payment of dividends on its common stock.

Power purchase agreements (PPAs). As of March 31, 2010, HECO and its subsidiaries had six PPAs totaling 540 megawatts (MW) of firm capacity and other PPAs with smaller independent power producers (IPPs) and Schedule Q providers, none of which are currently required to be consolidated as VIEs. Approximately 91% of the 540 MW of firm capacity is under PPAs, entered into before December 31, 2003, with AES Hawaii, Inc. (AES Hawaii), Kalaeloa Partners, L.P. (Kalaeloa), Hamakua Energy Partners, L.P. (HEP) and HPOWER. Purchases from all IPPs for the three months ended March 31, 2010 totaled $117 million, with purchases from AES Hawaii, Kalaeloa, HEP and HPOWER totaling $35 million, $39 million, $16 million and $11 million, respectively.

Some of the IPPs have provided sufficient information for HECO to determine that the IPP was not a VIE, or was either a “business” or “governmental organization” (e.g., HPOWER), and thus excluded from the scope of accounting standards for VIEs. A windfarm and Kalaeloa provided sufficient information, as required under their PPAs or amendments, such that HECO could determine that consolidation was not required. Management has concluded that the consolidation of some IPPs is not required as HECO and its subsidiaries do not have variable interests in the IPPs because the PPAs do not require them to absorb any variability of the IPPs.

An enterprise with an interest in a VIE or potential VIE created before December 31, 2003 and not thereafter materially modified is not required to apply accounting standards for VIEs to that entity if the enterprise is unable to obtain the necessary information after making an exhaustive effort. HECO and its subsidiaries have made and continue to make exhaustive efforts to get the necessary information, but have been unsuccessful to date as it was not a contractual requirement prior to 2004. If the requested information is ultimately received from these IPPs, a possible outcome of future analyses is the consolidation of one or more of such IPPs. The consolidation of any significant IPP could have a material effect on the Company’s and HECO’s consolidated financial statements, including the recognition of a significant amount of assets and liabilities and the potential recognition of losses. If HECO and its subsidiaries determine they are required to consolidate the financial statements of such an IPP and the consolidation has a material effect, HECO and its subsidiaries would retrospectively apply accounting standards for VIEs.

3 • Revenue taxes

HECO and its subsidiaries’ operating revenues include amounts for various revenue taxes. Revenue taxes are generally recorded as an expense in the period the related revenues are recognized. However, HECO and its subsidiaries’ revenue tax payments to the taxing authorities are based on the prior years’ revenues. For the three months ended March 31, 2010 and 2009, HECO and its subsidiaries included approximately $49 million and $43 million, respectively, of revenue taxes in “operating revenues” and in “taxes, other than income taxes” expense.

4 • Retirement benefits

Defined benefit plans. For the first quarter of 2010, HECO and its subsidiaries contributed $8.4 million to their retirement benefit plans, compared to $9.4 million in the first quarter of 2009. HECO and its subsidiaries’ current estimate of contributions to their retirement benefit plans in 2010 is $33 million, compared to contributions of $24 million in 2009. In addition, HECO and its subsidiaries expect to pay directly $0.9 million of benefits in 2010, compared to $0.5 million paid in 2009.

Table of Contents

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	$ 6,610	$ 6,060	$ 1,088	$ 1,027
Interest cost	14,579	14,050	2,596	2,765
Expected return on plan assets	(15,324)	(12,673)	(2,715)	(2,178)
Amortization of unrecognized transition obligation	—	—	(2)	783
Amortization of prior service credit	(187)	(183)	(55)	—
Recognized actuarial loss	1,685	3,671	3	114
Net periodic benefit cost	7,363	10,925	915	2,511
Impact of PUC D&Os	3,008	(4,091)	1,288	(325)
Net periodic benefit cost (adjusted for impact of PUC D&Os)	$ 10,371	$ 6,834	$ 2,203	$ 2,186

HECO and its subsidiaries recorded retirement benefits expense of $10 million and $7 million for the first quarters of 2010 and 2009, respectively. The electric utilities charged a portion of the net periodic benefit costs to plant.

Postretirement benefits other than pensions. 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 for retirees. The Company's cost for postretirement benefits other than pensions (OPEB) has been adjusted to reflect the plan amendment, which reduced benefits. The elimination of HECO's electric discount benefit will generate credits through other benefit costs over the next few years as the total amendment credit is amortized.

Balance sheet recognition of the funded status of retirement plans. In HELCO's 2006, HECO's 2007 and MECO's 2007 test year rate cases, the utilities and the Consumer Advocate proposed adoption of pension and OPEB tracking mechanisms, which are intended to smooth the impact to ratepayers of potential fluctuations in pension and OPEB costs.

In the PUC's 2007 interim decisions in HELCO's 2006 test year rate case and HECO and MECO's 2007 test year rate cases, the PUC allowed the utilities to adopt pension and OPEB tracking mechanisms. The amount of the net periodic pension cost (NPPC) and net periodic benefits costs (NPBC) to be recovered in rates is established by the PUC in each rate case. Under the utilities' tracking mechanisms, any actual costs determined in accordance with U.S. generally accepted accounting principles that are over/under amounts allowed in rates are charged/credited to a regulatory asset/liability. The regulatory asset/liability for each utility will then be amortized over 5 years beginning with the respective utility's next rate case. Accordingly, all retirement benefit expenses (except for executive life and nonqualified pension plan expenses, which amounted to $1.5 million in 2009) determined in accordance with U.S. generally accepted accounting principles will be recovered.

Under the tracking mechanisms, amounts that would otherwise be recorded in accumulated other comprehensive income (AOCI) (excluding amounts for executive life and nonqualified pension plans), which amounts include the prepaid pension asset, net of taxes, as well as other pension and OPEB charges, are allowed to be reclassified as a regulatory asset, as those costs will be recovered in rates through the NPPC and NPBC in the future.

In the PUC's 2007 interim decision on HELCO's 2006 test year rate case, the PUC allowed HELCO to record a regulatory asset in the amount of $12.8 million (representing HELCO's prepaid pension asset and reflecting the accumulated pension contributions to its pension fund in excess of accumulated NPPC), which is included in rate base, and allowed recovery of that asset over a period of five years. HELCO is required to make contributions to the pension trust in the amount of the actuarially calculated NPPC that would be allowed without penalty by the tax laws.

Table of Contents

In the PUC's 2007 interim decisions on HECO and MECO's 2007 test year rate cases (and in its final decision on HECO's 2005 test year rate case), the PUC did not allow HECO and MECO to include their pension assets (representing the accumulated contributions to their pension fund in excess of accumulated NPPC), in their rate bases. However, under the tracking mechanisms, HECO and MECO are required to fund only the minimum level required under the law until their pension assets are reduced to zero, at which time HECO and MECO will make contributions to the pension trust in the amount of the actuarially calculated NPPC, except when limited by the ERISA minimum contribution requirements or the maximum deductible limitations on contributions imposed by the Internal Revenue Code (IRC).

The PUC's exclusion of HECO's and MECO's pension assets from rate base does not allow HECO and MECO to earn a return on the pension asset, but this exclusion does not result in the exclusion of any pension benefit costs from their rates. The pension asset is to be (or was, in the case of MECO) recovered in rates as NPPC is recorded in excess of contributions. As of March 31, 2010, MECO did not have any remaining pension asset, and HECO's pension asset had been reduced to $7 million.

The OPEB tracking mechanisms generally require the electric utilities to make contributions to the OPEB trust in the amount of the actuarially calculated NPBC, except when limited by material, adverse consequences imposed by federal regulations.

5 • Commitments and contingencies

Fuel contracts and power purchase agreements. On December 2, 2009, HECO and Chevron Products Company, a division of Chevron USA, Inc. (Chevron) executed an amendment to their existing contract for the purchase/sale of low sulfur fuel oil. The amendment modified the pricing formula, which could result in higher prices. The amended agreement terminates on April 30, 2013. On January 28, 2010, the PUC approved the amendment on an interim basis, and allowed HECO to include the costs incurred under the amendment in its energy cost adjustment clause (ECAC), to the extent such costs are not recovered through HECO's base rates. The costs recovered as a result of the interim decision are not subject to retroactive disallowance, provided HECO complies with the remaining procedural schedule, which includes additional discovery by the Consumer Advocate, and there is no evidence of intentional misrepresentation or omission of facts by HECO or Chevron, or any other form of malfeasance.

On May 5, 2010, HECO and Tesoro Hawaii Corporation (Tesoro) executed a second amendment to their existing LSFO supply contract (LSFO contract), subject to PUC approval. The amendment modified the pricing formula, which could result in higher prices. It also reduced the minimum fuel volumes HECO is obligated to buy under the LSFO contract and reduced the maximum volumes Tesoro is obligated to sell HECO under the LSFO contract. The term of the amended agreement runs through April 30, 2013 and may automatically renew for annual terms thereafter unless earlier terminated by either party. HECO will submit a PUC application for approval of the second amendment, such that the changes in fuel prices under the amendment would be included in HECO's ECAC. HECO has also agreed to ask the PUC to approve the application of the amended pricing retroactive to January 1, 2010.

The energy charge for energy purchased from Kalaeloa Partners, L.P. (Kalaeloa) under HECO's PPA with Kalaeloa is based, in part, on the price Kalaeloa pays Tesoro for fuel oil under a Facility Fuel Supply Contract (fuel contract) between them. Kalaeloa and Tesoro have negotiated a proposed amendment to the pricing formula in their fuel contract. The amendment could result in higher fuel prices for Kalaeloa. Kalaeloa has requested HECO's consent to amend the PPA to incorporate the amended fuel contract terms. If, after review, HECO consents, HECO will seek PUC approval for such a PPA amendment and to include the costs incurred under the PPA amendment in HECO's ECAC.

Hawaii Clean Energy Initiative. In January 2008, the State of Hawaii (State or Hawaii) and the U.S. Department of Energy (DOE) signed a memorandum of understanding establishing the Hawaii Clean Energy Initiative (HCEI) with the stated purpose of establishing a long-term partnership between the State and the DOE that will result in a fundamental and sustained transformation in the way in which energy is produced and energy resources are planned and used in the State.

Table of Contents

In October 2008, the Governor of the State, the State Department of Business, Economic Development and Tourism, the Division of Consumer Advocacy of the State Department of Commerce and Consumer Affairs, and HECO, on behalf of itself and its subsidiaries, HELCO and MECO (collectively, the parties), signed an Energy Agreement setting forth goals and objectives under the HCEI and the related commitments of the parties (the Energy Agreement), including pursuing a wide range of actions with the purpose of decreasing the State's dependence on imported fossil fuels through substantial increases in the use of renewable energy and implementation of new programs intended to secure greater energy efficiency and conservation.

The parties recognize that the move toward a more renewable and distributed and intermittent power system will pose increased operating challenges to the utilities and that there is a need to assure that Hawaii preserves a stable electric grid to minimize disruption in service quality and reliability. They further recognize that Hawaii needs a system of utility regulation to transform the utilities from traditional sales-based companies to energy services companies while preserving financially sound utilities.

Many of the actions and programs included in the Energy Agreement require approval of the PUC in proceedings that need to be initiated by the PUC or the utilities.

Among the major provisions of the Energy Agreement and related actions most directly affecting HECO and its subsidiaries are the following:

Renewable energy and energy efficiency goals. The Energy Agreement provides for the parties to pursue an overall goal of providing 70% of Hawaii's electricity and ground transportation energy needs from clean energy sources, including renewable energy and energy efficiency, by 2030. The ground transportation energy needs included in this goal include a contemplated move in Hawaii to electrification of transportation and the use of electric utility capacity in off peak hours to recharge vehicles and batteries. To help achieve this goal, changes to the Hawaii Renewable Portfolio Standards (RPS) law were enacted in 2009 to require electric utilities to meet an RPS of 10%, 15%, 25% and 40% by December 31, 2010, 2015, 2020 and 2030, respectively. The PUC must evaluate the standards every five years, beginning in 2013, to determine whether the standards remain effective and achievable or should be revised. Under current RPS law, energy savings resulting from energy efficiency programs will not count toward the RPS from January 1, 2015.

In December 2008, the PUC approved a penalty of $20 for every megawatthour (MWh) that an electric utility is deficient under Hawaii's RPS law, however, this penalty may be reduced, in the PUC's discretion, due to events or circumstances that are outside an electric utility's reasonable control, to the extent the event or circumstance could not be reasonably foreseen and ameliorated. The utilities will be prohibited from recovering any RPS penalties through rates.

To help achieve the 70% clean energy goal, an Energy Efficiency Portfolio Standard (EEPS) was enacted as part of Act 155, Session Laws of Hawaii 2009, which provided that the PUC establish (1) the standards designed to achieve a reduction of 4,300 gigawatthours of electricity use statewide by 2030, which may be revised; (2) interim goals for electricity use reduction to be achieved by 2015, 2020 and 2025; and (3) incentives and penalties to encourage achievement of these goals, if needed. In March 2010, the PUC opened a new docket to examine establishing an EEPS for Hawaii.

Public benefits fund (PBF). To fund energy efficiency programs, incentives, program administration, and other related program costs, as expended by a third-party administrator for the energy efficiency programs or by program contractors, which may include the utilities, a PBF was established that is funded by collecting 1% of electric utility revenues in 2009 and 2010; 1.5% in 2011 and 2012; and 2% thereafter. In 2010, the 1% will be assessed statewide, such that customers served under a given rate schedule will pay the same cents per kilowatthour (KWH) surcharge, regardless of service territory.

Clean Energy Infrastructure Surcharge (CEIS)/ Renewable Energy Infrastructure Program (REIP) Surcharge. The Energy Agreement provides for the establishment of a CEIS to (1) expedite cost recovery (including expenses, depreciation and an allowed return on investment) for infrastructure that supports greater use of renewable energy or grid efficiency within the utility systems (such as advanced metering, energy storage, interconnections and interfaces); and (2) be used to recover costs stranded by clean energy initiatives. A REIP Surcharge, which replaces the CEIS, was approved by the PUC in December 2009. The utilities need to file for project approval and cost inclusion in the surcharge on a project-by-project basis. The costs of an approved REIP project will continue to be included in the surcharge until the remaining costs of the project are included in the revenue requirements of the utility in a general rate case, and the PUC approves recovery through base rates.

Table of Contents

Renewable energy projects. HECO and its subsidiaries continue to negotiate with developers of currently proposed projects (identified in the Energy Agreement) to integrate into its grid approximately 1,100 MW from a variety of renewable energy sources, including solar, biomass, wind, ocean thermal energy conversion, wave and others. This includes HECO's commitment to integrate, with the assistance of the State, up to 400 MW of wind power into the Oahu electrical grid that would be imported via a yet-to-be-built undersea transmission cable system from wind farms proposed by developers to be built on the islands of Lanai and/or Molokai. Utilizing resources such as the U.S. Department of Energy national laboratories, the parties have committed to work together to evaluate, assess and address the operational challenges for integrating such a large increment of wind into its grid system on Oahu. The State and HECO have agreed to work together to ensure the supporting infrastructure needed is in place to reliably accommodate this large increment of wind power, including appropriate additional storage capacity investments and any required utility system connections or interfaces with the cable and the wind farm facilities. In December 2009, the PUC allowed for deferred treatment of Big Wind studies costs and such studies are proceeding as planned.

The State has agreed to seek, with HECO and/or developers' reasonable assistance, federal grant or loan assistance to pay for the undersea cable system. If federal funding is unavailable, the State will employ its best effort to fund the undersea cable system through taxpayer and ratepayer sources. HECO is not obligated to fund any of the cost of the undersea cable system, however, if HECO funds any part of the cost to develop the cable system and assumes any ownership of the cable system, all reasonably incurred capital costs and expenses are intended to be recoverable through the REIP.

Feed-in tariff (FIT). The Energy Agreement includes support for the development of a FIT system with standardized purchase prices for renewable energy. On October 24, 2008, the PUC opened an investigative proceeding to examine the implementation of FITs. The utilities and Consumer Advocate were named as initial parties to the proceeding and 18 other parties were granted intervenor or participant status.

In September 2009, the PUC issued a decision and order (D&O) that sets forth general principles for the FIT, approved the FIT as a mechanism for the procurement of renewable resources and directed the parties to file a stipulated procedural schedule that governs tasks for implementing a FIT, including development of queuing and interconnection procedures, reliability standards and FIT rates. The D&O contemplates that, for the initial FIT, there will be rates for photovoltaic (PV), concentrated solar power, onshore wind, and in-line hydropower projects. Eligible project sizes vary depending on which island the project is being sited on. On Oahu the FIT will differentiate between smaller projects up to 20 kilowatts (kW) in size (Tier 1), projects greater than 20 kW and up to 500 kW (Tier 2), and projects greater than 500 kW and up to 5 MW (Tier 3). On Maui and the island of Hawaii, Tier 1 FIT will be for projects up to 20 kW, Tier 2 FIT will be for projects greater than 20 kW and up to 250 kW, and Tier 3 FIT will be for projects greater than 250 kW and up to 2 MW. There will also be a "baseline" FIT rate to encourage other renewable energy technologies. FIT rates will be based on the project cost and reasonable profit of a typical project. The rates will be differentiated by technology or resource, project size, and interconnection costs; and will be levelized. The FIT program will be re-examined two years after it first becomes effective and every three years thereafter.

Filings of proposed FIT rates and contracts, queuing and interconnection procedures and reliability standards were made to the PUC in the first four months of 2010. The reliability standards filing identified the need to further evaluate technical renewable integration issues on the HELCO and MECO systems in order to implement FIT. The timing of implementing FIT on each island will depend on the PUC's consideration of these matters.

Net energy metering (NEM). Hawaii's NEM law requires the utilities to offer net metering of energy to eligible customer generators (i.e., a customer generator may receive credit for KWHs generated and exported to the grid up to the amount of KWHs used), subject to PUC-approved caps on the maximum capacity of customer generators and percentage of electric system penetration. Eligibility is limited to several renewable energy technologies with a generator size limit of 100 kW.

Table of Contents

The Energy Agreement provided that system-wide caps on NEM should be removed after implementation of the FITs. Instead, all distributed generation interconnections, including net metered systems, should be limited on a per-circuit basis to no more than 15% of peak circuit demand, to encourage the development of more cost effective distributed resources while still maintaining safe, reliable service.

In December 2008, HELCO, MECO and the Consumer Advocate filed stipulations to increase their NEM system caps from 1% to 3% of system peak demand (among other changes) and the PUC approved the proposed caps. The PUC directed the utilities and Consumer Advocate to file a proposed plan to address the provisions regarding NEM in the Energy Agreement, which plans were filed in August 2009. In January 2010, a stipulated agreement between the utilities and the Consumer Advocate was filed with the PUC that proposed the removal of the present system-wide cap with the adoption of revised interconnection standards to ensure ongoing reliability and safety, as well as the establishment of Reliability Standards. The proposal, which is pending PUC approval, included adoption of a 15% per-circuit distribution generation trigger for conducting further circuit-level impact studies; and removal of individual NEM program caps in favor of more overall system-wide assessments. In March 2010, MECO notified the PUC of its plans to raise the NEM system caps from 3% to 4% of system peak demand and filed revised tariff sheets effective in April 2010. Also, in April 2010, HELCO filed a similar notification regarding increasing its system caps to 4% of system peak demand, along with revised tariff sheets.

Using biofuels. The Energy Agreement includes support of the development and use of renewable biofuels for electricity generation, including the testing of the technical feasibility of using biofuel or biofuel blends in HECO, HELCO and MECO generating units (which could avert major capital investment for new, replacement generation). In July 2009, HECO and MECO each filed applications for approval of biodiesel fuel supply contracts, the inclusion of the costs under such contracts in their ECACs and, in the case of HECO, the commitment of funds (estimated at $5.2 million) for the purchase of capital equipment, in connection with proposed demonstration projects to test the use of biofuels. In October 2009, HECO filed a PUC application for approval of a purchase of 400,000 gallons of biodiesel to be used for operational testing and to collect emissions data for HECO Campbell Industrial Park combustion turbine No. 1 (CIP CT-1). In December 2009, the parties and participants in the respective dockets recommended the PUC approve the biodiesel fuel supply contract applications. Also in December of 2009, HECO filed an application for approval of a two-year biodiesel supply contract with Renewable Energy Group Marketing and Logistics, LLC (REG) primarily for CIP CT-1.

On March 31, 2010, HECO issued a request for proposal (RFP) for biofuels produced from feedstocks grown in, made in, or otherwise originating in Hawaii (local biofuel) to potentially supply multiple locations, including the site of CIP CT-1. Proposals must be submitted by June 18, 2010. A contract could be awarded to supply some or all of CIP CT-1 requirements upon expiration of the biodiesel supply contract with REG.

HECO expects to issue an all-fuels RFP in the fourth quarter of 2010 to solicit proposals for fuel to include CIP CT-1 biodiesel requirements that are not fulfilled through a contract for local biofuels and/or upon expiration of the term of the biodiesel supply contract with REG.

Decoupling rates from sales. In recognition of the need to recover the infrastructure and other investments required to support significantly increased levels of renewable energy and to eliminate the potential conflict between encouraging energy efficiency and conservation and lower sales revenues, the parties to the Energy Agreement agreed that it is appropriate to adopt a regulatory rate-making model under which the utilities' revenues would be decoupled from KWH sales (similar to what has occurred in California).

In May 2009, the utilities and the Consumer Advocate filed their joint proposal (Joint Decoupling Proposal) for a decoupling mechanism with three components: (1) a sales decoupling component via an RBA, (2) a revenue escalation component via a revenue adjustment mechanism and (3) an earnings sharing mechanism. In February 2010, the PUC approved the Joint Decoupling Proposal (with subsequent modifications to the proposal agreed to by the utilities and the Consumer Advocate), subject to the issuance of a final D&O, and ordered the utilities and the Consumer Advocate to jointly submit for the PUC's consideration a proposed Final D&O, which they did on March 23, 2010. Other parties commented on, but did not object to, the joint proposed final D&O.

Table of Contents

ECAC. The Energy Agreement confirms that the existing ECAC will continue, subject to periodic review by the PUC. As part of that review, the parties agree that the PUC will examine whether there are renewable energy projects from which the utilities should have, but did not, purchase energy or whether alternate fuel purchase strategies were appropriately used or not used.

Purchased power surcharge. Pursuant to the Energy Agreement, with PUC approval, a separate surcharge would be established to allow the utilities to pass through all reasonably incurred purchased power costs. In December 2008, HECO filed updates to its 2009 test year rate case, which proposed the establishment of a purchased power adjustment clause to recover non-energy purchased power costs approved by the PUC, which are currently recovered through base rates, with the purchased power adjustment clause to be adjusted monthly and reconciled quarterly. In their 2010 test year rate cases, MECO and HELCO each proposed the same purchased power adjustment clause as HECO.

Other initiatives. The Energy Agreement includes a number of other undertakings intended to accomplish the purposes and goals of the HCEI, subject to PUC approval, including: (a) promoting greater use of solar energy; (b) providing for the retirement or placement on reserve standby status of older and less efficient fossil fuel fired generating units as new, renewable generation is installed; (c) improving and expanding "load management" and "demand response" programs that allow the utilities to control customer loads to improve grid reliability and cost management; (d) the filing of PUC applications for approval of the installation of Advanced Metering Infrastructure, coupled with time-of-use or dynamic rate options for customers; (e) supporting prudent and cost effective investments in smart grid technologies, which become even more important as wind and solar generation is added to the grid; (f) delinking prices paid under all new renewable energy contracts from oil prices; and (g) exploring the possibility of establishing lifeline rates designed to provide a cap on rates for those who are unable to pay the full cost of electricity (which the utilities have proposed in their Lifeline Rate Program for qualified, low-income customers submitted for PUC approval in April 2009).

Interim increases. As of March 31, 2010, HECO and its subsidiaries had recognized $323 million of revenues with respect to interim orders ($318 million related to interim orders regarding general rate increase requests and $5 million related to interim orders regarding certain integrated resource planning costs). Revenue amounts recorded pursuant to interim orders are subject to refund, with interest, if they exceed amounts allowed in a final order.

Major projects. Many public utility projects require PUC approval and various permits from other governmental agencies. Difficulties in obtaining, or the inability to obtain, the necessary approvals or permits can result in significantly increased project costs or even cancellation of projects. Further, completion of projects is subject to various risks, such as problems or disputes with vendors. In the event a project does not proceed, or if the PUC disallows cost recovery for all or part of a project, project costs may need to be written off in amounts that could result in significant reductions in HECO's consolidated net income. Significant projects (with capitalized and deferred costs accumulated through March 31, 2010 noted in parentheses) whose costs have not yet been allowed in rate base by a final PUC order include HECO's CIP CT-1 and transmission line ($193 million), HECO's East Oahu Transmission Project ($53 million), HELCO's ST-7 ($90 million) and HECO's Customer Information System (CIS) ($25 million).

CIP CT-1 and transmission line. HECO has built a new 110 MW simple cycle combustion turbine (CT) generating unit at CIP and has added an additional 138 kilovolt transmission line to transmit power from generating units at CIP to the rest of the Oahu electric grid (collectively, the Project). Current plans are for the CT to be run primarily as a "peaking" unit and to be fueled by biodiesel, when a biodiesel operational supply contract is approved by the PUC.

In December 2006, HECO filed with the PUC an agreement with the Consumer Advocate in which HECO committed to use 100% biofuels in its new plant and to take the steps necessary for HECO to reach that goal.

Table of Contents

In its 2009 test year rate case, HECO requested inclusion of CIP CT-1 costs in rate base when the unit is placed in service, but the PUC did not grant the request in its first interim D&O issued in July 2009, indicating that the record did not yet demonstrate that the unit would be in service by the end of 2009. Subsequently, CIP CT-1 completed all utility requirements for system operation on August 3, 2009, including synchronizing into the grid and performing all operational tests necessary for commercial operation. In October 2009, a process was established with PUC approval to allow HECO to use CIP CT-1 for critical load purposes. On December 21, 2009, HECO entered into a two-year contract with REG to supply biodiesel for the generating unit, subject to PUC approval, which HECO applied for on December 22, 2009. In April 2010, the Consumer Advocate filed its Statement of Position supporting HECO's request for approval. In April 2010, HECO purchased 500,000 gallons of biodiesel under the REG contract. HECO is still awaiting a PUC D&O on its request for approval of the REG contract.

In February 2010, the PUC issued a second interim D&O in the HECO 2009 test year rate case granting HECO an additional increase of $12.7 million in annual revenues to recover the costs of CIP CT-1 and related transmission improvements. The second interim D&O also stated that until HECO can secure its biodiesel fuel supply, the PUC finds it appropriate to temporarily allow HECO to operate CT-1 as a diesel peaking unit (i.e., be utilized on more than just an emergency basis). In March 2010, the Department of Health of the State of Hawaii (DOH) approved CIP CT-1's use of biodiesel and biodiesel/diesel blends with up to 1% diesel.

As of March 31, 2010, HECO's cost estimate for the Project was $196 million (of which $193 million had been incurred, including $9 million of allowance for funds during construction (AFUDC)). To the extent actual project costs are higher than the $163 million estimate included in the 2009 test year rate case, HECO plans to seek recovery in a future proceeding. Management believes no adjustment to project costs is required as of March 31, 2010. However, if it becomes probable that the PUC will disallow some or all of the incurred costs for rate-making purposes, HECO may be required to write off a material portion or all of the project costs incurred.

East Oahu Transmission Project (EOTP). HECO had planned a project to construct a partially underground 138 kilovolt (kV) line in order to close the gap between the southern and northern transmission corridors on Oahu and provide a third transmission line to a major substation. However, in 2002, an application for a permit, which would have allowed construction in a route through conservation district lands, was denied.

HECO continued to believe that the proposed reliability project was needed and, in 2003, filed an application with the PUC requesting approval to commit funds (then estimated at $56 million—$42 million for Phase 1 and $14 million for Phase 2) for an EOTP, revised to use a 46 kV system and a modified route, none of which is in conservation district lands.

In October 2007, the PUC issued a final D&O approving HECO's request to expend funds for the EOTP, but stating that the issue of recovery of the EOTP costs would be determined in a subsequent rate case, after the project is installed and in service.

As a result of higher than estimated construction costs, an increase in the cost of materials and the overall delay in the project, Phase 1 is currently estimated to cost $57 million (including planning costs incurred prior to the 2002 denial of the permit of $12 million and AFUDC). The first phase is currently in construction and projected to be completed in 2010. For the second phase, after reviewing the updated cost and other technologies, in April 2010, HECO proposed an alternative design, subject to PUC approval, that should result in faster implementation and a lower cost (when compared to the updated cost for Phase 2, as originally planned). The alternative involves the use of smart grid technology to accomplish approximately the same operational benefits as the original design and it has been awarded partial funding through the Smart Grid Investment Grant Program of the American Recovery and Reinvestment Act of 2009 (ARRA). The alternative is estimated to cost approximately $10 million (total cost of $15 million less ARRA funding of $5 million) and is projected to be completed in 2012.

Table of Contents

As of March 31, 2010, the accumulated costs recorded for the EOTP amounted to $53 million ($51 million for Phase 1 and $2 million for Phase 2), including (i) $12 million of planning and permitting costs incurred prior to the 2002 denial of the permit, (ii) $18 million of planning, permitting and construction costs incurred after the denial of the permit and (iii) $23 million for AFUDC. Management believes no adjustment to project costs is required as of March 31, 2010. However, if it becomes probable that the PUC will disallow some or all of the incurred costs for rate-making purposes, HECO may be required to write off a material portion or all of the project costs incurred in its efforts to put the project into service whether or not it is completed.

HELCO generating units. In 1991, HELCO began planning to meet increased demand for electricity forecast for 1994. HELCO planned to install at its Keahole power plant two 20 MW combustion turbines (CT-4 and CT-5), followed by an 18 MW heat recovery steam generator (ST-7), at which time the units would be converted to a 56 MW (net) dual-train combined-cycle unit. In January 1994, the PUC approved expenditures for CT-4. In 1995, the PUC allowed HELCO to pursue construction of and commit expenditures for CT-5 and ST-7, but noted that such costs are not to be included in rate base until the project is installed and "is used and useful for utility purposes."

There were a number of environmental and other permitting challenges to construction of the units, including several lawsuits, which resulted in significant delays. However, in 2003, all but one of the parties actively opposing the plant expansion project entered into a settlement agreement with HELCO and several Hawaii regulatory agencies (the Settlement Agreement) intended in part to permit HELCO to complete CT-4 and CT-5. The Settlement Agreement required HELCO to undertake a number of actions, which have been completed or are ongoing. As a result of the final resolution of various proceedings due primarily to the Settlement Agreement, there are no pending lawsuits involving the project.

CT-4 and CT-5 became operational in mid-2004 and currently can be operated as required to meet HELCO's system needs, but additional efforts have been ongoing to achieve compliance with the night-time noise standard in the Settlement Agreement and/or to modify the standard.

HELCO's capitalized costs for CT-4 and CT-5 and related supporting infrastructure amounted to $110 million. HELCO sought recovery of these costs as part of its 2006 test year rate case.

In March 2007, HELCO and the Consumer Advocate reached a settlement of the issues in the 2006 rate case proceeding, under which settlement HELCO agreed to write off approximately $12 million of the costs relating to CT-4 and CT-5, resulting in an after-tax charge to net income of $7 million. In April 2007, the PUC issued an interim D&O granting HELCO a 7.58% increase in rates, which D&O reflected the agreement to write off $12 million of the CT-4 and CT-5 costs.

On June 22, 2009, ST-7 was placed into service. As of March 31, 2010, HELCO's cost estimate for ST-7 was $92 million (of which $90 million had been incurred). HELCO is seeking to recover the costs of ST-7 in HELCO's 2010 test year rate case.

Management believes that no further adjustment to project costs is required at March 31, 2010. However, if it becomes probable that the PUC will disallow for rate-making purposes additional CT-4 and CT-5 costs in its final D&O in HELCO's 2006 rate case or disallow any ST-7 costs in HELCO's 2010 rate case, HELCO will be required to record an additional write-off.

Customer Information System (CIS) Project. On August 26, 2004, HECO, HELCO and MECO filed a joint application with the PUC for approval of the accounting treatment and recovery of certain costs related to acquiring and implementing a new CIS that would have substantially greater capabilities and features than the existing system, enabling the utilities to enhance their operations. In a D&O filed on May 3, 2005, the PUC approved the utilities' request to (i) expend the then-estimated amount of $20.4 million for the new CIS, provided that no part of the project costs may be included in rate base until the project is in service and is "used and useful for public utility purposes," and (ii) defer certain computer software development costs, accumulate an AFUDC during the deferral period, amortize the deferred costs over a specified period and include the unamortized deferred costs in rate base, subject to specified conditions.

Following a competitive bidding process, HECO signed a contract with Peace Software US Inc. (Peace) in March 2006 to have Peace develop, deliver and implement the new CIS (implementation contract), with a transition to the new CIS originally scheduled to occur in February 2008. The transition did not occur as scheduled. In June 2008, HECO notified Peace that HECO considered Peace to be in material breach of the implementation contract because of Peace's failure to satisfy the project schedule. In July 2008, HECO notified

Table of Contents

the PUC that, due to cost overruns and other issues, the total estimated cost of the project had increased to $39.5 million and the transition to the new CIS would be postponed to 2009. In April 2009, HECO notified the PUC that, due to the delays and other issues, a transition to the new CIS was no longer expected to occur in 2009. Through August 2009, HECO attempted to work with Peace to develop a plan to minimize additional delay and complete installation of the new CIS using the Peace software, despite Peace's failure to cure the breaches identified by HECO in June 2008. However, on August 31, 2009, Peace provided HECO a notice of termination of the implementation contract and filed a lawsuit against HECO in the Hawaii United States District Court alleging, among other things, that HECO breached the contract by not paying amounts due. HECO contends the lawsuit is without merit. On October 5, 2009, HECO filed its response to the Peace complaint and also filed a counterclaim against Peace for breach of contract and a third-party claim against Peace's former owner, First Data Corporation, for tortious interference with HECO's contract. Peace, First Data Corporation and HECO are currently discussing possible settlement of this litigation.

The CIS project will continue with HECO's selection of a new software vendor and system integrator expected to be made before the end of the second quarter of 2010. As of March 31, 2010, the accumulated deferred and capital costs recorded for the CIS amounted to $25 million. Management believes no adjustment to project costs is required as of March 31, 2010. However, if it becomes probable that the PUC will disallow some or all of the incurred costs for rate-making purposes, HECO may be required to write off a material portion or all of the project costs incurred in its efforts to put the project into service whether or not it is completed.

HCEI Projects. While much of the renewable energy infrastructure contemplated by the Energy Agreement will be developed by others (e.g., wind plant developments on Molokai and Lanai would be owned by a third-party developer, and the undersea cable system to bring the power generated by the wind plants to Oahu is currently planned to be owned by the State), the utilities may be making substantial investments in related infrastructure. In the Energy Agreement, the State agreed to support, facilitate and help expedite renewable projects, including expediting permitting processes.

In July 2009, HECO filed an application for the recovery of Big Wind Implementation Studies costs through the REIP Surcharge, which asked the PUC to approve the deferral and recovery of costs for studies and analyses needed to integrate large amounts of wind-generated renewable energy potentially located on the islands of Molokai and Lanai to the Oahu electric grid. On December 11, 2009, the PUC issued a D&O that allows HECO to defer costs for the Big Wind Implementation Studies for later review for prudence and reasonableness, but refrained from making any decision as to the specific recovery mechanism or the terms of any recovery mechanism (e.g., amortization period or carrying treatment).

Environmental regulation. HECO and its subsidiaries are subject to environmental laws and regulations that regulate the operation of existing facilities, the construction and operation of new facilities and the proper cleanup and disposal of hazardous waste and toxic substances. In the last year, legislative and regulatory activity related to the environment, including proposals and rulemaking under the Clean Air Act (CAA) and Clean Water Act, has increased significantly and management anticipates that such activity will continue. Depending upon the final outcome of the legislative and regulatory activity, HECO and its subsidiaries may be required to incur material levels of capital expenditures and other compliance costs.

HECO, HELCO and MECO, like other utilities, periodically experience petroleum or other chemical releases into the environment associated with current operations and report and take action on these releases when and as required by applicable law and regulations. Except as otherwise disclosed herein, the Company believes the costs of responding to its subsidiaries' releases identified to date will not have a material adverse effect, individually or in the aggregate, on the Company's or HECO's consolidated results of operations, financial condition or liquidity.

Additionally, current environmental laws may require HEI and its subsidiaries to investigate whether releases from historical operations may have contributed to environmental impacts, and, where appropriate, respond to such releases, even if they were not inconsistent with law or standard industrial practices prevailing at the time when they occurred. Such releases may involve area-wide impacts contributed to by multiple potentially responsible parties.

Table of Contents

Honolulu Harbor investigation. HECO has been involved since 1995 in a work group with several other potentially responsible parties (PRPs) identified by the DOH, including oil companies, in investigating and responding to historical subsurface petroleum contamination in the Honolulu Harbor area. The U.S. Environmental Protection Agency (EPA) became involved in the investigation in June 2000. Some of the PRPs (the Participating Parties) entered into a joint defense agreement and ultimately entered into an Enforceable Agreement with the DOH to address petroleum contamination at the site. The Participating Parties are funding the investigative and remediation work using an interim cost allocation method (subject to a final allocation) and have organized a limited liability company to perform the work. Although the Honolulu Harbor investigation involves four units—Iwilei, Downtown, Kapalama and Sand Island—to date all the investigative and remedial work has focused on the Iwilei Unit.

The Participating Parties have conducted subsurface investigations, assessments, preliminary oil removal, and are currently finalizing remedial design tasks, which they anticipate will be completed in 2010. The Participating Parties will implement remedial design elements as they are approved by the DOH. A HECO investigation of its operations in the Iwilei Unit in 2003 and subsequent maintenance and inspections have confirmed that its facilities are not releasing petroleum.

Through March 31, 2010, HECO has accrued a total of $3.3 million for the estimated HECO share of costs for continuing investigative work, remedial activities and monitoring for the Iwilei unit. As of March 31, 2010, the remaining accrual (amounts expensed less amounts expended) for the Iwilei unit was $1.5 million. Because (1) the full scope of work remains to be determined, (2) the final cost allocation method among the PRPs has not yet been established and (3) management cannot estimate the costs to be incurred (if any) for the sites other than the Iwilei unit (such as its Honolulu power plant located in the Downtown unit of the Honolulu Harbor site), the cost estimate may be subject to significant change and additional material costs may be incurred.

Regional Haze Rule amendments. In June 2005, the EPA finalized amendments to the July 1999 Regional Haze Rule that require emission controls known as best available retrofit technology (BART) for industrial facilities emitting air pollutants that reduce visibility in National Parks by causing or contributing to regional haze. States were to develop BART implementation plans and schedules in accordance with the amended regional haze rule by December 2007. If a state does not develop a BART implementation plan, the EPA is required to develop a federal implementation plan (FIP) by 2011.

On May 4, 2010, HELCO received notification that the EPA has determined that emissions from the Hill Power Plant decrease the visibility at Hawaii Volcanoes National Park and Haleakala National Park. The EPA requested that HELCO conduct a BART analysis by August 28, 2010. Alternatively, HELCO may notify the EPA that it will not perform the analysis, in which case the EPA would perform the analysis. The BART determination is made on a case-by-case basis taking into account a number of factors, including cost and the degree of visibility improvement that may reasonably be anticipated as a result of employing BART. In the letter, the EPA also indicated that it will be developing a FIP for Hawaii using the notice and comment rulemaking process.

The EPA also advised that it plans to evaluate HELCO's Puna Power Plant and Shipman Power Plant emissions in the context of a long-term strategy for making reasonable progress toward improvement of visibility in the national parks. If any of HELCO's generating units are ultimately required to install post-combustion control technologies to meet BART emission limits, the resulting capital and operation and maintenance costs could be significant.

Hazardous Air Pollutant (HAP) Control — Steam Electric Generating Units. The EPA is required to issue Maximum Achievable Control Technology (MACT) standards for coal-fired and oil-fired electric generating unit (EGU) HAP emissions by November 16, 2011.

Depending on the MACT standards issued (and the outcome of a potential challenge that the EPA inappropriately included oil-fired EGUs initially), costs to comply with the standards could be significant.

Table of Contents

Hazardous Air Pollutant (HAP) Control — Industrial, Commercial and Institutional Boilers. On April 30, 2010, the EPA issued proposed rules governing HAP from industrial, commercial and institutional boilers at "area sources" of HAP. The proposed rules would apply to steam generating units operated by the utilities that do not qualify as EGUs, which may include oil-fired generating units at HECO's Honolulu Power Plant, HELCO units at the Hill, Shipman and Puna Power Plants, and MECO units at the Kahului Power Plant. For such units, the proposed rules could require control of carbon monoxide emissions above a proposed standard, installation and operation of continuous emission monitoring systems, and institution of work practices designed to increase efficiency and thereby reduce HAP emissions. The utilities have begun to evaluate the proposed rules. If control equipment is required for such units, the compliance costs could be significant.

HAP Control — Reciprocating Internal Combustion Engines (RICE). On March 3, 2010, the Federal Register published the EPA's final MACT standards that regulate HAPs from certain existing diesel compression ignition engines (Compression Ignition RICE), with final compliance by May 3, 2013. The EPA announced that it will also issue final MACT standards for certain gasoline and propane spark ignition engines (Spark Ignition RICE) by August 10, 2010. The Compression Ignition RICE MACT regulations require installation of pollution control devices on approximately 80 RICE at the utilities' facilities. Approximately 20 of the utilities' Compression Ignition RICE are required to implement only specified maintenance practices. Management is currently evaluating the impacts of the final Compression Ignition RICE rule, including capital expenditures and other compliance costs, which costs could be significant, and is also assessing the potential impacts of the proposed Spark Ignition RICE requirements.

Clean Water Act. Section 316(b) of the federal Clean Water Act requires that the EPA ensure that existing power plant cooling water intake structures reflect the best technology available for minimizing adverse environmental impacts. Because it is unclear what form the EPA's cooling water intake structure regulations will take, management is unable to predict which compliance options, some of which could entail significant capital expenditures, will be applicable to its facilities. When issued, the applicable final cooling water intake requirements will be incorporated into the National Pollutant Discharge Elimination System permits governing HECO's Kahe, Waiau and Honolulu Power Plants.

Global climate change and greenhouse gas (GHG) emissions reduction. National and international concern about climate change and the contribution of GHG emissions to global warming have led to action by the state of Hawaii and federal legislative and regulatory proposals to reduce GHG emissions. Carbon dioxide emissions, including those from the combustion of fossil fuels, comprise the largest percentage of GHG emissions.

In July 2007, Act 234, which requires a statewide reduction of GHG emissions by January 1, 2020 to levels at or below the statewide GHG emission levels in 1990, became law in Hawaii. It also establishes a task force, comprised of representatives of state government, business, the University of Hawaii and environmental groups, which is charged with preparing a work plan and regulatory approach for "implementing the maximum practically and technically feasible and cost-effective reductions in greenhouse gas emissions" to achieve 1990 statewide GHG emission levels. The electric utilities are participating in the Task Force, as well as in initiatives aimed at reducing their GHG emissions, such as those to be undertaken under the Energy Agreement. A Task Force consultant prepared the work plan, which was submitted to the Hawaii Legislature in December 2009. The Task Force also unanimously recommended that the work plan include the HCEI as a means to meet the Act 234 GHG emission reduction goals, though costs and funding mechanisms would need further exploration and consideration. (For a discussion of the HCEI, see "Hawaii Clean Energy Initiative" above.) Because the regulations implementing Act 234 have not yet been developed or promulgated, management cannot predict the impact of Act 234 on the electric utilities and the Company, but compliance costs could be significant.

In June 2009, the U.S. House of Representatives passed H.R. 2454, the American Clean Energy and Security Act of 2009 (ACES). Among other things, ACES establishes a declining cap on GHG emissions requiring a 3% emissions reduction by 2012 that increases periodically to 83% by 2050. The ACES also establishes a trading and offset scheme for GHG allowances. The trading program combined with the declining cap is known as a "cap and trade" approach to emissions reduction. In September 2009, the U.S. Senate began consideration of the Clean Energy Jobs and American Power Act (S. 1733). S. 1733 also includes cap and trade

Table of Contents

provisions to reduce GHG emissions. Since then, several other approaches to GHG emission reduction have been either introduced or discussed in the U.S. Senate; however, no legislation has yet been enacted.

Since 2007, when the U.S. Supreme Court ruled in Massachusetts v. EPA, that the EPA has the authority to regulate GHG emissions from motor vehicles under the CAA, the EPA has accelerated rulemaking addressing GHG emissions from both mobile and stationary sources. In April 2009, the EPA proposed making the finding that motor vehicle GHG emissions endanger public health or welfare. Management believes the EPA will make the same or similar endangerment finding regarding GHG emissions from stationary sources like the utilities' generating units. On June 30, 2009, the EPA granted the California Air Resources Board's request for a waiver from CAA preemption to enforce GHG emission standards for motor vehicles. On September 22, 2009, the EPA issued the Final Mandatory Reporting of Greenhouse Gases Rule, which requires that sources above certain threshold levels monitor and report GHG emissions beginning in 2010. On September 28, 2009, the EPA and the National Transportation Safety Administration jointly proposed federal GHG emission standards for motor vehicles (Tailpipe Rule).

In addition, the Prevention of Significant Deterioration (PSD) permit program of the CAA applies to any pollutant that is "subject to regulation" under the CAA. The PSD program applies to designated air pollutants from new or modified stationary sources, such as utility electrical generation units. Currently, the PSD program does not apply to GHGs. However, on October 27, 2009, the Federal Register published the EPA's proposed "Prevention of Significant Deterioration (PSD) and Title V Greenhouse Gas (GHG) Tailoring Rule" (GHG Tailoring Rule) that would create a new emissions threshold for GHG emissions from new and existing facilities. The proposed rule would phase in applicability thresholds for both PSD and Title V programs for sources of GHG emissions. The first phase would last for six years. The EPA would conduct, if appropriate, another rulemaking by the end of the sixth year to revise applicability and significance level thresholds and other streamlining techniques. States may need to increase fees to cover the increased level of activity caused by this rule. If adopted in its current form, the proposed tailoring rule would require a number of existing HECO, HELCO and MECO facilities that are not currently subject to the Covered Source Permit program to submit an initial Covered Source Permit application to the DOH within one year following the effective date of the final rule.

On April 2, 2010, the EPA published in the Federal Register its final interpretation of when a pollutant becomes "subject to regulation" for PSD program purposes. Under the final interpretation, a pollutant becomes "subject to control" when a regulation requires "actual control" of the newly regulated pollutant, and then, only when the regulatory requirement "takes effect." In conjunction with this interpretation, the EPA has stated that the PSD program will apply to GHG emissions on January 2, 2011 because it is the date the Tailpipe Rule "takes effect" (i.e., it is the date the automobile industry is first required to demonstrate compliance with the Tailpipe Rule).

The EPA is proposing and adopting these rules on a parallel track with federal climate change legislation. If comprehensive GHG emission control legislation is not adopted, then these (and other future) EPA rules would likely be finalized and be applicable to the utilities. In particular, the Company anticipates that, unless comprehensive GHG legislation is adopted, permitting after January 2, 2011 of new or modified stationary sources that have the potential to emit GHGs in greater quantities than the thresholds ultimately adopted under the GHG Tailoring rule will entail GHG emissions evaluation, analysis, and potentially control requirements.

HECO and its subsidiaries have taken, and continue to identify opportunities to take, direct action to reduce GHG emissions from their operations, including, but not limited to, supporting demand-side management (DSM) programs that foster energy efficiency, using renewable resources for energy production and purchasing power from IPPs generated by renewable resources, committing to burn renewable biodiesel in HECO's CIP CT-1, using biodiesel for startup and shutdown of selected MECO generation units, and pursuing plans to test biofuel blends in other HECO and MECO generating units. HECO seeks to identify and support viable technology for electricity production that will increase energy efficiency and reduce or eliminate GHG emissions. Implementation of actions included in the Energy Agreement under the HCEI can further help achieve reduction or elimination of GHG emissions. Since the specific reductions the electric utilities would have to meet under GHG reduction legislation and rule-making remain unclear, management is unable to evaluate the ultimate impact on the Company's operations of eventual GHG regulation. However, the Company believes that the various initiatives it is undertaking will provide a sound basis for managing the electric utilities' carbon footprint and meeting GHG reduction goals that will ultimately emerge.

Table of Contents

While the timing, extent and ultimate effects of global warming cannot be determined with any certainty, global warming is predicted to result in sea level rise, which could potentially impact coastal and other low-lying areas (where much of the Company's electric infrastructure is sited), and could cause erosion of beaches, saltwater intrusion into aquifers and surface ecosystems, higher water tables and increased flooding and storm damage due to heavy rainfall. The effects of climate change on the weather (for example, floods or hurricanes), sea levels, and water availability and quality have the potential to materially adversely affect the results of operations and financial condition of the Company. For example, severe weather could cause significant harm to the Company's physical facilities.

Given Hawaii's unique geographic location and its isolated electric grids, physical risks of the type associated with climate change have been considered by the Company in the planning, design, construction, operation and maintenance of its facilities. To ensure the reliability of each island's grid, the Company designs and constructs its electric generation system with greater levels of redundancy than is typical for mainland, interconnected systems. Although a major natural disaster could have severe financial implications, such risks have existed since the Company's inception. The Company makes a concerted effort to consider such physical risks in the design, construction and operation of its facilities, and to prepare for a fast response in the event of an emergency.

The Company is undertaking an adaptation survey of its facilities as a step in developing a longer term strategy for responding to the consequences of global climate change.

BlueEarth Biofuels LLC. In January 2007, HECO and MECO agreed to form a venture with BlueEarth Biofuels LLC (BlueEarth) to develop a biodiesel production facility on MECO property on the island of Maui. BlueEarth Maui Biodiesel LLC (BlueEarth Maui), a joint venture to pursue biodiesel development, was formed in early 2008 between BlueEarth and Uluwehiokama Biofuels Corp. (UBC), a non-regulated subsidiary of HECO. In February 2008, an Operating Agreement and an Investment Agreement were executed between BlueEarth and UBC, under which UBC invested $400,000 in BlueEarth Maui in exchange for a minority ownership interest. MECO began negotiating with BlueEarth Maui for a fuel purchase contract for biodiesel to be used in existing diesel-fired units at MECO's Maalaea plant. However, negotiations for the biodiesel supply contract stalled based on an inability to reach agreement on various financial and risk allocation issues. In October 2008, BlueEarth filed a civil action in federal district court in Texas against MECO, HECO and others alleging claims based on the parties' failure to have reached agreement on the biodiesel supply and related land agreements. The lawsuit seeks damages and equitable relief. In April 2009, the venue of the action was transferred to Hawaii. A trial date has been scheduled for April 2011. Work on the project was suspended because the litigation was filed. Although HECO remains committed to supporting development of renewable fuels production, because of the filing of the litigation and other factors, HECO and MECO now consider the project terminated and UBC's investment in the venture was written off in 2009.

Apollo Energy Corporation/Tawhiri Power LLC. HELCO purchases energy generated at the Kamao'a wind farm pursuant to the Restated and Amended PPA for As-Available Energy (the RAC) dated October 13, 2004 between HELCO and Apollo Energy Corporation (Apollo), later assigned to Apollo's affiliate, Tawhiri Power LLC (Tawhiri). The maximum allowed output of the wind farm is 20.5 MW.

By letter to HELCO dated June 15, 2009, Tawhiri requested binding arbitration as provided for under the provisions of the RAC on the issue of HELCO's curtailment of the wind farm output to 10 MW between October 9, 2007 and July 3, 2008. Tawhiri sought alleged damages for lost production in the amount of $13 million, plus unspecified damages for lost production tax credits, overhead losses, and consultant and legal fees. HELCO responded to Tawhiri's arbitration request on July 2, 2009, stating, among other points, that the curtailment was justified because Tawhiri failed to meet the low voltage ride-through requirements of the RAC and improperly disconnected from the grid on October 9, 2007. On March 1, 2010, a panel of three neutral arbitrators issued a final award and order, which provided that: (1) each party is to bear its own costs and expenses of the arbitration; (2) Tawhiri's claims with respect to the curtailment on October 9,

Table of Contents

2007 are denied and Tawhiri does not recover any damages for the curtailment on that date; (3) with respect to the length of the curtailment, which lasted 9 months, Tawhiri is awarded $500,000 in damages to be paid by HELCO, unless the parties agree otherwise or action under Hawaii law intervenes; (4) the final award and order is in full resolution of all claims submitted to the arbitration; and (5) the arbitrators recommend (although this is not binding on the parties) that HELCO and Tawhiri meet to negotiate and resolve their differences in interpretation and application of the under-voltage ride through provisions of the RAC to avoid future disputes. Pursuant to the RAC, the decision of the arbitrators is not binding on the parties until the decision is confirmed by order of a court of competent jurisdiction, which confirmation was requested by HECO on April 1, 2010.

In addition to the curtailment issue, HELCO and Tawhiri have disputes relating to HECO's ownership and possessory interests in the switching station and reimbursement of certain interconnection costs (arbitration hearings scheduled to start in June 2010) and reconciliation of transmission line losses (which has not yet proceeded to arbitration).

Asset retirement obligation. In July 2009, HECO hired an industrial hygienist to conduct an inspection at HECO's Honolulu power plant to determine the extent of asbestos and lead-based paint at a non-operating, sealed and vacant portion of the plant. The inspection indicated that retired Generating Units Nos. 5 and 7 at the plant were now deteriorating, and the industrial hygienist recommended removing the asbestos-containing materials and lead-based paint. Based on prior assessments, HECO believed the timing of the removal of asbestos and lead-based paint was not estimable. Based on the inspection, however, HECO now intends to remove Units Nos. 5 and 7, including abating the asbestos and lead-based paint, over a 5-year period (2010 to 2014). In accordance with accounting principles for asset retirement and environmental obligations, HECO recorded an asset retirement obligation in September 2009. As of March 31, 2010, HECO's asset retirement obligation was $24 million.

Collective bargaining agreements. As of March 31, 2010, approximately 56% of the electric utilities' employees were members of the International Brotherhood of Electrical Workers, AFL-CIO, Local 1260, Unit 8, which is the only union representing employees of the Company. On March 1, 2008, members of the union ratified collective bargaining and benefit agreements with HECO, HELCO and MECO. The agreements cover a three-year term, from November 1, 2007 to October 31, 2010, and provide for non-compounded wage increases of 3.5% effective November 1, 2007, 4% effective January 1, 2009 and 4.5% effective January 1, 2010.

Limited insurance. HECO and its subsidiaries purchase insurance to protect themselves against loss or damage to their properties against claims made by third-parties and employees. However, the protection provided by such insurance is limited in significant respects and, in some instances, there is no coverage. HECO, HELCO and MECO's overhead and underground transmission and distribution systems (with the exception of substation buildings and contents) have a replacement value roughly estimated at $5 billion and are uninsured. Similarly, HECO, HELCO and MECO have no business interruption insurance. If a hurricane or other uninsured catastrophic natural disaster were to occur, and if the PUC were not to allow the utilities to recover from ratepayers restoration costs and revenues lost from business interruption, their results of operations and financial condition could be materially adversely impacted. Also, certain insurance has substantial "deductibles", limits on the maximum amounts that may be recovered and exclusions or limitations of coverage for claims related to certain perils. If a series of losses occurred, such as from a series of lawsuits in the ordinary course of business, each of which were subject to the deductible amount, or if the maximum limit of the available insurance were substantially exceeded, HECO, HELCO and MECO could incur losses in amounts that would have a material adverse effect on their results of operations and financial condition.

Table of Contents

6 • Cash flows

Supplemental disclosures of cash flow information. For the three months ended March 31, 2010 and 2009, HECO and its subsidiaries paid interest amounting to $14 million and $8 million, respectively.

For the three months ended March 31, 2010, HECO and its subsidiaries paid income taxes amounting to $7.8 million. For the three months ended March 31, 2009, HECO and its subsidiaries received an income tax refund amounting to $2.0 million.

Supplemental disclosure of noncash activities. The allowance for equity funds used during construction, which was charged to construction in progress as part of the cost of electric utility plant, amounted to $1.8 million and $3.6 million for the three months ended March 31, 2010 and 2009, respectively.

7 • Recent accounting pronouncements and interpretations

For a discussion of recent accounting pronouncements and interpretations, see Note 9 of HEI's "Notes to Consolidated Financial Statements.

8 • Fair value of financial instruments

Fair value estimates are based on the price that would be received to sell an asset, or paid upon the transfer of a liability, in an orderly transaction between market participants at the measurement date. The fair value estimates are generally determined based on assumptions that market participants would use in pricing the asset or liability and are based on market data obtained from independent sources. However, in certain cases, the electric utilities use their own assumptions about market participant assumptions based on the best information available in the circumstances. These valuations are estimates at a specific point in time, based on relevant market information, information about the financial instrument and judgments regarding future expected loss experience, economic conditions, risk characteristics of various financial instruments and other factors. These estimates do not reflect any premium or discount that could result if the electric utilities were to sell their entire holdings of a particular financial instrument at one time. Because no market exists for a portion of the electric utilities' financial instruments, fair value estimates cannot be determined with precision. Changes in the underlying assumptions used, including discount rates and estimates of future cash flows, could significantly affect the estimates. Fair value estimates are provided for certain financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. In addition, the tax ramifications related to the realization of the unrealized gains and losses could have a significant effect on fair value estimates and have not been considered in determining such fair values.

The electric utilities used the following methods and assumptions to estimate the fair value of each applicable class of financial instruments for which it is practicable to estimate that value:

Table of Contents

Cash and equivalents and short-term borrowings. The carrying amount approximated fair value because of the short maturity of these instruments.

Long-term debt. Fair value was obtained from a third-party financial services provider based on the current rates offered for debt of the same or similar remaining maturities.

Off-balance sheet financial instruments. Fair value of HECO-obligated preferred securities of trust subsidiaries was based on quoted market prices.

The estimated fair values of the financial instruments held or issued by the electric utilities were as follows:

	March 31, 2010		December 31, 2009	
(in thousands)	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Financial assets				
Cash and equivalents	$ 31,510	$ 31,510	$ 73,578	$ 73,578
Financial liabilities				
Long-term debt, net, including amounts due within one year	1,057,847	1,040,675	1,057,815	1,018,900
Off-balance sheet item				
HECO-obligated preferred securities of trust subsidiary	50,000	51,000	50,000	48,480

9 • Subsequent events

Effective May 7, 2010, HECO entered into a revolving unsecured credit agreement establishing a line of credit facility of $175 million, with a letter of credit sub-facility, with a syndicate of eight financial institutions. The agreement has an initial term which expires on May 6, 2011, but its term will extend to May 7, 2013 if approved by the PUC. Any draws on the facility bear interest at the “Adjusted LIBO Rate” plus 200 basis points or the greatest of (a) the “Prime Rate,” (b) the sum of the “Federal Funds Rate” plus 50 basis points and (c) the “Adjusted LIBO Rate” for a one month “Interest Period” plus 100 basis points per annum, as defined in the agreement. Annual fees on the undrawn commitments are 30 basis points. The agreement contains provisions for revised pricing in the event of a ratings change. For example, a ratings downgrade of HECO’s Issuer Rating (e.g., from BBB+/Baa1 to BBB/Baa2 by S&P and Moody’s, respectively) would result in a commitment fee increase of 10 basis points and an interest rate increase of 25 basis points on any drawn amounts. On the other hand, a ratings upgrade (e.g., from BBB+/Baa1 to A-/A3 by S&P or Moody’s, respectively) would result in a commitment fee decrease of 5 basis points and an interest rate decrease of 25 basis points on any drawn amounts. The agreement does not contain clauses that would affect access to the lines by reason of a ratings downgrade, nor does it have broad “material adverse change” clauses. However, the agreement does contain customary conditions that must be met in order to draw on it, including compliance with several covenants (such as covenants preventing its subsidiaries from entering into agreements that restrict the ability of the subsidiaries to pay dividends to, or to repay borrowings from, HECO, and restricting its ability as well as the ability of any of its subsidiaries to guarantee additional indebtedness of the subsidiaries if such additional debt would cause the subsidiary’s “Consolidated Subsidiary Funded Debt to Capitalization Ratio” to exceed 65% (ratio of 48% for HELCO and 44% for MECO as of March 31, 2010, as calculated under the agreement)). In addition to customary defaults, HECO’s failure to maintain its financial ratios, as defined in its agreement, or meet other requirements may result in an event of default. For example, under its agreement, it is an event of default if HECO fails to maintain a “Consolidated Capitalization Ratio” (equity) of at least 35% (ratio of 54% as of March 31, 2010, as calculated under the agreement).

HECO’s $175 million credit facility will be maintained to support the issuance of commercial paper, but also may be drawn to repay HECO’s short-term indebtedness, to make loans to subsidiaries and for HECO’s capital expenditure, working capital and general corporate purposes. HECO’s $175 million syndicated credit facility expiring March 31, 2011 was terminated concurrently with the effectiveness of this new syndicated credit facility. HECO expects to file with the PUC in the summer of 2010 an application seeking approval to extend the termination date of its credit agreement from May 6, 2011, to May 7, 2013.

Table of Contents

10 • Reconciliation of electric utility operating income per HEI and HECO consolidated statements of income

Three months ended March 31 (in thousands)	2010	2009
Operating income from regulated and nonregulated activities before income taxes (per HEI consolidated statements of income)	$ 42,609	$ 31,069
Deduct:		
Income taxes on regulated activities	(11,041)	(8,544)
Revenues from nonregulated activities	(1,399)	(2,512)
Add:		
Expenses from nonregulated activities	238	236
Operating income from regulated activities after income taxes (per HECO consolidated statements of income)	$ 30,407	$ 20,249

11 • Consolidating financial information

HECO is not required to provide separate financial statements or other disclosures concerning HELCO and MECO to holders of the 2004 Debentures issued by HELCO and MECO to Trust III since all of their voting capital stock is owned, and their obligations with respect to these securities have been fully and unconditionally guaranteed, on a subordinated basis, by HECO. Consolidating information is provided below for these and other HECO subsidiaries for the periods ended and as of the dates indicated.

HECO also unconditionally guarantees HELCO's and MECO's obligations (a) to the State of Hawaii for the repayment of principal and interest on Special Purpose Revenue Bonds issued for the benefit of HELCO and MECO and (b) relating to the trust preferred securities of Trust III. See Note 2 above. HECO is also obligated, after the satisfaction of its obligations on its own preferred stock, to make dividend, redemption and liquidation payments on HELCO's and MECO's preferred stock if the respective subsidiary is unable to make such payments.

