HAWAIIAN ELECTRIC CO INC (HAWEL)

10–Q

Quarterly report pursuant to sections 13 or 15(d)
Filed on 11/8/2012
Filed Period 9/30/2012

THOMSON REUTERS ACCELUS™

THOMSON REUTERS

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 September 30, 2012

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)

Hawaiian Electric Industries, Inc. – 1001 Bishop Street, Suite 2900, Honolulu, Hawaii 96813
Hawaiian Electric Company, Inc. – 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 the registrant (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.

Hawaiian Electric Industries Inc. Yes ☒ No ☐   Hawaiian Electric Company, Inc. Yes ☒ No ☐

Indicate by check mark whether the registrant 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).

Hawaiian Electric Industries Inc. Yes ☒ No ☐   Hawaiian Electric Company, Inc. Yes ☒ No ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b–2 of the Exchange Act).

Hawaiian Electric Industries Inc. Yes ☐ No ☒   Hawaiian Electric Company, Inc. Yes ☐ No ☒

Indicate by check mark whether the registrant 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.

Hawaiian Electric Industries Inc.

Large accelerated filer ☒   Accelerated filer ☐

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

Hawaiian Electric Company, Inc.

Large accelerated filer ☐   Accelerated filer ☐

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

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 October 26, 2012
Hawaiian Electric Industries, Inc. (Without Par Value)	97,500,496 Shares
Hawaiian Electric Company, Inc. ($6–2/3 Par Value)	14,233,723 Shares (not publicly traded)

Hawaiian Electric Industries, Inc. and Subsidiaries
Hawaiian Electric Company, Inc. and Subsidiaries
Form 10–Q—Quarter ended September 30, 2012

INDEX

Page No.			
ii	Glossary of Terms		
iv	Forward–Looking Statements		
	PART I.	**FINANCIAL INFORMATION**	
1	Item 1.	Financial Statements	
		Hawaiian Electric Industries, Inc. and Subsidiaries	
1		Consolidated Statements of Income – three and nine months ended September 30, 2012 and 2011	
2		Consolidated Statements of Comprehensive Income – three and nine months ended September 30, 2012 and 2011	
3		Consolidated Balance Sheets – September 30, 2012 and December 31, 2011	
4		Consolidated Statements of Changes in Shareholders' Equity – nine months ended September 30, 2012 and 2011	
5		Consolidated Statements of Cash Flows – nine months ended September 30, 2012 and 2011	
6		Notes to Consolidated Financial Statements	
		Hawaiian Electric Company, Inc. and Subsidiaries	
26		Consolidated Statements of Income – three and nine months ended September 30, 2012 and 2011	
26		Consolidated Statements of Comprehensive Income – three and nine months ended September 30, 2012 and 2011	
27		Consolidated Balance Sheets – September 30, 2012 and December 31, 2011	
28		Consolidated Statements of Changes in Common Stock Equity – nine months ended September 30, 2012 and 2011	
29		Consolidated Statements of Cash Flows – nine months ended September 30, 2012 and 2011	
30		Notes to Consolidated Financial Statements	
51	Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	
51		HEI Consolidated	
55		Electric Utilities	
64		Bank	
72	Item 3.	Quantitative and Qualitative Disclosures About Market Risk	
73	Item 4.	Controls and Procedures	
	PART II.	**OTHER INFORMATION**	
74	Item 1.	Legal Proceedings	
74	Item 1A.	Risk Factors	
74	Item 5.	Other Information	
76	Item 6.	Exhibits	
77	Signatures		

Hawaiian Electric Industries, Inc. and Subsidiaries
Hawaiian Electric Company, Inc. and Subsidiaries
Form 10−Q—Quarter ended September 30, 2012

GLOSSARY OF TERMS

Terms	Definitions
AFUDC	Allowance for funds used during construction
AOCI	Accumulated other comprehensive income
ARO	Asset retirement obligation
ASB	American Savings Bank, F.S.B., a wholly−owned subsidiary of American Savings Holdings, Inc.
ASHI	American Savings Holdings, Inc., a wholly owned subsidiary of Hawaiian Electric Industries, Inc. and the parent company of American Savings Bank, F.S.B.
CIP CT−1	Campbell Industrial Park 110 MW combustion turbine No. 1
Company	Hawaiian Electric Industries, Inc. and its direct and indirect subsidiaries, including, without limitation, Hawaiian Electric Company, Inc. and its subsidiaries (listed under HECO); American Savings Holdings, Inc. and its subsidiary, American Savings Bank, F.S.B.; HEI Properties, Inc.; Hawaiian Electric Industries Capital Trust II and Hawaiian Electric Industries Capital Trust III (inactive financing entities); and The Old Oahu Tug Service, Inc. (formerly Hawaiian Tug & Barge Corp.).
Consumer Advocate	Division of Consumer Advocacy, Department of Commerce and Consumer Affairs of the State of Hawaii
DBEDT	State of Hawaii Department of Business, Economic Development and Tourism
D&O	Decision and order
Dodd−Frank Act	Dodd−Frank Wall Street Reform and Consumer Protection Act
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
EIP	2010 Equity and Incentive Plan
EGU	Electrical generating unit
Energy Agreement	Agreement dated October 20, 2008 and signed by the Governor of the State of Hawaii, the State of Hawaii Department of Business, Economic Development and Tourism, the Division of Consumer Advocacy of the Department of Commerce and Consumer Affairs, and HECO, for itself and on behalf of its electric utility subsidiaries committing to actions to develop renewable energy and reduce dependence on fossil fuels in support of the HCEI
EPA	Environmental Protection Agency — federal
EPS	Earnings per share
EVE	Economic value of equity
Exchange Act	Securities Exchange Act of 1934
FDIC	Federal Deposit Insurance Corporation
federal	U.S. Government
FHLB	Federal Home Loan Bank
FHLMC	Federal Home Loan Mortgage Corporation
FNMA	Federal National Mortgage Association
FRB	Federal Reserve Board
FSS	Forward Starting Swaps

GLOSSARY OF TERMS, continued

Terms	Definitions
GAAP	U.S. generally accepted accounting principles
GHG	Greenhouse gas
GNMA	Government National Mortgage Association
HCEI	Hawaii Clean Energy Initiative
HECO	Hawaiian Electric Company, Inc., an electric utility subsidiary of Hawaiian Electric Industries, Inc. and parent company of Hawaii Electric Light Company, Inc., Maui Electric Company, Limited, HECO Capital Trust III (unconsolidated subsidiary), Renewable Hawaii, Inc. and Uluwehiokama Biofuels Corp.
HEI	Hawaiian Electric Industries, Inc., direct parent company of Hawaiian Electric Company, Inc., American Savings Holdings, Inc., HEI Properties, Inc., Hawaiian Electric Industries Capital Trust II, Hawaiian Electric Industries Capital Trust III and The Old Oahu Tug Service, Inc. (formerly Hawaiian Tug & Barge Corp.)
HEIRSP	Hawaiian Electric Industries Retirement Savings Plan
HELCO	Hawaii Electric Light Company, Inc., an electric utility subsidiary of Hawaiian Electric Company, Inc.
HPOWER	City and County of Honolulu with respect to a power purchase agreement for a refuse–fired plant
IPP	Independent power producer
Kalaeloa	Kalaeloa Partners, L.P.
KW	Kilowatt
KWH	Kilowatthour
LTIP	Long–term incentive plan
MAP–21	Moving Ahead for Progress in the 21st Century Act
MECO	Maui Electric Company, Limited, an electric utility subsidiary of Hawaiian Electric Company, Inc.
MW	Megawatt/s (as applicable)
NII	Net interest income
NQSO	Nonqualified stock option
O&M	Other operation and maintenance
OCC	Office of the Comptroller of the Currency
OPEB	Postretirement benefits other than pensions
PPA	Power purchase agreement
PPAC	Purchased power adjustment clause
PUC	Public Utilities Commission of the State of Hawaii
RAM	Revenue adjustment mechanism
RBA	Revenue balancing account
RFP	Request for proposal
REIP	Renewable Energy Infrastructure Program
RHI	Renewable Hawaii, Inc., a wholly owned subsidiary of Hawaiian Electric Company, Inc.
ROACE	Return on average common equity
RORB	Return on average rate base
RPS	Renewable portfolio standard
SAR	Stock appreciation right
SEC	Securities and Exchange Commission
See	Means the referenced material is incorporated by reference
SOIP	1987 Stock Option and Incentive Plan, as amended
TDR	Troubled debt restructuring
UBC	Uluwehiokama Biofuels Corp., a non–regulated subsidiary of Hawaiian Electric Company, Inc.
VIE	Variable interest entity

FORWARD–LOOKING STATEMENTS

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

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

- international, national and local economic conditions, including the state of the Hawaii tourism, defense and construction industries, the strength or weakness of the Hawaii and continental U.S. real estate markets (including the fair value and/or the actual performance of collateral underlying loans held by American Savings Bank, F.S.B. (ASB), which could result in higher loan loss provisions and write–offs), decisions concerning the extent of the presence of the federal government and military in Hawaii, the implications and potential impacts of U.S. and foreign capital and credit market conditions and federal, state and international responses to those conditions, and the potential impacts of global developments (including global economic conditions and uncertainties, unrest, conflict and the overthrow of governmental regimes in North Africa and the Middle East, terrorist acts, the war on terrorism, continuing U.S. presence in Afghanistan and potential conflict or crisis with North Korea or Iran);

- weather and natural disasters (e.g., hurricanes, earthquakes, tsunamis, lightning strikes and the potential effects of global warming, such as more severe storms and rising sea levels), including their impact on Company operations and the economy (e.g., the effect of the March 2011 natural disasters in Japan on its economy and tourism in Hawaii);

- 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 the Company's pension and other retirement plan assets and ASB's securities available for sale;

- changes in laws, regulations, market conditions and other factors that result in changes in assumptions used to calculate retirement benefits costs and funding requirements;

- the impact of the Dodd–Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd–Frank Act) and of the rules and regulations that the Dodd–Frank Act requires to be promulgated;

- increasing competition in the banking industry (e.g., increased price competition for deposits, or an outflow of deposits to alternative investments, which may have an adverse impact on ASB's cost of funds);

- the implementation of the Energy Agreement with the State of Hawaii and Consumer Advocate (Energy Agreement) setting forth the goals and objectives of a Hawaii Clean Energy Initiative (HCEI), revenue decoupling and the fulfillment by the electric utilities of their commitments under the Energy Agreement (given the Public Utilities Commission of the State of Hawaii (PUC) approvals needed; the PUC's potential delay in considering (and potential disapproval of actual or proposed) 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 cables, 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, combined heat and power or other firm capacity supply–side resources fall short of achieving their forecasted benefits or are otherwise insufficient to reduce or meet peak demand;

- the risk to generation reliability when generation peak reserve margins on Oahu are strained;

- fuel oil price changes, performance by suppliers of their fuel oil delivery obligations and the continued availability to the electric utilities of their energy cost adjustment clauses (ECACs);

- the impact of fuel price volatility on customer satisfaction and political and regulatory support for the utilities;

- the risks associated with increasing reliance on renewable energy, as contemplated under the Energy Agreement, including the availability and cost of non−fossil fuel supplies for renewable energy generation and the operational impacts of adding intermittent sources of renewable energy to the electric grid;
- the ability of IPPs to deliver the firm capacity anticipated in their power purchase agreements (PPAs);
- the ability of the electric utilities to negotiate, periodically, favorable fuel supply and collective bargaining agreements;
- new technological developments that could affect the operations and prospects of HEI and its subsidiaries (including HECO and its subsidiaries and ASB) or their competitors;
- cyber security risks and the potential for cyber incidents, including potential incidents at HEI, ASB and HECO and their subsidiaries (including at ASB branches and at the electric utility plants) and incidents at data processing centers they use, to the extent not prevented by intrusion detection and prevention systems, anti−virus software, firewalls and other general information technology controls;
- federal, state, county and international governmental and regulatory actions, such as changes in laws, rules and regulations applicable to HEI, HECO, ASB and their subsidiaries (including changes in taxation, increases in capital requirements, regulatory changes resulting from the HCEI, environmental laws and regulations, the regulation of greenhouse gas (GHG) emissions, governmental fees and assessments (such as Federal Deposit Insurance Corporation assessments), and potential carbon “cap and trade” legislation that may fundamentally alter costs to produce electricity and accelerate the move to renewable generation);
- decisions by the PUC in rate cases and other proceedings (including the risks of delays in the timing of decisions, adverse changes in final decisions from interim decisions and the disallowance of project costs as a result of adverse regulatory audit reports or otherwise);
- decisions by the PUC and by other agencies and courts on land use, environmental and other permitting issues (such as required corrective actions and restrictions and penalties that may arise, such as with respect to environmental conditions or renewable portfolio standards (RPS));
- potential enforcement actions by the Office of the Comptroller of the Currency, the Federal Reserve Board (FRB), the Federal Deposit Insurance Corporation (FDIC) and/or other governmental authorities (such as consent orders, required corrective actions, restrictions and penalties that may arise, for example, with respect to compliance deficiencies under existing or new banking and consumer protection laws and regulations or with respect to capital adequacy);
- ability to recover increasing costs and earn a reasonable return on capital investments not covered by revenue adjustment mechanisms;
- the risks associated with the geographic concentration of HEI’s businesses and ASB’s loans, ASB’s concentration in a single product type (i.e., first mortgages) and ASB’s significant credit relationships (i.e., concentrations of large loans and/or credit lines with certain customers);
- changes in accounting principles applicable to HEI, HECO, ASB and their subsidiaries, including the possible adoption of International Financial Reporting Standards or new U.S. accounting standards, the potential discontinuance of regulatory accounting and the effects of potentially required consolidation of variable interest entities (VIEs) or required capital lease accounting for PPAs with IPPs;
- changes by securities rating agencies in their ratings of the securities of HEI and HECO and the results of financing efforts;
- faster than expected loan prepayments that can cause an acceleration of the amortization of premiums on loans and investments and the impairment of mortgage−servicing assets of ASB;
- changes in ASB’s loan portfolio credit profile and asset quality which may increase or decrease the required level of allowance for loan losses and charge−offs;
- changes in ASB’s deposit cost or mix which may have an adverse impact on ASB’s cost of funds;
- the final outcome of tax positions taken by HEI, HECO, ASB and their subsidiaries;
- the risks of suffering losses and incurring liabilities that are uninsured (e.g., damages to the utilities’ transmission and distribution system and losses from business interruption) or underinsured (e.g., losses not covered as a result of insurance deductibles or other exclusions or exceeding policy limits); 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 September 30		Nine months ended September 30	
(in thousands, except per share amounts)	2012	2011	2012	2011
Revenues				
Electric utility	$ 801,095	$ 820,254	$ 2,340,257	$ 2,194,327
Bank	66,596	66,100	196,569	197,731
Other	29	1	22	(751)
Total revenues	**867,720**	**886,355**	**2,536,848**	**2,391,307**
Expenses				
Electric utility	726,276	745,298	2,146,688	2,031,645
Bank	44,974	42,931	130,161	128,988
Other	4,768	3,636	13,075	9,148
Total expenses	**776,018**	**791,865**	**2,289,924**	**2,169,781**
Operating income (loss)				
Electric utility	74,819	74,956	193,569	162,682
Bank	21,622	23,169	66,408	68,743
Other	(4,739)	(3,635)	(13,053)	(9,899)
Total operating income	**91,702**	**94,490**	**246,924**	**221,526**
Interest expense–other than on deposit liabilities and other bank borrowings	(20,020)	(19,949)	(58,758)	(64,266)
Allowance for borrowed funds used during construction	688	658	2,451	1,731
Allowance for equity funds used during construction	1,611	1,570	5,548	4,131
Income before income taxes	**73,981**	**76,769**	**196,165**	**163,122**
Income taxes	25,804	27,894	69,926	57,700
Net income	**48,177**	**48,875**	**126,239**	**105,422**
Preferred stock dividends of subsidiaries	471	471	1,417	1,417
Net income for common stock	**$ 47,706**	**$ 48,404**	**$ 124,822**	**$ 104,005**
Basic earnings per common share	$ 0.49	$ 0.50	$ 1.29	$ 1.09
Diluted earnings per common share	$ 0.49	$ 0.50	$ 1.29	$ 1.09
Dividends per common share	$ 0.31	$ 0.31	$ 0.93	$ 0.93
Weighted–average number of common shares outstanding	97,157	95,873	96,674	95,365
Dilutive effect of share–based compensation	361	227	423	306
Adjusted weighted–average shares	97,518	96,100	97,097	95,671

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

Table of Contents

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

(in thousands)	Three months ended September 30		Nine months ended September 30	
	2012	2011	2012	2011
Net income for common stock	$ 47,706	$ 48,404	$ 124,822	$ 104,005
Other comprehensive income (loss), net of taxes:				
Net unrealized gains on securities:				
Net unrealized gains on securities arising during the period, net of taxes of $689 and $1,917 for the three months ended September 30, 2012 and 2011 and $1,261 and $4,258 for the nine months ended September 30, 2012 and 2011, respectively	1,043	3,013	1,910	6,448
Less: reclassification adjustment for net realized gains included in net income, net of taxes of nil and $146 for the three months ended September 30, 2012 and 2011 and $53 and $148 for the nine months ended September 30, 2012 and 2011, respectively	—	(221)	(81)	(224)
Derivatives qualified as cash flow hedges:				
Net unrealized holding losses arising during the period, net of taxes (benefits) of $5 and $(4) for the three and nine months ended September 30, 2011, respectively	—	(5)	—	(8)
Less: reclassification adjustment to net income, net of tax benefits of $37 and $37 for the three months ended September 30, 2012 and 2011 and $112 and $78 for the nine months ended September 30, 2012 and 2011, respectively	59	58	177	122
Retirement benefit plans:				
Less: amortization of net loss, prior service gain and transition obligation included in net periodic benefit cost, net of tax benefits of $2,443 and $1,405 for the three months ended September 30, 2012 and 2011 and $7,321 and $3,513 for the nine months ended September 30, 2012 and 2011, respectively	3,826	2,068	11,467	5,556
Less: reclassification adjustment for impact of D&Os of the PUC included in regulatory assets, net of taxes of $2,129 and $1,074 for the three months ended September 30, 2012 and 2011 and $6,386 and $3,875 for the nine months ended September 30, 2012 and 2011, respectively	(3,342)	(1,732)	(10,026)	(6,084)
Other comprehensive income, net of taxes	1,586	3,181	3,447	5,810
Comprehensive income attributable to common shareholders	$ 49,292	$ 51,585	$ 128,269	$ 109,815

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

Table of Contents

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

(dollars in thousands)	September 30, 2012	December 31, 2011
Assets		
Cash and cash equivalents	$ 168,512	$ 270,265
Accounts receivable and unbilled revenues, net	374,932	344,322
Available–for–sale investment and mortgage–related securities	664,051	624,331
Investment in stock of Federal Home Loan Bank of Seattle	96,893	97,764
Loans receivable held for investment, net	3,705,748	3,642,818
Loans held for sale, at lower of cost or fair value	16,495	9,601
Property, plant and equipment, net of accumulated depreciation of $2,109,478 in 2012 and $2,049,821 in 2011	3,506,489	3,334,501
Regulatory assets	715,994	669,389
Other	573,523	519,296
Goodwill	82,190	82,190
Total assets	$ 9,904,827	$ 9,594,477
Liabilities and shareholders' equity		
Liabilities		
Accounts payable	$ 234,304	$ 216,176
Interest and dividends payable	27,907	25,041
Deposit liabilities	4,126,788	4,070,032
Short–term borrowings—other than bank	82,219	68,821
Other bank borrowings	211,219	233,229
Long–term debt, net—other than bank	1,429,869	1,340,070
Deferred income taxes	438,886	354,051
Regulatory liabilities	319,330	315,466
Contributions in aid of construction	387,863	356,203
Retirement benefits liability	497,388	530,410
Other	507,626	521,979
Total liabilities	8,263,399	8,031,478
Preferred stock of subsidiaries – not subject to mandatory redemption	34,293	34,293
Commitments and contingencies (Notes 3 and 4)		
Shareholders' equity		
Preferred stock, no par value, authorized 10,000,000 shares; issued: none	—	—
Common stock, no par value, authorized 200,000,000 shares; issued and outstanding: 97,425,467 shares in 2012 and 96,038,328 shares in 2011	1,389,607	1,349,446
Retained earnings	233,218	198,397
Accumulated other comprehensive loss, net of tax benefits	(15,690)	(19,137)
Total shareholders' equity	1,607,135	1,528,706
Total liabilities and shareholders' equity	$ 9,904,827	$ 9,594,477

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

Table of Contents

Hawaiian Electric Industries, Inc. and Subsidiaries
Consolidated Statements of Changes in Shareholders' Equity (unaudited)

(in thousands, except per share amounts)	Common stock Shares	Common stock Amount	Retained earnings	Accumulated other comprehensive loss	Total
Balance, December 31, 2011	**96,038**	**$ 1,349,446**	**$ 198,397**	**$ (19,137)**	**$ 1,528,706**
Net income for common stock	—	—	124,822	—	124,822
Other comprehensive income, net of tax benefits	—	—	—	3,447	3,447
Issuance of common stock, net	1,387	40,161	—	—	40,161
Dividend equivalents paid on equity–classified awards	—	—	(99)	—	(99)
Common stock dividends ($0.93 per share)	—	—	(89,902)	—	(89,902)
Balance, September 30, 2012	**97,425**	**$ 1,389,607**	**$ 233,218**	**$ (15,690)**	**$ 1,607,135**
Balance, December 31, 2010	**94,691**	**$ 1,314,199**	**$ 178,667**	**$ (12,472)**	**$ 1,480,394**
Net income for common stock	—	—	104,005	—	104,005
Other comprehensive income, net of taxes	—	—	—	5,810	5,810
Issuance of common stock, net	1,284	33,056	—	—	33,056
Common stock dividends ($0.93 per share)	—	—	(88,750)	—	(88,750)
Balance, September 30, 2011	**95,975**	**$ 1,347,255**	**$ 193,922**	**$ (6,662)**	**$ 1,534,515**

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

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

Nine months ended September 30 (in thousands)	2012	2011
Cash flows from operating activities		
Net income	$ 126,239	$ 105,422
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation of property, plant and equipment	112,946	111,516
Other amortization	4,811	14,552
Provision for loan losses	9,504	10,927
Loans receivable originated and purchased, held for sale	(304,289)	(137,507)
Proceeds from sale of loans receivable, held for sale	302,844	127,163
Change in deferred income taxes	82,582	60,957
Change in excess tax benefits from share–based payment arrangements	(65)	(39)
Allowance for equity funds used during construction	(5,548)	(4,131)
Change in cash overdraft	—	(2,688)
Changes in assets and liabilities		
Increase in accounts receivable and unbilled revenues, net	(30,610)	(75,905)
Increase in fuel oil stock	(31,372)	(4,592)
Decrease in accounts, interest and dividends payable	(5,905)	(57,746)
Change in prepaid and accrued income taxes and utility revenue taxes	(5,121)	40,418
Contributions to defined benefit pension and other postretirement benefit plans	(64,006)	(56,395)
Change in other assets and liabilities	(70,406)	(30,863)
Net cash provided by operating activities	**121,604**	**101,089**
Cash flows from investing activities		
Available–for–sale investment and mortgage–related securities purchased	(146,794)	(202,061)
Principal repayments on available–for–sale investment and mortgage–related securities	104,310	283,931
Proceeds from sale of available–for–sale investment and mortgage–related securities	3,548	32,799
Net increase in loans held for investment	(75,982)	(153,745)
Proceeds from sale of real estate acquired in settlement of loans	9,659	5,298
Capital expenditures	(225,961)	(148,107)
Contributions in aid of construction	33,106	15,106
Other	865	(2,923)
Net cash used in investing activities	**(297,249)**	**(169,702)**
Cash flows from financing activities		
Net increase in deposit liabilities	56,756	87,429
Net increase in short–term borrowings with original maturities of three months or less	13,398	26,272
Net increase (decrease) in retail repurchase agreements	(22,011)	614
Proceeds from issuance of long–term debt	457,000	125,000
Repayment of long–term debt	(368,500)	(150,000)
Change in excess tax benefits from share–based payment arrangements	65	39
Net proceeds from issuance of common stock	16,881	14,861
Common stock dividends	(71,966)	(77,070)
Preferred stock dividends of subsidiaries	(1,417)	(1,417)
Other	(6,314)	(4,283)
Net cash provided by financing activities	**73,892**	**21,445**
Net decrease in cash and cash equivalents	(101,753)	(47,168)
Cash and cash equivalents, beginning of period	270,265	330,651
Cash and cash equivalents, end of period	**$ 168,512**	**$ 283,483**

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

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 in HEI's Form 10−K for the year ended December 31, 2011 and the unaudited consolidated financial statements and the notes thereto in HEI's Quarterly Reports on SEC Form 10−Q for the quarters ended March 31, 2012 and June 30, 2012.

In the opinion of HEI's management, the accompanying unaudited consolidated financial statements contain all material adjustments required by GAAP to fairly state the Company's financial position as of September 30, 2012 and December 31, 2011, the results of its operations for the three and nine months ended September 30, 2012 and 2011 and cash flows for the nine months ended September 30, 2012 and 2011. 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. The December 31, 2011 balance sheet information has been derived from the HEI 2011 financial statements. When required, certain reclassifications are made to the prior period's consolidated financial statements to conform to the current presentation.

The Company has revised its electric utilities' previously issued financial statements to correct an error that resulted in the understatement of franchise taxes, net of tax benefits, that should have been recorded in years prior to 2010. The Company determined the cumulative impact for periods prior to 2010 to be a charge to its earnings of $3.2 million. These adjustments were not considered to be material individually or in the aggregate to previously issued financial statements. The table below illustrates the effects of this revision on the Company's Consolidated Financial Statements for those line items affected (these revisions have no impact on the Company's Consolidated Statements of Income and Cash Flows for the periods reported):

(in thousands)	As previously filed	As revised	Difference
December 31, 2011			
Consolidated Balance Sheet			
Other assets	$ 517,550	$ 519,296	$ 1,746
Total assets	9,592,731	9,594,477	1,746
Other liabilities	516,990	521,979	4,989
Total liabilities	8,026,489	8,031,478	4,989
Retained earnings	201,640	198,397	(3,243)
Total shareholders' equity	1,531,949	1,528,706	(3,243)
Total liabilities and shareholders' equity	9,592,731	9,594,477	1,746
Consolidated Statement of Changes in Shareholders' Equity			
Retained earnings	201,640	198,397	(3,243)
Total shareholders' equity	1,531,949	1,528,706	(3,243)
December 31, 2010			
Consolidated Statement of Changes in Shareholders' Equity			
Retained earnings	181,910	178,667	(3,243)
Total shareholders' equity	1,483,637	1,480,394	(3,243)

2 • Segment financial information

(in thousands)	Electric utility	Bank	Other	Total
Three months ended September 30, 2012				
Revenues from external customers	$ 801,089	$ 66,596	$ 35	$ 867,720
Intersegment revenues (eliminations)	6	—	(6)	—
Revenues	801,095	66,596	29	867,720
Income (loss) before income taxes	61,268	21,627	(8,914)	73,981
Income taxes (benefit)	22,395	7,419	(4,010)	25,804
Net income (loss)	38,873	14,208	(4,904)	48,177
Preferred stock dividends of subsidiaries	498	—	(27)	471
Net income (loss) for common stock	38,375	14,208	(4,877)	47,706
Nine months ended September 30, 2012				
Revenues from external customers	2,340,202	196,569	77	2,536,848
Intersegment revenues (eliminations)	55	—	(55)	—
Revenues	2,340,257	196,569	22	2,536,848
Income (loss) before income taxes	154,976	66,964	(25,775)	196,165
Income taxes (benefit)	58,429	22,690	(11,193)	69,926
Net income (loss)	96,547	44,274	(14,582)	126,239
Preferred stock dividends of subsidiaries	1,496	—	(79)	1,417
Net income (loss) for common stock	95,051	44,274	(14,503)	124,822
Assets (at September 30, 2012)	4,961,715	4,952,850	(9,738)	9,904,827
Three months ended September 30, 2011				
Revenues from external customers	$ 820,218	$ 66,100	$ 37	$ 886,355
Intersegment revenues (eliminations)	36	—	(36)	—
Revenues	820,254	66,100	1	886,355
Income (loss) before income taxes	62,244	23,166	(8,641)	76,769
Income taxes (benefit)	23,787	7,709	(3,602)	27,894
Net income (loss)	38,457	15,457	(5,039)	48,875
Preferred stock dividends of subsidiaries	498	—	(27)	471
Net income (loss) for common stock	37,959	15,457	(5,012)	48,404
Nine months ended September 30, 2011				
Revenues from external customers	2,194,219	197,731	(643)	2,391,307
Intersegment revenues (eliminations)	108	—	(108)	—
Revenues	2,194,327	197,731	(751)	2,391,307
Income (loss) before income taxes	122,114	68,699	(27,691)	163,122
Income taxes (benefit)	46,446	24,196	(12,942)	57,700
Net income (loss)	75,668	44,503	(14,749)	105,422
Preferred stock dividends of subsidiaries	1,496	—	(79)	1,417
Net income (loss) for common stock	74,172	44,503	(14,670)	104,005
Assets (at December 31, 2011)	4,674,007	4,909,974	10,496	9,594,477

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

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

3 • Electric utility subsidiary

For consolidated HECO financial information, including its commitments and contingencies, see HECO’s consolidated financial statements beginning on page 26 through Note 9 on page 41.