Table of Contents

Hawaiian Electric Company, Inc. and Subsidiaries
Consolidating Statement of Income (unaudited)
Three months ended March 31, 2010

(in thousands)	HECO	HELCO	MECO	RHI	UBC	Reclassifications and Eliminations	HECO Consolidated
Operating revenues	$ 376,104	89,032	81,576	—	—	—	$ 546,712
Operating expenses							
Fuel oil	146,342	23,479	41,931	—	—	—	211,752
Purchased power	85,861	25,702	5,219	—	—	—	116,782
Other operation	41,626	9,017	8,601	—	—	—	59,244
Maintenance	17,074	3,395	6,584	—	—	—	27,053
Depreciation	21,913	9,126	7,603	—	—	—	38,642
Taxes, other than income taxes	35,723	8,328	7,740	—	—	—	51,791
Income taxes	7,905	2,647	489	—	—	—	11,041
	356,444	81,694	78,167	—	—	—	516,305
Operating income	19,660	7,338	3,409	—	—	—	30,407
Other income							
Allowance for equity funds used during construction	1,559	95	119	—	—	—	1,773
Equity in earnings of subsidiaries	5,293	—	—	—	—	(5,293)	—
Other, net	1,114	115	45	(2)	(5)	(26)	1,241
	7,966	210	164	(2)	(5)	(5,319)	3,014
Interest and other charges							
Interest on long-term debt	9,130	2,985	2,268	—	—	—	14,383
Amortization of net bond premium and expense	433	117	117	—	—	—	667
Other interest charges	425	101	99	—	—	(26)	599
Allowance for borrowed funds used during construction	(684)	(49)	(46)	—	—	—	(779)
	9,304	3,154	2,438	—	—	(26)	14,870
Net income (loss)	18,322	4,394	1,135	(2)	(5)	(5,293)	18,551
Preferred stock dividend of subsidiaries	—	134	95	—	—	—	229
Net income (loss) attributable to HECO	18,322	4,260	1,040	(2)	(5)	(5,293)	18,322
Preferred stock dividends of HECO	270	—	—	—	—	—	270
Net income (loss) for common stock	$ 18,052	4,260	1,040	(2)	(5)	(5,293)	$ 18,052

Table of Contents

Hawaiian Electric Company, Inc. and Subsidiaries
Consolidating Statement of Income (unaudited)
Three months ended March 31, 2009

(in thousands)	HECO	HELCO	MECO	RHI	UBC	Reclassifications and eliminations	HECO consolidated
Operating revenues	$ 305,461	84,631	69,193	—	—	—	$ 459,285
Operating expenses							
Fuel oil	98,931	15,764	30,594	—	—	—	145,289
Purchased power	75,845	33,407	5,232	—	—	—	114,484
Other operation	43,076	9,994	9,327	—	—	—	62,397
Maintenance	16,658	5,938	3,567	—	—	—	26,163
Depreciation	20,797	8,251	7,376	—	—	—	36,424
Taxes, other than income taxes	30,683	8,246	6,806	—	—	—	45,735
Income taxes	6,229	850	1,465	—	—	—	8,544
	292,219	82,450	64,367	—	—	—	439,036
Operating income	13,242	2,181	4,826	—	—	—	20,249
Other income							
Allowance for equity funds used during construction	2,702	742	161	—	—	—	3,605
Equity in earnings of subsidiaries	3,960	—	—	—	—	(3,960)	—
Other, net	1,878	569	81	(7)	(7)	(146)	2,368
	8,540	1,311	242	(7)	(7)	(4,106)	5,973
Interest and other charges							
Interest on long-term debt	7,668	1,976	2,268	—	—	—	11,912
Amortization of net bond premium and expense	403	151	121	—	—	—	675
Other interest charges	477	207	88	—	—	(146)	626
Allowance for borrowed funds used during construction	(1,168)	(388)	(66)	—	—	—	(1,622)
	7,380	1,946	2,411	—	—	(146)	11,591
Net income (loss)	14,402	1,546	2,657	(7)	(7)	(3,960)	14,631
Preferred stock dividend of subsidiaries	—	134	95	—	—	—	229
Net income (loss) attributable to HECO	14,402	1,412	2,562	(7)	(7)	(3,960)	14,402
Preferred stock dividends of HECO	270	—	—	—	—	—	270
Net income (loss) for common stock	$ 14,132	1,412	2,562	(7)	(7)	(3,960)	$ 14,132

Table of Contents

Hawaiian Electric Company, Inc. and Subsidiaries
Consolidating Balance Sheet (unaudited)
March 31, 2010

(in thousands)	HECO	HELCO	MECO	RHI	UBC	Reclassifications and Eliminations	HECO Consolidated
Assets							
Utility plant, at cost							
Land	$ 43,088	5,108	4,346	—	—	—	$ 52,542
Plant and equipment	2,842,784	998,351	870,642	—	—	—	4,711,777
Less accumulated depreciation	(1,091,311)	(386,475)	(394,546)	—	—	—	(1,872,332)
Construction in progress	126,901	10,718	7,499	—	—	—	145,118
Net utility plant	1,921,462	627,702	487,941	—	—	—	3,037,105
Investment in wholly owned subsidiaries, at equity	462,276	—	—	—	—	(462,276)	—
Current assets							
Cash and equivalents	27,228	3,407	765	95	15	—	31,510
Advances to affiliates	15,700	—	8,000	—	—	(23,700)	—
Customer accounts receivable, net	84,486	22,995	19,578	—	—	—	127,059
Accrued unbilled revenues, net	58,663	13,804	12,295	—	—	—	84,762
Other accounts receivable, net	8,392	2,775	695	—	—	(4,514)	7,348
Fuel oil stock, at average cost	75,922	11,722	17,523	—	—	—	105,167
Materials & supplies, at average cost	19,593	4,305	13,258	—	—	—	37,156
Prepayments and other	6,592	4,245	4,080	—	—	—	14,917
Total current assets	296,576	63,253	76,194	95	15	(28,214)	407,919
Other long-term assets							
Regulatory assets	313,243	58,572	54,331	—	—	—	426,146
Unamortized debt expense	9,159	2,615	2,162	—	—	—	13,936
Other	45,871	9,820	16,526	—	—	—	72,217
Total other long-term assets	368,273	71,007	73,019	—	—	—	512,299
	$ 3,048,587	761,962	637,154	95	15	(490,490)	$ 3,957,323
Capitalization and liabilities							
Capitalization							
Common stock equity	$ 1,309,366	241,406	220,766	92	12	(462,276)	$ 1,309,366
Cumulative preferred stock—not subject to mandatory redemption	22,293	7,000	5,000	—	—	—	34,293
Long-term debt, net	672,218	211,255	174,374	—	—	—	1,057,847
Total capitalization	2,003,877	459,661	400,140	92	12	(462,276)	2,401,506
Current liabilities							
Short-term borrowings-nonaffiliates	13,748	—	—	—	—	—	13,748
Short-term borrowings-affiliate	8,000	15,700	—	—	—	(23,700)	—
Accounts payable	105,196	17,302	13,388	—	—	—	135,886
Interest and preferred dividends payable	13,558	4,325	3,866	—	—	(13)	21,736
Taxes accrued	62,833	24,510	17,427	—	—	—	104,770
Other	27,511	12,862	14,644	3	3	(4,501)	50,522
Total current liabilities	230,846	74,699	49,325	3	3	(28,214)	326,662
Deferred credits and other liabilities							
Deferred income taxes	140,251	25,692	12,849	—	—	—	178,792
Regulatory liabilities	204,073	53,521	39,738	—	—	—	297,332
Unamortized tax credits	32,065	12,914	12,462	—	—	—	57,441
Retirement benefits liability	220,304	35,215	39,436	—	—	—	294,955
Other	36,636	30,109	10,800	—	—	—	77,545
Total deferred credits and other liabilities	633,329	157,451	115,285	—	—	—	906,065
Contributions in aid of construction	180,535	70,151	72,404	—	—	—	323,090
	$ 3,048,587	761,962	637,154	95	15	(490,490)	$ 3,957,323

Table of Contents

Hawaiian Electric Company, Inc. and Subsidiaries
Consolidating Balance Sheet (unaudited)
December 31, 2009

(in thousands)	HECO	HELCO	MECO	RHI	UBC	Reclassifications and Eliminations	HECO Consolidated
Assets							
Utility plant, at cost							
Land	$ 43,075	5,109	4,346	—	—	—	$ 52,530
Plant and equipment	2,833,296	995,585	867,376	—	—	—	4,696,257
Less accumulated depreciation	(1,081,441)	(379,526)	(387,449)	—	—	—	(1,848,416)
Construction in progress	115,644	10,920	6,416	—	—	—	132,980
Net utility plant	1,910,574	632,088	490,689	—	—	—	3,033,351
Investment in wholly owned subsidiaries, at equity	462,006	—	—	—	—	(462,006)	—
Current assets							
Cash and equivalents	70,981	2,006	474	98	19	—	73,578
Advances to affiliates	20,100	—	11,000	—	—	(31,100)	—
Customer accounts receivable, net	89,365	24,502	19,419	—	—	—	133,286
Accrued unbilled revenues, net	58,022	13,648	12,606	—	—	—	84,276
Other accounts receivable, net	5,967	2,294	1,317	—	—	(1,129)	8,449
Fuel oil stock, at average cost	49,847	12,640	16,174	—	—	—	78,661
Materials & supplies, at average cost	18,378	4,006	13,524	—	—	—	35,908
Prepayments and other	10,163	4,268	2,614	—	—	(844)	16,201
Total current assets	322,823	63,364	77,128	98	19	(33,073)	430,359
Other long-term assets							
Regulatory assets	312,953	59,372	54,537	—	—	—	426,862
Unamortized debt expense	9,392	2,679	2,217	—	—	—	14,288
Other	47,502	9,718	16,312	—	—	—	73,532
Total other long-term assets	369,847	71,769	73,066	—	—	—	514,682
	$ 3,065,250	767,221	640,883	98	19	(495,079)	$ 3,978,392
Capitalization and liabilities							
Capitalization							
Common stock equity	$ 1,306,408	240,576	221,319	94	17	(462,006)	$ 1,306,408
Cumulative preferred stock—not subject to mandatory redemption	22,293	7,000	5,000	—	—	—	34,293
Long-term debt, net	672,200	211,248	174,367	—	—	—	1,057,815
Total capitalization	2,000,901	458,824	400,686	94	17	(462,006)	2,398,516
Current liabilities							
Short-term borrowings-affiliate	11,000	20,100	—	—	—	(31,100)	—
Accounts payable	103,073	17,369	12,269	—	—	—	132,711
Interest and preferred dividends payable	14,186	4,088	2,954	—	—	(5)	21,223
Taxes accrued	101,288	31,274	24,374	—	—	(844)	156,092
Other	28,956	8,670	11,684	4	2	(1,124)	48,192
Total current liabilities	258,503	81,501	51,281	4	2	(33,073)	358,218
Deferred credits and other liabilities							
Deferred income taxes	141,160	25,984	13,459	—	—	—	180,603
Regulatory liabilities	196,284	52,669	39,261	—	—	—	288,214
Unamortized tax credits	31,393	12,886	12,591	—	—	—	56,870
Retirement benefits liability	221,311	35,584	39,728	—	—	—	296,623
Other	36,113	30,207	11,484	—	—	—	77,804
Total deferred credits and other liabilities	626,261	157,330	116,523	—	—	—	900,114
Contributions in aid of construction	179,585	69,566	72,393	—	—	—	321,544
	$ 3,065,250	767,221	640,883	98	19	(495,079)	$ 3,978,392

Table of Contents

Hawaiian Electric Company, Inc. and Subsidiaries
Consolidating Statement of Changes in Common Stock Equity (unaudited)
Three months ended March 31, 2010

(in thousands)	HECO	HELCO	MECO	RHI	UBC	Reclassifications and eliminations	HECO consolidated
Balance, December 31, 2009	$ 1,306,408	240,576	221,319	94	17	(462,006)	$ 1,306,408
Comprehensive income:							
Net income (loss) for common stock	18,052	4,260	1,040	(2)	(5)	(5,293)	18,052
Retirement benefit plans:							
Amortization of net loss, prior service gain and transition obligation included in net periodic benefit cost, net of taxes	882	189	161	—	—	(350)	882
Less: reclassification adjustment for impact of D&Os of the PUC included in regulatory assets, net of tax benefits	(825)	(185)	(154)	—	—	339	(825)
Comprehensive income (loss)	18,109	4,264	1,047	(2)	(5)	(5,304)	18,109
Common stock dividends	(15,150)	(3,434)	(1,600)	—	—	5,034	(15,150)
Common stock issue expenses	(1)	—	—	—	—	—	(1)
Balance, March 31, 2010	$ 1,309,366	241,406	220,766	92	12	(462,276)	$ 1,309,366

Hawaiian Electric Company, Inc. and Subsidiaries
Consolidating Statement of Changes in Common Stock Equity (unaudited)
Three months ended March 31, 2009

(in thousands)	HECO	HELCO	MECO	RHI	UBC	Reclassifications and eliminations	HECO consolidated
Balance, December 31, 2008	$ 1,188,842	221,405	215,382	105	141	(437,033)	$ 1,188,842
Comprehensive income:							
Net income (loss) for common stock	14,132	1,412	2,562	(7)	(7)	(3,960)	14,132
Retirement benefit plans:							
Amortization of net loss, prior service gain and transition obligation included in net periodic benefit cost, net of taxes	2,678	409	325	—	—	(734)	2,678
Less: reclassification adjustment for impact of D&Os of the PUC included in regulatory assets, net of tax benefits	(2,619)	(405)	(319)	—	—	724	(2,619)
Comprehensive income (loss)	14,191	1,416	2,568	(7)	(7)	(3,970)	14,191
Common stock dividends	(10,536)	—	(1,717)	—	—	1,717	(10,536)
Balance, March 31, 2009	$ 1,192,497	222,821	216,233	98	134	(439,286)	$ 1,192,497

Table of Contents

Hawaiian Electric Company, Inc. and Subsidiaries
Consolidating Statement of Cash Flows (unaudited)
Three months ended March 31, 2010

(in thousands)	HECO	HELCO	MECO	RHI	UBC	Elimination addition to (deduction from) cash flows	HECO Consolidated
Cash flows from operating activities:							
Net income (loss)	$ 18,322	4,394	1,135	(2)	(5)	(5,293)	$ 18,551
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:							
Equity in earnings	(5,318)	—	—	—	—	5,293	(25)
Common stock dividends received from subsidiaries	5,059	—	—	—	—	(5,034)	25
Depreciation of property, plant and equipment	21,913	9,126	7,603	—	—	—	38,642
Other amortization	1,124	862	111	—	—	—	2,097
Deferred income taxes	(939)	(294)	(601)	—	—	—	(1,834)
Tax credits, net	804	60	(88)	—	—	—	776
Allowance for equity funds used during construction	(1,559)	(95)	(119)	—	—	—	(1,773)
Increase in cash overdraft	—	—	681	—	—	—	681
Changes in assets and liabilities:							
Decrease in accounts receivable	2,454	1,026	463	—	—	3,385	7,328
Decrease (increase) in accrued unbilled revenues	(641)	(156)	311	—	—	—	(486)
Decrease (increase) in fuel oil stock	(26,075)	918	(1,349)	—	—	—	(26,506)
Decrease (increase) in materials and supplies	(1,215)	(299)	266	—	—	—	(1,248)
Increase in regulatory assets	(771)	(293)	(79)	—	—	—	(1,143)
Increase (decrease) in accounts payable	2,123	(67)	1,119	—	—	—	3,175
Changes in prepaid and accrued income and utility revenue taxes	(38,496)	(6,680)	(6,067)	—	—	—	(51,243)
Changes in other assets and liabilities	3,883	3,533	(755)	(1)	1	(3,385)	3,276
Net cash provided by (used in) operating activities	(19,332)	12,035	2,631	(3)	(4)	(5,034)	(9,707)
Cash flows from investing activities:							
Capital expenditures	(25,488)	(4,212)	(4,489)	—	—	—	(34,189)
Contributions in aid of construction	1,339	1,546	844	—	—	—	3,729
Advances from (to) affiliates	4,400	—	3,000	—	—	(7,400)	—
Net cash used in investing activities	(19,749)	(2,666)	(645)	—	—	(7,400)	(30,460)
Cash flows from financing activities:							
Common stock dividends	(15,150)	(3,434)	(1,600)	—	—	5,034	(15,150)
Preferred stock dividends of HECO and subsidiaries	(270)	(134)	(95)	—	—	—	(499)
Net increase (decrease) in short-term borrowings from nonaffiliates and affiliate with original maturities of three months or less	10,748	(4,400)	—	—	—	7,400	13,748
Net cash used in financing activities	(4,672)	(7,968)	(1,695)	—	—	12,434	(1,901)
Net increase (decrease) in cash and equivalents	(43,753)	1,401	291	(3)	(4)	—	(42,068)
Cash and equivalents, beginning of year	70,981	2,006	474	98	19	—	73,578
Cash and equivalents, end of year	$ 27,228	3,407	765	95	15	—	$ 31,510

48

Table of Contents

Hawaiian Electric Company, Inc. and Subsidiaries
Consolidating Statement of Cash Flows (unaudited)
Three months ended March 31, 2009

(in thousands)	HECO	HELCO	MECO	RHI	UBC	Reclassifications and eliminations	HECO Consolidated
Cash flows from operating activities							
Net income (loss)	$ 14,402	1,546	2,657	(7)	(7)	(3,960)	$ 14,631
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:							
Equity in earnings	(3,985)	—	—	—	—	3,960	(25)
Common stock dividends received from subsidiaries	1,742	—	—	—	—	(1,717)	25
Depreciation of property, plant and equipment	20,797	8,251	7,376	—	—	—	36,424
Other amortization	694	209	1,303	—	—	—	2,206
Deferred income taxes	(989)	672	(973)	—	—	—	(1,290)
Tax credits, net	1,788	744	(18)	—	—	—	2,514
Allowance for equity funds used during construction	(2,702)	(742)	(161)	—	—	—	(3,605)
Changes in assets and liabilities:							
Decrease in accounts receivable	50,031	10,910	10,709	—	—	1,481	73,131
Decrease in accrued unbilled revenues	20,958	3,470	2,946	—	—	—	27,374
Decrease in fuel oil stock	11,476	1,012	2,540	—	—	—	15,028
Increase in materials and supplies	(888)	(262)	(127)	—	—	—	(1,277)
Decrease (increase) in regulatory assets	(3,292)	108	(1,071)	—	—	—	(4,255)
Decrease in accounts payable	(9,968)	(5,432)	(448)	—	—	—	(15,848)
Changes in prepaid and accrued income and utility revenue taxes	(34,394)	(9,605)	(5,562)	—	—	—	(49,561)
Changes in other assets and liabilities	9,256	(1,874)	(121)	(11)	2	(1,481)	5,771
Net cash provided by (used in) operating activities	74,926	9,007	19,050	(18)	(5)	(1,717)	101,243
Cash flows from investing activities							
Capital expenditures	(57,235)	(17,595)	(5,485)	—	—	—	(80,315)
Contributions in aid of construction	1,455	504	403	—	—	—	2,362
Advances from (to) affiliates	(4,550)	—	(12,500)	—	—	17,050	—
Net cash used in investing activities	(60,330)	(17,091)	(17,582)	—	—	17,050	(77,953)
Cash flows from financing activities							
Common stock dividends	(10,536)	—	(1,717)	—	—	1,717	(10,536)
Preferred stock dividends of HECO and subsidiaries	(270)	(134)	(95)	—	—	—	(499)
Proceeds from issuance of long-term debt	—	3,148	—	—	—	—	3,148
Net increase in short-term borrowings from nonaffiliates and affiliate with original maturities of three months or less	289	4,550	—	—	—	(17,050)	(12,211)
Decrease in cash overdraft	(5,865)	—	—	—	—	—	(5,865)
Other	(1)	—	—	—	—	—	(1)
Net cash provided by (used in) financing activities	(16,383)	7,564	(1,812)	—	—	(15,333)	(25,964)
Net decrease in cash and equivalents	(1,787)	(520)	(344)	(18)	(5)	—	(2,674)
Cash and equivalents, beginning of period	2,264	3,148	1,349	123	17	—	6,901

Cash and equivalents, end of period	$ 477	2,628	1,005	105	12	—	$ 4,227

Table of Contents

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion updates "Management's Discussion and Analysis of Financial Condition and Results of Operations" incorporated by reference in HEI's and HECO's Form 10-K for the year ended December 31, 2009 and should be read in conjunction with the annual (as of and for the year ended December 31, 2009) and the quarterly (as of and for the three months ended March 31, 2010) consolidated financial statements of HEI and HECO and accompanying notes.

HEI Consolidated

RESULTS OF OPERATIONS

(in thousands, except per share amounts)	Three months ended March 31 2010	Three months ended March 31 2009	% change	Primary reason(s) for significant change*
Revenues	$ 619,040	$ 543,797	14	Increase for the electric utility segment, partly offset by a decrease for the bank segment
Operating income	60,707	44,658	36	Increase for the electric utility and the bank segments
Net income for common stock	27,126	20,395	33	Higher operating income, partly offset by lower AFUDC, higher "interest expense—other than on deposit liabilities and other bank borrowings" and higher income taxes**
Basic earnings per common share	$ 0.29	$ 0.23	26	Higher net income, partly offset by higher weighted average shares outstanding
Weighted-average number of common shares outstanding	92,572	90,604	2	Issuances of shares under the HEI Dividend Reinvestment and Stock Purchase Plan and Company employee plans

* Also, see segment discussions which follow.

** The Company's effective tax rates (federal and state) for the first quarters of 2010 and 2009 were 36% and 35%, respectively.

Dividends. The payout ratios for 2009 and the first quarter of 2010 were 137% and 106%, respectively. HEI currently expects to maintain the dividend at its present level; however, the HEI Board of Directors evaluates the dividend quarterly and considers many factors in the evaluation, including but not limited to the Company's results of operations, the long-term prospects for the Company, and current and expected future economic conditions.

Economic conditions.

Note: The statistical data in this section is from public third-party sources (e.g., Department of Business, Economic Development and Tourism (DBEDT); University of Hawaii Economic Research Organization (UHERO); U.S. Bureau of Labor Statistics; Blue Chip Financial Forecasts; Hawaii Tourism Authority (HTA); Honolulu Board of REALTORS®; and national and local newspapers).

After the deepest recession since the 1930s, the signs of recovery in the U.S. and Japan are positive indicators for the Hawaii economy. The Hawaii economy continues to show signs of recovery. State economists are predicting the pace of the recovery to be a gradual process over the next several years, constrained by U.S. consumer spending and the uncertainty over State and local governments' budgets to fund existing programs and positions.

Two of Hawaii's major economic engines, the visitor and construction industries, continue to struggle. However, visitor arrival numbers edged up slightly over the course of 2009 and momentum from the strong fourth quarter continued through March 2010. While the construction industry contracted sharply in 2009, the pace of losses in jobs and new construction authorizations had slowed by year end. The performance of these industries will be critical to Hawaii's economic recovery.

50

Table of Contents

Visitor arrivals were up 4.1% for the first quarter of 2010 as compared to the same period in 2009. Arrivals in 2010 are expected to be up from 2009 levels by approximately 2.0% year over year, which follows a 4.5% decrease from 2009 over 2008 and 10.6% decrease from 2008 over 2007. Visitor expenditures are expected to be up 2.3% over 2009 following an 11.6% decrease from 2009 over 2008 and 11.0% decrease from 2008 over 2007.

The global credit crisis and recession have impacted the Hawaii construction industry. Commercial and resort building are hampered by financing constraints. However, it is anticipated that government projects will begin to contribute to growth in construction activity this year as the effects of the Federal and State stimulus projects are finally felt. Private building permits are also expected to show modest gains beginning this year.

Conditions in the home resale market appear to be moving towards a recovery. March 2010 marked the third month in a row of an increase compared to the same months in 2009 over the number of closed sales, median sales price, and a decrease of days on the market as well as a decrease in total active listings available at month end. However, analysts are questioning whether the improvements will continue after federal tax credits for home purchases expire at the end of April 2010.

Hawaii's seasonally-adjusted unemployment at the end of March 2010 remained at 6.9% for a third consecutive month. Although unemployment in Hawaii remains below the national average of 9.7%, it remains slightly above the average annual rate of 6.8% for 2009 and is much higher than the average annual rate of 4% for 2008. The Hawaii unemployment rate is expected to remain at 6.9% in 2010. There were extensive job losses in 2009 with the visitor and construction industry taking the largest hits. Although the economy shows signs of recovery, the job market is likely to be the last component of the economy to respond with the private sector leading the way in job creation. Additional public sector job losses are likely. The non-farm job count is expected to show a 0.8% net loss for 2010.

Hawaii economic growth as measured by the change in real personal income is expected to be marginally lower by (0.1)% in 2010 as compared to 2009 according to UHERO's estimate and flat as projected by DBEDT. However, it should be noted that unemployment compensation is included in real personal income.

On a national level, the Blue Chip economic consensus dated April 5-6, 2010 predicts real gross domestic product (GDP) to increase by 2.9% and 3.0% for the first and second quarters of 2010 compared to the immediately preceding quarter, respectively. The consensus continues to predict the economy will grow this year. The outlook has improved for personal consumption, nonresidential fixed investment, trade and corporate profits. The national unemployment rate is expected to average less in 2010 than 2009, but the forecast for housing starts is still worsening.

The price of a barrel of crude oil continues to rise (closing at $86.15 per barrel on April 30, 2010), with prices increasing following a low of $34.03 per barrel on February 12, 2009.

Interest rates remained low during the first quarter of 2010, including relatively low mortgage rates. The low level of interest rates continued to put downward pressure on yields on loans and investments, but also contributed to lower deposit and borrowing costs.

Hawaii's economy depends significantly on conditions in the U.S. and international economies, particularly Japan. Assuming the U.S. and international conditions continue to improve, Hawaii's economy is expected to continue to gradually recover in 2010 with modest growth in 2011.

Table of Contents

Emergency Economic Stabilization Act of 2008 and American Economic Recovery and Reinvestment Act of 2009. The Emergency Economic Stabilization Act of 2008 (the 2008 Act) was signed into law on October 3, 2008. The principal parts of the 2008 Act were: (1) a $700 billion financial markets stabilization plan; and (2) $150 billion in tax benefits, which are partially offset by $40 billion in revenue raisers. As part of its energy and conservation related incentives, the 2008 Act allowed public utility property to qualify for the energy credit for periods after February 13, 2008 and extended the credit for solar energy property, fuel cell property and microturbine property through December 31, 2016. In addition, the 2008 Act allowed the credit for combined heat and power (CHP) system property as energy property for periods after October 3, 2008. Further, the 2008 Act extended the renewable production credit through December 31, 2009 for qualified wind and refined coal production facilities and through December 31, 2010 for other sources. The 2008 Act also provided for a 10-year accelerated depreciation period for smart electric meters and smart electric grid equipment for property placed in service after October 3, 2008. Finally, the 2008 Act extended the per-gallon incentives for biodiesel and alternative fuels through December 31, 2009. The tax provisions of the 2008 Act did not have a material effect on the Company's results of operations for 2009. These tax provisions, however, may influence the Company's decisions to invest in the various properties entitled to credits and favorable depreciation. The Company evaluates investments by considering the opportunities the 2008 Act presents. For example, in 2009, MECO made investments in CHP equipment for which tax credits of $0.5 million were earned and will be amortized into income over 20 years.

The American Economic Recovery and Reinvestment Act of 2009 (the 2009 Act) was signed into law on February 17, 2009 at a total cost of $787 billion. The 2009 Act, which was intended to provide a stimulus to the U.S. economy in the midst of the global financial crisis, is comprised of tax relief, spending on infrastructure, health care and alternative energy and aid to states and local governments. The 2009 Act includes more than $300 billion in tax relief, which is focused primarily on low- and middle-income taxpayers and small businesses. The energy provisions set in motion President Obama's campaign promises to implement a "green" economic recovery.

The extension through 2009 of bonus depreciation, originally provided for in the 2008 Act, has had the most direct and immediate impact on the Company. The additional tax depreciation deduction of approximately $68 million increased deferred income taxes by about $26 million in 2009 and provided positive cash flow. The energy related provisions of the 2009 Act may impact utility operations indirectly. Some of the energy incentives were as follows: (1) a 30% tax credit of up to $1,500 for the purchase of highly efficient residential air conditioners, heat pumps or furnaces, (2) $0.3 billion in rebates for purchases of efficient appliances, (3) $20 billion for "green" jobs to make wind turbines and solar panels and to improve energy efficiency in schools and federal buildings, (4) $6 billion in loan guarantees for renewable energy projects, (5) $5 billion to help low-income homeowners make energy improvements, (6) $11 billion to modernize and expand the U.S. electric power grid, (7) $2 billion for research into batteries for future electric cars and (8) the extension of existing energy incentives and the addition of a few new ones. Finally, the 2009 Act temporarily eliminated the alternative minimum tax preference item for private activity bond interest for bonds (such as special purpose revenue bonds issued by HECO and its subsidiaries) issued in 2009 and 2010, including the $150 million of special purpose revenue bonds issued for the benefit of HECO and HELCO on July 30, 2009.

The Company will continue to analyze the 2009 Act for its impacts on results of operations, financial condition and liquidity and for the opportunities it presents.

Health care and other tax legislation. The Hiring Incentives to Restore Employment Act (HIRE Act), was signed into law on March 18, 2010 at a total cost of $17.6 billion. The HIRE Act provides incentives for hiring and retaining workers by exempting the employer share of social security tax on wages paid to qualified individuals beginning after the date of enactment and ending on December 31, 2010 and by creating a tax credit for retaining these individuals for 52 consecutive weeks. The HIRE Act also expands on the tax credit bond provisions of the 2009 Act by providing a direct payment to issuers of qualified tax credit bonds in lieu of the credits. Qualified tax credit bonds include new renewable energy bonds and qualified energy conservation bonds. The HIRE Act's tax provisions for job creation should not have a material effect on the Company's results of operations, although the enhanced bond provisions may indirectly impact utility operations by raising capital in the marketplace for renewable energy projects. The Company will continue to analyze the HIRE Act for its impact on the Company's results of operations, financial condition and liquidity.

Table of Contents

The Patient Protection and Affordable Care Act was signed into law on March 23, 2010 and was immediately amended by the March 30, 2010 enactment of the Health Care and Education Reconciliation Act of 2010 (collectively referred to as the PPACA). The PPACA enacted comprehensive health care reforms by expanding health insurance coverage to Americans without health insurance and changing the health care delivery system at a gross cost of an estimated $0.9 trillion over ten years.

The cost of these reforms is paid through a combination of cuts in Medicare payments to providers and tax increases. The majority of tax increases will come from additional Medicare hospital insurance (MHI) taxes imposed on high-income taxpayers. The PPACA increases the employee portion of the MHI from the current 1.45% to 2.35%, or an additional 0.9% on wages received in excess of a threshold amount of $200,000 for single taxpayers and $250,000 for married taxpayers. In addition, a new 3.8% Medicare tax on investment income of individuals, estates and trusts will be imposed on the lesser of net investment income or modified adjusted gross income in excess of the same threshold amounts. These new taxes will be effective starting in 2013.

Additionally, the PPACA eliminates the employer deduction for Medicare Part D retiree drug subsidy and imposes a 40% excise tax on “high-value/Cadillac” employer health coverage valued in excess of specified thresholds. Other revenue raisers, not necessarily connected with health care, include the codification of the economic substance doctrine, expanded information reporting requirements and an increase in estimated tax installment payments.

Benefit provisions of the PPACA expand Medicare drug benefits and require changes in employer plans that will result in an increase in covered individuals and services.

The benefits and tax provisions of the PPACA should not have a material effect on the Company’s results of operations, financial condition and liquidity. The Company will continue to analyze the cost implications of the PPACA changes to its benefit plans, payroll taxes and its compliance obligations.

Retirement benefits. For the first quarter of 2010, the Company’s and HECO and its subsidiaries’ defined benefit retirement plans’ assets generated a return, net of investment management fees, of 5.1%. The market value of the defined benefit retirement plans’ assets of the Company as of March 31, 2010 was $911 million compared to $874 million at December 31, 2009, an increase of approximately $37 million. The market value of the defined benefit retirement plans’ assets of HECO and its subsidiaries as of March 31, 2010 was $826 million compared to $792 million at December 31, 2009, an increase of approximately $34 million.

Additional guidance on minimum required contribution determinations for 2010 was released in “Special Edition September 25, 2009 employee plans news” necessitating selection of a different yield curve for 2010 valuations forward from what was used for 2009. The Company and HECO and its subsidiaries estimate that the cash funding for the qualified defined benefit pension plans in 2010 will be about $30 million and $29 million, respectively, which should fully satisfy the minimum required contribution, including requirements of the utilities’ pension tracking mechanisms and the plans’ funding policy.

Other factors could cause changes to the required contribution levels. The Pension Protection Act provides that if a pension plan’s funded status falls below certain levels more conservative assumptions must be used to value obligations and restrictions on participant benefit accruals may be placed on the plans. If the plans fall below these thresholds, then, to avoid adverse consequences, funds in excess of the minimum required contribution may be contributed to the plan trust. Funding relief for 2010 may be considered by Congress and any action by Congress may affect the amount to be contributed to the plans.

Commitments and contingencies. See Note 7 of HEI’s “Notes to Consolidated Financial Statements.”

Recent accounting pronouncements and interpretations. See Note 9 of HEI’s “Notes to Consolidated Financial Statements.”

Table of Contents

"Other" segment.

(in thousands)	Three months ended March 31 2010	2009	% change	Primary reason(s) for significant change
Revenues	$ 15	$ (32)	NM	
Operating loss	(3,673)	(3,532)	NM	Higher legal expenses
Net loss	(4,662)	(4,619)	NM	See explanation for operating loss

NM Not meaningful.

The "other" business segment includes results of the stand-alone corporate operations of HEI and American Savings Holdings, Inc. (ASHI), both holding companies; Pacific Energy Conservation Services, Inc., a contract services company primarily providing windfarm operational and maintenance services to an affiliated electric utility that will cease such services when the windfarm is dismantled in 2010; HEI Properties, Inc., a company holding passive, venture capital investments; and The Old Oahu Tug Service, Inc., a maritime freight transportation company that ceased operations in 1999; as well as eliminations of intercompany transactions.

FINANCIAL CONDITION

Liquidity and capital resources. The Company believes that its ability to generate cash, both internally from electric utility and banking operations and externally from issuances of equity and debt securities, commercial paper and bank borrowings, is adequate to maintain sufficient liquidity to fund its contractual obligations and commercial commitments, its forecasted capital expenditures and investments, its expected retirement benefit plan contributions and other cash requirements in the foreseeable future.

The consolidated capital structure of HEI (excluding ASB's deposit liabilities and other borrowings) was as follows:

(dollars in millions)	March 31, 2010		December 31, 2009	
Short-term borrowings—other than bank	$ 60	2%	$ 42	2%
Long-term debt, net—other than bank	1,365	47	1,365	47
Preferred stock of subsidiaries	34	1	34	1
Common stock equity	1,453	50	1,442	50
	$ 2,912	100%	$ 2,883	100%

As of May 1, 2010, the Standard & Poor's (S&P) and Moody's Investors Service's (Moody's) ratings of HEI securities were as follows:

	S&P	Moody's
Commercial paper	A-3	P-2
Senior unsecured debt	BBB	Baa2

The above ratings reflect only the view, at the time the ratings are issued, of the applicable rating agency, from whom an explanation of the significance of such ratings may be obtained. Such ratings are not recommendations to buy, sell or hold any securities; such ratings may be subject to revision or withdrawal at any time by the rating agencies; and each rating should be evaluated independently of any other rating.

HEI's overall S&P corporate credit rating is BBB/Negative/A-3. HEI's issuer rating by Moody's is Baa2 and Moody's outlook for HEI is "negative."

The rating agencies use a combination of qualitative measures (i.e., assessment of business risk that incorporates an analysis of the qualitative factors such as management, competitive positioning, operations, markets and regulation) as well as quantitative measures (e.g., cash flow, debt, interest coverage and liquidity ratios) in determining the ratings of HEI securities. In May 2009, S&P revised HEI's outlook to negative from stable, and lowered its commercial paper rating to "A-3" from "'A-2". S&P indicated the rating actions reflected its view that the next two years are likely to be challenging for HEI's electric utilities, which HEI relies on for cash flows to service its own obligations, chiefly debt repayment and common stock

distributions. S&P stated that the deterioration in the Hawaii economy is likely to weaken HEI's 2009 and 2010 consolidated metrics, which it observed have been only marginally supportive of the "BBB" corporate credit ratings currently assigned to HEI.

Table of Contents

S&P designates business risk profiles as “excellent,” “strong,” “satisfactory,” “fair,” “weak” or “vulnerable.”

S&P designates financial risk profiles as “minimal,” “modest,” “intermediate,” “significant,” “aggressive” or “highly leveraged.” The “Issuer Ranking” published by S&P on May 6, 2010 lists HEI’s business risk profile as “strong” and financial risk profile as “significant.”

On July 20, 2009, Moody’s changed HEI’s rating outlook to negative from stable and affirmed HEI’s long-term and short-term (commercial paper) ratings. Subsequently on August 3, 2009, Moody’s issued a credit opinion on HEI. Moody’s indicated that “HEI’s negative rating outlook reflects the impact of a weakened economy that is affecting electric demand and electric sales resulting in weaker financial performance, which may be influencing the outcome of state regulatory decisions, the high dividend payout ratio, the existence of a negative rating outlook at ASB and the concentration risk that exists at HEI from the very high dependence on the Hawaiian economy.” Moody’s stated that “[t]he rating could be downgraded should weaker than expected economic growth and regulatory support emerge at HECO which ultimately causes earnings and sustainable cash flows to suffer over an extended period.” Consequently, if Moody’s expectations regarding the future sustainable levels of the Company’s consolidated financial ratios were to shift such that expectations for Funds From Operations (FFO) (defined as net cash flow from operations less net changes in working capital items) to Adjusted Debt were to fall below 16% (15% last twelve months as of March 31, 2009-latest reported by Moody’s) or expectations for FFO to Adjusted Interest were less than 3.5x (3.3x last twelve months as of March 31, 2009-latest reported by Moody’s) on a sustained basis, the rating could be lowered.

See the electric utilities’ and bank’s respective “Liquidity and capital resources” sections below for the ratings of HECO and ASB.

Information about HEI’s short-term borrowings and HEI’s line of credit facility was as follows for the period and as of the dates indicated:

	Three months ended March 31, 2010	Balance	
(in millions)	Average balance	March 31, 2010	December 31, 2009
Short-term borrowings (1)			
HEI commercial paper	$ 40	$ 47	$ 42
HEI line of credit draws	—	—	—
	$ 40	$ 47	$ 42
Line of credit facility (expiring March 31, 2011) (1)		$ 100	$ 100
Undrawn capacity under HEI’s line of credit facility (2)		100	100

(1) This table does not include HECO’s separate commercial paper issuances and line of credit facilities and draws. At May 1, 2010, HEI’s outstanding commercial paper balance was $46 million.

(2) On May 7, 2010, HEI entered into a revolving unsecured credit agreement establishing a line of credit facility of $125 million and the line of credit facility expiring March 31, 2011 was terminated when the new line of credit became effective. At May 7, 2010, HEI’s credit facility expiring May 7, 2013 was undrawn. See Note 11 in HEI’s Notes to Consolidated Financial Statements.

HEI utilizes short-term debt, typically commercial paper, to support normal operations, to refinance commercial paper, to retire long-term debt, to pay dividends and for other temporary requirements. HEI also periodically makes short-term loans to HECO to meet HECO’s cash requirements, including the funding of loans by HECO to HELCO and MECO. In December 2009, after PUC approval was obtained following HEI’s December 2008 public offering of 5 million shares of its common stock for net proceeds of approximately $110 million, HEI contributed $93 million of common equity to HECO ($62 million in cash and $31 million in forgiveness of intercompany indebtedness). As of March 31, 2010, HEI had no short-term loans to HECO.

Management believes that, if HEI’s commercial paper ratings were to be downgraded, or if credit markets for commercial paper with HEI’s ratings or in general were to tighten, it would be difficult and expensive for HEI to sell commercial paper or HEI might not be able to sell commercial paper in the future. Such limitations could cause HEI to draw on its syndicated credit facility instead.

Table of Contents

Issuances of common stock through the Hawaiian Electric Industries, Inc. Dividend Reinvestment and Stock Purchase Plan (DRIP) and the Hawaiian Electric Industries Retirement Savings Plan (HEIRSP) have been important sources of capital for HEI. From January 1, 2009 through April 15, 2009, HEI raised $14 million of new capital through the issuance of approximately 1.0 million shares for these plans. HEI ceased such issuances of stock through DRIP and HEIRSP effective April 16, 2009 and began satisfying the HEI common stock requirements of DRIP and HEIRSP through open market purchases. Also, upon its inception on May 7, 2009, the ASB 401(k) Plan satisfied its HEI common stock requirements through open market purchases. On September 4, 2009, HEI resumed satisfying the HEI common stock requirements of DRIP, HEIRSP and the ASB 401(k) Plan through issuances of new common stock. HEI raised $18 million of new capital through the issuance of approximately 1.0 million shares to these plans from September 4 to December 31, 2009 and an additional $11 million through the issuance of approximately 0.5 million shares during the first quarter of 2010.

For the first three months of 2010, net cash provided by operating activities of consolidated HEI was $10 million. Net cash used by investing activities for the same period was $114 million, primarily due to net increases in ASB investment securities and HECO's consolidated capital expenditures. Net cash used in financing activities during this period was $58 million as a result of several factors, including net decreases in deposit liabilities and retail repurchase agreements and the payment of common stock dividends, partly offset by proceeds from the issuance of common stock under HEI plans and funds from short-term borrowings. Other than capital contributions from their parent company, intercompany services (and related intercompany payables and receivables), HECO's periodic short-term borrowings from HEI (and related interest) and the payment of dividends to HEI, the electric utility and bank segments are largely autonomous in their operating, investing and financing activities. (See the electric utility and bank segments' discussions of their cash flows in their respective "Financial condition—Liquidity and capital resources" sections below.) During the first three months of 2010, HECO and ASB paid dividends to HEI of $15 million and $11 million, respectively.

Forecasted HEI consolidated "net cash used in investing activities" (excluding "investing" cash flows from ASB) for 2010 through 2012 consists primarily of the net capital expenditures of HECO and its subsidiaries. In addition to the funds required for the electric utilities' construction programs, approximately $157 million will be required during 2011 through 2012 to repay maturing HEI medium-term notes, which are expected to be repaid with the proceeds from the issuance of commercial paper, bank borrowings, common stock issued under Company plans, and/or dividends from subsidiaries. In addition, approximately $57.5 million of HECO special purpose revenue bonds will be maturing in 2012, which bonds are expected to be repaid with proceeds from issuances of long-term debt. Additional debt and/or equity financing may be utilized to pay down commercial paper or other short-term borrowings or may be required to fund unanticipated expenditures not included in the 2010 through 2012 forecast, such as increases in the costs of or an acceleration of the construction of capital projects of the utilities, unanticipated utility capital expenditures that may be required by the Hawaii Clean Energy Initiative (HCEI) or new environmental laws and regulations, unbudgeted acquisitions or investments in new businesses, significant increases in retirement benefit funding requirements and higher tax payments that would result if certain tax positions taken by the Company do not prevail. In addition, existing debt may be refinanced prior to maturity (potentially at more favorable rates) with additional debt or equity financing (or both).

The Company was not required to make any contributions to the qualified pension plans for 2009 to meet minimum funding requirements pursuant to ERISA, including changes promulgated by the Pension Protection Act of 2006, but the Company made voluntary contributions in 2009. Contributions to the retirement benefit plans totaled $25 million in 2009 (comprised of $24 million made by the utilities, $1 million by HEI and nil by ASB) and are expected to total $34 million in 2010 ($33 million by the utilities, $1 million by HEI and nil by ASB). In addition, the Company paid directly $1 million of benefits in 2009 and expects to pay $2 million of benefits in 2010. Depending on the performance of the assets held in the plans' trusts and numerous other factors, additional contributions may be required in the future to meet the minimum funding requirements of ERISA or to pay benefits to plan participants. The Company believes it will have adequate access to capital resources to support any necessary funding requirements.

Table of Contents

CERTAIN FACTORS THAT MAY AFFECT FUTURE RESULTS AND FINANCIAL CONDITION

The Company's results of operations and financial condition can be affected by numerous factors, many of which are beyond the Company's control and could cause future results of operations to differ materially from historical results. For information about certain of these factors, see pages 16 to 17 (except for "Limited insurance," which is updated below), 43 to 48, and 59 to 61 of HEI's MD&A, which is incorporated into Part II, Item 7 of HEI's 2009 Form 10-K by reference to HEI Exhibit 13 to HEI's Current Report on Form 8-K dated February 19, 2010.

Additional factors that may affect future results and financial condition are described above on pages iv and v under "Forward-Looking Statements."

Limited insurance. In the ordinary course of business, the Company purchases insurance coverages (e.g., property and liability coverages) to protect itself against loss of or damage to its properties and against claims made by third-parties and employees for property damage or personal injuries. However, the protection provided by such insurance is limited in significant respects and, in some instances, the Company has no coverage. For electric utility examples, see "Limited insurance" in Note 5 of HECO's "Notes to Consolidated Financial Statements." Certain of the Company's insurance has substantial "deductibles" or has limits on the maximum amounts that may be recovered. Insurers also have exclusions or limitations of coverage for claims related to certain perils including, but not limited to, mold and terrorism. If a series of losses occurred, such as from a series of lawsuits in the ordinary course of business each of which were subject to the deductible amount, or if the maximum limit of the available insurance were substantially exceeded, the Company could incur uninsured losses in amounts that would have a material adverse effect on the Company's results of operations and financial condition.

MATERIAL ESTIMATES AND CRITICAL ACCOUNTING POLICIES

In preparing financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Actual results could differ significantly from those estimates.

In accordance with SEC Release No. 33-8040, "Cautionary Advice Regarding Disclosure About Critical Accounting Policies," management has identified the accounting policies it believes to be the most critical to the Company's financial statements—that is, management believes that these policies are both the most important to the portrayal of the Company's financial condition and results of operations, and currently require management's most difficult, subjective or complex judgments.

For information about these material estimates and critical accounting policies, see pages 17 to 18, 48 to 50, and 61 to 62 of HEI's MD&A which is incorporated into Part II, Item 7 of HEI's 2009 Form 10-K by reference to HEI Exhibit 13 to HEI's Current Report on Form 8-K dated February 19, 2010.

Table of Contents

Following are discussions of the results of operations, liquidity and capital resources of the electric utility and bank segments.

Electric utility

RESULTS OF OPERATIONS

(dollars in thousands, except per barrel amounts)	Three months ended March 31 2010	Three months ended March 31 2009	% change	Primary reason(s) for significant change
Revenues	$ 548,111	$ 461,797	19	Higher fuel oil and purchased energy fuel costs, the effects of which are generally passed on to customers ($69 million), HECO test year 2009 interim rate increase ($16 million), and higher KWH sales ($12 million), partially offset by lower DSM costs recovered through a surcharge ($8 million)
Expenses Fuel oil	211,752	145,289	46	Higher fuel oil costs and more KWHs generated
Purchased power	116,782	114,484	2	Higher fuel costs, partly offset by less KWHs purchased
Other operation	59,244	62,397	(5)	See “Results — three months ended March 31, 2010” below
Maintenance	27,053	26,163	3	See “Results — three months ended March 31, 2010” below
Depreciation	38,642	36,424	6	Additions to plant in service in 2009
Taxes, other than income taxes	51,791	45,735	13	Increase in revenues
Other	238	236	1	
Operating income	42,609	31,069	37	Higher sales and HECO test year 2009 interim rate increase, partly offset by higher expenses
Net income for common stock	18,052	14,132	28	Higher operating income, partly offset by lower AFUDC
Kilowatthour sales (millions)	2,273	2,231	2	Stabilizing economy and warmer weather
Cooling degree days (Oahu)	857	759	13	
Average fuel oil cost per barrel	$ 81.95	$ 60.02	37	

Note: The electric utilities had an effective tax rate for the first quarters of 2010 and 2009 of 38% and 37%, respectively.

See “Economic conditions” in the “HEI Consolidated” section above.

Results — three months ended March 31, 2010. Operating income for the first quarter of 2010 increased 37% from the same period in 2009 due primarily to higher kilowatthour (KWH) sales ($12 million) and the HECO test year 2009 interim rate increase ($16 million, including $1 million related to additional rate relief implemented on February 20, 2010 related to Campbell Industrial Park combustion turbine No. 1 (CIP CT-1)). For the first quarter of 2010, KWH sales increased 1.9% compared with the same quarter of 2009, primarily due to more normal weather relative to last year’s unusually cool temperatures.

"Other operation" expenses decreased by $3.2 million in the first quarter of 2010 primarily due to $7.6 million lower demand-side management (DSM) expenses (see "Demand-side management programs" below) that are generally passed on to customers through surcharges, partly offset by $3.6 million higher employee benefit costs. Maintenance expense increased $0.9 million primarily due to higher production maintenance.

Table of Contents

Operation and maintenance (O&M) expenses are expected to increase as the electric utilities expect higher production expenses, higher contract services costs, and higher transmission and distribution expenses to maintain system reliability. Also, additional expenses are expected for the costs to operate and maintain CIP CT-1, and are expected to be incurred for environmental compliance in response to existing compliance programs as well as numerous new, more stringent regulatory requirements, and to execute the provisions of the Energy Agreement. Partly offsetting the anticipated increased costs are lower DSM expenses (that are generally passed on to customers through a surcharge) due to the transition of energy efficiency programs to a third-party administrator in July 2009, and termination of lease payments for distributed generators in the latter half of 2010. HCEI related initiatives are progressing at a pace to achieve the state's clean energy goals under the HCEI.

The costs of supplying energy to meet demand and the maintenance costs required to sustain high availability of the aging generating units have been increasing and such increased costs are likely to continue.

Renewable energy strategy. The electric utilities have been taking actions intended to protect Hawaii's island ecology and counter global warming, while continuing to provide reliable power to customers, and committed to a number of related actions in the Energy Agreement. A three-pronged strategy supports attainment of the requirements and goals of the State of Hawaii Renewable Portfolio Standards (RPS), the Hawaii Global Warming Solutions Act of 2007 and the HCEI by: (1) the "greening" of existing assets, (2) the expansion of renewable energy generation and (3) the acceleration of energy efficiency and load management programs. Major initiatives are being pursued in each category, and additional ones have been committed to in the Energy Agreement.

In its May 2010 filing with the PUC, HECO reported achieving a consolidated RPS of 19% in 2009. This was accomplished through a combination of municipal solid waste, geothermal, wind, biomass, hydro, photovoltaic and biodiesel renewable generation resources; renewable energy displacement technologies; and energy savings from efficiency technologies. HECO noted that DSM programs contributed significantly to achieving the 19% RPS level, and indicated that, without including the energy savings, the RPS would have been 9.2% instead of 19%. Under current RPS law, energy savings resulting from energy efficiency programs will not count toward the RPS from January 1, 2015.

The electric utilities are actively exploring the use of biofuels for existing and planned company-owned generating units. HECO has committed to using nearly 100% biofuels for its new 110 MW generating unit and its testing of the unit has confirmed that biodiesel is a viable fuel for the unit. HECO is researching the possibility of switching its steam generating units from fossil fuels to biofuels, and in the Energy Agreement has committed to do so if economically and technically feasible and if adequate biofuels are available. In July 2009, HECO and MECO submitted separate applications with the PUC to approve biodiesel supply contracts for their respective biodiesel demonstration projects, and to include the biodiesel fuel costs and related costs in their respective ECAC. HECO's application also requested approval of capital project costs, but MECO's estimated capital project costs were below the threshold that required separate PUC approval. In March 2010, HECO, HELCO and MECO also issued a request for proposals to seek suppliers of biofuel made from feedstocks produced and processed within the State of Hawaii, with final bids due by June 18, 2010.

The electric utilities also support renewable energy through the negotiation and execution of PPAs with non-utility generators using renewable sources (e.g., refuse-fired, geothermal, hydroelectric, photovoltaic and wind turbine generating systems). In October 2008, the PUC approved a PPA between MECO and Lanai Sustainability Research, LLC for the purchase of up to 1.2 MW of electricity from a photovoltaic system owned by Lanai Sustainability Research, LLC, a portion of which was placed in service in December 2008. The full output of the system will be allowed once Lanai Sustainability Research completes installation of a battery energy storage system. In November 2008, the PUC approved a PPA between HELCO and Keahole Solar Power LLC (a wholly-owned subsidiary of Sopogy, Inc.) for the purchase of energy from a 500 kilowatt (kW) concentrated solar power facility, which was brought on line in December 2009. In March 2009, an executed term sheet was filed with the PUC for a PPA between HELCO and Hu Honua Bioenergy, LLC, which intends to refurbish a 21.5 MW biomass plant

Table of Contents

located on the island of Hawaii. In July 2009, HECO executed a PPA with Kahuku Wind Power, LLC, subject to PUC approval, to purchase 30 MW of electricity from a wind turbine generating system. HECO filed an application for approval of the PPA and a PPA amendment with the PUC in August 2009 and February 2010, respectively. In December 2009, HECO and Honua Power, LLC signed a PPA, subject to PUC approval, to purchase approximately 6.6 MW of electricity from a biomass gasification power plant on Oahu. HECO filed an application for approval of the PPA with the PUC in January 2010. In addition to the PPAs above, each of the utilities are in active negotiations with other entities seeking PPAs for renewable energy.

On April 30, 2009, HECO filed an application with the PUC for approval of a Photovoltaic (PV) Host Pilot Program, which would be a two-year pilot program whereby HECO, HELCO and MECO would lease rooftops or other space from property owners, with a focus on governmental facilities, for the installation of third-party owned photovoltaic systems. The PV developer would own, operate and maintain the system and sell the energy to the utilities at a fixed rate under a long-term contract. The utilities are evaluating potential modifications to the program application, including the possibility of deferring implementation of the program at HELCO and MECO until further grid integration studies are completed.

In June 2008, the PUC approved HECO's Oahu Renewable Energy Request for Proposals (RFP) for combined renewable energy projects up to 100 MW and HECO issued the RFP shortly thereafter. An Award Group of bidders was selected in October 2009. HECO is currently negotiating PPAs with the bidders in the Award Group.

Included in the bids received in response to the RFP were proposals for two large scale neighbor island wind projects that would produce energy to be imported to Oahu via a yet-to-be-built undersea transmission cable system. In accordance with the Energy Agreement, the proposals for two large scale neighbor island wind projects (Big Wind projects) were bifurcated from the Oahu Renewable Energy RFP for separate negotiation. HECO requested a ruling from the PUC to confirm that the bifurcation was proper and a hearing is scheduled for July 8, 2010.

On July 17, 2009, HECO filed an application requesting approval (1) to defer the costs of outside services (estimated at $6.3 million) incurred in 2009 and 2010 to conduct the studies and analyses necessary (a) to reliably and effectively integrate large amounts of wind-generated renewable energy potentially located on the islands of Molokai and Lanai to the Oahu electric grid, and (b) to assess the potential routes and permitting requirements for the Oahu transmission lines and facilities necessary to interconnect undersea cables delivering power from the Big Wind Projects to Oahu; and (2) to recover the expenses for these "Big Wind Implementation Studies" through a surcharge mechanism. On December 11, 2009, the PUC issued a decision and order (D&O) that allows HECO to defer costs for the Big Wind Implementation Studies for later review for prudence and reasonableness. The PUC stated that a decision on a specific amount of costs to be recovered from ratepayers would be deferred until a detailed review is conducted at a later date on the actual incurred costs in a rate case or other proceeding. The PUC deferred a decision as to the specific recovery mechanism or the terms of any recovery mechanism (e.g. amortization period or carrying treatment).

The electric utilities promote research and development in the areas supporting renewable energy such as biofuels, ocean energy, battery storage, smart grids and integration of non-firm power into the separate island electric grids. The utilities are evaluating several potential energy storage and smart grid demonstration projects, and conducting various integration studies.

Energy efficiency and DSM programs for commercial and industrial customers and residential customers, including load control programs, have resulted in reducing system peak load and contribute to the achievement of the RPS.

For a description of some of the major provisions of the Energy Agreement most directly affecting HECO and its subsidiaries and their commitments relating to renewable energy and energy efficiency, see "Hawaii Clean Energy Initiative" in Note 5 of HECO's "Notes to Consolidated Financial Statements."

Competition. Although competition in the generation sector in Hawaii has been moderated by the scarcity of generation sites, various permitting processes and lack of interconnections to other electric utilities, HECO and its subsidiaries face competition from independent power producers (IPPs) IPPs and customer self-generation, with or without cogeneration.

Table of Contents

In October 2003, the PUC opened investigative proceedings on two specific issues (competitive bidding and distributed generation(DG)) to move toward a more competitive electric industry environment under cost-based regulation. For a description of some of the regulatory changes that will be pursued as part of the Energy Agreement, see "Hawaii Clean Energy Initiative" in Note 5 of HECO's "Notes to Consolidated Financial Statements."

Competitive bidding proceeding. The stated purpose of the PUC's competitive bidding proceeding was to evaluate competitive bidding as a mechanism for acquiring or building new generating capacity in Hawaii. In December 2006, the PUC issued a decision that included a final competitive bidding framework, which became effective immediately. The final framework states, among other things, that under the framework: (1) a utility is required to use competitive bidding to acquire a future generation resource or a block of generation resources unless the PUC finds bidding to be unsuitable; (2) the determination of whether to use competitive bidding for a future generation resource or a block of generation resources will be made by the PUC during its review of the utility's integrated resource plan (IRP); (3) the framework does not apply to three pending projects, specifically identified offers to sell energy on an as-available basis or to sell firm energy and/or capacity by non-fossil fuel producers and certain other situations identified in the framework; (4) waivers from competitive bidding for certain circumstances will be considered by the PUC; (5) for each project that is subject to competitive bidding, the utility is required to submit a report on the cost of parallel planning upon the PUC's request; (6) the utility is required to consider the effects on competitive bidding of not allowing bidders access to utility-owned or controlled sites, and to present reasons to the PUC for not allowing site access to bidders when the utility has not chosen to offer a site to a third party; (7) the utility is required to select an independent observer from a list approved by the PUC whenever the utility or its affiliate seeks to advance a project proposal (i.e., in competition with those offered by bidders); (8) the utility may consider its own self-bid proposals in response to generation needs identified in its RFP; (9) the evaluation of the utility's bid should account for the possibility that the capital or running costs actually incurred, and recovered from ratepayers, over the plant's lifetime, will vary from the levels assumed in the utility's bid; and (10) for any resource to which competitive bidding does not apply (due to waiver or exemption), the utility retains its traditional obligation to offer to purchase capacity and energy from a Qualifying Facility (QF) at avoided cost upon reasonable terms and conditions approved by the PUC.

In 2007, the PUC approved the utilities' tariffs containing procedures for interconnection and transmission upgrades, a list of qualified candidates for the Independent Observer position for future competitive bidding processes and a Code of Conduct.

In May 2008, the PUC issued a D&O stating that Puna Geothermal Venture's proposal to modify its existing PPA with HELCO to provide an additional 8 MW of firm capacity by expanding its existing facility is exempt from the Competitive Bidding Framework, and negotiations to modify that PPA are currently ongoing.

In September 2008, HECO submitted fully executed term sheets for the following three renewable energy projects on Oahu that were "grandfathered" from the competitive bidding process: a Honua Power steam turbine generator, a Kahuku Wind Power wind farm, and a Sea Solar Power International ocean thermal energy conversion project. In October 2008, timelines for the completion and execution of the PPAs and the planned in-service dates for these three projects were submitted to the PUC. In May 2009, HECO submitted to the PUC an update to the October 2008 filing on the status of negotiations for the three projects. HECO and Kahuku Wind Power signed a PPA in July 2009. The PPA and an amendment were submitted to the PUC for approval in August 2009 and February 2010, respectively. HECO and Honua Power signed a PPA in December 2009, and the PPA was submitted to the PUC for approval in January 2010. Negotiations to reach a PPA with OTEC International, LLC (formerly known as Sea Solar Power International) are currently ongoing.

In the third and fourth quarters of 2008, the PUC granted requests for waivers from the Competitive Bidding Framework for five projects. The waivers for four of the five projects subsequently expired without reaching agreement on a term sheet. In March 2009, HELCO reached agreement on a term sheet with the developer of the fifth and remaining waivered biomass project (Hu Honua Bioenergy, LLC). Since this term sheet agreement would have an effect on the proposed competitive bidding process, HELCO retained an independent engineering consultant to evaluate the suitability of the current generation system conditions for issuing an RFP

Table of Contents

for acquiring additional renewable resources. In June 2009, the independent engineer recommended that HELCO not proceed with an RFP at this time and instead conduct further analyses to determine what resource attributes would be most beneficial to the HELCO system and then assess how best to acquire those resources. Those analyses are currently being performed by HELCO.

In September 2009, HECO filed a request for an exemption or waiver from the competitive bidding framework for the City and County of Honolulu's proposed HPOWER expansion project, which involves a modification of an existing PPA with the City. In December 2009, the PUC declared the project exempt from the competitive bidding framework and PPA amendment negotiations are in progress.

Management cannot currently predict the ultimate effect of these developments on the ability of the utilities to acquire or build additional generating capacity in the future.

Distributed generation (DG) proceeding. In October 2003, the PUC opened a DG proceeding to determine DG's potential benefits to and impact on Hawaii's electric distribution systems and markets and to develop policies and a framework for DG projects deployed in Hawaii.

In January 2006, the PUC issued its D&O indicating that its policy is to promote the development of a market structure that assures DG is available at the lowest feasible cost, DG that is economical and reliable has an opportunity to come to fruition and DG that is not cost-effective does not enter the system. The D&O affirmed the ability of the utilities to procure and operate DG for utility purposes at utility sites. The PUC also indicated its desire to promote the development of a competitive market for customer-sited DG. The PUC found that the "disadvantages outweigh the advantages" of allowing a utility to provide DG services on a customer's site. However, the PUC also found that the utility "is the most informed potential provider of DG" and it would not be in the public interest to exclude the utilities from providing DG services at this early stage of DG market development. Therefore, the D&O allows the utility to provide DG services on a customer-owned site as a regulated service when (1) the DG resolves a legitimate system need, (2) the DG is the lowest cost alternative to meet that need and (3) it can be shown that, in an open and competitive process acceptable to the PUC, the customer operator was unable to find another entity ready and able to supply the proposed DG service at a price and quality comparable to the utility's offering.

The January 2006 D&O also required the utilities to file tariffs and establish standby rates based on unbundled costs associated with providing each service (i.e., generation, distribution, transmission and ancillary services). The utilities filed their proposed modifications to existing DG interconnection tariffs and their proposed unbundled standby rates for PUC approval in the third quarter of 2006. The Consumer Advocate stated that it did not object to implementation of the interconnection and standby rate tariffs at that time, but reserved the right to review the reasonableness of both tariffs in rate proceedings for each of the utilities. See "DG tariff proceeding" below.

In April 2006, the PUC provided clarification to the conditions under which the utilities are allowed to provide regulated DG services (e.g., the utilities can use a portfolio perspective—a DG project aggregated with other DG systems and other supply-side and demand-side options—to support a finding that utility-owned customer-sited DG projects fulfill a legitimate system need, and the economic standard of "least cost" in the order means "lowest reasonable cost" consistent with the standard in the IRP framework). The PUC also affirmed that the electric utility has the responsibility to demonstrate that it meets all applicable criteria included in the D&O in its application for PUC approval to proceed with a specific DG project.

In September 2008, HECO executed an agreement with the State of Hawaii Department of Transportation to develop a dispatchable standby generation (DSG) facility at the Honolulu International Airport that will be owned by the State and operated by HECO. In June 2009, the PUC approved the agreement for the DSG facility at the Honolulu International Airport. The PUC also approved HECO's request to waive the project from the Competitive Bidding Framework and HECO's commitment of funds. However, the PUC denied HECO's proposed accounting and rate-making treatment for $0.4 million of capital and overhaul reimbursement payments by HECO to the Department of Transportation under the terms of the agreement. HECO and the Department of Transportation amended the agreement to provide HECO with the ability to seek cost recovery for these expenses in accordance with the PUC order. The amendment was approved by the PUC in March 2010. HECO will seek cost recovery of overhaul reimbursement payments in the next applicable general rate case proceeding.

Table of Contents

HECO is also evaluating the potential to develop utility-owned DG at Oahu military bases, in a manner consistent with the D&O, in order to meet utility system needs and the energy objectives of the federal Department of Defense (DOD).

In February 2008, MECO received PUC approval of an agreement for the installation of a CHP system at a hotel site on the island of Lanai. The CHP system was placed in service in September 2009.

DG tariff proceeding. In December 2006, the PUC opened a new proceeding to investigate the utilities' proposed DG interconnection tariff modifications and standby rate tariffs. In March 2008, the parties to the proceeding filed a settlement agreement with the PUC proposing that a standby service tariff agreed to by the parties should be approved. The interconnection tariffs, with modifications made in response to the PUC's information requests, were approved in April 2008. In May 2008, the PUC approved the settlement agreement on the standby service tariff.

In September 2008, the PUC requested that the utilities address various inconsistencies in the interconnection tariff sheets. In the fourth quarter of 2008, the utilities filed revised interconnection tariff sheets and the PUC issued an order approving the revised interconnection tariff sheets and closing the DG tariff proceeding.

As required in the Energy Agreement, the utilities conducted a review of the modified DG interconnection tariffs to evaluate whether the tariffs are effective in supporting non-utility DG and distributed energy storage by improving the process and procedure for interconnection. HECO filed its evaluation report with the PUC in June 2009, concluding that the process has been working efficiently.

On January 7, 2010, a request to modify the DG interconnection tariff was filed by the utilities. Among other modifications, the utilities are seeking to relax requirements for conducting detailed interconnection studies, and are proposing modifications to some technical requirements to accommodate the significant increase in distributed renewable energy generating unit installations that is anticipated as a result of initiatives such as the feed-in tariff. On January 27, 2010, the PUC suspended the request and opened a separate proceeding to examine the proposed modifications.

DG and distributed energy storage under the Energy Agreement. Under the Energy Agreement, the utilities committed to facilitate planning for distributed energy resources through a new Clean Energy Scenario Planning process. Under this process, Locational Value Maps were developed in 2009 to identify areas where DG and distributed energy storage would provide utility system benefits and can be reasonably accommodated.

The utilities also agreed to power utility-owned DG using sustainable biofuels or other renewable technologies and fuels, and to support either customer-owned or utility-owned distributed energy storage.

The parties to the Energy Agreement support reconsideration of the PUC's restrictions on utility-owned DG where it is proven that utility ownership and dispatch clearly benefits grid reliability and ratepayer interests, and the equipment is competitively procured. The parties also support HECO's dispatchable standby generation units upon showing reasonable ratepayer benefits.

The utilities may contract with third parties to aggregate fleets of DG or standby generators for utility dispatch or under PPAs, or may undertake such aggregation themselves if no third parties respond to a solicitation for such services.

The Energy Agreement also provides that to the degree that transmission and distribution automation and other smart grid technology investments are needed to facilitate distributed energy resource utilization, those investments should be recoverable through a Clean Energy Infrastructure Surcharge (CEIS) and later placed in rate base in the next rate case proceeding.

Most recent rate requests. The electric utilities initiate PUC proceedings from time to time to request electric rate increases to cover rising operating costs and the cost of plant and equipment, including the cost of new capital projects to maintain and improve service reliability. The PUC may grant an interim increase within 10 to 11 months following the filing of an application, but there is no guarantee of such an interim increase or its

Table of Contents

amount and interim amounts collected are refundable, with interest, to the extent they exceed the amount approved in the PUC's final D&O. The timing and amount of any final increase is determined at the discretion of the PUC. The adoption of revenue, expense, rate base and cost of capital amounts (including the return on average common equity (ROACE) and return on rate base (ROR)) for purposes of an interim rate increase does not commit the PUC to accept any such amounts in its final D&O.

As of May 1, 2010, the ROACE found by the PUC to be reasonable in the most recent final rate decision for each utility was 10.7% for HECO (D&O issued on May 1, 2008, based on a 2005 test year), 11.5% for HELCO (D&O issued on February 8, 2001, based on a 2000 test year) and 10.94% for MECO (amended D&O issued on April 6, 1999, based on a 1999 test year). The ROACEs used by the PUC in the interim rate increases in HECO, HELCO and MECO rate cases based on 2009, 2006 and 2007 test years issued in August 2009, April 2007 and December 2007 were 10.5%, 10.7% and 10.7%, respectively.

For the 12 months ended March 31, 2010, the actual ROACEs (calculated under the rate-making method, which excludes the effects of items not included in determining electric utility rates, and reported to the PUC) for HECO, HELCO and MECO were 7.37%, 8.06% and 4.08%, respectively. HECO's actual ROACE was 313 basis points lower than its interim D&O ROACE primarily due to lower KWH sales than the sales used to determine the interim rates and increased O&M expenses, both of which are expected to continue through 2010. HELCO and MECO's actual ROACEs were 264 and 662 basis points, respectively, lower than their interim D&O ROACEs primarily due to increased O&M expenses and lower KWH sales than the sales used to determine the interim rates.

As of May 1, 2010, the ROR found by the PUC to be reasonable in the most recent final rate decision for each utility was 8.66% for HECO, 9.14% for HELCO and 8.83% for MECO (D&Os noted above). The RORs used by the PUC for purposes of the interim D&Os in the HECO, HELCO and MECO rate cases based on 2009, 2006 and 2007 test years were 8.45%, 8.33% and 8.67%, respectively. For the 12 months ended March 31, 2009, the actual RORs (calculated under the rate-making method, which excludes the effects of items not included in determining electric utility rates, and reported to the PUC) for HECO, HELCO and MECO were 6.55%, 7.01% and 4.65%, respectively.

HECO, in 2009, and HELCO and MECO, in 2007, received interim D&Os, which included the reclassification to a regulatory asset of the charge for retirement benefits that would otherwise be recorded in accumulated other comprehensive income (AOCI).

For a description of some of the rate-making changes that the parties have agreed to pursue under the Energy Agreement, see below and "Hawaii Clean Energy Initiative" in Note 5 of HECO's "Notes to Consolidated Financial Statements."

HECO.

2007 test year rate case. On December 22, 2006, HECO filed a request for a general rate increase of $99.6 million, or 7.1% over the electric rates then in effect, based on a 2007 test year, an 11.25% ROACE and an 8.92% ROR on a $1.214 billion average rate base. This rate case excluded DSM surcharge revenues and associated incremental DSM costs because certain DSM issues, including cost recovery, were being addressed in another proceeding.

HECO's 2006 application included a proposed new tiered rate structure for residential customers to reward customers who practice energy conservation with lower electric rates for lower monthly usage. The proposed rate increase included costs incurred to maintain and improve reliability, such as the new Dispatch Center building and associated equipment and the Energy Management System that became operational in 2006, new substations, a new outage management system (added in 2007) and increased O&M expenses.

The application addressed the energy cost adjustment clause (ECAC) provisions of Hawaii Act 162 (Act 162) and requested the continuation of HECO's ECAC. On December 29, 2006, the electric utilities' Report on Power Cost Adjustments and Hedging Fuel Risks (ECAC Report) prepared by their consultant, National Economic Research Associates, Inc., was filed with the PUC. The testimonies filed in the latest rate cases for HECO, HELCO and MECO included or incorporated the ECAC Report, which concluded that (1) the electric utilities' ECACs are well-designed and benefit the electric utilities and their ratepayers and (2) the ECACs

Table of Contents

comply with the statutory requirements of Act 162. With respect to hedging, the consultants concluded that (1) hedging of oil prices by HECO would not be expected to reduce fuel and purchased power costs and in fact would be expected to increase the level of such costs and (2) even if rate smoothing is a desired goal, there may be more effective means of meeting the goal, and there is no compelling reason for the electric utilities to use fuel price hedging as the means of achieving the objective of increased rate stability.

HECO's application requested a return on HECO's pension assets (i.e., accumulated contributions in excess of accumulated net periodic pension costs) by including such assets (net of deferred taxes) in rate base. In a separate proceeding brought in 2005, the electric utilities had earlier requested PUC approval to record as a regulatory asset for financial reporting purposes the amounts that would otherwise be charged to AOCI in stockholders' equity under a new accounting standard at the time, but that request was denied by the PUC in January 2007. HECO thus proposed in the 2007 test year rate case to restore to book equity for rate-making purposes the amounts charged to AOCI as a result of adopting that new accounting standard. The authorized ROACE found to be fair in a rate case is applied to the equity balance in determining the utility's weighted cost of capital, which is the rate of return applied to the rate base in determining the utility's revenue requirements. HECO's position was that, if the reduction in equity balance resulting from the AOCI charges is not restored for rate-making purposes, a higher ROACE will be required.

In March 2007, a public hearing on the rate case was held. In April 2007, the PUC granted the DOD's motion to intervene.

In a June 2007 update to its direct testimonies, HECO proposed pension and OPEB tracking mechanisms, similar to the mechanisms that were agreed to by HELCO and the Consumer Advocate and approved on an interim basis by the PUC in the HELCO 2006 test year rate case (discussed below). A pension funding study (required by the PUC in the AOCI proceeding) was filed in the HECO rate case in May 2007. The conclusions in the study were consistent with the funding practice proposed with the pension tracking mechanism. For a discussion of this mechanism and related pension issues (see Note 4 of HECO's "Notes to Consolidated Financial Statements").

On September 6, 2007, HECO, the Consumer Advocate and the DOD (the parties) executed and filed an agreement on most of the issues in HECO's 2007 test year rate case and HECO submitted a statement of probable entitlement with the PUC. The agreement was subject to approval by the PUC.

The amount of the revenue increase based on the stipulated agreement was $70 million annually, or a 4.96% increase over current effective rates at the time of the stipulation. The settlement agreement included, as a negotiated compromise of the parties' respective positions, an ROACE of 10.7% (and an 8.62% ROR and a $1.158 billion average rate base) to determine revenue requirements in the proceeding. In the settlement agreement, the parties agreed that the final rates set in HECO's 2005 test year rate case may impact revenues at current effective rates and at present rates, and indicated that the amount of the stipulated interim rate increase in this case would be adjusted to take into account any such changes. For purposes of the settlement, the parties agreed to a pension tracking mechanism that does not include amortization of HECO's pension asset (comprised of accumulated contributions to its pension plan in excess of net periodic pension cost and amounting to $68 million at December 31, 2006) as part of the pension tracking mechanism in the proceeding. (This had the effect of deferring the issue of whether the pension asset should be amortized for rate making purposes to HECO's next rate case.)

In accordance with Act 162, the PUC, by an order issued August 24, 2007, had added as an issue to be addressed in the rate case whether HECO's ECAC complies with the requirements of Act 162. In the settlement agreement, the parties agreed that the ECAC should continue in its present form for purposes of an interim rate increase and stated that they were continuing discussions with respect to the final design of the ECAC to be proposed for approval in the final D&O. The parties agreed to file proposed findings of fact and conclusions of law on all issues in this proceeding, including the ECAC. The parties agreed that their resolution of the ECAC issue would not affect their agreement regarding revenue requirements in the proceeding.

On October 22, 2007, the PUC issued, and HECO implemented, an interim D&O granting HECO an increase of $70 million in annual revenues over rates effective at the time of the interim D&O, subject to refund with interest. The interim increase was based on the settlement agreement described above and did not include in rate base the HECO pension asset. The interim D&O also approved, on an interim basis, the adoption of the pension tracking mechanism and a tracking mechanism for OPEB. See "Interim increases" in Note 5 and Note 4, "Retirement benefits," of HECO's "Notes to Consolidated Financial Statements."

Table of Contents

On May 1, 2008, the PUC issued the final D&O for HECO's 2005 test year rate case, which was consistent with the stipulated revised results of operations filed by the parties on March 28, 2008. Consistent with the previous settlement agreement with the parties in this case, HECO filed a motion with the PUC in May 2008 to adjust the amount of the annual interim increase in this proceeding from $70 million to $77.9 million to take into account the changes in current effective rates as a result of the final decision in the 2005 test year rate case, and to have the change be effective at the same time the tariff sheets reflecting the final decision in the 2005 rate case become effective. In June 2008, the PUC approved HECO's motion. On September 30, 2008, HECO filed a correction with the PUC to adjust the amount of the annual interim increase for the 2007 test year rate case from $77.9 million to $77.5 million and filed tariff sheets to be effective October 1 through 31, 2008 to refund $0.1 million over-collected from June 20 to September 30, 2008.

On December 30, 2008, HECO and the Consumer Advocate filed a joint set of proposed findings of fact and conclusions of law and HECO requested that the PUC approve the final rate increase of $77.5 million.

Management cannot predict the timing, or the ultimate outcome, of a final D&O in HECO's 2007 test year rate case.

2009 test year rate case. On July 3, 2008, HECO filed a request for a general rate increase of $97 million or 5.2% over the electric rates then in effect (i.e., over rates that included the interim rate increase discussed above granted by the PUC in HECO's 2007 test year rate case), based on a 2009 test year, an 8.81% ROR, an 11.25% ROACE, and a $1.408 billion rate base. HECO's application requested an interim increase of $73 million on or before the statutory deadline for interim rate relief and a step increase of $24 million based on the return on the annualized net investment of the new CIP CT-1 and recovery of associated expenses to be effective at the in-service date of the new unit.

The requested rate increase was based on anticipated plant additions estimated at the time of filing of $375 million in 2008 and 2009 (including the new CIP CT-1 and related transmission line) to maintain and improve system reliability, higher operation and maintenance costs required for HECO's electrical system, and higher depreciation expenses since the last rate case. To the extent actual project costs are higher than the estimate included in the requested rate increase (e.g., higher costs for the CIP CT-1 and transmission line), HECO plans to seek recovery in a future proceeding. As in its 2007 test year rate case, HECO requested continuation of its ECAC in its present form. The request excluded incremental DSM costs from the test year revenue requirement due to the transition of HECO's DSM programs to a third-party program administrator in 2009 as ordered by the PUC.

In August 2008, the PUC granted the DOD's motion to intervene in the rate case proceeding. In September 2008, the PUC held a public hearing on HECO's rate increase application.

In the Energy Agreement, the parties agreed to seek approval from the PUC to implement in the interim D&O in the 2009 HECO rate case a decoupling mechanism (see Decoupling proceeding below). HECO filed updates to its 2009 test year rate case in November and December 2008, which updates proposed to establish a revenue balancing account (RBA) for a decoupling mechanism and a purchased power adjustment clause. As discussed below, the PUC in its interim D&O did not approve the proposal to establish an RBA to be effective as of the date of the interim D&O, pending the outcome of the decoupling proceeding. The PUC asked for more information on the purchased power adjustment clause, and HECO provided additional support for the reasonableness of the surcharge in the supplemental testimonies filed on July 20, 2009.

In March 2009, HECO agreed to remove certain costs and expenses from the rate case, including unamortized system development costs related to the replacement of its customer information system due to a delay in transitioning to the new system. See Note 5 of HECO's "Notes to Consolidated Financial Statements."

Table of Contents

In April 2009, the Consumer Advocate and the DOD filed their direct testimonies in this proceeding. The Consumer Advocate recommended a revenue increase of $62.7 million based on its proposed ROR of 7.86%, an ROACE ranging between 9.5% and 10.5% and a proposed average rate base of $1.259 billion. The Consumer Advocate recommended an average rate base treatment for the CIP CT-1, rather than accept the Company's proposal for a step increase based on the annualized net cost of the CIP CT-1 which would go into effect on the in-service date of the new unit. In its recommendations, the Consumer Advocate also removed the costs and expenses identified by HECO in March 2009 relating to the replacement of HECO's customer information system. The DOD recommended a revenue increase of $45.1 million based on its proposed ROR of 7.85%, an ROACE of 9.50% and a proposed average rate base of $1.309 billion. The DOD also recommended an average rate base treatment for the CIP CT-1 and the removal of the costs and expenses identified by HECO in March 2009 relating to the replacement of HECO's customer information system.

On May 15, 2009, HECO, the Consumer Advocate and the DOD (the parties) executed and filed an agreement (the Settlement Agreement) on most of the issues in HECO's 2009 test year rate case proceeding. The Settlement Agreement included an interim increase amounting to $79.8 million annually, or a 6.2% increase. The Settlement Agreement represented a negotiated compromise of the parties' respective positions and was approximately 18% lower than HECO's original request for a $97 million increase in revenues. For purposes of the interim decision only, the parties agreed upon an ROACE of 10.50%. The Settlement Agreement reflected the average rate base treatment for the CIP CT-1 rather than HECO's proposal for a step increase based on the annualized net cost of CIP CT-1. As part of the settlement, the parties also agreed that the PUC should allow HECO to establish an RBA, which would remove the linkage between electric revenues and KWH sales, to be effective on the date of the interim D&O. If approved, the RBA would provide a mechanism to adjust revenues (increases/decreases) subsequent to the interim D&O for the differences (shortages/overages) between the actual revenues and the revenues determined in the interim D&O.

The remaining issues among the parties impacting the amount of the increase for the proceeding related to the appropriate test year expense amount for informational advertising, and the appropriate ROACE for the test year. HECO's position is that its test year estimate for informational advertising and an ROACE of 11%, assuming the approval of the parties' joint decoupling proposal, is reasonable.

On May 19, 2009, based on the understandings reached in the Settlement Agreement, HECO submitted its statement of probable entitlement, requesting an interim increase of $79.8 million, based on an 8.45% return on average rate base of $1.253 billion.

On July 2, 2009, the PUC issued an interim D&O in this proceeding. The interim D&O approved a rate increase for interim purposes, but directed that adjustments be made to reduce the increase reflected in HECO's statement of probable entitlement for several items, including certain labor expenses, and the costs related to CIP CT-1 ($12.7 million of revenue requirements). Part of the labor expense reduction related to new positions established to carry out initiatives included in the HCEI because those initiatives are still the subject of pending PUC proceedings and have not yet been approved. The PUC removed the costs related to CIP CT-1 from rate base, indicating that the record did not yet demonstrate that the CIP CT-1 unit would be in service by the end of the 2009 test year. The PUC deferred decision on the proposal to establish an RBA, pending the outcome of the decoupling proceeding.

Based on the adjustments, HECO calculated the interim increase amount at $61.1 million annually or a 4.7% increase (compared to $79.8 million, or a 6.2% increase, agreed to by the parties under the Settlement Agreement) and submitted the information to the PUC on July 8, 2009. The interim increase amount is based on an ROACE of 10.50% agreed to by the parties for purposes of the interim decision only, and an 8.45% ROR on a rate base of $1.169 billion (compared to the average rate base of $1.253 billion agreed to by the parties in the Settlement Agreement).

On July 15, 2009, in responding to HECO's calculations, the Consumer Advocate stated that HECO's proposed adjustments were conservatively prepared, that HECO's revised schedules were in general compliance with the PUC's interim D&O, and that it did not object to HECO's filing. The Consumer Advocate also identified HCEI-related costs of $1.5 million that were included in the Settlement Agreement and HECO's statement of probable entitlement that it believed could be subject to interpretation as to whether they should be included in the interim rate relief under the D&O. HECO filed a response providing an explanation supporting the inclusion of these costs in its original interim increase calculations. The DOD did not file any comments on HECO's interim increase calculations. The interim decision was implemented on August 3, 2009.

Table of Contents

In the interim D&O, the PUC indicated that the parties are allowed to provide additional testimonies regarding the items excluded from the statement of probable entitlement and requested additional testimonies on certain issues by July 20, 2009. HECO, the Consumer Advocate and the DOD provided testimonies on those issues on July 20, 2009. In hearings that began on October 26, 2009, HECO requested approval of an ROACE of 10.75%, assuming the approval of a joint decoupling proposal (see Decoupling proceeding below).

In November 2009, HECO filed a motion with the PUC requesting a second interim increase of $12.7 million to recover CIP CT-1 costs, by allowing HECO to include the costs for the test year in rate base or by allowing HECO to continue to accrue allowance for funds used during construction (AFUDC) on the costs.

On December 22, 2009, HECO filed an application requesting PUC approval of a two-year contract with Renewable Energy Group Marketing and Logistics, LLC (REG) to supply biodiesel for use primarily in CIP CT-1, and to include the contract costs in HECO's ECAC. A decision is pending. On January 5, 2010, HECO notified the PUC that testing of CIP CT-1 had confirmed that it can operate on biofuels and that it had submitted the emissions data derived from that testing to the Department of Health of the State of Hawaii (DOH) in seeking necessary permit modifications.

In January 2010, HECO, the Consumer Advocate and the DOD filed their briefs for this rate case. In its reply brief, HECO indicated its final position was to request a revenue increase for the 2009 test year of $80.2 million over revenues at current rates, based on an ROACE of 10.75% and an ROR of 8.58% on an average rate base of $1.251 billion, which assumes approval of the utilities' decoupling proposal and other rate rider mechanisms. Without these mechanisms, revenue requirements would be based on an ROACE of 11% and an ROR of 8.72%.

On February 19, 2010, the PUC issued a second interim D&O in this proceeding granting HECO an additional increase of $12.7 million in annual revenues to recover costs associated with CIP CT-1 and related transmission facilities. HECO implemented this second interim increase effective February 20, 2010. The increase was based on an ROACE of 10.50% and an ROR of 8.45%, both of which were used for the first interim increase.

In the second interim D&O, the PUC stated that, pending receipt of an operational supply of biodiesel, it will allow HECO to operate CIP CT-1 as a diesel peaking unit. It required HECO to provide a report to the PUC quarterly detailing its progress in obtaining the necessary air permit modification (which has since been obtained), and in acquiring an operational supply of biodiesel, until these items are secured. If the PUC is not satisfied with the biofuel progress when the final D&O in this proceeding is issued, the PUC reserves the right to take further action, including removing the CT-1 costs from rate base and ordering any appropriate refunds to ratepayers.

The two interim increases granted totaled $73.8 million, or a 5.7% increase, with amounts collected under the interim orders subject to refund, with interest, to the extent they exceed the amount approved in the final D&O.

On April 12, 2010, the Consumer Advocate filed a Statement of Position in the REG two-year biodiesel contract proceeding. The Consumer Advocate stated that it does not object to the PUC's approval of HECO's supply contract with REG and that the provisions of the supply contract appear to be fair and reasonable and in the best interest of HECO's ratepayers.

Management cannot predict the timing, or the ultimate outcome of, a final D&O in HECO's 2009 test year rate case or in the proceeding for approval of the fuel contract with REG.

2011 test year rate case. On May 6, 2010, HECO filed a Notice of Intent to file an application for a general rate increase on or after July 7, 2010, using a 2011 test year.

HELCO.

2006 test year rate case. In May 2006, HELCO filed a request for a general rate increase of $29.9 million, or 9.24% over the electric rates then in effect, based on a 2006 test year, an 8.65% ROR, an 11.25% ROACE and a $369 million average rate base. HELCO's application included a proposed new tiered rate structure, which would enable most residential users to see smaller increases in the range of 3% to 8%. The tiered rate structure was

Table of Contents

designed to minimize the increase for residential customers using less electricity and is expected to encourage customers to take advantage of solar water heating programs and other energy management options. In addition, HELCO's application proposed new time-of-use service rates for residential and commercial customers. The proposed rate increase would pay for improvements made to increase reliability, including transmission and distribution line improvements and the two generating units at the Keahole power plant (CT-4 and CT-5), and increased O&M expenses. The application requested the continuation of HELCO's ECAC.

The PUC held public hearings on HELCO's application in June 2006. In February 2007, the Consumer Advocate submitted its testimony in the proceeding, recommending a revenue increase of $16.6 million based on its proposed ROR of 7.95%, an ROACE ranging between 9.50% and 10.25% and a proposed average rate base of $345 million. The Consumer Advocate recommended adjustments of $21.5 million to HELCO's rate base for a portion of CT-4 and CT-5 costs (primarily relating to HELCO's AFUDC, land use permitting costs, and related litigation expenses). In the filing, the Consumer Advocate's consultant concluded that HELCO's ECAC provides a fair sharing of the risks of fuel cost changes between HELCO and its ratepayers in a manner that preserves the financial integrity of HELCO without the need for frequent rate filings.

Keahole Defense Coalition (whose participation in the proceeding is limited) submitted in February 2007 a Position Statement in which it contended that the PUC should exclude from rate base a greater amount of the CT-4 and CT-5 costs than proposed by the Consumer Advocate.

In March 2007, HELCO and the Consumer Advocate reached settlement agreements on all revenue requirement issues in the HELCO 2006 rate case proceeding, which were documented in an April 5, 2007 settlement letter. Under the revenue requirement agreement, HELCO agreed to write off a portion of CT-4 and CT-5 costs, which resulted in an after-tax charge of approximately $7 million in the first quarter of 2007.

On April 4, 2007, the PUC issued an interim D&O, which was implemented by tariff changes made effective on April 5, 2007, granting HELCO an increase of 7.58%, or $24.6 million in annual revenues, over revenues at present rates for a normalized 2006 test year. The interim increase reflects the settlement of the revenue requirement issues reached between HELCO and the Consumer Advocate and is based on an average rate base of $357 million (which reflects the write-off of a portion of CT-4 and CT-5 costs) and an ROR of 8.33% (incorporating an ROACE of 10.7%). In the interim D&O, the PUC also approved on an interim basis the adoption of pension and OPEB tracking mechanisms (see Note 4 of HECO's "Notes to Consolidated Financial Statements").

Pursuant to an agreed upon schedule of proceedings, Keahole Defense Coalition filed a response to HELCO's rebuttal testimony on April 28, 2007, to which HELCO responded on May 11, 2007. On May 15, 2007, HELCO and the Consumer Advocate filed a settlement letter that reflected their agreement on the remaining rate design issues in the proceeding. HELCO and the Consumer Advocate filed their opening briefs in support of their settlement on June 4, 2007 and agreed not to file reply briefs. In April 2008, HELCO and the Consumer Advocate filed a supplement providing additional record cites and supporting information relevant to their April 2007 settlement letter. In July 2008, HELCO submitted responses to information requests from the PUC regarding the impacts of passing changes in fuel and purchased energy costs to customers through the ECAC.

Management cannot predict the timing, or the ultimate outcome, of a final D&O in this rate case.

2010 test year rate case. On December 9, 2009, HELCO filed a request for a general rate increase of $20.9 million, or 6.0% over the electric rates then in effect (i.e., over rates that include the $24.6 million interim rate increase discussed above granted in HELCO's 2006 test year rate case), based on a 2010 test year, an 8.73% ROR, a 10.75% ROACE and a $487 million average rate base. The proposed rate increase would cover investments for system upgrade projects, including an 18 MW heat recovery steam generator (ST-7) at Keahole and two major West Hawaii transmission line upgrades, as well as increasing O&M costs for the island's electrical system. HELCO's proposed ROR and ROACE assume (1) the establishment of an RBA and a revenue adjustment mechanism, based on the Joint Decoupling Proposal (see "Decoupling Proceeding" below) between the utilities and the Consumer Advocate, (2) the implementation of the REIP/CEIS, which the PUC has approved in a separate proceeding, and (3) a purchased power adjustment clause to recover non-energy PPA costs proposed in the proceeding. If the proposals are not approved, the test year revenue requirements would be $22.1 million over the electric rates then in effect, based on an ROR of 8.87% and an ROACE of 11.0%.

Table of Contents

HELCO's general rate increase is based on proposed revised depreciation rates for which PUC approval was requested in an application filed on November 9, 2009. If a decision on the depreciation rates change has not been rendered by the time an interim D&O is to be issued in this proceeding, HELCO's application requests that the interim rate relief be based on the existing depreciation rates, and that upon issuance of the D&O on the proposed depreciation rates change, the PUC approve an adjustment (i.e., depreciation step down) that would effectively implement the difference between HELCO's revenue increase based on its existing depreciation rates and the new depreciation rates approved.

HELCO's filing also proposes adoption of inverted tiered rates and an optional residential time-of-use service rate to enable customers to manage their energy usage. The proposed rate structure also includes the continuation of HELCO's ECAC. Pursuant to the Energy Agreement, HELCO proposes the establishment of a purchased power adjustment clause to recover non-energy PPA costs to be effective upon issuance of the final D&O. The adoption of pension and OPEB tracking mechanisms is included in the test year estimates that were approved on an interim basis by the PUC in HELCO's 2006 test year interim D&O.

In February 2010, the PUC held public hearings on HELCO's 2010 test year rate case. In May 2010, the PUC approved a stipulated procedural order for the proceeding, which includes evidentiary hearings in October 2010.

Management cannot predict the timing, or the ultimate outcome, of an interim or final D&O in this rate case.

MECO.

2007 test year rate case. In February 2007, MECO filed a request for a general rate increase of $19.0 million, or 5.3% over the electric rates then in effect, based on a 2007 test year, an 8.98% ROR, an 11.25% ROACE and a $386 million average rate base. MECO's application included a proposed new tiered rate structure for residential customers to reward customers who practice energy conservation with lower electric rates for lower monthly usage. The proposed rate increase would pay for improvements to increase reliability, including two new generating units added since MECO's last rate case (which was based on a 1999 test year) at its Maalaea Power plant (M19, a 20 MW CT placed in service in 2000, and M18, an 18 MW steam turbine placed in service in October 2006 to complete the installation of a second dual-train combined cycle unit), and transmission and distribution infrastructure improvements. The proposed rate structure also included continuation of MECO's ECAC. The application requested a return on MECO's pension assets (i.e., accumulated contributions in excess of accumulated net periodic pension costs) by including such assets (net of deferred income taxes) in rate base. The application also proposed to restore book equity (in determining the equity balance for rate-making purposes) for the amounts that were charged against equity (i.e., to AOCI) as a result of recording a pension and other postretirement benefits liability after implementing a new accounting standard at that time.

In an update to its direct testimonies filed in September 2007, MECO proposed a lower increase in annual revenues of $18.3 million, or 5.1%, but its request continued to be based on an 8.98% ROR and an 11.25% ROACE. Also in the update, MECO proposed tracking mechanisms for pension and OPEB, similar to the mechanisms proposed by HECO and HELCO, and approved by the PUC on an interim basis, in their 2007 and 2006 test year rate cases, respectively. In October 2007, the Consumer Advocate filed its direct testimony, which recommended a revenue increase of $8.9 million, based on an ROACE of 10.0% and an ROR of 8.29% on an average rate base of $378 million. $4.75 million of the $9.4 million difference between MECO's and the Consumer Advocate's proposed increase was due to the Consumer Advocate's lower recommended ROR and ROACE.

On December 7, 2007, MECO and the Consumer Advocate (for purposes of this section, the "parties") reached a settlement of all the revenue requirement issues in this rate case proceeding. For purposes of the settlement, the parties agreed that MECO's ECAC provided a fair sharing of the risks of fuel cost changes between MECO and its ratepayers and no further changes were required for MECO's ECAC to comply with the requirements of Act 162.

On December 21, 2007, the PUC issued an interim D&O granting MECO an increase of $13.2 million in annual revenues, or a 3.7% increase, subject to refund with interest. The interim increase was based on the settlement agreement, which included as a negotiated compromise of the parties' respective positions an increase of $13.2 million in annual revenue, a 10.7% ROACE, an 8.67% ROR and a rate base of $383 million (which included estimated costs of $64.8 million for the generating unit M18, which is $19.4 million higher than the PUC approved amount, but did not include MECO's pension asset, which amounted to $1 million as of December 31, 2007).

Table of Contents

In the interim D&O, the PUC also approved on an interim basis the adoption of pension and OPEB tracking mechanisms (see Note 4 of HECO's "Notes to Consolidated Financial Statements").

On July 17, 2009, the parties filed joint proposed findings of fact and conclusions of law.

Management cannot predict the timing, or the ultimate outcome, of a final D&O in this rate case.

2010 test year rate case. On September 30, 2009, MECO filed a request for a general rate increase of $28.2 million, or 9.7% over the electric rates then in effect, based on a 2010 test year, an 8.57% ROR, a 10.75% ROACE and a $390 million average rate base. The proposed rate increase would cover investments to improve service reliability, including the replacement and upgrade of the Maalaea generating units' (M17 & M19) power plant control systems, installation of a new 150-kW photovoltaic system at MECO's Kahului Baseyard to incorporate solar energy into MECO's facilities, replacement and upgrade of underground lines, new or expanded substations to support past and future growth and improve service, and higher O&M expenses due to MECO's aging infrastructure. MECO's proposed ROR and ROACE assume the establishment of an RBA and a revenue adjustment mechanism, based on the Joint Decoupling Proposal between the utilities (HECO, HELCO and MECO) and the Consumer Advocate. If the Joint Decoupling Proposal is not approved, the test year revenue requirements would have to be recalculated according to an ROR of 8.72% and an ROACE of 11%.

MECO's general rate increase is based on proposed revised depreciation rates for which PUC approval was requested in an application filed on September 10, 2009. If a decision on the depreciation rates change has not been rendered by the time an interim D&O is to be issued in the 2010 test-year rate case proceeding, MECO's filing requests that the interim rate relief be based on the existing depreciation rates, and that upon issuance of the D&O on the proposed depreciation rates change, the PUC approve an adjustment (i.e., depreciation step down) that would effectively implement the difference between MECO's revenue increase based on its existing depreciation rates and the new depreciation rates approved.

MECO's filing proposes an inclining rate block structure for residential customers (similar to the structure MECO proposed in its 2007 test year rate case) and an optional residential and commercial time-of-use service rate to enable customers to manage their energy usage. The proposed rate structure also includes the continuation of MECO's ECAC. Pursuant to the Energy Agreement, MECO proposes the establishment of a purchased power adjustment clause to recover non-energy PPA costs to be effective upon issuance of the final D&O. The adoption of pension and OPEB tracking mechanisms is included in the test year estimates that were approved on an interim basis by the PUC in MECO's 2007 test year interim D&O.

In December 2009, the PUC held public hearings on MECO's 2010 test year rate case. On May 5, 2010, the Consumer Advocate filed its direct testimony which recommended a revenue increase of $7.0 million, based on a ROR of 7.86% and a ROACE of 9.50%, and an average rate base of $384 million. The $21.2 million difference between MECO's and the Consumer Advocate's proposed increase is due to the Consumer Advocate's lower recommended ROR and ROACE, higher sales forecast, and other proposed adjustments in test year expenses. Evidentiary hearings are scheduled for July 2010.

Management cannot predict the timing, or the ultimate outcome, of an interim or final D&O in this rate case.

Decoupling proceeding. In the Energy Agreement, the parties agreed to seek approval from the PUC to implement, beginning with the 2009 HECO rate case interim decision, a decoupling mechanism, similar to that in place for several California utilities, which decouples revenue of the utilities from KWH sales and provides revenue adjustments (increases/decreases) for the differences (shortages/overages) between the amount determined in the last rate case and (a) the current cost of operating the utility as deemed reasonable and approved by the PUC, (b) the return on and return of ongoing capital investment (excluding projects included in a proposed new CEIS), and (c) changes in tax expense due to changes in State or Federal tax rates. The decoupling mechanism would be subject to review at any time by the PUC or upon request of any utility or the Consumer Advocate.

Table of Contents

In October 2008, the PUC opened an investigative proceeding to examine implementing a decoupling mechanism for the utilities. In May 2009, the utilities and the Consumer Advocate filed their joint proposal (Joint Decoupling Proposal) for a decoupling mechanism with three components: (1) a sales decoupling component via an RBA, (2) a revenue escalation component via a revenue adjustment mechanism and (3) an earnings sharing mechanism.

In February 2010, the PUC approved the Joint Decoupling Proposal (with subsequent modifications to the proposal agreed to by the utilities and the Consumer Advocate), subject to the issuance of a final D&O, and ordered the utilities and the Consumer Advocate to jointly submit for the PUC's consideration a proposed Final D&O, which they did on March 23, 2010. Other parties commented on, but did not object to, the joint proposed final D&O.

Management cannot predict the timing, or the ultimate outcome, of a final D&O in the decoupling proceeding.

Other regulatory matters. In addition to the items below, also see "Hawaii Clean Energy Initiative" and "Major projects" in Note 5 of HECO's "Notes to Consolidated Financial Statements" for a number of actions committed to in the Energy Agreement that will require PUC approval in either pending or new PUC proceedings.

Demand-side management programs.

*Energy Efficiency DSM Programs***.** On February 13, 2007, the PUC issued its D&O in the EE DSM Docket that had been opened by the PUC to bifurcate the EE DSM issues originally raised in the HECO 2005 test year rate case. In the D&O, the PUC required that the administration of all EE DSM programs be turned over to a non-utility, third-party administrator, with the transition to the administrator to be funded through a public benefits fund (PBF) surcharge. See "Public benefits fund" in Note 5 of HECO's "Notes to Consolidated Financial Statements."

In July 2008, the PUC issued an Order to initiate the collection of funds for the PBF Administrator. The PUC executed a PBF Administrator contract with Science Applications International Corporation (SAIC) in March 2009. On July 1, 2009, SAIC began administering the EE DSM programs.

The EE DSM Docket D&O also provided for HECO's recovery of DSM program costs and utility incentives. With respect to cost recovery, the PUC continues to permit recovery of reasonably-incurred DSM implementation costs, under the IRP framework. On June 29, 2009, HECO filed with the PUC a request to increase its residential DSM programs budget by a net $1.4 million (an estimated $2.5 million overrun in certain programs offset by an estimated $1.1 million underrun in other programs) primarily to pay customer incentives related to DSM program applications completed and approved through June 30, 2009. In June 2009, HECO accrued and expensed the net $1.4 million of incentives. HECO is awaiting a determination from the PUC on its request to increase its program budget. In its DSM surcharge filing with the PUC on March 31, 2010, HECO calculated revised DSM surcharge levels effective April 1, 2010, but since HECO's June 29, 2009 budget increase request was pending at the PUC, HECO did not include in the revised DSM surcharge levels $2.3 million in DSM program expenditures that were in excess of PUC approved program budgets.

DSM utility incentives are derived from a graduated performance-based schedule of net system benefits. In order to qualify for an incentive, the utility must meet cumulative MW and MWh reduction goals for its EE DSM programs in the commercial, industrial and residential sectors. The amount of the annual incentive has been subject to caps determined separately for each utility.

HECO and MECO earned their maximum DSM utility incentives of $4 million and $0.3 million, respectively, in 2008. HECO earned $0.7 million in DSM utility incentives in 2009, however, in its DSM surcharge filing with the PUC on March 31, 2010, HECO's revised DSM surcharge levels did not include recovery of the $0.7 million in incentives pending the PUC's review of the calculation.

Load Management DSM Programs. Unlike the EE DSM programs, load management DSM programs continue to be administered by the utilities. HECO's residential load management program includes a monthly electric bill credit for eligible customers who participate in the program, which allows HECO to disconnect the customer's residential electric water heaters or central air conditioning systems from HECO's system to reduce

Table of Contents

system load when deemed necessary by HECO. The commercial and industrial load management program provides an incentive on the portion of the demand load that eligible customers allow to be controlled or interrupted by HECO. This program includes small business direct load control and voluntary program elements.

In December 2009, the PUC approved HECO's requests to extend the Commercial and Industrial Direct Load Control (CIDLC) Program and the Residential Direct Load Control (RDLC) Program through 2012. The CIDLC Program application included an action plan for a load aggregator pilot program and HECO is currently negotiating with the vendor selected through a bidding process.

In April 2008, HECO filed an application for approval of a Dynamic Pricing Pilot (DPP) Program and for recovery of the incremental costs of the program through the DSM Adjustment component of the IRP Cost Recovery Provision. Dynamic pricing is a type of demand response program that allows prices to change from normal tariff rates as system conditions change and encourages customer curtailment of load through price incentives when there is insufficient generation to meet a projected peak demand period. The proposed pilot program would run for approximately one year and test the effect of a demand response program on a sample of residential customers. In June 2009, the PUC, in its "Order Directing HECO to Modify its Dynamic Pricing Pilot Program," directed HECO to modify the DPP Program to address the concerns and recommendations (e.g., increasing sample size and testing price sensitivity) of the Consumer Advocate, or alternatively, HECO and the Consumer Advocate may file a stipulated proposed DPP Program. HECO's response to the PUC's order and its filing date are dependent on the outcome of discussions with the Consumer Advocate.

*Clean energy scenario planning, integrated resource planning, requirements for additional generating capacity and adequacy of supply***.** The PUC issued an order in 1992 requiring the energy utilities in Hawaii to develop IRPs, which would then be approved, rejected or modified by the PUC. The goal of integrated resource planning is the identification of demand- and supply-side resources and the integration of these resources for meeting near- and long-term consumer energy needs in an efficient and reliable manner at the lowest reasonable cost. The utilities' proposed IRPs have been planning strategies, rather than fixed courses of action, and the resources ultimately added to their systems may differ from those included in their 20-year plans. Under the PUC's IRP framework, the utilities were required to submit annual evaluations of their plans (including a revised five-year program implementation schedule) and to submit new plans on a three-year cycle, subject to changes approved by the PUC. Prior to implementing DSM programs, separate PUC approval proceedings must be completed.

The utilities were to be entitled to recover all appropriate and reasonable integrated resource planning and implementation costs, including the costs of DSM programs, either through a surcharge or through their base rates. Under procedural schedules for the IRP cost proceedings, the utilities were able to recover their incremental IRP costs in the month following the filing of their actual costs incurred for the year, subject to refund with interest pending the PUC's final D&O approving recovery in the docket for each year's costs. HELCO (since February 2001), HECO (since September 2005) and MECO (since December 2007) now recover IRP costs (which are included in O&M) through base rates. Previously, HECO, HELCO and MECO recovered these costs through a surcharge. Also, see Note 5 in HECO's "Notes to Consolidated Financial Statements" and "Demand-side management programs" above.

The parties to the Energy Agreement agreed to seek to replace the IRP process with a new Clean Energy Scenario Planning (CESP) process intended to be used to determine future investments in generation and transmission that will be necessary to facilitate high levels of renewable energy production and reductions in electricity use through energy efficiency programs. Requests by the parties to the Energy Agreement to move to the CESP process were filed with the PUC on November 6, 2008, and the PUC acted on those requests by ordering the utilities and the Consumer Advocate to develop a joint proposal for a framework for the CESP process. HECO and the Consumer Advocate filed a proposed CESP framework with the PUC on April 28, 2009. The proposed CESP framework revises the previous IRP framework and proposes a planning process to develop generation and transmission resource plan options for multiple 20-year planning scenarios. From these scenarios, the framework proposes the development of a 5-year Action Plan based on a range of resource needs identified through the various scenarios analyzed. Furthermore, the framework proposes that the CESP include the identification of Renewable Energy Zones, or geographic areas of the islands of rich renewable energy resources

Table of Contents

in which infrastructure improvements should be focused. The framework also proposes that the CESP include the identification of any geographic areas of the distribution system in which distributed generation or DSM resources are of higher value. The parties committed to supporting reasonable and prudent investment in the ongoing maintenance and upgrade of the existing generation, transmission and distribution systems, unless the CESP process determines otherwise. In May 2009, the PUC opened an investigative proceeding to examine the proposed CESP framework and named HECO, HELCO, MECO, Kauai Island Utility Cooperative (KIUC) and the Consumer Advocate as parties to the proceeding. Subsequently, twelve others were granted intervenor or participant status in the proceeding. The PUC held panel hearings in February 2010 and briefs are scheduled to be filed in the second quarter of 2010.

The utilities' latest IRPs are described below. In the fourth quarter of 2008, however, the PUC closed the IRP-4 processes and directed the utilities to suspend all activities pursuant to the IRP framework to allow for resources to be diverted to the development of the CESP framework.

HECO's IRP. On September 30, 2008, HECO filed its fourth IRP (IRP-4) covering a 20-year (2009-2028) planning horizon, subject to PUC approval. The IRP-4 preferred plan called for all future generation to be renewable. In addition, it called for conversion of a number of existing HECO-owned generating units to utilize biofuels and for continued aggressive implementation of DSM programs. In addition to CIP CT-1, HECO had plans to pursue the installation of a second 100 MW biofueled CT at the same station in the 2011-2012 timeframe and to submit to the PUC a request for a waiver from the competitive bidding process to install this increment of additional firm capacity. The addition of two simple-cycle CTs would add to the system additional fast starting and ramping capability, which would facilitate integration of as-available generation (such as wind and solar) to the system. HECO also had plans to remove Waiau Unit 3, a 46 MW oil-fired cycling unit, from service after the placing in service of the second CT, and to later determine whether to place the unit in emergency reserve status or to retire the unit.

When the necessary test biofuels are obtained, HECO plans to conduct a test on Kahe Unit 3 to evaluate the use of Low Sulfur Fuel Oil/biofuel blends in existing oil-fired steam units. Other renewable generation is expected to be acquired via three renewable energy projects "grandfathered" from competitive bidding and from projects that are selected from proposals submitted in response to HECO's 100 MW RFP for Non-Firm Energy (see "Competitive bidding proceeding" above).

HELCO's IRP. In May 2007, HELCO filed its third IRP (IRP-3). The plan included the installation of a nominal 16 MW steam turbine (ST-7) in 2009 at its Keahole Generating Station (see "Major projects" in Note 5 of HECO's "Notes to Consolidated Financial Statements"). The plan also followed through on a commitment to have no new fossil-fired generation installed after ST-7. The plan anticipated increasing customer photovoltaic systems plus a 37 gigawatthours per year renewable energy resource in the 2014 to 2020 timeframe, a firm capacity renewable energy resource in 2022, energy efficiency (continuation of existing DSM programs) and CHP. In November 2007, HELCO and the Consumer Advocate filed a stipulated agreement which recommended that the PUC approve HELCO's IRP-3, in which HELCO agreed to make improvements to the IRP process and to submit evaluation reports. In January 2008, the PUC issued its D&O approving HELCO's IRP-3.

MECO's IRP. In April 2007, MECO filed its third IRP, which proposes multiple solutions to meet future energy needs on the islands of Maui, Lanai and Molokai, including renewable energy resources (such as photovoltaics, additional wind, biomass and waste-to-energy), energy efficiency (continuation of existing and addition of new DSM programs), technology (such as CHP and DG) and competitive bidding for generation or blocks of generation on Maui for 20 MW in each of 2011 and 2013 and 18 MW in 2024 which, under the utility parallel plan, could be located at its Waena site. (These dates were subsequently deferred—see discussion of MECO's 2010 Adequacy of Supply (AOS) letter below.) In July 2008, the PUC approved MECO's IRP-3.

HECO's 2009 CIP CT-1 and transmission line. See "CIP CT-1 and transmission line" in Note 5 of HECO's "Notes to Consolidated Financial Statements."

Table of Contents

Adequacy of supply.

HECO. HECO's 2010 AOS letter, filed in February 2010, indicated that based on the December 2009 update to its sales and peak forecast and on the full availability of CIP CT-1, HECO estimates it would have a reserve capacity surplus of approximately 30 MW in 2010 and that its generation capacity for years 2010 to 2014 will be sufficient to meet reasonably expected demands for service and provide reasonable reserves for emergencies.

HELCO. HELCO's 2010 AOS letter filed in January 2010 indicated that HELCO's generation capacity for the period 2010 through 2012 is sufficiently large to meet all reasonably expected demands for service and provide reasonable reserves for emergencies. HELCO is currently negotiating with two IPPs to supply additional firm renewable generating capacity to the HELCO grid. Should these additional firm renewable facilities come on line within the next three years as anticipated, HELCO will not have a need for additional firm capacity in the foreseeable future. HELCO, however, may choose to add additional renewable generating capacity to replace existing nonrenewable generation.

MECO. MECO's 2010 AOS letter filed in January 2010 indicated that MECO's generation capacity for the period 2010 through 2012 is sufficient to meet the forecasted demands on the islands of Maui, Lanai and Molokai. The letter affirmed the conclusions stated in the September 2009 update which indicated that the estimated need date for the next increment of firm capacity on the island of Maui is 2021 but that if peak demand is higher than forecast then the need date for the next increment of firm generating capacity could be as soon as 2015.

December 2008 outage. On December 26, 2008, an island-wide outage occurred on the island of Oahu that resulted in a loss of electric service to HECO customers ranging from approximately 7 to 20 hours. On January 12, 2009, the PUC issued an order initiating an investigation of the outage.

In March 2009, HECO submitted an outage report prepared by its expert consultant, POWER. The outage report concluded that the island-wide outage was triggered by lightning strikes on or near HECO's 138 kilovolts (kV) transmission system, one of which resulted in a short-circuit over all three phases of the Kahe-Waiau 138 kV line, setting in motion a series of events that resulted in the necessary loss of customer load, loss of generation and the eventual island-wide shut down of HECO's system. POWER found that: (1) the HECO system was in proper operating condition and was appropriately staffed at the time of the lightning storm, and (2) HECO's restoration efforts were prudent and allowed for the restoration of power as quickly as possible under the circumstances, while also ensuring the safety and protection of HECO's employees and customers and preventing any further or permanent damage to the electric system from attempts to bring the system back too quickly. POWER made a number of recommendations, largely technical in nature, for HECO to consider that may reduce the likelihood of the recurrence of a similar power outage or minimize the duration of an outage should one occur in the future.

In January 2010, the Consumer Advocate submitted its Statement of Position that HECO could not have anticipated or prevented the outage through reasonable measures, given the design and configuration of the equipment and systems in place at the time, and that HECO could not have reasonably shortened the outage and restored power more quickly to customers. The Consumer Advocate further stated that penalties should not be assessed for the outage, but recommended that numerous studies be performed with the objective of preventing or minimizing the scope and duration of future power outages.

In April 2010, HECO filed its Final Statement of Position in the docket reiterating its belief that the activities and performance of HECO prior to and during the outage were reasonable, prudent and in the public interest.

Management cannot at this time predict the outcome of the PUC's investigation of the 2008 outage or its impact on HECO.

Collective bargaining agreements. See "Collective bargaining agreements" in Note 5 of HECO's "Notes to Consolidated Financial Statements."

Table of Contents

Legislation and regulation. Congress and the Hawaii legislature periodically consider legislation that could have positive or negative effects on the utilities and their customers. See, for example, "Hawaii Clean Energy Initiative" and "Environmental regulation" in Note 5 of HECO's "Notes to Consolidated Financial Statements" and "Emergency Economic Stabilization Act of 2008 and American Economic Recovery and Reinvestment Act of 2009" and "Health care and other tax legislation" above.

Increase in oil tax. On April 29, 2010, the state House and Senate voted to override the Governor's veto of a bill that increases the tax on petroleum products shipped to Hawaii from $0.05 to $1.05 per barrel. The bill, which now becomes law, is expected to generate funds to help reduce the state's budget deficit and finance food and renewable energy programs. The higher tax, which is expected to be passed on to consumers, would increase the price of gasoline and electricity.

Other developments.

Advanced Metering Infrastructure (AMI). On December 1, 2008, the utilities filed an AMI project application with the PUC for approval to implement an AMI project, covering approximately 451,000 meters (65% on Oahu, 20% on the island of Hawaii and 15% on Maui).

The AMI project application includes a request to approve a contract between Sensus Metering Systems, Inc. (Sensus) and HECO under which the utilities would purchase smart meters and pay Sensus to provide and maintain a radio frequency communication system to operate the smart meters and related equipment. Pursuant to the contract with Sensus, either party may terminate the contract if the PUC has not approved the application by December 31, 2009, which date has been extended by the parties to June 30, 2010. The parties entered into this extension with respect to the termination right to provide additional time to address certain issues that have arisen with the AMI project, to conduct an extended pilot test of the Sensus AMI system and smart meters and to negotiate amendments to the existing contract with Sensus.

HECO submitted a proposal to the PUC on May 4, 2010, describing an extended pilot test of the Sensus AMI system and smart meters involving 5,000 new Sensus AMI meters. HECO's proposal also contained a request to defer certain costs of extended pilot testing and an update on developments in the Smart Grid, CIS and cyber-security areas and a proposal to suspend the remaining procedural steps scheduled in the docket pending HECO's report of the results of the extended pilot test. If HECO's request to defer certain costs of the extended pilot testing is approved by the PUC, the extended pilot testing is expected to be completed by the end of 2011.

Commitments and contingencies. See Note 5 of HECO's "Notes to Consolidated Financial Statements."

Recent accounting pronouncements and interpretations. See Note 7 of HECO's "Notes to Consolidated Financial Statements."

Table of Contents

FINANCIAL CONDITION

Liquidity and capital resources. Management believes that HECO's ability, and that of its subsidiaries, to generate cash, both internally from operations and externally from issuances of equity and debt securities, commercial paper and lines of credit, is adequate to maintain sufficient liquidity to fund their respective capital expenditures and investments and to cover debt, retirement benefits and other cash requirements in the foreseeable future.

HECO's consolidated capital structure was as follows as of the dates indicated:

(dollars in millions)	March 31, 2010		December 31, 2009	
Short-term borrowings	$ 14	1%	$ —	—%
Long-term debt, net	1,058	44	1,058	44
Preferred stock	34	1	34	1
Common stock equity	1,309	54	1,306	55
	$ 2,415	100%	$ 2,398	100%

As of May 1, 2010, the S&P and Moody's ratings of HECO securities were as follows:

	S&P	Moody's
Commercial paper	A-3	P-2
Special purpose revenue bonds-insured (principal amount noted in parentheses, senior unsecured, insured as follows):		
Ambac Assurance Corporation ($0.2 billion)	BBB*	Baa1*
Financial Guaranty Insurance Company ($0.3 billion)	BBB*	Baa1*
MBIA Insurance Corporation ($0.3 billion)	A**	Baa1**
Syncora Guarantee Inc. (formerly XL Capital Assurance Inc.) ($0.1 billion)	BBB*	Baa1*
Special purpose revenue bonds — uninsured ($150 million)	BBB	Baa1
HECO-obligated preferred securities of trust subsidiary	BB+	Baa2
Cumulative preferred stock (selected series)	Not rated	Baa3

The above ratings reflect only the view, at the time the ratings are issued, of the applicable rating agency, from whom an explanation of the significance of such ratings may be obtained. Such ratings are not recommendations to buy, sell or hold any securities; such ratings may be subject to revision or withdrawal at any time by the rating agencies; and each rating should be evaluated independently of any other rating.

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* Rating corresponds to HECO's rating (senior unsecured debt rating by S&P or issuer rating by Moody's) because, as a result of rating agency actions to lower or withdraw the ratings of these bond insurers after the bonds were issued, HECO's current ratings are either higher than the current rating of the applicable bond insurer or the bond insurer is not rated.

** Following MBIA Insurance Corporation's announced restructuring in February 2009, the revenue bonds issued for the benefit of HECO and its subsidiaries and insured by MBIA have been reinsured by MBIA Insurance Corp. of Illinois (MBIA Illinois), whose name was subsequently changed to National Public Finance Guarantee Corp. (National). The financial strength rating of National by S&P is A. Moody's ratings on securities that are guaranteed or "wrapped" by a financial guarantor are generally maintained at a level equal to the higher of the rating of the guarantor (if rated at the investment grade level) or the published underlying rating. The insurance financial strength rating of National by Moody's is Baa1, which is the same as Moody's issuer rating for HECO.

HECO's overall S&P corporate credit rating is BBB/Negative/A-3. HECO's issuer rating by Moody's is Baa1 and Moody's outlook for HECO is "negative."

The rating agencies use a combination of qualitative measures (e.g., assessment of business risk that incorporates an analysis of the qualitative factors such as management, competitive positioning, operations, markets and regulation) as well as quantitative measures (e.g., cash flow, debt, interest coverage and liquidity ratios) in determining the ratings of HECO securities. In May 2009, S&P revised HECO's outlook to negative from stable, and lowered HECO's short-term rating to "A-3" from "A-2." S&P indicated the rating actions reflected its view that the next two years are likely to be challenging for HEI's electric utilities. S&P stated that the deterioration in the Hawaii economy is likely to weaken 2009 and 2010 consolidated metrics, which it observed have been only marginally supportive of the "BBB" corporate credit ratings currently assigned to HECO. In November 2009, S&P further noted that "[r]esolution of the negative outlook will also significantly consider regulatory outcomes next year, including whether the company can demonstrate progress in moving toward a more credit-

supportive regulatory model that is being contemplated as part of the Clean Energy Initiative." In a bulletin dated February 25, 2010, relating to the revenue decoupling order and HECO's 2009 test year rate case second interim order (February rulings), S&P indicated that the rulings do not affect the ratings on HECO or HEI.

Table of Contents

S&P further stated that "the rulings demonstrate progress in managing the full regulatory docket for HECO, but that the ongoing need for timely rate relief remains a factor in the negative outlook assigned to the utility and its parent." S&P also noted that "[t]he negative outlook also reflects a weak island economy, the parent's reliance on the utility for distributions given HECO's growing capital program, and deteriorating credit metrics."

S&P designates business risk profiles as "excellent," "strong," "satisfactory," "fair," "weak" or "vulnerable." S&P designates financial risk profiles as "minimal," "modest," "intermediate," "significant," "aggressive" or "highly leveraged." The "Issuer Ranking" published by S&P on May 6, 2010 lists HECO's business risk profile as "strong" and financial risk profile as "significant."

On July 20, 2009, Moody's changed HECO's rating outlook to negative from stable and affirmed HECO's long-term and short-term (commercial paper) ratings. Subsequently, on August 3, 2009, Moody's issued a credit opinion on HECO. Moody's indicated that (1) the rating affirmation reflects the fact that notwithstanding the issues outlined in the credit opinion, the utilities' financial metrics are reasonably positioned in its rating category and (2) "HECO's negative rating outlook reflects the impact of a weakened economy that is affecting electric demand and electric sales resulting in weaker financial performance, which may be influencing the outcome of state regulatory decisions, at a time when the company's capital investment program is substantial." Moody's stated that "[t]he rating could be downgraded should weaker than expected regulatory support emerge at HECO or if the economy worsens materially more than anticipated causing earnings and sustainable cash flows to suffer." Consequently, if the utilities' financial ratios declined on a permanent basis such that Funds From Operations (FFO) (defined as net cash flow from operations less net changes in working capital items) to Adjusted Debt falls below 17% (17% last twelve months as of March 31, 2009-latest reported by Moody's) or FFO to Adjusted Interest declines to less than 3.5x (3.6x last twelve months as of March 31, 2009-latest reported by Moody's) for an extended period, the rating could be lowered. On February 23, 2010, Moody's issued a comment on the recent February rulings as "being credit supportive for the ratings…but will not result in any change in ratings or ratings outlook at this time." Moody's also noted that "both companies' credit metrics remain weak for their current rating due in part to the impact that the Hawaiian economy has had on financial results," and the order on decoupling "is an important first step in beginning to address the regulatory lag that has historically affected HEI's and HECO's financial results negatively."

Information about HECO's short-term borrowings (other than from MECO), HECO's line of credit facilities and special purpose revenue bonds authorized by the Hawaii legislature for issuance for the benefit of the utilities was as follows for the period and as of the dates indicated:

	Three months ended March 31, 2010	Balance	
(in millions)	Average balance	March 31, 2010	December 31, 2009
Short-term borrowings (1)			
Commercial paper	$ 1	$ 14	$ —
Line of credit draws	—	—	—
Borrowings from HEI	—	—	—
Line of credit facilities			
Undrawn capacity under line of credit facility expiring March 31, 2011 (2)		175	175
Special purpose revenue bonds authorized for issue			
2005 legislative authorization (expiring June 30, 2010)-HELCO		$ 20	$ 20
2007 legislative authorization (expiring June 30, 2012)			
HECO		170	170
HELCO		55	55
MECO		25	25
Total special purpose revenue bonds available for issue		$ 270	$ 270

(1) At May 1, 2010, HECO's outstanding commercial paper balance was $19 million. HECO had no borrowings from HEI.
(2) On May 7, 2010, HECO entered into a revolving unsecured credit agreement establishing a line of credit facility of $175 million and the line of credit facility expiring March 31, 2011 was terminated when the new line of credit became effective. At May 7, 2010, HECO's credit facility expiring on May 6, 2011 was undrawn. See Note 9 in HECO's Notes to Consolidated Financial Statements.

78

Table of Contents

HECO utilizes short-term debt, typically commercial paper, to support normal operations and for other temporary requirements. HECO also borrows short-term from HEI for itself and on behalf of HELCO and MECO, and HECO may borrow from or loan to HELCO and MECO short-term. The intercompany borrowings among the utilities, but not the borrowings from HEI, are eliminated in the consolidation of HECO's financial statements. At March 31, 2010, HECO had nil and $8 million of short-term borrowings from HEI and MECO, respectively, and HELCO had $16 million of short-term borrowings from HECO. HECO had average outstanding balances of commercial paper and credit facility draws for the first quarter of 2010 of $1 million and nil, respectively, and $14 million of commercial paper outstanding at March 31, 2010.

Due to market conditions since September 2008 which resulted in a tightening of the commercial paper market, higher commercial paper rates and limitations on maturity options as well as a result of S&P's downgrade of HECO's short-term borrowing rating to A-3 from A-2, HECO drew on its $175 million syndicated line of credit facility in June and July 2009, rather than issue commercial paper. All such draws/borrowings were repaid in August 2009. HECO re-entered the commercial paper market in March 2010, experiencing higher rates and shorter terms. Management believes that, if HECO's commercial paper ratings were to be further downgraded or if credit markets were to further tighten, it would be even more difficult and expensive to sell commercial paper or secure other short-term borrowings.

Revenue bonds are issued by the DBF to finance capital improvement projects of HECO and its subsidiaries, but the source of their repayment is the unsecured obligations of HECO and its subsidiaries under loan agreements and notes issued to the DBF, including HECO's guarantees of its subsidiaries' obligations. The payment of principal and interest due on Special Purpose Revenue Bonds (SPRBs) currently outstanding and issued prior to 2009 are insured either by Ambac Assurance Corporation, Financial Guaranty Insurance Company, MBIA Insurance Corporation (MBIA) (which bonds have been reinsured by National Public Finance Guarantee Corp.) or Syncora Guarantee Inc. (which bonds have been reinsured by Syncora Capital Assurance Inc.). The insured outstanding revenue bonds were initially issued with S&P and Moody's ratings of AAA and Aaa, respectively, based on the ratings at the time of issuance of the applicable bond insurer. Beginning in 2008, however, ratings of the insurers (or their predecessors) were downgraded and/or withdrawn by S&P and Moody's, resulting in a downgrade of the bond ratings of all of the bonds as shown in the ratings table above. The $150 million of SPRBs sold by the DBF for the benefit of HECO and HELCO on July 30, 2009 were sold without bond insurance. Management believes that if HECO's long-term credit ratings were to be downgraded, or if credit markets further tighten, it could be even more difficult and/or expensive to sell bonds in the future.

Operating activities used $10 million in net cash during the first three months of 2010. Investing activities during the same period used net cash of $30 million for capital expenditures, net of contributions in aid of construction. Financing activities for the same period used net cash of $2 million, primarily due the payment of $16 million of common and preferred dividends partly offset by a $14 million net increase in short-term borrowings.