Table of Contents

4 • Bank subsidiary

Selected financial information
American Savings Bank, F.S.B.
Statements of Income Data

(in thousands)	Three months ended September 30 2012	Three months ended September 30 2011	Nine months ended September 30 2012	Nine months ended September 30 2011
Interest income				
Interest and fees on loans	$ 43,880	$ 46,240	$ 133,241	$ 137,985
Interest on investment and mortgage–related securities	3,432	3,654	10,534	11,216
Total interest income	47,312	49,894	143,775	149,201
Interest expense				
Interest on deposit liabilities	1,540	2,166	5,015	7,146
Interest on other borrowings	1,201	1,375	3,676	4,124
Total interest expense	2,741	3,541	8,691	11,270
Net interest income	**44,571**	**46,353**	**135,084**	**137,931**
Provision for loan losses	3,580	3,822	9,504	10,927
Net interest income after provision for loan losses	**40,991**	**42,531**	**125,580**	**127,004**
Noninterest income				
Fees from other financial services	7,674	7,219	22,474	21,405
Fee income on deposit liabilities	4,527	4,492	13,127	13,540
Fee income on other financial products	1,660	1,806	4,741	5,340
Gain on sale of loans	4,077	1,092	8,297	2,268
Other income	1,346	1,597	4,155	5,977
Total noninterest income	19,284	16,206	52,794	48,530
Noninterest expense				
Compensation and employee benefits	18,684	17,646	56,026	53,317
Occupancy	4,400	4,313	12,866	12,841
Data processing	2,644	2,451	7,244	6,479
Services	3,062	1,686	7,066	5,406
Equipment	1,762	1,712	5,299	5,141
Other expense	8,096	7,763	22,909	23,651
Total noninterest expense	38,648	35,571	111,410	106,835
Income before income taxes	**21,627**	**23,166**	**66,964**	**68,699**
Income taxes	7,419	7,709	22,690	24,196
Net income	**$ 14,208**	**$ 15,457**	**$ 44,274**	**$ 44,503**

American Savings Bank, F.S.B.
Statements of Comprehensive Income Data

(in thousands)	Three months ended September 30 2012	Three months ended September 30 2011	Nine months ended September 30 2012	Nine months ended September 30 2011
Net income	$ 14,208	$ 15,457	$ 44,274	$ 44,503
Other comprehensive income (loss), net of taxes:				
Net unrealized gains on securities:				
Net unrealized gains on securities arising during the period, net of taxes of \$689 and \$1,917 for the three months ended September 30, 2012 and 2011 and \$1,261 and \$4,258 for the nine months ended September 30, 2012 and 2011, respectively	1,043	3,013	1,910	6,448
Less: reclassification adjustment for net realized gains, included in net income, net of taxes of nil and \$146 for the three months ended September 30, 2012 and 2011 and \$53 and \$148 for the nine months ended September 30, 2012 and 2011, respectively	—	(221)	(81)	(224)
Retirement benefit plans:				
Less: amortization of net loss, prior service gain and transition obligation included in net periodic benefit cost, net of taxes (tax benefits) of \$(176) and \$(175) for the three months ended September 30, 2012 and 2011 and \$(508) and \$902 for the nine months ended September 30, 2012 and 2011, respectively	266	86	769	(1,367)
Other comprehensive income, net of taxes	1,309	2,878	2,598	4,857
Comprehensive income	$ 15,517	$ 18,335	$ 46,872	$ 49,360

Table of Contents

American Savings Bank, F.S.B.
Balance Sheets Data

(in thousands)	September 30, 2012	December 31, 2011
Assets		
Cash and cash equivalents	$ 152,474	$ 219,678
Available–for–sale investment and mortgage–related securities	664,051	624,331
Investment in stock of Federal Home Loan Bank of Seattle	96,893	97,764
Loans receivable held for investment	3,745,558	3,680,724
Allowance for loan losses	(39,810)	(37,906)
Loans receivable held for investment, net	3,705,748	3,642,818
Loans held for sale, at lower of cost or fair value	16,495	9,601
Other	234,999	233,592
Goodwill	82,190	82,190
Total assets	$ 4,952,850	$ 4,909,974
Liabilities and shareholder’s equity		
Deposit liabilities—noninterest–bearing	$ 1,097,809	$ 993,828
Deposit liabilities—interest–bearing	3,028,979	3,076,204
Other borrowings	211,219	233,229
Other	107,960	118,078
Total liabilities	4,445,967	4,421,339
Commitments and contingencies (see “Litigation” below)		
Common stock	333,256	331,880
Retained earnings	180,400	166,126
Accumulated other comprehensive loss, net of tax benefits	(6,773)	(9,371)
Total shareholder’s equity	506,883	488,635
Total liabilities and shareholder’s equity	$ 4,952,850	$ 4,909,974
Other assets		
Bank–owned life insurance	$ 124,672	$ 121,470
Premises and equipment, net	53,451	52,940
Prepaid expenses	14,732	15,297
Accrued interest receivable	14,205	14,190
Mortgage–servicing rights	9,658	8,227
Real estate acquired in settlement of loans, net	4,414	7,260
Other	13,867	14,208
	$ 234,999	$ 233,592
Other liabilities		
Accrued expenses	$ 19,981	$ 21,216
Federal and state income taxes payable	36,308	35,002
Cashier’s checks	20,575	22,802
Advance payments by borrowers	5,958	10,100
Other	25,138	28,958
	$ 107,960	$ 118,078

Other borrowings consisted of securities sold under agreements to repurchase and advances from the Federal Home Loan Bank (FHLB) of Seattle of $161 million and $50 million, respectively, as of September 30, 2012 and $183 million and $50 million, respectively, as of December 31, 2011.

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

As of September 30, 2012, ASB had total commitments to borrowers for loan commitments and unused lines and letters of credit of $1.5 billion, including $0.2 million to lend additional funds to borrowers whose loans are impaired.

Table of Contents

There are no commitments to lend additional funds to borrowers whose loan terms have been modified in trouble debt restructurings (TDRs) as of September 30, 2012.

Investment and mortgage–related securities portfolio.

Available–for–sale securities. The book value (amortized cost), gross unrealized gains and losses, estimated fair value and gross unrealized losses (fair value and amount by duration of time in which positions have been held in a continuous loss position) for securities held in ASB's "available–for–sale" portfolio by major security type were as follows:

					Gross unrealized losses			
					Less than 12 months		12 months or longer	
(dollars in thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value	Fair value	Amount	Fair value	Amount
September 30, 2012								
Federal agency obligations	$ 213,241	$ 3,342	$ —	$ 216,583	$ —	$ —	$ —	$ —
Mortgage–related securities– FNMA, FHLMC and GNMA	353,095	11,706	(181)	364,620	36,225	(181)	—	—
Municipal bonds	78,265	4,583	—	82,848	—	—	—	—
	$ 644,601	$ 19,631	$ (181)	$ 664,051	$ 36,225	$ (181)	$ —	$ —
December 31, 2011								
Federal agency obligations	$ 218,342	$ 2,393	$ (8)	$ 220,727	$ 19,992	$ (8)	$ —	$ —
Mortgage–related securities– FNMA, FHLMC and GNMA	334,183	10,699	(17)	344,865	11,994	(17)	—	—
Municipal bonds	55,393	3,346	—	58,739	—	—	—	—
	$ 607,918	$ 16,438	$ (25)	$ 624,331	$ 31,986	$ (25)	$ —	$ —

The unrealized losses on ASB's investments in mortgage–related securities and obligations issued by federal agencies were caused by interest rate movements. The contractual terms of these investments do not permit the issuer to settle the securities at a price less than the amortized cost bases of the investments. Because ASB does not intend to sell the securities and has determined it is more likely than not that it will not be required to sell the investments before recovery of their amortized costs bases, which may be at maturity, ASB did not consider these investments to be other–than–temporarily impaired at September 30, 2012.

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

The following table details the contractual maturities of available–for–sale securities. All positions with variable maturities (e.g. callable debentures and mortgage–related securities) are disclosed based upon the bond's contractual maturity. Actual maturities will likely differ from these contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

September 30, 2012 (in thousands)	Amortized cost	Fair value
Due in one year or less	$ —	$ —
Due after one year through five years	190,140	192,438
Due after five years through ten years	85,682	90,597
Due after ten years	15,684	16,396
	291,506	299,431
Mortgage–related securities–FNMA,FHLMC and GNMA	353,095	364,620
Total available–for–sale securities	$ 644,601	$ 664,051

[Table of Contents](#)

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

The allowance for loan losses was comprised of the following:

(in thousands)	Residential 1–4 family	Commercial real estate	Home equity line of credit	Residential land	Commercial construction	Residential construction	Commercial loans	Consumer loans	Unallocated	Total
Nine months ended September 30, 2012										
Allowance for loan losses:										
Beginning balance	$ 6,500	$ 1,688	$ 4,354	$ 3,795	$ 1,888	$ 4	$ 14,867	$ 3,806	$ 1,004	$ 37,906
Charge–offs	(2,476)	—	(402)	(2,340)	—	—	(2,964)	(1,853)	—	(10,035)
Recoveries	974	—	95	471	—	—	511	384	—	2,435
Provision	1,729	394	818	1,871	43	4	1,916	1,472	1,257	9,504
Ending balance	$ 6,727	$ 2,082	$ 4,865	$ 3,797	$ 1,931	$ 8	$ 14,330	$ 3,809	$ 2,261	$ 39,810
Ending balance: individually evaluated for impairment	$ 324	$ 7	$ 313	$ 2,321	$ —	$ —	$ 1,656	$ —	$ —	$ 4,621
Ending balance: collectively evaluated for impairment	$ 6,403	$ 2,075	$ 4,552	$ 1,476	$ 1,931	$ 8	$ 12,674	$ 3,809	$ 2,261	$ 35,189
Financing Receivables:										
Ending balance	$ 1,899,580	$ 367,765	$ 604,279	$ 29,280	$ 42,913	$ 5,648	$ 704,100	$ 104,338	$ —	$ 3,757,903
Ending balance: individually evaluated for impairment	$ 26,912	$ 2,929	$ 1,913	$ 25,146	$ —	$ —	$ 17,956	$ 22	$ —	$ 74,878
Ending balance: collectively evaluated for impairment	$ 1,872,668	$ 364,836	$ 602,366	$ 4,134	$ 42,913	$ 5,648	$ 686,144	$ 104,316	$ —	$ 3,683,025
Year ended December 31, 2011										
Allowance for loan losses:										
Beginning balance	$ 6,497	$ 1,474	$ 4,269	$ 6,411	$ 1,714	$ 7	$ 16,015	$ 3,325	$ 934	$ 40,646
Charge–offs	(5,528)	—	(1,439)	(4,071)	—	—	(5,335)	(3,117)	—	(19,490)
Recoveries	110	—	25	170	—	—	869	567	—	1,741
Provision	5,421	214	1,499	1,285	174	(3)	3,318	3,031	70	15,009
Ending balance	$ 6,500	$ 1,688	$ 4,354	$ 3,795	$ 1,888	$ 4	$ 14,867	$ 3,806	$ 1,004	$ 37,906
Ending balance: individually evaluated for impairment	$ 203	$ —	$ —	$ 2,525	$ —	$ —	$ 976	$ —	$ —	$ 3,704
Ending balance: collectively evaluated for impairment	$ 6,297	$ 1,688	$ 4,354	$ 1,270	$ 1,888	$ 4	$ 13,891	$ 3,806	$ 1,004	$ 34,202
Financing Receivables:										
Ending balance	$ 1,926,774	$ 331,931	$ 535,481	$ 45,392	$ 41,950	$ 3,327	$ 716,427	$ 93,253	$ —	$ 3,694,535
Ending balance: individually evaluated for impairment	$ 26,012	$ 13,397	$ 1,450	$ 39,364	$ —	$ —	$ 48,241	$ 24	$ —	$ 128,488
Ending balance: collectively evaluated for impairment	$ 1,900,762	$ 318,534	$ 534,031	$ 6,028	$ 41,950	$ 3,327	$ 668,186	$ 93,229	$ —	$ 3,566,047

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

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

Table of Contents

The loan grade categories are:

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

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

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

	September 30, 2012			December 31, 2011		
(in thousands)	Commercial real estate	Commercial construction	Commercial	Commercial real estate	Commercial construction	Commercial
Grade:						
Pass	$ 326,532	$ 42,913	$ 630,616	$ 308,843	$ 41,950	$ 650,234
Special mention	9,455	—	21,291	8,594	—	14,660
Substandard	28,849	—	48,460	11,058	—	47,607
Doubtful	2,929	—	3,733	3,436	—	3,926
Loss	—	—	—	—	—	—
Total	$ 367,765	$ 42,913	$ 704,100	$ 331,931	$ 41,950	$ 716,427

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

(in thousands)	30–59 days past due	60–89 days past due	Greater than 90 days	Total past due	Current	Total financing receivables	Recorded investment> 90 days and accruing
September 30, 2012							
Real estate loans:							
Residential 1–4 family	$ 5,830	$ 1,727	$ 28,626	$ 36,183	$ 1,863,397	$ 1,899,580	$ —
Commercial real estate	—	—	2,929	2,929	364,836	367,765	—
Home equity line of credit	584	758	1,965	3,307	600,972	604,279	—
Residential land	1,346	3,017	6,384	10,747	18,533	29,280	2,473
Commercial construction	—	—	—	—	42,913	42,913	—
Residential construction	—	—	—	—	5,648	5,648	—
Commercial loans	1,681	251	2,948	4,880	699,220	704,100	123
Consumer loans	878	356	491	1,725	102,613	104,338	360
Total loans	$ 10,319	$ 6,109	$ 43,343	$ 59,771	$ 3,698,132	$ 3,757,903	$ 2,956
December 31, 2011							
Real estate loans:							
Residential 1–4 family	$ 10,391	$ 4,583	$ 28,113	$ 43,087	$ 1,883,687	$ 1,926,774	$ —
Commercial real estate	—	—	—	—	331,931	331,931	—
Home equity line of credit	1,671	494	1,421	3,586	531,895	535,481	—
Residential land	2,352	575	13,037	15,964	29,428	45,392	205
Commercial construction	—	—	—	—	41,950	41,950	—
Residential construction	—	—	—	—	3,327	3,327	—
Commercial loans	226	733	1,340	2,299	714,128	716,427	28
Consumer loans	553	344	486	1,383	91,870	93,253	308
Total loans	$ 15,193	$ 6,729	$ 44,397	$ 66,319	$ 3,628,216	$ 3,694,535	$ 541

Table of Contents

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

(in thousands)	September 30, 2012 Nonaccrual loans	September 30, 2012 Accruing loans 90 days or more past due	December 31, 2011 Nonaccrual loans	December 31, 2011 Accruing loans 90 days or more past due
Real estate loans:				
Residential 1–4 family	$ 29,613	$ —	$ 28,298	$ —
Commercial real estate	2,929	—	3,436	—
Home equity line of credit	2,621	—	2,258	—
Residential land	4,393	2,473	14,535	205
Commercial construction	—	—	—	—
Residential construction	—	—	—	—
Commercial loans	17,856	123	17,946	28
Consumer loans	243	360	281	308
Total	$ 57,655	$ 2,956	$ 66,754	$ 541

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

(in thousands)	September 30, 2012 Recorded investment	September 30, 2012 Unpaid principal balance	September 30, 2012 Related Allowance	Three months ended September 30, 2012 Average recorded investment	Three months ended September 30, 2012 Interest income recognized*	Nine months ended September 30, 2012 Average recorded investment	Nine months ended September 30, 2012 Interest income recognized*
With no related allowance recorded							
Real estate loans:							
Residential 1–4 family	$ 15,963	$ 22,127	$ —	$ 15,919	$ 57	$ 17,104	$ 225
Commercial real estate	—	—	—	2,003	—	9,504	237
Home equity line of credit	584	1,376	—	630	—	648	1
Residential land	18,107	22,854	—	19,876	296	24,184	1,020
Commercial construction	—	—	—	—	—	—	—
Residential construction	—	—	—	—	—	—	—
Commercial loans	585	585	—	8,916	33	31,710	979
Consumer loans	22	22	—	23	—	23	—
	35,261	46,964	—	47,367	386	83,173	2,462
With an allowance recorded							
Real estate loans:							
Residential 1–4 family	4,504	4,504	324	4,509	58	4,072	192
Commercial real estate	2,929	2,929	7	976	—	326	—
Home equity line of credit	313	421	313	104	—	35	—
Residential land	7,021	7,243	2,321	7,134	122	7,306	429
Commercial construction	—	—	—	—	—	—	—
Residential construction	—	—	—	—	—	—	—
Commercial loans	17,370	20,398	1,656	9,476	2	5,777	20
Consumer loans	—	—	—	—	—	—	—
	32,137	35,495	4,621	22,199	182	17,516	641
Total							
Real estate loans:							
Residential 1–4 family	20,467	26,631	324	20,428	115	21,176	417
Commercial real estate	2,929	2,929	7	2,979	—	9,830	237
Home equity line of credit	897	1,797	313	734	—	683	1
Residential land	25,128	30,097	2,321	27,010	418	31,490	1,449
Commercial construction	—	—	—	—	—	—	—
Residential construction	—	—	—	—	—	—	—
Commercial loans	17,955	20,983	1,656	18,392	35	37,487	999
Consumer loans	22	22	—	23	—	23	—
	$ 67,398	$ 82,459	$ 4,621	$ 69,566	$ 568	$ 100,689	$ 3,103

* Since loan was classified as impaired.

(in thousands)	December 31, 2011 Recorded investment	Unpaid principal balance	Related allowance	Year ended December 31, 2011 Average recorded investment	Interest income recognized
With no related allowance recorded					
Real estate loans:					
Residential 1–4 family	$ 19,217	$ 26,614	$ —	$ 21,385	$ 282
Commercial real estate	13,397	13,397	—	13,404	747
Home equity line of credit	711	1,612	—	954	6
Residential land	30,781	39,136	—	33,398	1,779
Commercial construction	—	—	—	—	—
Residential construction	—	—	—	—	—
Commercial loans	41,680	43,516	—	40,952	2,912
Consumer loans	25	25	—	16	—
	105,811	124,300	—	110,109	5,726
With an allowance recorded					
Real estate loans:					
Residential 1–4 family	3,525	3,525	203	3,527	201
Commercial real estate	—	—	—	—	—
Home equity line of credit	—	—	—	—	—
Residential land	7,792	7,852	2,525	8,158	603
Commercial construction	—	—	—	—	—
Residential construction	—	—	—	—	—
Commercial loans	6,561	6,561	976	8,131	737
Consumer loans	—	—	—	—	—
	17,878	17,938	3,704	19,816	1,541
Total					
Real estate loans:					
Residential 1–4 family	22,742	30,139	203	24,912	483
Commercial real estate	13,397	13,397	—	13,404	747
Home equity line of credit	711	1,612	—	954	6
Residential land	38,573	46,988	2,525	41,556	2,382
Commercial construction	—	—	—	—	—
Residential construction	—	—	—	—	—
Commercial loans	48,241	50,077	976	49,083	3,649
Consumer loans	25	25	—	16	—
	$ 123,689	$ 142,238	$ 3,704	$ 129,925	$ 7,267

Troubled debt restructurings. A loan modification is deemed to be a TDR when ASB grants a concession it would not otherwise consider were it not for the borrower's financial difficulty. When a borrower fails to make a required payment on a loan or is in imminent default, ASB takes a number of steps to induce the borrower to cure the delinquency and restore the loan to current status or to avoid payment default. At times, ASB may restructure a loan to help a distressed borrower improve their financial position to eventually be able to fully repay the loan, provided the borrower has demonstrated both the willingness and the ability to handle the modified terms. TDR loans are considered an alternative to foreclosure or liquidation with the goal of minimizing losses to ASB and maximizing recovery.

ASB may consider various types of concessions in granting a TDR including maturity date extensions, temporary deferral of principal payments, temporary interest rate reductions, and covenant amendments or waivers. ASB rarely grants principal forgiveness in its TDR modifications. Residential loan modifications generally involve the deferral of principal payments for a period of time not exceeding one year or a temporary reduction of principal and/or interest rate for a period of time generally not exceeding two years. Land loans are typically structured as a three–year term, interest–only monthly payment with a balloon payment due at maturity. Land loan TDR modifications typically involve extending the maturity date another one to three years and converting the payments from interest–only to principal and interest monthly, at the same or higher interest rate. Commercial loan modifications generally involve extensions of maturity dates, amendment or waiver of financial covenants, and to a lesser extent temporary deferral of principal payments. ASB does not reduce the interest rate on commercial loan TDR modifications. Occasionally, additional collateral and/or guaranties are obtained.

All TDR loans are classified impaired and are segregated and reviewed separately when assessing the adequacy of the allowance for loan losses based on the appropriate method of measuring impairment: (1) present value of expected future cash flows discounted at the loan's effective original contractual rate, (2) fair value of collateral less costs to sell, or (3) observable market price. The financial impact of the calculated impairment amount is an increase to the allowance associated with the modified loan. When available information confirms that specific loans or portions thereof are uncollectible (confirmed losses), these amounts are charged off against the allowance for loan losses.

Loan modifications that occurred were as follows for the indicated periods:

	Three months ended September 30, 2012			Nine months ended September 30, 2012		
(dollars in thousands)	Number of contracts	Pre–modification outstanding recorded investment	Post–modification outstanding recorded investment	Number of contracts	Pre–modification outstanding recorded investment	Post–modification outstanding recorded investment
Troubled debt restructurings						
Real estate loans:						
Residential 1–4 family	4	$ 1,415	$ 1,332	26	$ 5,884	$ 5,614
Commercial real estate	—	—	—	—	—	—
Home equity line of credit	—	—	—	—	—	—
Residential land	6	1,168	1,001	21	4,676	4,022
Commercial loans	4	517	517	18	2,546	2,546
Consumer loans	—	—	—	—	—	—
Total	14	$ 3,100	$ 2,850	65	$ 13,106	$ 12,182

Loans modified in TDRs that experienced a payment default of 90 days or more, and for which the payment default occurred within one year of the modification, were nil for the three months ended September 30, 2012 and were as follows for the nine months ended September 30, 2012:

	Nine months ended September 30, 2012	
(dollars in thousands)	Number of contracts	Recorded investment
Troubled debt restructurings that subsequently defaulted		
Real estate loans:		
Residential 1–4 family	—	$ —
Commercial real estate	—	—
Home equity line of credit	—	—
Residential land	—	—
Commercial loans	1	488
Consumer loans	—	—
Total	1	$ 488

The one commercial loan that subsequently defaulted was modified by temporarily lowering the monthly payments and deferring principal payments for a short period of time.

Litigation. In March 2011, a purported class action lawsuit was filed in the First Circuit Court of the State of Hawaii by a customer who claimed that ASB had improperly charged overdraft fees on debit card transactions. The lawsuit is still in its preliminary stage, thus, the probable outcome and range of reasonably possible loss are not determinable at this time.

ASB is subject in the normal course of business to pending and threatened legal proceedings. Management does not anticipate that the aggregate ultimate liability arising out of these pending or threatened legal proceedings will be material to its financial position. However, ASB cannot rule out the possibility that such outcomes could have a material adverse effect on the results of operations or liquidity for a particular reporting period in the future.

Table of Contents

5 • Retirement benefits

Defined benefit pension and other postretirement benefit plans information. For the first nine months of 2012, the Company contributed $64 million ($62 million by the utilities and $2 million by HEI) to its retirement benefit plans, compared to $56 million (primarily by the utilities) in the first nine months of 2011. The Company's current estimate of contributions to its retirement benefit plans in 2012 is $78 million ($63 million by the utilities, $13 million by ASB (for its frozen defined benefit pension plan) and $2 million by HEI), compared to $75 million ($73 million by the utilities and $2 million by HEI) in 2011. In addition, the Company expects to pay directly $2 million ($1 million each by the utilities and HEI) of benefits in 2012, comparable to 2011.

On July 6, 2012, President Obama signed the Moving Ahead for Progress in the 21st Century Act (MAP–21), which included provisions related to the funding and administration of pension plans. This law does not affect the Company's accounting for pension benefits; therefore, the net periodic benefit costs disclosed for the plans were not affected. The Company elected to apply MAP–21 for 2012, which reduced the 2012 minimum funding requirement and lifted the restrictions on accelerated distribution options (which restrictions were in effect April 1, 2011 to September 30, 2012) for HEI and HECO and its subsidiaries. If the Adjusted Funding Target Attainment Percentage falls below 80% in the future, the restrictions on accelerated distribution options may apply again.

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 under the pension plan. The HEI Retirement Plan fell below these thresholds in 2011 and the minimum required contribution for 2012 incorporates the more conservative assumptions required. Other factors could cause changes to the required contribution levels.

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

	Three months ended September 30				Nine months ended September 30			
	Pension benefits		Other benefits		Pension benefits		Other benefits	
(in thousands)	2012	2011	2012	2011	2012	2011	2012	2011
Service cost	$ 10,816	$ 8,525	$ 1,054	$ 868	$ 32,404	$ 26,266	$ 3,158	$ 3,308
Interest cost	16,868	16,137	2,252	2,273	50,612	48,717	6,756	7,151
Expected return on plan assets	(17,796)	(17,400)	(2,579)	(2,687)	(53,388)	(51,673)	(7,757)	(7,992)
Amortization of net transition obligation	1	1	—	—	1	2	—	—
Amortization of prior service gain	(81)	(98)	(448)	(587)	(244)	(292)	(1,345)	(1,120)
Amortization of net actuarial loss	6,425	4,005	373	115	19,251	12,724	1,125	170
Net periodic benefit cost	16,233	11,170	652	(18)	48,636	35,744	1,937	1,517
Impact of PUC D&Os	(3,460)	(713)	(552)	327	(12,294)	(2,813)	(1,648)	3,079
Net periodic benefit cost (adjusted for impact of PUC D&Os)	$ 12,773	$ 10,457	$ 100	$ 309	$ 36,342	$ 32,931	$ 289	$ 4,596

Consolidated HEI recorded retirement benefits expense of $27 million and $28 million in the first nine months of 2012 and 2011, respectively, and charged the remaining amounts primarily to electric utility plant.

The utilities have implemented pension and OPEB tracking mechanisms under which all of their retirement benefit expenses (except for executive life and nonqualified pension plan expenses) determined in accordance with GAAP are recovered over time.

Defined contribution plans information. For the first nine months of 2012 and 2011, the Company's expense for its defined contribution pension plans under the Hawaiian Electric Industries Retirement Savings Plan (HEIRSP) and the ASB 401(k) Plan was $2.7 million and $2.6 million, respectively, and cash contributions were $3.2 million for both periods.

Table of Contents

6 • Share–based compensation

Under the 2010 Equity and Incentive Plan (EIP), HEI can issue an aggregate of 4 million shares of common stock as incentive compensation to selected employees in the form of stock options, stock appreciation rights, restricted shares, restricted stock units, performance shares and other share–based and cash–based awards.

As of September 30, 2012, there were 3.8 million shares remaining available for future issuance under the EIP of which an estimated 1.7 million shares could be issued upon the vesting of outstanding restricted stock units and the achievement of performance goals under long–term incentive plans (based on the assumption that long–term incentive plan (LTIP) awards are achieved at maximum levels).

Under the 1987 Stock Option and Incentive Plan, as amended (SOIP), grants and awards of an estimated 0.5 million shares of common stock (based on various assumptions, including LTIP awards earned at maximum levels and the use of the September 30, 2012 market price of shares as the price on the exercise/payment dates) were outstanding as of September 30, 2012 to selected employees in the form of nonqualified stock options (NQSOs), stock appreciation rights (SARs), restricted stock units, LTIP performance and other shares and dividend equivalents. As of May 11, 2010 (when the EIP became effective), no new awards may be granted under the SOIP. After the shares of common stock for the outstanding SOIP grants and awards are issued or such grants and awards expire, the remaining shares registered under the SOIP will be deregistered and delisted.

The Company's share–based compensation expense and related income tax benefit were as follows:

(in millions)	Three months ended September 30		Nine months ended September 30	
	2012	2011	2012	2011
Share–based compensation expense (1)	$ 1.2	$ 1.0	$ 4.7	$ 2.7
Income tax benefit	0.4	0.4	1.6	0.9

(1) The Company has not capitalized any share–based compensation cost.

Nonqualified stock options. Information about HEI's NQSOs was as follows:

September 30, 2012	Outstanding & Exercisable (Vested)			
Year of grant	Range of exercise prices	Number of options	Weighted–average remaining contractual life	Weighted–average exercise price
2003	$ 20.49	14,000	0.6	$ 20.49

As of December 31, 2011, NQSOs outstanding totaled 55,500 (representing the same number of underlying shares), with a weighted–average exercise price of $20.92. As of September 30, 2012, all NQSOs outstanding were exercisable and had an aggregate intrinsic value (including dividend equivalents) of $0.1 million.

NQSO activity and statistics were as follows:

(dollars in thousands, except prices)	Three months ended September 30		Nine months ended September 30	
	2012	2011	2012	2011
Shares exercised	8,000	2,000	41,500	104,000
Weighted–average exercise price	$ 20.49	$ 20.49	$ 21.06	$ 20.81
Cash received from exercise	$ 164	$ 41	$ 874	$ 2,164
Intrinsic value of shares exercised (1)	$ 89	$ 6	$ 354	$ 846
Tax benefit (expense) realized for the deduction of exercises	$ 35	$ (85)	$ 138	$ 186

(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.

Table of Contents

Stock appreciation rights. Information about HEI's SARs was as follows:

September 30, 2012		Outstanding & Exercisable (Vested)		
Year of grant	Range of exercise prices	Number of shares underlying SARs	Weighted–average remaining contractual life	Weighted–average exercise price
2004	$ 26.02	62,000	1.6	$ 26.02
2005	26.18	106,000	2.4	26.18
	$ 26.02 —26.18	168,000	2.1	$ 26.12

As of December 31, 2011, the shares underlying SARs outstanding totaled 282,000, with a weighted–average exercise price of $26.14. As of September 30, 2012, all SARs outstanding were exercisable and had an aggregate intrinsic value (including dividend equivalent rights) of $0.1 million.

SARs activity and statistics were as follows:

	Three months ended September 30		Nine months ended September 30	
(dollars in thousands, except prices)	2012	2011	2012	2011
Shares underlying SARS expired	—	18,000	—	58,000
Weighted–average price of shares expired	—	$ 26.18	—	$ 26.13
Shares underlying SARS exercised	2,000	—	114,000	—
Weighted–average price of shares exercised	$ 26.18	—	$ 26.17	—
Intrinsic value of shares exercised (1)	$ 3	—	$ 197	—
Tax benefit realized for the deduction of exercises	$ 1	—	$ 77	—

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

Restricted shares and restricted stock awards. Information about HEI's grants of restricted shares and restricted stock awards was as follows:

	Three months ended September 30				Nine months ended September 30			
	2012		2011		2012		2011	
	Shares	(1)	Shares	(1)	Shares	(1)	Shares	(1)
Outstanding, beginning of period	14,807	$ 22.45	57,909	$ 23.91	46,807	$ 24.45	89,709	$ 24.64
Granted	—	—	—	—	—	—	—	—
Vested	(1,000)	24.68	—	—	(33,000)	25.35	(29,800)	26.03
Forfeited	—	—	(300)	24.71	—	—	(2,300)	24.98
Outstanding, end of period	13,807	$ 22.29	57,609	$ 23.90	13,807	$ 22.29	57,609	$ 23.90

(1) 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.

As of September 30, 2012, there was $0.2 million of total unrecognized compensation cost related to nonvested restricted shares and restricted stock awards. The cost is expected to be recognized over a weighted–average period of 2.2 years.

For each of the nine months ended September 30, 2012 and 2011, total restricted stock vested had a fair value of $0.8 million. The tax benefits realized for tax deductions related to restricted stock awards were $0.2 million and $0.1 million for the first nine months of 2012 and 2011, respectively.

Table of Contents

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

	Three months ended September 30				Nine months ended September 30			
	2012		2011		2012		2011	
	Shares	(1)	Shares	(1)	Shares	(1)	Shares	(1)
Outstanding, beginning of period	319,071	$ 22.81	231,517	$ 21.70	247,286	$ 21.80	146,500	$ 19.80
Granted	—	—	10,000(3)	22.31	94,846(2)	26.00	96,017(3)	24.69
Vested	(2,500)	22.31	—	—	(23,997)	24.69	—	—
Forfeited	(3,346)	24.63	—	—	(4,910)	24.92	(1,000)	22.60
Outstanding, end of period	313,225	$ 22.80	241,517	$ 21.73	313,225	$ 22.80	241,517	$ 21.73

(1) 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 $2.5 million.
(3) Total weighted−average grant−date fair value of $0.2 million and $2.4 million for three and nine months ended September 30, 2011, respectively.

As of September 30, 2012, there was $3.9 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 2.7 years.

For the nine months ended September 30, 2012, total restricted stock units that vested and related dividends had a fair value of $0.7 million and the related tax benefits were $0.2 million.

LTIP payable in stock. The 2011−2013 LTIP and the 2012−2014 LTIP provide for performance awards under the EIP and the 2010−2012 LTIP provides for performance awards under the SOIP of shares of HEI common stock based on the satisfaction of performance goals and service conditions. The number of shares of HEI common stock that may be awarded is fixed on the date the grants are made subject to the achievement of specified performance levels. The payout varies from 0% to 200% of the number of target shares depending on achievement of the goals. The LTIP performance goals for both LTIP periods include awards with a market goal based on total return to shareholders (TRS) of HEI stock as a percentile to the Edison Electric Institute Index over the applicable three−year period. In addition, the 2010−2012 LTIP has performance goals related to levels of HEI consolidated net income, HECO consolidated return on average common equity (ROACE), ASB net income and ASB return on assets — all based on two−year averages (2011−2012), and the 2011−2013 LTIP and the 2012−2014 LTIP have performance goals related to levels of HEI consolidated net income, HECO consolidated net income, HECO consolidated ROACE, ASB net income and ASB return on assets — all based on the applicable three−year averages.

LTIP linked to TRS. Information about HEI's LTIP grants linked to TRS was as follows:

	Three months ended September 30				Nine months ended September 30			
	2012		2011		2012		2011	
	Shares	(1)	Shares	(1)	Shares	(1)	Shares	(1)
Outstanding, beginning of period	239,407	$ 29.12	199,563	$ 25.99	197,385	$ 25.94	126,782	$ 20.33
Granted	1,723	30.71	—	—	80,647(2)	30.71	75,015(3)	35.46
Vested	—	—	—	—	(35,397)	14.85	—	—
Forfeited	(2,450)	31.09	(1,063)	30.67	(3,955)	30.82	(3,297)	25.10
Outstanding, end of period	238,680	$ 29.11	198,500	$ 25.97	238,680	$ 29.11	198,500	$ 25.97

(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 $2.5 million.
(3) Total weighted−average grant−date fair value of $2.7 million.

In the third quarter of 2012, LTIP grants (under the 2012−2014 LTIP) were made payable in 1,723 shares of HEI common stock (based on the grant date prices of $27.35 and $27.22 and target TRS performance levels), with a weighted−average grant date fair value of $0.1 million based on the weighted−average grant date fair value per share of $30.71.

The following table summarizes the assumptions used to determine the fair value of the LTIP awards linked to TRS and the resulting fair value of LTIP awards granted:

	2012	2011
Risk–free interest rate	0.33%	1.25%
Expected life in years	3	3
Expected volatility	25.3%	27.8%
Range of expected volatility for Peer Group	15.5% to 34.5%	21.2% to 82.6%
Grant date fair value (per share)	$ 30.71	$ 35.46

For the nine months ended September 30, 2012, total vested LTIP awards linked to TRS and related dividends had a fair value of $0.6 million and the related tax benefits were $0.2 million.

As of September 30, 2012, there was $3.0 million of total unrecognized compensation cost related to the nonvested performance awards payable in shares linked to TRS. The cost is expected to be recognized over a weighted–average period of 1.2 years.

LTIP awards linked to other performance conditions. Information about HEI's LTIP awards payable in shares linked to other performance conditions was as follows:

	Three months ended September 30				Nine months ended September 30			
	2012		2011		2012		2011	
	Shares	(1)	Shares	(1)	Shares	(1)	Shares	(1)
Outstanding, beginning of period	295,184	$ 23.95	185,767	$ 22.63	182,498	$ 22.63	161,310	$ 18.66
Granted	4,148	27.30	—	—	122,852(2)	26.05	113,831(3)	24.96
Vested	—	—	—	—	—	—	—	—
Cancelled	(17,911)	18.95	—	—	(17,911)	18.95	(81,908)	18.38
Forfeited	(3,676)	24.78	(1,596)	22.74	(9,694)	24.44	(9,062)	19.61
Outstanding, end of period	277,745	$ 24.31	184,171	$ 22.63	277,745	$ 24.31	184,171	$ 22.63

(1) Weighted–average grant–date fair value per share based on the average price of HEI common stock on the date of grant.

(2) Total weighted–average grant–date fair value of $3.2 million.

(3) Total weighted–average grant–date fair value of $2.8 million.

In the third quarter of 2012, LTIP grants (under the 2012–2014 LTIP) were made payable in 4,148 shares of HEI common stock (based on the grant date prices of $27.35 and $27.22 and target performance levels relating to performance goals other than TRS), with a weighted–average grant date fair value of $0.1 million based on the weighted–average grant date fair value per share of $27.35 and $27.22.

As of September 30, 2012, there was $3.5 million of total unrecognized compensation cost related to the nonvested shares linked to performance conditions other than TRS. The cost is expected to be recognized over a weighted–average period of 1.5 years.

7 • Earnings per share

Under the two–class method of computing earnings per share (EPS), EPS was comprised as follows for both unvested restricted stock awards and unrestricted common stock:

	Three months ended September 30		Nine months ended September 30	
	2012	2011	2012	2011
	Basic and diluted	Basic and diluted	Basic and diluted	Basic and diluted
Distributed earnings	$ 0.31	$ 0.31	$ 0.93	$ 0.93
Undistributed earnings	0.18	0.19	0.36	0.16
	$ 0.49	$ 0.50	$ 1.29	$ 1.09

As of September 30, 2012, there were no shares that were antidilutive. As of September 30, 2011, the antidilutive effects of SARs of 392,000 shares of HEI common stock, 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

8 • Commitments and contingencies

See Note 4, “Bank subsidiary,” above and Note 5, “Commitments and contingencies,” of HECO’s “Notes to Consolidated Financial Statements,” below.

9 • Fair value measurements

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 active trading 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. In addition, the tax ramifications related to the realization of the unrealized gains and losses could have a significant effect on fair value estimates, but have not been considered in making such estimates.

The Company groups its financial assets measured at fair value in three levels outlined as follows:

vel 1: Inputs to the valuation methodology are quoted prices, unadjusted, for identical assets or liabilities in active markets. A quoted price in an active market provides the most reliable evidence of fair value and shall be used to measure fair value whenever available.

vel 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; inputs to the valuation methodology include quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs to the valuation methodology that are derived principally from or can be corroborated by observable market data by correlation or other means.

vel 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Level 3 assets and liabilities include financial instruments whose value is determined using discounted cash flow methodologies, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

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 cash equivalents and short term borrowings—other than bank. The carrying amount approximated fair value because of the short maturity of these instruments.

Investment and mortgage−related securities. To determine the fair value of investment securities held in ASB’s available−for−sale portfolio, independent third−party vendor or broker pricing is used on an unadjusted basis. Under this methodology, valuation is based upon quoted prices for similar assets in active markets; quoted prices for identical or similar assets in markets that are not active; or use of valuation methodologies that use inputs that are derived principally from or can be corroborated by observable market data by correlation or other means.

On a quarterly basis, fair value pricing levels obtained from ASB’s third−party vendor are reviewed by comparing its prices to a separate third party pricing service or to non−binding third−party broker quotes. ASB’s third−party vendor pricing is validated in the majority of cases for the determination of fair value. However, in cases where there are less active and orderly markets or less transparent information from ASB’s third−party vendor, fair value may be estimated by use of prices from the separate third party pricing service or from non−binding third−party broker quotes.

Loans receivable. The estimated fair value of loans receivable is determined based on characteristics such as loan category, repricing features and remaining maturity, and includes prepayment estimates.

For residential real estate loans, fair values were estimated by discounting estimated cash flows using discount rates based on current industry pricing for loans with similar contractual characteristics and remaining maturity.

For other types of loans, fair values were 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 collectability. Also see "Fair value measurements on a nonrecurring basis" below.

Deposit liabilities. The fair value of savings, negotiable orders of withdrawal, demand 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 and long−term debt. Fair value was estimated by discounting the future cash flows using the current rates available for borrowings with similar credit terms and 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 were 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 estimated fair values of certain of the Company's financial instruments were as follows:

	September 30, 2012					December 31, 2011	
	Carrying or notional	Estimated fair value				Carrying or notional	Estimated
(in thousands)	amount	Level 1	Level 2	Level 3	Total	amount	fair value
Financial assets							
Cash and cash equivalents, excluding money market funds	$ 168,502	$ —	$ 168,502	$ —	$ 168,502	$ 270,255	$ 270,255
Money market funds	10	—	10	—	10	10	10
Available–for–sale investment and mortgage–related securities	664,051	—	664,051	—	664,051	624,331	624,331
Investment in stock of Federal Home Loan Bank of Seattle	96,893	—	96,893	—	96,893	97,764	97,764
Loans receivable, net	3,722,243	—	—	3,948,690	3,948,690	3,652,419	3,886,253
Financial liabilities							
Deposit liabilities	4,126,788	—	4,133,347	—	4,133,347	4,070,032	4,075,656(1)
Short–term borrowings—other than bank	82,219	—	82,219	—	82,219	68,821	68,821
Other bank borrowings	211,219	—	228,533	—	228,533	233,229	250,486
Long–term debt, net—other than bank	1,429,869	—	1,491,860	—	1,491,860	1,340,070	1,400,241

(1) Revised (increased by $83.9 million) to correct an error in the estimated fair value disclosure at December 31, 2011.

As of September 30, 2012 and December 31, 2011, loan commitments and unused lines and letters of credit issued by ASB had notional amounts of $1.5 billion and $1.3 billion, respectively, and their estimated fair value on such dates were $2.1 million and $0.3 million, respectively. As of September 30, 2012 and December 31, 2011, loans serviced by ASB for others had notional amounts of $1.2 billion and $993 million, respectively, and the estimated fair value of the servicing rights for such loans was $11.5 million and $9.8 million, respectively.

Fair value measurements 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 recent 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:

(in thousands)	Fair value measurements Level 1	Level 2	Level 3
September 30, 2012			
Money market funds ("other" segment)	$ —	$ 10	$ —
Available–for–sale securities (bank segment)			
Mortgage–related securities–FNMA, FHLMC and GNMA	$ —	$ 364,620	$ —
Federal agency obligations	—	216,583	—
Municipal bonds	—	82,848	—
	$ —	$ 664,051	$ —
December 31, 2011			
Money market funds ("other" segment)	$ —	$ 10	$ —
Available–for–sale securities (bank segment)			
Mortgage–related securities–FNMA, FHLMC and GNMA	$ —	$ 344,865	$ —
Federal agency obligations	—	220,727	—
Municipal bonds	—	58,739	—
	$ —	$ 624,331	$ —

Fair value measurements on a nonrecurring basis. From time to time, the Company may be required to measure certain assets at fair value on a nonrecurring basis in accordance with GAAP. These adjustments to fair value usually result from the writedowns of individual assets. ASB does not record loans at fair value on a recurring basis. However, from time to time, ASB records nonrecurring fair value adjustments based on the current appraised value of the collateral securing the loans or unobservable market assumptions. Unobservable assumptions reflect ASB's own estimate of the fair value of collateral used in valuing the loan. ASB may also be required to measure goodwill at fair value on a nonrecurring basis. During the first nine months of 2012, it was not required that a measurement of the fair value of goodwill be calculated and goodwill was not measured at fair value.

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

(in millions)	Balance	Fair value measurements Level 1	Level 2	Level 3
Loans				
September 30, 2012	$ 24	$ —	$ —	$ 24
December 31, 2011	34	—	—	34

For the first nine months of 2012 and 2011, there were no adjustments to fair value for ASB's loans held for sale.

Residential loans. The fair value of ASB's residential loans that were written down due to impairment was determined based on third party appraisals for similar residential property sales in an active market, and therefore, is classified as a Level 3 measurement.

Home equity lines of credit. The fair value of ASB's home equity lines of credit that were written down due to impairment was determined based on third party appraisals for similar residential property sales in an active market, and therefore, is classified as a Level 3 measurement.

Commercial loans. The fair value of ASB's commercial loans that were written down due to impairment was determined based on third party appraisals for the specific properties, the value placed on the assets of the business and cash flows generated by the business entity, and therefore, is classified as a Level 3 measurement.

Table of Contents

For loans classified as Level 3 as of September 30, 2012, the significant unobservable inputs used in the fair value measurement were as follows:

($ in thousands)	Fair value at September 30, 2012	Valuation technique	Significant unobservable input	Significant unobservable input value
Residential loans	$ 20,088	Third party appraisal	Property sales	64%
Home equity lines of credit	649	Third party appraisal	Property sales	42%
Commercial loan	14	Third party appraisal	U.S. government agency guarantee	85%
Commercial loans	738	Third party appraisal	Fair value of business assets	45%
Commercial loan	1,998	Present value of cash flows	Present value of expected future cash flows based on anticipated debt restructuring Discount rate	Paydown of loan — 62% 4.5%
Commercial loan	227	Third party appraisal	Insurance proceeds	60%

Significant increases (decreases) in any of those inputs in isolation would result in significantly higher (lower) fair value measurement.

10 • Cash flows

Nine months ended September 30 (in millions)	2012	2011
Supplemental disclosures of cash flow information		
Interest paid to non–affiliates	$ 61	$ 74
Income tax paid/(refunded) (1)	—	(19)
Supplemental disclosures of noncash activities		
Common stock dividends reinvested in HEI common stock (2)	18	12
Increases in common stock related to director and officer compensatory plans	5	6
Additions to electric utility property, plant and equipment – Unpaid invoices and other	27	21
Real estate acquired in settlement of loans	7	8

(1) For the nine months ended September 30, 2012, estimated taxes paid were offset by refunds from the settlement of IRS examinations of prior years. For the nine months ended September 30, 2011, tax refunds resulted from repairs deductions and bonus depreciation taken in 2009 and 2010.

(2) The amounts shown represent common stock dividends reinvested in HEI common stock under the HEI Dividend Reinvestment and Stock Purchase Plan (DRIP) in noncash transactions.

11 • Credit agreement

HEI maintains an amended revolving noncollateralized credit agreement, which established a line of credit facility of $125 million, with a letter of credit sub–facility, expiring on December 5, 2016, with a syndicate of eight financial institutions. The 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.

Table of Contents

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

(in thousands)	Three months ended September 30 2012	Three months ended September 30 2011	Nine months ended September 30 2012	Nine months ended September 30 2011
Operating revenues	**$ 799,203**	**$ 818,907**	**$ 2,334,826**	**$ 2,190,860**
Operating expenses				
Fuel oil	327,173	352,475	986,076	925,476
Purchased power	186,699	188,484	539,840	508,179
Other operation	70,441	61,415	196,806	194,334
Maintenance	30,368	32,336	91,641	92,808
Depreciation	35,941	34,983	108,556	107,673
Taxes, other than income taxes	74,850	75,355	222,149	202,502
Income taxes	22,352	23,860	58,291	46,630
Total operating expenses	747,824	768,908	2,203,359	2,077,602
Operating income	**51,379**	**49,999**	**131,467**	**113,258**
Other income				
Allowance for equity funds used during construction	1,611	1,570	5,548	4,131
Other, net	1,045	1,170	3,673	2,978
Total other income	2,656	2,740	9,221	7,109
Interest and other charges				
Interest on long–term debt	14,694	14,383	44,400	43,149
Amortization of net bond premium and expense	870	767	2,276	2,316
Other interest charges (credits)	286	(210)	(84)	965
Allowance for borrowed funds used during construction	(688)	(658)	(2,451)	(1,731)
Total interest and other charges	15,162	14,282	44,141	44,699
Net income	**38,873**	**38,457**	**96,547**	**75,668**
Preferred stock dividends of subsidiaries	228	228	686	686
Net income attributable to HECO	**38,645**	**38,229**	**95,861**	**74,982**
Preferred stock dividends of HECO	270	270	810	810
Net income for common stock	**$ 38,375**	**$ 37,959**	**$ 95,051**	**$ 74,172**

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

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

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

(in thousands)	Three months ended September 30 2012	Three months ended September 30 2011	Nine months ended September 30 2012	Nine months ended September 30 2011
Net income for common stock	$ 38,375	$ 37,959	$ 95,051	$ 74,172
Other comprehensive income, net of taxes:				
Retirement benefit plans:				
Less: amortization of net loss, prior service gain and transition obligation included in net periodic benefit cost, net of tax benefits of $2,178 and $1,150 for the three months ended September 30, 2012 and 2011 and $6,532 and $3,999 for the nine months ended September 30, 2012 and 2011, respectively	3,419	1,854	10,255	6,280
Less: reclassification adjustment for impact of D&Os of the PUC included in regulatory assets, net of taxes of $2,129 and $1,074 for the three months ended September 30, 2012 and 2011 and $6,386 and $3,875 for the nine months ended September 30, 2012 and 2011, respectively	(3,342)	(1,732)	(10,026)	(6,084)
Other comprehensive income, net of taxes	77	122	229	196
Comprehensive income attributable to common shareholder	$ 38,452	$ 38,081	$ 95,280	$ 74,368

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

Table of Contents

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

(dollars in thousands, except par value)	September 30, 2012	December 31, 2011
Assets		
Utility plant, at cost		
Land	$ 51,544	$ 51,514
Plant and equipment	5,245,769	5,052,027
Less accumulated depreciation	(2,026,450)	(1,966,894)
Construction in progress	176,216	138,838
Net utility plant	3,447,079	3,275,485
Current assets		
Cash and cash equivalents	15,722	48,806
Customer accounts receivable, net	226,933	183,328
Accrued unbilled revenues, net	132,090	137,826
Other accounts receivable, net	1,925	8,623
Fuel oil stock, at average cost	202,920	171,548
Materials and supplies, at average cost	50,493	43,188
Prepayments and other	64,006	36,667
Regulatory assets	25,103	20,283
Total current assets	719,192	650,269
Other long–term assets		
Regulatory assets	690,891	649,106
Unamortized debt expense	10,786	12,786
Other	93,767	86,361
Total other long–term assets	795,444	748,253
Total assets	$ 4,961,715	$ 4,674,007
Capitalization and liabilities		
Capitalization		
Common stock ($6 2/3 par value, authorized 50,000,000 shares; outstanding 14,233,723 shares)	$ 94,911	$ 94,911
Premium on capital stock	426,921	426,921
Retained earnings	921,309	881,041
Accumulated other comprehensive income (loss), net of income taxes	197	(32)
Common stock equity	1,443,338	1,402,841
Cumulative preferred stock — not subject to mandatory redemption	34,293	34,293
Long–term debt, net	1,147,869	1,000,570
Total capitalization	2,625,500	2,437,704
Commitments and contingencies (Note 5)		
Current liabilities		
Short–term borrowings — nonaffiliates	44,719	—
Current portion of long–term debt	—	57,500
Accounts payable	211,999	188,580
Interest and preferred dividends payable	22,458	19,483
Taxes accrued	235,302	230,076
Other	62,584	69,353
Total current liabilities	577,062	564,992
Deferred credits and other liabilities		
Deferred income taxes	420,724	337,863
Regulatory liabilities	319,330	315,466
Unamortized tax credits	64,178	60,614
Retirement benefits liability	463,599	495,121
Other	103,459	106,044
Total deferred credits and other liabilities	1,371,290	1,315,108
Contributions in aid of construction	387,863	356,203
Total capitalization and liabilities	$ 4,961,715	$ 4,674,007

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

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, 2011	**14,234**	**$ 94,911**	**$ 426,921**	**$ 881,041**	**$ (32)**	**$ 1,402,841**
Net income for common stock	—	—	—	95,051	—	95,051
Other comprehensive income, net of taxes	—	—	—	—	229	229
Common stock dividends	—	—	—	(54,783)	—	(54,783)
Balance, September 30, 2012	**14,234**	**$ 94,911**	**$ 426,921**	**$ 921,309**	**$ 197**	**$ 1,443,338**
Balance, December 31, 2010	**13,831**	**$ 92,224**	**$ 389,609**	**$ 851,613**	**$ 709**	**$ 1,334,155**
Net income for common stock	—	—	—	74,172	—	74,172
Other comprehensive income, net of taxes	—	—	—	—	196	196
Common stock dividends	—	—	—	(52,919)	—	(52,919)
Balance, September 30, 2011	**13,831**	**$ 92,224**	**$ 389,609**	**$ 872,866**	**$ 905**	**$ 1,355,604**

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

[Table of Contents]

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

Nine months ended September 30 (in thousands)	2012	2011
Cash flows from operating activities		
Net income	$ 96,547	$ 75,668
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation of property, plant and equipment	108,556	107,673
Other amortization	4,074	12,694
Change in deferred income taxes	82,717	51,120
Change in tax credits, net	3,642	1,416
Allowance for equity funds used during construction	(5,548)	(4,131)
Change in cash overdraft	—	(2,688)
Changes in assets and liabilities		
Increase in accounts receivable	(36,907)	(42,966)
Decrease (increase) in accrued unbilled revenues	5,736	(33,503)
Increase in fuel oil stock	(31,372)	(4,592)
Increase in materials and supplies	(7,305)	(5,280)
Increase in regulatory assets	(57,793)	(34,231)
Decrease in accounts payable	(3,481)	(59,526)
Change in prepaid and accrued income taxes and utility revenue taxes	(20,665)	44,498
Contributions to defined benefit pension and other postretirement benefit plans	(62,417)	(55,235)
Change in other assets and liabilities	4,228	9,551
Net cash provided by operating activities	**80,012**	**60,468**
Cash flows from investing activities		
Capital expenditures	(220,970)	(142,734)
Contributions in aid of construction	33,106	15,106
Other	—	77
Net cash used in investing activities	**(187,864)**	**(127,551)**
Cash flows from financing activities		
Common stock dividends	(54,783)	(52,919)
Preferred stock dividends of HECO and subsidiaries	(1,496)	(1,496)
Proceeds from issuance of long–term debt	457,000	—
Repayment of long–term debt	(368,500)	—
Net increase in short–term borrowings from nonaffiliates and affiliate with original maturities of three months or less	44,719	12,498
Other	(2,172)	(67)
Net cash provided by (used in) financing activities	**74,768**	**(41,984)**
Net decrease in cash and cash equivalents	(33,084)	(109,067)
Cash and cash equivalents, beginning of period	48,806	122,936
Cash and cash equivalents, end of period	**$ 15,722**	**$ 13,869**

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

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, 2011 and the unaudited consolidated financial statements and the notes thereto in HECO's Quarterly Reports on SEC Form 10−Q for the quarters ended March 31, 2012 and June 30, 2012.

In the opinion of HECO's management, the accompanying unaudited consolidated financial statements contain all material adjustments required by GAAP to fairly state the financial position of HECO and its subsidiaries as of September 30, 2012 and December 31, 2011, the results of their operations for the three and nine months ended September 30, 2012 and 2011 and their cash flows for the nine months ended September 30, 2012 and 2011. 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. The December 31, 2011 balance sheet information has been derived from the HECO 2011 financial statements. When required, certain reclassifications are made to the prior period's consolidated financial statements to conform to the current presentation.