The PUC must approve issuances, if any, of equity and long-term debt securities by HECO, HELCO and MECO.

On April 5, 2010, HECO, HELCO and MECO filed with the PUC an application for the approval of the sale of each utility's common stock over a five-year period from 2010 through 2014 (HECO's sale to HEI of up to $210 million and HELCO's and MECO's sales to HECO of up to $43 million and $15 million, respectively), and the purchase of the HELCO and MECO common stock by HECO over the five-year period. HECO and HELCO sold $93 million and $3 million, respectively, of their common stock to HEI and HECO, respectively, in December 2009. For HECO's $93 million of common stock, HECO received $62 million of cash from HEI and reduced its intercompany note payable to HEI by $31 million in a noncash transaction.

Table of Contents

Bank

RESULTS OF OPERATIONS

(in thousands)	Three months ended March 31 2010	Three months ended March 31 2009	% change	Primary reason(s) for significant change
Revenues	$ 70,914	$ 82,032	(14)	Lower interest income primarily due to lower earning asset balances as a result of the sale of substantially all of the 1-4 family residential loan production in 2009 and the first quarter of 2010 and the sale of the private-issue mortgage-related securities portfolio in the fourth quarter of 2009 and lower yields on earning assets due to the lower interest rate environment
Operating income	21,771	17,121	27	Lower provision for loan losses, higher noninterest income and lower noninterest expenses partially offset by lower net interest income
Net income	13,736	10,882	26	Higher operating income

See “Economic conditions” in the “HEI Consolidated” section above.

Average balance sheet and net interest margin. The following tables set forth average balances, together with interest and dividend income earned and accrued, and resulting yields and costs for the three months ended March 31, 2010 and 2009.

Three months ended March 31 ($ in thousands)	2010 Average Balance	2010 Interest	2010 Average Rate (%)	2009 Average Balance	2009 Interest	2009 Average Rate (%)
Assets:						
Other investments (1)	$ 394,588	$ 183	0.19	$ 107,118	$ —	—
Investment and mortgage-related securities	454,960	3,134	2.75	675,927	7,676	4.54
Loans receivable (2)	3,679,380	49,745	5.43	4,177,039	58,092	5.58
Total interest-earning assets	4,528,928	53,062	4.70	4,960,084	65,768	5.32
Allowance for loan losses	(40,868)			(36,265)		
Non-interest-earning assets	412,987			359,244		
Total assets	$4,901,047			$5,283,063		
Liabilities and Stockholder’s Equity:						
Interest-bearing demand and savings deposits	$2,369,574	1,040	0.18	$2,119,976	2,347	0.45
Time certificates	848,526	3,383	1.62	1,326,957	9,218	2.82
Total interest-bearing deposits	3,218,100	4,423	0.56	3,446,933	11,565	1.36
Other borrowings	294,869	1,426	1.94	561,166	3,264	2.33
Total interest-bearing liabilities	3,512,969	5,849	0.67	4,008,099	14,829	1.50
Non-interest bearing liabilities:						
Deposits	796,705			714,499		
Other	92,844			85,360		
Stockholder’s equity	498,529			475,105		
Total Liabilities and Stockholder’s Equity	$4,901,047			$5,283,063		
Net interest income		$ 47,213			$ 50,939	
Net interest margin (%) (3)			4.18			4.11

(1) Includes federal funds sold, interest bearing deposits and stock in the FHLB of Seattle ($98 million as of March 31, 2010).
(2) Includes loan fees of $1.4 million and $1.9 million for the three months ended March 31, 2010 and 2009, respectively,

together with interest accrued prior to suspension of interest accrual on nonaccrual loans.
(3) Defined as net interest income as a percentage of average earning assets.

Table of Contents

Earning assets, costing liabilities and other factors. Earnings of ASB depend primarily on net interest income, which is the difference between interest earned on earning assets and interest paid on costing liabilities. The current interest rate environment is impacted by disruptions in the financial markets and these conditions may have a negative impact on ASB's net interest margin.

Loan originations and mortgage-related securities are ASB's primary sources of earning assets.

Loan portfolio. ASB's loan volumes and yields are affected by market interest rates, competition, demand for financing, availability of funds and management's responses to these factors. The following table sets forth the composition of ASB's loan portfolio as of the dates indicated:

	March 31, 2010		December 31, 2009	
(dollars in thousands)	Balance	% of total	Balance	% of total
Real estate loans:				
Residential 1-4 family	$ 2,263,070	61.8	$ 2,319,738	62.5
Commercial real estate	248,911	6.8	255,458	6.9
Home equity line of credit	340,243	9.3	328,164	8.8
Residential land	89,003	2.4	96,515	2.6
Commercial construction	78,848	2.1	68,107	1.8
Residential construction	10,408	0.3	16,598	0.5
Total real estate loans, net	3,030,483	82.7	3,084,580	83.1
Commercial	546,983	14.9	542,686	14.6
Consumer	86,961	2.4	84,906	2.3
	3,664,427	100.0	3,712,172	100.0
Less: Allowance for loan losses	41,300		41,679	
Total loans, net	$ 3,623,127		$ 3,670,493	

The decrease in the total loan portfolio during the first quarter of 2010 was primarily due to ASB's strategic decision to sell substantially all of the salable residential loans it originated in the quarter ($54 million of loans sold).

Loan portfolio risk elements. When a borrower fails to make a required payment on a loan and does not cure the delinquency promptly, the loan is classified as delinquent. If delinquencies are not cured promptly, ASB normally commences a collection action, including foreclosure proceedings in the case of secured loans. In a foreclosure action, the property securing the delinquent debt is sold at a public auction in which ASB may participate as a bidder to protect its interest. If ASB is the successful bidder, the property is classified as real estate owned until it is sold.

Table of Contents

The following table sets forth certain information with respect to nonperforming assets as of the dates indicated:

(dollars in thousands)	March 31, 2010	December 31, 2009
Real estate loans:		
Residential 1-4 family	$ 40,900	$ 31,686
Commercial real estate	717	344
Home equity line of credit	2,652	2,755
Residential land	22,722	25,162
Commercial construction	—	—
Residential construction	—	325
	66,991	60,272
Commercial	6,562	4,171
Consumer	595	715
Total nonperforming loans	74,148	65,158
Real estate owned:		
Residential 1-4 family	1,816	1,806
Residential land	2,348	2,153
Total real estate owned loans	4,164	3,959
Total nonperforming assets	$ 78,312	$ 69,117
Nonperforming assets to total loans and REO	2.13%	1.85%

The increase in nonperforming loans was primarily due to an increase in residential first mortgage loans that are 90 days or more past due and reflects the impact of current unemployment levels in Hawaii and the weak economic environment globally, nationally and in Hawaii.

Allowance for loan losses. The following table sets forth the allocation of ASB's allowance for loan losses and the percentage of loans in each category to total loans as of the dates indicated:

	March 31, 2010		December 31, 2009	
(dollars in thousands)	Balance	% of total	Balance	% of total
Real estate loans:				
Residential 1-4 family	$ 4,803	61.8	$ 5,522	62.5
Commercial real estate	762	6.8	861	6.9
Home equity line of credit	3,885	9.3	4,679	8.8
Residential land	3,868	2.4	4,252	2.6
Commercial construction	3,629	2.1	3,068	1.8
Residential construction	12	0.3	19	0.5
Total real estate loans, net	16,959	82.7	18,401	83.1
Commercial	19,425	14.9	19,498	14.6
Consumer	2,955	2.4	2,590	2.3
	39,339	100.0	40,489	100.0
Unallocated	1,961		1,190	
Total allowance for loan losses	$ 41,300		$ 41,679	

Investment and mortgage-related securities. As of March 31, 2010, the bank's investment portfolio consisted of 52% mortgage-related securities issued by Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC) or Government National Mortgage Association (GNMA), 47% federal agency obligations and 1% municipal bonds. As of December 31, 2009, the bank's investment portfolio consisted of 75% mortgage-related securities issued by FNMA, FHLMC or GNMA, 24% federal agency obligations and 1% municipal bonds.

Principal and interest on mortgage-related securities issued by FNMA, FHLMC and GNMA are guaranteed by the issuer, and the securities carry implied AAA ratings.

Table of Contents

Deposits and other borrowings. Deposits continue to be the largest source of funds for ASB and are affected by market interest rates, competition and management's responses to these factors. Deposit retention and growth will remain challenges in the current environment due to competition for deposits and the level of short-term interest rates. Advances from the Federal Home Loan Bank (FHLB) of Seattle and securities sold under agreements to repurchase continue to be additional sources of funds. As of March 31, 2010 and December 31, 2009, ASB's costing liabilities consisted of 93% deposits and 7% other borrowings.

Other factors. Interest rate risk is a significant risk of ASB's operations and also represents a market risk factor affecting the fair value of ASB's investment securities. Increases and decreases in prevailing interest rates generally translate into decreases and increases in fair value of those instruments. In addition, changes in credit spreads also impact the fair values of those instruments.

Although higher long-term interest rates or other conditions in credit markets (such as the effects of the deteriorated subprime market) could reduce the market value of available-for-sale investment and mortgage-related securities and reduce stockholder's equity through a balance sheet charge to AOCI, this reduction in the market value of investments and mortgage-related securities would not result in a charge to net income in the absence of a sale of such securities (such as those that occurred in the fourth quarter of 2009 and in the 2008 balance sheet restructure) or an "other-than-temporary" impairment in the value of the securities. As of March 31, 2010 and December 31, 2009, the unrealized gains, net of taxes, on available-for-sale investments and mortgage-related securities (including securities pledged for repurchase agreements) in AOCI was $6 million and $5 million, respectively. See "Quantitative and qualitative disclosures about market risk."

Results — three months ended March 31, 2010. Net interest income before provision for loan losses for the first quarter of 2010 decreased by $3.7 million, or 7%, when compared to the same quarter in 2009 as lower funding costs were more than offset by lower balances and yields on loans and investment and mortgage-related securities. Net interest margin increased from 4.11% in the first quarter of 2009 to 4.18% in the first quarter of 2010 due to the decrease in funding costs as ASB reduced its level of higher costing term certificates and other borrowings and attracted lower costing core deposits. The decrease in funding costs was partially offset by lower yields on the investment and mortgage-related securities portfolio as ASB sold its private-issue mortgage-related securities portfolio in the fourth quarter of 2009 to reduce the overall credit risk of the bank and had challenges finding investments with adequate risk-adjusted returns for its excess liquidity, leading it to invest its excess liquidity in other investments (primarily deposit accounts) bearing low interest rates. The decrease in the average loan portfolio balance was due to a decrease in the average 1-4 family residential loan portfolio of $452 million as ASB sold substantially all of its salable residential loan production during 2009 and the first quarter of 2010. Average commercial, residential land and construction loan balances decreased by $47 million, $31 million and $20 million, respectively, due to paydowns in the portfolio. The average home equity lines of credit portfolio increased by $52 million. The decrease in the average investment and mortgage-related securities portfolios was primarily due to the sale of the private-issue mortgage-related securities portfolio in the fourth quarter of 2009 and paydowns in the portfolio. Average deposit balances decreased by $147 million compared to the first quarter of 2009. The average term certificate balance decreased by $478 million due to the outflow of term certificates throughout 2009 and the first quarter of 2010 as ASB determined not to aggressively price its term certificate products because of the difficulty identifying investments that could be made with any excess liquidity. Offsetting the decrease in the term certificate portfolio was growth in the average core deposit balance of $332 million as ASB introduced new deposit products and attracted core deposits to partially offset the outflow of term certificates. The shift in deposit mix from higher cost certificates to lower cost savings and checking accounts, along with the repricing of deposits as a result of a downward movement in the general level of interest rates, has contributed to decreased funding costs. Average other borrowings decreased by $266 million primarily due to the payoff of maturing other borrowings.

Table of Contents

During the first quarter of 2010, ASB recorded a provision for loan losses of $5.4 million primarily due to the higher net charge-offs during the quarter for 1-4 family and residential lot loans. Continued financial stress on ASB's customers may result in higher levels of delinquencies and losses. During the first quarter of 2009, ASB recorded a provision for loan losses of $8.3 million due to an increase in nonperforming residential lot loans and residential mortgages and the reclassification of one commercial loan.

(in thousands)	Three months ended March 31 2010	Three months ended March 31 2009	Year ended December 31 2009
Allowance for loan losses, January 1	$ 41,679	$ 35,798	$ 35,798
Provision for loan losses	5,359	8,300	32,000
Less: net charge-offs	5,738	2,047	26,119
Allowance for loan losses, end of period	$ 41,300	$ 42,051	$ 41,679
Ratio of allowance for loan losses, end of period, to end of period loans outstanding	1.13%	1.04%	1.12%
Ratio of net charge-offs during the period to average loans outstanding (annualized)	0.62%	0.20%	0.66%
Nonaccrual loans	$ 68,469	$ 54,627	$ 65,323

First quarter of 2010 noninterest income increased by $1.6 million, or 10%, when compared to the first quarter of 2009, primarily due to higher deposit liability fees, debit card and financial product fees, partially offset by lower gain on sale of loans.

Three months ended March 31 (in thousands)	2010	2009
Fees from other financial services	$ 6,414	$ 5,919
Fee income on deposit liabilities	7,520	6,711
Fee income on other financial products	1,525	1,044
Other income		
Gain on sale of loans	1,042	1,508
Bank-owned life insurance	1,006	987
Other	345	95
Total noninterest income	$ 17,852	$ 16,264

Noninterest expense for the first quarter of 2010 decreased by $3.8 million, or 9%, when compared to the first quarter of 2009. Lower compensation, occupancy, equipment and services expenses were the result of ASB's process improvement project, which reduced the bank's cost structure through improved processes and procedures, and improved the efficiency of the bank. The increase in data processing expense was primarily due to costs incurred to convert ASB's systems to Fiserv Inc.'s bank platform system.

Three months ended March 31 (in thousands)	2010	2009
Compensation and 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		
FDIC insurance premium	1,659	1,472
Marketing	954	671
Office supplies, printing and postage	867	1,003
Communication	497	706
Other	4,591	4,075
Total noninterest expense	$ 37,970	$ 41,811

Legislation and regulation. ASB is subject to extensive regulation, principally by the Office of Thrift Supervision (OTS) and the Federal Deposit Insurance Corporation (FDIC). Depending on its level of regulatory capital and other considerations, these

regulations could restrict the ability of ASB to compete with other institutions and to pay dividends to its shareholders. See the discussion below under “Liquidity and capital resources.” Also see “Federal Deposit Insurance Corporation restoration plan” and “Deposit insurance coverage” in Note 4 of HEI’s “Notes to Consolidated Financial Statements.”

Table of Contents

On June 17, 2009, the U. S. Department of the Treasury released *Financial Regulatory Reform: A New Foundation (Proposal)*. The Proposal, if adopted in its current form, would eliminate the OTS and the federal thrift charter. On December 11, 2009, the House of Representatives passed the Wall Street Reform and Consumer Protection Act of 2009, which also would abolish the OTS and transfer its functions and personnel to a division within the Office of the Comptroller of the Currency.

The Proposal identified a number of so-called "loopholes" in the current regulatory framework that allowed certain types of companies to control insured depository institutions without being subject to comprehensive holding company regulation by the Federal Reserve. Among these "loopholes" is the grandfathering treatment for certain companies that owned thrifts prior to 1999. HEI relies on this grandfathering treatment to conduct both electric utility and banking activities. The Proposal states: "[A]lthough [bank holding companies] generally are prohibited from engaging in commercial activities, many thrift holding companies established before the GLB [Gramm-Leach-Bliley] Act in 1999 qualify as unitary thrift holding companies and are permitted to engage freely in commercial activities. Under our plan, all thrift holding companies would become [bank holding companies] and would be fully regulated on a consolidated basis." The Proposal indicates that such firms would be given five years to conform to the activity limits of the Bank Holding Company Act, such as by divesting their commercial affiliates. Through the Wall Street Reform and Consumer Protection Act of 2009 (H. R. 4173 of the 111th Congress, 1st Session), however, the Congress is continuing the discussion of "grandfathered" bank holding companies in the context of the Gramm-Leach-Bliley Act of 1999 (the Gramm Act). Management will continue to follow this issue closely as adoption of this legislation or the Proposal could result in HEI being required to divest ASB.

In January 2010, the FDIC released for comment a proposal to modify its risk-based deposit insurance system to account for risks posed by the compensation systems of insured banks and their holding companies. Management cannot predict at this time whether the proposed rule will be adopted as proposed or in some modified form or, if adopted, what impact it may have on ASB's FDIC insurance rate.

FHLB of Seattle stock. As of March 31, 2010, ASB's investment in stock of the FHLB of Seattle of $97.8 million was carried at cost because it can only be redeemed at par. There is a minimum required investment based on measurements of ASB's capital, assets and/or borrowing levels. The FHLB of Seattle reported a net loss of $162 million for 2009. Despite the loss, the FHLB of Seattle reported retained earnings of $53 million and was in compliance with all of its regulatory capital requirements, including its risk-based capital requirement as of December 31, 2009. However, the FHLB of Seattle remains classified as "undercapitalized" by its regulator, the Federal Housing Finance Agency, and may not redeem or repurchase capital stock or pay dividends on its stock. ASB does not believe that the Federal Housing Finance Agency's classification of the FHLB of Seattle will affect the FHLB of Seattle's ability to meet ASB's liquidity and funding needs. ASB did not receive cash dividends on its $98 million of FHLB of Seattle stock in 2009 or the first quarter of 2010.

Periodically and as conditions warrant, ASB reviews its investment in the stock of FHLB of Seattle for impairment.

Commitments and contingencies. See Note 4 of HEI's "Notes to Consolidated Financial Statements."

Recent accounting pronouncements and interpretations. See Note 9 of HEI's "Notes to Consolidated Financial Statements."

Table of Contents

FINANCIAL CONDITION

Liquidity and capital resources.

(in millions)	March 31, 2010	December 31, 2009	% change
Total assets	$ 4,926	$ 4,941	—
Available-for-sale investment and mortgage-related securities	584	433	35
Loans receivable, net	3,623	3,670	(1)
Deposit liabilities	4,008	4,059	(1)
Other bank borrowings	294	298	(1)

As of March 31, 2010, ASB was one of Hawaii‘s largest financial institutions based on assets of $4.9 billion and deposits of $4.0 billion.

In March 2007, Moody’s raised ASB’s counterparty credit rating to A3 from Baa3 and, in March 2009, changed ASB’s outlook to “negative” from “stable,” based on the impact of the current housing and economic crisis on the entire banking industry. In April 2007, S&P raised ASB’s long-term/short-term counterparty credit ratings to BBB/A-2 from BBB-/A-3 and in May 2009 maintained the rating following its annual review of ASB. These ratings reflect only the view, at the time the ratings are issued, of the applicable rating agency, from whom an explanation of the significance of such ratings may be obtained. Such ratings are not recommendations to buy, sell or hold any securities; such ratings may be subject to revision or withdrawal at any time by the rating agencies; and each rating should be evaluated independently of any other rating.

As of March 31, 2010, ASB’s unused FHLB borrowing capacity was approximately $1.5 billion. 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. Management believes ASB’s current sources of funds will enable it to meet these obligations while maintaining liquidity at satisfactory levels.

As of March 31, 2010 and December 31, 2009, ASB had $68.5 million and $65.3 million of loans on nonaccrual status, respectively, or 1.9% and 1.8% of net loans outstanding, respectively.

As of March 31, 2010 and December 31, 2009, ASB had $4.2 million and $4.0 million, respectively, of real estate acquired in settlement of loans.

For the first quarter of 2010, net cash provided by ASB’s operating activities was $34 million. Net cash used during the same period by ASB’s investing activities was $83 million, primarily due to purchases of investment securities of $170 million, offset by a net decrease in loans receivable of $38 million and repayments of investment and mortgage-related securities of $48 million. Net cash used in financing activities during this period was $69 million, primarily due to net decreases in deposit liabilities, escrow deposits and retail repurchase agreements of $50 million, $4 million and $3 million, respectively, and the payment of $11 million in common stock dividends.

ASB believes that a satisfactory regulatory capital position provides a basis for public confidence, affords protection to depositors, helps to ensure continued access to capital markets on favorable terms and provides a foundation for growth. FDIC regulations restrict the ability of financial institutions that are not well-capitalized to compete on the same terms as well-capitalized institutions, such as by offering interest rates on deposits that are significantly higher than the rates offered by competing institutions. As of March 31, 2010, ASB was well-capitalized (minimum ratio requirements noted in parentheses) with a leverage ratio of 9.1% (5.0%), a Tier-1 risk-based capital ratio of 12.9% (6.0%) and a total risk-based capital ratio of 14.0% (10.0%). OTS approval is required before ASB can make a capital distribution to HEI.

Table of Contents

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Credit risk for ASB is the risk that borrowers or issuers of securities will not be able to repay their obligations to the bank. Credit risk associated with ASB's lending portfolios is controlled through its underwriting standards, loan rating of commercial and commercial real estate loans, on-going monitoring by loan officers, credit review and quality control functions in these lending areas and adequate allowance for loan losses. Credit risk associated with the securities portfolio is mitigated through investment portfolio limits, experienced staff working with analytical tools, monthly fair value analysis and on-going monitoring and reporting such as investment watch reports and loss sensitivity analysis. Credit risk for ASB has risen as a result of the pronounced slowdown in the national and Hawaii economies and real estate markets. See "Average balance sheet and net interest margin" and "Results—three months ended March 31, 2010" above.

The Company considers interest-rate risk (a non-trading market risk) to be a very significant market risk for ASB as it could potentially have a significant effect on the Company's financial condition and results of operations. For additional quantitative and qualitative information about the Company's market risks, see pages 63 to 65, HEI's Quantitative and Qualitative Disclosures About Market Risk, which is incorporated into Part II, Item 7A of HEI's 2009 Form 10-K by reference to HEI Exhibit 13 to HEI's Current Report on Form 8-K dated February 19, 2010 and page 3, HECO's Quantitative and Qualitative Disclosures About Market Risk, which is incorporated into Part II, Item 7A of HECO's 2009 Form 10-K by reference to Exhibit 99 to HECO's Current Report on Form 8-K dated February 19, 2010.

ASB's interest-rate risk sensitivity measures as of March 31, 2010 and December 31, 2009 constitute "forward-looking statements" and were as follows:

	March 31, 2010			December 31, 2009		
	Change in NII	NPV ratio	NPV ratio sensitivity*	Change in NII	NPV ratio	NPV ratio sensitivity*
Change in interest rates (basis points)	Gradual change	Instantaneous change		Gradual change	Instantaneous change	
+300	(0.0)	11.06	(261)	(0.3)%	10.92%	(245)
+200	(0.1)	12.09	(158)	(0.3)	11.86	(151)
+100	(0.1)	13.03	(64)	(0.2)	12.72	(65)
Base	—	13.67		—	13.37	—
-100	(0.9)	13.69	2	(0.9)	13.53	16
-200	**	**	**	**	**	**
-300	**	**	**	**	**	**

* Change from base case in basis points (bp).

** For March 31, 2010 and December 31, 2009, the -200 and -300 bp scenarios were not performed because they would have resulted in negative Treasury interest rates.

From December 31, 2009 to March 31, 2010, ASB's net interest income (NII) sensitivity became less liability sensitive in the rising rate scenarios primarily due to changes in ASB's balance sheet mix.

ASB's base net present value (NPV) ratio as of March 31, 2010 increased compared to December 31, 2009 primarily due to changes in the level of interest rates.

ASB's NPV ratio sensitivity measure as of March 31, 2010 was relatively unchanged compared to December 31, 2009.

The computation of the prospective effects of hypothetical interest rate changes on the NII sensitivity, NPV ratio, and NPV ratio sensitivity analyses is based on numerous assumptions, including relative levels of market interest rates, loan prepayments, balance changes and pricing strategies, and should not be relied upon as indicative of actual results (see pages 63-65 of HEI Exhibit 13 to HEI's Current Report on Form 8-K dated February 19, 2010 for a more detailed description of key modeling assumptions used in the NII sensitivity analysis). To the extent market conditions and other factors vary from the assumptions used in the simulation analysis, actual results may differ materially from the simulation results. Furthermore, NII sensitivity analysis measures the change in ASB's twelve-month, pre-tax NII in alternate interest rate scenarios, and is intended to help management identify potential exposures in ASB's current balance sheet and formulate appropriate strategies for managing interest rate

Table of Contents

risk. The simulation does not contemplate any actions that ASB management might undertake in response to changes in interest rates. Further, the changes in NII vary in the twelve-month simulation period and are not necessarily evenly distributed over the period. These analyses are for analytical purposes only and do not represent management's views of future market movements, the level of future earnings, or the timing of any changes in earnings within the twelve month analysis horizon. The actual impact of changes in interest rates on NII will depend on the magnitude and speed with which rates change, actual changes in ASB's balance sheet, and management's responses to the changes in interest rates.

Item 4. Controls and Procedures

HEI:

Changes in Internal Control over Financial Reporting

During the first quarter of 2010, there was no change in internal control over financial reporting identified in connection with management's evaluation of the effectiveness of the Company's internal control over financial reporting as of March 31, 2010 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Constance H. Lau, HEI Chief Executive Officer, and James A. Ajello, HEI Chief Financial Officer, have evaluated the disclosure controls and procedures of HEI as of March 31, 2010. Based on their evaluations, as of March 31, 2010, they have concluded that the disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) were effective in ensuring that information required to be disclosed by HEI in reports HEI files or submits under the Securities Exchange Act of 1934:

(1) is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission rules and forms, and
(2) is accumulated and communicated to HEI management, including HEI's principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

HECO:

Changes in Internal Control over Financial Reporting

During the first quarter of 2010, there was no change in internal control over financial reporting identified in connection with management's evaluation of the effectiveness of HECO and its subsidiaries' internal control over financial reporting as of March 31, 2009 that has materially affected, or is reasonably likely to materially affect, HECO and its subsidiaries' internal control over financial reporting.

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Richard M. Rosenblum, HECO Chief Executive Officer, and Tayne S. Y. Sekimura, HECO Chief Financial Officer, have evaluated the disclosure controls and procedures of HECO as of March 31, 2010. Based on their evaluations, as of March 31, 2010, they have concluded that the disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) were effective in ensuring that information required to be disclosed by HECO in reports HECO files or submits under the Securities Exchange Act of 1934:

(1) is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission rules and forms, and
(2) is accumulated and communicated to HECO management, including HECO's principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Table of Contents

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The descriptions of legal proceedings (including judicial proceedings and proceedings before the PUC and environmental and other administrative agencies) in HEI's Form 10-K (see "Part I. Item 3. Legal Proceedings" and proceedings referred to therein) and this 10-Q (see "Management's Discussion and Analysis of Financial Condition and Results of Operations" and HECO's "Notes to Consolidated Financial Statements") are incorporated by reference in this Item 1. With regard to any pending legal proceeding, alternative dispute resolution, such as mediation or settlement, may be pursued where appropriate, with such efforts typically maintained in confidence unless and until a resolution is achieved. Certain HEI subsidiaries (including HECO and its subsidiaries and ASB) may also be involved in ordinary routine PUC proceedings, environmental proceedings and litigation incidental to their respective businesses.

Item 1A. Risk Factors

For information about Risk Factors, see pages 30 to 39 of HEI's 2009 Form 10-K, and "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Quantitative and Qualitative Disclosures about Market Risk," HEI's Consolidated Financial Statements and HECO's Consolidated Financial Statements herein. Also, see "Forward-Looking Statements" on pages v and vi of HEI's 2009 Form 10-K, as updated on pages iv and v herein.

Item 5. Other Information

A. Ratio of earnings to fixed charges.

	Three months ended March 31		Years ended December 31				
	2010	2009	2009	2008	2007	2006	2005
HEI and Subsidiaries							
Excluding interest on ASB deposits	2.78	2.31	2.31	2.06	1.78	2.08	2.31
Including interest on ASB deposits	2.50	1.87	1.96	1.71	1.52	1.73	1.98
HECO and Subsidiaries	2.72	2.49	2.99	3.48	2.43	3.14	3.23

See HEI Exhibit 12.1 and HECO Exhibit 12.2.

B. Transition and Consulting Agreement

ASB and its President, Timothy K. Schools, entered into a Transition and Consulting Agreement in April 2010, under which Mr. Schools has agreed to provide consulting services to ASB during calendar year 2011, and ASB has agreed to pay Mr. Schools the cash value of 7,000 restricted shares of HEI common stock that would have otherwise vested in December 2011 and April 2012. The restricted stock value will be measured as of December 31, 2010. The cash payment will be payable in equal installments in December 2010 and December 2011. ASB has also agreed to waive the requirement that he repay a pro-rata share (approximately $100,000) of his signing bonus if he left ASB prior to July 15, 2011. See HEI Exhibit 10.1.

Table of Contents

Item 6. Exhibits

HEI Exhibit 4	Sixteenth Amendment, effective as of March 10, 2010, to Trust Agreement (dated as of February 1, 2000) between HEI, ASB and Fidelity Management Trust Company, as Trustee.
HEI Exhibit 10.1	Transition and Consulting Agreement between Timothy K. Schools and ASB dated April 27, 2010
HEI Exhibit 10.2	Credit Agreement, dated as of May 7, 2010, among HEI, as Borrower, the Lenders Party Hereto and Bank of Hawaii, as Co-Syndication Agent, and U.S. Bank, N.A., as Co-Syndication Agent, and Wells Fargo Bank, N.A., as Co-Syndication Agent, and Bank of America, N.A., as Co-Documentation Agent, and Union Bank, N.A., as Co-Documentation Agent, and JPMorgan Chase Bank, N.A., as Administrative Agent and Issuing Bank, and J.P. Morgan Securities Inc., as Sole Lead Arranger and Sole Book Runner
HEI Exhibit 12.1	Hawaiian Electric Industries, Inc. and Subsidiaries Computation of ratio of earnings to fixed charges, three months ended March 31, 2010 and 2009 and years ended December 31, 2009, 2008, 2007, 2006 and 2005
HEI Exhibit 31.1	Certification Pursuant to Rule 13a-14 promulgated under the Securities Exchange Act of 1934 of Constance H. Lau (HEI Chief Executive Officer)
HEI Exhibit 31.2	Certification Pursuant to Rule 13a-14 promulgated under the Securities Exchange Act of 1934 of James A. Ajello (HEI Chief Financial Officer)
HEI Exhibit 32.1	Written Statement of Constance H. Lau (HEI Chief Executive Officer) Furnished Pursuant to 18 U.S.C. Section 1350, as Adopted by Section 906 of the Sarbanes-Oxley Act of 2002
HEI Exhibit 32.2	Written Statement of James A. Ajello (HEI Chief Financial Officer) Furnished Pursuant to 18 U.S.C. Section 1350, as Adopted by Section 906 of the Sarbanes-Oxley Act of 2002
HECO Exhibit 10.3	Credit Agreement, dated as of May 7, 2010, among HECO, as Borrower, the Lenders Party Hereto and Bank of Hawaii, as Co-Syndication Agent, and U.S. Bank, N.A., as Co-Syndication Agent, and Wells Fargo Bank, N.A., as Co-Syndication Agent, and Bank of America, N.A., as Co-Documentation Agent, and Union Bank, N.A., as Co-Documentation Agent, and JPMorgan Chase Bank, N.A., as Administrative Agent and Issuing Bank, and J.P. Morgan Securities Inc., as Sole Lead Arranger and Sole Book Runner
HECO Exhibit 10.4	Second Amendment to Low Sulfur Fuel Oil Supply Contract By and Between BHP Petroleum Americas Refining Inc. (nka, Tesoro Hawaii Corporation) and HECO entered into as of May 5, 2010 (confidential treatment has been requested for portions of this exhibit, which has been redacted accordingly)
HECO Exhibit 12.2	Hawaiian Electric Company, Inc. and Subsidiaries Computation of ratio of earnings to fixed charges, three months ended March 31, 2010 and 2009 and years ended December 31, 2009, 2008, 2007, 2006 and 2005
HECO Exhibit 31.3	Certification Pursuant to Rule 13a-14 promulgated under the Securities Exchange Act of 1934 of Richard M. Rosenblum (HECO Chief Executive Officer)
HECO Exhibit 31.4	Certification Pursuant to Rule 13a-14 promulgated under the Securities Exchange Act of 1934 of Tayne S. Y. Sekimura (HECO Chief Financial Officer)
HECO Exhibit 32.3	Written Statement of Richard M. Rosenblum (HECO Chief Executive Officer) Furnished Pursuant to 18 U.S.C. Section 1350, as Adopted by Section 906 of the Sarbanes-Oxley Act of 2002
HECO Exhibit 32.4	Written Statement of Tayne S. Y. Sekimura (HECO Chief Financial Officer) Furnished Pursuant to 18 U.S.C. Section 1350, as Adopted by Section 906 of the Sarbanes-Oxley Act of 2002

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on their behalf by the undersigned, thereunto duly authorized. The signature of the undersigned companies shall be deemed to relate only to matters having reference to such companies and any subsidiaries thereof.

HAWAIIAN ELECTRIC INDUSTRIES, INC.
(Registrant)

By /s/ Constance H. Lau
Constance H. Lau
President and Chief Executive Officer
(Principal Executive Officer of HEI)

By /s/ James A. Ajello
James A. Ajello
Senior Financial Vice President,
Treasurer and Chief Financial Officer
(Principal Financial Officer of HEI)

By /s/ David M. Kostecki
David M. Kostecki
Vice President-Finance, Controller
and Chief Accounting Officer
(Principal Accounting Officer of HEI)

Date: May 10, 2010

HAWAIIAN ELECTRIC COMPANY, INC.
(Registrant)

By /s/ Richard M. Rosenblum
Richard M. Rosenblum
President and Chief Executive Officer
(Principal Executive Officer of HECO)

By /s/ Tayne S. Y. Sekimura
Tayne S. Y. Sekimura
Senior Vice President
and Chief Financial Officer
(Principal Financial Officer of HECO)

By /s/ Patsy H. Nanbu
Patsy H. Nanbu
Controller
(Principal Accounting Officer of HECO)

Date: May 10, 2010

(Back To Top)

Section 2: EX-4 (HEI EX-4)

HEI Exhibit 4

**SIXTEENTH AMENDMENT TO TRUST AGREEMENT BETWEEN
FIDELITY MANAGEMENT TRUST COMPANY AND
HAWAIIAN ELECTRIC INDUSTRIES, INC. AND AMERICAN SAVINGS BANK, F.S.B.**

THIS SIXTEENTH AMENDMENT TO THE TRUST AGREEMENT is made and entered into effective March 10, 2010, by and between Fidelity Management Trust Company (the "Trustee") and Hawaiian Electric Industries, Inc. and American Savings Bank, F.S.B. (collectively and individually, the "Sponsor");

WITNESSETH:

WHEREAS, the Trustee and Sponsor heretofore entered into a Trust Agreement for the Hawaiian Electric Industries Retirement Savings Plan and American Savings Bank 401(k) Plan (collectively and individually, the "Plan"), dated February 1, 2000, and amended August 1, 2000, November 1, 2000, April 1, 2001, December 31, 2001, January 1, 2002, April 1, 2002, July 1, 2002, September 1, 2003, February 2, 2004, October 3, 2005, November 1, 2006, August 1, 2007, October 17, 2008, December 31, 2008, and January 15, 2010, and further amended by letters of direction executed by the Sponsor and the Trustee which specifically state that both parties intend and agree that the direction letter shall constitute an amendment (the "Trust Agreement"); and

WHEREAS, the Sponsor desires, and hereby directs the Trustee, in accordance with Sections 4(b) and 7(b) of the

Trust Agreement, *effective after the close of business on March 10, 2010,* as follows: (i) to liquidate all participant balances held in the investment options listed in Column A below at their net asset values on such day, and to invest the proceeds in the investment options listed in Column B below at their net asset values on such day; (ii) to redirect all participant contributions directed to the investment options listed in Column A below to be invested in the investment options listed in Column B below; and (iii) to permit no further investments in the investment options listed in Column A as an investment option for the Plan:

Column A	To	Column B
Fidelity Freedom 2000 Fund®	100% →	Fidelity Freedom K℠ 2000 Fund
Fidelity Freedom 2005 Fund®	100% →	Fidelity Freedom K℠ 2005 Fund
Fidelity Freedom 2010 Fund®	100% →	Fidelity Freedom K℠ 2010 Fund
Fidelity Freedom 2015 Fund®	100% →	Fidelity Freedom K℠ 2015 Fund
Fidelity Freedom 2020 Fund®	100% →	Fidelity Freedom K℠ 2020 Fund
Fidelity Freedom 2025 Fund®	100% →	Fidelity Freedom K℠ 2025 Fund
Fidelity Freedom 2030 Fund®	100% →	Fidelity Freedom K℠ 2030 Fund
Fidelity Freedom 2035 Fund®	100% →	Fidelity Freedom K℠ 2035 Fund
Fidelity Freedom 2040 Fund®	100% →	Fidelity Freedom K℠ 2040 Fund
Fidelity Freedom 2045 Fund®	100% →	Fidelity Freedom K℠ 2045 Fund
Fidelity Freedom 2050 Fund®	100% →	Fidelity Freedom K℠ 2050 Fund
Fidelity Freedom Income Fund®	100% →	Fidelity Freedom K℠ Income Fund

The parties hereto agree that the Trustee shall have no discretionary authority with respect to this sale and transfer directed by the Sponsor. Any variation from the procedure described herein may be instituted only at the express written direction of the Sponsor; and

WHEREAS, the Trustee and the Sponsor now desire to amend said Trust Agreement as provided for in Section 13 thereof;

NOW THEREFORE, in consideration of the above premises, the Trustee and the Sponsor hereby amend the Trust Agreement by:

(1) *Effective after the close of business on March 10, 2010*, amending Section 4, Investment of Trust, to add a new subsection (l), Fidelity Freedom K^{SM} Funds, as follows:

(l) Fidelity Freedom K^{SM} Funds.

The Sponsor hereby acknowledges that eligibility for the Fidelity Freedom K^{SM} Funds is subject to certain business requirements, which may change from time to time, but would ordinarily include, but is not limited to, a requirement that the Sponsor has at least $100 million in total defined contribution plan assets record-kept at Fidelity. Sponsor further understands that in the event such business requirements are not met, the Plan may no longer be eligible for Fidelity Freedom K^{SM} Funds. Trustee shall provide notice to the Sponsor if the Plan is no longer eligible for Fidelity Freedom K^{SM} Funds. If the Plan is no longer eligible for Fidelity Freedom K^{SM} Funds, such positions will be liquidated and the proceeds will be invested at the direction of the Sponsor.

(2) *Effective after the close of business on March 10, 2010*, amending and restating Schedule "A", in its entirety, as attached hereto.

(3) *Effective March 10, 2010*, amending Schedule "B", Fee Schedule, to add the following:

* DRO Qualification	This service will commence only after Fidelity receives the Service Authorization Agreement executed by a legally authorized representative of the Sponsor. The "standard" Order review fees are as follows: $300 for the review of unaltered Orders generated via Fidelity's QDRO Center website, or $1,200 for the review of Orders not generated via Fidelity's QDRO Center website, or for Orders generated via Fidelity's QDRO Center website but then subsequently altered. A "standard" DRO is an order that references one defined contribution plan only. The fees for "complex" Orders are as follows: $900 for the review of unaltered Orders generated via Fidelity's QDRO Center website, or $1,800 for the review of Orders not generated via Fidelity's QDRO Center website, or for Orders generated via Fidelity's QDRO Center website but then subsequently altered. A "complex" Order is an Order that references a defined benefit plan or multiple plans (defined benefit and/or defined contribution, in any combination). Any revisions to these fees will be reflected in an updated Service Authorization Agreement for the DRO qualification service which will be provided by the Trustee to the Sponsor for execution.

(4) *Effective after the close of business on March 10, 2010*, amending and restating Schedule "C", in its entirety, as attached hereto.

IN WITNESS WHEREOF, the Trustee and the Sponsor have caused this Sixteenth Amendment to be executed by their duly authorized officers effective as of the day and year first above written. By signing below, the undersigned represent that they are authorized to execute this document on behalf of the respective parties. Notwithstanding any contradictory provision of the agreement that this document amends, each party may rely without duty of inquiry on the foregoing representation.

HAWAIIAN ELECTRIC INDUSTRIES, INC.
BY: HAWAIIAN ELECTRIC INDUSTRIES, INC. PENSION INVESTMENT COMMITTEE

By: /s/ James A. Ajello 3/5/10
James A. Ajello Date
Chairman

By: /s/ Chester A. Richardson 3/5/10
Chester A. Richardson Date
Secretary

FIDELITY MANAGEMENT TRUST COMPANY

By: /s/ Stephanie Nick 3/16/10
FMTC Authorized Signatory Date

Schedule "A"

ADMINISTRATIVE SERVICES

The Trustee will provide the recordkeeping and administrative services set forth on this Schedule "A", or as otherwise agreed to in writing (or by means of a secure electronic medium) between the Sponsor and Trustee in accordance with direction procedures established by the Trustee with the written approval of the Sponsor and documented in the Plan Administration Manual. With regard to Plan specific services, the Trustee shall add services only at the direction of the Sponsor. With prior written notice to the Sponsor, the Trustee may unilaterally enhance the services previously approved, provided there is no impact on fees set forth in Schedule "B"; and further provided that if the Sponsor notifies the Trustee in writing that a change to a previously approved service proposed by the Trustee pursuant to this sentence is unacceptable to the Sponsor, such service change shall not be applied.

Administration

* Establishment and maintenance of participant account and election percentages

* Maintenance of the following plan investment options:

- AIM Dynamics Fund *(frozen to new investments effective January 1, 2006)*
- ASB Money Market Account
- Fidelity Diversified International Fund — Class K
- Fidelity Freedom K℠ 2000 Fund
- Fidelity Freedom K℠ 2005 Fund
- Fidelity Freedom K℠ 2010 Fund
- Fidelity Freedom K℠ 2015 Fund
- Fidelity Freedom K℠ 2020 Fund
- Fidelity Freedom K℠ 2025 Fund
- Fidelity Freedom K℠ 2030 Fund
- Fidelity Freedom K℠ 2035 Fund
- Fidelity Freedom K℠ 2040 Fund
- Fidelity Freedom K℠ 2045 Fund
- Fidelity Freedom K℠ 2050 Fund
- Fidelity Freedom K℠ Income Fund
- Fidelity Magellan® Fund — Class K
- Fidelity Puritan® Fund — Class K
- Fidelity Retirement Money Market Portfolio
- Fidelity U.S. Bond Index Fund
- First American Mid Cap Growth Fund
- HEI Common Stock Fund (Available only to the Hawaiian Electric Industries Retirement Savings Plan)
- HEI Common Stock Fund #2 (Available only to the American Savings Bank 401(k) Plan)
- Morgan Stanley Institutional Fund, Inc. International Equity Portfolio — Class P Shares
- Morgan Stanley Institutional Fund Trust Value Portfolio — Class P Shares
- Neuberger Berman Partners Fund — Trust Class
- Virtus Mid-Cap Value Fund — Class A
- Spartan® Extended Market Index Fund — Investor Class
- Spartan® U.S. Equity Index Fund — Investor Class
- T. Rowe Price Growth Stock Fund
- T. Rowe Price Small-Cap Stock Fund

- Vanguard Total International Stock Index Fund — Investor Shares

* Maintenance of the following money classifications:

- Salary Reduction
- Participant Voluntary
- Rollover
- HEI Diversified Plan
- Employer ASB
- Employer Supplemental
- IRA
- Voluntary HEISOP
- Employer HEISOP
- Employee Pre-Tax Catch Up
- After-Tax Rollover
- Employer BIA
- TRP PER
- AmeriMatch
- AmeriShare
- QNEC

* Processing of investment option trades
* Establishment and maintenance of participant loans
* Enrollment of new participants via telephone and/or such other electronic means as may be agreed upon from time to time by the Sponsor and the Trustee. Confirmation of enrollment will be provided online or, if requested, by mail (generally within five (5) calendar days of the request).
* Maintenance of participants' requests to change their pre-tax and catch-up deferral percentages via telephone or such electronic means as may be agreed upon from time to time by the Sponsor and the Trustee
* Provide participant deferral election data updates via electronic data transfer ("EDT") in a timely manner for the Sponsor to apply to its payrolls

Processing

* Processing of the following transactions in accordance with the procedures set forth in the Plan Administration Manual:
  - Process in-service withdrawals, hardship withdrawals, and full distributions, to include rollovers, as applicable, as requested by participants
  - Weekly processing of contribution data and contributions
  - Processing of loan repayments
  - Daily processing of transfers and changes of future allocations via the telephone exchange system or by such other means as the Sponsor and Trustee may agree to from time to time
  - Daily and weekly processing of participant data updates via the Plan Sponsor Webstation or by such other means as the Sponsor and Trustee may agree to from time to time
  - Processing of changes to participants' deferral percentages
  - Processing of excess contributions and deferrals as directed by the Sponsor
  - For general loans: Consult with participants on various loan scenarios and generate all documentation

- For home loans: Processing of loan requests as directed by participants and approved by the Sponsor
- Processing of forfeitures as directed by the Sponsor
- Processing of loan payoff payments at participants' request via telephone exchange system or by such other means as the Sponsor and the Trustee may agree to from time to time

Other

* Reports
* Monthly trial balance
* Monthly loan reports
* Quarterly or annual administrative reports
* Quarterly participant statements via paper or electronic copy

Financial Reporting

* 1099Rs
* Assist in the preparation of Form 5500

Account Segregation

* Account segregation for Qualified Domestic Relations Orders ("QDRO") as directed by Sponsor
* Account segregation for named beneficiary(ies) due to a participant's death as directed by Sponsor
* QDRO service (ASB 401(k) Plan only)

Internet Services

* Plan Sponsor Webstation
* Portfolio Review, an internet-based educational service for participants that generates target asset allocations and model portfolios customized to investment options in the Plan based upon methodology provided by Strategic Advisers, Inc., an affiliate of the Trustee
* NetBenefits℠
* Rebalance service
  - Portfolio rebalance
  - Automatic rebalance
  - Rebalance notification
* Annual increase program
* Online beneficiary service

Processing Services

* Minimum Required Distribution ("MRD") service
* De minimis Distributions service
* Loan Interest Rate Update Service: The Trustee will provide monthly monitoring of the Federal Reserve Prime Rate, Loan interest rate update (for new loans) upon change of the Prime Rate, and Simple rate calculation based on the Prime Rate
* Company Stock Processing:
  - Unitized Stock
  - Company Stock Proxy services
  - ESOP Dividend Pass-Through

- Transaction approval for 16(b) Officers
- Reporting of 16(b) Transactions

* Freedom Fund default service
* Loan default service
* ACH for electronic payments
* Notification service (Qualified Default Investment notification)

Miscellaneous Services

* Periodic meetings with Sponsor
* Educational services as needed and mutually agreed upon by the Trustee and the Sponsor
* Provide employee communications describing available investment options, including multimedia informational materials and group presentations
* Change of Address by Telephone: The Trustee shall allow terminated and retired participants, Alternate Payees of participants of any status, and Beneficiaries of deceased employees, terminated and retired participants to make address changes via Fidelity's toll-free telephone service
* Rollover Contribution Processing: Process the qualification and acceptance of rollover contributions to the Trust. The procedures for qualifying a rollover are directed by the Sponsor and the Trustee shall accept or deny each rollover based upon the Plan's written criteria and any written guidelines provided by the Sponsor and documented in the Plan Administration Manual. Requests that do not meet the specified criteria will be returned to the participant with an explanation as to why the request cannot be processed. If the Trustee determines that a request is not a valid rollover, the requested rollover contribution will be rejected back to the participant.

HAWAIIAN ELECTRIC INDUSTRIES, INC.
BY: HAWAIIAN ELECTRIC INDUSTRIES, INC. PENSION INVESTMENT COMMITTEE

By: /s/ James A. Ajello 3/5/10
James A. Ajello Date
Chairman

By: /s/ Chester A. Richardson 3/5/10
Chester A. Richardson Date
Secretary

FIDELITY MANAGEMENT TRUST COMPANY

By: /s/ Stephanie Nick 3/16/10
FMTC Authorized Signatory Date

Schedule "C"

INVESTMENT OPTIONS

In accordance with Section 4(b), the PIC hereby directs the Trustee that participants' individual accounts may be invested in the following investment options:

- AIM Dynamics Fund *(frozen to new investments effective January 1, 2006)*
- ASB Money Market Account
- Fidelity Diversified International Fund — Class K
- Fidelity Freedom K^{SM} 2000 Fund
- Fidelity Freedom K^{SM} 2005 Fund
- Fidelity Freedom K^{SM} 2010 Fund
- Fidelity Freedom K^{SM} 2015 Fund
- Fidelity Freedom K^{SM} 2020 Fund
- Fidelity Freedom K^{SM} 2025 Fund
- Fidelity Freedom K^{SM} 2030 Fund
- Fidelity Freedom K^{SM} 2035 Fund
- Fidelity Freedom K^{SM} 2040 Fund
- Fidelity Freedom K^{SM} 2045 Fund
- Fidelity Freedom K^{SM} 2050 Fund
- Fidelity Freedom K^{SM} Income Fund
- Fidelity Magellan® Fund — Class K
- Fidelity Puritan® Fund — Class K
- Fidelity Retirement Money Market Portfolio
- Fidelity U.S. Bond Index Fund
- First American Mid Cap Growth Fund
- HEI Common Stock Fund (Available only to the Hawaiian Electric Industries Retirement Savings Plan)
- HEI Common Stock Fund #2 (Available only to the American Savings Bank 401(k) Plan)
- Morgan Stanley Institutional Fund, Inc. International Equity Portfolio — Class P Shares
- Morgan Stanley Institutional Fund Trust Value Portfolio — Class P Shares
- Neuberger Berman Partners Fund — Trust Class
- Virtus Mid-Cap Value Fund — Class A
- Spartan® Extended Market Index Fund — Investor Class
- Spartan® U.S. Equity Index Fund — Investor Class
- T. Rowe Price Growth Stock Fund
- T. Rowe Price Small-Cap Stock Fund
- Vanguard Total International Stock Index Fund — Investor Shares

The PIC hereby acknowledges that it has received from the Trustee via regular mail a paper copy of the prospectus for each Fidelity Class K Mutual Fund and Fidelity Freedom K^{SM} Fund selected by the PIC as a Plan investment option. The PIC understands that the Fidelity Class K Mutual Fund and Fidelity Freedom K^{SM} Fund prospectus(es) are not available at this time online at www.fidelity.com. Participants or beneficiaries who wish to invest in a Fidelity Class K Mutual Fund and/or Fidelity Freedom K^{SM} Fund will be provided with Fidelity Class K Mutual Fund and/or Fidelity Freedom K^{SM} Fund prospectus(es), via regular mail, prior to such investment.

The PIC hereby directs that for Plan assets allocated to a participant's account, the investment option referred to in Section 4 (c) shall be the Fidelity Freedom K^{SM} Fund determined according to a methodology selected by the PIC and communicated to the Trustee in writing. In the case of an invalid date of birth on file, the default option will be Fidelity Freedom K^{SM} Income Fund. In the case of unallocated Plan assets, Plan assets received from the termination or reallocation of an investment option, or Plan assets described in Section 4(d)(vi)(B)(5), the Plan's default investment shall be the ASB Money Market Account.

The PIC hereby directs the Trustee to update the methodology (i.e., date ranges) as additional Fidelity Freedom K^{SM} Funds are launched and added in accordance with the preceding paragraph. Such updates will be made to the service as soon as administratively feasible following the launch of future Fidelity Freedom K^{SM} Funds, unless otherwise directed by the PIC. The PIC hereby directs the Trustee to add any additional Fidelity Freedom K^{SM} Funds as permissible investment options as they are launched, such funds being available to Plan participants as of the open of trading on the New York Stock Exchange on their respective inception dates or as soon thereafter as administratively possible, unless otherwise directed by the PIC.

HAWAIIAN ELECTRIC INDUSTRIES, INC.
BY: HAWAIIAN ELECTRIC INDUSTRIES, INC. PENSION INVESTMENT COMMITTEE

By: /s/ James A. Ajello 3/5/10
James A. Ajello Date
Chairman

By: /s/ Chester A. Richardson 3/5/10
Chester A. Richardson Date
Secretary

FIDELITY MANAGEMENT TRUST COMPANY

By: /s/ Stephanie Nick 3/16/10
FMTC Authorized Signatory Date

(Back To Top)

Section 3: EX-10.1 (HEI EX-10.1)

HEI Exhibit 10.1

TRANSITION AND CONSULTING AGREEMENT

This TRANSITION AND CONSULTING AGREEMENT (the "Agreement") is made and entered into as of this 27th day of April, 2010, by and between Timothy K. Schools, residing at 4040 Black Point Road, Honolulu, HI 96816 ("Consultant"), and American Savings Bank, F.S.B. (the "Company").

R E C I T A L S

A. The Consultant has served the Company as its President and has been leading the Company through a two year performance improvement project (PIP), which is nearing completion.

B. The Consultant has expressed his desire to resign from the Company after completion of the PIP and return with his family to their home in South Carolina.

C. The Company wishes to obtain the benefit of Consultant's executive advice during a period of transition by retaining him as a consultant for a period of one year following his departure, and Consultant is willing to be so retained.

D. The Company wishes to define and clarify the rights and obligations of the parties with respect to the aforementioned one-year consulting period.

NOW, THEREFORE, in consideration of the premises, Consultant and the Company (collectively, the "Parties") hereby agree as follows.

A G R E E M E N T

1. RESIGNATION.

(a) Resignation Date. Effective December 31, 2010, Consultant shall resign from employment with the Company as an employee, and at that time Consultant agrees to resign from any and all positions held at or on behalf of Company. Incident to such termination, Consultant shall be entitled to any benefit and to exercise any right available to an employee who separates from service through voluntary resignation under the terms of the benefit and compensation plans of the Company and its affiliates in which Consultant is a participant. Notwithstanding the benefits outlined in Section 2 below, Consultant shall not be entitled to any severance payments under any established plan with the Company.

(b) Early Resignation. At the sole discretion of the Company, Consultant might resign on a date earlier than December 31, 2010. In the event the Company requests an earlier date of resignation, or in the case where the Company agrees to a request from Consultant to resign from employment prior to December 31, 2010, then the Company will: (i) pay Consultant his base salary through the actual last day of employment; and (ii) grant Consultant credit for a full year of service in 2010 for purposes of incentive compensation awards. Consultant would then be eligible for the awards, if any, for the 2010 EICP and the 2008-2010 LTIP, as well as participation in the Company's profit-sharing plan. If Consultant resigns

prior to December 31, 2010 without the Company's consent, he would not be eligible for any incentive compensation under the 2010 EICP, the 2008-2010 LTIP or the Company's profit-sharing plan.

2. ENGAGEMENT AS CONSULTANT.

Effective December 31, 2010, or such other mutually agreeable date specified in writing, Consultant shall be engaged to provide consulting services to the Company, subject to the following terms and conditions.

(a) **Term.** The term of Consultant's engagement under this Agreement shall be the one year period from January 1, 2011 through December 31, 2011, or such earlier date on which Consultant's engagement is terminated in accordance with the terms of this Agreement (as stipulated or so modified, the "Termination Date").

(b) **Fee and Payment.**

(1) In consideration for his serving as a consultant, Consultant shall be paid a retainer and consulting fee (the "Fee") which shall be equal to the cash value of 7000 shares of common stock of Hawaiian Electric Industries, Inc. The stock value will be based on the average high/low share price of HE stock listed on the last open market day in December 2010.

(2) The Fee shall be paid in two installments. The first installment (50% of the aggregate Fee) shall be paid on January 1, 2011. Provided that this Agreement has not been terminated without Cause by Consultant or with Cause by the Company (as "Cause" is defined in Section 3(b)(1), below), the second and final installment (50% of the aggregate Fee) shall be paid in January 2012. Payment of the second installment shall be contingent upon Consultant's providing a Final Release to the Company, as defined in Section 5 below. If this Agreement is terminated with Cause by the Company or without Cause by Consultant, or if the requirement for a Final Release is not satisfied, then Consultant shall forfeit the second installment portion of the Fee.

(c) **Services.** In exchange for the Fee, Consultant shall provide consultation services to the Company upon reasonable demand. The matters on which the Company may request consultation may range from matters relating to Consultant's banking industry expertise to more general subjects within Consultant's knowledge. In no event shall Consultant's service exceed 480 hours for the twelve month period commencing January 1, 2011.

(d) **Reimbursements**. The Company shall reimburse Consultant for travel and business expenses actually, reasonably and proximately incurred by Consultant in rendering consulting services to the Company under this Agreement. Such expenses shall not include expenses for equipment, such as computers, having a useful life in excess of one year, advertising, office rent, parking, general or professional liability insurance, meals and entertainment, club or association dues or memberships, or expenses incurred by Consultant in employing other persons. Travel expenses shall be reimbursed only if authorization for the travel has been obtained from the Company in advance. The Company may condition reimbursement upon such documentary proof of expenses as it deems reasonably necessary.

(e) Other Consideration.

Provided Consultant remains employed by the Company through December 31, 2010, or such earlier date as determined by the Company in its discretion, the Company shall do the following effective yearend 2010: (i) waive Consultant's obligation to repay the pro rata portion of his $400,000 signing

bonus (four-year declining from date of hire in July 2007); and (ii) purchase Consultant's Kahala residence for its original purchase price of $3.635 million less normal seller's closing costs (including 6% broker's commission). The purchase of the Kahala residence will take place concurrently with the last day of Consultant's employment with the Company, provided that any employment termination prior to yearend 2010 is with the Company's consent.

(f) Independent Contractor Status.

(1) *No coverage under benefit plans.* Consultant acknowledges that his engagement shall be on an independent contractor basis, and not as an employee of the Company or any of its affiliates. Accordingly, Consultant acknowledges that he shall not be treated as a common law employee for payroll purposes during the term of this Agreement and shall not have the right to be provided benefits or to accrue further benefits on account of his engagement as a Consultant under any of the benefit plans maintained by the Company or its affiliates for employees, including, without limitation, the Hawaiian Electric Industries Retirement Savings Plan, the Retirement Plan for Employees of Hawaiian Electric Industries, Inc. and Participating Subsidiaries, any vacation or paid time off plan or policy of the Company, and any Worker's Compensation or other disability plan or program of the Company, even if his status should be re-determined by the Internal Revenue Service or other regulatory agency as that of an employee.

(2) *Terms and conditions of engagement.* Except as otherwise specifically provided herein, Consultant shall control the manner and conditions under which his consulting services are provided. Without limiting the generality of the foregoing, Consultant

(A) shall establish his own hours and place of work; for the convenience of the parties, the Company may, but is not required, to make office space available to him on an as-needed or office sharing basis;
(B) shall not have the right to participate in any training or workshops offered to employees unless doing so is necessary for Consultant's assignment;
(C) shall provide his own tools and facilities (e.g., desk, telephone, computer, and office space) and materials (e.g., office supplies and postage), except as otherwise expressed in Section 2(e)(2)(I) below;
(D) shall not receive secretarial or similar support from the Company, except to the extent incidental support is provided to Consultant at the convenience of the Company;
(E) shall not be required to submit oral or written reports on a regularly scheduled basis (e.g., daily, weekly);
(F) shall not be required to work full-time;
(G) shall apply for a General Excise Tax ("GET") license from the State of Hawaii; and
(H) shall be responsible for securing his own insurance coverage as may be required or desired for operating as an independent consultant.

If Consultant determines to hire employees, such employees shall be retained and their wages paid by Consultant himself; in no event and for no purpose shall such employees be treated as employees of the Company. Further, the Company will provide Consultant office space on an as needed basis when Consultant is performing work for the Company and the use of the office is incidental to said work. Consultant will be notified in advance when his attendance is required for meetings. Consultant will be permitted limited access to the Company's intranet for purposes of email correspondence and for specific work assignments.

(3) *Taxes.* Except for applicable Hawaii GET related to services provided under this Agreement, which shall be the responsibility of the Company, all other taxes of every nature and kind levied on Consultant in relation to the services or benefits provided under this Agreement, including, without limitation, Federal and State net income taxes, shall be the responsibility of Consultant, and the Company shall have no obligation to Consultant for the same. Except with respect to the Hawaii GET, the Consultant agrees to indemnify the Company for any taxes or penalties assessed or imposed on the Company by any State or federal authority as a result of the tax treatment and reporting of the payments made under this Agreement or due to Consultant's failure to pay any taxes found due on such amounts by any taxing authorities.

3. EARLY TERMINATION OF CONSULTANT'S ENGAGEMENT.

Consultant's engagement may be terminated by Company or Consultant prior to the Termination Date only pursuant to the provisions of this Section 3.

(a) **Termination without Cause.** Either Party may terminate Consultant's engagement without Cause upon 30 days' written notice to the other Party. Such termination shall be without prejudice to any other rights such terminating Party may have under this Agreement or applicable law.

(1) *By Company.* If the Company terminates Consultant's engagement without Cause, the remainder of the Fee shall be paid to Consultant in a single lump sum thirty (30) days after termination without cause, provided that Consultant has satisfied the requirement for a Final Release.

(2) *By Consultant.* If Consultant terminates his engagement without Cause, then Consultant shall forfeit any remaining portion of the Fee, subject to Company's right to waive such forfeiture in its sole discretion. In the event of such waiver, any remaining portion of the Fee may be paid to Consultant upon Consultant's satisfaction of the requirement for a Final Release.

(b) **Termination for Cause by Company.**

(1) For purposes of this Agreement, "Cause" shall mean:

(A) any act that constitutes a material violation of this Agreement or the Company's written policies for its employees, officers, directors, and vendors;
(B) engaging in conduct materially and demonstrably injurious to the Company; or
(C) any act that violates Section 6 or 7 of this Agreement,

provided that the Company specifically terminates the Consultant's engagement for Cause within thirty (30) days from the date the Company has actual notice of such conduct or within such longer time as may be mutually agreed in writing by the Company and Consultant in order to afford the Company the opportunity for full review of the facts and circumstances.

(2) If the Company terminates the Consultant's engagement for Cause, then Consultant shall forfeit any remaining portion of the Fee.

(c) **Termination for Good Reason by Consultant.**

(1) For purposes of this Agreement, "Good Reason" shall mean termination by Consultant of Consultant's engagement owing to:

(A) a material diminution in Consultant's compensation under this Agreement, including the failure of the Company to pay any installment of the Fee when such installment is due, which failure is not cured within fifteen (15) days of written notification by Consultant; or

(B) any other action or inaction that constitutes a material breach by the Company of this Agreement, and which are not cured within thirty (30) days of written notice of such breach or breaches to the Company by the Consultant,

provided that Consultant terminates his engagement for Good Reason within thirty (30) days of notice of such act or event.

(2) If the Consultant terminates his engagement for Good Reason, then Consultant shall be entitled to payment of the remaining portion of the Fee thirty (30) days following his termination, provided that Consultant executes the Final Release. Alternatively, Consultant may freely retain any claims that Consultant believes he may have against the Company, but in that event shall not be entitled to payment of any remaining portion of the Fee.

4. **RELEASE OF CLAIMS**.

(a) **General Release**. As part of the consideration given to the Company for the benefits of this Agreement, Consultant, on behalf of himself and his successors and assigns, hereby releases the Company and its officers, directors, employees, agents and attorneys and any parent, subsidiary, affiliated or related companies and their respective successors and assigns ("Released Parties") from all claims, demands, actions or other legal responsibilities of any kind which Consultant may have based on, or pertaining to his employment with the Company and the termination of such employment. ***THIS RELEASE IS A GENERAL RELEASE.*** This release ("Release") includes, but is not limited to, any claims Consultant may have for wages, bonuses, equity compensation, or other compensation due, claims under the Age Discrimination in Employment Act (ADEA) arising on or before the date Consultant signs this Agreement, Title VII of the Civil Rights Act, as amended, which prohibits discrimination in employment based on race, color, sex, religion or national origin, the Americans with Disabilities Act, the Family and Medical Leave Act, the Employee Retirement Income Security Act, or any other federal, state or local law or regulation affecting employment rights or prohibiting employment discrimination. This Release also includes any claim for intentional or negligent infliction of emotional distress, hostile workplace, wrongful discharge, violation of any public policy or statute, breach of any implied or express contract between the Company and Consultant, any policy of the Company or any remedy for any such claim or breach. Consultant understands that the release of claims set forth in this Section 4(a) covers both known and unknown claims. This Release shall survive the termination of this Agreement.

(b) **Right to Review and Revoke Release**. Consultant acknowledges that he has been given a period of over twenty-one (21) days within which to consider whether to sign this Agreement and give the Release; that he has been encouraged to consult with an attorney before signing this Agreement, and that he has done so to the extent he so desires; and that he has freely elected to sign this Agreement on the date set forth below. This Agreement and the Release may be revoked by Consultant within the seven (7) calendar days following the date on which Consultant signed this Agreement by Consultant's delivering a written, signed and dated notice of such revocation to the

Company within such seven (7) calendar day period. After the expiration of said seven (7) calendar days, the Release shall become final and irrevocable.

(c) **Complete Bar to Suit.** Consultant acknowledges that upon the Release becoming final and irrevocable, it shall act as a complete bar against any claim released by Consultant. Consultant promises that he shall never file a lawsuit asserting any such released claim or permit any person to file such a claim on his behalf. Consultant warrants that he has not assigned to any other person or entity the claims which are the subject of the Release. Consultant also agrees not to file or initiate any claim or lawsuit with any court, based on any claim covered by the foregoing release, including any claim arising out of Consultant's employment or termination of employment. Consultant waives any remedy pursuant to any employment law covered by this Agreement. This Agreement does not limit either party's right, where applicable, to participate in an investigative proceeding of any federal, state or local governmental agency, including making a complaint to the Equal Employment Opportunity Commission or Hawaii Civil Rights Commission. This Release is made solely to avoid any unnecessary disputes or issues with Employee and is not and shall not be deemed to be an admission or indication of any wrongdoing or discrimination by the Company of any kind.

5. FINAL RELEASE OF CLAIMS.

Prior to receiving any final payment of the Fee hereunder, Consultant shall execute a final release (the "Final Release") releasing any claims that may have accrued in the period following the execution of this Agreement. Such Final Release shall be substantially identical to the Release, as set forth in Section 4(a) above, except that the Final Release shall also recite that Consultant thereby releases any claims "Consultant may have based on, or pertaining to his engagement as a consultant with the Company and the termination of such engagement."

6. PROPERTY, DOCUMENTS AND RECORDS.

All keys, apparatus, equipment and other physical property, and documents and records, whether in electronic, paper or other form, that are provided to Consultant by the Company or are otherwise made available, loaned or furnished to Consultant in connection with his prior employment or engagement as a Consultant by the Company shall be and remain the sole property of the Company, shall be used by Consultant solely for the benefit of the Company, and shall be returned to the Company immediately upon the termination of Consultant's engagement or as and when requested by the Company.

7. NON-DISPARAGEMENT, CONFIDENTIALITY & COOPERATION.

Both parties agree to refrain from making any disparaging remarks about one another to third parties. For purposes of this Agreement, the term "disparage" includes, but is not limited to, comments or statements to the press or media, to the Company's employees, or to any individual or entity with whom the Company has a business relationship, and that could adversely affect the conduct of the business of the Company or its reputation.

Consultant specifically agrees to keep the terms of this Agreement completely confidential, except that the Consultant may discuss the Agreement with any governmental agency or Consultant's attorney, accountant and immediate family, provided that they agree to keep the contents of this Agreement confidential. Consultant specifically agrees that because the degree of damages is difficult to calculate if Consultant breaches this confidentiality provision, the Company may seek immediate injunctive relief as well as other legal remedies as available.

Consultant further agrees to cooperate with the Company regarding any matters relating to Consultant's prior employment with the Company and to notify the Company if Consultant is subpoenaed or called to speak about Consultant's employment, and not to discuss Consultant's employment without first notifying the Company and complying with this Agreement. Consultant agrees that he has not and will not remove or take any proprietary or confidential information from the Company and that Consultant has returned or will return all Company property as soon as possible, but no later than Consultant's termination of employment with the Company.

8. NON-SOLICITATION OF CUSTOMERS AND EMPLOYEES; NON-COMPETITION.

(a) **Non-Solicitation of Customers.** Unless otherwise concurred to in writing by the Company's Authorized Representative, during Consultant's engagement by the Company under this Agreement, Consultant shall not directly or indirectly, individually or on behalf of any other person or entity, whether as principal, agent, stockholder, employee, consultant, representative or in any other capacity, contact any person or entity, which:

(1) is a customer or client of the Company or any of its affiliates as of the Termination Date; or
(2) has been a customer or client of the Company or any of its affiliates at any time within two (2) years prior to the Termination Date; or
(3) is a prospective customer or client that the Company or any of its affiliates is actively soliciting as of the Termination Date,

for the purpose of selling products or services similar to any of the products and services offered for sale by the Company as of the Termination Date.

(b) **Covenant Not to Solicit Employees.** Unless otherwise concurred to in writing by the Company's Authorized Representative, during Consultant's engagement by the Company under this Agreement, Consultant shall not directly or indirectly, individually or on behalf of any other person or entity, whether as principal, agent, stockholder, employee, consultant, representative or in any other capacity:

(1) recruit, solicit or encourage any person to leave the employ of the Company or any of its affiliates; or
(2) hire or retain any employee of the Company or any of its affiliates as a regular employee, consultant, independent contractor or otherwise.

The restrictions of this Section 8(b) shall not apply to five Company employees who have prior employment experience at National Commerce Financial — to wit, M. Anderson, M. Pettyjohn, R. Skinner, B. Sims and K. Whitehead.

(c) **Non-Competition.** Consultant recognizes and acknowledges the competitive and proprietary nature of the business operations of the Company and its affiliates. During Consultant's engagement with the Company under this Agreement, Consultant shall not, without the prior written consent of the Company, for himself or on behalf of any other person or entity, directly or indirectly, whether as principal, agent, stockholder, employee, consultant, representative or in any other capacity, own, manage, operate or control, or be concerned, connected or employed by, or otherwise associate in any manner with, engage in or have a financial interest in any business that competes with the business operations of the Company or any of its affiliates, except that (i) nothing contained herein shall preclude the Consultant from purchasing or owning stock in any such competitive business if such stock is publicly traded, and provided that his holdings are less than five percent (5%) of the issued and outstanding capital

stock of such business. Notwithstanding the foregoing and without limitation, and unless otherwise concurred to in writing by the Company's Authorized Representative, Consultant shall not, directly or indirectly, participate in or represent any entity in: (a) the preparation and negotiation of contractual agreements with the Company or its affiliates; or (b) the preparation and management of any adjudicative proceeding (court, governmental or administrative) involving or against the Company or its affiliates.

9. EQUITABLE RELIEF.

In addition to, and not in limitation of, any other remedy which may be available with respect to a breach of this Agreement by Consultant, the Company shall be entitled to equitable relief with respect to violations of Sections 6, 7 and 8, hereof. Such right to equitable relief shall survive the termination of this Agreement.

10. INDEMNIFICATION.

Consultant agrees to indemnify, defend and hold the Released Parties harmless from and against any claim, demand, cause of action, lawsuit, damages or judgment asserted, filed or obtained by Consultant or any person acting on Consultant's behalf with respect to any Claim subject to the Release, including costs and attorney fees, and further agree that they shall not bring, commence, institute, maintain or prosecute any action at law or proceeding in equity or any proceeding whatsoever based in whole or in part upon any Claim subject to the Release. Such right to indemnification shall survive the termination of this Agreement.

11. TAX EFFECTS.

The Company makes no representation as to whether or not any payments received by Consultant hereunder will be treated as includible in or excludable from gross income for purposes of any tax.

12. WAIVERS.

If any Party to this Agreement shall waive any breach of any provision of this Agreement, he, she or it shall not thereby be deemed to have waived any preceding or succeeding breach of the same or any other provision of this Agreement.

13. COUNTERPARTS.

This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument. The execution of this Agreement may be evidenced by signature transmitted by facsimile or by emailed scan, with original signatures to follow; provided, however, that if originals are not so provided, the signature transmitted by facsimile or emailed scan shall be for all purposes treated as an original signature.

14. GOVERNING LAW.

This Agreement shall be governed by, interpreted, construed, applied and enforced in accordance with the laws of the State of Hawaii, without reference to its conflict of laws provisions.

15. HEADINGS, NUMBER AND GENDER.

The headings are for the convenience of the parties, and shall not be considered in construing this Agreement. Feminine or neuter pronouns shall be substituted for those of masculine form or vice versa, and the plural shall be substituted for the singular number or vice versa, in the place or places herein where the context may require such substitution.

16. SEVERABILITY.

If one or more of the provisions contained in this Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby, and this Agreement shall thereupon be reformed, construed and enforced to the maximum extent permitted by applicable law.

17. NOTICES.

Any notice, consent, request or demand required or permitted to be given under the provisions of this Agreement shall be in writing, and shall be signed by the party giving or making the same. Such notice, consent, request or demand may be hand delivered, but if it is mailed to a Party, it shall be sent by electronic mail, United States mail, or other nationally recognized courier, postage prepaid, addressed to such Party's last known address. The date of such mailing shall be deemed the date of notice, consent, request or demand.

Notices to Consultant shall be addressed as follows:

Timothy K. Schools
29 Summit View Lane
Tuxedo, NC 28790

Notices to the Company shall be addressed as follows:

Constance H. Lau
Chairman of the Board & CEO
American Savings Bank, F.S.B.
1001 Bishop Street
Honolulu, HI 96813

18. AUTHORIZED REPRESENTATIVE.

The Company's Authorized Representative for purposes of this Agreement shall be the Company's Chief Executive Officer or such other person as may be designated in writing by the Company's Chief Executive Officer.

19. RESOLUTION OF DISPUTES.

Any controversy or claim arising out of or relating to this Agreement or the breach thereof, except a violation of confidentiality under Section 7 above (for which the remedy to seek immediate injunctive relief shall be preserved), shall be resolved by submitting the issue to confidential and binding arbitration in Honolulu pursuant to the rules and procedures of Dispute Prevention & Resolution of Hawaii, each party to bear its/his/her own costs subject to the award of the arbitrator.

20. TIME IS OF THE ESSENCE.

Time is of the essence with respect to all provisions of this Agreement specifying a time for performance, including Section 4.

21. ENTIRE AGREEMENT; AMENDMENT.

This Agreement constitutes the entire agreement of the Parties in respect of the subject matter described herein and supersedes any previous agreement. This Agreement may not be changed or modified except by an agreement in writing signed by the Parties hereto.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first above written.

/s/ Timothy K. Schools
Timothy K. Schools
"Consultant"

AMERICAN SAVINGS BANK, F.S.B.

By /s/ Constance H. Lau
Its: Chairman & CEO

(Back To Top)

Section 4: EX-10.2 (HEI EX-10.2)

HEI EXHIBIT 10.2

EXECUTION COPY

J.P.Morgan

CREDIT AGREEMENT

dated as of May 7, 2010

among

HAWAIIAN ELECTRIC INDUSTRIES, INC.,
as Borrower

The Lenders Party Hereto

and

BANK OF HAWAII,
as Co-Syndication Agent

and

U.S. BANK NATIONAL ASSOCIATION,
as Co-Syndication Agent

and

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Co-Syndication Agent

and

BANK OF AMERICA, N.A.,
as Co-Documentation Agent

and

UNION BANK, N.A.,
as Co-Documentation Agent

and

JPMORGAN CHASE BANK, N.A.,
as Administrative Agent and Issuing Bank

J.P. MORGAN SECURITIES INC.,
as Sole Lead Arranger and Sole Book Runner

TABLE OF CONTENTS

ARTICLE 1.	DEFINITIONS	1
Section 1.01	Defined Terms	1
Section 1.02	Terms Generally	17
Section 1.03	Accounting Terms; GAAP	17
ARTICLE 2.	THE CREDITS	17
Section 2.01	Commitments	17
Section 2.02	Revolving Loans and Borrowings	18
Section 2.03	Requests for Borrowings	18
Section 2.04	Funding of Borrowings	19
Section 2.05	Termination, Reduction and Increase of Commitments	19
Section 2.06	Repayment of Revolving Loans; Evidence of Debt	21
Section 2.07	Prepayment of Revolving Loans	22
Section 2.08	Payments Generally; Pro Rata Treatment; Sharing of Setoffs	23
Section 2.09	Letter of Credit Sub-Facility	24
Section 2.10	Letter of Credit Participation and Funding Commitments	25
Section 2.11	Absolute Obligation With Respect to Letter of Credit Payments; Cash Collateral; Replacement of Issuing Bank	26
Section 2.12	Defaulting Lenders	27
ARTICLE 3.	INTEREST, FEES, YIELD PROTECTION, ETC.	29
Section 3.01	Interest	29
Section 3.02	Interest Elections	29
Section 3.03	Fees	30
Section 3.04	Alternate Rate of Interest	31
Section 3.05	Increased Costs; Illegality	32
Section 3.06	Break Funding Payments	33
Section 3.07	Taxes	34
Section 3.08	Mitigation Obligations; Replacement of Lenders	35
ARTICLE 4.	REPRESENTATIONS AND WARRANTIES	36
Section 4.01	Organization; Powers	36
Section 4.02	Authorization; Enforceability	37
Section 4.03	Governmental Approvals; No Conflicts	37
Section 4.04	Financial Condition; No Material Adverse Effect	37
Section 4.05	Properties	37
Section 4.06	Litigation and Environmental Matters	38
Section 4.07	Compliance with Laws and Agreements	38
Section 4.08	Regulated Entities	38
Section 4.09	Taxes	38
Section 4.10	ERISA	38
Section 4.11	Disclosure	39
Section 4.12	Subsidiaries	39
Section 4.13	Federal Reserve Regulations	39
Section 4.14	Rankings	39
Section 4.15	Solvency	39

ARTICLE 5.	CONDITIONS	40
Section 5.01	Effective Date	40
Section 5.02	Each Credit Event	41
ARTICLE 6.	AFFIRMATIVE COVENANTS	41
Section 6.01	Financial Statements and Other Information	41
Section 6.02	Notices of Material Events	42
Section 6.03	Existence; Conduct of Business	43
Section 6.04	Payment of Obligations	43
Section 6.05	Maintenance of Properties; Insurance	43
Section 6.06	Books and Records; Inspection Rights	44
Section 6.07	Compliance with Laws	44
Section 6.08	Use of Proceeds	44
ARTICLE 7.	NEGATIVE COVENANTS	44
Section 7.01	Liens	44
Section 7.02	Sale of Assets; Consolidation; Merger; Sale and Leaseback	46
Section 7.03	Restrictive Agreements	47
Section 7.04	Transactions with Affiliates	48
Section 7.05	Capitalization Ratio	48
Section 7.06	Consolidated Net Worth	48
ARTICLE 8.	EVENTS OF DEFAULT	48
ARTICLE 9.	THE ADMINISTRATIVE AGENT	51
Section 9.01	Appointment	51
Section 9.02	Individual Capacity	51
Section 9.03	Exculpatory Provisions	51
Section 9.04	Reliance by Administrative Agent	51
Section 9.05	Performance of Duties	52
Section 9.06	Resignation; Successors	52
Section 9.07	Non-Reliance by Credit Parties	52
Section 9.08	Agents	52
ARTICLE 10.	MISCELLANEOUS	53
Section 10.01	Notices	53
Section 10.02	Waivers; Amendments	54
Section 10.03	Expenses; Indemnity; Damage Waiver	55
Section 10.04	Successors and Assigns	56
Section 10.05	Survival	59
Section 10.06	Counterparts; Integration; Effectiveness	60
Section 10.07	Severability	60
Section 10.08	Right of Setoff	60
Section 10.09	Governing Law; Jurisdiction; Consent to Service of Process	60
Section 10.10	WAIVER OF JURY TRIAL	61
Section 10.11	Headings	61
Section 10.12	Confidentiality	61

Section 10.13 Interest Rate Limitation 62
Section 10.14 No Third Parties Benefited 62
Section 10.15 USA PATRIOT Act Notice 62
Section 10.16 No Fiduciary Duty 63

SCHEDULES:

Schedule 1.01 Capitalization

Schedule 1.01 Consolidated Funded Debt

Schedule 1.01 Funded Debt

Schedule 2.01 Commitments

Schedule 4.12 Subsidiaries

Schedule 7.01 Existing Liens

Schedule 7.03 Existing Restrictions

EXHIBITS:

Exhibit A Form of Assignment and Acceptance

Exhibit B-1 Form of Opinion of Jenner & Block LLP

Exhibit B-2 Form of Opinion of Chet A. Richardson, Esq., Senior Vice President, General Counsel, and Chief Administrative Officer of the Borrower

Exhibit C Form of Note

Exhibit D Form of Borrowing Request

Exhibit E Form of Letter of Credit Request

Exhibit F Form of Increase Request

Exhibit G Form of Interest Election Request

CREDIT AGREEMENT, dated as of May 7, 2010 (this "***Agreement***"), among HAWAIIAN ELECTRIC INDUSTRIES, INC., as Borrower, the Lenders party hereto and JPMORGAN CHASE BANK, N.A., as Administrative Agent and Issuing Bank.

The parties hereto agree as follows:

ARTICLE 1. DEFINITIONS

Section 1.01 Defined Terms

As used in this Agreement, the following terms have the meanings specified below:

"***ABR Loan***" or "***ABR Borrowing***", when used in reference to any Revolving Loan or Borrowing, refers to such Revolving Loan, or the Revolving Loans comprising such Borrowing, bearing interest at a rate determined by reference to the Alternate Base Rate.

"***Adjusted LIBO Rate***" means, with respect to any Eurodollar Borrowing for any Interest Period, an interest rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to (a) the LIBO Rate for such Interest Period multiplied by (b) the Statutory Reserve Rate.

"***Administrative Agent***" means JPMCB, in its capacity as administrative agent for the Lenders hereunder, or any successor thereto in such capacity.

"***Administrative Questionnaire***" means an Administrative Questionnaire in a form supplied by the Administrative Agent.

"***Affiliate***" means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

"***Aggregate Credit Exposure***" means, at any time, the sum at such time of (a) the outstanding principal balance of the Revolving Loans of all Lenders and (b) the Aggregate Letter of Credit Exposure.

"***Aggregate Letter of Credit Commitments***" means, at any time, the sum at such time of the Letter of Credit Commitments of all Lenders.

"***Aggregate Letter of Credit Exposure***" means, at any time, the sum at such time of the Letter of Credit Exposure of all of the Lenders.

"***Aggregate Revolving Commitments***" means, at any time, the sum at such time of the Revolving Commitments of all Lenders. The initial amount of the Aggregate Revolving Commitments is $125,000,000.

"***Alternate Base Rate***" means, for any day, a rate per annum equal to the greatest of (a) the Prime Rate in effect on such day, (b) the sum of Federal Funds Rate in effect on such day plus 1/2 of 1% per annum and (c) the Adjusted LIBO Rate for a one month Interest Period on such day (or if such day is not a Business Day, the immediately preceding Business Day) plus 1% per annum, provided that, for the avoidance of doubt, the Adjusted LIBO Rate for any day shall be based on the rate appearing on Reuters Screen LIBOR01 Page (or on any successor or substitute page of such page) at approximately 11:00 a.m. London time on such day. Any change in the Alternate Base Rate due to a change in the Prime Rate, the Federal Funds Rate or the

Adjusted LIBO Rate shall be effective from and including the effective date of such change in the Prime Rate, the Federal Funds Rate or the Adjusted LIBO Rate, respectively.

"***Applicable Margin***" means with respect to: (a) any Eurodollar Borrowings and any Letters of Credit, at all times during which the applicable Pricing Level set forth below is in effect, the percentage set forth below under the heading "Eurodollar Margin" and adjacent to such Pricing Level, (b) any ABR Borrowings, at all times during which the applicable Pricing Level set forth below is in effect, the percentage set forth below under the heading "ABR Margin" and adjacent to such Pricing Level and (c) with respect to the commitment fee payable under Section 3.03 (a), at all times during which the applicable Pricing Level set forth below is in effect, the percentage set forth below under the heading "Commitment Fee Rate" and adjacent to such Pricing Level, in each case, subject to the provisos set forth below:

Pricing Level	Issuer Ratings (S&P/Moody's)	Commitment Fee Rate	Eurodollar Margin	ABR Margin
I	(A-/A3) or higher	0.25%	1.75%	0.75%
II	(BBB+/Baa1)	0.30%	2.00%	1.00%
III	(BBB/Baa2)	0.40%	2.25%	1.25%
IV	(BBB-/Baa3)	0.45%	2.50%	1.50%
V	(BB+/Ba1) or lower	% 0.50	% 3.00	% 2.00

If the applicable Issuer Ratings by S&P and Moody's are split-rated (i) by one rating category, the Pricing Level shall be determined by the higher of the two (e.g., an Issuer Rating of BBB-/Baa2 results in Pricing Level III) and (ii) by more than one rating category, the Pricing Level shall be determined by the level one below the higher rating by either S&P or Moody's (e.g., an Issuer Rating of BBB-/Baa1 results in Pricing Level III and an Issuer Rating of BBB+/Baa3 results in Pricing Level III). Each change in the Applicable Margin shall apply during the period commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change. If the rating system of S&P or Moody's shall change, or if either such rating agency shall cease to be in the business of rating corporate debt obligations, the Borrower and the Administrative Agent (in consultation with the Lenders) shall negotiate in good faith to amend this definition to reflect such changed rating system or the unavailability of ratings from such rating agency and, pending the effectiveness of any such amendment, the Applicable Margin shall be determined by reference to the rating most recently in effect prior to such change or cessation.

"***Applicable Percentage***" means, with respect to any Lender, the percentage of the total Commitments represented by such Lender's Commitments; provided that, in the case of Section 2.12 when a Defaulting Lender shall exist, "Applicable Percentage" shall mean the percentage of the total Commitments (disregarding any Defaulting Lender's Commitments) represented by such Lender's Commitments. If the Commitments have terminated or expired, the Applicable Percentages shall be determined based upon the Commitments most recently in effect, giving effect to any assignments and to any Lender's status as a Defaulting Lender at the time of such determination.

"***Approved Fund***" means, with respect to any Lender, any Person (other than a natural person) that is (or will be) engaged in making, purchasing holding or otherwise investing in bank loans and similar extensions of credit in the ordinary course of its business that is administered or managed by (a) such Lender or (b) an Affiliate of such Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

"***Assignment and Acceptance***" means an assignment and acceptance entered into by a Lender and an assignee (with the consent of each party whose consent is required by Section 10.04), and accepted by the Administrative Agent, substantially in the form of Exhibit A or any other form approved by the Administrative Agent.

"***Availability Period***" means the period from and including the Effective Date to (but excluding) the Commitment Termination Date.

"***Bankruptcy Code***" means the United States Bankruptcy Code of 1978, as amended.

"***Board***" means the Board of Governors of the Federal Reserve System of the United States of America.

"***Borrower***" means Hawaiian Electric Industries, Inc., a Hawaii corporation.

"***Borrowing***" means Revolving Loans of the same Type made, converted or continued on the same date and, in the case of Eurodollar Loans, as to which a single Interest Period is in effect.

"***Borrowing Request***" means a request by the Borrower for a Borrowing in accordance with Section 2.03 in substantially the form annexed hereto as Exhibit D.

"***Business Day***" means any day other than a Saturday, Sunday or a day when banks are authorized by law to close in New York, New York or Honolulu, Hawaii or, when used with reference to a Eurodollar Loan, in London, England.

"***Capital Lease Obligations***" of any Person means the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP, provided however, no power purchase agreement with an independent power producer or a power producer which is not an Affiliate of the Borrower shall constitute a Capital Lease Obligation.

"***Capitalization***" means, at any date of determination with respect to the Borrower on a non-consolidated basis, the sum of (a) Funded Debt, (b) preferred stock and (c) Common Stock Equity. The Borrower's Capitalization as of December 31, 2009 is annexed hereto as Schedule 1.01 (Capitalization); for the avoidance of doubt, such Schedule is attached hereto for illustrative purposes only and is not intended to be a calculation of Capitalization on or for any subsequent date of determination.

"***Capitalization Ratio***" means, at any date of determination, the ratio of (a) Funded Debt to (b) Capitalization.

"***Change in Control***" means (a) the acquisition of ownership, directly or indirectly, beneficially or of record, by any Person or group (within the meaning of the Securities Exchange Act of 1934 and the rules of the SEC thereunder as in effect on the Effective Date) of shares representing more than 50% of the aggregate ordinary voting power represented by the issued and outstanding capital stock of the Borrower; and (b) occupation of a majority of the seats (other than vacant seats) on the board of directors of the Borrower by Persons who were neither (i) nominated by the board of directors of the Borrower, nor (ii) appointed by directors so nominated.

"***Change in Law***" means the occurrence after the Effective Date of (a) the adoption of any law, rule or regulation, (b) any change in any law, rule or regulation or in the interpretation or application thereof by any Governmental Authority, or (c) the making of any request, guideline or directive (whether or not having the force of law) of any Governmental Authority requiring compliance by any Credit Party (or, for purposes of Section 3.05(b), by any lending office of such Credit Party or by such Credit Party's holding company, if any).

"***Code***" means the Internal Revenue Code of 1986, as amended from time to time.

"***Commitments***" means the Revolving Commitments and the Letter of Credit Commitments.

"***Commitment Percentage***" means, as to any Lender in respect of such Lender's Commitments and its obligations with respect to Revolving Loans and Letters of Credit, the percentage equal to such Lender's Revolving Commitment and Letter of Credit Commitment divided by the total of all Lenders' Revolving Commitments and Letter of Credit Commitments (or, if no Commitments then exist, the percentage equal to such Lender's Revolving Commitment and Letter of Credit Commitment on the last day upon which Commitments did exist divided by the total of all Lenders' Revolving Commitments and Letter of Credit Commitments, on such day).

"***Commitment Termination Date***" means the earliest of (a) May 7, 2013, (b) the date on which the Commitments are terminated in whole pursuant to Section 2.05 and (c) the date the Commitments are terminated in whole pursuant to Article 8.

"***Common Stock Equity***" means, at any date of determination with respect to the Borrower on a non-consolidated basis, the sum of (a) common stock, (b) premium and/or expenses on common stock and preferred stock, (c) additional paid-in capital, and (d) retained earnings, excluding Accumulated Other Comprehensive Income or Loss (AOCI) as defined by GAAP, as such definitions now exist and as they may hereafter be amended but subject to Section 1.03 except with respect to matters affecting AOCI, and excluding adjustments made directly to stockholders' equity as a result of any future issued accounting standards, adopted by the Borrower, that will require adjustments directly to stockholders' equity.

"***Consolidated Capitalization***" means, at any date of determination with respect to the Borrower and its Subsidiaries on a consolidated basis, the sum of (a) Consolidated Funded Debt, (b) preferred stock of the Borrower and its Subsidiaries and (c) Consolidated Common Stock Equity.

"***Consolidated Common Stock Equity***" means, at any date of determination, with respect to the Borrower and its Subsidiaries on a consolidated basis, the sum of (a) common stock, (b) premium and/or expenses on common stock and preferred stock, (c) additional paid-in capital, and(d) retained earnings, excluding Accumulated Other Comprehensive Income or Loss (AOCI) as defined by GAAP, as such definitions now exist and as they may hereafter be amended but subject to Section 1.03 except with respect to matters affecting AOCI, and excluding adjustments made directly to stockholders' equity as a result of any future issued accounting standards, adopted by the Borrower, that will require adjustments directly to stockholders' equity.

"***Consolidated Funded Debt***" means, at any date of determination with respect to the Borrower and its Subsidiaries on a consolidated basis, the sum of (a) net long-term debt, defined as the portion of outstanding bonds, debentures and similar debt obligations (including Capital Lease Obligations, Purchase Money Indebtedness and Indebtedness under this Agreement or the

HECO Credit Agreement), net of cash collateral or other funds on deposit with trustees and unamortized discounts in respect of such bonds, debentures and obligations, that is due one year or more from the date of the relevant balance sheet on which such debt is included, (b) net long-term debt (as so defined) due within one year, defined as the portion of outstanding bonds and debentures and similar debt obligations (including Capital Lease Obligations, Purchase Money Indebtedness and Indebtedness under this Agreement or the HECO Credit Agreement) that is due within one year from the date of the relevant balance sheet on which such long-term debt is included and (c) short-term borrowings, including Purchase Money Indebtedness, as included on and defined in the relevant balance sheet; provided, however, no Indebtedness of independent power producers, or other power producers which are not Affiliates of the Borrower, included on a balance sheet of the Borrower by reason of the application of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 810 (formerly referred to as FASB Interpretation No. 46 (revised December 2003)) shall constitute Consolidated Funded Debt. A schedule of Consolidated Funded Debt as of December 31, 2009 is annexed hereto as Schedule 1.01 (Consolidated Funded Debt); for the avoidance of doubt, such Schedule is attached hereto for illustrative purposes only and is not intended to be a calculation of Consolidated Funded Debt on or for any subsequent date of determination.

"***Consolidated Net Worth***" means, as of the date of any determination thereof, the sum of the Consolidated Common Stock Equity and preferred stock of the Borrower and its Subsidiaries.

"***Control***" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. The terms "Controlling" and "Controlled" have meanings correlative thereto.

"***Credit Exposure***" means, with respect to any Lender as of any date, the sum as of such date of (a) the outstanding principal balance of such Lender's Revolving Loans, plus (b) such Lender's Letter of Credit Exposure.

"***Credit Parties***" means the Administrative Agent, the Issuing Bank and the Lenders.

"***Current SEC Reports***" means (a) the Annual Report of the Borrower to the SEC on Form 10K for the fiscal year ended December 31, 2009 and (b) any current reports of the Borrower to the SEC on Form 8K filed prior to the Effective Date.

"***Default***" means any event or condition which constitutes an Event of Default or that upon notice, lapse of time or both would, unless cured or waived, become an Event of Default.

"***Defaulting Lender***" means any Lender, as reasonably determined by the Administrative Agent, that has (a) failed to fund any portion of its Revolving Loans or participations in Letters of Credit within three (3) Business Days of the date required to be funded by it hereunder unless such failure to fund is based on such Lender's good faith determination that the conditions precedent to such funding under this Agreement have not been satisfied or waived and such Lender has notified the Administrative Agent in writing of such determination, (b) notified the Borrower, the Administrative Agent, the Issuing Bank or any other Lender in writing that it does not intend to comply with any of its funding obligations under this Agreement or has made a public statement to the effect that it does not intend to comply with its funding obligations under this Agreement or under other agreements in which it commits to extend credit, (c) failed, within three (3) Business Days after request by the Administrative Agent, to confirm that it will comply with the terms of this Agreement relating to its obligations to fund prospective Revolving Loans and participations in then outstanding Letters of Credit (provided that any such Lender shall cease

to be a Defaulting Lender under this clause (c) upon receipt of such confirmation by the Administrative Agent), (d) otherwise failed to pay over to the Administrative Agent or any other Lender any other amount required to be paid by it hereunder within three (3) Business Days of the date when due, unless the subject of a good faith dispute, or (e) (i) has been adjudicated as, or determined by any Governmental Authority having regulatory authority over such Person or its assets to be, insolvent or has a parent company that has been adjudicated as, or determined by any Governmental Authority having regulatory authority over such Person or its assets to be, insolvent or (ii) become the subject of a bankruptcy or insolvency proceeding, or has had a receiver, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or custodian, appointed for it, or has taken any action in furtherance of, or indicating its consent to, approval of or acquiescence in any such proceeding or appointment or has a parent company that has become the subject of a bankruptcy or insolvency proceeding, or has had a receiver, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or custodian appointed for it, or has taken any action in furtherance of, or indicating its consent to, approval of or acquiescence in any such proceeding or appointment; provided, that a Lender shall not become a Defaulting Lender solely as the result of (x) the acquisition or maintenance of an ownership interest in such Lender or a Person controlling such Lender or (y) the exercise of control over a Lender or a Person controlling such Lender, in each case, by a Governmental Authority or an instrumentality thereof.

"***Disclosed Matters***" means the matters (a) disclosed in the current and periodic reports filed by the Borrower from time to time with the SEC pursuant to the requirements of the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder, or (b) disclosed by the Borrower to the Lenders (either directly or indirectly through the Administrative Agent) in writing.

"***Dollars***" or "***$***" refers to lawful money of the United States of America.

"***Effective Date***" means the date on which the conditions specified in Section 5.01 are satisfied (or waived in accordance with Section 10.02).

"***Eligible Assignee***" means (a) a Credit Party; (b) an Affiliate of a Credit Party; (c) an Approved Fund; and (d) any other financial institution approved by (i) the Administrative Agent, (ii) the Issuing Bank and (iii) unless a Default has occurred under Article 8(a), Article 8(i) or Article 8(j), and is continuing, the Borrower (each such approval not to be unreasonably withheld or delayed); provided, however, that neither the Borrower nor any Subsidiary or Affiliate of the Borrower shall qualify as an Eligible Assignee under this definition.

"***Environmental Laws***" means all laws, rules, regulations, codes, ordinances, orders, decrees, judgments, injunctions, notices or binding agreements issued, promulgated or entered into by any Governmental Authority, relating in any way to the environment, preservation or reclamation of natural resources, the management, release or threatened release into the environment of any Hazardous Material or to health and safety matters concerning Hazardous Materials.

"***Environmental Liability***" means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the Borrower or any Subsidiary directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment, or (e) any contract,

agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

"***Equity Interest***" shall mean (a) shares of capital stock and any other equity security that confers on a person or entity the right to receive a share of the profits and losses of, or distribution of assets of, the issuing company and (b) all warrants, options or other rights to acquire any Equity Interest described in clause (a) of this definition.

"***ERISA***" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"***ERISA Affiliate***" means any trade or business (whether or not incorporated) that, together with the Borrower or any Subsidiary, is treated with the Borrower as a single employer under Section 414(b) or (c) of the Code or, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated with the Borrower as a single employer under Section 414 of the Code.

"***ERISA Event***" means (a) any "reportable event", as defined in Section 4043 of ERISA or the regulations issued thereunder with respect to a Plan (other than an event for which the 30-day notice period is waived); (b) the failure with respect to any Plan to pay the "minimum required contribution" (as defined in Section 430 of the Code or Section 303 of ERISA), unless waived; (c) the incurrence by the Borrower or any ERISA Affiliate of any liability under Title IV of ERISA with respect to the termination of any Plan; (d) the receipt by the Borrower or any ERISA Affiliate from the PBGC or a plan administrator of any notice relating to an intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan; (e) the incurrence by the Borrower or any ERISA Affiliate of any liability with respect to the withdrawal or partial withdrawal from any Plan or Multiemployer Plan; or (f) the receipt by the Borrower or any ERISA Affiliate of any notice, or the receipt by any Multiemployer Plan from the Borrower or any ERISA Affiliate of any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA.

"***Eurodollar Loan***" or "***Eurodollar Borrowing***", when used in reference to any Revolving Loan or Borrowing, refers to whether such Revolving Loan, or the Revolving Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Adjusted LIBO Rate. For the avoidance of doubt, a Revolving Loan that bears interest at a rate determined pursuant to clause (c) of the definition of Alternate Base Rate shall, for all purposes of this Agreement, be deemed to be an ABR Loan and not a Eurodollar Loan.

"***Event of Default***" has the meaning assigned to such term in Article 8.

"***Excluded Taxes***" means, with respect to any Credit Party or any other recipient of any payment to be made by or on account of any obligation of the Borrower under any Loan Document, (a) income, franchise or other taxes imposed on (or measured by) its net income by the United States of America, or by the jurisdiction under the laws of which such Credit Party or other recipient is organized or in which its principal office is located or in which its applicable lending office is located, (b) any branch profits taxes imposed by the United States of America or any similar tax imposed by any other jurisdiction in which the Borrower is located, (c) in the case of a Foreign Lender (other than an assignee pursuant to a request by the Borrower under Section 3.08(b)), any withholding tax that is imposed on amounts payable to such Foreign Lender at the time such Foreign Lender becomes a party to this Agreement (or designates a new lending office) or is attributable to such Foreign Lender's failure to comply with Section 3.07(e), except

to the extent that such Foreign Lender (or its assignor, if any) was entitled, at the time of designation of a new lending office (or assignment), to receive additional amounts from the Borrower with respect to such withholding tax pursuant to Section 3.07(a) and (d) any taxes imposed as a result of a Foreign Lender's failure to satisfy the reporting requirements as set forth in Sections 1471 and 1472 of the Code (or regulation or administrative guidance promulgated thereunder).

"***Existing Credit Agreement***" means that certain Credit Agreement, dated as of March 31, 2006 (as amended, modified, or supplemented and as in effect on the Effective Date), between the Borrower, the lenders party thereto, Bank of Hawaii and First Hawaiian Bank, as co-syndication agents, Wells Fargo Bank, N.A., U.S. Bank National Association and Union Bank of California, N.A., as co-documentation agents, and The Bank of New York Mellon (formerly known as The Bank of New York), as administrative agent and issuing bank thereunder.

"***Federal Funds Rate***" means, for any day, the rate per annum (rounded, if necessary, to the next greater 1/100 of 1%) equal to the rate per annum published by the Federal Reserve Bank of New York on such day, provided that if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate published by the Federal Reserve Bank on the next preceding Business Day; and provided, further, that if such rate ceases to be so published, the Federal Funds Rate for any day that is a Business day shall be the weighted average of the quotations for the day of such transactions received by the Administrative Agent from three federal funds brokers of recognized standing selected by it.

"***Financial Officer***" means the senior financial vice president, the principal accounting officer, the treasurer or the controller of the Borrower.

"***Foreign Lender***" means any Lender that is organized under the laws of a jurisdiction other than that in which the Borrower is located. For purposes of this definition, the United States of America, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

"***Funded Debt***" means, at any date of determination with respect to the Borrower on a non-consolidated basis, the sum of (a) net long-term debt, defined as the portion of outstanding bonds, debentures and similar debt obligations (including Capital Lease Obligations, Purchase Money Indebtedness and Indebtedness under this Agreement), net of cash collateral or other funds on deposit with trustees and unamortized discounts in respect of such bonds, debentures and obligations, that is due one year or more from the date of the relevant balance sheet on which such debt is included, (b) net long-term debt (as so defined) due within one year, defined as the portion of outstanding bonds and debentures and similar debt obligations (including Capital Lease Obligations, Purchase Money Indebtedness and Indebtedness under this Agreement) that is due within one year from the date of the relevant balance sheet on which such long-term debt is included and (c) short-term borrowings, including Purchase Money Indebtedness, as included on and defined in the relevant balance sheet; provided, however, no Indebtedness of independent power producers, or other power producers which are not Affiliates of the Borrower, included on a balance sheet of the Borrower by reason of the application of Financial Accounting Standards Board Interpretation No. 46 (revised December 2003) shall constitute Funded Debt. A schedule of Funded Debt as of December 31, 2009 is annexed hereto as Schedule 1.01 (Funded Debt); for the avoidance of doubt, such Schedule is attached hereto for illustrative purposes only and is not intended to be a calculation of Funded Debt on or for any subsequent date of determination.

"***GAAP***" means generally accepted accounting principles in the United States of America.

"***Governmental Authority***" means the government of the United States of America, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government, including the Hawaii Public Utilities Commission, the SEC and the Federal Energy Regulatory Commission.

"***Guarantee***" of or by any Person (the "guarantor") means any obligation, contingent or otherwise, of the guarantor guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation of any other Person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of the guarantor, direct or indirect,

(a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation or to purchase (or to advance or supply funds for the purchase of) any security for the payment thereof,

(b) to purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness or other obligation of the payment thereof,

(c) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation, or

(d) as an account party in respect of any letter of credit or letter of guaranty issued to support such Indebtedness or obligation;

provided that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The amount of any Guarantee of any guarantor shall be deemed to be the lower of (a) an amount equal to the stated or determinable amount of the primary obligation in respect of which such Guarantee is made and (b) the maximum amount for which such guarantor may be liable pursuant to the terms of the instrument embodying such Guarantee, unless such primary obligation and the maximum amount for which such guarantor may be liable are not stated or determinable, in which case the amount of such Guarantee shall be such guarantor's maximum reasonably anticipated liability in respect thereof as determined by the Borrower in good faith. The term "***Guaranteed***" has a meaning correlative thereto.

"***Hazardous Materials***" means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

"***HECO***" means Hawaiian Electric Company, Inc., a Hawaii corporation.

"***HECO Cash Manager***" means, to the extent having received a legally valid delegation of authority from the Borrower with respect to borrowings and investments to be made by the Borrower and its Subsidiaries, the Cash Management Administrator of HECO, the Treasury Analyst of HECO, or the Securities Administrator of HECO, or any other person having received such authority; it being understood and agreed that (i) such person need not be a Financial Officer or an employee of the Borrower, and (ii) the Administrative Agent shall be entitled to rely on telephonic notice received from the HECO Cash Manager for all purposes of Sections 2.03, 2.07(e) and 3.02(b).

"***HECO Credit Agreement***" means the Credit Agreement, dated the date hereof, among HECO, the lenders party thereto, and JPMCB, as Administrative Agent, as amended, modified, supplemented, replaced or refinanced from time to time.

"***Hedging Agreement***" means any interest rate protection agreement, foreign currency exchange agreement, commodity price protection agreement or other interest or currency exchange rate or commodity price hedging arrangement.

"***Increase Request***" means a request by the Borrower for an increase of the total Commitments in accordance with Section 2.05(d).

"***Indebtedness***" of any Person means, without duplication,

(a) all obligations of such Person for borrowed money,

(b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments,

(c) all obligations of such Person upon which interest charges are customarily paid,

(d) all obligations of such Person under conditional sale or other title retention agreements relating to property acquired by such Person,

(e) all obligations of such Person in respect of the deferred purchase price of property or services (excluding accounts payable incurred in the ordinary course of business),

(f) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such Person, whether or not the Indebtedness secured thereby has been assumed,

(g) all Guarantees by such Person of Indebtedness of others,

(h) all Capital Lease Obligations of such Person,

(i) all obligations, contingent or otherwise, of such Person as an account party in respect of letters of credit and letters of guaranty, and

(j) all obligations, contingent or otherwise, of such Person in respect of bankers' acceptances.

The Indebtedness of any Person shall include the Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness provide that such Person is not liable therefor. Indebtedness of the Borrower or any Subsidiary shall not include deposit liabilities, securities sold pursuant to agreements to repurchase or advances from the Federal Home Loan Bank.

"***Indemnified Taxes***" means Taxes other than (i) Excluded Taxes or (ii) Other Taxes.

"***Indemnitee***" has the meaning assigned to such term in Section 10.03(b).

"***Information***" has the meaning assigned to such term in Section 10.12.

"***Insolvent***" means, with reference to any Person, (a) such Person's debts are greater than all of such Person's property, at a fair valuation (as determined in the good faith judgment of such Person), exclusive of (i) property transferred, concealed, or removed with intent to hinder, delay, or defraud such Person's creditors, and (ii) property that may be exempted from property of the estate under Section 522 of the Bankruptcy Code, or (b) such Person is generally not paying its debts as they become due or is unable to pay its debts as they become due.

"***Interest Election Request***" means a request by the Borrower to convert or continue a Borrowing in accordance with Section 3.02 and substantially in the form annexed hereto as Exhibit G.

"***Interest Payment Date***" means (a) with respect to the accrued interest on any ABR Loan, the first Business Day of each January, April, July and October and the Commitment Termination Date, and (b) with respect to the accrued interest on any Eurodollar Loan, the last day of the Interest Period applicable to the Borrowing of which such Revolving Loan is a part and, in the case of a Eurodollar Borrowing with an Interest Period of more than three months' duration, each day prior to the last day of such Interest Period that occurs at intervals of three months' duration after the first day of such Interest Period and the Commitment Termination Date.

"***Interest Period***" means, with respect to any Eurodollar Borrowing, the period commencing on the date of such Borrowing and ending (x) two weeks thereafter or (y) on the numerically corresponding day in the calendar month that is one, two, three or six months thereafter, as the Borrower may elect, provided that (a) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day, unless such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day, (b) any Interest Period selected pursuant to clause (y) above that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

"***Issuer Ratings***" means the Borrower's corporate issuer ratings from either S&P or Moody's.

"***Issuing Bank***" means JPMCB in its capacity as issuer of the Letters of Credit, or any successor thereto in such capacity as provided in Section 2.1(c).

"***JPMCB***" means JPMorgan Chase Bank, N.A., a national banking association.

"***Lenders***" means the Persons listed on Schedule 2.01 and any other Person that shall have become a party hereto pursuant to Section 2.05(d) or pursuant to an Assignment and Acceptance, other than any such Person that ceases to be a party hereto pursuant to an Assignment and Acceptance.

"***Letter of Credit***" has the meaning assigned to such term in Section 2.09.

"***Letter of Credit Commitment***" means the commitment of the Issuing Bank to issue Letters of Credit having an aggregate outstanding face amount up to $50,000,000 and the commitment of each Lender to participate in the Letter of Credit Exposure as set forth in Section 2.10 in the maximum amount set forth in Schedule 2.01 under the heading "Letter of Credit Commitment" or in an Assignment and Acceptance Agreement or other documents pursuant to which it became a Lender, as such amount may be reduced from time to time in accordance herewith.

"***Letter of Credit Exposure***" means, at any time, (a) in respect of all the Lenders, the sum at such time, without duplication, of (i) the aggregate undrawn face amount of the outstanding Letters of Credit, (ii) the aggregate amount of unpaid drafts drawn on all Letters of Credit, and (iii) the aggregate unpaid Reimbursement Obligations (after giving effect to any Revolving Loans made on such date to pay any such Reimbursement Obligations), and (b) in respect of any Lender, an amount equal to such Lender's Commitment Percentage multiplied by the amount determined under clause (i) of this definition.

"***Letter of Credit Fee***" has the meaning assigned to such term in Section 3.03(b).

"***Letter of Credit Request***" means, a request by the Borrower for the issuance of a Letter of Credit in the form of Exhibit E.

"***LIBO Rate***" means, with respect to any Eurodollar Borrowing for any Interest Period, the rate appearing on Reuters Screen LIBOR01 Page (or on any successor or substitute page of such Service, or any successor to or substitute for such Service, providing rate quotations comparable to those currently provided on such page of such Service), as determined by the Administrative Agent from time to time for purposes of providing quotations of interest rates applicable to dollar deposits in the London interbank market) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, as the rate offered to leading banks for dollar deposits with a maturity comparable to such Interest Period. In the event that such rate does not appear on Reuters Screen LIBOR01 Page (or otherwise on such screen), the "LIBO Rate" shall be determined by reference to such other comparable publicly available service for displaying eurodollar rates as may be selected by the Administrative Agent or, in the absence of such availability, by reference to the rate at which the Administrative Agent is offered Dollar deposits at or about 11:00 a.m. New York City time, two Business Days prior to the beginning of such Interest Period in the interbank eurodollar market where the eurodollar and foreign currency and exchange operations of the Administrative Agent are then being conducted for delivery on the first day of such Interest Period for the number of days comprised therein and in an amount comparable to the amount of the Eurodollar Borrowing.

"***Lien***" means, with respect to any asset, (a) any mortgage, deed of trust, lien, pledge, hypothecation, encumbrance, charge or security interest in, on or of such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement relating to such asset, and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

"***Loan Documents***" means this Agreement, the Notes, the Reimbursement Agreements and, if applicable, any Hedging Agreement between the Borrower and any Lender.

"***Margin Stock***" has the meaning assigned to such term in Regulation U.

"***Material Adverse Effect***" means a material adverse effect on (a) the business, operations, property or condition (financial or otherwise) of the Borrower and its Subsidiaries,

taken as a whole, or (b) the validity or enforceability of any of the Loan Documents or the rights and remedies of the Administrative Agent and the Lenders thereunder.

"***Material Indebtedness***" means all Indebtedness of the Borrower (other than Indebtedness under the Loan Documents) or obligations in respect of one or more Hedging Agreements in an aggregate principal amount exceeding $50,000,000. For purposes of determining Material Indebtedness, the "principal amount" of the obligations of the Borrower in respect of any Hedging Agreement at any time shall be the maximum aggregate amount (giving effect to any netting agreements) that the Borrower would be required to pay if such Hedging Agreement were terminated at such time.

"***Material Subsidiary Indebtedness***" means all Indebtedness of any Significant Subsidiaries or obligations of any Significant Subsidiary in respect of one or more Hedging Agreements in an aggregate principal amount exceeding $50,000,000. For purposes of determining Material Subsidiary Indebtedness, the "principal amount" of the obligations of any Significant Subsidiary in respect of any Hedging Agreement at any time shall be the maximum aggregate amount (giving effect to any netting agreements) that such Significant Subsidiary would be required to pay if such Hedging Agreement were terminated at such time.

"***Material Subsidiary Indebtedness Event***" means;

(a) any Significant Subsidiary shall fail to make any payment (whether of principal or interest and regardless of amount) in respect of any Material Subsidiary Indebtedness, when and as the same shall become due and payable and after the expiration of any applicable grace period; or

(b) any event or condition occurs that results in any Material Subsidiary Indebtedness becoming due prior to its scheduled maturity or that enables or permits (with or without the giving of notice, the lapse of time or both) the holder or holders of any Material Subsidiary Indebtedness or any trustee or agent on its or their behalf to cause any Material Subsidiary Indebtedness to become due, or to require the prepayment, repurchase, redemption or defeasance thereof, prior to its scheduled maturity, provided, that no Material Subsidiary Indebtedness Event shall be deemed to have occurred under this definition as a result of (i) any notice of voluntary prepayment delivered by any Significant Subsidiary with respect to any Indebtedness, (ii) any voluntary sale of assets by any Significant Subsidiary as a result of which any Indebtedness secured by such assets is required to be prepaid or (iii) the exercise of any contractual right to cause the prepayment of such Material Subsidiary Indebtedness (other than the exercise of a remedy for an event of default under the applicable contract or agreement).

"***Moody's***" means Moody's Investors Service, Inc., or its successors

"***Multiemployer Plan***" means a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"***Notes***" means, with respect to each Lender, a promissory note evidencing such Lender's Revolving Loans payable to the order of such Lender (or, if required by such Lender, to such Lender and its registered assigns) substantially in the form of Exhibit C.

"***Other Taxes***" means any and all current or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, the Loan Documents, other than Excluded Taxes.

"***Participant***" has the meaning assigned to such term in Section 10.04(g).

"***PBGC***" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA and any successor entity performing similar functions.

"***Permitted Investments***" means, at any time, investments as allowed in accordance with the HEI and HECO Cash Management Investment Guidelines dated March 1, 1991, as amended on December 21, 1993, in each case as disclosed to the Administrative Agent prior to the Effective Date and as the same may be amended from time to time with the written consent of the Administrative Agent, such consent not to be unreasonably delayed or withheld.

"***Person***" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

"***Plan***" means any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA, and in respect of which the Borrower, any Subsidiary or any ERISA Affiliate is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"***Pricing Level I***" means at any time the Borrower's Issuer Rating is (a) A- or higher by S&P or (b) A3 or higher by Moody's.

"***Pricing Level II***" means at any time the Borrower's Issuer Rating is (a) BBB+ or higher by S&P or (b) Baa1 or higher by Moody's, and Pricing Level I is not applicable.

"***Pricing Level III***" means at any time the Borrower's Issuer Rating is (a) BBB or higher by S&P or (b) Baa2 or higher by Moody's, and Pricing Levels I and II are not applicable.

"***Pricing Level IV***" means at any time the Borrower's Issuer Rating is (a) BBB- or higher by S&P or (b) Baa3 or higher by Moody's, and Pricing Levels I, II and III are not applicable.

"***Pricing Level V***" means at any time the Borrower's Issuer Rating is (a) less than or equal to BB+ by S&P or (b) less than or equal to Ba1 by Moody's.

"***Prime Rate***" means the rate of interest per annum publicly announced from time to time by JPMCB as its prime rate in effect at its principal office in New York City; each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective. The Prime Rate is not intended to be lowest rate of interest charged by JPMCB in connection with extensions of credit to borrowers.

"***Purchase Money Indebtedness***" means Indebtedness of the Borrower that is incurred to finance part or all of (but not more than) the purchase price of a tangible asset; provided that (a) the Borrower did not at any time prior to such purchase have any interest in such asset other than an option to purchase, a security interest, or an interest as lessee under an operating lease and (b) such Indebtedness is incurred at the time of, or within 90 days after, such purchase.

"***Register***" has the meaning assigned to such term in Section 10.04(e).

"***Regulation D***" means Regulation D of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"***Regulation T***" means Regulation T of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"***Regulation U***" means Regulation U of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"***Regulation X***" means Regulation X of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"***Reimbursement Agreement***" has the meaning assigned to such term in Section 2.09(b).

"***Reimbursement Obligation***" means the obligation of the Borrower to reimburse the Issuing Bank for amounts drawn under a Letter of Credit.

"***Related Parties***" means, with respect to any specified Person, such Person's Affiliates and the respective directors, officers, and employees of such Person and such Person's Affiliates.

"***Required Lenders***" means, at any time (a) prior to the Commitment Termination Date, Lenders having Commitments greater than 50% of the total Commitments and (b) on or after the Commitment Termination Date, Lenders having Credit Exposure greater than or equal to 50% of the Aggregate Credit Exposure (or, if there are no Revolving Loans then outstanding and no Letter of Credit Exposure, Lenders having Commitments greater than or equal to 50% of the total of all Commitments immediately prior to the termination of the Commitments).

"***Restricted Payment***" means, with respect to any Person, (a) any dividend or other distribution (whether in cash, securities or other property) by such entity with respect to any Equity Interests of such Person, (b) any payment (whether cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any such Equity Interest, and (c) any payment of principal, interest or premium or any purchase, redemption, retirement, acquisition or defeasance with respect to any subordinated debt of such Person.

"***Revolving Commitment***" means, with respect to each Lender, the commitment of such Lender during the Availability Period to make Revolving Loans hereunder, expressed as an amount representing the maximum aggregate amount of such Lender's Revolving Credit Exposure hereunder, as such commitment may be reduced or increased from time to time pursuant to Section 2.05 or pursuant to assignments by or to such Lender pursuant to Section 10.04. The initial amount of each Lender's Commitment is set forth on Schedule 2.01, or in the Assignment and Acceptance pursuant to which such Lender shall have assumed its Commitment, as applicable.

"***Revolving Credit Exposure***" means, with respect to any Lender at any time, the aggregate outstanding principal amount of such Lender's Revolving Loans at such time.

"***Revolving Loans***" means the revolving loans referred to in Section 2.01 and made pursuant to Article 2.

"***SEC***" means the United States Securities and Exchange Commission.

"***SEC Reports***" means the reports filed by the Borrower with the SEC pursuant to the Securities Exchange Act of 1934, as amended.

"***S&P***" means Standard & Poor's, a division of The McGraw-Hill Companies, Inc., or its successors.

"***Significant Subsidiary***" means each of HECO, American Savings Bank, F.S.B., American Savings Holdings, Inc. and any other Subsidiary having 15% or more of the total assets, or 15% or more of the total operating income, of the Borrower and its Subsidiaries on a consolidated basis, in either case as the consolidated total assets and consolidated total operating income of the Borrower and its Subsidiaries are reflected in the most recent annual or quarterly report filed by the Borrower with the SEC.

"***Statutory Reserve Rate***" means a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by the Board to which the Administrative Agent is subject for eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D). Such reserve percentages shall include those imposed pursuant to Regulation D. Eurodollar Loans shall be deemed to constitute eurocurrency funding and to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under Regulation D or any comparable regulation. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

"***subsidiary***" means, with respect to any Person (the "parent") at any date, any corporation, limited liability company, partnership, association or other entity the accounts of which would be consolidated with those of the parent in the parent's consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date, as well as any other corporation, limited liability company, partnership, association or other entity (a) of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or, in the case of a partnership, more than 50% of the general partnership interests are, as of such date, owned, controlled or held, or (b) that is, as of such date, otherwise Controlled, by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent.

"***Subsidiary***" means any subsidiary of the Borrower and any subsidiary of a Subsidiary of the Borrower.

"***Taxes***" means any and all current or future taxes, levies, imposts, duties, deductions, charges or withholdings imposed by any Governmental Authority.

"***Transactions***" means (a) the execution, delivery and performance by the Borrower of each Loan Document to which it is a party, (b) the borrowing of the Revolving Loans, and (c) the use of the proceeds of the Revolving Loans.

"***Type***", when used in reference to any Revolving Loan or Borrowing, refers to whether the rate of interest on such Revolving Loan, or on the Revolving Loans comprising such Borrowing, is determined by reference to the Adjusted LIBO Rate or the Alternate Base Rate. For the avoidance of doubt, a Revolving Loan that bears interest at a rate determined pursuant to clause (c) of the definition of Alternate Base Rate shall, for all purposes of this Agreement, be deemed to be an ABR Loan and not a Eurodollar Loan.

"***Withdrawal Liability***" means liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

Section 1.02 Terms Generally

The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word "shall". Unless the context requires otherwise, (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, restated, supplemented or otherwise modified (subject to any restrictions on such amendments, restatements, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement, (e) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights, and (f) any reference herein to any law, rule, regulation or treaty shall, unless otherwise specified, refer to such law, rule, regulation, or treaty as amended, restated, supplemented or otherwise modified from time to time.

Section 1.03 Accounting Terms; GAAP

Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time, provided that, if the Borrower notifies the Administrative Agent that the Borrower requests an amendment to any provision hereof to eliminate the effect of any change occurring after the date hereof in GAAP or in the application thereof on the operation of such provision (or if the Administrative Agent notifies the Borrower that the Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith. Unless the context otherwise requires, any reference to a fiscal period shall refer to the relevant fiscal period of the Borrower. Notwithstanding any other provision contained herein, all terms of an accounting or financial nature used herein shall be construed, and all computations of amounts and ratios referred to herein shall be made, without giving effect to any election under Accounting Standards Codification 825-10-25 (previously referred to as Statement of Financial Accounting Standards 159) (or any other Accounting Standards Codification or Financial Accounting Standard having a similar result or effect) to value any Indebtedness or other liabilities of the Borrower or any Subsidiary at "fair value", as defined therein.

ARTICLE 2. THE CREDITS

Section 2.01 Commitments

Subject to the terms and conditions set forth herein, each Lender agrees to make Revolving Loans to the Borrower from time to time during the Availability Period in an aggregate principal amount that will not result in such Lender's Revolving Credit Exposure exceeding such Lender's Commitment.

Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow Revolving Loans.

Section 2.02 Revolving Loans and Borrowings

(a) Each Revolving Loan shall be made as part of a Borrowing consisting of Revolving Loans made by the Lenders ratably in accordance with their respective Commitments. The failure of any Lender to make any Revolving Loan required to be made by it shall not relieve any other Lender of its obligations hereunder, provided that the Commitments of the Lenders are several, and no Lender shall be responsible for any other Lender's failure to make Revolving Loans as required.

(b) Subject to Section 3.04, each Borrowing shall be comprised entirely of Revolving Loans which are ABR Loans or Eurodollar Loans, as the Borrower may request in accordance herewith (including Section 3.02). Each Lender at its option may make any Eurodollar Loan (and any ABR Loan, the interest on which is determined pursuant to clause (c) of the definition of Alternate Base Rate) by causing any domestic or foreign branch or Affiliate of such Lender to make such Revolving Loan, provided that any exercise of such option shall not affect the obligation of the Borrower to repay such Revolving Loan in accordance with the terms of this Agreement.

(c) At the commencement of each Interest Period for any Eurodollar Borrowing, such Borrowing shall be in an aggregate amount that is an integral multiple of $1,000,000 and not less than $1,000,000. At the time that each ABR Borrowing is made, such Borrowing shall be in an aggregate amount that is an integral multiple of $1,000,000 and not less than $1,000,000, provided that an ABR Borrowing may be in an aggregate amount that is equal to the entire unused balance of the total Commitments. Borrowings of more than one Type may be outstanding at the same time, provided that there shall not at any time be more than a total of fifteen Eurodollar Borrowings outstanding.

(d) Notwithstanding any other provision of this Agreement, the Borrower shall not be entitled to request, or to elect to convert or continue, any Eurodollar Borrowing if the Interest Period requested with respect thereto would end after the Commitment Termination Date.

Section 2.03 Requests for Borrowings

To request a Borrowing, the Borrower shall notify the Administrative Agent of such request by telephone, which may be given by the President of the Borrower, a Financial Officer or the HECO Cash Manager, (a) in the case of a Eurodollar Borrowing, not later than 3:00 p.m., New York City time, three Business Days before the date of the proposed Borrowing, or (b) in the case of an ABR Borrowing, not later than 2:00 p.m., New York City time on the date of the proposed Borrowing. Each such telephonic Borrowing Request shall be irrevocable (except as otherwise provided in Section 3.04) and shall be confirmed promptly by hand delivery or facsimile transmission to the Administrative Agent of a written Borrowing Request in a form approved by the Administrative Agent and signed by the President of the Borrower or a Financial Officer. Each such telephonic and written Borrowing Request shall specify the following information in compliance with Section 2.02:

(i) the aggregate amount of the requested Borrowing;

(ii) the date of such Borrowing, which shall be a Business Day;

(iii) whether such Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing;

(iv) in the case of a Eurodollar Borrowing, the initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of the term "Interest Period"; and

(v) the location and number of the Borrower's account to which funds are to be disbursed, which shall comply with the requirements of Section 2.04.

If no election as to the Type of Borrowing is specified, then the requested Borrowing shall be an ABR Borrowing. If no Interest Period is specified with respect to any requested Eurodollar Borrowing, then the Borrower shall be deemed to have selected an Interest Period of one month's duration. Promptly following receipt of a Borrowing Request in accordance with this Section, the Administrative Agent shall advise each Lender of the details thereof and of the amount of such Lender's Revolving Loan to be made as part of the requested Borrowing.

Section 2.04 Funding of Borrowings

(a) Each Lender shall make each Revolving Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds by 3:00 p.m., New York City time, to the account of the Administrative Agent most recently designated by it for such purpose by notice to the Lenders. Subject to Section 5.02, the Administrative Agent will make the proceeds of such Revolving Loans available to the Borrower by promptly crediting or otherwise transferring the amounts so received, in like funds, to an account of the Borrower designated by the Borrower in the applicable Borrowing Request.