HECO and its subsidiaries revised their previously issued financial statements to correct an error that resulted in the understatement of franchise taxes, net of tax benefits, that should have been recorded in years prior to 2010. HECO and its subsidiaries determined the cumulative impact for periods prior to 2010 to be a charge to earnings of $3.2 million. These adjustments were not considered to be material individually or in the aggregate to previously issued financial statements. The table below illustrates the effects of this revision on HECO and its subsidiaries' Consolidated Financial Statements for those line items affected (these revisions have no impact on HECO and its subsidiaries' Consolidated Statements of Income and Cash Flows for the periods reported):

(in thousands)	As previously filed	As revised	Difference
December 31, 2011			
Consolidated Balance Sheet			
Prepayments and other	$ 34,602	$ 36,667	$ 2,065
Total current assets	648,204	650,269	2,065
Total assets	4,671,942	4,674,007	2,065
Retained earnings	884,284	881,041	(3,243)
Common stock equity	1,406,084	1,402,841	(3,243)
Total capitalization	2,440,947	2,437,704	(3,243)
Taxes accrued	224,768	230,076	5,308
Total current liabilities	559,684	564,992	5,308
Total capitalization and liabilities	4,671,942	4,674,007	2,065
Consolidated Statement of Changes in Common Stock Equity			
Retained earnings	884,284	881,041	(3,243)
Common stock equity	1,406,084	1,402,841	(3,243)
December 31, 2010			
Consolidated Statement of Changes in Common Stock Equity			
Retained earnings	854,856	851,613	(3,243)
Common stock equity	1,337,398	1,334,155	(3,243)

Table of Contents

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 Hawaii Electric Light Company, Inc. (HELCO) and Maui Electric Company, Limited (MECO) each in the principal amount 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 September 30, 2012 and December 31, 2011 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 nine months ended September 30, 2012 and 2011 each consisted of $2.5 million of interest income received from the 2004 Debentures, $2.4 million of distributions to holders of the Trust Preferred Securities, and $0.1 million 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. As of September 30, 2012, HECO and its subsidiaries had six PPAs for firm capacity and other PPAs with smaller independent power producers (IPPs) and Schedule Q providers (i.e., customers with cogeneration and/or small power production facilities with a capacity of 100 kW or less who buy power from or sell power to the utilities), none of which are currently required to be consolidated as VIEs. Approximately 90% of the firm capacity is purchased from AES Hawaii, Inc. (AES Hawaii), Kalaeloa Partners, L.P. (Kalaeloa), Hamakua Energy Partners, L.P. (HEP) and HPOWER. Purchases from all IPPs for the quarter ended September 30, 2012 totaled $187 million, with purchases from AES Hawaii, Kalaeloa, HEP and HPOWER totaling $38 million, $78 million, $19 million, and $18 million, respectively. Purchases for all IPPs for the quarter ended September 30, 2011 totaled $188 million, with purchases from AES Hawaii, Kalaeloa, HEP and HPOWER totaling $35 million, $87 million, $19 million, and $16 million, respectively. Purchases from all IPPs for the nine months ended September 30, 2012 totaled $540 million, with purchases from AES Hawaii, Kalaeloa, HEP and HPOWER totaling $109 million, $230 million, $48 million, and $48 million, respectively. Purchases for all IPPs for the nine months ended September 30, 2011 totaled $508 million, with purchases from AES Hawaii, Kalaeloa, HEP and HPOWER totaling $106 million, $226 million, $44 million, and $45 million, respectively.

Some of the IPPs provided sufficient information for HECO to determine that the IPP was not a VIE, or was either a "business" or "governmental organization," 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 from two firm capacity producers and other small IPPs who entered into their PPAs prior to December 31, 2003 and have not provided such information, but have been unsuccessful to date as it was not a contractual requirement to provide such information prior to 2004. If the requested information is ultimately received from the remaining IPPs, a possible outcome of future analyses of such information 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 Hawaii state 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 in the period are based on the prior year's billed revenues (in the case of public service company taxes and PUC fees) or on the current year's cash collections from electric sales (in the case of franchise taxes). For the nine months ended September 30, 2012 and 2011, HECO and its subsidiaries included approximately $212 million and $193 million, respectively, of revenue taxes in "operating revenues" and in "taxes, other than income taxes" expense.

4 • Retirement benefits

Defined benefit pension and other postretirement benefit plans information. For the first nine months of 2012, HECO and its subsidiaries contributed $62 million to their retirement benefit plans, compared to $55 million in the first nine months of 2011. HECO and its subsidiaries' current estimate of contributions to their retirement benefit plans in 2012 is $63 million, compared to contributions of $73 million in 2011. In addition, HECO and its subsidiaries expect to pay directly $0.8 million of benefits in 2012, compared to $1.3 million paid in 2011.

On July 6, 2012, President Obama signed the Moving Ahead for Progress in the 21st Century Act (MAP–21), which included provisions related to the funding and administration of pension plans. This law does not affect the utilities' accounting for pension benefits; therefore, the net periodic benefit costs disclosed for the plans were not affected. The utilities elected to apply MAP–21 for 2012, which reduced the 2012 minimum funding requirement and lifted the restrictions on accelerated distribution options (which restrictions were in effect April 1, 2011 to September 30, 2012) for HECO and its subsidiaries. If the Adjusted Funding Target Attainment Percentage falls below 80% in the future, the restrictions on accelerated distribution options may apply again.

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 under the pension plan. The HEI Retirement Plan fell below these thresholds in 2011 and the minimum required contribution for 2012 incorporates the more conservative assumptions required. Other factors could cause changes to the required contribution levels.

Table of Contents

The components of net periodic benefit cost were as follows:

(in thousands)	Three months ended September 30				Nine months ended September 30			
	Pension benefits		Other benefits		Pension benefits		Other benefits	
	2012	2011	2012	2011	2012	2011	2012	2011
Service cost	$ 10,400	$ 8,182	$ 1,003	$ 827	$ 31,202	$ 25,221	$ 3,010	$ 3,179
Interest cost	15,364	14,656	2,175	2,197	46,090	44,308	6,527	6,921
Expected return on plan assets	(16,001)	(15,574)	(2,548)	(2,655)	(48,003)	(46,210)	(7,646)	(7,881)
Amortization of net transition obligation	—	—	(2)	(2)	—	—	(6)	(6)
Amortization of net prior service gain	(173)	(187)	(450)	(590)	(517)	(561)	(1,352)	(1,129)
Amortization of net actuarial loss	5,857	3,679	363	104	17,571	11,815	1,091	159
Net periodic benefit cost	15,447	10,756	541	(119)	46,343	34,573	1,624	1,243
Impact of PUC D&Os	(3,460)	(713)	(552)	327	(12,294)	(2,813)	(1,648)	3,079
Net periodic benefit cost (adjusted for impact of PUC D&Os)	$ 11,987	$ 10,043	$ (11)	$ 208	$ 34,049	$ 31,760	$ (24)	$ 4,322

HECO and its subsidiaries recorded retirement benefits expense of $24 million and $27 million for the first nine months of 2012 and 2011, respectively. The electric utilities charged a portion of the net periodic benefit cost to electric utility plant.

The utilities have implemented pension and OPEB tracking mechanisms under which all of their retirement benefit expenses (except for executive life and nonqualified pension plan expenses) determined in accordance with GAAP are recovered over time.

Defined contribution plan information. For the first nine months of 2012 and 2011, the utilities' expense for its defined contribution pension plan was $0.2 million and de minimis, respectively.

5 • Commitments and contingencies

Hawaii Clean Energy Initiative. In January 2008, the State of Hawaii (State) and the U.S. Department of Energy signed a memorandum of understanding establishing the Hawaii Clean Energy Initiative (HCEI). 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 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 to decrease the State's dependence on imported fossil fuels through substantial increases in renewable energy and programs intended to secure greater energy efficiency and conservation. Many of the actions and programs included in the Energy Agreement require approval of the PUC.

Renewable energy projects. HECO and its subsidiaries continue to negotiate with developers of proposed projects to integrate power into its grid from a variety of renewable energy sources, including solar, biomass, wind, ocean thermal energy conversion, wave and others. This includes HECO's plan to integrate wind power into the Oahu electrical grid that would be imported via a yet–to–be–built undersea transmission cable system from a large windfarm proposed to be built on the island of Lanai.

In December 2009, the PUC allowed HECO to defer the costs of studies for the large wind project for later review of prudence and reasonableness, and HECO is now seeking PUC approval to recover the deferred costs totaling $3.9 million for the Stage 1 studies through the REIP surcharge. A decision from the PUC is pending.

In November 2011, HECO and MECO filed their application to seek PUC approval to defer for later recovery approximately $555,000 (split evenly between HECO and MECO) also through the REIP surcharge for additional studies to determine the value proposition of interconnecting the islands of Oahu and of Maui County (Maui, Lanai, and Molokai) and if doing so would be operationally beneficial and cost–effective. In August 2012, the PUC allowed HECO and MECO to defer the outside service costs for the additional studies for later review of prudence and reasonableness. The specific amount to be recovered, as well as the recovery mechanism and the terms of the recovery mechanism, will be determined at a later date.

A revised draft Request for Proposals (RFP) for 200 MW or more of renewable energy to be delivered to Oahu from any of the Hawaiian Islands has been posted on the HECO website prior to the issuance of a proposed final RFP. In February 2012, the PUC granted HECO's request for deferred accounting treatment for the inter−island project support costs. The amount of the deferred costs was limited to $5.89 million.

In May 2012, the PUC instituted a proceeding for a competitive bidding process for up to 50 MW of firm renewable geothermal dispatchable energy (Geothermal RFP) on the island of Hawaii, and in July 2012, HELCO filed an application to defer costs related to the Geothermal RFP.

Interim increases. As of September 30, 2012, HECO and its subsidiaries had recognized $4 million of revenues with respect to interim orders related to general rate increase requests. 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 it becomes probable the PUC will disallow 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 whose costs (or costs in excess of estimates) have not yet been allowed in rate base by a final PUC order include those described below.

In May 2011, the PUC ordered independently conducted regulatory audits on the reasonableness of costs incurred for HECO's East Oahu Transmission Project (EOTP), Campbell Industrial Park (CIP) combustion turbine No. 1 (CT−1) project, and Customer Information System (CIS) project. The PUC subsequently eliminated the requirement for a regulatory audit for the EOTP Phase I. The PUC has not yet issued a schedule or requirements for the regulatory audits of the CIP CT−1 and CIS projects or determined if an audit for EOTP Phase 2 will be required.

Campbell Industrial Park combustion turbine No. 1 and transmission line. HECO's incurred costs for this project, which was placed in service in 2009, were $195 million, including $9 million of AFUDC. HECO's current rates reflect recovery of $163 million of these project costs. In July 2011, the PUC allowed HECO to defer the portion of costs that are in excess of the prior PUC approved amounts and related depreciation for HECO's CIP CT−1 project ($32 million) until completion of an independently conducted regulatory audit. The PUC also approved the accrual of a carrying charge on the cost of the project not yet included in rates and the related depreciation expense, from July 1, 2011 until the regulatory audit is completed and allowed the remaining project costs that were not deferred to be included in electric rates. For accounting purposes, HECO will recognize the equity portion of the carrying charge when it is collected in electric rates. Management believes no adjustment to project costs is required as of September 30, 2012.

East Oahu Transmission Project. HECO had planned a project to construct a partially underground 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. In 2007, the PUC approved HECO's request to expend funds for a revised EOTP in two phases (then estimated at $56 million – $42 million for Phase 1 and $14 million for Phase 2).

Phase 1 was placed in service in June 2010 at a cost of $59 million. The interim D&O issued in July 2011 in HECO's 2011 test year rate case reflected approximately $16 million of Phase 1 costs and related depreciation expense in determining revenue requirements. In that D&O, the PUC ordered that a regulatory audit was to be conducted before the PUC determined the recoverability of the remaining Phase 1 costs.

In March 2012, the PUC approved a settlement agreement reached among HECO, the Consumer Advocate and the Department of Defense, under which, in lieu of a regulatory audit, HECO would write−off $9.5 million of Phase 1 gross plant in service and associated adjustments. This resulted in an after−tax charge to net income in the fourth quarter of 2011 of approximately $6 million and the elimination of the requirement for a Phase 1 regulatory audit. The PUC also provided for an additional increase of approximately $5 million in HECO's 2011 test year rate case for the additional revenue requirements reflecting all remaining Phase 1 costs not previously included in rates or agreed to be written off.

In April 2010, HECO proposed a modification of Phase 2 of the EOTP that uses smart grid technology and is estimated to cost $10 million (total cost of $15 million, less $5 million of funding through the Smart Grid Investment Grant Program). In October 2010, the PUC approved HECO's modification request for Phase 2, which was placed in service in August 2012. As of September 30, 2012, HECO's incurred costs for the Modified Phase 2 project amounted to $10.9 million (total cost of $15.4 million, less $4.5 million received in Smart Grid Investment Grant funding). Management also expects to receive an additional $0.5 million in Smart Grid Investment Grant funding. Management believes that no adjustment to project costs of EOTP Modified Phase 2 is required as of September 30, 2012.

Customer Information System Project. In 2005, the PUC approved the utilities' request to (i) expend the then–estimated $20 million (including $18 million for capital and deferred costs) for a new CIS project, 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 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.

The CIS project's new software system became operational in May 2012. As of September 30, 2012, the utilities' total deferred and capital costs for the CIS project were $59 million. In February 2012 and May 2012, the PUC granted HECO's and MECO's requests, respectively, to defer CIS project operation and maintenance expenses (limited to $2.3 million per year in 2011 and 2012 for HECO and limited to $0.6 million in 2012 for MECO) that are to be subject to a regulatory audit. The PUC also allowed them to accrue AFUDC on project costs (including deferred operation and maintenance expenses) until the completion of the regulatory audit and begin amortization of such costs when the amortization is included in rates. HELCO anticipates submitting a similar deferral request, but has not yet deferred any CIS project operation and maintenance costs. A reserve for the carrying charges on the deferred costs after the system became operational has been recorded. Management believes no adjustment to project costs is required as of September 30, 2012.

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 recent years, legislative, regulatory and governmental activities related to the environment, including proposals and rulemaking under the Clean Air Act (CAA) and Clean Water Act (CWA), have increased significantly and management anticipates that such activity will continue.

On April 20, 2011, the Federal Register published the federal Environmental Protection Agency's (EPA's) proposed regulations required by section 316(b) of the CWA designed to protect aquatic organisms from adverse impacts associated with existing power plant cooling water intake structures. The proposed regulations would apply to the cooling water systems for the steam generating units at HECO's power plants on the island of Oahu. If adopted as proposed, management believes the proposed regulations would require significant capital and annual O&M expenditures. On June 11, 2012, the EPA published additional information on the section 316(b) rule making that indicates that the EPA is considering establishing lower cost compliance alternatives in the final rule. In mid–July 2012, the EPA decided to delay issuance of the final section 316(b) rule until June 2013.

On February 16, 2012, the Federal Register published the EPA's final rule establishing the EPA's National Emission Standards for Hazardous Air Pollutants for fossil–fuel fired steam electrical generating units (EGUs). The final rule, known as the Mercury and Air Toxics Standards (MATS), applies to the 14 EGUs at HECO's power plants. MATS establishes the Maximum Achievable Control Technology standards for the control of hazardous air pollutants emissions from new and existing EGUs. Based on a review of the final rule and the benefits and costs of alternative compliance strategies, HECO has selected a MATS compliance strategy based on switching to lower emission fuels. The use of lower emission fuels will provide for MATS compliance at lower overall costs, avoid the reduction in operational flexibility imposed by emissions control equipment, achieve timely compliance with the MATS and provide flexibility for optimizing the combined compliance strategies for MATS and the tightening of the National Ambient Air Quality Standards.

On September 14, 2012, the EPA Administrator signed the final action for the Hawaii Regional Haze Federal Implementation Plan (FIP). The plan establishes an annual limit for sulfur dioxide emissions from five HELCO steam

generating units, with compliance required commencing December 31, 2018. No specific control technologies are required for any HECO or MECO generating units. The FIP will be effective November 8, 2012.

Depending upon the final outcome of the CWA 316(b) regulations, possible changes in CWA effluent standards, the specifics of the MATS compliance plan, the tightening of the National Ambient Air Quality Standards, and the final form of the Hawaii regional haze plan, HECO and its subsidiaries may be required to incur material capital expenditures and other compliance costs, but such amounts are not determinable at this time. Additionally, the combined effects of these regulatory initiatives may result in a decision to retire certain generating units earlier than anticipated.

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. HECO and its subsidiaries believe the costs of responding to such releases identified to date will not have a material adverse effect, individually or in the aggregate, on HECO's consolidated results of operations, financial condition or liquidity.

Former Molokai Electric Company generation site. In 1989, MECO acquired by merger Molokai Electric Company. Molokai Electric Company had sold its former generation site (Site) in 1983, but continued to operate at the Site under a lease until 1985. The EPA has since performed Brownfield assessments of the Site that identified environmental impacts in the subsurface. Although MECO never operated at the Site and operations there had stopped four years before the merger, in discussions with the EPA and the Hawaii Department of Health (DOH), MECO agreed to undertake additional investigations at the Site and an adjacent parcel that Molokai Electric Company had used for equipment storage (the Adjacent Parcel) to determine the extent of impacts of subsurface contaminants. A 2011 assessment by a MECO contractor of the Adjacent Parcel identified environmental impacts, including elevated polychlorinated biphenyls (PCBs) in the subsurface soils. In cooperation with the DOH and EPA, MECO is further investigating the Site and the Adjacent Parcel to determine the extent of impacts of PCBs, fuel oils, and other subsurface contaminants. In March 2012, MECO accrued an additional $3.1 million (reserve balance of $3.6 million as of September 30, 2012) for the additional investigation and estimated cleanup costs at the Site and the Adjacent Parcel; however, final costs of remediation will depend on the results of continued investigation.

Global climate change and greenhouse gas emissions reduction. National and international concern about climate change and the contribution of GHG emissions (including carbon dioxide emissions from the combustion of fossil fuels) to global warming have led to action by the State and to federal legislative and regulatory proposals to reduce 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. The electric utilities participated in a Task Force established under Act 234, which was charged with developing a work plan and regulatory approach to reduce GHG emissions, as well as in initiatives aimed at reducing their GHG emissions, such as those being implemented under the Energy Agreement. On October 19, 2012, the DOH posted the proposed regulations required by Act 234 for public hearing and comment. In general, the proposed regulations would require affected sources that have the potential to emit GHGs in excess of established thresholds to reduce GHG emissions by 25% below 2010 emission levels by 2020. The proposed regulations also assess affected sources an annual fee based on tons per year of GHG emissions, beginning with emissions in calendar year 2012. The proposed regulations also track the federal "Prevention of Significant Deterioration and Title V Greenhouse Gas Tailoring Rule" (GHG Tailoring Rule, see below) and would create new thresholds for GHG emissions from new and existing stationary source facilities. Both the federal and state regulations create certain exclusions for carbon dioxide (CO2) emissions from biomass−fired and other biogenic sources. The utilities are evaluating the impact of the proposed regulations; compliance costs could be significant.

Several approaches (e.g., "cap and trade") to GHG emission reduction have been either introduced or discussed in the U.S. Congress; however, no federal legislation has yet been enacted.

On September 22, 2009, the EPA issued its Final Mandatory Reporting of Greenhouse Gases Rule, which requires that sources emitting GHGs above certain threshold levels monitor and report GHG emissions. The utilities have submitted the required reports for 2010 and 2011 to the EPA. In December 2009, the EPA made the finding that

motor vehicle GHG emissions endanger public health or welfare. Since then, the EPA has also issued rules that begin to address GHG emissions from stationary sources, like the utilities' generating units.

In June 2010, the EPA issued its GHG Tailoring Rule. Effective January 2, 2011, under the Prevention of Significant Deterioration program, permitting of new or modified stationary sources that have the potential to emit GHGs in greater quantities than the thresholds in the GHG Tailoring Rule will entail GHG emissions evaluation, analysis and, potentially, control requirements. In January 2011, the EPA announced that it plans to defer, for three years, GHG permitting requirements for carbon dioxide (CO2) emissions from biomass–fired and other biogenic sources. The utilities are evaluating the impact of this deferral on their generation units that are or will be fired on biofuels. On March 27, 2012, the Federal Register published the EPA's proposed New Source Performance Standard regulating carbon dioxide emissions from affected new fossil fuel–fired generating units. As proposed, the rule does not apply to non–continental units (i.e., in Hawaii and U.S. Territories) and therefore does not apply to the utilities.

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 DSM programs that foster energy efficiency, using renewable resources for energy production and purchasing power from IPPs generated by renewable resources, burning renewable biodiesel in HECO's CIP CT–1, using biodiesel for startup and shutdown of selected MECO generating units, and testing biofuel blends in other HECO and MECO generating units. Management is unable to evaluate the ultimate impact on the utilities' operations of eventual comprehensive GHG regulation. However, management 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.

While the timing, extent and ultimate effects of climate change cannot be determined with any certainty, climate change is predicted to result in sea level rise, which could potentially impact coastal and other low–lying areas (where much of the utilities' 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, financial condition and liquidity of the electric utilities. For example, severe weather could cause significant harm to the electric utilities' physical facilities.

Asset retirement obligations. Asset retirement obligations (AROs) represent legal obligations associated with the retirement of certain tangible long–lived assets, are measured as the present value of the projected costs for the future retirement of specific assets and are recognized in the period in which the liability is incurred if a reasonable estimate of fair value can be made. HECO and its subsidiaries' recognition of AROs have no impact on their earnings. The cost of the AROs is recovered over the life of the asset through depreciation. AROs recognized by HECO and its subsidiaries relate to obligations to retire plant and equipment, including removal of asbestos and other hazardous materials.

Changes to the ARO liability included in "Other liabilities" on HECO's balance sheet were as follows:

(in thousands)	2012	2011
Balance, January 1	$ 50,871	$ 48,630
Accretion expense	1,233	1,641
Liabilities incurred	—	—
Liabilities settled	(2,788)	(681)
Revisions in estimated cash flows	—	390
Balance, September 30	$ 49,316	$ 49,980

Collective bargaining agreements. As of November 1, 2012, approximately 53% of the electric utilities' employees were members of the International Brotherhood of Electrical Workers, AFL–CIO, Local 1260, which is the only union representing employees of the electric utilities. On November 1, 2012, the utilities' bargaining unit employees ratified a new collective bargaining agreement and a new benefit agreement that both expire on October 31, 2018. The collective bargaining agreement provides for general non–compounded wage increases (3% for 2014, 2015, 2017 and 2018, and 3.25% for 2016). (A general 3% non–compounded wage increase will be provided to bargaining unit employees for 2013 under the collective–bargaining agreement ratified in March 2011). The agreement also includes wage adjustments for certain trades and crafts positions and different wage rates for new bargaining unit office and clerical positions. The new benefit agreement provides for an escalating percentage of employee contributions without caps for medical premiums throughout the term of the agreement.

6 • Cash flows

Nine months ended September 30 (in millions)	2012	2011
Supplemental disclosures of cash flow information		
Interest paid	$ 40	$ 43
Income tax paid/(refunded) (1)	2	(27)
Supplemental disclosures of noncash activities		
Additions to electric utility property, plant and equipment – Unpaid invoices and other	27	21

(1) For the nine months ended September 30, 2012, estimated taxes paid were offset by refunds from the settlement of IRS examinations of prior years. For the nine months ended September 30, 2011, tax refunds resulted from repairs deductions and bonus depreciation taken in 2009 and 2010.

7 • Fair value measurements

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 active trading 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. In addition, the tax ramifications related to the realization of the unrealized gains and losses could have a significant effect on fair value estimates, but have not been considered in making such estimates.

Table of Contents

The Company groups its financial assets measured at fair value in three levels outlined as follows:

vel 1: Inputs to the valuation methodology are quoted prices, unadjusted, for identical assets or liabilities in active markets. A quoted price in an active market provides the most reliable evidence of fair value and shall be used to measure fair value whenever available.

vel 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; inputs to the valuation methodology include quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs to the valuation methodology that are derived principally from or can be corroborated by observable market data by correlation or other means.

vel 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Level 3 assets and liabilities include financial instruments whose value is determined using discounted cash flow methodologies, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

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:

Cash and cash 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 estimated by discounting the future cash flows using the current rates available for borrowings with similar credit terms and remaining maturities.

The estimated fair values of certain of the electric utilities' financial instruments (with the level of the fair value hierarchy in which the fair value measurements are categorized noted in parentheses) were as follows:

	September 30, 2012		December 31, 2011	
(in thousands)	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Financial assets				
Cash and cash equivalents (Level 2)	$ 15,722	$ 15,722	$ 48,806	$ 48,806
Financial liabilities				
Short−term borrowings – nonaffiliates (Level 2)	44,719	44,719	—	—
Long−term debt, net, including amounts due within one year (Level 2)	1,147,869	1,178,889	1,058,070	1,095,133

Fair value measurements on a nonrecurring basis. From time to time, the utilities may be required to measure certain assets at fair value on a nonrecurring basis in accordance with GAAP. These adjustments to fair value usually result from the application of lower−of−cost−or−market accounting or writedowns of individual assets. As of September 30, 2012, there were no adjustments to fair value for assets measured at fair value on a nonrecurring basis in accordance with GAAP.

From time to time, the utilities may be required to measure certain liabilities at fair value on a nonrecurring basis in accordance with GAAP. The fair value of the utilities ARO (Level 3) was determined by discounting the expected future cash flows using market−observable risk−free rates as adjusted by HECO's credit spread. The expected future cash flows to retire the assets are significant unobservable inputs used to measure fair value. HECO estimates these cash flows based on the cost of past asset retirements and contractor cost estimates. As of September 30, 2012, the undiscounted future cash outflows used were $33 million. Also, see Note 5.

Table of Contents

8 • Credit agreement and changes in long–term debt

Credit agreement. HECO maintains an amended revolving noncollateralized credit agreement, which established a line of credit facility of $175 million, with a letter of credit sub–facility, expiring on December 5, 2016, with a syndicate of eight financial institutions. The 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 expenditures, working capital and general corporate purposes.

Changes in long–term debt.

April 19, 2012 notes. On April 19, 2012, HECO, HELCO and MECO issued through a private placement taxable unsecured senior notes (the HECO Notes, HELCO Notes and MECO Notes, and together, the Notes) in the aggregate principal amounts of $327 million, $31 million and $59 million, respectively, as follows:

(in thousands)		
Long–term debt		
HECO, 3.79%, series 2012A, due 2018	$	30,000
HELCO, 3.79%, series 2012A, due 2018		11,000
MECO, 3.79%, series 2012A, due 2018		9,000
HECO, 4.03%, series 2012B, due 2020		62,000
MECO, 4.03%, series 2012B, due 2020		20,000
HECO, 4.55%, series 2012C, due 2023		50,000
HELCO, 4.55%, series 2012B, due 2023		20,000
MECO, 4.55%, series 2012C, due 2023		30,000
HECO, 4.72%, series 2012D, due 2029		35,000
HECO, 5.39%, series 2012E, due 2042		150,000
Long–term debt	$	417,000

All proceeds of the Notes, except the HECO Series 2012E Notes, have been applied ($267 million in the aggregate), together with such additional funds as were required, to redeem special purpose revenue bonds (SPRBs) and refunding SPRBs issued by the Department of Budget and Finance of the State of Hawaii (DBF) for the benefit of the utilities, which outstanding bonds were in aggregate principal amount of $271 million and had stated interest rates ranging from 5.45% to 6.20%.

September 13, 2012 notes. On September 13, 2012, HECO entered into a Note Purchase Agreement (the Note Agreement), pursuant to which HECO issued, through a private placement, its 4.53% Senior Notes, Series 2012F (to mature September 1, 2032), in the principal amount of $40 million. The notes are unsecured and interest payable on the notes is taxable. All proceeds of the notes have been applied, together with additional funds provided by HECO, to redeem the $40 million aggregate principal amount 5.10% Series 2002A (year of maturity 2032) SPRBs issued by the DBF for the benefit of HECO.

April 19 and September 13, 2012 notes. The note agreements contain customary representations and warranties, affirmative and negative covenants, and events of default (the occurrence of which may result in some or all of the notes becoming immediately due and payable) and provisions requiring the maintenance by HECO and each of HELCO and MECO of certain financial ratios generally consistent with those in HECO's existing amended revolving noncollateralized credit agreement.

All of the notes may be prepaid in whole or in part at any time at the prepayment price of the principal amount of the notes plus payment of a "Make–Whole Amount." Each of the note agreements also (a) requires the utilities or HECO to offer to prepay the notes (without a Make–Whole Amount) in the event that HEI ceases to own 100% of the common stock or other securities of HECO that is ordinarily entitled, in the absence of contingencies, to vote in the election of HECO directors unless, at the time of such cessation of ownership and at all times during the period of 90 consecutive days thereafter, the long–term unsecured, unenhanced debt of HECO maintains an investment grade rating by at least one rating agency or, if more than one rating agency rates such indebtedness, then by each such rating agency, and (b) permits the utilities or HECO to offer to prepay notes (without a Make–Whole amount) in the event of a sale of assets that would otherwise constitute a covenant default.