(b) Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with paragraph (a) of this Section and may, in reliance upon such assumption, make available to the Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent by 3:00 p.m., New York City time, for a Eurodollar Borrowing or by 6:00 p.m., New York City time, for an ABR Borrowing on the applicable day, then such Lender and the Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount was made available by the Administrative Agent to the Borrower to but excluding the date of payment to the Administrative Agent, at (i) in the case of such Lender, the greater of the Federal Funds Rate and a rate per annum determined by the Administrative Agent in accordance with banking industry rules on interbank compensation, or (ii) in the case of the Borrower, the interest rate that would be otherwise applicable to such Borrowing. If such Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender's Revolving Loan included in such Borrowing. Such payment by the Borrower shall be without prejudice to its rights against each Lender who fails to fund its share of any Borrowing.

Section 2.05 Termination, Reduction and Increase of Commitments

(a) Unless previously terminated, the Revolving Commitments and the Letter of Credit Commitments shall terminate on the Commitment Termination Date.

(b) The Borrower may at any time terminate, or from time to time reduce, the Commitments, provided that (i) the Borrower shall not terminate or reduce the Commitments if, after giving effect to any concurrent prepayment of the Revolving Loans in accordance with Section 2.07 and/or any concurrent cash collateralization of the Letter of Credit Exposure, the

Aggregate Credit Exposure would exceed the Aggregate Revolving Commitments, and (ii) each such reduction shall be in an amount that is an integral multiple of $1,000,000 and not less than $5,000,000.

(c) The Borrower shall notify the Administrative Agent of any election to terminate or reduce the Commitments under paragraph (b) of this Section at least two Business Days prior to the effective date of such termination or reduction, specifying such election and the effective date thereof. Promptly following receipt of any notice, the Administrative Agent shall advise the Lenders of the contents thereof. Each notice delivered by the Borrower pursuant to this Section shall be irrevocable; provided, that a notice of termination of the Commitments delivered by the Borrower may state that such notice is conditioned upon the effectiveness of other credit facilities, in which case such notice may be revoked by the Borrower (by notice to the Administrative Agent on or prior to the specified effective date) if such condition is not satisfied. Any termination or reduction of the Commitments hereunder shall be permanent but without prejudice to the rights of the Borrower under paragraph (d) below. Each reduction of the Commitments hereunder shall be made ratably among the Lenders in accordance with their respective Commitments.

(d) Provided that immediately before and after giving effect thereto, no Default shall or would exist and be continuing, the Borrower may at any time and from time to time, on or before the Commitment Termination Date referred to in clause (a) of the definition thereof, request any one or more of the Lenders to increase (such decision to be within the sole and absolute discretion of such Lender) its Revolving Commitment and Letter of Credit Commitment, and/or any other Eligible Assignee reasonably satisfactory to the Administrative Agent and the Borrower, to provide a new Revolving Commitment and a new Letter of Credit Commitment, by submitting an Increase Request in the form of Exhibit F (an "***Increase Request***"), duly executed by the Borrower and each such Lender or Eligible Assignee, as the case may be. Thereupon, the Administrative Agent shall execute such Increase Request and deliver a copy thereof to the Borrower and each such Lender or Eligible Assignee, as the case may be.

Upon execution and delivery of such Increase Request, (i) in the case of each such Lender, such Lender's Revolving Commitment shall be increased to the amount set forth in such Increase Request, (ii) in the case of each such Eligible Assignee, such Eligible Assignee shall become a party hereto and shall for all purposes of the Loan Documents be deemed a "Lender" with a Revolving Commitment in the amount set forth in such Increase Request, and (iii) the Borrower shall contemporaneously therewith execute and deliver to the Administrative Agent a Note or Notes for each such Eligible Assignee providing a new Revolving Commitment and for such existing Lender increasing its Revolving Commitment provided, however, that:

(i) immediately after giving effect thereto, the Aggregate Revolving Commitments shall not have been increased pursuant to this subsection (d) to an amount greater than the sum of (x) $150,000,000 plus (y) the amount of the Revolving Commitment of each Lender that becomes a Defaulting Lender;

(ii) each such increase shall be in an amount not less than $5,000,000 or such amount plus an integral multiple of $1,000,000;

(iii) the Revolving Commitments shall not be increased on more than three occasions;

(iv) the Administrative Agent shall have received documents (including, without limitation, one or more opinions of counsel) consistent with those delivered on the Effective Date as to the corporate power and authority of the Borrower to borrow hereunder after giving effect to such increase;

(v) if Revolving Loans shall be outstanding immediately after giving effect to such increase, the Lenders shall, upon the acceptance of the Increase Request by, and at the direction of, the Administrative Agent, make appropriate adjustments among themselves so that the amount of the Revolving Loans outstanding to the Borrower from any of the Lenders under this Agreement are allocated among the Lenders according to their Commitment Percentages after giving effect to the increase in the Aggregate Revolving Commitments (it being understood and agreed that any reallocation made pursuant to this clause (v) shall require the Borrower to make payment pursuant to Section 3.06 with respect to any affected Eurodollar Loans); and

(vi) each such Eligible Assignee shall have delivered to the Administrative Agent and the Borrower an Administrative Questionnaire and all forms, if any, that are required to be delivered by such Eligible Assignee pursuant to Section 3.07(e).

Section 2.06 Repayment of Revolving Loans; Evidence of Debt

(a) The Borrower hereby unconditionally promises to pay to the Administrative Agent for the account of each Lender the then unpaid principal amount of each Revolving Loan on the Commitment Termination Date.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the Indebtedness of the Borrower to such Lender resulting from each Revolving Loan made by such Lender, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(c) The Administrative Agent shall maintain accounts in which it shall record (i) the amount of each Revolving Loan made hereunder, the Type thereof and, if applicable, the Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder, and (iii) the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders and each Lender's share thereof.

(d) The entries made in the accounts maintained pursuant to paragraph (b) or (c) of this Section shall, to the extent not inconsistent with any entries made in any Note, be prima facie evidence of the existence and amounts of the obligations recorded therein except for clearly demonstrated error; provided, however, that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay the Revolving Loans in accordance with the terms of this Agreement.

(e) The Revolving Loans of each Lender and interest thereon shall at all times (including after assignment pursuant to Section 10.04) be evidenced by one or more Notes payable to the order of such Lender (or, if such Note is a registered Note, to such Lender and its registered assigns).

Section 2.07 Prepayment of Revolving Loans

(a) The Borrower shall have the right at any time and from time to time to prepay any Borrowing in whole or in part, subject to the requirements of this Section.

(b) In the event of any partial reduction or termination of the Commitments, then (i) at or prior to the date of such reduction or termination, the Administrative Agent shall notify the Borrower and the Lenders of the Aggregate Credit Exposures after giving effect thereto, and (ii) if such sum would exceed the total Commitments after giving effect to such reduction or termination, then the Borrower shall, on the date of such reduction or termination, prepay Revolving Borrowings, and/or cash collateralize the Letter of Credit Exposure, in an amount sufficient to eliminate such excess.

(c) Mandatory Prepayments.

(i) The Borrower shall immediately prepay the Revolving Loans, by an amount equal to the excess, if any, of the aggregate outstanding principal balance of the Revolving Loans over the Aggregate Revolving Commitments.

(ii) Simultaneously with each reduction or termination of the Revolving Commitments, (1) in the event that the Aggregate Letter of Credit Commitments shall exceed the Aggregate Revolving Commitments as so reduced or terminated, the Aggregate Letter of Credit Commitments shall be automatically reduced, and/or the Letter of Credit Exposure shall be cash collateralized, by an amount equal to such excess, and (2) the Borrower shall prepay the Revolving Loans by an amount equal to the excess, if any, of the aggregate outstanding principal balance of the Revolving Loans over the Aggregate Revolving Commitments as so reduced or terminated.

(d) Simultaneously with each prepayment of a Revolving Loan, the Borrower shall, if and to the extent required by Section 3.01(d), prepay all accrued interest on the amount prepaid through the date of prepayment.

(e) The Borrower shall notify the Administrative Agent by telephone, which may be given by the President of the Borrower, a Financial Officer or the HECO Cash Manager (confirmed by facsimile transmission executed by the President of the Borrower or a Financial Officer) of any prepayment under Section 2.07(a) (i) in the case of prepayment of a Eurodollar Borrowing, not later than 2:00 p.m., New York City time, three Business Days before the date of prepayment, or (ii) in the case of prepayment of an ABR Borrowing, not later than 2:00 p.m., New York City time, on the Business Day of the prepayment. Each such notice shall be irrevocable and shall specify the prepayment date and the principal amount of each Borrowing or portion thereof to be prepaid; provided, that if a notice of prepayment is given in connection with a conditional notice of termination of the Commitments contemplated by Section 2.05(c), then such notice of prepayment may also be conditional and may be revoked if such notice of termination is revoked in accordance with Section 2.05(c). Promptly following receipt of any such notice relating to a prepayment of a Borrowing, the Administrative Agent shall advise the Lenders of the contents thereof. Each partial prepayment of any Borrowing under Section 2.07(a) shall, be in an integral multiple of $1,000,000 and not less than $1,000,000. Each prepayment of a Borrowing shall be applied ratably to the Revolving Loans included in the prepaid Borrowing. Prepayments shall be accompanied by accrued interest if and to the extent required by Section 3.01.

Section 2.08 Payments Generally; Pro Rata Treatment; Sharing of Setoffs

(a) The Borrower shall make each payment required to be made by it hereunder or under any other Loan Document (whether of principal, interest or fees, or of amounts payable under Section 3.05, 3.06, 3.07 or 10.03, or otherwise) prior to 3:00 p.m., New York City time, on the date when due, in immediately available funds, without setoff or counterclaim. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent at its office at 10 South Dearborn Street, Chicago, Illinois, 60603, or such other office as to which the Administrative Agent may notify the other parties hereto, except that payments pursuant to Sections 3.03(b) (with respect to the fronting fee and other amounts payable to the Issuing Bank), 3.03(c), 3.05, 3.06, 3.07, 3.08, 10.03 and 10.04 shall be made directly to the Persons entitled thereto. The Administrative Agent shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. In the event the Administrative Agent has not in fact made available to each Lender its share of the applicable payment within one Business Day of the receipt thereof, then the Administrative Agent agrees to pay to the applicable Lender forthwith on demand its share of such payment with interest thereon for each day, from and including the second Business Day after such payment was received by the Administrative Agent but excluding the date of payment by the Administrative Agent, at the greater of the Federal Funds Rate and a rate per annum determined by the Administrative Agent in accordance with banking industry rules on interbank compensation. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment of accrued interest, interest thereon shall be payable for the period of such extension. All payments hereunder shall be made in Dollars.

(b) If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal of Revolving Loans, interest, fees and commissions then due hereunder, such funds shall be applied (i) first, towards payment of interest, fees and commissions then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest, fees and commissions then due to such parties, and (ii) second, towards payment of principal of Revolving Loans then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal of Revolving Loans then due to such parties.

(c) If any Lender shall, by exercising any right of setoff or counterclaim or otherwise, obtain payment in respect of any principal of, or interest on, any of its Revolving Loans resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Revolving Loans and accrued interest thereon than the proportion received by any other Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Revolving Loans of other Lenders to the extent necessary so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of, and accrued interest on, their respective Revolving Loans, provided that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this paragraph shall not be construed to apply to any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Revolving Loans to any assignee or participant. The Borrower consents to the foregoing and agrees, to the extent it may effectively

do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against the Borrower rights of setoff and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Borrower in the amount of such participation.

(d) Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the applicable Credit Parties hereunder that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to such Credit Parties the amount due. In such event, if the Borrower has not in fact made such payment, then each such Credit Party severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Credit Party with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Rate and a rate per annum determined by the Administrative Agent in accordance with banking industry rules on interbank compensation.

(e) If any Credit Party shall fail to make any payment required to be made by it pursuant to Section 2.04(b), then the Administrative Agent may, in its discretion (notwithstanding any contrary provision hereof), apply any amounts thereafter received by the Administrative Agent for the account of such Credit Party to satisfy such Credit Party's obligations under such Section until all such unsatisfied obligations are fully paid.

Section 2.09 Letter of Credit Sub-Facility

(a) Subject to the terms and conditions of this Agreement, the Issuing Bank agrees, in reliance on the agreement of the other Lenders set forth in Section 2.10, to issue standby letters of credit (the "***Letters of Credit***"; each, individually, a "***Letter of Credit***") during the Availability Period for the account of the Borrower, provided that immediately after the issuance of each Letter of Credit (i) the Letter of Credit Exposure of each Lender (whether or not the conditions for drawing under any Letter of Credit have or may be satisfied) would not exceed its Letter of Credit Commitment and (ii) the Aggregate Credit Exposure would not exceed the Aggregate Revolving Commitment. Each Letter of Credit issued pursuant to this Section shall have an expiration date which shall be not later than the earlier of (i) twelve months after the date of issuance thereof and (ii) five Business Days before the Commitment Termination Date referred to in clause (a) of the definition thereof, provided that any Letter of Credit with a twelve-month tenor may provide for the periodic and/or successive renewals or extensions thereof for additional twelve-month periods not expiring after the date referred to in clause (ii) above. No Letter of Credit shall be issued if the Administrative Agent, or the Required Lenders by notice to the Administrative Agent no later than 1:00 p.m. New York City time one Business Day prior to the requested date of issuance of such Letter of Credit, shall have determined that any condition set forth in Section 5.01 or 5.02 has not been satisfied.

(b) Each Letter of Credit shall be issued for the account of the Borrower in support of an obligation of the Borrower or a Subsidiary in favor of a beneficiary who has requested the issuance of such Letter of Credit as a condition to a transaction entered into in connection with the Borrower's or such Subsidiary's ordinary course of business. The Borrower shall give the Administrative Agent a Letter of Credit Request for the issuance of each Letter of Credit by 2:00 p.m. New York City time, two Business Days prior to the requested date of issuance. If requested by the Issuing Bank, each Letter of Credit Request shall be accompanied by the Issuing Bank's

standard application and agreement for standby letters of credit (each, a "***Reimbursement Agreement***") executed by the President of the Borrower or a Financial Officer, and shall specify (i) the beneficiary of such Letter of Credit and the obligations of the Borrower or such Subsidiary in respect of which such Letter of Credit is to be issued, (ii) the Borrower's proposal as to the conditions under which a drawing may be made under such Letter of Credit and the documentation to be required in respect thereof, (iii) the maximum amount to be available under such Letter of Credit, and (iv) the requested dates of issuance and expiration. Upon receipt of such Letter of Credit Request from the Borrower, the Administrative Agent shall promptly notify the Issuing Bank and each other Lender thereof. Each Letter of Credit shall be in form and substance reasonably satisfactory to the Issuing Bank, with such provisions with respect to the conditions under which a drawing may be made thereunder and the documentation required in respect of such drawing as the Issuing Bank shall reasonably require. Each Letter of Credit shall be used solely for the purposes described therein. The Issuing Bank shall, on the proposed date of issuance and subject to the terms and conditions of the Reimbursement Agreement, if any, and to the other terms and conditions of this Agreement, issue the requested Letter of Credit.

(c) Each payment by the Issuing Bank of a draft drawn under a Letter of Credit shall give rise to an obligation on the part of the Borrower to reimburse the Issuing Bank by 3:00 P.M. New York City time two Business Days after the date of such payment together with interest on the amount of such payment from the date such payment was made by the Issuing Bank.

Section 2.10 Letter of Credit Participation and Funding Commitments

(a) Each Lender hereby unconditionally, irrevocably and severally (and not jointly) for itself only and without any notice to or the taking of any action by such Lender, takes an undivided participating interest in the obligations of the Issuing Bank under and in connection with each Letter of Credit in an amount equal to such Lender's Commitment Percentage of the amount of such Letter of Credit. Each Lender shall be liable to the Issuing Bank for its Commitment Percentage of the unreimbursed amount of any draft drawn and honored under each Letter of Credit. Each Lender shall also be liable for an amount equal to the product of its Commitment Percentage and any amounts paid by the Borrower that are subsequently rescinded or avoided, or must otherwise be restored or returned. Such liabilities shall be unconditional and without regard to the occurrence of any Default or Event of Default or the compliance by the Borrower with any of its obligations under the Loan Documents.

(b) The Issuing Bank will promptly notify the Administrative Agent, and the Administrative Agent will promptly notify the Borrower and each Lender (which notice shall be promptly confirmed in writing) of the date and the amount of any draft presented under any Letter of Credit with respect to which full reimbursement of payment is not made by the Borrower as provided in Section 2.09(c), and forthwith upon receipt of such notice, such Lender (other than the Issuing Bank in its capacity as a Lender) shall make available to the Administrative Agent for the account of the Issuing Bank its Commitment Percentage of the amount of such unreimbursed draft at the office of the Administrative Agent specified in Section 10.01, in lawful money of the United States and in immediately available funds, before 4:00 p.m., New York City time, on the day such notice was given by the Administrative Agent, if the relevant notice was given by the Administrative Agent at or prior to 1:00 p.m., New York City time, on such day, and before 12:00 noon, New York City time, on the next Business Day, if the relevant notice was given by the Administrative Agent after 1:00 p.m., New York City time, on such day. The Administrative Agent shall distribute the payments made by each Lender (other than the Issuing Bank in its capacity as a Lender) pursuant to the immediately preceding sentence to the Issuing Bank promptly upon receipt thereof in like funds as received. In the event the Administrative Agent

has not in fact made available to the Issuing Bank such payment within one Business Day of the receipt thereof, then the Administrative Agent agrees to pay to the Issuing Bank forthwith on demand such payment with interest thereon for each day, from and including the second Business Day after such payment was received by the Administrative Agent but excluding the date of payment by the Administrative Agent, at the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation. Each Lender shall indemnify and hold harmless the Administrative Agent and the Issuing Bank from and against any and all losses, liabilities (including liabilities for penalties), actions, suits, judgments, demands, costs and expenses (including, without limitation, reasonable attorneys' fees and expenses of counsel to the Issuing Bank as the issuer of the relevant Letter of Credit) resulting from any failure on the part of such Lender to provide, or from any delay in providing, the Administrative Agent with such Lender's Commitment Percentage of the amount of any payment made by the Issuing Bank under a Letter of Credit in accordance with this subsection (b) (except in respect of losses, liabilities or other obligations suffered by the Issuing Bank resulting from the gross negligence or willful misconduct of the Issuing Bank). If a Lender does not make available to the Administrative Agent when due such Lender's Commitment Percentage of any unreimbursed payment made by the Issuing Bank under a Letter of Credit (other than payments made by the Issuing Bank by reason of its gross negligence or willful misconduct), such Lender shall be required to pay interest to the Administrative Agent for the account of the Issuing Bank on such Lender's Commitment Percentage of such payment at a rate of interest per annum equal to the Federal Funds Rate for the first three days after the due date of such payment until the date such payment is received by the Administrative Agent and the Federal Funds Rate plus 2% thereafter.

(c) Whenever the Administrative Agent is reimbursed by the Borrower, for the account of the Issuing Bank, for any payment under a Letter of Credit and such payment relates to an amount previously paid by a Lender in respect of its Commitment Percentage of the amount of such payment under such Letter of Credit, the Administrative Agent (or the Issuing Bank, to the extent that the Administrative Agent has paid the same to the Issuing Bank) will pay over such payment to such Lender before 4:00 p.m., New York City time, on the day such payment from the Borrower is received, if such payment is received at or prior to 2:00 p.m., New York City time, on such day, or before 12:00 noon, New York City time, on the next succeeding Business Day, if such payment from the Borrower is received after 2:00 p.m., New York City time, on such day.

Section 2.11 Absolute Obligation With Respect to Letter of Credit Payments; Cash Collateral; Replacement of Issuing Bank

(a) The Borrower's obligation to reimburse the Administrative Agent for the account of the Issuing Bank in respect of a Letter of Credit for each payment under or in respect of such Letter of Credit shall be absolute and unconditional under any and all circumstances and irrespective of any set-off, counterclaim or defense to payment which the Borrower may have or have had against the beneficiary of such Letter of Credit, the Administrative Agent, the Issuing Bank, as issuer of such Letter of Credit, any Lender or any other Person, including, without limitation, (i) any defense based on the failure of any drawing to conform to the terms of such Letter of Credit, (ii) any drawing document proving to be forged, fraudulent or invalid in any respect, (iii) the legality, validity, regularity or enforceability of such Letter of Credit or this Agreement, (iv) any payment by the Issuing Bank under a Letter of Credit against presentment of a draft or other document that does not comply with the terms of such Letter of Credit or (v) any other event or circumstance that might, but for the provisions of this Section, constitute a legal or equitable discharge of, or provide a right of setoff against, the Borrower's obligations hereunder;

provided, that, with respect to any Letter of Credit, the foregoing shall not relieve the Issuing Bank of any liability it may have to the Borrower for any actual damages sustained by the Borrower arising from a wrongful payment under such Letter of Credit made as a result of the Issuing Bank's gross negligence or willful misconduct.

(b) If any Event of Default shall occur and be continuing, the Borrower shall within one Business Day from the time it receives a demand therefor from the Administrative Agent pursuant to Article 8, deposit in an account with the Administrative Agent, for the benefit of the Lenders, an amount in cash equal to one hundred percent (100%) of the Aggregate Letter of Credit Exposure as of such date. Such deposit shall be held by the Administrative Agent as collateral for the payment and performance of the Reimbursement Obligations. The Administrative Agent shall have exclusive dominion and control, including the exclusive right of withdrawal, over such account. The Administrative Agent shall invest such deposits in Permitted Investments and interest or profits on such investments shall accumulate in such account. The moneys in such account shall (i) automatically be applied by the Administrative Agent to reimburse the Issuing Bank for Reimbursement Obligations, and (ii) be held for the satisfaction of the Reimbursement Obligations of the Borrower.

(c) The Issuing Bank may be replaced at any time by written agreement among the Borrower, the Administrative Agent, the replaced Issuing Bank and the successor Issuing Bank, it being understood and agreed that such parties shall not unreasonably delay or withhold their consent to any such agreement. The Administrative Agent shall notify the Lenders of any such replacement of the Issuing Bank. At the time any such replacement shall become effective, the Borrower shall pay all unpaid fees accrued for the account of the replaced Issuing Bank pursuant to Section 3.03(b). From and after the effective date of any such replacement, (i) the successor Issuing Bank shall have all the rights and obligations of the Issuing Bank under this Agreement with respect to Letters of Credit to be issued thereafter and (ii) references herein to the term "Issuing Bank" shall be deemed to refer to such successor or to any previous Issuing Bank, or to such successor and all previous Issuing Banks, as the context shall require. After the replacement of an Issuing Bank hereunder, the replaced Issuing Bank shall remain a party hereto and shall continue to have all the rights and obligations of an Issuing Bank under this Agreement with respect to Letters of Credit issued by it prior to such replacement, but shall not be required to issue additional Letters of Credit.

Section 2.12 Defaulting Lenders

Notwithstanding any provision of this Agreement to the contrary, if any Lender becomes a Defaulting Lender, then the following provisions shall apply for so long as such Lender is a Defaulting Lender:

(a) fees shall cease to accrue on the unfunded portion of the Commitment of such Defaulting Lender pursuant to Section 3.03(a);

(b) the Commitments and Credit Exposure of such Defaulting Lender shall not be included in determining whether all Lenders or the Required Lenders have taken or may take any action hereunder (including any consent to any amendment, modification or waiver pursuant to Section 10.02); provided that (i) any waiver, amendment or modification requiring the consent of all Lenders or each affected Lender which affects such Defaulting Lender differently than other affected Lenders shall require the consent of such Defaulting Lender and (ii) any amendment or modification that increases, or extends the maturity of, such Defaulting Lender's Commitment or reduces the principal amount of, or rate of interest on, any Revolving Loan made by such Defaulting Lender, shall require the consent of such Defaulting Lender;

(c) if any Letter of Credit Exposure exists at the time a Lender becomes a Defaulting Lender then:

(i) all or any part of such Letter of Credit Exposure shall be reallocated among the non-Defaulting Lenders in accordance with their respective Applicable Percentages but only to the extent (x) the sum of all non-Defaulting Lenders' Credit Exposures plus such Defaulting Lender's Letter of Credit Exposure does not exceed the total of all non-Defaulting Lenders' Commitments and (y) the conditions set forth in Section 5.02 are satisfied at such time;

(ii) if the reallocation described in clause (i) above cannot, or can only partially, be effected, the Borrower shall within two (2) Business Days following notice by the Administrative Agent cash collateralize such Defaulting Lender's Letter of Credit Exposure (after giving effect to any partial reallocation pursuant to clause (i) above) in accordance with the procedures set forth in Section 2.11(b) for so long as such Letter of Credit Exposure is outstanding;

(iii) if the Borrower cash collateralizes any portion of such Defaulting Lender's Letter of Credit Exposure pursuant to this Section 2.12(c), the Borrower shall not be required to pay any fees to such Defaulting Lender pursuant to Section 3.03(b) with respect to such Defaulting Lender's Letter of Credit Exposure during the period such Defaulting Lender's Letter of Credit Exposure is cash collateralized;

(iv) if the Letter of Credit Exposure of the non-Defaulting Lenders is reallocated pursuant to this Section 2.12(c), then the fees payable to the Lenders pursuant to Sections 3.03(a) and 3.03(b) shall be adjusted in accordance with such non-Defaulting Lenders' Applicable Percentages; or

(v) if any Defaulting Lender's Letter of Credit Exposure is neither cash collateralized nor reallocated pursuant to this Section 2.12(c), then, without prejudice to any rights or remedies of the Issuing Bank or any Lender hereunder, all letter of credit fees payable under Section 3.03(b) with respect to such Defaulting Lender's Letter of Credit Exposure shall be payable to the Issuing Bank until such Letter of Credit Exposure is cash collateralized and/or reallocated; and

(d) if and so long as any Lender is a Defaulting Lender, the Issuing Bank shall not be required to issue, amend or increase any Letter of Credit, unless it is satisfied that the related exposure will be 100% covered by the Commitments of the non-Defaulting Lenders and/or cash collateral will be provided by the Borrower in accordance with Section 2.12(c), and participating interests in any such newly issued or increased Letter of Credit shall be allocated among non-Defaulting Lenders in a manner consistent with Section 2.12(c)(i) (and Defaulting Lenders shall not participate therein).

In the event that the Administrative Agent, the Borrower and the Issuing Bank each agrees that a Defaulting Lender has adequately remedied all matters that caused such Lender to be a Defaulting Lender, then the Letter of Credit Exposure of the Lenders shall be readjusted to reflect the inclusion of such Lender's Commitments and on such date such Lender shall purchase at par such of the Revolving Loans of the other Lenders as the Administrative Agent shall determine may be necessary in order for such Lender to hold such Revolving Loans in accordance with its Applicable Percentage, and all cash collateral and accrued interest thereon held by the Administrative Agent or the Issuing Bank shall be returned to the Borrower forthwith.

ARTICLE 3. INTEREST, FEES, YIELD PROTECTION, ETC.

Section 3.01 Interest

(a) ABR Loans and unpaid Reimbursement Obligations shall bear interest at the Alternate Base Rate plus the Applicable Margin.

(b) Eurodollar Borrowings shall bear interest at the Adjusted LIBO Rate for the Interest Period in effect for such Borrowing plus the Applicable Margin.

(c) Notwithstanding the foregoing, if any principal of and interest on any Revolving Loan or Reimbursement Obligation or any fee or other amount payable by the Borrower hereunder is not paid when due and after the expiration of any applicable grace period, then all such amounts shall bear interest, after as well as before judgment, at a rate per annum equal to (i) in the case of principal of any Revolving Loan or Reimbursement Obligation, 2% plus the rate otherwise applicable to such Revolving Loan or Reimbursement Obligation as provided in the preceding paragraphs of this Section, or (ii) in the case of any other amount, 2% plus the Alternate Base Rate.

(d) Accrued interest on each Revolving Loan shall be payable in arrears on each Interest Payment Date for such Revolving Loan, provided that (i) interest accrued pursuant to paragraph (c) of this Section shall be payable on demand, (ii) in the event of any repayment or prepayment of any Revolving Loan, accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment (other than a prepayment of an ABR Loan before the end of the Availability Period), and (iii) in the event of any conversion of any Eurodollar Loan prior to the end of the current Interest Period therefor, accrued interest on such Revolving Loan shall be payable on the effective date of such conversion.

(e) All interest hereunder shall be computed on the basis of a year of 360 days, except that interest computed by reference to the Alternate Base Rate at times when the Alternate Base Rate is based on the Prime Rate shall be computed on the basis of a year of 365 days (or 366 days in a leap year), and in each case shall be payable for the actual number of days elapsed (including the first day but excluding the last day) in the period in question. The applicable Alternate Base Rate, Adjusted LIBO Rate or LIBO Rate shall be determined by the Administrative Agent in accordance with the provisions of this Agreement, and such determination shall be conclusive absent clearly demonstrable error.

Section 3.02 Interest Elections

(a) Any Borrowing on the Effective Date shall be of ABR Loans. Thereafter, each Borrowing initially shall be of the Type specified in the applicable Borrowing Request and, in the case of a Eurodollar Borrowing, shall have an initial Interest Period as specified in such Borrowing Request. Thereafter, the Borrower may elect to convert such Borrowing to a different Type or to continue such Borrowing and, in the case of a Eurodollar Borrowing, may elect Interest Periods therefor, all as provided in this Section. The Borrower may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated ratably (subject to the provisions of Section 2.12) among the Lenders holding the Revolving Loans comprising such Borrowing, and the Revolving Loans comprising each such portion shall be considered a separate Borrowing.

(b) To make an election pursuant to this Section, the Borrower shall notify the Administrative Agent of such election by telephone, which may be made by the President of the

Borrower, a Financial Officer or by the HECO Cash Manager, by the time that a Borrowing Request would be required under Section 2.03 if the Borrower were requesting a Borrowing of the Type resulting from such election to be made on the effective date of such election. Each such telephonic Interest Election Request shall be irrevocable, except as otherwise provided in Section 3.04, and shall be confirmed promptly by hand delivery or facsimile transmission to the Administrative Agent of a written Interest Election Request in a form approved by the Administrative Agent and signed by the President of the Borrower or a Financial Officer.

(c) Each telephonic and written Interest Election Request shall specify the following information in compliance with Section 2.02:

(i) the Borrowing to which such Interest Election Request applies and, if different options are being elected with respect to different portions thereof, the portions thereof to be allocated to each resulting Borrowing (in which case the information to be specified pursuant to clauses (iii) and (iv) of this paragraph shall be specified for each resulting Borrowing);

(ii) the effective date of the election made pursuant to such Interest Election Request, which shall be a Business Day;

(iii) whether the resulting Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing; and

(iv) if the resulting Borrowing is a Eurodollar Borrowing, the Interest Period to be applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of the term "Interest Period".

If any such Interest Election Request requests a Eurodollar Borrowing but does not specify an Interest Period, then the Borrower shall be deemed to have selected an Interest Period of one month's duration.

(d) Promptly following receipt of an Interest Election Request, the Administrative Agent shall advise each Lender of the details thereof and of such Lender's portion of each resulting Borrowing.

(e) If the Borrower fails to deliver a timely Interest Election Request prior to the end of the Interest Period applicable thereto, then, unless such Borrowing is repaid as provided herein, at the end of such Interest Period, such Borrowing shall be converted to an ABR Borrowing. Notwithstanding any contrary provision hereof, if an Event of Default has occurred and is continuing and the Administrative Agent, at the request of the Required Lenders, so notifies the Borrower, then, so long as an Event of Default is continuing, (i) no outstanding Borrowing may be converted to or continued beyond the current Interest Period as a Eurodollar Borrowing, and (ii) unless repaid, each Eurodollar Borrowing shall be converted to an ABR Borrowing at the end of the Interest Period applicable thereto.

Section 3.03 Fees

(a) The Borrower agrees to pay to the Administrative Agent for the account of each Lender, a commitment fee, which shall accrue at a rate per annum equal to the Applicable Margin on the average daily amount of the unused Revolving Commitment of such Lender during the period from and including the date on which this Agreement shall have become effective in accordance with Section 10.06 to but excluding the date on which such Revolving Commitment terminates. Accrued commitment fees shall be payable in arrears on the first Business Day of

January, April, July and October of each year and on the Commitment Termination Date, commencing on the first such date to occur after the date hereof.

(b) The Borrower agrees to pay to the Administrative Agent for the account of each Lender a fee (the "***Letter of Credit Fee***") with respect to each Letter of Credit, payable quarterly in arrears during the period from and including the date of issuance thereof to and including the expiration or cancellation date thereof (a) on the first Business Day of each January, April, July and October of each year, (b) upon such expiration or cancellation date and (c) on the Commitment Termination Date, at a rate per annum equal to the Applicable Margin on Eurodollar Borrowings on the average daily amount of the Letter of Credit Exposure (excluding any portion thereof attributable to unreimbursed Reimbursement Obligations). The Borrower also agrees to pay to the Issuing Bank for its own account a fronting fee, which shall accrue at the rate of 0.125% per annum on the average daily amount of the Letter of Credit Exposure (excluding any portion thereof attributable to unreimbursed Reimbursement Obligations) attributable to Letters of Credit issued by the Issuing Bank during the period from and including the Effective Date to but excluding the later of the date of termination of the Commitments and the date on which there ceases to be any Letter of Credit Exposure, payable quarterly in arrears on the first Business Day of January, April, July and October of each year, as well as the Issuing Bank's standard fees and commissions with respect to the issuance, amendment, cancellation, negotiation, transfer, presentment, renewal or extension of any Letter of Credit or processing of drawings thereunder. The Letter of Credit Fee and the fronting fees described above shall be calculated for the actual number of days elapsed (including the first day but excluding the last day) during the period in question on the basis of a year of 365 or 366 days, as applicable.

(c) The Borrower agrees to pay to the Administrative Agent, for its own account, fees and other amounts payable in the amounts and at the times separately agreed upon between the Borrower and the Administrative Agent.

(d) All commitment fees shall be computed on the basis of a year of 365 or 366 days, as applicable, and shall be payable for the actual number of days elapsed (including the first day but excluding the last day) during the period in question.

(e) All fees and other amounts payable hereunder shall be paid on the dates due, in immediately available funds, to the Administrative Agent for distribution, in the case of commitment fees, to the Lenders. Fees and other amounts paid shall not be refundable under any circumstances other than clearly demonstrable error.

Section 3.04 Alternate Rate of Interest

If prior to the commencement of any Interest Period for a Eurodollar Borrowing:

(a) the Administrative Agent determines (which determination shall be conclusive absent clearly demonstrable error) that adequate and reasonable means do not exist for ascertaining the Adjusted LIBO Rate or the LIBO Rate, as applicable, for such Interest Period; or

(b) the Administrative Agent is advised by the Required Lenders that the Adjusted LIBO Rate or the LIBO Rate, as applicable, for such Interest Period will not adequately and fairly reflect the cost to such Lenders of making or maintaining their Revolving Loans included in such Borrowing for such Interest Period;

then the Administrative Agent shall give notice thereof to the Borrower and the Lenders by telephone or facsimile transmission as promptly as practicable thereafter and, until the Administrative Agent notifies

the Borrower and the Lenders that the circumstances giving rise to such notice no longer exist, (i) any Interest Election Request that requests the conversion of any Borrowing to, or continuation of any Borrowing as, a Eurodollar Borrowing shall be ineffective, and (ii) if any Borrowing Request requests a Eurodollar Borrowing, such Borrowing shall be made as an ABR Borrowing. Notwithstanding the foregoing, if the Borrower shall have submitted a Borrowing Request with respect to a Eurodollar Borrowing and the Administrative Agent shall have notified the Borrower in accordance with the preceding sentence that such Borrowing will be made as an ABR Borrowing, the Borrower shall have the right, prior to the time by which it would have had to submit a Borrowing Request for an ABR Borrowing to be made on the same date, to withdraw such Borrowing Request.

Section 3.05 Increased Costs; Illegality

(a) If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Credit Party (except any such reserve requirement reflected in the Adjusted LIBO Rate); or

(ii) impose on any Credit Party or the London interbank market any other condition affecting this Agreement, any Eurodollar Loans made by such Credit Party or any participation therein;

and the result of any of the foregoing shall be to increase the cost to such Credit Party of making or maintaining any Eurodollar Loan hereunder (or of maintaining its obligation to make any such Revolving Loan) or to reduce the amount of any sum received or receivable by such Credit Party hereunder (whether of principal, interest or otherwise), then the Borrower will, upon request by such Credit Party, pay to such Credit Party such additional amount or amounts as will compensate such Credit Party for such additional costs incurred or reduction suffered.

(b) If any Credit Party determines that any Change in Law regarding capital requirements has or would have the effect of reducing the rate of return on such Credit Party's capital or on the capital of such Credit Party's holding company, if any, as a consequence of this Agreement or the Revolving Loans made by such Credit Party to a level below that which such Credit Party or such Credit Party's holding company could have achieved but for such Change in Law (taking into consideration such Credit Party's policies and the policies of such Credit Party's holding company with respect to capital adequacy), then from time to time the Borrower will pay to such Credit Party such additional amount or amounts as will compensate such Credit Party or such Credit Party's holding company for any such reduction suffered.

(c) A certificate of a Credit Party setting forth the amount or amounts necessary to compensate such Credit Party or its holding company, as applicable, as specified in paragraph (a) or (b) of this Section including reasonably detailed supporting information shall be delivered to the Borrower and shall be binding on the Borrower absent clearly demonstrable error. The Borrower shall pay such Credit Party the amount shown as due on any such certificate within 30 days after receipt thereof unless the Borrower is asserting in good faith that there is clearly demonstrable error in such certificate.

(d) Failure or delay on the part of any Credit Party to demand compensation pursuant to this Section shall not constitute a waiver of such Credit Party's right to demand such compensation; provided that the Borrower shall not be required to compensate a Credit Party pursuant to this Section for any increased costs or reductions incurred more than 90 days prior to

the date that such Credit Party notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of such Credit Party's intention to claim compensation therefor; provided further that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the 90 day period referred to above shall be extended to include the period of retroactive effect thereof but not to exceed a period of 365 days.

(e) Notwithstanding any other provision of this Agreement, if, after the date of this Agreement, any Change in Law shall make it unlawful for any Lender to make or maintain any Eurodollar Loan or to give effect to its obligations as contemplated hereby with respect to any Eurodollar Loan, then, by written notice to the Borrower and to the Administrative Agent:

(i) such Lender may declare that Eurodollar Loans will not thereafter (for the duration of such unlawfulness) be made by such Lender hereunder (or be continued for additional Interest Periods and ABR Loans will not thereafter (for such duration) be converted into Eurodollar Loans), whereupon any request for a Eurodollar Borrowing or to convert an ABR Borrowing to a Eurodollar Borrowing or to continue a Eurodollar Borrowing, as applicable, for an additional Interest Period shall, as to such Lender only, be deemed a request for an ABR Loan (or a request to continue an ABR Loan as such for an additional Interest Period or to convert a Eurodollar Loan into an ABR Loan, as applicable), unless such declaration shall be subsequently withdrawn; and

(ii) such Lender may require that all outstanding Eurodollar Loans made by it be converted to ABR Loans, in which event all such Eurodollar Loans shall be automatically converted to ABR Loans, as of the effective date of such notice as provided in the last sentence of this paragraph.

In the event any Lender shall exercise its rights under (i) or (ii) of this paragraph, all payments and prepayments of principal that would otherwise have been applied to repay the Eurodollar Loans that would have been made by such Lender or the converted Eurodollar Loans of such Lender shall instead be applied to repay the ABR Loans made by such Lender in lieu of, or resulting from the conversion of, such Eurodollar Loans, as applicable. For purposes of this paragraph, a notice to the Borrower by any Lender shall be effective as to each Eurodollar Loan made by such Lender, if lawful, on the last day of the Interest Period currently applicable to such Eurodollar Loan; in all other cases such notice shall be effective on the date of receipt by the Borrower.

Section 3.06 Break Funding Payments

In the event of (a) the payment or prepayment (voluntary or otherwise) of any principal of any Eurodollar Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (b) the conversion of any Eurodollar Loan other than on the last day of the Interest Period applicable thereto, or (c) the failure to borrow, convert, continue or prepay any Eurodollar Loan on the date specified in any notice delivered pursuant hereto then, in any such event, the Borrower shall compensate each Lender for the loss, cost and expense attributable to such event. In the case of a Eurodollar Loan, such loss, cost or expense to any Lender shall be deemed to include an amount reasonably determined by such Lender to be the excess, if any, of (i) the amount of interest that would have accrued on the principal amount of such Revolving Loan had such event not occurred, at the Adjusted LIBO Rate that would have been applicable to such Revolving Loan, for the period from the date of such event to the last day of the then current Interest Period therefor (or, in the case of a failure to borrow, convert or continue, for the period that would have been the Interest Period for such Revolving Loan), over (ii) the amount of interest that would accrue on such principal amount for such period at the interest rate that such Lender would bid were it to bid, at the commencement of such period, for Dollar

deposits of a comparable amount and period from other banks in the eurodollar market. A certificate of any Lender setting forth any amount or amounts that such Lender is entitled to receive pursuant to this Section shall be delivered to the Borrower and shall be binding on the Borrower absent clearly demonstrable error. The Borrower shall pay such Lender the amount shown as due on any such certificate within 15 days after receipt thereof unless there is clearly demonstrable error in any such certificate.

Section 3.07 Taxes

(a) Any and all payments by or on account of any obligation of the Borrower hereunder and under any other Loan Document shall be made free and clear of and without deduction for any Indemnified Taxes or Other Taxes, provided that, if the Borrower is required by applicable law to deduct any Indemnified Taxes or Other Taxes from such payments, then (i) the sum payable shall be increased as necessary so that, after making all required deductions (including deductions applicable to additional sums payable under this Section), the applicable Credit Party receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions, and (iii) the Borrower shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) In addition (but without duplication) the Borrower shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) The Borrower shall indemnify each Credit Party, within 30 days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes paid by such Credit Party on or with respect to any payment by or on account of any obligation of the Borrower under the Loan Documents (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) and, unless caused by the gross negligence or willful misconduct of such Credit Party, any penalties, interest and reasonable out-of-pocket expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Credit Party, or by the Administrative Agent on its own behalf or on behalf of a Credit Party, including, if available, reasonably detailed supporting information, shall be delivered to and be binding on the Borrower absent clearly demonstrable error. If any Credit Party receives a refund in respect of any Indemnified Taxes or Other Taxes for which such Credit Party has received payment from the Borrower hereunder, it shall promptly notify the Borrower of such refund and shall promptly upon receipt repay such refund to the Borrower, net of all out-of-pocket expenses of such Credit Party and without interest (other than interest paid by the relevant Governmental Authority, if applicable); provided that the Borrower, upon the request of such Credit Party, agrees to return such refund (plus penalties, interest or other charges) to such Credit Party in the event such Credit Party is required to repay such refund. Nothing contained in this Section shall prohibit the Borrower from contesting or seeking a refund of any Indemnified Taxes and Other Taxes after payment thereof has been made in accordance with this Section and each Credit Party shall take such steps as the Borrower shall reasonably request to assist the Borrower in contesting or seeking a refund of any Indemnified Taxes or Other Taxes. This Section shall not be construed to require any Credit Party to make available its Tax returns (or any other information relating to its Taxes which it deems confidential) to either the Borrower or any other Person.

(d) As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the Borrower to a Governmental Authority, the Borrower shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority

evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(e) Each Credit Party organized under the laws of a jurisdiction, or receiving payments hereunder, outside the United States shall, on or prior to the date of its execution and delivery of this Agreement in the case of each initial Credit Party and on the date of the Assignment and Acceptance pursuant to which it becomes a Credit Party in the case of each other Credit Party, and from time to time thereafter as reasonably requested in writing by the Borrower (but only so long thereafter as such Credit Party remains lawfully able to do so), provide each of the Administrative Agent and the Borrower with two original Internal Revenue Service Forms W-8BEN or W-8ECI or in the case of a Credit Party that has certified in writing to the Administrative Agent that it is not (i) a "bank" (as defined in Section 881(c)(3)(A) of the Code), (ii) a 10-percent shareholder (within the meaning of Section 871(h)(3)(B) of the Code) of the Borrower or (iii) a controlled foreign corporation related to the Borrower (within the meaning of Section 864(d)(4) of the Code), Internal Revenue Service Form W-8BEN, as appropriate, or any successor or other form prescribed by the Internal Revenue Service, certifying that such Credit Party is exempt from or entitled to a reduced rate of United States withholding tax on payments pursuant to this Agreement or the Notes or any other Loan Document. If the forms provided by a Credit Party at the time such Credit Party first becomes a party to this Agreement indicate a United States interest withholding tax rate in excess of zero, withholding tax at such rate shall be considered Excluded Taxes unless and until such Credit Party provides the appropriate forms certifying that a lesser rate applies, whereupon withholding tax at such lesser rate only shall be considered Excluded Taxes for periods governed by such forms; provided, however, that if, at the effective date of the Assignment and Acceptance pursuant to which a Credit Party becomes a party to this Agreement, the Credit Party assignor was entitled to payments under subsection (a) of this Section 3.07 in respect of United States withholding tax with respect to interest paid at such date, then, to such extent, the term Taxes shall include (in addition to withholding taxes that may be imposed in the future or other amounts otherwise includable in Taxes) United States withholding tax, if any, applicable with respect to the Credit Party assignee on such date.

(f) For any period with respect to which a Credit Party has failed to provide the Borrower with the appropriate form, certificate or other document described in subsection (e) above or if the Borrower is unable to determine the tax payable or to provide information required by the Internal Revenue Service on Form W-8BEN, W-8ECI or any successor form or other form or document required to establish an exemption from or reduction in withholding as a result of a Lender withholding confidential information under Section 3.07(e) (other than if such failure is due to a change in law, or in the interpretation or application thereof, occurring after the date on which a form, certificate or other document originally was required to be provided but only to the extent such Credit Party does not remain lawfully able to do so), such Credit Party shall not be entitled to indemnification under subsection (a) or (c) of this Section 3.07 with respect to Indemnified Taxes imposed by the United States by reason of such failure; provided, however, that should a Credit Party become subject to Indemnified Taxes because of its failure to deliver a form, certificate or other document required hereunder, the Borrower shall take such steps as such Credit Party shall reasonably request to assist such Credit Party to recover such Indemnified Taxes.

Section 3.08 Mitigation Obligations; Replacement of Lenders

(a) If any Lender requests compensation under Section 3.05, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.07, then such Lender shall use reasonable efforts to

designate a different lending office for funding or booking its Revolving Loans (or any participation therein) hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 3.05 or 3.07, as applicable, in the future, and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) If any Lender requests compensation under Section 3.05, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.07, or if any Lender becomes a Defaulting Lender, or if any Lender has failed to consent to a proposed amendment, waiver, discharge or termination that under Section 10.02 requires the consent of all the Lenders and with respect to which the Required Lenders shall have granted their consent, then the Borrower may, at its sole expense and effort, upon notice to such Lender, the Issuing Bank and the Administrative Agent, require such Lender to assign, and delegate, without recourse (in accordance with and subject to the restrictions contained in Section 10.04), all its interests, rights and obligations under this Agreement and each other Loan Document to an Eligible Assignee that shall assume such obligations; provided that (i) the Borrower shall have received the prior written consents of the Issuing Bank and the Administrative Agent, which consents shall not unreasonably be delayed or withheld, (ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Revolving Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts), (iii) in the case of any such assignment resulting from a claim for compensation under Section 3.05 or payments required to be made pursuant to Section 3.07, such assignment will result in a reduction in such compensation or payments and (iv) in the case of any such assignment resulting from the failure to provide a consent, the assignee shall have given such consent and, as a result of such assignment and any contemporaneous assignments and consents, the applicable amendment, waiver, discharge or termination can be effected. A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

ARTICLE 4. REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to the Credit Parties that:

Section 4.01 Organization; Powers

The Borrower and each of its Significant Subsidiaries (other than American Savings Bank, F.S.B.) is duly and validly organized and existing in good standing under the law of its jurisdiction of organization, formation or charter (it being understood that HECO was originally organized under the laws of the Kingdom of Hawaii) and is in good standing and duly licensed or qualified to transact business in each other jurisdiction where failure to so qualify would have a Material Adverse Effect. American Savings Bank, F.S.B. is chartered under the laws of the United States of America to transact the business of a federal savings bank and its charter is in full force and effect. The Borrower has full power to execute, deliver and perform this Agreement and the Notes and to borrow hereunder. The Borrower's execution and performance of this Agreement and the Notes, and each borrowing hereunder have been duly authorized by all necessary corporate action and do not and, as of the time of each borrowing will

not, violate any provision of law or of its articles of incorporation or bylaws, or result in the breach of or constitute a default under or require any consent under any indenture or other material agreement or material instrument to which the Borrower is a party or by which the Borrower or its property is bound or affected.

Section 4.02 Authorization; Enforceability

Each Loan Document has been (or, at the time executed by the Borrower, will have been) duly executed and delivered by the Borrower and constitutes (or at such time will constitute) a legal, valid and binding obligation of the Borrower, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

Section 4.03 Governmental Approvals; No Conflicts

All consents or approvals of any state or federal agency or authority, if any, required in order to permit the Borrower to enter into this Agreement and to borrow hereunder, have been obtained and remain in full force and effect and the Transactions (a) do not require any other consent or approval of, registration or filing with, or any other action by, any Governmental Authority, except such as have been obtained or made and are in full force and effect, (b) will not violate any applicable law or regulation or the charter, by-laws or other organizational documents of the Borrower or any of its Significant Subsidiaries or any order, rule or regulation of any Governmental Authority, (c) will not violate or result in a default under any indenture, material agreement or other material instrument binding upon the Borrower or any of its Significant Subsidiaries or its assets, or give rise to a right thereunder to require any payment to be made by the Borrower or any of its Significant Subsidiaries, and (d) will not result in the creation or imposition of any Lien on any asset of the Borrower or any of its Significant Subsidiaries.

Section 4.04 Financial Condition; No Material Adverse Effect

(a) The Current SEC Reports include (in clause (a) of the definition thereof) the consolidated balance sheets of the Borrower and its Subsidiaries as of the last day of the fiscal year ended December 31, 2009, and the related consolidated statements of income, retained earnings and cash flows (or changes in financial position, as the case may be) for such fiscal year, which consolidated financial statements for fiscal year ended December 31, 2009 have been audited by KPMG LLP, independent registered public accountants. Such financial statements present fairly, in all material respects, the financial position of the Borrower and its Subsidiaries as of the respective dates of such balance sheets and results of their operations and cash flows (or changes in financial position) for the periods covered by such statements of income, retained earnings and cash flows (or changes in financial position), in accordance with GAAP.

(b) As of the Effective Date, except as set forth in the Current SEC Reports, since December 31, 2009, there has been no change or development that has had or would reasonably be expected to have a Material Adverse Effect.

Section 4.05 Properties

(a) Each of the Borrower and its Significant Subsidiaries has good title to, or valid license or leasehold interests in, all its real and personal property material to its business, except for minor defects in title that do not interfere in any material respect with its ability to conduct its business as currently conducted or to utilize such properties for their intended purposes.

(b) Each of the Borrower and its Significant Subsidiaries owns, or is entitled to use, all trademarks, tradenames, copyrights, patents and other intellectual property material to its business, and, to the knowledge of the Borrower, the use thereof by the Borrower and its Significant Subsidiaries does not infringe upon the rights of any other Person, except for any such infringements that, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect.

Section 4.06 Litigation and Environmental Matters

(a) Except as heretofore disclosed to the Administrative Agent and the Lenders in the financial statements and accompanying notes referenced in Section 4.04(a) or in the Current SEC Reports, as of the Effective Date there are no suits or proceedings pending, or to the knowledge of the Borrower threatened, against or affecting the Borrower or any of its Significant Subsidiaries which have had or could reasonably be expected to have a Material Adverse Effect.

(b) Since the date of this Agreement, except for the Disclosed Matters and except with respect to any other matters that, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect, neither the Borrower nor any of its Significant Subsidiaries (i) have failed to comply with any Environmental Law or to obtain, maintain or comply with any permit, license or other approval required under any Environmental Law, (ii) have become subject to any Environmental Liability, or (iii) have received notice of any claim with respect to any Environmental Liability.

Section 4.07 Compliance with Laws and Agreements

The Borrower and each of its Significant Subsidiaries is in compliance in all material respects with all laws, regulations and order of any Governmental Authority applicable to it or its property and all indentures and material agreements binding upon the Borrower or its Significant Subsidiaries, except (a) as disclosed in the Disclosed Matters and (b) where the failure to do so would not reasonably be expected to have a Material Adverse Effect.

Section 4.08 Regulated Entities

The Borrower is not an “investment company” nor is it “controlled” by an “investment company”, in each case within the meaning of the Investment Company Act of 1940, as amended.

Section 4.09 Taxes

The Borrower has timely filed (or validly extended) or cause to be filed (or validly extended) all material tax returns and reports required to have been filed and has paid or caused to be paid all taxes required to have been paid by it, except (a) taxes that are being contested in good faith by appropriate proceedings and for which the Borrower has set aside on its books, to the extent required by GAAP, adequate reserves or (b) to the extent that the failure to do so would not reasonably be expected to have a Material Adverse Effect.

Section 4.10 ERISA

No ERISA Event has occurred that, when taken together with all other such ERISA Events for which liability is reasonably expected to occur, would reasonably be expected to result in a Material Adverse Effect.

Section 4.11 Disclosure

To the best knowledge of the Borrower, the financial statements referred to in Section 4.04(a) do not, nor does this Agreement, nor any written statement furnished by the Borrower to the Administrative Agent or the Lenders pursuant to or in connection with this Agreement (including the April 6, 2010 "Lenders' Presentation" prepared in connection with the confidential information memorandum for the primary market syndication of this Agreement, other than the Section contained therein and entitled "Transaction Overview"), when taken as a whole, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein or herein not misleading in light of the circumstances under which it was made; provided, that the foregoing is hereby qualified to the extent of any projections or other "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; and provided, further, that any statements concerning future financial performance, ongoing business strategies or prospects or possible future actions are also forward-looking statements; it being expressly understood and agreed that (i) 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 the Borrower and its Subsidiaries or Affiliates, the performance of the industries in which they do business and economic and market factors, among other things, and (ii) such forward-looking statements are not guarantees of future performance. As of the Effective Date, there is no fact known to the Borrower which has had or would reasonably be expected to have a Material Adverse Effect which has not been disclosed herein or in the Current SEC Reports.

Section 4.12 Subsidiaries

Schedule 4.12 sets forth the name of, and the ownership interest of the Borrower in, each Subsidiary, as of the Effective Date.

Section 4.13 Federal Reserve Regulations

(a) After the application of the proceeds of any Revolving Loan, not more than 25% of the value of the assets of the Borrower will consist of or be represented by Margin Stock.

(b) No part of the proceeds of any Revolving Loan will be used, whether directly or indirectly, and whether immediately, incidentally or ultimately, for any purpose that entails a violation of, or that is inconsistent with, the provisions of the regulations of the Board, including Regulation T, U or X.

Section 4.14 Rankings

The obligations of the Borrower to the Lenders under this Agreement and the other Loan Documents will rank senior to, or pari passu with, other unsecured Indebtedness of the Borrower.

Section 4.15 Solvency

Immediately after the consummation of the Transactions and after the incurrence of any Borrowing or the issuance of any Letter of Credit, the Borrower and its Subsidiaries taken as a whole are not and will not be Insolvent.

ARTICLE 5. CONDITIONS

Section 5.01 Effective Date

The obligations of the Lenders to make Revolving Loans and of the Issuing Bank to issue Letters of Credit hereunder shall not become effective until the date on which each of the following conditions is satisfied or waived in accordance with Section 10.02 (it being understood and agreed that any of the following instruments, agreements, certificates, opinions, or other documents may be delivered or furnished by delivering or furnishing a facsimile transmission or other electronic image thereof followed by the delivery of an original or an originally executed counterpart thereof):

(a) The Administrative Agent (or its counsel) shall have received from each party hereto either (i) a counterpart of this Agreement signed on behalf of such party, or (ii) written evidence satisfactory to the Administrative Agent that such party has signed a counterpart of this Agreement.

(b) The Administrative Agent shall have received a Note for each Lender signed on behalf of the Borrower.

(c) The Administrative Agent shall have received a favorable written opinion (addressed to the Credit Parties and dated the Effective Date) from (i) Jenner & Block LLP substantially in the form of Exhibit B-1 and (ii) Chet A. Richardson, Esq., Senior Vice President, General Counsel, and Chief Administrative Officer of the Borrower, substantially in the form of Exhibit B-2, in each case covering such other matters relating to the Borrower, the Loan Documents or the Transactions as the Administrative Agent shall reasonably request. The Borrower hereby requests such counsels to deliver such opinions.

(d) The Administrative Agent shall have received such documents and certificates as the Administrative Agent or its counsel may reasonably request relating to the organization, existence and good standing of the Borrower, the authorization of the Transactions and any other legal matters relating to the Loan Documents or the Transactions, all in form and substance reasonably satisfactory to the Administrative Agent and its counsel.

(e) The Administrative Agent shall have received a certificate, dated the Effective Date and signed by the President of the Borrower or a Financial Officer, confirming compliance, as of the Effective Date, with the conditions set forth in Section 5.02.

(f) The Administrative Agent shall have received payment of all fees required to be paid, and all reasonably incurred and duly documented expenses which are otherwise required to be reimbursed, in each case for which invoices with appropriate supporting documentation have been presented at least two (2) Business Days prior to the Effective Date.

(g) The Administrative Agent shall have received evidence reasonably satisfactory to it that all material governmental and third party approvals necessary or, in the discretion of the Administrative Agent, advisable in connection with the Transactions shall have been obtained and be in full force and effect (it being understood and agreed that, as related to the increase of the Revolving Commitment contemplated by Section 2.05(d), the foregoing approvals may not have been applied for, and/or may not have been received, on or as of the Effective Date).

(h) The Administrative Agent shall have received evidence satisfactory to it that the commitments of the lenders under the Existing Credit Agreement have been terminated on, but subject to the occurrence of, the Effective Date, and that any and all Indebtedness for borrowed

money of the Borrower thereunder shall have been fully repaid on, but subject to the occurrence of, the Effective Date (it being understood and agreed that such Indebtedness may be so repaid on the Effective Date, in whole or in part, with the proceeds of the initial Revolving Loans), and that any and all liens granted to the lenders under the Existing Credit Agreement have been terminated and released.

The Administrative Agent shall notify the Borrower and the Credit Parties of the Effective Date, and such notice shall be conclusive and binding.

Section 5.02 Each Credit Event

The obligation of each Lender to make a Revolving Loan on the occasion of any Borrowing and of the Issuing Bank to issue any Letter of Credit is subject to the satisfaction of the following conditions:

(a) The representations and warranties of the Borrower set forth in Article 4 of this Agreement (other than the representations and warranties in Sections 4.04(b) and 4.06 of this Agreement) shall be true and correct in all material respects on and as of the date of such Borrowing or issuance of such Letter of Credit, except to the extent such representations and warranties relate to any earlier date, in which case such representations and warranties shall have been true and correct in all material respects on and as of such earlier date.

(b) At the time of and immediately after giving effect to such Borrowing or issuance of such Letter of Credit, no Default shall have occurred and be continuing.

(c) No Material Subsidiary Indebtedness Event shall have occurred and be continuing.

Each request for a Revolving Loan or issuance of a Letter of Credit shall be deemed to constitute a representation and warranty by the Borrower on the date thereof as to the matters specified in paragraphs (a), (b) and (c) of this Section.

ARTICLE 6. AFFIRMATIVE COVENANTS

Until the Commitments have expired or been terminated and the principal of and interest on all Revolving Loans and all Reimbursement Obligations and all fees and other amounts (other than contingent liability obligations) payable under the Loan Documents shall have been paid in full, the Borrower covenants and agrees with the Lenders that:

Section 6.01 Financial Statements and Other Information

The Borrower will furnish to the Administrative Agent sufficient copies for each Lender of the following (it being agreed that the obligation of the Borrower to furnish the financial statements, reports, information and documents referred to below (other than the certificate referred to in clause (c) below) may be satisfied by the Borrower's delivery to, or filing such statements, reports, information and documents with, the SEC via the EDGAR filing system (or any successor system thereto)):

(a) within 120 days after the end of each fiscal year of the Borrower, its audited consolidated balance sheet and related statements of operations, cash flows and retained earnings as of the end of and for such year, setting forth in each case in comparative form the figures for the previous fiscal year, all reported on by PricewaterhouseCoopers LLP or other independent registered public accountants of recognized national standing (without a "going concern" or like qualification or exception and without any qualification or exception as to the scope of such

audit) to the effect that such consolidated financial statements present fairly in all material respects the financial condition and results of operations of the Borrower and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied;

(b) within 60 days after the end of each of the first three fiscal quarters of each fiscal year of the Borrower, its consolidated balance sheet and related statements of operations, cash flows and retained earnings as of the end of and for such fiscal quarter and the then elapsed portion of the fiscal year, setting forth in each case in comparative form the figures for the corresponding period or periods of (or, in the case of the balance sheet, as of the end of) the previous fiscal year, all certified by one of the President of the Borrower or a Financial Officer as presenting fairly in all material respects the financial condition and results of operations of the Borrower and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied, subject to normal year-end audit adjustments and the absence of footnotes;

(c) concurrently with any delivery of financial statements under clause (a) or (b) above, a certificate of the President of the Borrower or of a Financial Officer (i) certifying as to whether a Default has occurred and is continuing and, if a Default has occurred and is continuing, specifying the details thereof and any action taken or proposed to be taken with respect thereto, (ii) setting forth reasonably detailed calculations demonstrating compliance with Sections 7.05 and 7.06, and (iii) stating whether any material change in GAAP or in the application thereof has occurred since the later to occur of (x) the date of the audited financial statements referred to in Section 4.04 and (y) the date of the last certificate furnished pursuant to this Section 6.01(c), and, if any such change has occurred, specifying the effect of such change on the financial statements accompanying such certificate;

(d) promptly after the same become publicly available, and as the Administrative Agent or any Lender may reasonably request, copies of all periodic and other reports, proxy statements and other materials filed under the Securities Exchange Act of 1934 or any successor statute by the Borrower or any Subsidiary with the SEC, or any Governmental Authority succeeding to any or all of the functions of the SEC, or with any national securities exchange, or distributed by the Borrower to its shareholders generally, as the case may be, as the Administrative Agent or any Lender may reasonably request;

(e) promptly after the same becomes publicly available, notice of any change in the Borrower's Issuer Ratings, which notice may be satisfied if the information is included in the Disclosed Matters; and

(f) promptly following any request therefor, such other information regarding the operations, business affairs and financial condition of the Borrower or any Subsidiary, or compliance with the terms of the Loan Documents, as the Administrative Agent or any Lender may reasonably request, provided that the Borrower shall not be required to furnish information relating to American Savings Bank, F.S.B. if such disclosure may, in the Borrower's reasonable judgment, compromise or adversely affect American Savings Bank, F.S.B.'s competitive position in relation to the Administrative Agent and the Lenders.