Table of Contents

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

(in thousands)	Three months ended September 30 2012	Three months ended September 30 2011	Nine months ended September 30 2012	Nine months ended September 30 2011
Operating income from regulated and nonregulated activities before income taxes (per HEI consolidated statements of income)	$ 74,819	$ 74,956	$ 193,569	$ 162,682
Deduct:				
Income taxes on regulated activities	(22,352)	(23,860)	(58,291)	(46,630)
Revenues from nonregulated activities	(1,892)	(1,347)	(5,431)	(3,467)
Add: Expenses from nonregulated activities	804	250	1,620	673
Operating income from regulated activities after income taxes (per HECO consolidated statements of income)	$ 51,379	$ 49,999	$ 131,467	$ 113,258

10 • 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 SPRBs issued for the benefit of HELCO and MECO, (b) under their respective private placement note agreements and the HELCO Notes and MECO notes issued thereunder (see Note 8 above) and (c) 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 (Loss) (unaudited)
Three months ended September 30, 2012

(in thousands)	HECO	HELCO	MECO	Other subsidiaries	Consolidating adjustments	HECO Consolidated
Operating revenues	$ 579,464	108,490	111,249	—	—	$ 799,203
Operating expenses						
Fuel oil	248,443	25,752	52,978	—	—	327,173
Purchased power	135,507	37,693	13,499	—	—	186,699
Other operation	48,201	10,888	11,352	—	—	70,441
Maintenance	19,615	5,146	5,607	—	—	30,368
Depreciation	22,738	8,299	4,904	—	—	35,941
Taxes, other than income taxes	53,935	10,444	10,471	—	—	74,850
Income taxes	15,725	2,782	3,845	—	—	22,352
Total operating expenses	544,164	101,004	102,656	—	—	747,824
Operating income	35,300	7,486	8,593	—	—	51,379
Other income (loss)						
Allowance for equity funds used during construction	1,323	148	140	—	—	1,611
Equity in earnings of subsidiaries	11,285	—	—	—	(11,285)	—
Other, net	913	114	47	(1)	(28)	1,045
Total other income (loss)	13,521	262	187	(1)	(11,313)	2,656
Interest and other charges						
Interest on long–term debt	9,981	2,751	1,962	—	—	14,694
Amortization of net bond premium and expense	629	117	124	—	—	870
Other interest charges	142	78	94	—	(28)	286
Allowance for borrowed funds used during construction	(576)	(59)	(53)	—	—	(688)
Total interest and other charges	10,176	2,887	2,127	—	(28)	15,162
Net income (loss)	38,645	4,861	6,653	(1)	(11,285)	38,873
Preferred stock dividend of subsidiaries	—	133	95	—	—	228
Net income (loss) attributable to HECO	38,645	4,728	6,558	(1)	(11,285)	38,645
Preferred stock dividends of HECO	270	—	—	—	—	270
Net income (loss) for common stock	$ 38,375	4,728	6,558	(1)	(11,285)	$ 38,375

Hawaiian Electric Company, Inc. and Subsidiaries
Consolidating Statement of Comprehensive Income (Loss) (unaudited)
Three months ended September 30, 2012

(in thousands)	HECO	HELCO	MECO	Other subsidiaries	Consolidating adjustments	HECO Consolidated
Net income (loss) for common stock	$ 38,375	4,728	6,558	(1)	(11,285)	$ 38,375
Other comprehensive income (loss), net of taxes:						
Retirement benefit plans:						
Less: amortization of net loss, prior service gain and transition obligation included in net periodic benefit cost, net of tax benefits	3,419	526	443	—	(969)	3,419
Less: reclassification adjustment for impact of D&Os of the PUC included in regulatory assets, net of taxes	(3,342)	(521)	(436)	—	957	(3,342)
Other comprehensive income (loss), net of taxes	77	5	7	—	(12)	77
Comprehensive income (loss) attributable to common shareholder	$ 38,452	4,733	6,565	(1)	(11,297)	$ 38,452

Hawaiian Electric Company, Inc. and Subsidiaries
Consolidating Statement of Income (Loss) (unaudited)
Three months ended September 30, 2011

(in thousands)	HECO	HELCO	MECO	Other subsidiaries	Consolidating adjustments	HECO Consolidated
Operating revenues	$ 590,014	118,420	110,473	—	—	$ 818,907
Operating expenses						
Fuel oil	259,027	31,433	62,015	—	—	352,475
Purchased power	141,742	38,252	8,490	—	—	188,484
Other operation	43,604	8,530	9,281	—	—	61,415
Maintenance	20,776	5,115	6,445	—	—	32,336
Depreciation	21,613	8,148	5,222	—	—	34,983
Taxes, other than income taxes	54,052	10,929	10,374	—	—	75,355
Income taxes	16,341	4,988	2,531	—	—	23,860
Total operating expenses	557,155	107,395	104,358	—	—	768,908
Operating income	32,859	11,025	6,115	—	—	49,999
Other income (loss)						
Allowance for equity funds used during construction	1,220	131	219	—	—	1,570
Equity in earnings of subsidiaries	11,929	—	—	—	(11,929)	—
Other, net	930	130	116	(2)	(4)	1,170
Total other income (loss)	14,079	261	335	(2)	(11,933)	2,740
Interest and other charges						
Interest on long–term debt	9,130	2,985	2,268	—	—	14,383
Amortization of net bond premium and expense	503	137	127	—	—	767
Other interest charges	(406)	97	103	—	(4)	(210)
Allowance for borrowed funds used during construction	(518)	(54)	(86)	—	—	(658)
Total interest and other charges	8,709	3,165	2,412	—	(4)	14,282
Net income (loss)	38,229	8,121	4,038	(2)	(11,929)	38,457
Preferred stock dividend of subsidiaries	—	133	95	—	—	228
Net income (loss) attributable to HECO	38,229	7,988	3,943	(2)	(11,929)	38,229
Preferred stock dividends of HECO	270	—	—	—	—	270
Net income (loss) for common stock	$ 37,959	7,988	3,943	(2)	(11,929)	$ 37,959

Hawaiian Electric Company, Inc. and Subsidiaries
Consolidating Statement of Comprehensive Income (Loss) (unaudited)
Three months ended September 30, 2011

(in thousands)	HECO	HELCO	MECO	Other subsidiaries	Consolidating adjustments	HECO Consolidated
Net income (loss) for common stock	$ 37,959	7,988	3,943	(2)	(11,929)	$ 37,959
Other comprehensive income (loss), net of taxes:						
Retirement benefit plans:						
Less: amortization of net loss, prior service gain and transition obligation included in net periodic benefit cost, net of tax benefits	1,854	296	301	—	(597)	1,854
Less: reclassification adjustment for impact of D&Os of the PUC included in regulatory assets, net of taxes	(1,732)	(285)	(281)	—	566	(1,732)
Other comprehensive income (loss), net of taxes	122	11	20	—	(31)	122
Comprehensive income (loss) attributable to common shareholder	$ 38,081	7,999	3,963	(2)	(11,960)	$ 38,081

Table of Contents

Hawaiian Electric Company, Inc. and Subsidiaries
Consolidating Statement of Income (Loss) (unaudited)
Nine months ended September 30, 2012

(in thousands)	HECO	HELCO	MECO	Other subsidiaries	Consolidating adjustments	HECO Consolidated
Operating revenues	$ 1,677,604	332,558	324,664	—	—	$ 2,334,826
Operating expenses						
Fuel oil	724,862	88,778	172,436	—	—	986,076
Purchased power	401,423	108,996	29,421	—	—	539,840
Other operation	132,770	29,851	34,185	—	—	196,806
Maintenance	60,993	14,280	16,368	—	—	91,641
Depreciation	68,046	25,036	15,474	—	—	108,556
Taxes, other than income taxes	159,928	31,330	30,891	—	—	222,149
Income taxes	41,049	9,836	7,406	—	—	58,291
Total operating expenses	1,589,071	308,107	306,181	—	—	2,203,359
Operating income	88,533	24,451	18,483	—	—	131,467
Other income (loss)						
Allowance for equity funds used during construction	4,558	433	557	—	—	5,548
Equity in earnings of subsidiaries	28,025	—	—	—	(28,025)	—
Other, net	3,114	314	304	(3)	(56)	3,673
Total other income (loss)	35,697	747	861	(3)	(28,081)	9,221
Interest and other charges						
Interest on long–term debt	29,301	8,649	6,450	—	—	44,400
Amortization of net bond premium and expense	1,541	362	373	—	—	2,276
Other interest charges	(412)	131	253	—	(56)	(84)
Allowance for borrowed funds used during construction	(2,061)	(174)	(216)	—	—	(2,451)
Total interest and other charges	28,369	8,968	6,860	—	(56)	44,141
Net income (loss)	95,861	16,230	12,484	(3)	(28,025)	96,547
Preferred stock dividend of subsidiaries	—	400	286	—	—	686
Net income (loss) attributable to HECO	95,861	15,830	12,198	(3)	(28,025)	95,861
Preferred stock dividends of HECO	810	—	—	—	—	810
Net income (loss) for common stock	$ 95,051	15,830	12,198	(3)	(28,025)	$ 95,051

Hawaiian Electric Company, Inc. and Subsidiaries
Consolidating Statement of Comprehensive Income (Loss) (unaudited)
Nine months ended September 30, 2012

(in thousands)	HECO	HELCO	MECO	Other subsidiaries	Consolidating adjustments	HECO Consolidated
Net income (loss) for common stock	$ 95,051	15,830	12,198	(3)	(28,025)	$ 95,051
Other comprehensive income (loss), net of taxes:						
Retirement benefit plans:						
Less: amortization of net loss, prior service gain and transition obligation included in net periodic benefit cost, net of tax benefits	10,255	1,576	1,328	—	(2,904)	10,255
Less: reclassification adjustment for impact of D&Os of the PUC included in regulatory assets, net of taxes	(10,026)	(1,558)	(1,309)	—	2,867	(10,026)
Other comprehensive income (loss), net of taxes	229	18	19	—	(37)	229
Comprehensive income (loss) attributable to common shareholder	$ 95,280	15,848	12,217	(3)	(28,062)	$ 95,280

Table of Contents

Hawaiian Electric Company, Inc. and Subsidiaries
Consolidating Statement of Income (Loss) (unaudited)
Nine months ended September 30, 2011

(in thousands)	HECO	HELCO	MECO	Other subsidiaries	Consolidating adjustments	HECO Consolidated
Operating revenues	$ 1,550,491	328,650	311,719	—	—	$ 2,190,860
Operating expenses						
Fuel oil	662,524	90,047	172,905	—	—	925,476
Purchased power	386,414	100,516	21,249	—	—	508,179
Other operation	139,255	26,322	28,757	—	—	194,334
Maintenance	64,045	13,263	15,500	—	—	92,808
Depreciation	67,381	24,619	15,673	—	—	107,673
Taxes, other than income taxes	143,049	30,265	29,188	—	—	202,502
Income taxes	24,679	13,482	8,469	—	—	46,630
Total operating expenses	1,487,347	298,514	291,741	—	—	2,077,602
Operating income	63,144	30,136	19,978	—	—	113,258
Other income (loss)						
Allowance for equity funds used during construction	3,154	447	530	—	—	4,131
Equity in earnings of subsidiaries	34,382	—	—	—	(34,382)	—
Other, net	2,288	450	270	(8)	(22)	2,978
Total other income (loss)	39,824	897	800	(8)	(34,404)	7,109
Interest and other charges						
Interest on long–term debt	27,391	8,954	6,804	—	—	43,149
Amortization of net bond premium and expense	1,519	417	380	—	—	2,316
Other interest charges	414	271	302	—	(22)	965
Allowance for borrowed funds used during construction	(1,338)	(189)	(204)	—	—	(1,731)
Total interest and other charges	27,986	9,453	7,282	—	(22)	44,699
Net income (loss)	74,982	21,580	13,496	(8)	(34,382)	75,668
Preferred stock dividend of subsidiaries	—	400	286	—	—	686
Net income (loss) attributable to HECO	74,982	21,180	13,210	(8)	(34,382)	74,982
Preferred stock dividends of HECO	810	—	—	—	—	810
Net income (loss) for common stock	$ 74,172	21,180	13,210	(8)	(34,382)	$ 74,172

Hawaiian Electric Company, Inc. and Subsidiaries
Consolidating Statement of Comprehensive Income (Loss) (unaudited)
Nine months ended September 30, 2011

(in thousands)	HECO	HELCO	MECO	Other subsidiaries	Consolidating adjustments	HECO Consolidated
Net income (loss) for common stock	$ 74,172	21,180	13,210	(8)	(34,382)	$ 74,172
Other comprehensive income (loss), net of taxes:						
Retirement benefit plans:						
Less: amortization of net loss, prior service gain and transition obligation included in net periodic benefit cost, net of tax benefits	6,280	992	868	—	(1,860)	6,280
Less: reclassification adjustment for impact of D&Os of the PUC included in regulatory assets, net of taxes	(6,084)	(980)	(849)	—	1,829	(6,084)
Other comprehensive income (loss), net of taxes	196	12	19	—	(31)	196
Comprehensive income (loss) attributable to common shareholder	$ 74,368	21,192	13,229	(8)	(34,413)	$ 74,368

Table of Contents

Hawaiian Electric Company, Inc. and Subsidiaries
Consolidating Balance Sheet (unaudited)
September 30, 2012

(in thousands)	HECO	HELCO	MECO	Other subsidiaries	Consolidating adjustments	HECO Consolidated
Assets						
Utility plant, at cost						
Land	$ 43,347	5,182	3,015	—	—	$ 51,544
Plant and equipment	3,244,892	1,066,465	934,412	—	—	5,245,769
Less accumulated depreciation	(1,172,560)	(431,229)	(422,661)	—	—	(2,026,450)
Construction in progress	146,571	15,963	13,682	—	—	176,216
Net utility plant	2,262,250	656,381	528,448	—	—	3,447,079
Investment in wholly owned subsidiaries, at equity	527,791	—	—	—	(527,791)	—
Current assets						
Cash and cash equivalents	6,982	5,226	3,409	105	—	15,722
Advances to affiliates	—	29,400	7,000	—	(36,400)	—
Customer accounts receivable, net	166,597	35,074	25,262	—	—	226,933
Accrued unbilled revenues, net	99,901	15,392	16,797	—	—	132,090
Other accounts receivable, net	15,864	1,950	995	—	(16,884)	1,925
Fuel oil stock, at average cost	164,402	16,054	22,464	—	—	202,920
Materials and supplies, at average cost	31,416	5,419	13,658	—	—	50,493
Prepayments and other	47,458	7,314	9,234	—	—	64,006
Regulatory assets	22,693	1,236	1,174	—	—	25,103
Total current assets	555,313	117,065	99,993	105	(53,284)	719,192
Other long–term assets						
Regulatory assets	512,576	89,736	88,579	—	—	690,891
Unamortized debt expense	7,227	2,100	1,459	—	—	10,786
Other	60,361	14,645	18,761	—	—	93,767
Total other long–term assets	580,164	106,481	108,799	—	—	795,444
Total assets	$ 3,925,518	879,927	737,240	105	(581,075)	$ 4,961,715
Capitalization and liabilities						
Capitalization						
Common stock equity	$ 1,443,338	286,462	241,225	104	(527,791)	$ 1,443,338
Cumulative preferred stock—not subject to mandatory redemption	22,293	7,000	5,000	—	—	34,293
Long–term debt, net	780,546	201,323	166,000	—	—	1,147,869
Total capitalization	2,246,177	494,785	412,225	104	(527,791)	2,625,500
Current liabilities						
Short–term borrowings–nonaffiliate	44,719	—	—	—	—	44,719
Short–term borrowings–affiliate	36,400	—	—	—	(36,400)	—
Accounts payable	170,792	23,283	17,924	—	—	211,999
Interest and preferred dividends payable	15,122	3,809	3,533	—	(6)	22,458
Taxes accrued	164,498	36,720	34,084	—	—	235,302
Other	46,868	15,135	17,458	1	(16,878)	62,584
Total current liabilities	478,399	78,947	72,999	1	(53,284)	577,062
Deferred credits and other liabilities						
Deferred income taxes	301,803	69,344	49,577	—	—	420,724
Regulatory liabilities	216,284	66,077	36,969	—	—	319,330
Unamortized tax credits	38,091	13,190	12,897	—	—	64,178
Retirement benefits liability	345,537	57,390	60,672	—	—	463,599
Other	69,109	20,334	14,016	—	—	103,459
Total deferred credits and other liabilities	970,824	226,335	174,131	—	—	1,371,290
Contributions in aid of construction	230,118	79,860	77,885	—	—	387,863
Total capitalization and liabilities	$ 3,925,518	879,927	737,240	105	(581,075)	$ 4,961,715

Table of Contents

Hawaiian Electric Company, Inc. and Subsidiaries
Consolidating Balance Sheet (unaudited)
December 31, 2011

(in thousands)	HECO	HELCO	MECO	Other subsidiaries	Consolidating adjustments	HECO Consolidated
Assets						
Utility plant, at cost						
Land	$ 43,316	5,182	3,016	—	—	$ 51,514
Plant and equipment	3,091,908	1,048,599	911,520	—	—	5,052,027
Less accumulated depreciation	(1,141,839)	(414,769)	(410,286)	—	—	(1,966,894)
Construction in progress	117,625	8,144	13,069	—	—	138,838
Net utility plant	2,111,010	647,156	517,319	—	—	3,275,485
Investment in wholly owned subsidiaries, at equity	516,143	—	—	—	(516,143)	—
Current assets						
Cash and cash equivalents	44,819	3,383	496	108	—	48,806
Advances to affiliates	—	46,150	18,500	—	(64,650)	—
Customer accounts receivable, net	130,190	28,602	24,536	—	—	183,328
Accrued unbilled revenues, net	103,328	18,499	15,999	—	—	137,826
Other accounts receivable, net	8,987	1,186	3,008	—	(4,558)	8,623
Fuel oil stock, at average cost	128,037	19,217	24,294	—	—	171,548
Materials and supplies, at average cost	25,096	4,700	13,392	—	—	43,188
Prepayments and other	22,517	6,948	7,343	—	(141)	36,667
Regulatory assets	18,038	1,115	1,130	—	—	20,283
Total current assets	481,012	129,800	108,698	108	(69,349)	650,269
Other long–term assets						
Regulatory assets	478,851	86,394	83,861	—	—	649,106
Unamortized debt expense	8,446	2,464	1,876	—	—	12,786
Other	58,672	11,843	15,846	—	—	86,361
Total other long–term assets	545,969	100,701	101,583	—	—	748,253
Total assets	$ 3,654,134	877,657	727,600	108	(585,492)	$ 4,674,007
Capitalization and liabilities						
Capitalization						
Common stock equity	$ 1,402,841	280,468	235,568	107	(516,143)	$ 1,402,841
Cumulative preferred stock—not subject to mandatory redemption	22,293	7,000	5,000	—	—	34,293
Long–term debt, net	629,757	204,110	166,703	—	—	1,000,570
Total capitalization	2,054,891	491,578	407,271	107	(516,143)	2,437,704
Current liabilities						
Current portion of long–term debt	42,580	7,200	7,720	—	—	57,500
Short–term borrowings–affiliate	64,650	—	—	—	(64,650)	—
Accounts payable	140,044	29,616	18,920	—	—	188,580
Interest and preferred dividends payable	12,648	4,074	2,762	—	(1)	19,483
Taxes accrued	155,867	38,598	35,752	—	(141)	230,076
Other	50,828	9,478	13,603	1	(4,557)	69,353
Total current liabilities	466,617	88,966	78,757	1	(69,349)	564,992
Deferred credits and other liabilities						
Deferred income taxes	236,890	61,044	39,929	—	—	337,863
Regulatory liabilities	215,401	62,049	38,016	—	—	315,466
Unamortized tax credits	34,877	12,951	12,786	—	—	60,614
Retirement benefits liability	368,245	62,036	64,840	—	—	495,121
Other	72,418	22,391	11,235	—	—	106,044
Total deferred credits and other liabilities	927,831	220,471	166,806	—	—	1,315,108
Contributions in aid of construction	204,795	76,642	74,766	—	—	356,203
Total capitalization and liabilities	$ 3,654,134	877,657	727,600	108	(585,492)	$ 4,674,007

Hawaiian Electric Company, Inc. and Subsidiaries
Consolidating Statement of Changes in Common Stock Equity (unaudited)
Nine months ended September 30, 2012

(in thousands)	HECO	HELCO	MECO	Other subsidiaries	Consolidating adjustments	HECO Consolidated
Balance, December 31, 2011	$ 1,402,841	280,468	235,568	107	(516,143)	$ 1,402,841
Net income (loss) for common stock	95,051	15,830	12,198	(3)	(28,025)	95,051
Other comprehensive income, net of taxes	229	18	19	—	(37)	229
Common stock dividends	(54,783)	(9,854)	(6,560)	—	16,414	(54,783)
Balance, September 30, 2012	$ 1,443,338	286,462	241,225	104	(527,791)	$ 1,443,338

Hawaiian Electric Company, Inc. and Subsidiaries
Consolidating Statement of Changes in Common Stock Equity (unaudited)
Nine months ended September 30, 2011

(in thousands)	HECO	HELCO	MECO	Other subsidiaries	Consolidating adjustments	HECO Consolidated
Balance, December 31, 2010	$ 1,334,155	269,986	229,651	91	(499,728)	$ 1,334,155
Net income (loss) for common stock	74,172	21,180	13,210	(8)	(34,382)	74,172
Other comprehensive income, net of taxes	196	12	19	—	(31)	196
Common stock dividends	(52,919)	(12,093)	(9,003)	—	21,096	(52,919)
Capital contribution from parent	—	—	—	25	(25)	—
Balance, September 30, 2011	$ 1,355,604	279,085	233,877	108	(513,070)	$ 1,355,604

Table of Contents

Hawaiian Electric Company, Inc. and Subsidiaries
Consolidating Statement of Cash Flows (unaudited)
Nine months ended September 30, 2012

(in thousands)	HECO	HELCO	MECO	Other subsidiaries	Consolidating adjustments	HECO Consolidated
Cash flows from operating activities:						
Net income (loss)	$ 95,861	16,230	12,484	(3)	(28,025)	$ 96,547
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:						
Equity in earnings of subsidiaries	(28,100)	—	—	—	28,025	(75)
Common stock dividends received from subsidiaries	16,464	—	—	—	(16,414)	50
Depreciation of property, plant and equipment	68,046	25,036	15,474	—	—	108,556
Other amortization	691	1,776	1,607	—	—	4,074
Change in deferred income taxes	64,790	8,290	9,637	—	—	82,717
Change in tax credits, net	3,256	256	130	—	—	3,642
Allowance for equity funds used during construction	(4,558)	(433)	(557)	—	—	(5,548)
Changes in assets and liabilities:						
Decrease (increase) in accounts receivable	(43,284)	(7,236)	1,287	—	12,326	(36,907)
Decrease (increase) in accrued unbilled revenues	3,427	3,107	(798)	—	—	5,736
Decrease (increase) in fuel oil stock	(36,365)	3,163	1,830	—	—	(31,372)
Increase in materials and supplies	(6,320)	(719)	(266)	—	—	(7,305)
Increase in regulatory assets	(44,175)	(6,621)	(6,997)	—	—	(57,793)
Increase (decrease) in accounts payable	7,872	(8,518)	(2,835)	—	—	(3,481)
Change in prepaid and accrued income and utility revenue taxes	(14,006)	(3,562)	(3,097)	—	—	(20,665)
Contributions to defined benefit pension and other postretirement benefit plans	(45,878)	(8,270)	(8,269)	—	—	(62,417)
Change in other assets and liabilities	5,451	5,013	6,115	—	(12,326)	4,253
Net cash provided by (used in) operating activities	43,172	27,512	25,745	(3)	(16,414)	80,012
Cash flows from investing activities:						
Capital expenditures	(172,872)	(26,331)	(21,767)	—	—	(220,970)
Contributions in aid of construction	25,547	4,199	3,360	—	—	33,106
Advances from (to) affiliates	—	16,750	11,500	—	(28,250)	—
Net cash used in investing activities	(147,325)	(5,382)	(6,907)	—	(28,250)	(187,864)
Cash flows from financing activities:						
Common stock dividends	(54,783)	(9,854)	(6,560)	—	16,414	(54,783)
Preferred stock dividends of HECO and subsidiaries	(810)	(400)	(286)	—	—	(1,496)
Proceeds from issuance of long–term debt	367,000	31,000	59,000	—	—	457,000
Repayment of long–term debt	(259,580)	(41,200)	(67,720)	—	—	(368,500)
Net increase in short–term borrowings from nonaffiliates and affiliate with original maturities of three months or less	16,469	—	—	—	28,250	44,719
Other	(1,980)	167	(359)	—	—	(2,172)
Net cash provided by (used in) financing activities	66,316	(20,287)	(15,925)	—	44,664	74,768
Net increase (decrease) in cash and cash equivalents	(37,837)	1,843	2,913	(3)	—	(33,084)
Cash and cash equivalents, beginning of period	44,819	3,383	496	108	—	48,806
Cash and cash equivalents, end of period	$ 6,982	5,226	3,409	105	—	$ 15,722

Table of Contents

Hawaiian Electric Company, Inc. and Subsidiaries
Consolidating Statement of Cash Flows (unaudited)
Nine months ended September 30, 2011

(in thousands)	HECO	HELCO	MECO	Other subsidiaries	Consolidating adjustments	HECO Consolidated
Cash flows from operating activities:						
Net income (loss)	$ 74,982	21,580	13,496	(8)	(34,382)	$ 75,668
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:						
Equity in earnings of subsidiaries	(34,457)	—	—	—	34,382	(75)
Common stock dividends received from subsidiaries	21,171	—	—	—	(21,096)	75
Depreciation of property, plant and equipment	67,381	24,619	15,673	—	—	107,673
Other amortization	9,390	1,928	1,376	—	—	12,694
Change in deferred income taxes	33,606	9,801	7,713	—	—	51,120
Change in tax credits, net	771	510	135	—	—	1,416
Allowance for equity funds used during construction	(3,154)	(447)	(530)	—	—	(4,131)
Change in cash overdraft	—	(2,527)	(161)	—	—	(2,688)
Changes in assets and liabilities:						
Increase in accounts receivable	(33,705)	(3,600)	(5,926)	—	265	(42,966)
Decrease (increase) in accrued unbilled revenues	(32,482)	(1,719)	698	—	—	(33,503)
Decrease (increase) in fuel oil stock	7,631	(4,691)	(7,532)	—	—	(4,592)
Increase in materials and supplies	(4,640)	(86)	(554)	—	—	(5,280)
Increase in regulatory assets	(27,602)	(1,551)	(5,078)	—	—	(34,231)
Increase (decrease) in accounts payable	(52,693)	100	(6,933)	—	—	(59,526)
Change in prepaid and accrued income and utility revenue taxes	25,633	8,760	10,105	—	—	44,498
Contributions to defined benefit pension and other postretirement benefit plans	(40,944)	(6,914)	(7,377)	—	—	(55,235)
Change in other assets and liabilities	5,582	1,429	2,807	(2)	(265)	9,551
Net cash provided by (used in) operating activities	16,470	47,192	17,912	(10)	(21,096)	60,468
Cash flows from investing activities:						
Capital expenditures	(100,033)	(22,770)	(19,931)	—	—	(142,734)
Contributions in aid of construction	9,381	3,884	1,841	—	—	15,106
Other	77	—	—	—	—	77
Investment in consolidated subsidiary	(25)	—	—	—	25	—
Advances from (to) affiliates	—	(13,750)	10,500	—	3,250	—
Net cash used in investing activities	(90,600)	(32,636)	(7,590)	—	3,275	(127,551)
Cash flows from financing activities:						
Common stock dividends	(52,919)	(12,093)	(9,003)	—	21,096	(52,919)
Preferred stock dividends of HECO and subsidiaries	(810)	(400)	(286)	—	—	(1,496)
Net increase in short–term borrowings from nonaffiliates and affiliate with original maturities of three months or less	15,748	—	—	—	(3,250)	12,498
Proceeds from issuance of common stock	—	—	—	25	(25)	—
Other	(61)	—	(6)	—	—	(67)
Net cash provided by (used in) financing activities	(38,042)	(12,493)	(9,295)	25	17,821	(41,984)
Net increase (decrease) in cash and cash equivalents	(112,172)	2,063	1,027	15	—	(109,067)
Cash and cash equivalents, beginning of period	121,019	1,229	594	94	—	122,936
Cash and cash equivalents, end of period	$ 8,847	3,292	1,621	109	—	$ 13,869

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" included in HEI's and HECO's Form 10–K for 2011 and should be read in conjunction with the 2011 annual consolidated financial statements of HEI and HECO and notes thereto included and incorporated by reference, respectively, in HEI's and HECO's Form 10–K for 2011, as well as the quarterly (as of and for the three and nine months ended September 30, 2012) financial statements and notes thereto included in this Form 10–Q.

HEI Consolidated

RESULTS OF OPERATIONS

(in thousands, except per share amounts)	Three months ended September 30		% change	Primary reason(s) for significant change*
	2012	2011		
Revenues	$ 867,720	$ 886,355	(2)	Decrease for the electric utility segment, partly offset by an increase for the bank segment
Operating income	91,702	94,490	(3)	Decreases for the bank and "other" segments, partly offset by an increase for the electric utility segment
Net income for common stock	47,706	48,404	(1)	Lower operating income, largely offset by lower income taxes
Basic earnings per common share	$ 0.49	$ 0.50	(2)	Lower net income
Weighted–average number of common shares outstanding	97,157	95,873	1	Issuances of shares under the HEI Dividend Reinvestment and Stock Purchase Plan and Company employee plans

(in thousands, except per share amounts)	Nine months ended September 30		% change	Primary reason(s) for significant change*
	2012	2011		
Revenues	$ 2,536,848	$ 2,391,307	6	Increase for the electric utility and "other" segments, partly offset by a decrease for the bank segment
Operating income	246,924	221,526	11	Increase for the electric utility segment, partly offset by decreases for the bank and "other" segments
Net income for common stock	124,822	104,005	20	Higher operating income, lower "interest expense—other than on deposit liabilities and other bank borrowings" and higher AFUDC, partly offset by higher income taxes
Basic earnings per common share	$ 1.29	$ 1.09	18	Higher net income
Weighted–average number of common shares outstanding	96,674	95,365	1	Issuances of shares under the HEI Dividend Reinvestment and Stock Purchase Plan and Company employee plans

* Also, see segment discussions which follow.

Notes: The Company's effective tax rates (combined federal and state) for the third quarters of 2012 and 2011 were 35% and 36%, respectively, and for the first nine months of 2012 and 2011 were 36% and 35%, respectively. The lower effective rate for the third quarter of 2012 compared to the same period in 2011 was due primarily to the favorable settlement of the IRS examination of tax years 2007–2009 in 2012. The higher effective tax rate for the first nine months of 2012 compared to the same period in 2011 was due primarily to prior year items (tax benefits recognized as a result of a favorable settlement with the IRS regarding China investment losses and nontaxable bank–owned life insurance proceeds received) and lower utility state tax credit amortization in 2012, partly offset by the impact of the favorable settlement of the IRS examination of tax years 2007–2009 in 2012.

HEI's consolidated ROACE was 10.1% for the twelve months ended September 30, 2012 and 8.5% for the twelve months ended September 30, 2011.

Dividends. The payout ratios for the first nine months of 2012 and full year 2011 were 72% and 86%, 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 Economic Indicators; U.S. Energy Information Administration; Hawaii Tourism Authority (HTA); Honolulu Board of REALTORS®; Bureau of Economic Analysis and national and local newspapers).

Hawaii's tourism industry, a significant driver of Hawaii's economy, continued to improve in 2012. State visitor arrivals grew by 9.6% in the first nine months of 2012 over the same period in 2011. State visitor expenditures also continued to grow, increasing by 19.5% September year−to−date 2012 over the same period in 2011. Hotel occupancies and room rates also continued to rise. The outlook for the visitor industry remains positive with the Hawaii Tourism Authority expecting a 9% increase in airline seat capacity for 2012 over 2011.

Hawaii's unemployment rate was 5.7% in September 2012, lower than the state's 6.8% rate in September 2011 and the September 2012 national unemployment rate of 7.8%. Hawaii's unemployment rate has slowly improved after reaching a high of 7.1% in 2009.

For the first nine months of 2012 compared to the same period in 2011, the median sales price for single family residential homes on Oahu increased by 8.8% and home sales increased 3.5%. The September year−to−date 2012 Oahu condominium median sales price rose 4.1% above September year−to−date 2011 and closed sales increased 2.6%.

Hawaii's petroleum product prices reflect supply and demand in the Asia−Pacific region and the price of crude oil in international markets. The dramatic reduction in Japan's nuclear production following the tragic earthquake and tsunami in March 2011 has increased regional demand for energy supplies, including petroleum, such that the prices of the utilities' fuels have remained relatively elevated in the first nine months of 2012 compared to the same period in 2011.

The Federal Open Market Committee (FOMC) took additional steps to stimulate the U.S. economy on September 13, 2012, based on the current moderate economic outlook. The FOMC held the federal funds rate target at 0 to 0.25% and expects to maintain the record low rates at least through mid−2015, six months longer than previously expected. The FOMC's concern that economic growth may not be strong enough to generate sustained improvement in labor market conditions resulted in a decision to purchase $40 billion per month of additional agency mortgage−backed securities. The FOMC also decided to continue other previously announced actions in order to put downward pressure on longer−term interest rates, support mortgage markets, and assist broader accommodative financial conditions. The FOMC stated it is also prepared to take further action as appropriate to support a stronger economic recovery and sustained improvement in labor market conditions in a context of price stability.

Overall, Hawaii's economy is expected to see only modest growth in 2012 and 2013 with local economic growth supported by moderate improvement in the U.S. economy and impeded by continued uncertainty in global economies. Based on updated economic projections and expectations of renewable self−generation and energy−efficiency additions, the electric utilities' 2013 energy sales are expected to decline slightly from 2012 levels and then remain relatively flat until 2022.

Recent tax developments. The Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 contained major tax provisions that continue to impact the Company, including the 50% and 100% bonus depreciation provisions for qualified property that result in an estimated net increase in federal tax depreciation of $153 million for 2011 and $116 million for 2012, primarily attributable to the utilities.

In December 2011, the Internal Revenue Service (IRS) issued regulations, which provide a framework for determining whether expenditures are deductible as repairs, effective January 1, 2012. The IRS is expected to issue additional revenue procedures containing transitional rules and guidance. The Company is reviewing these regulations and will analyze subsequently issued guidance for their impacts and for the opportunities they present for 2012 and future years.

Table of Contents

Health care reform. On June 28, 2012, the US Supreme Court upheld the Patient Protection and Affordable Care Act, the 2010 health care reform law. Currently, Hawaii's Prepaid Health Care Act generally provides greater benefits to employees and dependents because of cost sharing limitations. The Company will continue to comply with its obligations under these laws and to monitor the interaction of the state and federal laws.

Retirement benefits. For the first nine months of 2012, the Company's defined benefit retirement plans' assets generated a gain, after investment management fees, of 12.1%. The market value of the defined benefit retirement plans' assets of the Company as of September 30, 2012 was $1.1 billion (including $1.0 billion for the utilities) compared to $983 million at December 31, 2011 (including $893 million for the utilities).

The Company now estimates that the cash funding for its retirement benefit plans in 2012 will be $78 million ($63 million by the utilities, $13 million by ASB (for its frozen defined benefit pension plan) and $2 million by HEI), which more than satisfies the minimum funding requirements under the Pension Protection Act of 2006 and considers the requirements of the utilities' tracking mechanisms, the plans' funded status and funding policy. The previous estimates of cash funding in 2012 for the retirement benefit plans were $104 million for the utilities and $3 million for HEI, but these estimates were revised in the third quarter of 2012 as a result of the enactment of MAP–21. MAP–21 changed the methodology for determining the interest rates used in calculating the minimum funding requirement of the Company's pension plans and had the effect of increasing the 2012 Adjusted Funding Target Attainment Percentage under the Pension Protection Act of 2006 and reducing near–term requirements for contributions to the plans. MAP–21 also provides for increases in the premiums that the Company will be required to pay in future years to the Pension Benefit Guaranty Corporation.

The following table reflects the sensitivity to the qualified defined benefit pension projected benefit obligation (PBO) as of December 31, 2012, associated with a change in the pension benefits discount rate actuarial assumption by the indicated basis points and constitutes "forward–looking statements."

Actuarial Assumption	Change in 5.19% assumption in basis points	Impact on HEI consolidated PBO	Impact on HECO consolidated PBO
Pension benefits discount rate	– 100/+100	$210 million/$(168) million	$194 million/$(155) million

Commitments and contingencies. See Note 8 of HEI's "Notes to Consolidated Financial Statements."

"Other" segment.

(in thousands)	Three months ended September 30 2012	Three months ended September 30 2011	Nine months ended September 30 2012	Nine months ended September 30 2011	Primary reason(s) for significant change
Revenues	$ 29	$ 1	$ 22	$ (751)	Lower losses on venture capital investments
Operating loss	(4,739)	(3,635)	(13,053)	(9,899)	Higher administrative and general expenses, including compensation and employee benefits expense
Net loss	(4,877)	(5,012)	(14,503)	(14,670)	Higher operating loss, more than offset by lower interest expense due in part to lower long–term debt

The "other" business segment includes results of the stand–alone corporate operations of HEI and American Savings Holdings, Inc. (ASHI), both holding companies; HEI Properties, Inc., a company holding passive, venture capital investments; The Old Oahu Tug Service, Inc., a maritime freight transportation company that ceased operations in 1999; and Pacific Energy Conservation Services, Inc., a contract services company which provided windfarm operational and maintenance services to an affiliated electric utility until the windfarm was dismantled (dissolved in April 2011); as well as eliminations of intercompany transactions.

Table of Contents

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 for the foreseeable future.

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

(dollars in millions)	September 30, 2012		December 31, 2011	
Short−term borrowings—other than bank	$ 82	3%	$ 69	2%
Long−term debt, net—other than bank	1,430	45	1,340	45
Preferred stock of subsidiaries	34	1	34	1
Common stock equity	1,607	51	1,529	52
	$ 3,153	100%	$ 2,972	100%

HEI's short−term borrowings and HEI's line of credit facility were as follows:

(in millions)	Nine months ended September 30, 2012 Average balance	Balance September 30, 2012	Balance December 31, 2011
Short−term borrowings(1)			
Commercial paper	$ 49	$ 38	$ 69
Line of credit draws	—	—	—
Undrawn capacity under HEI's line of credit facility (expiring December 5, 2016)	125	125	125

(1) This table does not include HECO's separate commercial paper issuances and line of credit facilities and draws, which are disclosed below under "Electric utility—Financial Condition—Liquidity and capital resources." The maximum amount of external short−term borrowings during the first nine months of 2012 was $99 million. At October 26, 2012, HEI had $47 million in outstanding commercial paper and its line of credit facility was undrawn.

HEI has a line of credit facility of $125 million (see Note 11 of HEI's "Notes to Consolidated Financial Statements"). There are customary conditions which must be met in order to draw on it, including compliance with its covenants (such as covenants preventing HEI's subsidiaries from entering into agreements that restrict the ability of the subsidiaries to pay dividends to, or to repay borrowings from, HEI). In addition to customary defaults, HEI's failure to maintain its financial ratios, as defined in the credit agreement, or meet other requirements may result in an event of default. For example, it is an event of default if HEI fails to maintain a nonconsolidated "Capitalization Ratio" (funded debt) of 50% or less (ratio of 17% as of September 30, 2012, as calculated under the credit agreement) and "Consolidated Net Worth" of at least $975 million (Net Worth of $1.7 billion as of September 30, 2012, as calculated under the credit agreement), or if HEI no longer owns HECO. The commitment fee and interest charges on drawn amounts under the credit agreement are subject to adjustment in the event of a change in HEI's long−term credit ratings.

The Company raised $35 million through the issuance of approximately 1.3 million shares of common stock under the DRIP, the HEIRSP, ASB 401(k) Plan and other plans during the first nine months of 2012. From August 18, 2011 to January 8, 2012, HEI had been satisfying the requirements of the DRIP, HEIRSP, ASB 401(k) Plan and other plans through open market purchases of its common stock. On January 9, 2012, HEI began satisfying these requirements through new issuances of its common stock.

On March 24, 2011, HEI issued $125 million of Senior Notes via a private placement ($75 million of 4.41% notes due March 24, 2016 and $50 million of 5.67% notes due March 24, 2021). HEI used part of the net proceeds from the issuance of the Senior Notes to pay down commercial paper (originally issued to refinance $50 million of 4.23% medium−term notes that matured on March 15, 2011) and ultimately used the remaining proceeds to refinance part of the $100 million of 6.141% medium−term notes that matured on August 15, 2011. The Senior Notes contain customary representation and warranties, affirmative and negative covenants, and events of default (the occurrence of which may result in some or all of the notes then outstanding becoming immediately due and payable) and

provisions requiring the maintenance by HEI of certain financial ratios generally consistent with those in HEI's revolving noncollateralized credit agreement. For example, see discussion of "Capitalization Ratio" and "Consolidated Net Worth" above.

For the first nine months of 2012, net cash provided by operating activities of consolidated HEI was $122 million. Net cash used by investing activities for the same period was $297 million, due to HECO's consolidated capital expenditures and net increases in ASB's loans held for investment and investment and mortgage–related securities. Net cash provided by financing activities during this period was $74 million as a result of several factors, including net increases in long–term debt, deposit liabilities and short–term borrowings and proceeds from the issuance of common stock under HEI plans, partly offset by the payment of common stock dividends and a net decrease in retail repurchase agreements. 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 nine months of 2012, HECO and ASB paid dividends to HEI of $55 million and $30 million, respectively.

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 50 to 51, 66 to 69, and 79 to 81 of HEI's MD&A included in Part II, Item 7 of HEI's 2011 Form 10–K.

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

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 results of operations and financial condition, and currently require management's most difficult, subjective or complex judgments.

For information about these material estimates and critical accounting policies, see pages 51 to 52, 69 to 70, and 81 to 82 of HEI's MD&A included in Part II, Item 7 of HEI's 2011 Form 10–K.

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

Electric utility

RESULTS OF OPERATIONS

Utility strategic progress. In 2011 and the first nine months of 2012, the utilities continued to make significant progress in implementing their clean energy strategies and the PUC issued several important regulatory decisions, all of which are key steps to support Hawaii's efforts to reduce its dependence on oil. Included in the PUC decisions were a number of interim and final rate case decisions (see table in "Most recent rate proceedings" below). Additional PUC decisions are needed that will allow the utilities to recover their increasing expenditures for clean energy and reliability on a more timely basis.

The utilities are committed to achieving or exceeding the State's Renewable Portfolio Standard goal of 40% renewable energy by 2030 (see "Clean energy strategy" below). In addition, while it will not take precedence over the utilities' work to increase their use of renewable energy, the utilities are also working with the State of Hawaii and other entities to examine the possibility of using liquefied natural gas as a cleaner and lower cost fuel to replace, at least in part, the petroleum oil that would otherwise be used for the remaining generation.

Regulatory. With PUC approval, decoupling was implemented by HECO on March 1, 2011, by HELCO on April 9, 2012 and by MECO on May 4, 2012. Decoupling is a regulatory model that is intended to facilitate meeting the State of Hawaii's goals to transition to a clean energy economy and achieve an aggressive renewable portfolio standard. The decoupling model implemented in Hawaii delinks revenues from sales and includes annual revenue adjustments for O&M expenses and rate base additions. The decoupling mechanism has three components: (1) a sales decoupling component via a revenue balancing account (RBA), (2) a revenue escalation component via a revenue adjustment mechanism (RAM) and (3) an earnings sharing mechanism, which would provide for a reduction of revenues between rate cases in the event the utility exceeds the ROACE allowed in its most recent rate case. Decoupling provides for more timely cost recovery and earning on investments. The implementation of decoupling has resulted in an improvement in the utilities' under−earning situation that has existed over the last several years. Prior to and during the transition to decoupling, however, the utilities' returns have been well below PUC−allowed returns.

Under decoupling, the most significant drivers for improving earnings are:

1. completing major capital projects within PUC approved amounts and on schedule;

2. managing O&M expenses relative to authorized O&M adjustments; and

3. regulatory outcomes that cover O&M requirements and rate base items not included in the RAMs.

Critical to improving earnings are the outcomes of the regulatory audits to be conducted on certain major projects. See "Major projects" in Note 5 to HECO's "Notes to Consolidated Financial Statements" for a discussion of the regulatory audits ordered by the PUC.

Future earnings growth is also dependent on rate base growth. The utilities' five−year 2012−2016 forecast reflects net capital expenditures of $3.0 billion and a compounded annual rate base growth rate in the range of 7% to 9%. Many of the major initiatives within this forecast are expected to be completed beyond the 5−year period. Major initiatives which comprise approximately 40% of the 5−year plan include projects relating to: (1) environmental compliance; (2) fuel infrastructure investments; (3) new generation; and (4) infrastructure investments to integrate more energy from renewables into the system. Estimates for these initiatives could change with time, based on external factors such as the timing and technical requirements for environmental compliance.

Actual and PUC−allowed (as of September 30, 2012) returns were as follows:

%	Return on average rate base (RORB)*			ROACE**		
Twelve months ended September 30, 2012	**HECO**	**HELCO**	**MECO**	**HECO**	**HELCO**	**MECO**
Utility returns	8.35	7.63	6.54	9.40	7.53	7.14
PUC−allowed returns	8.11	8.31	7.91	10.00	10.00	10.00
Difference	0.24	(0.68)	(1.37)	(0.60)	(2.47)	(2.86)

* Based on recorded operating income and average rate base, both adjusted for items not included in determining electric rates.

** Recorded net income divided by average common equity.

The approval of decoupling by the PUC will help the utilities to gradually improve their ROACEs beyond 2012, which will facilitate the utilities' ability to effectively raise capital for needed infrastructure investments. However, the utilities continue to expect an ongoing gap between their PUC−allowed ROACEs and the ROACEs they actually achieve. The timing of general rate case decisions, the effective date of the RAMs and the PUC's consistent exclusion of certain expenses from rates are estimated to have a consolidated ROACE impact of 120 to 150 basis points per year. In addition, there are other items that are not covered by the annual RAMs that could also have an ongoing impact on the ROACEs actually achieved by the utilities. For example, investments in software projects, O&M in excess of indexed escalations and changes in fuel inventory must be addressed in a general rate case. While the specific magnitude of the impact can fluctuate depending on the size of the projects and exogenous factors, the utilities anticipate that these items could incrementally impact consolidated ROACE by 50 to 75 basis points in each of the next two years.

Decoupling implementation. Effective March 1, 2011, as part of the decoupling implementation, HECO established the RBA and started recording the difference between target revenues from its HECO 2009 rate case and actual revenues. Beginning June 1, 2011, HECO began accruing and collecting 2011 RAM revenues of $15 million annually, or $1.3 million per month, which was superseded on July 26, 2011 by the implementation of interim rates in HECO's 2011 rate case. The HECO 2011 rate case interim D&O reset target revenues, O&M expenses and rate base for the decoupling mechanisms until the final D&O was issued on June 29, 2012 and final rates went into effect on September 1, 2012. Under the decoupling tariff order, in future non–rate case years, HECO will accrue and collect 7/12ths of the annual RAM adjusted revenues in one year and the remaining 5/12ths in the following year. HECO's 2012 annual decoupling filing for the tariff that is effective June 1, 2012 through May 31, 2013 reflects a RAM adjustment of $7.0 million ($3.7 million for O&M costs and $3.3 million for invested capital). The filing also includes the collection of the accrued RBA balance as of December 31, 2011 and associated revenue taxes of $22.4 million.

HELCO and MECO began tracking the target revenues and actual recorded revenues via RBAs on April 9, 2012 and May 4, 2012, respectively, when their 2010 test year final rates went into effect.

HELCO's tariff for its annual RAM for 2012 reflects a revenue adjustment that results in a reduction in annual revenues of $2.1 million, effective through May 31, 2013. MECO filed its 2012 RAM (calculated to be $0.1 million) for informational purposes only since the pending interim D&O for its 2012 test year rate case was anticipated to be issued shortly. MECO's interim D&O for its 2012 test year rate case was issued on May 21, 2012.

See "Economic conditions" in the "HEI Consolidated" section above.

Results.

Three months ended September 30 2012	Three months ended September 30 2011	Increase (decrease)		(in millions)
$ 801	**$ 820**	**$ (19)**		**Revenues.**
			(31)	Lower fuel oil and purchased energy expense and lower kilowatthour (KWH) sales adjusted for decoupling mechanisms and revenue taxes thereon
			5	Rate increase granted to HECO for the 2011 test year
			3	Rate increase granted to MECO for the 2012 test year
327	**352**	**(25)**		**Fuel oil expense.** Decrease largely due to less KWHs generated, partly offset by higher fuel costs
187	**188**	**(1)**		**Purchased power expense.** Decrease due to lower purchased energy costs, partly offset by higher KWHs purchased
101	**94**	**7**		**Operation and maintenance expenses.**.
			5	Higher customer service expenses
111	**111**	**—**		**Other expenses.**
75	**75**	**—**		**Operating income.**
38	**38**	**—**		**Net income for common stock.**
			4	HECO and MECO rate increases
			(4)	Higher O&M expense
2,362	2,448		(86)	Kilowatthour sales (millions)
70.8	71.5		(0.7)	Wet–bulb temperature (Oahu average; degrees Fahrenheit)
1,419	1,504		(85)	Cooling degree days (Oahu)
$ 139.68	$ 135.66		$ 4.02	Average fuel oil cost per barrel

Table of Contents

Nine months ended September 30 2012	2011	Increase (decrease)	(in millions)
$ 2,340	$ 2,194	$ 146	**Revenues.**
		102	Higher fuel oil and purchased energy expense, partially offset by lower KWH sales adjusted for decoupling mechanisms and revenue taxes thereon
		31	Rate increase granted to HECO for the 2011 test year
		4	Rate increase granted to MECO for the 2012 test year
986	**925**	**61**	**Fuel oil expense.** Increase largely due to higher fuel costs, partly offset by less KWHs generated
540	**508**	**32**	**Purchased power expense.** Increase largely due to higher purchased energy costs and KWHs purchased
288	**287**	**1**	**Operation and maintenance expenses.**
		8	Higher customer service expenses
		3	Increase in general liability reserve for an environmental matter
		(8)	Increase in capitalization of administrative costs, which lowered administrative and general expenses
		(3)	Regulatory decision allowing reversal of previously expensed interisland wind project support costs
332	**311**	**21**	**Other expenses.**
		10	Higher taxes other than income taxes primarily resulting from higher revenue
194	**163**	**31**	**Operating income.** Increase largely due to the interim rate increase for HECO
95	**74**	**21**	**Net income for common stock.**
		19	HECO and MECO rate increases
		2	Higher AFUDC
6,870	7,159	(289)	Kilowatthour sales (millions)
68.7	70.0	(1.3)	Wet–bulb temperature (Oahu average; degrees Fahrenheit)
3,430	3,681	(251)	Cooling degree days (Oahu)
$ 139.65	$ 120.13	$ 19.52	Average fuel oil cost per barrel

Notes: In the fourth quarter of 2011, HECO recorded an adjustment of $6 million to revenues related to the third quarter of 2011, which decreased net income for the fourth quarter of 2011 by $3 million.

The electric utilities had effective tax rates for the third quarters of 2012 and 2011 of 37% and 38%, respectively, and for the first nine months of 2012 and 2011 of 38%. The lower effective rate for the third quarter of 2012 compared to the same period in 2011 was due primarily to the favorable settlement of the IRS examination of tax years 2007–2009 in 2012.

HECO's consolidated ROACE was 8.64% for the twelve months ended September 30, 2012 and 6.95% for the twelve months ended September 30, 2011.

Other operation and maintenance expenses for the full year 2012 are expected to be approximately 4% higher than 2011 (lower than the 6% increase previously estimated).

Most recent rate proceedings. The electric utilities initiate PUC proceedings (currently, every third year) 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 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 ROACE and RORB) for purposes of an interim rate increase does not commit the PUC to accept any such amounts in its final D&O.

The following table summarizes certain details of each utility's most recent rate cases, including the details of the increases requested, whether the utility and the Consumer Advocate reached a settlement that they proposed to the PUC, the details of any granted interim and final PUC D&O increases, and whether an interim or final PUC D&O remains pending.

Test year (dollars in millions)	Date (applied/ implemented)	Amount	% over rates in effect	ROACE (%)	RORB (%)	Rate base	Common equity %	Stipulated agreement reached with Consumer Advocate	Reflects decoupling
HECO									
2009									
Request (1)	7/3/08	$ 97.0	5.2	11.25	8.81	$ 1,408	54.30	Yes	No
Interim increase	8/3/09	61.1	4.7	10.50	8.45	1,169	55.81		No
Interim increase (adjusted)	2/20/10	73.8	5.7	10.50	8.45	1,251	55.81		No
Final increase (2)	3/1/11	66.4	5.1	10.00	8.16	1,250	55.81		Yes
2011 (3)									
Request	7/30/10	$ 113.5	6.6	10.75	8.54	$ 1,569	56.29	Yes	Yes
Interim increase	7/26/11	53.2	3.1	10.00	8.11	1,354	56.29		Yes
Interim increase (adjusted)	4/2/12	58.2	3.4	10.00	8.11	1,385	56.29		Yes
Interim increase (adjusted)	5/21/12	58.8	3.4	10.00	8.11	1,386	56.29		Yes
Final increase	9/1/12	58.1	3.4	10.00	8.11	1,386	56.29		Yes
HELCO									
2010 (4)									
Request	12/9/09	$ 20.9	6.0	10.75	8.73	$ 487	55.91	Yes	Yes
Interim increase	1/14/11	6.0	1.7	10.50	8.59	465	55.91		No
Interim increase (adjusted)	1/1/12	5.2	1.5	10.50	8.59	465	55.91		No
Final increase	4/9/12	4.5	1.3	10.00	8.31	465	55.91		Yes
2013									
Request (5)	8/16/12	$ 19.8	4.2	10.25	8.30	$ 455	57.05		Yes
MECO									
2010 (6)									
Request	9/30/09	$ 28.2	9.7	10.75	8.57	$ 390	56.86	Yes	Yes
Interim increase	8/1/10	10.3	3.3	10.50	8.43	387	56.86		No
Interim increase (adjusted)	1/12/11	8.5	2.7	10.50	8.43	387	56.86		No
Final increase	5/4/12	4.7	1.5	10.00	8.15	387	56.86		Yes
2012									
Request (7)	7/22/11	$ 27.5	6.7	11.00	8.72	$ 393	56.85	Yes	Yes
Interim increase	6/1/12	13.1	3.2	10.00	7.91	393	56.86		Yes

Note: The "Request Date" reflects the application filing date for the rate proceeding. All other line items reflect the effective dates of the revised schedules and tariffs as a result of PUC–approved increases.

(1) In April 2009, HECO reduced this rate increase request by $6.2 million because a new Customer Information System would not be placed in service as originally planned (see Note 5 of HECO's "Notes to Consolidated Financial Statements").

(2) Because the final increase was $7.4 million less in annual revenues, HECO refunded $2.1 million to customers (including interest) in February 2011.

(3) HECO filed a request with the PUC for a general rate increase of $113.5 million, based on a 2011 test year and without the then estimated impacts of the implementation of decoupling as proposed in the PUC's separate decoupling proceeding and depreciation rates and methodology as proposed by HECO in a separate depreciation proceeding. Including the estimated effects of the implementation of decoupling at the time, the effective revenue request was $94.0 million, or 5.4%. HECO's request was primarily to pay for major capital projects and higher O&M costs to maintain and improve service reliability and to recover the costs for several proposed programs to help reduce Hawaii's dependence on imported oil, and to further increase reliability and fuel security.

The $53.2 million interim increase includes $15 million in annual revenues already being recovered through the decoupling RAM.

(4) HELCO's request was primarily to cover investments for system upgrade projects, two major transmission line upgrades and increasing O&M expenses. On February 8, 2012, the PUC issued a final D&O, which reflected the approval of decoupling and cost–recovery mechanisms, and on February 21, 2012, HELCO filed its revised tariffs to reflect the increase in rates. On April 4, 2012, the PUC issued an order approving the revised tariffs, which became effective April 9, 2012. HELCO implemented the decoupling mechanism and began tracking the target revenues and actual recorded revenues via a revenue balancing account. HELCO also reset the heat rates and implemented heat rate deadbands and the PPAC, which provides a surcharge mechanism that more closely aligns cost recovery with costs incurred. The revised tariffs reflect a lower increase in annual revenue requirement compared to the interim increase due to factors that became effective concurrently with the revised tariffs (lower depreciation rates and lower ROACE) and therefore, no refund to customers was required.

(5) HELCO's request is required to pay for O&M expenses and additional investments in plant and equipment required to maintain and improve system reliability and to cover the increased costs to support the integration of more renewable energy generation.