Section 6.02 Notices of Material Events

The Borrower will furnish to the Administrative Agent and each Lender prompt written notice of the following (provided, however, that the obligation of the Borrower to provide such notice shall be deemed satisfied if the same is promptly included in the Disclosed Matters):

(a) the occurrence of any Default;

(b) the filing or commencement of any action, suit or proceeding by or before any arbitrator or Governmental Authority against or affecting the Borrower or any Significant Subsidiary (other than actions, suits or proceedings in the ordinary course of business or before the Public Utilities Commission or tax audits) that would reasonably be expected to result in a Material Adverse Effect;

(c) the occurrence of any ERISA Event that, alone or together with any other ERISA Events that have occurred, would reasonably be expected to result in liability of the Borrower and its Significant Subsidiaries in an aggregate amount exceeding 25% of the projected benefit obligations on a consolidated basis under all Plans.

(d) any other material event that is required to be disclosed by the Borrower on Form 8K to the SEC.

At the request of the Administrative Agent, a Financial Officer or other executive officer of the Borrower will provide a statement setting forth the details of the event or development requiring such notice and any action taken or proposed to be taken with respect thereto.

Section 6.03 Existence; Conduct of Business

The Borrower will do or cause to be done, and will cause each of its Significant Subsidiaries to do or cause to be done, all things reasonably necessary to preserve, renew and keep in full force and effect its legal existence and the rights, licenses, permits, privileges and franchises material to the conduct of its business, provided that the foregoing shall not prohibit any merger, consolidation, liquidation or dissolution permitted under Section 7.02 or any merger or consolidation of a Significant Subsidiary into the Borrower or another Significant Subsidiary of the Borrower or the transfer of assets by any Significant Subsidiary to the Borrower or another Significant Subsidiary of the Borrower followed by the liquidation of dissolution of such Significant Subsidiary.

Section 6.04 Payment of Obligations

The Borrower will pay its obligations, including its Tax liabilities, that, if not paid, would reasonably be expected to result in a Material Adverse Effect before the same shall become delinquent or in default, except where (a) the validity or amount thereof is being contested in good faith by appropriate proceedings, (b) if required by GAAP, the Borrower has set aside on its books adequate reserves with respect thereto in accordance with GAAP, and (c) the failure to make payment pending such contest would not reasonably be expected to result in a Material Adverse Effect.

Section 6.05 Maintenance of Properties; Insurance

(a) The Borrower will keep and maintain, and will cause each of its Significant Subsidiaries to keep and maintain, all property material to the conduct of its business in good working order and condition, ordinary wear and tear excepted, provided, however, that nothing shall prevent the Borrower or a Significant Subsidiary, as appropriate, from discontinuing the operation or maintenance of any property if such discontinuance is, in the judgment of the Borrower or such Significant Subsidiary, desirable in the conduct of the business of the Borrower or such Significant Subsidiary.

(b) The Borrower will maintain, or cause to be maintained, and will cause each of its Significant Subsidiaries to maintain, or cause to be maintained, with reputable insurance companies, so long as such insurance is available on commercially reasonable terms (including appropriate deductibles, self-insurance, exclusions and limitations), insurance in such amounts

and against such risks as the Borrower and its Significant Subsidiaries have customarily maintained.

Section 6.06 Books and Records; Inspection Rights

The Borrower will maintain and cause each of its Significant Subsidiaries to maintain, accurate and proper accounting records and books in accordance with GAAP, and provide the Administrative Agent and the Lenders, subject to the provisions of Section 10.12, with access to such books and accounting records at the request of the Administrative Agent and the Lenders made for a legitimate business purpose related to the Transactions during the Borrower's normal business hours and to discuss its affairs, finances and condition with its Financial Officers, all at such reasonable times and as often as reasonably requested; provided, however, that the Borrower shall not be required to disclose to the Administrative Agent, the Issuing Bank, or any Lender information relating to American Savings Bank, F.S.B. if such disclosure may, in the Borrower's reasonable judgment, compromise or adversely affect American Savings Bank, F.S.B.'s competitive position in relation to the Administrative Agent, the Issuing Bank, or any Lender.

Section 6.07 Compliance with Laws

The Borrower will comply, and will cause each of its Significant Subsidiaries to comply, in all material respects, with all applicable laws, rules, regulations and orders of any Governmental Authority, a breach of which would reasonably be expected to have a Material Adverse Effect, except where contested in good faith and, if applicable, by proper proceedings.

Section 6.08 Use of Proceeds

The Borrower will use the proceeds of the Revolving Loans only for lawful purposes of the Borrower and its Subsidiaries not inconsistent with or limited by the terms hereof, including, without limitation, commercial paper back-up. No part of the proceeds of any Revolving Loan will be used, whether directly or indirectly, and whether immediately, incidentally or ultimately, for any purpose that entails a violation of any of the regulations of the Board, including Regulations T, U and X.

ARTICLE 7. NEGATIVE COVENANTS

Until the Commitments have expired or been terminated and the principal of and interest on all Revolving Loans and all Reimbursement Obligations and all fees and other amounts (other than contingent liability obligations) payable under the Loan Documents shall have been paid in full, or unless the Required Lenders otherwise consent in writing, the Borrower covenants and agrees with the Lenders that:

Section 7.01 Liens

The Borrower will not incur, create, assume or permit to exist any Lien on the capital stock of or other ownership interests in Hawaiian Electric Company, Inc., American Savings Bank, F.S.B. or any other Significant Subsidiary or any Lien on any of its other assets, now or hereafter owned, without effectively providing concurrently therewith to equally and ratably secure the obligations of Borrower under this Agreement, except:

(a) Liens securing the payment of Indebtedness of the Borrower to a state, territory or possession of the United States or any political subdivision thereof issued in a transaction in which such state, territory, possession or political subdivision issued obligations the interest on which is excludable from gross income by the holders thereof pursuant to the provisions of

Section 103 of the Code (or similar provisions), as in effect at the time of the issuance of such obligations, and Indebtedness to the issuer of a letter of credit or a letter of guaranty to support any such obligations to the extent the Borrower or any Subsidiary is required to reimburse such issuer for drawings under such letter of credit or letter of guaranty with respect to the principal of or interest on such obligations;

(b) deposits under workmen's compensation, unemployment insurance and social security laws, or to secure the performance of bids, tenders, contracts (other than for the repayment of borrowed money), leases, statutory obligations, surety or appeal bonds, or indemnity, performance or other similar bonds, in the ordinary course of business;

(c) Liens imposed by law, such as carriers', warehousemen's or mechanics' liens, incurred in good faith in the ordinary course of business and securing obligations that are not yet due or that are being contested in good faith by appropriate proceedings, and Liens arising out of judgments or awards not exceeding $50,000,000 in the aggregate with respect to which appeals are being prosecuted, execution pending such appeals having been effectively stayed;

(d) the right reserved to, or vested in, any municipality or public authority by the terms of any right, power, franchise, grant, license, or permit, or by any provision of law, to purchase or recapture or designate a purchaser of any property;

(e) any Lien securing a tax, assessment or other governmental charge or levy or the claim of a materialman, mechanic, carrier, warehouseman or landlord for labor, materials, supplies or rentals incurred in the ordinary course of business;

(f) any Lien existing on (i) any property or asset at the time such property or asset is acquired by the Borrower (including acquisition by merger or consolidation), but only if and so long as (1) such Lien was not created in contemplation of such property or asset being acquired, (2) such Lien is and will remain confined to the property or asset subject to it at the time such property or asset is acquired and to improvements thereafter erected on or attached to such property or asset or any property or asset acquired in substitution or replacement thereof and (3) such Lien secures only the obligation secured thereby at the time such property or asset is acquired;

(g) any Lien in existence on the Effective Date to the extent set forth on Schedule 7.01, but only, in the case of each such Lien, to the extent it secures an obligation outstanding on the Effective Date to the extent set forth on such Schedule, and extensions, renewals and refinancings of such obligations that do not increase the outstanding principal amount thereof (other than for accrued interest and transactional fees and expenses of such extension, renewal, or refinancing);

(h) any Lien securing Purchase Money Indebtedness, or to secure payment of all or any part of the cost of construction of improvements as they are incurred or within 270 days thereafter, but only if, in the case of each such Lien, (i) such Lien shall at all times be confined solely to the property or asset the purchase price of which was financed through the incurrence of the Purchase Money Indebtedness secured by such Lien and to improvements thereafter erected on or attached to such property or asset or any property or asset acquired in substitution or replacement thereof and (ii) such Lien attached to such property or asset within 270 days of the acquisition or improvement of such property or asset;

(i) easements, reservations, rights-of-way, restrictions, survey exceptions and other similar encumbrances as to real property which customarily exist on properties of corporations

engaged in similar activities and similarly situated and which do not materially interfere with the conduct of the business of the Borrower or any Significant Subsidiary conducted at the property subject thereto;

(j) licenses, leases and subleases of property owned or leased by the Borrower or any Significant Subsidiary not interfering with the ordinary conduct of the business of the Borrower and the Significant Subsidiaries;

(k) Liens securing obligations, neither assumed by the Borrower or any Significant Subsidiary nor on account of which the Borrower or any Significant Subsidiary customarily pays interest, upon real estate or under which the Borrower or any Significant Subsidiary has a right-of-way, easement, franchise or other servitude or of which the Borrower or any Significant Subsidiary is the lessee of the whole thereof or any interest therein for the purpose of locating transmission and distribution lines and related support structures, pipe lines, substations, measuring stations, tanks, pumping or delivery equipment or similar equipment;

(l) Liens arising by virtue of any statutory or common law or contractual provision relating to banker's liens, rights of setoff or similar rights as to deposit accounts or other funds maintained with a depository institution;

(m) any Lien constituting a renewal, extension or replacement of a Lien permitted under clause (f), (g) or (h) of this Section 7.01, but only if (i) at the time such Lien is granted and immediately after giving effect thereto, no Default or Event of Default would exist and be continuing, (ii) such Lien is limited to all or a part of the property or asset that was subject to the Lien so renewed, extended or replaced and to improvements thereafter erected on or attached to such property or asset or any property or asset acquired in substitution or replacement thereof, (iii) the principal amount of the obligations secured by such Lien does not exceed the principal amount of the obligations secured by the Lien so renewed, extended or replaced, together with reasonable out-of-pocket expenses and accrued interest with respect to the obligations so renewed, extended or replaced, and (iv) the obligations secured by such Lien bear interest at a rate per annum not exceeding the rate borne by the obligations secured by the Lien so renewed, extended or replaced except for any increase that, in the reasonable opinion of the Borrower, is commercially reasonable at the time of such increase;

(n) Liens securing Indebtedness or other obligations of the Borrower or any Significant Subsidiary; provided, that at the time any such Indebtedness or other monetary obligation is incurred (and after giving effect to the concurrent repayment of any Indebtedness or other monetary obligations with the proceeds thereof), the aggregate principal amount of all Indebtedness and other monetary obligations then secured pursuant to this clause (n) does not exceed 15% of Consolidated Net Worth;

(o) any Lien on any capital stock of any corporation which is registered in the name of Borrower or otherwise owned by or held for the benefit of the Borrower (other than, in either case, the capital stock of any Significant Subsidiary) which may constitute Margin Stock; or

(p) any Lien on property arising in connection with any defeasance, covenant defeasance or in substance defeasance of any Indebtedness pursuant to an express contractual provision with respect thereto or GAAP.

Section 7.02 Sale of Assets; Consolidation; Merger; Sale and Leaseback

The Borrower will not,

(a) sell, lease, transfer or otherwise dispose of all or substantially all of its properties and assets to any Person;

(b) consolidate with or merge into any other corporation (other than a merger of a Subsidiary into, or a consolidation of a Subsidiary with, the Borrower), or acquire all or substantially all the properties and assets of any Person unless:

(i) in the case of a merger or consolidation with the Borrower, the Borrower is the surviving corporation; and

(ii) after giving effect to any merger or consolidation or acquisition, the Borrower is in pro forma compliance with Sections 7.05 and 7.06; and

(iii) no Default or Event of Default exists or results therefrom and is continuing; and

(iv) the aggregate consideration paid in connection with any such acquisition (including the aggregate amount of all indebtedness assumed) shall not exceed an amount equal to 25% of the Consolidated Capitalization of the Borrower and its Subsidiaries immediately prior to such acquisition); and

(v) the Administrative Agent shall have received prior to the consummation of any such merger, consolidation or acquisition, a certificate executed by a Financial Officer as to each of the matters described in clause (i)-(iv);

(c) enter into any arrangement, directly or indirectly, with any Person whereby the Borrower shall sell or transfer and lease back any portion of its property, real, personal or mixed, and used and useful in its business, whether now owned or hereafter acquired, which constitutes a material portion of the total property of the Borrower; or

(d) sell, assign, transfer, or otherwise dispose of the common stock of or other ownership interests ordinarily entitled to vote in the election of directors of any Significant Subsidiary, other than directors' qualifying shares.

Section 7.03 Restrictive Agreements

The Borrower will not, and will not permit any Significant Subsidiary to, enter into, incur, permit to exist, directly or indirectly any agreement or arrangement that prohibits, restricts or imposes any condition upon the ability of any Significant Subsidiary to (a) make any Restricted Payments or to repay any Indebtedness owed to the Borrower, (b) make loans or advances to the Borrower or (c) transfer any of its property or assets to the Borrower, provided that the foregoing shall not apply to restrictions and conditions (i) imposed by law or regulation or by any regulatory agency, body or authority including under agreements with regulatory agencies, bodies, or authorities (ii) contained in or otherwise permitted by this Agreement or the HECO Credit Agreement, (iii) existing on the Effective Date identified on Schedule 7.03 hereto and amendments and modifications thereto, so long as such amendments or modifications do not materially expand the scope of any such restriction or condition, or (iv) that are entered into, incurred or permitted to exist following the date hereof that are not materially more expansive in scope than the restrictions and conditions referred to in this Section 7.03.

Section 7.04 Transactions with Affiliates

Except as specifically permitted by this Agreement, the Borrower will not sell, transfer, lease or otherwise dispose of (including pursuant to a merger) any property or assets to, or purchase, lease or otherwise acquire (including pursuant to a merger) any property or assets from, or otherwise engage in any other transactions with, any of its Affiliates, except at prices and on terms and conditions not materially less favorable to the Borrower than could be obtained on an arms length basis from unrelated third parties, provided that this Section shall not apply to any transaction that is otherwise permitted under this Article 7.

Section 7.05 Capitalization Ratio

The Borrower will not permit its Capitalization Ratio to exceed 0.50 to 1.00 as of the end of any fiscal quarter or fiscal year end.

Section 7.06 Consolidated Net Worth

The Borrower will not permit its Consolidated Net Worth to be less than $975,000,000 as of the end of any fiscal quarter or fiscal year end.

ARTICLE 8. EVENTS OF DEFAULT

If any of the following events ("***Events of Default***") shall occur:

(a) the Borrower shall fail to pay any principal of any Revolving Loan or Reimbursement Obligation when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or otherwise;

(b) the Borrower shall fail to pay any interest on any Revolving Loan or any fee, commission or any other amount (other than an amount referred to in clause (a) of this Article) payable under any Loan Document, when and as the same shall become due and payable, and such failure shall continue unremedied for a period of five Business Days;

(c) any representation or warranty made or deemed made by or on behalf of the Borrower in or pursuant to this Agreement or any amendment or modification hereof or thereof or any waiver hereunder or thereunder, or in any report, certificate, financial statement or other document furnished pursuant to any Loan Document or any amendment or modification hereof or thereof or any waiver hereunder or thereunder, shall prove to have been incorrect in any material respect when made or deemed made;

(d) the Borrower shall fail to observe or perform any covenant, condition or agreement contained in Sections 6.03 (with respect to the Borrower's existence), 6.08, 7.02, 7.03, 7.05, or 7.06;

(e) (i) the Borrower shall fail to observe or perform any covenant, condition or agreement contained in Section 6.02 and such failure shall continue unremedied for a period of 10 days after a Financial Officer of the Borrower shall have obtained knowledge thereof;

(ii) the Borrower shall fail to observe or perform any covenant, condition or agreement contained in any Loan Document to which it is a party (other than those specified in clause (a), (b), (d) or (e) (i) of this Article), and such failure shall continue

unremedied for a period of 30 days after the Borrower shall have received notice thereof from the Administrative Agent;

(f) the Borrower shall fail to make any payment (whether of principal or interest and regardless of amount) in respect of any Material Indebtedness, when and as the same shall become due and payable and after the expiration of any applicable grace period;

(g) any event or condition occurs that results in any Material Indebtedness becoming due prior to its scheduled maturity or that then enables or permits the holder or holders of any Material Indebtedness or any trustee or agent on its or their behalf to cause any Material Indebtedness to become due, or to require the prepayment, repurchase, redemption or defeasance thereof, prior to its scheduled maturity, provided, that no Event of Default shall occur under this paragraph (g) as a result of (i) any notice of voluntary prepayment delivered by the Borrower with respect to any Indebtedness, (ii) any voluntary sale of assets by the Borrower as a result of which any Indebtedness secured by such assets is required to be prepaid or (iii) the exercise of any contractual right to cause the prepayment of such Material Indebtedness (other than the exercise of a remedy for an event of default under the applicable contract or agreement);

(h) any event or condition occurs that results in any Material Subsidiary Indebtedness becoming due prior to its scheduled maturity or that requires the prepayment, repurchase, redemption or defeasance thereof, prior to its scheduled maturity, provided, that no Event of Default shall occur under this paragraph (h) as a result of (i) any notice of voluntary prepayment delivered by any Significant Subsidiary with respect to any Indebtedness, (ii) any voluntary sale of assets by any Significant Subsidiary as a result of which any Material Subsidiary Indebtedness secured by such assets is required to be prepaid or (iii) the exercise of any contractual right to cause the prepayment of such Material Subsidiary Indebtedness (other than the exercise of a remedy for an event of default under the applicable contract or agreement);

(i) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, reorganization or other relief in respect of the Borrower or any Significant Subsidiary or its debts, or of a substantial part of its assets, under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect, or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Borrower or any Significant Subsidiary or for a substantial part of its assets, and, in any such case, such proceeding or petition shall continue undismissed or unstayed for 60 days or an order or decree approving or ordering any of the foregoing shall be entered and continues unstayed for 30 days;

(j) the Borrower or any Significant Subsidiary shall (i) voluntarily commence any proceeding or file any petition seeking liquidation, reorganization or other relief under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in clause (i) of this Article, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Borrower or any Significant Subsidiary or for a substantial part of its assets, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, or (vi) take any action for the purpose of effecting any of the foregoing;

(k) the Borrower or any Significant Subsidiary shall become unable, admit in writing its inability or fail generally to pay its debts as they become due;

(l) one or more judgments for the payment of money in an aggregate amount in excess of $50,000,000 (net of any amount covered by insurance) shall be rendered against the Borrower or any Significant Subsidiary or any combination thereof and the same is not appealed, satisfied, vacated, suspended, discharged or stayed pending appeal within 60 days after entry of such judgment or is not satisfied or discharged within 30 days after the expiration of any such stay;

(m) an ERISA Event shall have occurred that, when taken together with all other ERISA Events that have occurred, would reasonably be expected to result in liability of the Borrower and its Significant Subsidiaries in an aggregate amount exceeding 25% of the projected benefit obligations under all Plans;

(n) this Agreement or any other material Loan Document shall cease, for any reason (other than as a result of an act or omission by a Credit Party), to be valid and binding and enforceable against the Borrower in any material respect, or the Borrower shall so assert in writing or shall disavow any of its obligations thereunder;

(o) any Significant Subsidiary shall fail to pay its Tax liabilities, that, if not paid, would reasonably be expected to result in a Material Adverse Effect before the same shall become delinquent or in default and such failure shall continue for more than 30 days, except where (i) the validity or amount thereof is being contested in good faith and, if applicable, by appropriate proceedings, (ii) such Significant Subsidiary has set aside on its books adequate reserves with respect thereto in accordance with GAAP, and (iii) the failure to make payment pending such contest would not reasonably be expected to result in a Material Adverse Effect;

(p) American Savings Bank, F.S.B. shall fail to (a) be deemed “well capitalized” as defined by the Office of Thrift Supervision and Federal Deposit Insurance Corporation, or any successor, (b) have at all times a leverage ratio of not less than 5%, (c) have at all times a Tier-1 risked based capital ratio of not less than 6% or (d) have at all times a total risk-based capital ratio of not less than 10%; or

(q) a Change in Control shall occur;

then, and in every such event (other than an event described in clause (i) or (j) of this Article with respect to the Borrower), and at any time thereafter during the continuance of such event, the Administrative Agent shall (at the request of the Required Lenders) or may (with the consent of the Required Lenders), in each case by notice to the Borrower, take either or both of the following actions, at the same or different times: (i) terminate the Commitments, and thereupon the Commitments shall terminate immediately, (ii) declare the Revolving Loans then outstanding to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Revolving Loans so declared to be due and payable, together with accrued interest thereon and all fees and other obligations of the Borrower accrued under the Loan Documents, shall become due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower, and (iii) demand cash collateralization of the Letter of Credit Exposure; and in case of any event described in clause (i) or (j) of this Article with respect to the Borrower, the Commitments shall automatically terminate and the principal of the Revolving Loans then outstanding, together with accrued interest thereon and all fees and other obligations of the Borrower accrued under the Loan Documents, shall automatically become due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower.

ARTICLE 9. THE ADMINISTRATIVE AGENT

Section 9.01 Appointment

Each Credit Party hereby irrevocably appoints the Administrative Agent as its agent and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof, together with such actions and powers as are reasonably incidental thereto.

Section 9.02 Individual Capacity

The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent, and such Person and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Borrower or any Subsidiary or other Affiliate thereof as if it were not the Administrative Agent hereunder.

Section 9.03 Exculpatory Provisions

The Administrative Agent shall not have any duties or obligations except those expressly set forth herein. Without limiting the generality of the foregoing, (a) the Administrative Agent shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (b) the Administrative Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated by the Loan Documents that the Administrative Agent is required to exercise in writing by the Required Lenders (or such other number or percentage of the Credit Parties as shall be necessary under the circumstances as provided in Section 10.02), and (c) except as expressly set forth herein, the Administrative Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower, or any of the Subsidiaries that is communicated to or obtained by the Person serving as Administrative Agent or any of its Affiliates in any capacity. The Administrative Agent shall not be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders (or such other number or percentage of the Credit Parties as shall be necessary under the circumstances as provided in Section 10.02) or in the absence of its own gross negligence or willful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until written notice thereof is given to the Administrative Agent by the Borrower or a Credit Party (and, promptly after its receipt of any such notice, it shall give each Credit Party and the Borrower notice thereof), and the Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with any Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein, (iv) the validity, enforceability, effectiveness or genuineness hereof or thereof or any other agreement, instrument or other document, or (v) the satisfaction of any condition set forth in Article 5 or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent, or its counsel.

Section 9.04 Reliance by Administrative Agent

The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon. The Administrative Agent may

consult with legal counsel (who may be internal or external counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

Section 9.05 Performance of Duties

The Administrative Agent may perform any and all its duties and exercise its rights and powers by or through any one or more sub-agents appointed by the Administrative Agent, provided that no such delegation shall serve as a release of the Administrative Agent or waiver by the Borrower of any rights hereunder. The Administrative Agent and any such sub-agent may perform any and all its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of the preceding paragraphs shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

Section 9.06 Resignation; Successors

Subject to the appointment and acceptance of a successor Administrative Agent as provided in this paragraph, the Administrative Agent may resign at any time by notifying the Credit Parties and the Borrower. Upon any such resignation, the Required Lenders shall have the right, in consultation with the Borrower, to appoint a successor. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent shall, in consultation with the Borrower, on behalf of the Credit Parties, appoint a successor Administrative Agent which shall be a bank with an office in New York, New York, or an Affiliate of any such bank. Upon the acceptance of its appointment as Administrative Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the Administrative Agent's resignation hereunder, the provisions of this Article and Section 10.03 shall continue in effect for the benefit of such retiring Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while it was acting as Administrative Agent.

Section 9.07 Non-Reliance by Credit Parties

Each Credit Party acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Credit Party and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Credit Party also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Credit Party and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon any Loan Document, any related agreement or any document furnished hereunder or thereunder.

Section 9.08 Agents

None of the Persons identified on the cover page of this Agreement or in the preamble to this Agreement as a "co-syndication agent", "co-documentation agent", "lead arranger", "co-arranger", or "book manager" shall have any right, power, obligation, liability, responsibility or duty to any other Person under this Agreement, any of the other Loan Documents or otherwise, other than JPMCB in its capacity as Administrative Agent, JPMCB in its capacity as Issuing Bank, and each Lender in its capacity as a Lender. Without limiting the foregoing, none of such Persons so identified shall have or be deemed

to have any fiduciary relationship with any other Person but such Persons shall have the benefit of the provisions of Section 9.02.

ARTICLE 10. MISCELLANEOUS

Section 10.01 Notices

Except in the case of notices and other communications expressly permitted to be given by telephone, all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by facsimile transmission, as follows:

(a) if to the Borrower:

Hawaiian Electric Industries, Inc.
900 Richards Street (if by hand delivery or overnight courier)
Honolulu, Hawaii 96813

P.O. Box 730 (if by mail)
Honolulu, Hawaii 96808-0730
Attention: Mr. James A. Ajello, Senior Financial VP, Treasurer & Chief Financial Officer
Telephone No.: 808-543-7750
Facsimile No.: 808-203-1184

(b) if to the Administrative Agent:

JPMorgan Chase Bank, N.A.
10 South Dearborn, Floor 7th
IL1-0010
Chicago, IL 60603-2003
Attention: Hiral Patel
Telephone No.: 312-732-6221
Facsimile No.: 312-385-7096

with a copy to:

JPMorgan Chase Bank, N.A.
1999 Avenue Of The Stars, Floor 27
CA2-1274
Los Angeles, CA 90067-6022
Attention: Jeff Bailard
Telephone No.: 310-860-7256
Facsimile No.: 310-860-7110

(c) if to the Issuing Bank:

JPMorgan Chase Bank, N.A.
Global Trade Services
300 South Riverside Plaza
Chicago, IL 60606-0236

Attention: Standby LC Unit
Email: GTS.Client.Services@JPMChase.com
Telephone No.: 312-954-1941
Facsimile No.: 312-233-2266

(d) if to any other Credit Party, to it at its address (or facsimile number) set forth in its Administrative Questionnaire.

Any party hereto may change its address or facsimile number for notices and other communications hereunder by notice to the other parties hereto. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt.

Section 10.02 Waivers; Amendments

(a) No failure or delay by any Credit Party in exercising any right or power under any Loan Document shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Credit Parties under the Loan Documents are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of any Loan Document or consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Revolving Loan shall not be construed as a waiver of any Default, regardless of whether any Credit Party may have had notice or knowledge of such Default at the time.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Borrower and the Required Lenders or by the Borrower and the Administrative Agent with the consent of the Required Lenders, provided that no such agreement shall:

(i) increase the Commitment of any Lender without the written consent of such Lender,

(ii) reduce the principal amount of any Revolving Loan or Reimbursement Obligations, or reduce the rate of interest thereon (other than the imposition of additional interest under Section 3.01(c)), or reduce any fees or other amounts payable under the Loan Documents, without the written consent of each Lender directly affected thereby,

(iii) postpone the scheduled date of payment of the principal amount of any Revolving Loan, or any interest thereon, or any fees or other amounts payable under the Loan Documents, or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date of expiration of any Commitment, without the written consent of each Credit Party directly affected thereby,

(iv) change any provision hereof in a manner that would alter the pro rata sharing of payments required by any Loan Document, without the written consent of each Credit Party, or

(v) change any of the provisions of this Section or the definition of "Required Lenders" or any other provision hereof specifying the number or percentage of Lenders required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender,

and provided, further, that no such agreement shall amend, modify or otherwise affect the rights or duties of (A) the Administrative Agent hereunder without the prior written consent of the Administrative Agent and (B) the Issuing Bank hereunder without the prior written consent of the Issuing Bank.

Section 10.03 Expenses; Indemnity; Damage Waiver

(a) The Borrower shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent and J.P. Morgan Securities Inc., the sole Lead Arranger, including the reasonable and duly documented fees, charges and disbursements of counsel for the Administrative Agent, in connection with the syndication and distribution (including, without limitation, via the internet or through a service such as Intralinks) of the credit facilities provided for herein, the preparation and administration of this Agreement or any amendments, modifications or waivers of the provisions of any Loan Document (whether or not the transactions contemplated hereby or thereby shall be consummated), and (ii) all reasonable out-of-pocket expenses incurred by any Credit Party, including the reasonable fees, charges and disbursements of a single counsel for the Administrative Agent and a single counsel for the other Credit Parties, in connection with the enforcement or protection of its rights in connection with the Loan Documents, including its rights under this Section, or in connection with and during any workout, restructuring or negotiations in respect of the Revolving Loans and the Letters of Credit.

(b) The Borrower shall indemnify each Credit Party and each Related Party thereof (each such Person being called an "***Indemnitee***") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including the reasonable fees, charges and disbursements of any counsel for any Indemnitee, incurred by or asserted against any Indemnitee arising out of, in connection with, or as a result of (i) the execution or delivery of any Loan Document or any agreement or instrument contemplated hereby or thereby, the performance by the parties to the Loan Documents of their respective obligations hereunder and thereunder or the consummation of the Transactions or any other transactions contemplated hereby or thereby, (ii) any Revolving Loan or the use of the proceeds thereof, (iii) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by the Borrower or any of the Subsidiaries, or any Environmental Liability related in any way to the Borrower or any of the Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory and regardless of whether any Indemnitee is a party thereto, provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses (A) are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of (or a breach in bad faith by such Indemnitee of its express obligations under any Loan Document) such Indemnitee, (B) arise out of a claim brought by the Borrower against an Indemnitee for a breach which is finally determined by a final and nonappealable judgment to have constituted a bad faith breach of such Indemnitee's obligations under this Agreement or (C) relate to Taxes, except as provided in Section 3.07.

(c) To the extent that the Borrower fails to pay any amount required to be paid by it to the Administrative Agent under paragraph (a) or (b) of this Section, each Lender severally

agrees to pay to the Administrative Agent such Lender's Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount, provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as applicable, was incurred by or asserted against the Administrative Agent in its capacity as such.

(d) To the extent permitted by applicable law, each party hereto agrees that it will not assert, and hereby waives, any claim against any Indemnitee or the Borrower, as the case may be, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, any Loan Document or any agreement, instrument or other document contemplated hereby or thereby, the Transactions or any Revolving Loan or the use of the proceeds thereof.

(e) All amounts due under this Section shall be payable promptly, but in any event no later than 30 days, after written demand therefor, accompanied by proper supporting documentation, and without prejudice to the Borrower's right to contest the amount or the validity of any claim for payment.

Section 10.04 Successors and Assigns

(a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Credit Party (and any attempted assignment or transfer by the Borrower without such consent shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby and, to the extent expressly contemplated hereby, the Related Parties of each Credit Party) any legal or equitable right, remedy or claim under or by reason of any Loan Document.

(b) Each Lender may, and, so long as no Default shall have occurred and be continuing, if demanded by the Borrower pursuant to 3.08(b) upon at least five Business Days' notice to such Lender, the Issuing Bank and the Administrative Agent will, assign to one or more Eligible Assignees all or a portion of such Lender's rights and obligations under this Agreement and the other Loan Documents (including, without limitation, all or a portion of its Commitments, the Revolving Loans (including, for the purposes of this Section 10.04(b), participations in Letters of Credit) owing to it and the Note held by it); provided, however, that (i) each such assignment shall be of a uniform, and not a varying, percentage of all rights and obligations under and in respect of any or all facilities (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Administrative Agent or, if "Trade Date" is specified in the Assignment and Acceptance, as of the Trade Date), (ii) except in the case of an assignment to a Person that, immediately prior to such assignment, was a Lender, an Affiliate of any Lender or an Approved Fund of any Lender or an assignment of all of a Lender's rights and obligations under this Agreement, the aggregate amount of the Commitments being assigned to such Eligible Assignee pursuant to such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment) shall in no event be less than $5,000,000 (or such lesser amount as shall be approved by the Administrative Agent and, unless a Default has occurred and is continuing under Section 8(a), Section 8(i) or Section 8(j) or unless an Event of Default has occurred and is continuing, the Borrower), (iii) each partial assignment shall be made as an assignment of a proportionate part of all of the assigning Lender's rights and obligations under this Agreement with respect to the Revolving Loans or the Commitments assigned,

(iv) except in the case of an assignment to a Person that, immediately prior to such assignment, was a Lender, an Affiliate of any Lender or an Approved Fund of any Lender, such assignment shall be approved, so long as no Default has occurred and is continuing under Section 8(a), Section 8(i) or Section 8(j) and no Event of Default has occurred and is continuing at the time of effectiveness of such assignment, by the Borrower (such approval not to be unreasonably withheld or delayed), (v) each such assignment shall be to an Eligible Assignee, (vi) each assignment must be approved (such approvals not to be unreasonably withheld or delayed) by the Administrative Agent and the Issuing Bank unless the Person that is proposed is itself a Lender (whether or not the proposed assignee would otherwise qualify as an Eligible Assignee), (vii) each such assignment made as a result of a demand by the Borrower pursuant to this Section 10.04(b) shall be arranged by the Borrower after consultation with the Administrative Agent and shall be either an assignment of all of the rights and obligations of the assigning Lender under this Agreement or an assignment of a portion of such rights and obligations made concurrently with another such assignment or other such assignments that together cover all of the rights and obligations of the assigning Lender under this Agreement, (viii) no Lender shall be obligated to make any such assignment as a result of a demand by the Borrower pursuant to this Section 10.04(b) unless and until such Lender shall have received one or more payments from the Borrower or one or more Eligible Assignees in an aggregate amount at least equal to the aggregate outstanding principal amount of the Borrowing owing to such Lender, together with accrued interest thereon to the date of payment of such principal amount and all other amounts payable to such Lender under this Agreement, and (ix) the parties to each such assignment shall execute and deliver to the Administrative Agent, for its acceptance and recording in the Register, an Assignment and Acceptance, together with any Note subject to such assignment and (except in the case of any such assignment by a Lender to an Affiliate or Approved Fund of such Lender) a processing and recordation fee of $3,500; provided, however, that for each such assignment made as a result of a demand by the Borrower pursuant to Section 3.08, the Borrower or such assignee shall pay to the Administrative Agent the applicable processing and recordation fee.

(c) Upon such execution, delivery, acceptance and recording, from and after the effective date specified in such Assignment and Acceptance, (i) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of a Lender or the Issuing Bank, as the case may be, hereunder and (ii) the Lender or the Issuing Bank assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights (other than its rights under Sections 3.05, 3.07 and 10.03 to the extent any claim thereunder relates to an event arising prior to such assignment) and be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of the remaining portion of an assigning Lender's or the Issuing Bank's rights and obligations under this Agreement, such Lender or the Issuing Bank shall cease to be a party hereto).

(d) By executing and delivering an Assignment and Acceptance, each Credit Party assignor thereunder and each assignee thereunder confirm to and agree with each other and the other parties thereto and hereto as follows: (i) other than as provided in such Assignment and Acceptance, such assigning Credit Party makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with any Loan Document or the execution, legality, validity, enforceability, genuineness, sufficiency or value of, or the perfection or priority of any lien or security interest created or purported to be created under or in connection with, any Loan Document or any other instrument or document furnished pursuant thereto; (ii) such assigning Credit Party makes no representation or warranty and assumes no responsibility with respect to the financial condition of

the Borrower or the performance or observance by the Borrower of any of its obligations under any Loan Document or any other instrument or document furnished pursuant thereto; (iii) such assignee confirms that it has received a copy of this Agreement, together with copies of the financial statements referred to in Section 4.04 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (iv) such assignee will, independently and without reliance upon the Administrative Agent, such assigning Credit Party or any other Credit Party and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (v) such assignee confirms that it is an Eligible Assignee; (vi) such assignee appoints and authorizes each Administrative Agent to take such action as agent on its behalf and to exercise such powers and discretion under the Loan Documents as are delegated to Administrative Agent by the terms hereof and thereof, together with such powers and discretion as are reasonably incidental thereto; and (vii) such assignee agrees that it will perform in accordance with their terms all of the obligations that by the terms of this Agreement are required to be performed by it as a Lender or the Issuing Bank, as the case may be.

(e) The Administrative Agent shall maintain at its address referred to in Section 10.01 a copy of each Assignment and Acceptance delivered to and accepted by it and a register for the recordation of the names and addresses of the Credit Parties and their Commitments under each facility of, and principal amount of the Revolving Loans owing under each facility to, each Credit Party from time to time (the ***"Register"***). The entries in the Register shall be conclusive and binding for all purposes, absent clearly demonstrable error, and the Borrower, the Administrative Agent and the other Credit Parties may treat each Person whose name is recorded in the Register as a Credit Party hereunder for all purposes of this Agreement; provided, however, in the case of an assignment to an Affiliate of the assigning Lender, such assignment shall be effective between such Lender and its Affiliate immediately without compliance with the conditions for assignment under this Section 10.04, but shall not be effective with respect to any other party hereto, and each other party hereto shall be entitled to deal solely with such assigning Lender under any such assignment, in each case until the conditions for assignment under this Section 10.04 have been satisfied. The Register shall be available for inspection by the Borrower or the Administrative Agent or any other Credit Party at any reasonable time and from time to time upon reasonable prior notice.

(f) Upon its receipt of an Assignment and Acceptance executed by an assigning Credit Party and an assignee, together with any Note or Notes subject to such assignment, the Administrative Agent shall, if such Assignment and Acceptance has been completed and is in substantially the form of Exhibit A hereto, (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the Borrower. In the case of any assignment by a Lender, within five Business Days after its receipt of such notice, the Borrower, at its own expense, shall execute and deliver to the Administrative Agent in exchange for the surrendered Note a new Note to the order of such Eligible Assignee in an amount equal to the Commitment assumed by it under each facility pursuant to such Assignment and Acceptance and, if any assigning Lender has retained a Commitment hereunder under such facility, a new Note to the order of such assigning Lender in an amount equal to the Commitment retained by it hereunder. Such new Note shall be in an aggregate principal amount equal to the aggregate principal amount of such surrendered Note, shall be dated the effective date of such Assignment and Acceptance and shall otherwise be in substantially the form of Exhibit C hereto.

(g) Each Credit Party may sell participations to one or more Persons (other than the Borrower or any of its Affiliates) (each, a "***Participant***") in or to all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitments, the Revolving Loans (including such Lender's participations in Reimbursement Obligations) owing to it and the Note (if any) held by it); provided, however, that (i) such Credit Party's obligations under this Agreement (including, without limitation, its Commitments) shall remain unchanged, (ii) such Credit Party shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) such Credit Party shall remain the holder of any such Note for all purposes of this Agreement, (iv) the Borrower, the Administrative Agent and the other Credit Parties shall continue to deal solely and directly with such Credit Party in connection with such Credit Party's rights and obligations under this Agreement and (v) no participant under any such participation shall have any right to approve any amendment or waiver of any provision of any Loan Document, or any consent to any departure by the Borrower therefrom, except to the extent that such amendment, waiver or consent would reduce the principal of, or interest on, the Borrowings or Notes or any fees or other amounts payable hereunder, in each case to the extent subject to such participation, postpone any date fixed for any payment of principal of, or interest on, the Borrowings or Notes or any fees or other amounts payable hereunder, in each case to the extent subject to such participation. The Borrower agrees that each participant shall be entitled to the benefits of Sections 3.05, 3.06, 3.07 and 10.03 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section. To the extent permitted by law, each participant also shall be entitled to the benefits of Section 10.08 as though it were a Lender, provided such participant agrees to be subject to Section 2.08(c) and Section 10.12 as though it were a Lender. A participant shall not be entitled to receive any greater payment under Section 3.05 or 3.07 than the applicable Lender would have been entitled to receive with respect to the participation sold to such participant.

(h) Any Credit Party may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 10.04, disclose to the assignee or participant or proposed assignee or participant any information relating to the Borrower furnished to such Credit Party by or on behalf of the Borrower; provided, however, that, prior to any such disclosure, the assignee or participant or proposed assignee or participant shall agree in writing to preserve the confidentiality of any confidential Information received by it from such Credit Party in accordance with Section 10.12 to the same extent as if it were a Credit Party.

(i) Notwithstanding anything to the contrary contained herein, any Lender may at any time pledge or assign a security interest in all or any portion of its rights under the Loan Documents to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a security interest, provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations under the Loan Documents or substitute any such pledgee or assignee for such Lender as a party hereto.

Section 10.05 Survival

All covenants, agreements, representations and warranties made by the Borrower herein and in the certificates or other instruments prepared or delivered in connection with or pursuant to this Agreement or any other Loan Document shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of any Loan Document and the making of any Revolving Loans, regardless of any investigation made by any such other party or on its behalf and notwithstanding that any Credit Party may have had notice or knowledge of any Default or incorrect

representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any Revolving Loan or any fee or any other amount payable under the Loan Documents is outstanding and unpaid and so long as the Commitments have not expired or terminated. The provisions of Sections 3.05, 3.06, 3.07 and 10.03 and Article 9 shall survive and remain in full force and effect regardless of the repayment of the Revolving Loans and the termination of the Commitments or the termination of this Agreement or any provision hereof.

Section 10.06 Counterparts; Integration; Effectiveness

This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which, when taken together, shall constitute a single contract. This Agreement and any separate letter agreements with respect to fees payable to the Administrative Agent or Issuing Bank constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. This Agreement shall become effective on the Effective Date, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of this Agreement by facsimile transmission or other electronic imaging shall be effective as delivery of a manually executed counterpart of this Agreement.

Section 10.07 Severability

In the event any one or more of the provisions contained in this Agreement is held to be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

Section 10.08 Right of Setoff

If an Event of Default shall have occurred and be continuing, each of the Lenders and their respective Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by applicable law, to setoff and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other obligations at any time owing by it to or for the credit or the account of the Borrower against any of and all the obligations of the Borrower now or hereafter existing under this Agreement held by it, irrespective of whether or not it shall have made any demand under this Agreement and although such obligations may be unmatured. The rights of each of the Lenders and their respective Affiliates under this Section are in addition to other rights and remedies (including other rights of setoff) that it may have.

Section 10.09 Governing Law; Jurisdiction; Consent to Service of Process

(a) This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York without regard to principles of conflict of laws.

(b) The Borrower hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or Federal court of the United States of America sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or the other Loan

Documents, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that, to the extent permitted by applicable law, all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by applicable law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that the Administrative Agent or any other Credit Party may otherwise have to bring any action or proceeding relating to this Agreement or the other Loan Documents against the Borrower, or any of its property, in the courts of any jurisdiction.

(c) The Borrower hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or the other Loan Documents in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by applicable law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 10.01. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

Section 10.10 WAIVER OF JURY TRIAL

EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

Section 10.11 Headings

Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

Section 10.12 Confidentiality

Each of the Credit Parties agrees to maintain the confidentiality of the Information (as defined below) and not to use Information in violation of law, except that Information may be disclosed (a) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent required by any regulatory authority, (c) to the extent required by applicable laws or regulations

or by any subpoena or similar legal process, (d) to any other party to this Agreement, (e) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement, provided that each such Person agrees to maintain the confidentiality of such information on the terms set forth in this Section, (g) with the consent of the Borrower or (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or, (ii) becomes available to such Credit Party on a nonconfidential basis from a source other than the Borrower and without breach of this Agreement; provided, however, that, unless prohibited by applicable law, a Credit Party will provide prior notice to the Borrower of such Credit Party's intention to disclose Information pursuant to clause (c) above or to disclose Information pursuant to clause (e) above in connection with any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder. For the purposes of this Section, "***Information***" means all information received from the Borrower relating to the Borrower or its business, including, without limitation, information received from the Borrower or any of its Related Parties, pursuant to Section 6.01(f), 6.02 and 6.06 of this Agreement, other than any such information that is available to any Credit Party on a nonconfidential basis prior to disclosure by the Borrower. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

Section 10.13 Interest Rate Limitation

Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Revolving Loan, together with all fees, charges and other amounts that are treated as interest on such Revolving Loan under applicable law (collectively the "***charges***"), shall exceed the maximum lawful rate (the "***maximum rate***") that may be contracted for, charged, taken, received or reserved by the Lender holding such Revolving Loan in accordance with applicable law, the rate of interest payable in respect of such Revolving Loan hereunder, together with all of the charges payable in respect thereof, shall be limited to the maximum rate and, to the extent lawful, the interest and the charges that would have been payable in respect of such Revolving Loan but were not payable as a result of the operation of this Section shall be cumulated, and the interest and the charges payable to such Lender in respect of other Revolving Loans or periods shall be increased (but not above the maximum rate therefor) until such cumulated amount, together with interest thereon at the Federal Funds Rate to the date of repayment, shall have been received by such Lender.

Section 10.14 No Third Parties Benefited

This Agreement is made and entered into for the sole protection and legal benefit of the Borrower, the Administrative Agent, the Issuing Bank and the Lenders, and their permitted successors and assigns, and no other Person shall be a direct or indirect legal beneficiary of, or have any direct or indirect cause of action or claim in connection with, this Agreement or any of the other Loan Documents. Neither the Administrative Agent nor the Issuing Bank nor any Lender shall have any obligation to any Person not a party to this Agreement or other Loan Documents.

Section 10.15 USA PATRIOT Act Notice

Each of the Administrative Agent and each Lender hereby notifies the Borrower that, pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the ***"PATRIOT Act"***), it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that

will allow the Administrative Agent and such Lender to identify the Borrower in accordance with the Patriot Act.

Section 10.16 No Fiduciary Duty

The Administrative Agent, each Lender and their Affiliates (collectively, solely for purposes of this paragraph, the "Lender Parties"), may have economic interests that conflict with those of the Borrower, its stockholders and/or its affiliates. The Borrower agrees that nothing in the Loan Documents or otherwise will be deemed to create an advisory, fiduciary or agency relationship or fiduciary or other implied duty between any Lender Party, on the one hand, and the Borrower, its stockholders or its affiliates, on the other. The Borrower acknowledges and agrees that (i) the transactions contemplated by the Loan Documents (including the exercise of rights and remedies hereunder and thereunder) are arm's-length commercial transactions between the Lender Parties, on the one hand, and the Borrower, on the other, and (ii) in connection therewith and with the process leading thereto, (x) no Lender Party has assumed an advisory or fiduciary responsibility in favor of the Borrower, its stockholders or its affiliates with respect to the transactions contemplated hereby (or the exercise of rights or remedies with respect thereto) or the process leading thereto (irrespective of whether any Lender Party has advised, is currently advising or will advise the Borrower, its stockholders or its Affiliates on other matters) or any other obligation to the Borrower except the obligations expressly set forth in the Loan Documents and (y) each Lender Party is acting solely as principal and not as the agent or fiduciary of the Borrower, its management, stockholders, creditors or any other Person. The Borrower acknowledges and agrees that the Borrower has consulted its own legal and financial advisors to the extent it deemed appropriate and that it is responsible for making its own independent judgment with respect to such transactions and the process leading thereto. The Borrower agrees that it will not claim that any Lender Party has rendered advisory services of any nature or respect, or owes a fiduciary or similar duty to the Borrower, in connection with such transaction or the process leading thereto.

[Signature Pages to Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

HAWAIIAN ELECTRIC INDUSTRIES, INC.,
as the Borrower

By: /s/ James A. Ajello
Name: James A. Ajello
Title: Senior Financial Vice President, Treasurer
And Chief Financial Officer

By: /s/ David M. Kostecki
Name: David M. Kostecki
Title: Vice President-Finance, Controller and Chief
Accounting Officer

Signature Page to Credit Agreement
Hawaiian Electric Industries, Inc

JPMORGAN CHASE BANK, N.A.,
as Administrative Agent, as Issuing Bank and as a Lender

By: /s/ Ling Li
Name: Ling Li
Title: Vice President

Signature Page to Credit Agreement
Hawaiian Electric Industries, Inc.

BANK OF HAWAII,
as Co-Syndication Agent and as a Lender

By: /s/ Anna Hu
Name: Anna Hu
Title: Vice President

Signature Page to Credit Agreement
Hawaiian Electric Industries, Inc.

U.S. BANK NATIONAL ASSOCIATION,
as Co-Syndication Agent and as a Lender

By: /s/ Holland H. Williams
Name: Holland H. Williams
Title: AVP-Portfolio Manager

Signature Page to Credit Agreement
Hawaiian Electric Industries, Inc.

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Co-Syndication Agent and as a Lender

By: /s/ Yann Blindert
Name: Yann Bindert
Title: Vice President

Signature Page to Credit Agreement
Hawaiian Electric Industries, Inc.

BANK OF AMERICA, N.A.,
as Co-Documentation Agent and as a Lender

By: /s/ Gordon H. Gray
Name: Gordon H. Gray
Title: Senior Vice President

Signature Page to Credit Agreement
Hawaiian Electric Industries, Inc.

UNION BANK, N.A.,
as Co-Documentation Agent and as a Lender

By: /s/ Robert Olson
Name: Robert Olson
Title: Senior Vice President

Signature Page to Credit Agreement
Hawaiian Electric Industries, Inc.

THE BANK OF NEW YORK MELLON,
as a Lender

By: /s/ Mark W. Rogers
Name: Mark W. Rogers
Title: Vice President

Signature Page to Credit Agreement
Hawaiian Electric Industries, Inc.

GOLDMAN SACHS BANK USA,
as a Lender

By: /s/ Mark Walton
Name: Mark Walton
Title: Authorized Signatory

Signature Page to Credit Agreement
Hawaiian Electric Industries, Inc.

SCHEDULE 1.01
Hawaiian Electric Industries, Inc.
Funded Debt and Capitalization
(in thousands)

Hawaiian Electric Industries, Inc.

Funded Debt and Capitalization

(in thousands)

December 31, 2009	Unconsolidated	Consolidated
Funded Debt:		
Notes payable to subsidiaries	$ 6,205	$ —
Short-term borrowings-other than bank	41,989	41,989
Long-term debt, net-other than bank	307,000	1,364,815
Total Funded Debt *	$ 355,194	$ 1,406,804
Capitalization:		
Funded Debt	$ 355,194	$ 1,406,804
Noncontrolling interest: Cumulative preferred stock of subsidiaries-not subject to mandatory redemption	—	34,293
Common stock equity **	1,449,370	1,449,370
Total capitalization	$ 1,804,564	$ 2,890,467

* Excludes deposit liabilities, securities sold under agreements to repurchase and advances from Federal Home Loan Bank of Seattle.

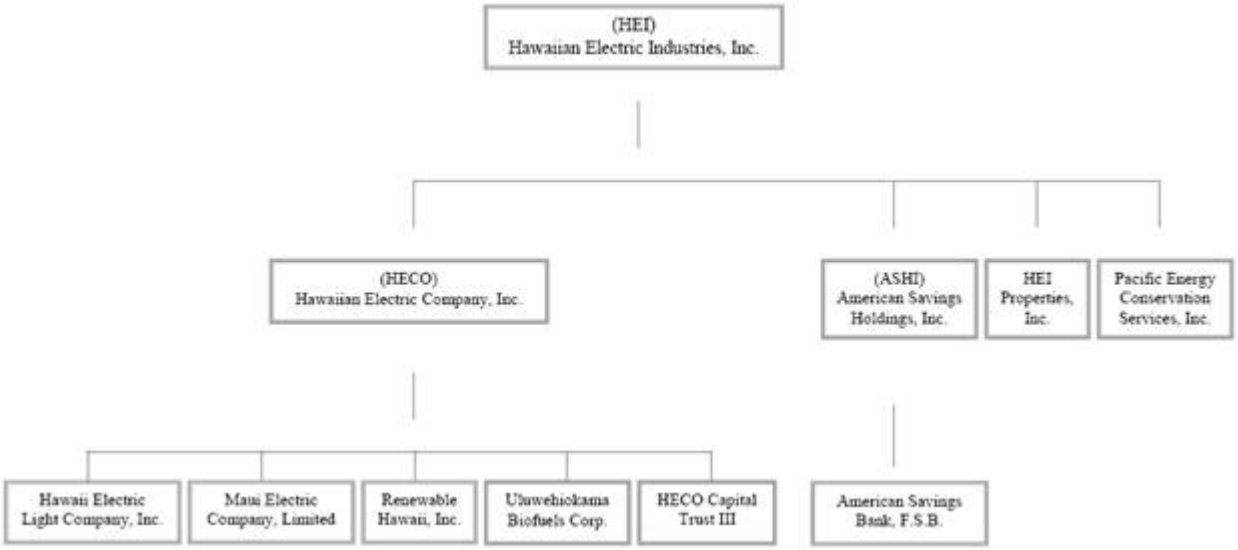
** Excludes accumulated other comprehensive loss of $7,722.

Schedule 2.01

(HEI Credit Agreement)

Lender	Revolving Commitment	Letter of Credit Commitment
JPMorgan Chase Bank, N.A.	$ 22,916,666.67	$ 9,166,666.67
Bank of Hawaii	$ 16,666,666.67	$ 6,666,666.67
U.S. Bank National Association	$ 16,666,666.67	$ 6,666,666.67
Wells Fargo Bank, National Association	$ 16,666,666.67	$ 6,666,666.67
Bank of America, N.A.	$ 16,666,666.66	$ 6,666,666.66
Union Bank, N.A.	$ 16,666,666.66	$ 6,666,666.66
The Bank of New York Mellon	$ 12,500,000.00	$ 5,000,000.00
Goldman Sachs Bank USA	$ 6,250,000.00	$ 2,500,000.00
Total	**$ 125,000,000.00**	**$ 50,000,000.00**

SCHEDULE 4.12
SUBSIDIARIES
Corporate Organizational Structure of Active Subsidiaries of HEI Holding Company



SCHEDULE 7.01

EXISTING LIENS

Debtor	Secured Party	Jurisdiction	UCC File Number	UCC File Date	Collateral Description*
Hawaiian Electric Industries, Inc. (as lessee)	Hitachi Credit America Corp., as assignee of Computer Sales International, Inc. (as lessor)	Hawaii	95-002260	01/06/1995	EQ LE, SU, RP, PR
Hawaiian Electric Industries, Inc. (as lessee)	Hitachi Credit America Corp., as assignee of Computer Sales International, Inc. (as lessor)	Hawaii	95-002261	01/06/1995	EQ LE, SU, RP, PR
Hawaiian Electric Industries, Inc.	IBM Corporation	Hawaii	96-100049	07/15/1996	EQ , RP, PR
Hawaiian Electric Industries, Inc. (as lessee)	First Bank of Highland Park, as assignee of Computer Sales International, Inc. (as lessor)	Hawaii	96-101686	07/17/1996	EQ LE, SU, RP, PR
Hawaiian Electric Industries, Inc.	IBM Corporation	Hawaii	97-064633	05/19/1997	EQ, RP, PR
Hawaiian Electric Industries, Inc.	IBM Corporation	Hawaii	97-120791	09/09/1997	EQ, RP, PR
Hawaiian Electric Industries, Inc. (as lessee)	Hitachi Credit America Corp., as assignee of Computer Sales International, Inc. (as lessor)	Hawaii	97-127302	09/22/1997	EQ LE, SU, RP, PR
Hawaiian Electric Industries, Inc.	IBM Corporation	Hawaii	98-044239	04/01/1998	EQ, RP, PR

* EQ=Equipment; LE=Leases; SU=Substitutions; RP=Replacements; PR=Proceeds

SCHEDULE 7.03

HAWAIIAN ELECTRIC INDUSTRIES, INC.

EXISTING RESTRICTIONS

Pursuant to Section 7.03 of the Credit Agreement, the following restrictions and conditions exist on May 7, 2010:

1. Hawaiian Electric Company, Inc. ("HECO"), Maui Electric Company, Ltd. ("MECO") and Hawaii Electric Light Company, Inc. ("HELCO") are subject to restrictive covenants in connection with the offer and sale in March 2004 of Cumulative Quarterly Income Preferred Securities, as disclosed in the Registration Statements on Form S-3, Regis. Nos. 333-111073, 333-111073-01, 333-111073-02 and 333-111073-03 filed with the Securities and Exchange Commission, which descriptions are incorporated herein by reference.

2. HECO, MECO and HELCO are subject to restrictive covenants in connection with their cumulative preferred stock financings to the effect that, until dividends have been paid or declared or set apart for payment on all shares of the respective company's cumulative preferred stock, (1) no distributions on the respective company's common stock or any future class of stock except cumulative preferred stock shall be made and (2) the respective company shall not purchase or otherwise acquire any of the respective company's common stock or any future class of stock except cumulative preferred stock. In the event of liquidation, dissolution, receivership, bankruptcy, disincorporation or winding up of the affairs of the respective company, cumulative preferred stockholders are entitled to the par value and accrued and unpaid dividends, before any distribution is made to holders of the respective company's common stock or any future class of stock except cumulative preferred stock.

3. HECO is subject to restrictive covenants in connection with its cumulative preferred stock financings to the effect that, as long as any shares of the respective series of cumulative preferred stock are outstanding HECO shall not effect the merger or consolidation of HECO, or sell, lease or exchange all or substantially all of the property and assets of HECO without first obtaining the consent in writing of the holders of at least 75% of each of the respective outstanding series of cumulative preferred stock, provided that said consent shall not be required to make a mortgage, pledge, assignment or transfer of all or any part of its assets as security for any obligation or liability of any kind or nature.

HECO, MECO and HELCO are subject to restrictive covenants in connection with their special purpose revenue bonds which contain provisions to the effect that HECO, MECO and HELCO shall not dissolve or otherwise dispose of all or substantially all its assets, and will not consolidate with or merge into another entity or permit other entities to consolidate with or merge into it, unless certain specific requirements are met.

EXHIBIT A

FORM OF ASSIGNMENT AND ACCEPTANCE AGREEMENT

Assignment and Acceptance Agreement (as the same may be amended, supplemented or otherwise modified from time to time, this "***Assignment and Acceptance Agreement***"), dated as of 20 by and between [**NAME OF ASSIGNOR**], a Lender under the Credit Agreement referred to below (the "***Assignor***"), and [**NAME OF ASSIGNEE**] (the "***Assignee***").

R E C I T A L S

A. Reference is made to the Credit Agreement, dated as of May 7, 2010, among Hawaiian Electric Industries, Inc., a Hawaii corporation (the "***Borrower***"), the Lenders party thereto and JPMorgan Chase Bank, N.A., as Issuing Bank and Administrative Agent (as the same may be amended, supplemented or otherwise modified from time to time, the "***Credit Agreement***"). Capitalized terms used herein which are not otherwise defined herein shall have the respective meanings ascribed thereto in the Credit Agreement.

B. Pursuant to the Credit Agreement and subject to the limitations set forth therein the Credit Parties agreed to make the Revolving Loans and participate in the Letter of Credit sub-facility under the terms and conditions therein set forth.

C. The amount of the Assignor's Revolving Commitment and Letter of Credit Commitment (without giving effect to the assignment effected hereby or to other assignments thereof which have not yet become effective) is specified in Item 1 of Schedule 1 hereto. The outstanding principal amount of the Assignor's Revolving Loans without giving effect to the assignment effected hereby or to other assignments thereof which have not yet become effective, is specified in Item 2 of Schedule 1 hereto.

D. The Assignor wishes to sell and assign to the Assignee, and the Assignee wishes to purchase and assume from the Assignor, (i) the portion of the Assignor's rights and obligations under the Loan Documents, including its Revolving Commitment and Letter of Credit Commitment specified in Item 3 of Schedule 1 hereto (collectively, the "***Assigned Commitment***")[, and (ii) the portion of the Assignor's Revolving Loans specified in Item 4 of Schedule 1 hereto (the "***Assigned Loans***")].

The parties agree as follows:

1. Assignment

Subject to the terms and conditions set forth herein and in the Credit Agreement, the Assignor hereby sells and assigns to the Assignee, and the Assignee hereby purchases and assumes from the Assignor, without recourse, on the date hereof, [(i) all right, title and interest of the Assignor in and to the Assigned Loans, and (ii)] all rights and obligations of the Assignor under the Loan Documents with respect to the Assigned Commitment. [As full consideration for the sale of the Assigned Loans, the Assignee shall pay to the Assignor on the date hereof an amount equal to the principal amount of the Assigned Loans or such other amount as shall be agreed upon by the Assignor and the Assignee (the "***Purchase Price***"), and the [Assignor/Assignee] shall pay the fee payable to the Administrative Agent pursuant to Section 10.04(b) of the Credit Agreement] [The [Assignor/Assignee] shall pay the fee payable to the Administrative Agent pursuant to Section 10.04(b) of the Credit Agreement].

2. Representations and Warranties

(a) Each of the Assignor and the Assignee represents and warrants to the other that (i) it has full power and legal right to execute and deliver this Assignment and Acceptance Agreement and to perform the provisions of this Assignment and Acceptance Agreement; (ii) the execution, delivery and performance of this Assignment and Acceptance Agreement have been authorized by all action, corporate or otherwise, and do not violate any provisions of its organizational documents or any contractual obligations or requirement of law binding on it; and (iii) this Assignment and Acceptance Agreement constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms. The Assignor further represents that it is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is free and clear of any adverse claim created by the Assignor.

(b) The Assignee represents and warrants to the Assignor (i) it is an "accredited investor" within the meaning of Regulation D of the SEC, as amended, and (ii) it has, independently and without reliance upon the Assignor, and based on such documents and information as it has deemed appropriate, made its own evaluation of, and investigation into, the business, operations, property, financial and other condition and creditworthiness of the Borrower and its Subsidiaries and made its own decision to enter into this Assignment and Acceptance Agreement.

3. Effect of Assignment.

(a) Upon the effective date hereof, (i) the Administrative Agent shall record the assignment contemplated hereby, (ii) the Assignee, unless already a Lender, shall become a Lender, with all the rights and obligations as a Lender under the Credit Agreement, and (iii) the Assignor, to the extent of the assignment provided for herein, shall be released from its obligations under the Loan Documents, with respect to the [Assigned Loans and] Assigned Commitment.

(b) The Assignee hereby appoints and authorizes the Administrative Agent to take such action, on and after the date hereof, as agent on its behalf and to exercise such powers under the Loan Documents as are delegated to such Administrative Agent by the terms thereof, together with such powers as are reasonably incidental thereto.

(c) From and after the effective date hereof, the Credit Parties and the Borrower shall make all payments in respect of the interest assigned hereby (including payments of principal, interest, fees and other amounts) to the Assignee. The Assignor and the Assignee shall make all appropriate adjustments directly between themselves with respect to amounts under the Loan Documents which accrued prior to the date hereof and which were paid thereafter.

4. Method of Payment

All payments to be made either to the Assignor or the Assignee by the other hereunder shall be made by wire transfer in immediately available funds to the account designated by the Assignor or the Assignee, as the case may be.

5. Notices

All notices, requests and demands to or upon the Assignee in connection with this Assignment and Acceptance Agreement and the Loan Documents are to be sent or delivered to the place set forth adjacent to its name on the signature page (s) hereof.

6. Miscellaneous

(a) For purposes of this Assignment and Acceptance Agreement, all calculations and determinations with respect to [the Assigned Loans,] the Assigned Commitment and all other similar calculations and determinations, shall be made and shall be deemed to be made as of the commencement of business on the date of such calculation or determination, as the case may be.

(b) Section headings have been inserted herein for convenience only and shall not be construed to be a part hereof.

(c) This Assignment and Acceptance Agreement embodies the entire agreement and understanding between the Assignor and the Assignee with respect to the subject matter hereof and supersedes all other prior arrangements and understandings between the Assignor and the Assignee with respect to the subject matter hereof.