(6) MECO's interim increase, effective August 1, 2010, was based on a stipulated agreement reached with the Consumer Advocate and temporary approval of new depreciation rates and methodology in a separate depreciation proceeding. The adjustment to this increase, effective January 12, 2011, reflects

the final rates from MECO's 2007 test year rate case. On February 13, 2012, the PUC issued an order instructing MECO and the Consumer Advocate to submit a revised stipulated agreement to incorporate the applicable rulings and decisions in D&Os issued in related proceedings since the first stipulation was filed. On March 29, 2012, MECO and the Consumer Advocate filed an updated agreement on all material issues in MECO's 2010 test year rate case proceeding. On May 2, 2012, the PUC issued a final D&O, which approved the updated agreement, and on May 4, 2012, the tariffs implementing the D&O became effective. MECO implemented the decoupling mechanism and began tracking the target revenues and actual recorded revenues via a revenue balancing account. MECO also reset the heat rates and implemented heat rate deadbands and the PPAC, which provides a surcharge mechanism that more closely aligns cost recovery with costs incurred. The revised tariffs reflect a lower increase in annual revenue requirement than the interim increase due to factors that became effective concurrently with the revised tariffs (lower depreciation rates and lower ROACE) and therefore, no refund was required.

(7) MECO's request is required to pay for O&M expenses and additional investments in plant and equipment required to maintain and improve system reliability and to cover the increased costs to support the integration of more renewable energy generation. See discussion below on interim decision and subsequent proposed adjustments to the interim increase.

HECO 2011 test year rate case. On July 22, 2011, the PUC issued an interim D&O in HECO's 2011 test year rate case, which became effective July 26, 2011. The PUC did not approve the portion of the settlement agreement with the Consumer Advocate allowing deferral of certain costs and HECO filed a motion for clarification and/or partial reconsideration of the interim D&O's findings and conclusions on the deferral of costs.

On February 24, 2012, the PUC issued an order which: (1) approved the deferral of interisland wind project support costs of up to $5.89 million; (2) denied HECO's request to defer certain consultant expenses associated with the Enterprise Resource Planning/Enterprise Asset Management (ERP/EAM) system costs, but allowed HECO to include $552,000 in its 2011 test year expenses for such costs; and (3) granted HECO's request to defer Customer Information System (CIS) project operation and maintenance (O&M) expenses (limited to $2,258,000 per year in 2011 and 2012 under the settlement agreement) that are to be subject to a regulatory audit of project costs, and allowed HECO to accrue AFUDC on these deferred costs until the completion of the regulatory audit. As a result of the order, HECO reflected in the first quarter of 2012 the deferral of $2.3 million ($1.4 million for the interisland wind project support costs and $0.9 million for CIS project O&M expenses) incurred from July 22, 2011 through December 31, 2011 that were previously expensed and will also defer any 2012 costs incurred up to the limitations stated in the order.

On February 3, 2012, the parties reached a settlement agreement on the EOTP Phase 1 project costs, agreeing that, in lieu of a regulatory audit, HECO would write−off $9.5 million of gross plant in service EOTP Phase 1 costs and associated adjustments and carrying charges. The settlement agreement resulted in an after−tax charge to net income in the fourth quarter of 2011 of approximately $6 million. The parties also agreed to stipulate to an additional annual interim increase of $5 million to be effective March 1, 2012, based on additional revenue requirements reflecting all remaining EOTP costs not previously included in rates and offset by other minor adjustments to the interim increase that became effective on July 26, 2011. On March 29, 2012, the PUC approved the settlement agreement, and ordered that the regulatory audit for EOTP Phase 1 need not be conducted. HECO submitted a revised tariff to reflect an increase in the interim increase effective April 2, 2012.

On April 20, 2012, HECO requested an adjustment of $607,000 (i.e., $552,000 grossed up for revenue taxes) to its interim increase to include the ERP/EAM system evaluation costs in its 2011 test year expenses. HECO submitted a tariff to reflect this adjustment and on May 14, 2012, the PUC approved HECO's request for this interim increase, which became effective May 21, 2012.

On June 29, 2012, the PUC issued a final D&O in HECO's 2011 test year proceeding, which finalized approval of the previous interim increases already in effect. It also approved a second stipulated settlement agreement entered into on June 27, 2012 by HECO, the Consumer Advocate and the Department of Defense (parties in the proceeding) to reflect an additional reduction in the test year rate increase of $755,000 to remove parent company non−incentive executive compensation and administrative costs.

On August 9, 2012, the PUC issued an order approving HECO's proposed final tariff sheets and rate schedules, and request for an effective date of September 1, 2012 of the final revised tariffs. Since the final rate increase as a result of the second stipulated supplement to the settlement agreement was lower than the interim increase then currently in effect, HECO refunded customers, effective September 1, 2012 through September 30, 2012, approximately $0.9 million (which included accrued interest since July 26, 2011).

MECO 2012 test year rate case. On May 21, 2012, the PUC issued an interim D&O in MECO's 2012 test year rate case, which became effective June 1, 2012. The D&O authorized MECO to reset its target heat rates by fuel type to 2012 test year levels for the purpose of calculating the energy cost adjustment clause (ECAC) adjustment factor, which will help to ensure MECO's continuing recovery of its fuel costs. The interim increase is based on MECO's updated stipulated agreement with the Consumer Advocate filed on May 14, 2012. On July 20, 2012, MECO and the Consumer Advocate filed a stipulated supplement to the stipulated agreement to reduce the test year revenue requirement by $0.1 million in administrative and general expenses and requested that the final D&O for this rate case incorporate the adjustment into the final 2012 test year revenue requirement.

Clean energy strategy. The utilities' policy is to support efforts to increase renewable energy in Hawaii. The utilities believe their actions will help stabilize customer bills over time as they become less dependent on costly and price−volatile fossil fuel. The utilities' clean energy strategy will also allow them to meet Hawaii's RPS law, which requires electric utilities to meet an RPS of 10%, 15%, 25% and 40% by December 31, 2010, 2015, 2020 and 2030, respectively. HECO met the 10% RPS for 2010 with a consolidated RPS of 20.7%, including savings from energy efficiency programs and solar water heating (or 9.5% without DSM energy savings). Energy savings resulting from DSM energy efficiency programs and solar water heating will not count toward the RPS after 2014. Through September 2012, HECO achieved an RPS without DSM energy savings of 13.3%, primarily through a comprehensive portfolio of renewable energy power purchase agreements, net energy metering programs and biofuels. The utilities believe they are on track to meet the 2015 RPS.

Recent developments in the utilities' clean energy strategy include the following (also see the projects discussed under "Renewable Energy Projects" in Note 5 of HECO's "Notes to Consolidated Financial Statements"):

- In September 2011, the PUC denied the utilities' requested approval of HELCO's contract with AKP citing the higher cost of the biofuel over the cost of petroleum diesel. In August 2012, HELCO signed a new 20−year contract with Aina Koa Pono−Ka'u LLC (AKP), subject to PUC approval, to supply 16 million gallons of biodiesel per year with initial consumption to begin within five years of PUC approval.

- In February 2011, the PUC opened dockets related to MECO's and HECO's plans to proceed with competitive bidding processes to acquire up to approximately 50 MW and 300 MW, respectively, of new, renewable firm dispatchable capacity generation resources, with the initial increments expected to come on line in 2015 and 2017, respectively. Due to a subsequent lowering of MECO's forecasted peaks, the projected capacity need date on the island of Maui has been deferred to 2019 and the capacity requirement has been reduced to 30 MW. Due to a subsequent lowering of HECO's forecasted sales and peaks, the projected capacity need has been reduced to a range of 150 MW to 200 MW and the timing will be dependent on the possible retirement of generating units. MECO and HECO plan to file draft RFPs for future capacity with the PUC in the fourth quarter of 2012.

- In August 2011, HECO signed a 20−year contract, subject to PUC approval, with Hawaii BioEnergy to supply 10 million gallons per year of biocrude at Kahe Power Plant with initial consumption to begin as early as 2015. In 2011, HECO also signed other contracts, subject to PUC approval, for lesser amounts of biocrude and for biodiesel for testing or operations.

- In May 2012, the PUC approved a 3−year biodiesel supply contract with Renewable Energy Group through July 2015 for continued biodiesel supply to CT−1 of 3 million to 7 million gallons per year.

- In September 2012, HECO began purchasing test wind energy from the 69 MW Kawailoa Wind, LLC facility. The wind farm is planned to be placed into full commercial operation by the end of 2012.

- In August 2012, the battery facility at a 30 MW Kahuku wind farm experienced a fire and HECO has not purchased wind energy from the wind farm since then.

- In May 2012, HECO signed a contract, subject to PUC approval, with the City and County of Honolulu to purchase an additional 27 MW of capacity and energy from the existing H−POWER waste−to−energy plant.

Table of Contents

- In May 2012, HELCO signed a power purchase agreement, subject to PUC approval, with Hu Honua Bioenergy for 21.5 MW of renewable, dispatchable firm capacity fueled by locally grown biomass from a facility on the island of Hawaii.

- In August 2012, the PUC approved a waiver from the competitive bidding process to allow HECO to negotiate with the U.S. Department of the Army for construction of a 50 MW utility–owned and operated firm, renewable and dispatchable generation facility at Schofield Barracks on the island of Oahu.

- HECO, HELCO and MECO began accepting energy from feed–in tariff projects in 2011. As of September 30, 2012, there were 4,010 kW, 345 kW and 1,337 kW of installed feed–in tariff capacity from renewable energy technologies at HECO, HELCO and MECO, respectively.

- As of September 30, 2012, there were 62,762 kW, 15,493 kW and 19,744 kW of installed net energy metering capacity from renewable energy technologies at HECO, HELCO and MECO, respectively. Net energy metering is proceeding at a record pace. The amount of net energy metering capacity installed in the first three quarters of 2012 exceeds the amount installed in all of 2011, which itself was at a record level.

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

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:

(dollars in millions)	September 30, 2012		December 31, 2011	
Short–term borrowings	$ 45	2%	$ —	—%
Long–term debt, net	1,148	43	1,058	43
Preferred stock	34	1	34	1
Common stock equity	1,443	54	1,403	56
	$ 2,670	100%	$ 2,495	100%

HECO's short–term borrowings (other than from HELCO and MECO) and line of credit facility were as follows:

	Average balance	Balance	
(in millions)	Nine months ended September 30, 2012	September 30, 2012	December 31, 2011
Short–term borrowings(1)			
Commercial paper	$ 44	$ 45	$ —
Line of credit draws	—	—	—
Borrowings from HEI	—	—	—
Undrawn capacity under line of credit facility (expiring December 5, 2016)	175	175	175

(1) The maximum amount of external short–term borrowings during the first nine months of 2012 was $124 million. At September 30, 2012, HECO had $29 million and $7 million of short–term borrowings from HELCO and MECO, respectively. These borrowings are eliminated in consolidation. At October 26, 2012, HECO had $37 million of outstanding commercial paper, its line of credit facility was undrawn, it had no borrowings from HEI and it had short–term borrowings of $42 million from HELCO and $8 million from MECO.

HECO has a line of credit facility of $175 million (see Note 8 of HECO's "Notes to Consolidated Financial Statements"). There are 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 41% for HELCO and 40% for MECO as of September 30, 2012, as calculated under the credit agreement)). In addition to customary defaults, HECO's failure to maintain its financial ratios, as defined in its credit agreement, or meet other

requirements may result in an event of default. For example, under the credit 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 September 30, 2012, as calculated under the credit agreement), or if HECO is no longer owned by HEI.

Special purpose revenue bonds (SPRBs) and refunding SPRBs have been issued by the Department of Budget and Finance of the State of Hawaii (DBF) to finance and refinance capital improvement projects of HECO and its subsidiaries, with the source of their repayment being the unsecured financial 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 the various series of SPRBs and refunding SPRBs currently outstanding and issued prior to 2009 are insured by one of the following bond insurers: Ambac Assurance Corporation; Financial Guaranty Insurance Company (FGIC), which was placed in a rehabilitation proceeding in the State of New York in June 2012 (in September 2012, a proposed Plan of Rehabilitation was filed); MBIA Insurance Corporation (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 Standard & Poor's (S&P's) and Moody's Investor Service's ratings of each of these insurers, which at the time the insured obligations were issued were higher than the ratings of the utilities, are currently either lower than the ratings of the utilities (with the exception of one insurer's higher rating by S&P) or have been withdrawn.

On November 1, 2011, the PUC authorized HECO, HELCO and MECO to issue up to $150 million, $10 million and $10 million, respectively, in one or more registered public offerings or private placements of unsecured obligations bearing taxable interest on or before December 31, 2012. On December 22, 2011, the PUC authorized HECO, HELCO and MECO to issue up to $217 million, $34 million and $60 million, respectively, in one or more registered public offerings and/or private placements of unsecured taxable debt obligations and/or refunding SPRBs through December 31, 2012 to refinance certain series of outstanding SPRBs. The PUC also approved the use of an expedited approval procedure for the approval of additional financings or refinancings by HECO, HELCO and MECO during 2013 through 2015, subject to certain conditions.

On April 19, 2012, HECO, HELCO and MECO issued through a private placement taxable unsecured senior notes of various maturities (the HECO Notes, HELCO Notes and MECO Notes, and together, the April Notes) in the aggregate principal amounts of $327 million, $31 million and $59 million, respectively, with stated interest rates ranging from 3.79% to 5.39%. Proceeds of $267 million of the April Notes, together with additional funds, were used to redeem an aggregate principal amount of $271 million of bonds (with stated interest rates ranging from 5.45% to 6.20%). The $150 million of proceeds of the remaining HECO Notes, bearing interest at 5.39%, were used to finance or refinance capital expenditures.

On September 13, 2012, HECO issued another series of taxable unsecured senior notes through a private placement (the HECO September Notes) in the aggregate principal amount of $40 million with a stated interest rate of 4.53%. Proceeds of the HECO September Notes, together with additional funds, were used to redeem the $40 million aggregate principal amount 5.10% Series 2002A SPRBs. See Note 8 of HECO's "Notes to Consolidated Financial Statements."

The April Notes and HECO September Note Agreements contain customary representations and warranties, affirmative and negative covenants, and events of default (the occurrence of which may result in some or all of the Notes of each and all of the utilities then outstanding becoming immediately due and payable) and provisions requiring the maintenance by HECO, and each of HELCO and MECO, of certain financial ratios generally consistent with those in HECO's existing amended revolving noncollateralized credit agreement, which established a line of credit facility of $175 million.

Operating activities provided $80 million in net cash during the first nine months of 2012. Investing activities for the same period used net cash of $188 million for capital expenditures, net of contributions in aid of construction. Financing activities for the same period provided net cash of $75 million, primarily due to the increase in long–term debt and short–term borrowings, partly offset by payment of $56 million of common and preferred dividends.

Table of Contents

Bank

RESULTS OF OPERATIONS

(in millions)	Three months ended September 30 2012	2011	Increase (decrease)	Primary reason(s) for significant change
Interest income	$ 48	$ 50	(2)	The impact of higher average earning asset balances was more than offset by lower yields on earning assets. ASB's average loan portfolio balance for the third quarter of 2012 was $95 million higher than for the third quarter of 2011 as the average commercial markets, home equity lines of credit and commercial real estate loan balances increased by $49 million, $113 million and $48 million, respectively. ASB targeted these loan types because of their shorter duration and/or variable rates. Despite a $150 million increase in residential loan production, the average residential loan portfolio decreased by $118 million due to higher repayments and loan sales in connection with ASB's long–term strategy to manage interest rate risk. The loan portfolio yield was impacted by the low interest rate environment as new loan production yields were lower than the average portfolio yield. The average investment and mortgage–related securities portfolio balance decreased by $12 million as ASB experienced higher prepayments on the portfolio, which were used to fund higher loan originations.
Noninterest income	19	16	3	Higher gain on sale of loans as more residential loans were sold in order to manage interest rate risk.
Revenues	67	66	1	
Interest expense	3	4	(1)	Lower funding costs as a result of the low interest rate environment. Average deposit balances for the third quarter of 2012 increased by $60 million compared to third quarter of 2011 due to an increase in core deposits of $129 million, partly offset by a decrease in term certificates of $69 million. The other borrowings average balance decreased by $22 million due to the payoff of a maturing FHLB advance in 2011 and lower retail repurchase agreements.
Provision for loan losses	4	4	—	The provision for loan losses benefited from lower net charge–offs and improved credit quality associated with the gradual improvement in Hawaii's economy, partly offset by loan loss reserves established for the growth in the loan portfolio.
Noninterest expense	38	35	3	Higher new product and project related expenses and higher employee benefit expenses.
Expenses	45	43	2	
Operating income	22	23	(1)	Lower net interest income and higher noninterest expenses, partially offset by higher noninterest income.
Net income	14	15	(1)	Lower operating income.

(in millions)	Nine months ended September 30 2012	2011	Increase (decrease)	Primary reason(s) for significant change
Interest income	$ 143	$ 149	(6)	The impact of higher average earning asset balances was more than offset by lower yields on earning assets. ASB's average loan portfolio balance for the first nine months of 2012 was $124 million higher than for the first nine months of 2011 as the average commercial markets, home equity lines of credit and commercial real estate loan balances increased by $97 million, $117 million and $54 million, respectively. ASB targeted these loan types because of their shorter duration and/or variable rates. Despite a $320 million increase in residential loan production, the average residential loan portfolio decreased by $139 million due to higher repayments and loan sales in connection with ASB's long–term strategy to manage interest rate risk. The loan portfolio yield was impacted by the low interest rate environment as new loan production yields were lower than the average portfolio yield. The average investment and mortgage–related securities portfolio balance decreased by $47 million as ASB experienced higher prepayments on the portfolio, which were used to fund higher loan originations.
Noninterest income	53	49	4	Higher gain on sale of loans as more residential loans were sold in order to manage interest rate risk, partly offset by a nonrecurring insurance gain in 2011.
Revenues	196	198	)(2	
Interest expense	9	11	)(2	Lower funding costs as a result of the low interest rate environment. Average deposit balances for the first nine months of 2012 increased by $75 million compared to the first nine months of 2011 due to an increase in core deposits of $160 million, partly offset by a decrease in term certificates of $85 million. The other borrowings average balance decreased by $17 million primarily due to the payoff of a maturing FHLB advance.
Provision for loan losses	10	11	(1)	The provision for loan losses benefited from lower net charge–offs and improved credit quality associated with the gradual improvement in Hawaii's economy, partly offset by loan loss reserves established for the growth in the loan portfolio.
Noninterest expense	111	107	4	Higher new product and project related expenses and higher employee benefit expenses.
Expenses	130	129	1	
Operating income	66	69	)(3	Lower net interest income and higher noninterest expenses, partially offset by lower provision for loan losses and higher gain on sale of loans.
Net income	44	45	(1)	Lower operating income, partly offset by lower income tax expense.

Table of Contents

Details of ASB's other noninterest income and other noninterest expense were as follows:

(in thousands)	Three months ended September 30 2012	Three months ended September 30 2011	Nine months ended September 30 2012	Nine months ended September 30 2011
Bank–owned life insurance	$ 1,004	$ 996	$ 2,976	$ 4,107
Other	342	601	1,179	1,870
Total other income	$ 1,346	$ 1,597	$ 4,155	$ 5,977
FDIC insurance premium	$ 790	$ 828	$ 2,497	$ 3,131
Marketing	776	712	1,880	2,063
Office supplies, printing and postage	927	1,158	2,836	3,002
Communication	461	539	1,327	1,370
Other	5,142	4,526	14,369	14,085
Total other expense	$ 8,096	$ 7,763	$ 22,909	$ 23,651

See Note 4 of HEI's "Notes to Consolidated Financial Statements" and "Economic conditions" in the "HEI Consolidated" section above.

Management is working to grow its bank franchise in Hawaii and remains focused on maintaining ASB as a high performing community bank with a targeted return on assets of 1.15%–1.2%, net interest margin near 4% and an efficiency ratio in the mid–50s. Despite the revenue pressures across the banking industry, management expects ASB's low–cost funding base, reduced cost structure and lower–risk profile to continue to deliver strong performance compared to industry peers. In the current low interest rate environment, management expects ASB net income for the full year 2012 to be 3% to 5% lower than 2011.

For the nine months ended September 30, 2012, ASB reported a 1.19% return on assets, net interest margin of 3.98% and a 59% efficiency ratio.

Table of Contents

Average balance sheet and net interest margin. The following tables set forth average balances, together with interest earned and accrued, and resulting yields and costs:

Three months ended September 30	2012			2011		
(dollars in thousands)	Average balance	Interest	Average rate (%)	Average balance	Interest	Average rate (%)
Assets:						
Other investments (1)	$ 188,230	$ 57	0.12	$ 220,861	$ 77	0.14
Investment and mortgage–related securities	631,255	3,596	2.28	643,617	3,706	2.30
Loans receivable (2)	3,742,567	43,880	4.68	3,647,753	46,240	5.06
Total interest–earning assets (3)	4,562,052	47,533	4.16	4,512,231	50,023	4.42
Allowance for loan losses	(39,599)			(39,168)		
Non–interest–earning assets	428,752			427,063		
Total assets	$ 4,951,205			$ 4,900,126		
Liabilities and shareholder's equity:						
Interest–bearing demand and savings deposits	$ 2,530,937	348	0.05	$ 2,551,851	688	0.11
Time certificates	512,830	1,192	0.92	581,835	1,478	1.01
Total interest–bearing deposits	3,043,767	1,540	0.20	3,133,686	2,166	0.27
Other borrowings	223,243	1,201	2.11	244,931	1,375	2.20
Total interest–bearing liabilities	3,267,010	2,741	0.33	3,378,617	3,541	0.41
Non–interest bearing liabilities:						
Deposits	1,071,592			922,040		
Other	106,762			97,664		
Total liabilities	4,445,364			4,398,321		
Shareholder's equity	505,841			501,805		
Total liabilities and shareholder's equity	$ 4,951,205			$ 4,900,126		
Net interest income		$ 44,792			$ 46,482	
Net interest margin (%) (4)			3.92			4.11

Nine months ended September 30	2012			2011		
(dollars in thousands)	Average balance	Interest	Average rate (%)	Average balance	Interest	Average rate (%)
Assets:						
Other investments (1)	$ 213,793	$ 220	0.14	$ 226,805	$ 242	0.14
Investment and mortgage–related securities	617,021	10,910	2.36	664,078	11,351	2.28
Loans receivable (2)	3,721,159	133,241	4.78	3,596,892	137,985	5.12
Total interest–earning assets (3)	4,551,973	144,371	4.23	4,487,775	149,578	4.45
Allowance for loan losses	(39,029)			(39,689)		
Non–interest–earning assets	430,198			420,463		
Total assets	$ 4,943,142			$ 4,868,549		
Liabilities and shareholder's equity:						
Interest–bearing demand and savings deposits	$ 2,536,930	1,216	0.06	$ 2,513,280	2,110	0.11
Time certificates	528,295	3,799	0.96	613,481	5,036	1.10
Total interest–bearing deposits	3,065,225	5,015	0.22	3,126,761	7,146	0.31
Other borrowings	228,751	3,676	2.11	245,917	4,124	2.21
Total interest–bearing liabilities	3,293,976	8,691	0.35	3,372,678	11,270	0.44
Non–interest bearing liabilities:						
Deposits	1,041,433			904,563		
Other	107,929			92,938		
Total liabilities	4,443,338			4,370,179		
Shareholder's equity	499,804			498,370		
Total liabilities and shareholder's equity	$ 4,943,142			$ 4,868,549		
Net interest income		$ 135,680			$ 138,308	
Net interest margin (%) (4)			3.98			4.11

(1) Includes federal funds sold, interest bearing deposits and stock in the FHLB of Seattle.

(2) Includes loan fees of $1.0 million and $0.8 million for the three months ended September 30, 2012 and 2011, respectively, and $3.5 million and $2.7 million for the nine months ended September 30, 2012 and 2011, respectively, together with interest accrued prior to suspension of interest accrual on nonaccrual loans, includes nonaccrual loans.
(3) Interest income includes taxable equivalent basis adjustments, based upon a federal statutory tax rate of 35%, of $0.2 million and $0.1 million for the three months ended September 30, 2012 and 2011, respectively, and $0.6 million and $0.4 million for the nine months ended September 30, 2012 and 2011, respectively.
(4) Defined as net interest income as a percentage of average earning assets.

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 composition of ASB's loan portfolio was as follows:

	September 30, 2012		December 31, 2011	
(dollars in thousands)	Balance	% of total	Balance	% of total
Real estate loans:				
Residential 1–4 family	$ 1,899,580	50.5	$ 1,926,774	52.2
Commercial real estate	367,765	9.8	331,931	9.0
Home equity line of credit	604,279	16.1	535,481	14.5
Residential land	29,280	0.8	45,392	1.2
Commercial construction	42,913	1.1	41,950	1.1
Residential construction	5,648	0.2	3,327	0.1
Total real estate loans, net	2,949,465	78.5	2,884,855	78.1
Commercial loans	704,100	18.7	716,427	19.4
Consumer loans	104,338	2.8	93,253	2.5
	3,757,903	100.0	3,694,535	100.0
Less: Deferred fees and discounts	(12,345)		(13,811)	
Allowance for loan losses	(39,810)		(37,906)	
Total loans, net	$ 3,705,748		$ 3,642,818	

The increase in the total loan portfolio during the first nine months of 2012 was primarily due to an increase in ASB's home equity lines of credit and commercial real estate loan portfolios.

Loan portfolio risk elements. See Note 4 of HEI's "Notes to Consolidated Financial Statements.

Investment and mortgage–related securities. ASB's investment portfolio was comprised as follows:

	September 30, 2012	December 31,2011
Federal agency obligations	33%	35%
Mortgage–related securities – FNMA, FHLMC and GNMA	55	55
Municipal bonds	12	10
	100%	100%

Principal and interest on mortgage–related securities issued by Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC) and Government National Mortgage Association (GNMA) are guaranteed by the issuer, and the securities carry implied AA+ ratings.

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. Core deposits continue to be strong, as depositors remain risk averse. Advances from the FHLB of Seattle and securities sold under agreements to repurchase continue to be additional sources of funds. Advances from the FHLB of Seattle have remained at $50 million from December 31, 2011 to September 30, 2012. As of September 30, 2012 and December 31, 2011, ASB's costing liabilities consisted of 95% deposits and 5% other borrowings. The weighted average cost of deposits for the

nine months ended September 30, 2012 was 0.16%, compared to 0.24% for the nine months ended September 30, 2011.

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 shareholder's equity through a balance sheet charge to accumulated other comprehensive income (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 or an "other–than–temporary" impairment in the value of the securities. As of September 30, 2012 and December 31, 2011, the unrealized gains, net of taxes, on available–for–sale investments and mortgage–related securities (including securities pledged for repurchase agreements) in AOCI was $12 million and $10 million, respectively. See "Item 3. Quantitative and qualitative disclosures about market risk."

During the first nine months of 2012, ASB recorded a provision for loan losses of $9.5 million primarily due to charge–offs during the year for 1–4 family, residential land, commercial and consumer loans. During the first nine months of 2011, ASB recorded a provision for loan losses of $10.9 million primarily due to the net charge–offs during the year for 1–4 family, residential land, and commercial loans. Continued financial stress on ASB's customers may result in higher levels of delinquencies and losses.

	Nine months ended September 30		Year ended December 31
(in thousands)	2012	2011	2011
Allowance for loan losses, January 1	$ 37,906	$ 40,646	$ 40,646
Provision for loan losses	9,504	10,927	15,009
Less: net charge–offs	7,600	13,360	17,749
Allowance for loan losses, end of period	$ 39,810	$ 38,213	$ 37,906
Ratio of allowance for loan losses, end of period, to end of period loans outstanding	1.06%	1.04%	1.03%
Ratio of net charge–offs during the period to average loans outstanding (annualized)	0.35%	0.50%	0.49%

Legislation and regulation. ASB is subject to extensive regulation, principally by the Office of the Comptroller of the Currency (OCC) and the Federal Deposit Insurance Corporation (FDIC). Depending on ASB's 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 shareholder. See the discussion below under "Liquidity and capital resources."

Dodd–Frank Wall Street Reform and Consumer Protection Act (Dodd–Frank Act). Regulation of the financial services industry, including regulation of HEI and ASB, has changed and will continue to change as a result of the enactment of the Dodd–Frank Act, which became law in July 2010. Importantly for HEI and ASB, under the Dodd–Frank Act, on July 21, 2011, all of the functions of the Office of Thrift Supervision transferred to the OCC, the FDIC, the Federal Reserve Board (FRB) and the Consumer Financial Protection Bureau (Bureau). Supervision and regulation of HEI, as a thrift holding company, moved to the FRB, and supervision and regulation of ASB, as a federally chartered savings bank, moved to the OCC. While the laws and regulations applicable to HEI and ASB did not generally change, the applicable laws and regulations are being interpreted, and amended regulations may be or have been adopted, by the Bureau, FRB, and the OCC. HEI will for the first time be subject to minimum consolidated capital requirements, and ASB may be required to be supervised through ASHI, its intermediate holding company. The Dodd–Frank Act requires regulators, at a minimum, to apply to bank and thrift holding companies leverage and risk–based capital standards that are at least as strict as those in effect at the insured depository institution level on the date the Act became effective, although there will be a phase–in period for meeting these standards. In addition, HEI will continue to be required to serve as a source of strength to ASB in the event of its financial distress. The Dodd–Frank Act also imposes new restrictions on the ability of a savings bank to pay dividends should it fail to remain a qualified thrift lender.