(d) This Assignment and Acceptance Agreement may be executed in any number of separate counterparts and all of said counterparts taken together shall be deemed to constitute one and the same agreement. It shall not be necessary in making proof of this Assignment and Acceptance Agreement to produce or account for more than one counterpart signed by the party to be charged.

(e) Every provision of this Assignment and Acceptance Agreement is intended to be severable, and if any term or provision hereof shall be invalid, illegal or unenforceable for any reason, the validity, legality and enforceability of the remaining provisions hereof shall not be affected or impaired thereby, and any invalidity, illegality or unenforceability in any jurisdiction shall not affect the validity, legality or enforceability of any such term or provision in any other jurisdiction.

(f) This Assignment and Acceptance Agreement shall be binding upon and inure to the benefit of the Assignor and the Assignee and their respective successors and permitted assigns, except that neither party may assign or transfer any of its rights or obligations hereunder (i) without the prior written consent of the other party, and (ii) in contravention of the Credit Agreement.

(g) This Assignment and Acceptance Agreement and the rights and obligations of the parties hereunder shall be governed by, and construed and interpreted in accordance with, the law of the State of New York without regard to principles of conflict of laws.

(h) This Assignment and Acceptance Agreement shall become effective on the date it has been executed by the Assignor, the Assignee, the Administrative Agent, if a Revolving Commitment is being assigned, the Issuing Bank and, unless a Default under Section 8(a), 8(i), or 8(j) of the Credit Agreement, or an Event of Default, has occurred and is continuing, the Borrower.

[Signature Pages To Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Assignment and Acceptance Agreement to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

[**NAME OF ASSIGNOR**], as Assignor

By: _____
Name: _____
Title: _____

Address for notices

_____
_____
_____
Attention: _____

[**NAME OF ASSIGNEE**], as Assignee

By: _____
Name: _____
Title: _____

Telephone: ( ) -
Facsimile: ( ) -

Consented to and Accepted this day:
of ,

JPMORGAN CHASE BANK, N.A., as
Administrative Agent [and Issuing Bank](1)
By: _____
Name: _____
Title: _____

[Assignment and Acceptance Agreement]

(1) Delete if consent is not required by Section 10.04(b) of the Credit Agreement.

[**Consented to and]**(2) Accepted this day:
of ,

HAWAIIAN ELECTRIC INDUSTRIES, INC.

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

[Assignment and Acceptance Agreement]

(2) Delete if consent is not required by Section 10.04(b) of the Credit Agreement.

SCHEDULE 1

TO

ASSIGNMENT AND ACCEPTANCE AGREEMENT,
dated as of , 20 ,
between [NAME OF ASSIGNOR], as Assignor
and
[NAME OF ASSIGNEE], as Assignee,
relating to the
Credit Agreement, dated as of May 7, 2010,
by and among
Hawaiian Electric Industries, Inc.,
the Lenders party thereto
and
JPMorgan Chase Bank, N.A., as Administrative Agent and Issuing Bank

Item 1.	Amount of Assignor's Aggregate Commitment*:		
	(a)	Revolving Commitment	
	(b)	Letter of Credit Commitment	$
Item 2.	Outstanding principal balance/amount of the Assignor's Revolving Loans*:		
	(a)	Revolving Loans consisting of:	$
		ABR Borrowing	$
		Eurodollar Borrowing	$
Item 3.	**Amount of Revolving Commitment and/or Letter of Credit Commitment being assigned:**		
	(a)	Revolving Commitment	$
	(b)	Letter of Credit Commitment	$
Item 4.	**Outstanding principal balance/amount of the Revolving Loans being assigned:**		
	(a)	Revolving Loans consisting of:	$
		ABR Borrowing	$
		Eurodollar Borrowing	$

* Without giving effect to the assignment contemplated hereby or to other assignments which have not yet become effective.

EXHIBIT B-1

FORM OF OPINION LETTER OF JENNER & BLOCK LLP

ATTACHED

May 7, 2010

JPMorgan Chase Bank, N.A., as Administrative Agent,
and the Lenders referred to in the
Credit Agreement (as defined below)
10 South Dearborn Street
Chicago, IL 60603

Re: Hawaiian Electric Industries, Inc.

Ladies and Gentlemen:

We have acted as counsel to Hawaiian Electric Industries, Inc., a Hawaii corporation (the "***Borrower***"), in connection with the Credit Agreement dated as of May 7, 2010 (the "***Credit Agreement***"), among the Borrower, the lenders party thereto (collectively, the "***Lenders***" and each, a "***Lender***"), the agents party thereto, and JPMorgan Chase Bank, N.A., a national banking association, as Administrative Agent (the "***Administrative Agent***"). Capitalized terms used herein and not otherwise defined shall have the respective meanings given such terms in the Credit Agreement. This opinion is rendered to you pursuant to Section 5.01(c)(i) of the Credit Agreement.

In connection with this opinion, we have examined originals or copies of the following documents:

(i) the Credit Agreement;

(ii) the Notes;

(iii) the Restated Articles of Incorporation, as amended (the "***Borrower's Charter***") of the Borrower, as filed with the Director of Commerce and Consumer Affairs for the State of Hawaii;

(iv) the Amended and Restated By-Laws of the Borrower (the "***Borrower's By-Laws***"; and, together with the Borrower's Charter, collectively, the "***Governing Documents***");

(v) the Certificate of the Secretary of the Borrower, as of the date hereof (the "***Secretary's Certificate***"), as to certain actions taken by the Board of Directors of the Borrower on December 14, 2009, as to the titles, incumbency, and specimen signatures of certain officers of the Borrower; and

(vi) a Certificate of Good Standing issued by the Director of the Department of Commerce and Consumer Affairs of the State of Hawaii.

The documents specified in subparagraphs (i) and (ii) above are referred to herein, collectively, as the "***Loan Documents***". In rendering this opinion, we have obtained such certificates and other information from public and government officials and from officers and employees of the Borrower, and have also examined such documents and corporate and other records as we have considered necessary or appropriate for the purposes of this opinion.

In our examination of the documents referred to in this opinion letter, we have assumed the genuineness of all signatures, the legal capacity and competency of all natural persons, the authenticity of all documents submitted to us as originals or copies, the conformity to original documents of all documents submitted to us as certified or photostatic copies, and the authenticity of the originals of such copies. As to any facts relevant to the opinions expressed below, we have, without independent investigation, relied upon certificates, statements and representations of the Borrower and of its directors, officers and other representatives, including the Support Certificate attached hereto as Annex C.

In rendering the opinions set forth in this opinion letter, we have, with your consent, relied only upon the examination of documents described above and have made no independent verification or investigation of the factual matters set forth therein.

Based on the foregoing and subject to the other qualifications, assumptions, exclusions, and other limitations stated herein and as limited thereby, and after examination of such matters of law as we have deemed relevant, we are of the opinion that:

1. Each Loan Document is a valid and binding obligation of the Borrower and is enforceable against the Borrower in accordance with its terms.

2. The execution and delivery by the Borrower of the Loan Documents and the performance of its obligations under each Loan Document will not (a) constitute a violation by the Borrower of any applicable provision of existing statutory law or governmental regulation covered by this opinion letter, or (b) violate any order, writ, injunction, judgment, determination, award or decree of any court applicable to the Borrower of which we are aware, which in our experience, without having made any special investigations as to the applicability of any specific law, rule or regulation, are normally applicable to transactions of the type contemplated by the Loan Documents.

3. The Borrower is presently not required to obtain any consent, approval, authorization or order of, or make any filing with, any United States federal or State of New York court or governmental or regulatory agency in order to obtain the right to execute and deliver the Loan Documents, to borrow money under the Credit Agreement, and to perform its obligations under the Loan Documents except, in each case, for actions or filings required in connection with the ordinary course conduct by the Borrower of its business and ownership or operation by the Borrower of its assets.

4. The Borrower is not an “investment company” within the meaning of the Investment Company Act of 1940, as amended.

Our opinions are subject to the assumptions and qualifications set forth in Annex A to this opinion letter and do not cover or otherwise address any law or legal issue which is identified in Annex B to this opinion letter. Our advice on every legal issue addressed in this opinion letter is based exclusively on the laws of the State of New York and such federal law of the United States which, in our experience, are normally applicable to general business entities not engaged in regulated business activities and to transactions of the type contemplated in the Loan Documents.

We have not undertaken any research for purposes of determining whether the Borrower or any of the transactions which may occur in connection with the Loan Documents is subject to any law or other governmental requirement other than to those laws and requirements which in our experience would generally be recognized as applicable in the absence of research by lawyers in New York, and none of our opinions covers any such law or other requirement. We have relied, without any independent verification upon: (i) factual information contained in certificates obtained from governmental authorities; (ii) factual information represented to be true in the Loan Documents; (iii) factual information provided to us by the

Borrower, including Annex C; and (iv) factual information we have obtained from such other sources as we have deemed reasonable. Except as expressly set forth herein, we have not undertaken any independent investigation to determine the existence or absence of such facts and no inference as to our knowledge concerning such facts should be drawn from the fact that such representation has been undertaken by us.

Our advice on each legal issue addressed in this opinion letter represents our opinion as to how that issue would be resolved were it to be considered by the highest court of the jurisdiction upon whose law our opinion on that issue is based. The manner in which any particular issue would be treated in any actual court case would depend in part on facts and circumstances particular to the case, and this opinion letter is not intended to guarantee the outcome of any legal dispute which may arise in the future.

This opinion letter speaks as of the time of its delivery on the date it bears. We do not assume any obligation to provide you with any subsequent opinion or advice by reason of any fact about which we did not have actual knowledge at that time, by reason of any change subsequent to that time in any law covered by any of our opinions, or for any other reason.

You may rely upon this opinion letter only for the purpose served by the provision in the Credit Agreement cited in the initial paragraph of this opinion letter in response to which it has been delivered. Without our written consent: (i) no Person other than you (and your permitted assignees under the Credit Agreement) may rely on this opinion letter for any purpose; (ii) this opinion letter may not be cited or quoted in any financial statement, prospectus, private placement memorandum or other similar document; (iii) this opinion letter may not be cited or quoted in any other document or communication which might encourage reliance upon this opinion letter by any Person or for any purpose excluded by the restrictions in this paragraph; and (iv) copies of this opinion letter may not be furnished to anyone for purposes of encouraging such reliance.

Sincerely,

Jenner & Block LLP

ANNEX A

For purposes of this opinion letter, we have relied, without investigation, upon each of the following assumptions:

1. each document submitted to us for review is accurate and complete, each such document that is an original is authentic, each such document that is a copy conforms to an authentic original and all signatures on each such document are genuine;

2. (a) you are existing and in good standing in your jurisdiction of organization or formation, (b) you have the requisite power (including, without limitation, under the laws of your jurisdiction of organization or formation) to execute, deliver and perform your obligations under each of the Loan Documents to which you are a party, (c) each of the Loan Documents to which you are a party has been duly authorized by all necessary action on your part and has been duly executed and delivered by you, (d) you have satisfied those legal requirements that are applicable to you to the extent necessary to make the Loan Documents to which you are a party enforceable against you, and (e) each of the Loan Documents to which you are a party constitute valid and binding obligations of yours and are enforceable against you in accordance with their terms (subject to the qualifications, exclusions and other limitations similar to those applicable to this opinion letter);

3. each of the Loan Documents has been duly authorized, executed and delivered by each of the parties thereto; the Borrower is duly organized under the laws of the Kingdom of Hawaii and is validly existing under the laws of the State of Hawaii and the Borrower has full power, authority and legal right (including, without limitation, any legal right dependent upon there being no necessary governmental approvals or filings and no conflict with laws, governing documents or contracts) to make and perform its obligations under the Loan Documents;

4. each certificate obtained from a governmental authority relied on by us is accurate, complete and authentic and all relevant official public records to which each such certificate relates are accurate and complete;

5. each person who has taken any action relevant to any of our opinions in the capacity of director or officer of any Person was duly elected or appointed to that director or officer position of such Person and held that position when such action was taken; and

6. the constitutionality or validity of a relevant statute, rule, regulation or agency action is not in issue.

We understand that you are separately receiving an opinion from the Borrower's legal department with respect to certain of the foregoing assumptions, and we are advised that such opinion contains qualifications. Our opinion herein stated is based on the assumptions specified in this Annex A and in this opinion letter and we express no opinion as to the effect on the opinions herein stated of the qualifications contained in such other opinion.

Whenever an opinion expressed herein is qualified by the phrase "to our knowledge," "known to us," or "nothing has come to our attention" or other phrase of similar import, such phrase is intended to mean the actual knowledge of information by the lawyers in our firm who have been principally involved in drafting or reviewing the Loan Documents, but does not include other information that might be revealed if there were to be undertaken a canvass of all lawyers in our firm, a general search of all files or any other type of independent investigation.

Each of our opinions in this opinion letter is subject to:

1. the effect of bankruptcy, insolvency, reorganization, receivership, moratorium and other similar laws, including (a) the Bankruptcy Code of 1978, as amended (including matters of turn-over, automatic stay, avoiding powers, fraudulent transfer, preference, discharge, conversion of a non-recourse obligation into a recourse claim, limitations on ipso facto and anti-assignment clauses and the coverage of pre-petition security agreements applicable to property acquired after a petition is filed); (b) all other Federal and state bankruptcy, insolvency, reorganization, receivership, moratorium, arrangement and assignment for the benefit of creditors laws that affect the rights of creditors generally or that have reference to or affect only creditors of specific types of debtors; (c) state fraudulent transfer and conveyance laws; and (d) judicially developed doctrines in this area, such as substantive consolidation of entities, recharacterization and equitable subordination;

2. the effect of general principles of equity, whether applied by a court of law or equity, including principles (a) governing the availability of specific performance, injunctive relief or other equitable remedies, which generally place the award of such remedies, subject to certain guidelines, in the discretion of the court to which application for such relief is made; (b) affording equitable defenses (e.g., waiver, laches and estoppel) against a party seeking enforcement; (c) requiring good faith and fair dealing in the performance and enforcement of a contract by the party seeking its enforcement; (d) requiring reasonableness in the performance and enforcement of an agreement by the party seeking enforcement of the contract; (e) requiring consideration of the materiality of (i) a breach and (ii) the consequences of the breach to the party seeking enforcement; (f) requiring consideration of the impracticability or impossibility of performance at the time of attempted enforcement; and (g) affording defenses based upon the unconscionability of the enforcing party's conduct after the parties have entered into the contract;

3. the qualification that provisions of any Loan Document stating that such Loan Document may only be amended or waived in writing may not be enforceable to the extent that an oral agreement or an implied agreement by trade practice, custom or course of conduct or dealing has been created modifying any such Loan Document;

4. the qualification that we express no opinion as to the effect on the opinions expressed herein of (i) the compliance or non-compliance of any party to any of the Loan Documents with any state, Federal or other laws or regulations applicable to it, or (ii) the legal or regulatory status or the nature of the business of any party;

5. the qualification that we express no opinion as to the title to any asset or the validity, perfection or priority of any security interest;

6. the qualification that we express no opinion as to the validity, binding effect or enforceability of any provision of any of the Loan Documents (i) which requires further agreement by the parties or expressly or impliedly permits any party to take discretionary action which is arbitrary, unreasonable, or capricious, or would violate any implied covenant of good faith or would be commercially unreasonable, whether or not such action is permitted according to the specific terms of any of the Loan Documents, or (ii) regarding remedies available to any party for violations or breaches which are determined by a court to be nonmaterial or without substantial adverse effect upon the ability of the obligor to perform its material obligations thereunder;

7. the qualification that any requirement in any of the Loan Documents specifying that provisions thereof may only be waived in writing may not be binding or enforceable to the extent that a non-executory oral agreement has been created modifying any provision in the Loan Documents or an implied agreement by trade practice or course of conduct has been created allowing a waiver;

8. the qualification as to the validity, binding effect or enforceability of provisions in the Loan Documents specifying certain remedies or that rights or remedies are not exclusive, that every right or remedy is cumulative and may be exercised in addition to any other right or remedy, and/or that the election of a particular remedy does not preclude recourse to one or more others; and

9. the effect of rules of law that: (a) limit or affect the enforcement of provisions of a contract that purport to waive, or to require waiver of, the obligations of good faith, fair dealing, diligence and reasonableness; (b) provide that forum selection clauses in contracts are not necessarily binding on the court(s) in the forum selected; (c) limit the availability of a remedy under certain circumstances where another remedy has been elected; (d) provide a time limitation after which a remedy may not be enforced; (e) limit the right of a creditor to use force or cause a breach of the peace in enforcing rights; (f) relate to the sale or disposition of collateral or the requirements of a commercially reasonable sale; (g) limit the enforceability of provisions releasing, exculpating or exempting a party from, or requiring indemnification of a party for, liability for its own action or inaction, to the extent the action or inaction involves negligence, recklessness, willful misconduct, unlawful conduct, violation of public policy or litigation against another party determined adversely to such party; (h) may, where less than all of a contract may be unenforceable, limit the enforceability of the balance of the contract to circumstances in which the unenforceable portion is not an essential part of the agreed exchange; (i) govern and afford judicial discretion regarding the determination of damages and entitlement to attorneys' fees and other costs; and (j) may permit a party that has materially failed to render or offer performance required by the contract to cure that failure unless (x) permitting a cure would unreasonably hinder the aggrieved party from making substitute arrangements for performance, or (y) it was important in the circumstances to the aggrieved party that performance occur by the date stated in the contract.

None of the opinions in this opinion letter covers or otherwise addresses any of the following types of provisions which may be contained in the Loan Documents:

1. choice-of-law provisions;

2. waivers of (a) legal or equitable defenses, (b) rights to damages, (c) rights to counter claim or set off, (d) statutes of limitations, (e) rights to notice, (f) the benefits of statutory, regulatory, or constitutional rights, unless and to the extent the statute, regulation, or constitution explicitly allows waiver, (g) broadly or vaguely stated rights, and (h) other benefits to the extent they cannot be waived under applicable law;

3. provisions providing for forfeitures or the recovery of amounts deemed to constitute penalties, or for liquidated damages, acceleration of future amounts due (other than principal) without appropriate discount to present value, late charges, prepayment charges, interest upon interest, and increased interest rates upon default;

4. time-is-of-the-essence clauses and other provisions that provide a time limitation after which a remedy may not be enforced;

5. agreements to submit to the jurisdiction of any particular court or other governmental authority (either as to personal jurisdiction and subject matter jurisdiction); provisions restricting access to courts; waiver of the right to jury trial; waiver of service of process requirements which would otherwise be applicable; and provisions otherwise purporting to affect the jurisdiction and venue of courts;

6. provisions purporting to limit rights of third parties who have not consented thereto or purporting to grant rights to third parties;

7. provisions or agreements regarding proxies, shareholders agreements, shareholder voting rights, voting trusts, and the like;

8. confidentiality and non-competition agreements;

9. provisions requiring the Borrower to perform its obligations under, or to cause any other Person to perform its obligations under, or stating that any action will be taken as provided in or in accordance with, any agreement or other document that is not a Loan Document;

10. provisions purporting to prohibit, restrict or condition the assignment of rights under any Loan Document to the extent such prohibition, restriction or condition is governed by the Uniform Commercial Code;

11. provisions purporting to amend or modify an agreement without strictly complying with applicable provisions of such agreement; and

12. provisions, if any, which are contrary to the public policy of any jurisdiction.

* * * *

ANNEX B

Our opinions in this opinion letter do not cover or otherwise address any of the following laws, regulations or other governmental requirements or legal issues:

1. Federal securities laws and regulations (other than with respect to the Investment Company Act of 1940, as amended, for purposes of our opinion paragraph numbered 4 above);

2. state "Blue Sky" laws and regulations, and laws and regulations relating to commodity (and other) futures and indices and other similar instruments;

3. Federal Reserve Board margin regulations;

4. pension and employee benefit laws and regulations (e.g., ERISA);

5. Federal and state laws and regulations concerning filing and notice requirements;

6. compliance with fiduciary duty requirements;

7. the statutes and ordinances, the administrative decisions and the rules and regulations and judicial decisions of counties, towns, municipalities and special political subdivisions (whether created or enabled through legislative action at the Federal, state, regional or local level) and judicial decisions;

8. any laws, rules, regulations or administrative decisions that might be implicated by reason of the banking or public utilities business or other specifically regulated activities of the Borrower or any other entity, including but not limited to the statutes and regulations, the administrative decisions and the rules and regulations of state or federal public utilities commissions, state or federal public service commissions, any similar state or federal agency with jurisdiction over the provision of gas, electricity, water, common carrier or telecommunications services by the Borrower or any similar federal agency (including, without limitation, the Federal Energy Regulatory Commission) or any state or federal agency with jurisdiction over the provision of banking or insurance services;

9. fraudulent transfer and fraudulent conveyance laws;

10. Federal and state antitrust and unfair competition laws and regulations; environmental laws and regulations; land use and subdivision laws and regulations; tax laws and regulations; racketeering laws and regulations (e.g., RICO); health and safety laws and regulations (e.g., OSHA); labor laws and regulations;

11. Federal patent, trademark and copyright, state trademark, and other Federal and state intellectual property laws and regulations;

12. Federal and state laws, regulations and policies concerning (i) national and local emergency, (ii) possible judicial deference to acts of sovereign states, and (iii) criminal and civil forfeiture laws;

13. other Federal and state statutes of general application to the extent they provide for criminal prosecution (e.g., mail fraud and wire fraud statutes);

14. any laws, regulations, directives and executive orders that prohibit or limit the enforceability of obligations based on attributes of the party seeking enforcement (e.g., the Trading with the Enemy Act and the International Emergency Economic Powers Act); and

15. the effect of any law, regulation or order which hereafter becomes effective.

* * * *

ANNEX C

HEI SUPPORT CERTIFICATE

May 7, 2010

The undersigned, on behalf of Hawaiian Electric Industries, Inc., a Hawaii corporation (the "***Borrower***"), hereby certifies to Jenner & Block LLP, as of the date hereof, that:

1. Introduction. Jenner & Block LLP has acted as counsel to the Borrower in connection with the Credit Agreement dated as of May 7, 2010 (the "***Credit Agreement***"), among the Borrower, the lenders party thereto, the agents party thereto, and JPMorgan Chase Bank, N.A., a national banking association, as administrative agent (the "***Administrative Agent***"). Section 5.01(c)(i) of the Credit Agreement provides that as a condition precedent to the Credit Agreement being effective, Jenner & Block LLP will deliver an opinion letter to the Agent. The term "***Jenner Opinion***" whenever it is used in this certificate means the opinion letter which Jenner & Block LLP will actually deliver at the closing in response to such condition precedent. Each term which is defined or given a special meaning in the Jenner Opinion has the same meaning whenever it is used in this certificate.

2. Purpose. The Borrower has provided this certificate in order to provide Jenner & Block LLP with factual information needed by Jenner & Block LLP in order to issue the Jenner Opinion. The Borrower has made inquires and investigations reasonably calculated to assure that the information provided in this certificate is accurate and complete, including (i) inquiries of appropriate personnel responsible for legal matters, financial matters and compliance with governmental requirements and (ii) identification and review of relevant documents. The Borrower understands that Jenner & Block LLP will not check, audit or otherwise attempt to verify the information in this certificate. The Borrower intends and agrees that Jenner & Block LLP may rely upon this certificate and all information provided in this certificate.

3. Secretary's Certificate. The information set forth in the certificate of the Secretary of the Borrower, dated as of the date hereof (the "***Secretary's Certificate***") (attached hereto), as to certain actions taken by the Board of Directors of the Borrower on December 14, 2009, as to the titles, incumbency, and specimen signatures of certain officers of the Borrower and other documentation attached thereto (as further described below), is and has been accurate and complete at all times since prior to the adoption of the resolutions authorizing the transactions specified in the Loan Documents.

4. Charter. The copy of the Borrower's articles of incorporation (herein called the Borrower's "***Charter***"), in the version certified by the responsible Hawaii governmental office (and attached to the applicable Secretary's Certificate) is accurate and complete and represents the terms of the Borrower's Charter as constituted at all times since the date of the latest amendment thereto indicated in that certificate.

5. Bylaws. The copy of the Borrower's bylaws (herein called the Borrower's "***Bylaws***") (attached to the Secretary's Certificate), is accurate and complete and represents the terms of the Borrower's Bylaws as constituted at all times since prior to the adoption of the initial resolution authorizing the transactions specified in the Loan Documents.

6. Good Standing. It is the Borrower's practice to make on a timely basis all filings and tax payments it is required to make under the statute under which it is organized. The Borrower has not received any notice from any Governmental Authority that any such filing or tax payment which it has not made is delinquent or due or that it is not in good standing in its state of formation. The Borrower has no reason to believe that it is not in existence or good standing in its state of formation.

7. Authorizing Resolutions.

   (a) The resolutions adopted by the Board of Directors of the Borrower, and attached to the Secretary's Certificate, are a complete and accurate copy of resolutions. The Board of Directors of the Borrower voted in favor of the resolution. Each such resolution has not been amended or rescinded and remains in full force and effect on the date hereof.

   (b) No resolution has been previously adopted by the Board of Directors of the Borrower, any Committee of any such Board or the equity holders of the Borrower restricting the Borrower's ability to execute, deliver or perform its obligations under the Loan Documents to which it is a party or impose any higher vote requirement than indicated by its Charter or Bylaws.

8. Authorized Officers. Each individual who has executed the Loan Documents or other documents delivered at closing on behalf of the Borrower was validly appointed to the officership position or other position with the Borrower indicated in connection with such execution and held that office at the time of such person's execution and delivery of the Loan Documents and/or other documents.

9. No Required Governmental Approvals. The Borrower does not engage in any banking, insurance, common carrier, broadcasting or gas or electric utility or other regulated activities to a degree which requires it to obtain approval from any governmental authority, other than approvals which have been properly obtained, as a condition to executing or delivering the Loan Documents to which it is a party or to performing any of its obligations under the Loan Documents to which it is a party. The Borrower is not aware of any filing required to be made or any governmental permit or authorization required to be obtained in connection with the delivery or execution of the Loan Documents to which it is a party or the performance of its obligations under the Loan Documents to which it is a party which has not been made or obtained on or prior to the date hereof.

10. Intentions Regarding Creditors. The Borrower does not have any intent (actual or otherwise) in connection with the transactions contemplated by the Loan Documents or otherwise to hinder, delay or defraud any present or future creditor. In addition, the Borrower (a) is not "insolvent" (within the meaning of Section 101(32) of the Bankruptcy Code of 1978, as amended, or within the meaning of generally accepted accounting principles) nor will it be rendered "insolvent" as a result of such transactions, (b) is not engaged nor will it be engaged, nor does it expect to engage in the reasonably foreseeable future in any business or transaction with unreasonably small capital, or (c) does not intend to incur, nor does it expect or believe that it will incur, debts that would be beyond its ability to pay as such debts mature.

11. Court Orders. There are no Court Orders binding on the Borrower which contain any provisions which might be breached or otherwise violated by the Borrower's execution or delivery of the Loan Documents to which it is a party or by the Borrower's performance of any of its agreements in the Loan Documents to which it is a party or which may require the Borrower to obtain any

consent in connection with such execution, delivery or performance. For purposes of this certificate, the term "Court Order" means any order, writ, injunction, judgment, determination, award or decree of any court or governmental instrumentality that names the Borrower and is directed to it or its property.

12. No Default. There is no event or circumstance which might constitute a default in the payment of (or in the performance of any obligation applicable to) any indebtedness or material contract or a default under any law or governmental regulation or court decree or order, in any case which default could have a material adverse effect on the business, property, assets or financial condition of the Borrower or which might impair the ability of the Borrower to perform any of its obligations under the Loan Documents to which it is a party or related document or instrument, or the ability of the Borrower to perform any of its obligations to any material third party.

13. No Omissions. The Borrower does not know of any other fact or development which indicates that any advice given in the Jenner Opinion is inaccurate or misleading.

14. Investment Company Act of 1940. The Borrower (a) is not and does not hold itself out as being engaged primarily, nor does it propose to engage primarily, in the business of investing, reinvesting or trading in securities, (b) has not and is not engaged in, and does not propose to engage in, the business of issuing face-amount certificates of the installment type and has no such certificate outstanding and (c) does not own or propose to acquire investment securities having a value exceeding 40% of the value of the total assets of the Borrower (exclusive of government securities and cash items) on an unconsolidated basis. For the purposes of this paragraph 14, the following terms shall have the following meanings:

"control" means the power to exercise a controlling influence over the management or policies of a company (as such term is hereinafter defined), unless such power is solely the result of an official position with such company. Any person who owns beneficially, either directly or through one or more controlled companies, more than 25 per centum of the voting securities (as such term is hereinafter defined) of a company shall be presumed to control such company. Any person who does not so own more than 25 per centum of the voting securities of any company shall be presumed not to control such company. Any such presumption may be rebutted by evidence, but except as otherwise provided in the Investment Company Act of 1940, shall continue until a determination to the contrary made by the Securities and Exchange Commission by order either on its own motion or on application by an interested person.

"employees' securities company" means any investment company or similar issuer all of the outstanding securities of which (other than short-term paper) are beneficially owned (A) by the employees or persons on retainer of a single employer or of two or more employers each of which is an affiliated company of the other, (B) by former employees of such employer or employers, (C) by members of the immediate family of such employees, persons on retainer or former employees, (D) by any two or more of the foregoing classes of persons, or (E) by such employer or employers together with any one or more of the foregoing classes of persons.

"face-amount certificate of the installment type" means any certificate, investment contract, or other security that represents an obligation on the part of its issuer to pay a stated or determinable sum or sums at a fixed or determinable date or dates more than twenty-four months after the date of issuance, in consideration of the payment of periodic installments of a stated or determinable amount.

"government security" means any security issued or guaranteed as to principal or interest by the United States, or by a person controlled or supervised by and acting as an instrumentality of the Government of the United States pursuant to authority granted by the Congress of the United States; or any certificate of deposit for any of the foregoing.

"investment securities" includes all securities except (A) government securities, (B) securities issued by employees' securities companies, and (C) securities issued by majority-owned subsidiaries (as such term is hereinafter defined) of the owner which (i) are not engaged and do not propose to be engaged in any of the activities contemplated by the first sentence of paragraph 14 of this Support Certificate, and (ii) are not relying on the exception from the definition of investment company in paragraph (1) or (7) of subsection (c) of the Investment Company Act of 1940.

"majority-owned subsidiary" of a person means a company 50% or more of the outstanding voting securities of which are owned by such person, or by a company which, within the meaning of this paragraph, is a majority-owned subsidiary of such person.

"person" means any natural person or a company. "Company" means a corporation, partnership, association, joint-stock company, trust, fund, or any organized group of persons whether incorporated or not; or any receiver, trustee in a case under Title 11 of the United States Code or similar official or any liquidating agent for any of the foregoing, in his capacity as such.

"security" means any note, stock, treasury stock, security future, bond, debenture, evidence of indebtedness, certificate of interest or participation in any profit-sharing agreement, collateral-trust certificate, reorganization certificate or subscription, transferable share, investment contract, voting-trust certificate, certificate of deposit for a security, fractional undivided interest in oil, gas, or other mineral rights, any put, call, straddle, option, or privilege on any security (including a certificate of deposit) or on any group or index of securities (including any interest therein or based on the value thereof), or any put, call, straddle, option, or privilege entered into on a national securities exchange relating to foreign currency, or, in general, any interest or instrument commonly known as a "security," or any certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing.

"value" means (i) with respect to securities owned at the end of the last preceding fiscal quarter for which market quotations are readily available, the market value at the end of such quarter; (ii) with respect to other securities and assets owned at the end of the last preceding fiscal quarter, fair value at the end of such quarter, as determined in good faith by the board of directors; and (iii) with respect to securities and other assets acquired after the end of the last preceding fiscal quarter, the cost thereof. Notwithstanding the fact that market quotations for securities issued by controlled (see definition of control above) companies are available, the board of directors may in good faith determine the value of such securities: Provided, that the value so determined is not in excess of the higher of market value or asset value of such securities in the case of a majority-owned subsidiaries, and is not in excess of market value in the case of other controlled companies.

"voting security" means any security presently entitling the owner or holder thereof to vote for the election of directors of a company (or their equivalent, e.g., general partner of a limited partnership or manager of a limited liability company).

IN WITNESS WHEREOF, the undersigned has executed this certificate as of the date first written above.

HAWAIIAN ELECTRIC INDUSTRIES, INC.

By: _____
Name: _____
Title: _____

B-1-14

EXHIBIT B-2

FORM OF OPINION LETTER OF CHET A. RICHARDSON, ESQ., SENIOR VICE PRESIDENT, GENERAL COUNSEL, AND CHIEF ADMINISTRATIVE OFFICER OF THE BORROWER

May 7, 2010
JPMorgan Chase Bank, N.A., as Administrative Agent,
and the Lenders referred to in the
Credit Agreement (as defined below)
10 South Dearborn Street
Chicago, IL 60603

Re: Hawaiian Electric Industries, Inc.

Ladies and Gentlemen:

I am the Senior Vice President, General Counsel, and Chief Administrative Officer of Hawaiian Electric Industries, Inc., a Hawaii corporation (the "Borrower"), and, as such, I have acted as its counsel in connection with the Credit Agreement dated as of May 7, 2010 (the "Credit Agreement"), among the Borrower, the lenders party thereto (collectively, the "Lenders" and each, a "Lender"), the agents party thereto, and JPMorgan Chase Bank, N.A., a national banking association, as Administrative Agent (the "Administrative Agent"). Capitalized terms used herein and not otherwise defined shall have the respective meanings given such terms in the Credit Agreement. This opinion is rendered to you pursuant to Section 5.01(c)(ii) of the Credit Agreement.

In connection with this opinion, I have examined originals or copies of the following documents:

(i) the Credit Agreement;

(ii) the Notes;

(iii) the Restated Articles of Incorporation, as amended (the "Borrower's Charter") of the Borrower, as filed with the Director of Commerce and Consumer Affairs for the State of Hawaii;

(iv) the Amended and Restated By-Laws of the Borrower (the "Borrower's By-Laws"; and, together with the Borrower's Charter, the "Governing Documents");

(v) the Certificate of the Secretary of the Borrower, as of the date hereof (the "Secretary's Certificate"), as to certain actions taken by the Board of Directors of the Borrower on December 14, 2009, as to the titles, incumbency, and specimen signatures of certain officers of the Borrower; and

(vi) a Certificate of Good Standing issued by the Director of the Department of Commerce and Consumer Affairs of the State of Hawaii.

The documents specified in subparagraphs (i) and (ii) above are referred to herein, collectively, as the "Loan Documents". In rendering this opinion, I have obtained such certificates and other information from public and government officials and from officers and employees of the Borrower, and have also examined such documents and corporate and other records as I have considered necessary or appropriate for the purposes of this opinion.

Based on the foregoing and subject to the other qualifications, assumptions and limitations stated herein and as limited thereby, and after examination of such matters of law as I have deemed relevant, I am of the opinion that:

1. The Borrower has been duly incorporated under the laws of the Kingdom of Hawaii and is validly existing as a corporation in good standing under the laws of the State of Hawaii. To my knowledge, the Borrower does not itself conduct any business or own or lease any property in any jurisdiction outside the State of Hawaii that would require it to qualify to do business as a foreign corporation and where the failure to be so qualified would reasonably be expected to result in a material adverse effect on the consolidated financial position of the Borrower.

2. The Borrower has the corporate power and authority to carry on its business as now conducted.

3. The execution and delivery by the Borrower of the Loan Documents, and the performance by the Borrower of its obligations under the Loan Documents, are within the Borrower's corporate powers and have been duly authorized by all requisite corporate action on the part of the Borrower. The Borrower has duly executed and delivered each of the Loan Documents.

4. Each of the Loan Documents constitutes a valid and binding agreement of the Borrower, enforceable against the Borrower in accordance with its respective terms, except as may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other similar laws affecting creditors' rights, by general equitable principles (regardless of whether considered in a proceeding in equity or at law), and by an implied covenant of reasonableness, good faith and fair dealing.

5. The execution and delivery by the Borrower of each of the Loan Documents and the consummation of the transactions contemplated thereby and compliance by the Borrower with the provisions thereof (i) will not conflict with or result in a breach or default (or give rise to any right of termination, cancellation or acceleration) under any of the provisions of the Borrower's Governing Documents or any indenture or other material agreement or other material instrument binding upon the Borrower, except for such conflict, breach or default as to which requisite waivers or consents have been obtained, (ii) will not violate any law, statute, rule or regulation, or any judgment, order, writ, injunction or decree of any court or other tribunal, applicable to the Borrower or any of its properties or assets which in my experience, without having made any special investigations as to the applicability of any specific law, rule or regulation, are normally applicable to transactions of the type contemplated by the Loan Documents, and (iii) will not result in the creation or imposition of any Lien on any asset of the Borrower. No consent or approval by, or any notification of or filing with, any court, public body or authority is required to be obtained or effected by the Borrower in connection with the execution, delivery and performance by the Borrower of its obligations under each of the Loan Documents or the consummation by the Borrower of the transactions contemplated thereby.

6. To my knowledge, there is no action, suit or proceeding pending against, the Borrower or any of its assets before any court or arbitrator or any governmental body, agency or official, which, would reasonably be expected to have a material adverse effect on the consolidated financial position of the Borrower, except for any actions, suits or proceedings referred to in the Current SEC Reports, or which in any manner draws into question the validity of the Loan Documents.

7. The Borrower is not an "investment company" nor is it controlled by an "investment company", in each case within the meaning of the Investment Company Act of 1940, as amended.

The foregoing opinions are subject to the following qualifications:

(a) I am a member of the Bar of the State of Hawaii and I do not hold myself out as an expert on the laws of any jurisdiction other than the State of Hawaii and the federal laws of the United States. This opinion is limited in all respects to matters governed by the laws of the State of Hawaii and the federal laws of the United States of America. I express no opinion concerning compliance with the laws or regulations of any other jurisdiction or jurisdictions, or as to the validity, meaning or effect of any act or document under the laws of any other jurisdiction or jurisdictions. My opinion with regard to the validity, binding nature and enforceability of each of the Loan Documents is based upon the assumptions that the laws of the State of New York govern the Loan Documents and that the laws of the State of Hawaii are the same in all relevant respects as the laws of the State of New York, and I give no opinion with respect to the enforceability of the Loan Documents to the extent that the laws of the State of New York differ from the laws of the State of Hawaii.

(b) I have relied as to matters of fact upon representations and warranties of the Borrower in the Loan Documents and upon certificates and representations of officers and employees of the Borrower and upon certificates of public and government officials as to matters set forth therein. My opinion in paragraph 1 as to the good standing of the Borrower is based solely on the Certificate of Good Standing of the Borrower attached to the Secretary's Certificate.

(c) I have assumed the genuineness of all signatures (other than the signatures of the officers of the Borrower), the authenticity of all documents submitted to me as originals, the conformity to original documents of all documents submitted to me as certified or photostatic copies (and the authenticity of the originals of such documents), the accuracy and completeness of all corporate records (which includes stock ownership records) made available to me by Borrower and the capacity of each party executing a document (other than Borrower) to so execute such document.

(d) My opinion is subject to the qualification that enforcement of any waiver and release or limitation of liability provisions in any of the Loan Documents may be limited to the extent such provisions are contrary to public policy or principles of equity under Hawaii jurisprudence, but such policy and equitable limitations do not, in my opinion, render the Loan Documents invalid as a whole or preclude the judicial enforcement of the obligation of the Borrower to repay the principal, together with interest thereon (to the extent not deemed a penalty) as provided in the Loan Documents.

(e) The remedies of specific performance, injunction and other forms of equitable relief may not be available as to the provisions contained in any of the Loan Documents to the extent they are subject to equitable defenses and the discretion of the court before which the proceedings therefor may be brought.

(f) I express no opinion as to the validity, binding effect or enforceability of any provision of any of the Loan Documents (i) which requires further agreement by the parties or expressly or impliedly permits any party to take discretionary action which is arbitrary, unreasonable or capricious, or would violate any implied covenant of good faith or would be commercially unreasonable, whether or not such action is permitted according to the specific terms of any of the Loan Documents, or (ii) regarding remedies available to any party for violations or breaches which are determined by a court to be nonmaterial or without substantial adverse effect upon the ability of the obligor to perform its material obligations thereunder.

(g) My opinion is subject to the qualification that any requirement in any of the Loan Documents specifying that provisions thereof may only be waived in writing may not be binding or enforceable to the extent that a non-executory oral agreement has been created modifying any provision in the Loan Documents or an implied agreement by trade practice or course of conduct has been created allowing a waiver.

(h) I express no opinion as to the validity, binding effect or enforceability of provisions specifying certain remedies or that rights or remedies are not exclusive, that every right or remedy is cumulative and may be exercised in addition to any other right or remedy, and/or that the election of a particular remedy does not preclude recourse to one or more others.

(i) My opinion is subject to (i) limitations on the legality, validity, binding effect or enforceability of provisions which a court may find unconscionable, and (ii) limitations on the legality, validity, binding effect or enforceability of agreements to indemnify, defend or hold harmless when the event giving rise to the obligations thereunder are caused, in whole or in part, by the actions, omissions, or negligence of the indemnitee thereunder or when the enforcement of any such agreements is against public policy.

(j) Whenever an opinion expressed herein is qualified by the phrase “to my knowledge,” “known to me,” or “nothing has come to my attention” or other phrase of similar import, such phrase is intended to mean the actual knowledge of information by the lawyers in my law department who have been principally involved in drafting the Loan Documents, but does not include other information that might be revealed if there were to be undertaken a canvass of all lawyers in the Borrower’s law department, a general search of all files or any other type of independent investigation.

This opinion is based on the laws and regulations as in effect on the date hereof and facts as I understand them as of the date hereof. I am not assuming any obligation, and do not undertake, to revise, update or supplement this opinion after the date hereof notwithstanding any change in applicable law or regulation or interpretation thereof, any amendment, supplement, modification or rescission of any document examined or relied on in connection herewith, or any change in the facts, after the date hereof.

You may rely upon this opinion only for the purpose served by the provision in the Credit Agreement cited in the initial paragraph of this opinion letter in response to which it has been delivered. Without my written consent: (i) no Person other than you (and your permitted assignees under the Credit Agreement) may rely on this opinion letter for any purpose; (ii) this opinion letter may not be cited or quoted in any financial statement, prospectus, private placement memorandum or other similar document; (iii) this opinion letter may not be cited or quoted in any other document or communication which might encourage reliance upon this opinion letter by any Person or for any purpose excluded by the restrictions in this paragraph; and (iv) copies of this opinion letter may not be furnished to anyone for purposes of encouraging such reliance.

Very truly yours,

EXHIBIT C

FORM OF NOTE

$ New York, New York

May 7, 2010

For value received, the undersigned, HAWAIIAN ELECTRIC INDUSTRIES, INC., a Hawaii corporation (the "***Borrower***"), hereby promises to pay to the order of [NAME OF LENDER] (the "***Lender***"), at the office of the Administrative Agent (hereinafter defined) located at 10 South Dearborn Street, Chicago, Illinois 60603 or at such other place as the Administrative Agent may designate in writing from time to time, the principal sum of DOLLARS ($) or, if less, the outstanding principal balance of all Revolving Loans made by the Lender to the Borrower pursuant to the Credit Agreement (hereinafter defined), in lawful money of the United States of America and in immediately available funds, on the date(s) and in the manner provided in the Credit Agreement. The Borrower also promises to pay interest on the unpaid principal balance hereof for the period such balance is outstanding, and all other amounts due under this Note, at said office of the Administrative Agent, in like money, at the rates of interest as provided in the Credit Agreement, on the date(s) and in the manner provided in the Credit Agreement.

The date and amount of each type of Revolving Loan made by the Lender to the Borrower under the Credit Agreement, and each payment of principal thereof, shall be recorded by the Lender on its books and endorsed by the Lender on Schedule I attached hereto or any continuation thereof; and in the absence of clearly demonstrated error, such schedule shall constitute prima facie evidence thereof. No failure on the part of the Lender to make, or mistake by the Lender in making, any notation as provided in this paragraph shall in any way affect any Revolving Loan or the rights or obligations of the Lender or the Borrower with respect thereto.

This Note evidences the Revolving Loan(s) made by the Lender and referred to in the Credit Agreement dated as of May 7, 2010 (as amended, restated, supplemented or otherwise modified from time to time, the "***Credit Agreement***") by and among the Borrower, the Lenders from time to time party thereto and JPMorgan Chase Bank, N.A., as Issuing Bank and Administrative Agent (the "***Administrative Agent***") and is subject to and shall be construed in accordance with the provisions of the Credit Agreement and is entitled to the benefits and security set forth in the Loan Documents. All capitalized terms not defined herein shall have the meanings given to them in the Credit Agreement.

The Borrower shall be entitled to borrow, repay, prepay in whole or in part and reborrow the Revolving Loan (s) hereunder pursuant to the terms and conditions of the Credit Agreement.

The Borrower promises to pay, on demand, interest at the default rate pursuant to Section 3.01(c) of the Credit Agreement, from the expiration of any applicable grace period, on any overdue principal and, to the extent permitted by applicable law, overdue interest. The Credit Agreement also provides for the acceleration of the maturity of principal upon the occurrence of certain Events of Default and for prepayments on the terms and conditions specified in the Credit Agreement.

The Borrower waives diligence, presentment, demand, notice of dishonor, protest and any other demands and notices in connection with the delivery, acceptance, performance and enforcement of this Note, except to the extent that notice is specifically required under the Credit Agreement. The nonexercise by the holder of this Note of any of its rights hereunder in any particular instance shall not constitute a waiver thereof in that or any subsequent instance.

This Note shall be governed by, and interpreted and construed in accordance with, the laws of the State of New York without regard to principles of conflict of laws.

THE BORROWER HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO, UNDER OR IN CONNECTION WITH THIS NOTE OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). THE BORROWER CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY CREDIT PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH CREDIT PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER.

[signature page follows]

IN WITNESS WHEREOF, the Borrower has duly executed this Note the day and year first above written.

HAWAIIAN ELECTRIC INDUSTRIES, INC.

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

[Signature Page to Note]

SCHEDULE I TO NOTE

DATE	AMOUNT OF REVOLVING LOAN	TYPE OF REVOLVING LOAN (EURODOLLAR OR ALTERNATE BASE RATE)	INTEREST RATE	INTEREST PERIOD	AMOUNT PAID	NOTATION MADE BY

EXHIBIT D

FORM OF BORROWING REQUEST

, 20

VIA HAND DELIVERY, FACSIMILE OR ELECTRONIC DELIVERY

JPMorgan Chase Bank, N.A., as Administrative Agent
10 South Dearborn, Floor 7th
IL1-0010
Chicago, IL 60603-2003
Attention: Hiral Patel
Facsimile No.: 312-385-7096

Copy to:

JPMorgan Chase Bank, N.A., as Administrative Agent
1999 Avenue Of The Stars, Floor 27
CA2-1274
Los Angeles, CA 90067-6022
Attention: Jeff Bailard
Facsimile No.: 310-860-7110

Ladies and Gentlemen:

Reference is made to the Credit Agreement, dated as of May 7, 2010 (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "***Credit Agreement***"), among Hawaiian Electric Industries, Inc., a Hawaii corporation (the "***Borrower***"), the Lenders from time to time party thereto and JPMorgan Chase Bank, N.A., as issuing bank and administrative agent (the "***Administrative Agent***"). Capitalized terms used herein which are not defined herein are used as defined in the Credit Agreement.

(i) Pursuant to Section 2.03 of the Credit Agreement, the Borrower hereby gives notice of its intention to borrow Revolving Loans in an aggregate principal amount of $ on , 20 (a Business Day), which Borrowing shall consist of the following Borrowings:

Type of Borrowing (Eurodollar or ABR Borrowing)	Amount	Initial Interest Period for Eurodollar Borrowing
	$	2-weeks / month[s]

(ii) The location and account to which funds are to be disbursed is the following:

Hawaiian Electric Industries, Inc.
Account #

(iii) The Borrower hereby certifies that on the date hereof and on the Borrowing Date set forth above, and immediately after giving effect to the Borrowings requested hereby, no Default has or shall have occurred and be continuing.

(iv) The Borrower hereby certifies as follows, that on the date hereof and on the Borrowing Date set forth above: (A) the representations and warranties contained in the Credit Agreement (other than the representations and warranties in Sections 4.04(b) and 4.06 of the Credit Agreement) are true and correct in all material respects, in each case with the same effect as though such representations and warranties had been made on the date hereof (except to the extent such representations and warranties specifically relate to an earlier date, in which case such representations and warranties were true and correct in all material respects on and as of such earlier date) and (B) no Material Subsidiary Indebtedness Event has or shall have occurred and be continuing.

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Borrower has duly executed this Borrowing Request as of the date and year first written above.

Very truly yours,
HAWAIIAN ELECTRIC INDUSTRIES, INC.

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

EXHIBIT E

FORM OF LETTER OF CREDIT REQUEST

, 20

VIA HAND DELIVERY, FACSIMILE OR ELECTRONIC DELIVERY

JPMorgan Chase Bank, N.A., as Issuing Bank
Global Trade Services
300 South Riverside Plaza
Chicago, IL 60606-0236
Attention: Standby LC Unit
Email: GTS.Client.Services@JPMChase.com
Facsimile No.: 312-233-2266

JPMorgan Chase Bank, N.A., as Administrative Agent
10 South Dearborn, Floor 7th
IL1-0010
Chicago, IL 60603-2003
Attention: Hiral Patel
Facsimile No.: 312-385-7096

Ladies and Gentlemen:

Reference is made to the Credit Agreement, dated as of May 7, 2010 (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "***Credit Agreement***"), by and among Hawaiian Electric Industries, Inc., a Hawaii corporation (the "***Borrower***"), the Lenders from time to time party thereto and JPMorgan Chase Bank, N.A., as issuing bank and administrative agent (the "***Administrative Agent***"). Capitalized terms used herein which are not defined herein are used as defined in the Credit Agreement.

1. Pursuant to Section 2.09 of the Credit Agreement, the Borrower hereby requests that the Issuing Bank issue the Letter of Credit on , 20 (the "***Issuance Date***"), in accordance with the information annexed hereto (attached additional sheets if necessary).

2. The Borrower hereby certifies that on the date hereof and on the Issuance Date set forth above, and immediately after giving effect to the issuance of the Letter(s) of Credit requested hereby no Default has or shall have occurred and be continuing.

3. The Borrower hereby certifies as follows, that on the date hereof and on the Issuance Date set forth above: (A) the representations and warranties contained in the Credit Agreement (other than the representations and warranties in Sections 4.04(b) and 4.06 of the Credit Agreement) are true and correct in all material respects, in each case with the same effect as though such representations and warranties had been made on the date hereof (except to the extent such representations and warranties specifically relate to an earlier date, in which case such representations and warranties were true and correct in all material respects on and as of such earlier date) and (B) no Material Subsidiary Indebtedness Event has or shall have occurred and be continuing.

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Borrower has duly executed this Letter of Credit Request as of the date and year first written above.

Very truly yours,
HAWAIIAN ELECTRIC INDUSTRIES, INC.

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

LETTER OF CREDIT INFORMATION

1. Name of Beneficiary:

2. Address of Beneficiary to which Letter of Credit will be sent:

3. Obligations in respect of which the Letter of Credit is to be issued:

4. Conditions under which a drawing may be made (specify any documentation required to be delivered with any drawing request):

5. Maximum amount to be available under such Letter of Credit: $.

6. Requested date of issuance: , 20 .

7. Requested date of expiration: , 20 .

EXHIBIT F

FORM OF INCREASE REQUEST

INCREASE REQUEST, dated and effective as of , 20 , to the Credit Agreement, dated as of May 7, 2010, by and among Hawaiian Electric Industries, Inc., a Hawaii corporation (the "***Borrower***"), the Lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent and Issuing Bank (as the same may be further amended, supplemented or otherwise modified from time to time, the "***Credit Agreement***"). Capitalized terms used herein that are defined in the Credit Agreement shall have the meanings therein defined.

1. [Pursuant to Section 2.05(d) of the Credit Agreement, the Borrower hereby proposes to increase (the "***Revolving Increase***") the Aggregate Revolving Commitment from $ to $.

2. Each of the following Lenders has been invited by the Borrower, and is ready, willing and able to increase its Revolving Commitment as follows:

Name of Lender	Commitment Amount (after giving effect to the Revolving Increase)
	$

3. Each of the following proposed financial institutions (each, a "***Proposed Institution***, and collectively, "***Proposed Institutions***") has been invited by the Borrower, and is ready, willing and able to become a "Lender" and assume a Revolving Commitment under the Credit Agreement as follows:

Name of Proposed Institution	Commitment Amount
	$

4. The proposed effective date for the Revolving Increase is , 20 .]

5. The Borrower hereby represents and warrants to the Administrative Agent, each undersigned Lender and each such Proposed Institution that immediately before and after giving effect to the Increase no Default shall or would exist and be continuing and immediately after giving effect thereto, the Aggregate Revolving Commitments shall not have been increased pursuant to Section 2.05(d) to an amount which is greater than the sum of (x) $150,000,000 plus (y) the amount of the Revolving Commitment of each Lender that becomes a Defaulting Lender.

6. Pursuant to Section 2.05(d) of the Credit Agreement, by execution and delivery of this Increase Request, together with the satisfaction of all of the other requirements set forth in Section 2.05, each undersigned Lender and Proposed Institution shall have, on and as of the effective date of the Revolving Increase, a Revolving Commitment equal to the amount set forth above next to its name and in the event it is a Proposed Institution, shall be, and shall be deemed to be, a "Lender" under, and as such term is defined in, the Credit Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Increase Request to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

HAWAIIAN ELECTRIC INDUSTRIES, INC.

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

_____,
as Lender

By: _____
Name: _____
Title: _____

[Proposed Institution]

By: _____
Name: _____
Title: _____

Agreed and Consented to:

JPMORGAN CHASE BANK, N.A.,
as Administrative Agent and Issuing Bank

By: _____
Name: _____
Title: _____

EXHIBIT G

FORM OF INTEREST ELECTION REQUEST

[ ], 20[ ]

VIA HAND DELIVERY, FACSIMILE OR ELECTRONIC DELIVERY

JPMorgan Chase Bank, N.A., as Administrative Agent
10 South Dearborn, Floor 7th
IL1-0010
Chicago, IL 60603-2003
Attention: Hiral Patel
Facsimile No.: 312-385-7096

Copy to:

JPMorgan Chase Bank, N.A., as Administrative Agent
1999 Avenue Of The Stars, Floor 27
CA2-1274
Los Angeles, CA 90067-6022
Attention: Jeff Bailard
Facsimile No.: 310-860-7110

Ladies and Gentlemen:

Reference is made to the Credit Agreement, dated as of May 7, 2010 (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "***Credit Agreement***"), by and among Hawaiian Electric Industries, Inc., a Hawaii corporation (the "***Borrower***"), the Lenders from time to time party thereto and JPMorgan Chase Bank, N.A., as Issuing Bank and Administrative Agent (the "***Administrative Agent***"). Capitalized terms used herein which are not defined herein are used as defined in the Credit Agreement.

Pursuant to Section 3.02 of the Credit Agreement, the Borrower hereby gives notice of its request to convert and/or continue Borrowings as set forth below:

(a) [effective on , 20 , to continue $ in principal amount of presently outstanding Eurodollar Borrowings having an Interest Period that expires on , 20 to new Eurodollar Borrowings that have an Interest Period of 2 weeks/ month[s];]

(b) [effective on , 20 , to convert $ in principal amount of presently outstanding Eurodollar Borrowings having an Interest Period that expires on , 20 , to new ABR Borrowings;]

(c) [effective on , 20 , to convert $ in principal amount of presently outstanding ABR Borrowings to new Eurodollar Borrowings having an Interest Period of 2 weeks/ month[s].]

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Borrower has duly executed this Interest Election Request as of the date and year first written above.

HAWAIIAN ELECTRIC INDUSTRIES, INC.

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

[Signature page to Notice of Conversion]

G-2

(Back To Top)

Section 5: EX-12.1 (HEI EX-12.1)

HEI Exhibit 12.1

Hawaiian Electric Industries, Inc. and Subsidiaries
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(unaudited)

Three months ended March 31 (dollars in thousands)	**2010 (1)**	**2010 (2)**	**2009 (1)**	**2009 (2)**
Fixed charges				
Total interest charges (3)	$ 21,807	$ 26,230	$ 21,097	$ 32,662
Interest component of rentals	1,142	1,142	1,441	1,441
Pretax preferred stock dividend requirements of subsidiaries	735	735	726	726
Total fixed charges	$ 23,684	$ 28,107	$ 23,264	$ 34,829
Earnings				
Pretax income from continuing operations	$ 42,878	$ 42,878	$ 32,052	$ 32,052
Fixed charges, as shown	23,684	28,107	23,264	34,829
Interest capitalized	(779)	(779)	(1,622)	(1,622)
Earnings available for fixed charges	$ 65,783	$ 70,206	$ 53,694	$ 65,259
Ratio of earnings to fixed charges	2.78	2.50	2.31	1.87

Years ended December 31 (dollars in thousands)	**2009 (1)**	**2009 (2)**	**2008 (1)**	**2008 (2)**	**2007 (1)**	**2007 (2)**
Fixed charges						
Total interest charges (3)	$ 85,827	$ 119,873	$ 120,083	$ 181,566	$ 156,575	$ 238,454
Interest component of rentals	5,339	5,339	5,354	5,354	5,367	5,367
Pretax preferred stock dividend requirements of subsidiaries	2,868	2,868	2,894	2,894	2,899	2,899
Total fixed charges	$ 94,034	$ 128,080	$ 128,331	$ 189,814	$ 164,841	$ 246,720

Earnings						
Pretax income from continuing operations	$ 128,824	$ 128,824	$ 139,256	$ 139,256	$ 131,057	$ 131,057
Fixed charges, as shown	94,034	128,080	128,331	189,814	164,841	246,720
Interest capitalized	(5,268)	(5,268)	(3,741)	(3,741)	(2,552)	(2,552)
Earnings available for fixed charges	$ 217,590	$ 251,636	$ 263,846	$ 325,329	$ 293,346	$ 375,225
Ratio of earnings to fixed charges	2.31	1.96	2.06	1.71	1.78	1.52

See notes on page 2 of 2.

Hawaiian Electric Industries, Inc. and Subsidiaries
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(unaudited)

(continued)

Years ended December 31 (dollars in thousands)	2006 (1)	2006 (2)	2005 (1)	2005 (2)
Fixed charges				
Total interest charges (3)	$ 148,160	$ 221,774	$ 144,671	$ 196,735
Interest component of rentals	4,729	4,729	4,133	4,133
Pretax preferred stock dividend requirements of subsidiaries	2,974	2,974	2,976	2,976
Total fixed charges	$ 155,863	$ 229,477	$ 151,780	$ 203,844
Earnings				
Pretax income from continuing operations	$ 171,055	$ 171,055	$ 201,344	$ 201,344
Fixed charges, as shown	155,863	229,477	151,780	203,844
Interest capitalized	(2,879)	(2,879)	(2,020)	(2,020)
Earnings available for fixed charges	$ 324,039	$ 397,653	$ 351,104	$ 403,168
Ratio of earnings to fixed charges	2.08	1.73	2.31	1.98

(1) Excluding interest on ASB deposits.

(2) Including interest on ASB deposits.

(3) Interest on nonrecourse debt from leveraged leases is not included in total interest charges nor in interest expense in HEI's consolidated statements of income.

For purposes of calculating the ratio of earnings to fixed charges, "earnings" represent the sum of (i) pretax income from continuing operations (before adjustment for undistributed income or loss from equity investees) and (ii) fixed charges (as hereinafter defined, but excluding capitalized interest). "Fixed charges" are calculated both excluding and including interest on ASB's deposits during the applicable periods and represent the sum of (i) interest, whether capitalized or expensed, but excluding interest on nonrecourse debt from leveraged leases which is not included in interest expense in HEI's consolidated statements of income, (ii) amortization of debt expense and discount or premium related to any indebtedness, whether capitalized or expensed, (iii) the estimate of the interest within rental expense, and (iv) the non-intercompany preferred stock dividend requirements of HEI's subsidiaries, increased to an amount representing the pretax earnings required to cover such dividend requirements.

(Back To Top)

Section 6: EX-31.1 (HEI EX-31.1)

HEI Exhibit 31.1

Certification Pursuant to Rule 13a-14 promulgated under the Securities Exchange Act of 1934 of Constance H. Lau (HEI Chief Executive Officer)

I, Constance H. Lau, certify that:

1. I have reviewed this report on Form 10-Q for the quarter ended March 31, 2010 of Hawaiian Electric Industries, Inc. ("registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2010

/s/ Constance H. Lau
Constance H. Lau
President and Chief Executive Officer

(Back To Top)

Section 7: EX-31.2 (HEI EX-31.2)

HEI Exhibit 31.2

Certification Pursuant to Rule 13a-14 promulgated under the Securities Exchange Act of 1934 of James A. Ajello (HEI Chief Financial Officer)

I, James A. Ajello, certify that:

1. I have reviewed this report on Form 10-Q for the quarter ended March 31, 2010 of Hawaiian Electric Industries, Inc. ("registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2010

/s/ James A. Ajello
James A. Ajello
Senior Financial Vice President, Treasurer and Chief Financial Officer

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(Back To Top)

Section 8: EX-32.1 (HEI EX-32.1)

HEI Exhibit 32.1

Hawaiian Electric Industries, Inc.

Written Statement of Chief Executive Officer Furnished Pursuant to
18 U.S.C. Section 1350,
as Adopted by
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Hawaiian Electric Industries, Inc. (HEI) on Form 10-Q for the quarter ended March 31, 2010 as filed with the Securities and Exchange Commission (the Report), I, Constance H. Lau, Chief Executive Officer of HEI, certify, pursuant to 18 U.S.C. Section 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of section 13(a) of the Securities Exchange Act of 1934; and

(2) The consolidated information contained in the Report fairly presents, in all material respects, the financial condition as of March 31, 2010 and results of operations for the three months ended March 31, 2010 of HEI and its subsidiaries.

/s/ Constance H. Lau
Constance H. Lau
President and Chief Executive Officer
Date: May 10, 2010

A signed original of this written statement required by Section 906 has been provided to HEI and will be retained by HEI and furnished to the Securities and Exchange Commission or its staff upon request.

(Back To Top)

Section 9: EX-32.2 (HEI EX-32.2)

HEI Exhibit 32.2

Hawaiian Electric Industries, Inc.

Written Statement of Chief Financial Officer Furnished Pursuant to
18 U.S.C. Section 1350,
as Adopted by
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Hawaiian Electric Industries, Inc. (HEI) on Form 10-Q for the quarter ended March 31, 2010 as filed with the Securities and Exchange Commission (the Report), I, James A. Ajello, Chief Financial Officer of HEI, certify, pursuant to 18 U.S.C. Section 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of section 13(a) of the Securities Exchange Act of 1934; and

(2) The consolidated information contained in the Report fairly presents, in all material respects, the financial condition as of March 31, 2010 and results of operations for the three months ended March 31, 2010 of HEI and its subsidiaries.

/s/ James A. Ajello
James A. Ajello
Senior Financial Vice President, Treasurer and Chief Financial Officer
Date: May 10, 2010

A signed original of this written statement required by Section 906 has been provided to HEI and will be retained by HEI and furnished to the Securities and Exchange Commission or its staff upon request.