More stringent affiliate transaction rules now apply to ASB in the securities lending, repurchase agreement and derivatives areas. Standards were raised with respect to the ability of ASB to merge with or acquire another institution. In reviewing a potential merger or acquisition, the approving federal agency will need to consider the extent to which the proposed transaction will result in "greater or more concentrated risks to the stability of the U.S. banking or financial system."

The Dodd–Frank Act established the Bureau; it has authority to prohibit practices it finds to be unfair, deceptive or abusive, and it may also issue rules requiring specified disclosures and the use of new model forms.

ASB may also be subject to new state regulation because of a provision in the Dodd–Frank Act that acknowledges that a federal savings bank may be subject to state regulation and allows federal law to preempt a state consumer financial law on a "case by case" basis only when (1) the state law would have a discriminatory effect on the bank compared to that on a bank chartered in that state; (2) the state law prevents or significantly interferes with a bank's exercise of its power; or (3) the state law is preempted by another federal law.

The Dodd–Frank Act also adopts a number of provisions that will impact the mortgage industry, including the imposition of new specific duties on the part of mortgage originators (such as ASB) to act in the best interests of consumers and to take steps to ensure that consumers will have the capability to repay loans they may obtain, as well as provisions imposing new disclosure requirements and requiring appraisal reforms. Regulations are required to be adopted within 18 months after the date that is to be specified by the Secretary of the Treasury for the transfer of consumer protection power to the Bureau.

The "Durbin Amendment" to the Dodd–Frank Act required the FRB to issue rules to ensure that debit card interchange fees are "reasonable and proportional" to the processing costs incurred. In June 2011, the FRB issued a final rule establishing standards for debit card interchange fees and prohibiting network exclusivity arrangements and routing restrictions. Under the final rule, effective October 1, 2011, the maximum permissible interchange fee that an issuer may receive for an electronic debit transaction is 21–24 cents, depending on certain components. ASB currently earns an average of 50 cents per transaction. As specified in the Dodd–Frank Act, these regulations exempt banks like ASB with less than $10 billion in assets. However, market pressures could very well push the impact down to all banks.

Many of the provisions of the Dodd–Frank Act, as amended, will not become effective until implementing regulations are issued and effective.

Proposed Capital Rules. The FRB, OCC and FDIC issued three notices of proposed rulemaking (NPR) that would revise and replace the current capital rules. The proposed rules are intended to help ensure banks maintain strong capital positions, which would enable them to continue lending to creditworthy households and businesses even after unforeseen losses and during severe economic downturns.

The first NPR, titled *Regulatory Capital Rules: Regulatory Capital, Implementation of Basel III, Minimum Regulatory Capital Ratios, Capital Adequacy, and Transition Provisions* (Basel III NPR), applies to all depository institutions, bank holding companies with total consolidated assets of $500 million or more, and savings and loan holding companies and revises the risk–based and leverage capital requirements consistent with agreements reached by the Basel Committee on Banking Supervision (Basel III). The Basel III NPR would increase the quantity and quality of capital required, revise the definition of capital to improve the ability of regulatory capital instruments to absorb losses, establish limitations on capital distributions and certain discretionary bonus payments if additional specified amounts of common equity tier 1 capital are not met, and introduce a supplementary leverage ratio for internationally active banking organizations. The Basel III NPR would also revise the prompt corrective action framework by incorporating new regulatory capital minimums and updating the definition of tangible common equity.

The second NPR, titled *Regulatory Capital Rules: Standardized Approach for Risk–weighted Assets; Market Discipline and Disclosure Requirements* (Standardized Approach NPR), proposes to revise and harmonize the rules for calculating risk–weighted assets to enhance risk sensitivity and address weaknesses identified over the past several years. The Standardized Approach NPR would incorporate aspects of the Basel II standardized framework such as methods for determining risk–weighted assets for residential mortgages, securitization exposures, and counterparty credit risk. The Standardized Approach NPR would apply to the same set of institutions as the Basel III NPR, but also introduces disclosure requirements for U.S. banking organizations with $50 billion or more in assets.

The third NPR, *Regulatory Capital Rules: Advanced Approaches Risk−based Capital Rule: Market Risk Capital Rule* (Advanced Approaches NPR), would apply to banking organizations that are subject to the banking agencies' advanced approaches rule, or to their market risk rule, and revises the advanced approaches risk−based capital rules to be consistent with Basel III and the Dodd−Frank Act. Generally, the advanced approaches rules would apply to institutions with $250 billion or more in consolidated assets or $10 billion or more in foreign exposure, and the market risk rule would apply to savings and loan holding companies with significant trading activity.

Proposed Capital Requirements

Proposal effective dates	1/1/13	1/1/14	1/1/15	1/1/16	1/1/17	1/1/18	1/1/19
Capital conservation buffer				0.625%	1.25%	1.875%	2.50%
Common equity ratio + conservation buffer	3.50%	4.00%	4.50%	5.125%	5.75%	6.375%	7.00%
Tier 1 capital ratio + conservation buffer	4.50%	5.50%	6.00%	6.625%	7.25%	7.875%	8.50%
Total capital ratio + conservation buffer	8.00%	8.00%	8.00%	8.625%	9.25%	9.875%	10.50%
Countercyclical capital buffer – not applicable to ASB				0.625%	1.25%	1.875%	2.50%

The final rules are proposed to become effective January 1, 2013. The proposed rules allow for a transition period to meet the proposed capital requirement levels. ASB is reviewing the proposed rules and the impact to its capital ratios. Based on a preliminary assessment, management believes ASB and HEI can satisfy the proposed capital rules that would be applicable to them, if adopted.

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

FINANCIAL CONDITION

Liquidity and capital resources.

(dollars in millions)	September 30, 2012	December 31, 2011	% change
Total assets	$ 4,953	$ 4,910	1
Available−for−sale investment and mortgage−related securities	664	624	6
Loans receivable held for investment, net	3,706	3,643	2
Deposit liabilities	4,127	4,070	1
Other bank borrowings	211	233	(9)

As of September 30, 2012, ASB was one of Hawaii's largest financial institutions based on assets of $5.0 billion and deposits of $4.1 billion.

As of September 30, 2012, ASB's unused FHLB borrowing capacity was approximately $0.9 billion. As of September 30, 2012, ASB had commitments to borrowers for loan commitments and unused lines and letters of credit of $1.5 billion. Management believes ASB's current sources of funds will enable it to meet these obligations while maintaining liquidity at satisfactory levels.

For the first nine months of 2012, net cash provided by ASB's operating activities was $41 million. Net cash used during the same period by ASB's investing activities was $109 million, primarily due to purchases of investment and mortgage−related securities of $147 million, a net increase in loans receivable of $76 million and additions to premises and equipment of $5 million, partly offset by repayments of investment and mortgage−related securities of $104 million and proceeds from the sale of mortgage−related securities and real estate acquired in settlement of loans of $4 million and $10 million, respectively. Net cash provided in financing activities during this period was $1 million, primarily due to net increases in deposit liabilities of $57 million, largely offset by a net decrease in retail repurchase agreements of $22 million, the payment of $30 million in common stock dividends to HEI (through ASHI) and a net decrease in mortgage escrow deposits of $4 million.

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 September 30, 2012, ASB was well−capitalized (minimum ratio requirements noted in parentheses) with a leverage ratio of 9.3% (5.0%), a Tier−1 risk−based capital ratio of 11.8% (6.0%) and a total risk−based capital ratio of 12.9% (10.0%). FRB approval is required before ASB can pay a dividend or otherwise make a capital distribution to HEI (through ASHI).

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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 results of operations and financial condition. For additional quantitative and qualitative information about the Company's market risks, see pages 82 to 85, HEI's Quantitative and Qualitative Disclosures About Market Risk, in Part II, Item 7A of HEI's 2011 Form 10−K and HECO's Quantitative and Qualitative Disclosures About Market Risk, which is incorporated into Part II, Item 7A of HECO's 2011 Form 10−K by reference to Exhibit 99.2.

ASB's interest−rate risk sensitivity measures as of September 30, 2012 and December 31, 2011 constitute "forward−looking statements" and were as follows:

Change in interest rates (basis points)	Change in NII (gradual change in interest rates) September 30, 2012	Change in NII (gradual change in interest rates) December 31, 2011	Change in EVE (instantaneous change in interest rates) September 30, 2012	Change in EVE (instantaneous change in interest rates) December 31, 2011
+300	0.8%	0.5%	(6.1)%	(7.4)%
+200	(0.1)	(0.3)	(2.7)	(3.8)
+100	(0.3)	(0.4)	(1.0)	(1.5)
−100	(0.1)	(0.4)	(2.9)	(3.5)

Management believes that ASB's interest rate risk position as of September 30, 2012 represents a reasonable level of risk. Net interest income (NII) sensitivity as of September 30, 2012 was less liability sensitive for smaller increases in rates compared to December 31, 2011 due to the lower level of interest rates which increased prepayment forecasts resulting in more assets repricing over a forward−looking 12 months. In the +300 scenario, the interest income benefit from the rate increase is not fully realized until the interest rate on certain loans exceeds their floor rate.

ASB's base economic value of equity (EVE) was $804 million as of September 30, 2012 compared to $848 million as of December 31, 2011.

The change in EVE was less sensitive to rising rate scenarios as of September 30, 2012 compared to December 31, 2011 as lower rates led to shorter durations for mortgage−related assets.

The computation of the prospective effects of hypothetical interest rate changes on the NII sensitivity and the percentage change in EVE 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. 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 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 third quarter of 2012, there were no changes 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 September 30, 2012 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 September 30, 2012. Based on their evaluations, as of September 30, 2012, 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 third quarter of 2012, there were no changes 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 September 30, 2012 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 September 30, 2012. Based on their evaluations, as of September 30, 2012, 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.

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," Note 4 of HEI's "Notes to Consolidated Financial Statements" 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 26 to 36 of HEI's 2011 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 2011 Form 10–K, as updated on pages iv and v herein.

Item 5. Other Information

A. Ratio of earnings to fixed charges.

	Nine months ended September 30		Years ended December 31				
	2012	2011	2011	2010	2009	2008	2007
HEI and Subsidiaries							
Excluding interest on ASB deposits	3.75	3.16	3.22	2.89	2.29	2.06	1.78
Including interest on ASB deposits	3.56	2.97	3.03	2.64	1.95	1.71	1.52
HECO and Subsidiaries	4.06	3.44	3.52	2.88	2.99	3.48	2.43

See HEI Exhibit 12.1 and HECO Exhibit 12.2.

B. Indemnity agreement. In 1989, the board of directors and shareholders of HEI approved a form of Indemnity Agreement (Indemnity Agreement) and authorized HEI to enter into such Indemnity Agreement with all present and future directors and each present and future officer as determined by the board of directors. Later that year, HEI's board of directors authorized HEI to enter into such Indemnity Agreements with each present and future officer of HEI.

On November 7, 2012, HEI entered into indemnity agreements with each of its directors and the following officers: its President and Chief Executive Officer, Constance H. Lau (also as director); Executive VP, Chief Financial Officer and Treasurer, James A. Ajello; Executive VP, General Counsel, Secretary and Chief Administrative Officer, Chester A. Richardson; and VP–Finance, Controller and Chief Accounting Officer, David M. Kostecki. On the same day, HECO and ASB entered into indemnity agreements with each of their respective directors, including HECO's President and Chief Executive Officer, Richard M. Rosenblum, and ASB's President and Chief Executive Officer, Richard F. Wacker, as directors of their respective companies.

Subject to certain exceptions, the Indemnity Agreement provides that the indemnifying company shall indemnify the indemnitee against all expenses and assessed amounts actually and reasonably incurred by indemnitee in connection with any proceeding arising out of such person's service as an officer, director or agent of the respective company. In addition, the Indemnity Agreement provides for the advancement of expenses incurred by the indemnitee in connection with any covered proceeding. The rights provided by the Indemnity Agreement are in addition to any other rights to indemnification or advancement of expenses to which the indemnitee may be entitled under applicable law, the respective company's articles of incorporation or bylaws, or otherwise.

The foregoing description of the Indemnity Agreement is not complete and is qualified in its entirety by reference to the full text of the form of indemnity agreement filed herewith as HEI Exhibit 10.1 and incorporated herein by reference thereto.

C. Fuel oil supply contracts. HECO entered into low sulfur fuel oil (LSFO) supply contracts with Chevron Products Company, a Division of Chevron U.S.A. Inc., (Chevron) and Tesoro Hawaii Corporation (Tesoro) for purchases beginning May 1, 2013 since the existing contracts will expire on April 30, 2013. The contract with Chevron was signed and binding as of August 24, 2012, but HECO may terminate the contract by August 31, 2013 if HECO does not receive PUC approval of it by August 31, 2013 or if the PUC's decision is not acceptable to HECO. The foregoing description of the contract with Chevron is not complete and is qualified in its entirety by reference to the full text of the contract with Chevron filed herewith as HECO Exhibit 10.2 and incorporated herein by reference thereto. The contract with Tesoro was executed on August 28, 2012, but will not become effective until the PUC approves the contract. The foregoing description of the contract with Tesoro is not complete and is qualified in its entirety by reference to the full text of the contract with Tesoro filed herewith as HECO Exhibit 10.3 and incorporated herein by reference thereto. Both contracts would provide for slightly higher LSFO pricing than under the respective previous contracts.

HECO, MECO and HELCO executed a "Second Amendment to Inter–Island Industrial Fuel Oil and Diesel Fuel Supply Contract" with Tesoro (Second Amendment) to secure a multi–year supply of ultra low sulfur diesel (ULSD) to be consumed in certain reciprocating engine generating units at MECO and HELCO to enable them to comply with the EPA's final rule on Reciprocating Internal Combustion Engines National Emissions Standards for Hazardous Air Pollutants (RICE NESHAP). These units and related fuel distribution infrastructure will begin a transition to ULSD service in the fourth quarter of 2012 in order to achieve compliance with RICE NESHAP by May 2013. HECO is not subject to RICE NESHAP, but was added to the amendment so it can purchase ULSD if necessary. This amendment has been approved by the PUC and became effective October 1, 2012. The foregoing description of the Second Amendment is not complete and is qualified in its entirety by reference to the full text of the Second Amendment filed herewith as HECO Exhibit 10.4 and incorporated herein by reference thereto.

Item 6. Exhibits

HEI Exhibit 4	Master Trust Agreement dated as of September 4, 2012 between HEI and ASB and Fidelity Management Trust Company, as Trustee
HEI Exhibit 10.1	Form of Indemnity Agreement (HEI, HECO and ASB with their respective directors and HEI with certain of its senior officers)
HEI Exhibit 12.1	Hawaiian Electric Industries, Inc. and Subsidiaries Computation of ratio of earnings to fixed charges, nine months ended September 30, 2012 and 2011 and years ended December 31, 2011, 2010, 2009, 2008 and 2007
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	HEI Certification Pursuant to 18 U.S.C. Section 1350
HEI Exhibit 101.INS	XBRL Instance Document
HEI Exhibit 101.SCH	XBRL Taxonomy Extension Schema Document
HEI Exhibit 101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
HEI Exhibit 101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
HEI Exhibit 101.LAB	XBRL Taxonomy Extension Label Linkbase Document
HEI Exhibit 101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
HECO Exhibit 10.2	Low Sulfur Fuel Oil Supply Contract by and between Chevron and HECO dated as of August 24, 2012 (confidential treatment has been requested for portions of this exhibit, which has been redacted accordingly)
HECO Exhibit 10.3	Supply Contract for Low Sulfur Fuel Oil by and between Tesoro and HECO dated as of August 28, 2012 (confidential treatment has been requested for portions of this exhibit, which has been redacted accordingly)
HECO Exhibit 10.4	Second Amendment to Inter–Island Industrial Fuel Oil and Diesel Fuel Supply Contract by and between Tesoro Hawaii Corporation, formerly known as BHP Petroleum Americas Refining Inc., and HECO, MECO and HELCO dated January 31, 2012 (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, nine months ended September 30, 2012 and 2011 and years ended December 31, 2011, 2010, 2009, 2008 and 2007
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 32.2	HECO Certification Pursuant to 18 U.S.C. Section 1350

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
Executive Vice President,
Chief Financial Officer and Treasurer
(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: November 8, 2012

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/ Cathlynn L. Yoshida
Cathlynn L. Yoshida
Controller
(Principal Accounting Officer of HECO)

Date: November 8, 2012

HEI Exhibit 4

MASTER TRUST AGREEMENT

Between

HAWAIIAN ELECTRIC INDUSTRIES, INC. AND AMERICAN SAVINGS BANK, F.S.B.

And

FIDELITY MANAGEMENT TRUST COMPANY

HAWAIIAN ELECTRIC INDUSTRIES RETIREMENT SAVINGS PLAN AND AMERICAN SAVINGS BANK 401(k) PLAN MASTER TRUST

Dated as of September 4, 2012

Confidential Information

TABLE OF CONTENTS

Section 1 Definitions 5
Section 2 Trust 9
Section 3 Exclusive Benefit and Reversion of Sponsor Contributions 9
Section 4 Disbursements 9
Section 5 Investment of Trust 10
(a) Selection of Investment Options 10
(b) Available Investment Options 10
(c) Participant Direction 10
(d) Mutual Funds 11
(i) Execution of Purchases and Sales 11
(ii) Voting 11
(iii) Fidelity Freedom K® Funds 12
(e) Sponsor Stock 12
(i) Acquisition Limit 13
(ii) Fiduciary Duty 13
(iii) Purchases and Sales of HEI Common Stock 13
(iv) Execution of Purchases and Sales of Units in the Stock Fund 14
(v) Securities Law Reports 15
(vi) Voting and Tender Offers 15
(vii) General 17
(viii) Conversion 17
(f) Participant Loans 17
(g) Trustee Powers 17
Section 6 Recordkeeping and Administrative Services to Be Performed 18
(a) General 18
(b) Accounts 19
(c) Inspection and Audit 19
(d) Notice of Plan Amendment 20
(e) Returns, Reports and Information 20
(f) Allocation of Interests 20
(g) Performance Standards 20
Section 7 Compensation and Expenses 21
Section 8 Directions, Indemnification and Data Conditions 21
(a) Identity of Administrator and Named Fiduciary 21
(b) Directions from Administrator 21
(c) Directions from Named Fiduciary or Sponsor 22
(d) Co–Fiduciary Liability 22
(e) Indemnification 22
(f) Data Conditions 23
(g) Exclusion of Damages 23
Section 9 Resignation or Removal of Trustee; Termination of Agreement 23
(a) Resignation and Removal 23
(b) Termination 23
(c) Notice Period 24
(d) Transition Assistance 24
(e) Failure to Appoint Successor 24
Section 10 Successor Trustee 24
(a) Appointment 24
(b) Acceptance 24
(c) Corporate Action 25
Section 11 Resignation, Removal, and Termination Notices 25
Section 12 Duration 25
Section 13 Amendment or Modification 25
Section 14 Electronic Services 25
Section 15 Assignment 26

Section 16 Proprietary Material 27
Section 17 Force Majeure 27
Section 18 Confidentiality; Safeguarding of Data 27
(a) Confidential Information 27
(b) Ownership of Information/Safeguarding Information 27
(c) Return of Information 28
(d) Exceptions to Confidential Treatment 28
(e) No Duty to Disclose 28
(f) Personal Data 28
(g) Foreign Data Protection Laws 29
Section 19 Resolution of Disputes 29
(a) Informal Dispute Resolution 29
(b) Non–Binding Mediation 29
(c) Exceptions to Dispute Resolution Procedure 30
Section 20 General 30
(a) Performance by Trustee, its Agents or Affiliates 30
(b) Delegation by Participating Employer 30
(c) Entire Agreement 30
(d) Waiver 30
(e) Successors and Assigns 31
(f) Partial Invalidity 31
(g) Section Headings 31
(h) Communications 31
(i) Content 31
(ii) Delivery 31
(i) Survival 31
(j) Duty to Mitigate Damages 32
(k) Sponsor Authorization 32
Section 21 No Assignment or Alienation of Benefits 33
Section 22 Governing Law 33
(a) Massachusetts Law Controls 33
(b) Trust Agreement Controls 33
(c) Situs of Trust 33
Section 23 Compliance with Laws 33
Section 24 Plan Qualification 33
SCHEDULES
SCHEDULE A — Administrative Services 35
SCHEDULE B — Fee Schedule 42
SCHEDULE B–1 – Procedures Governing Revenue Credit Account 49
SCHEDULE C — Investment Options 51
SCHEDULE D — Available Liquidity Procedures for Unitized Stock Fund 53
SCHEDULE E — Dividend Pass–Through Program Operating Procedures for Processing Dividends 54
SCHEDULE F — Performance Standards 56

MASTER TRUST AGREEMENT, dated as of September 4, 2012 (“Effective Date”), between **HAWAIIAN ELECTRIC INDUSTRIES, INC.** (“HEI”), a Hawaii corporation, and **AMERICAN SAVINGS BANK, F.S.B.** (“ASB”), a federal savings bank and wholly owned indirect subsidiary of HEI, (collectively and individually, the “Sponsor”), having principal executive offices at 1001 Bishop Street, Suite 2900, Honolulu, Hawaii 96813 and **FIDELITY MANAGEMENT TRUST COMPANY**, a Massachusetts trust company, having an office at 82 Devonshire Street, Boston, Massachusetts 02109 (the “Trustee”).

WITNESSETH:

WHEREAS, the Sponsor is the sponsor of the Hawaiian Electric Industries Retirement Savings Plan and the American Savings Bank 401(k) Plan, as amended from time to time (collectively and individually, the “Plan”); and

WHEREAS, the Plan is intended to comply with the requirements of sections 401(a) and 401(k) of the Internal Revenue Code of 1986, as amended, and Title I of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”); and

WHEREAS, the Plan is intended to be a plan described in section 404(c) of ERISA, under which the fiduciaries of the Plan may be relieved from liability for any loss, or with respect to any breach of Part 4, Title I of ERISA, that is the direct and necessary result of a Participant’s or beneficiary’s exercise of control over the investments in his or her individual account; and

WHEREAS, certain affiliates and subsidiaries of the Sponsor may in the future maintain other tax−qualified defined contribution retirement plans that are subject to Title I of ERISA for the benefit of their eligible employees; and

WHEREAS, the Sponsor and the Trustee have heretofore entered into a master trust agreement dated February 1, 2000, as amended from time to time, for the custody and investment of Plan assets; and

WHEREAS, the Sponsor wishes to continue the master trust by amending and restating the master trust agreement in its entirety; and

WHEREAS, the Trustee is willing to continue to hold the aforesaid Plan assets in trust for the exclusive benefit of Participants and their beneficiaries pursuant to the provisions of this amended and restated Master Trust Agreement, and the Trustee is willing to invest the Plan assets held in trust among several investment options selected by the Named Fiduciary (as defined herein); and

WHEREAS, the Trustee shall maintain a separate account reflecting the equitable share of each Plan in the Trust, as defined herein, and in all investments, receipts, disbursements and other transactions hereunder, and shall report the value of such equitable share at such times as may be mutually agreed upon by the Trustee and the Sponsor. Such equitable share shall be used solely for the payment of benefits, expenses and other charges properly allocable to each such Plan and shall not be used for the payment of benefits, expenses or other charges properly allocable to any other Plan; and

WHEREAS, the Sponsor also wishes to have the Trustee continue to perform certain ministerial recordkeeping and administrative functions for the Plan; and

WHEREAS, the Trustee is willing to perform recordkeeping and administrative services for the Plan if the services are ministerial in nature and are provided within a framework of Plan provisions, guidelines and interpretations conveyed in writing to the Trustee by the Administrator (as defined herein).

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants and agreements set forth below, the Sponsor and the Trustee agree as follows:

Section 1 Definitions

The following terms as used in this Trust Agreement have the meaning indicated unless the context clearly requires otherwise:

(a) "Administrator"

"Administrator" means HEI with respect to the HEIRS Plan and the PIC (as defined herein) with respect to the ASB 401(k) Plan, or such other committee, individual or entity that is so designated by the terms of the Plan. The Sponsor shall notify the Trustee in writing of any change in the Administrator.

(b) "Agreement"

"Agreement" means this Master Trust Agreement, and the Schedules and Exhibits attached hereto, as the same may be amended and in effect from time to time.

(c) "ASB"

"ASB" means American Savings Bank, F.S.B., a federal savings bank.

(d) "ASB 401(k) Plan"

"ASB 401(k) Plan" means the American Savings Bank 401(k) Plan, as such may be amended from time to time.

(e) "Available Liquidity"

"Available Liquidity" means the amount of short−term investments held in the Stock Fund, decreased by any outgoing cash for expenses then due, payables for loan principal and obligations for pending stock purchases, and increased by incoming cash (such as contributions, exchanges in, loan repayments) and, to the extent credit is available and allocable to the Stock Fund, receivables for pending stock sales.

(f) "Business Day"

"Business Day" means each day the NYSE is open. The closing of a Business Day shall mean the NYSE's normal closing time of 4:00 p.m. (ET), however, in the event the NYSE closes before such time or alters its closing time, all references to the NYSE closing time shall mean the actual or altered closing time of the NYSE.

(g) "Closing Price"

"Closing Price" means either (1) the closing price of Sponsor Stock on the principal national securities exchange on which the Sponsor Stock is traded or, in the case of stock traded over the counter, the last sale price of the day; or, if (1) is unavailable, (2) the latest available price as reported by the principal national securities exchange on which the Sponsor Stock is traded or, for an over the counter stock, the last bid price prior to the close of the NYSE (generally 4:00 p.m.(ET)).

(h) "Code"

"Code" means the Internal Revenue Code of 1986, as it has been or may be amended from time to time.

(i) "EDT"

"EDT" means electronic data transfer.

(j) "Electronic Services"

"Electronic Services" means communications and services made available via electronic media.

(k) "ERISA"

"ERISA" means the Employee Retirement Income Security Act of 1974, as it has been or may be amended from time to time.

(l) "External Account Information"

"External Account Information" means account information, including retirement savings account information, from third party websites or other websites maintained by Fidelity or its affiliates.

(m) "FBSLLC"

"FBSLLC" means Fidelity Brokerage Services LLC.

(n) "Fidelity Mutual Fund"

"Fidelity Mutual Fund" means any investment company advised by Fidelity Management & Research Company or any of its affiliates.

(o) "Fidelity Plan Sponsor Webstation®"

"Fidelity Plan Sponsor Webstation®" ("PSW®") means the graphical Windows–based application that provides current Plan and Participant information including indicative data, account balances, activity and history.

(p) "FIFO"

"FIFO" means First In First Out.

(q) "FIIOC"

"FIIOC" means Fidelity Investments Institutional Operations Company, Inc.

(r) "HEI"

"HEI" means Hawaiian Electric Industries, Inc., a Hawaii corporation.

(s) “HEIRS Plan”

“HEIRS Plan” means the Hawaiian Electric Industries Retirement Savings Plan, as such may be amended from time to time.

(t) “In Good Order”

“In Good Order” means in a state or condition acceptable to the Trustee in its sole discretion, which the Trustee determines is reasonably necessary for accurate execution of the intended transaction.

(u) “IRS”

“IRS” means the Internal Revenue Service.

(v) “Losses”

“Losses” means any and all loss, damage, penalty, liability, cost and expense, including, without limitation, reasonable attorney’s fees and disbursements.

(w) “Mutual Fund”

“Mutual Fund” refers both to Fidelity Mutual Funds and Non−Fidelity Mutual Funds.

(x) “Named Fiduciary”

“Named Fiduciary” means the Hawaiian Electric Industries, Inc. Pension Investment Committee, a fiduciary who is named in the Plan, or who, pursuant to a procedure specified in the Plan, is identified as a fiduciary by the Sponsor, in accordance with Section 402(a)(2) of ERISA, or, otherwise, the Sponsor. The Sponsor shall notify the Trustee in writing of any change in the Named Fiduciary.

(y) “NAV”

“NAV” means Net Asset Value.

(z) “NFSLLC”

“NFSLLC” means National Financial Services LLC.

(aa) “Non−Fidelity Mutual Fund”

“Non−Fidelity Mutual Fund” means certain investment companies not advised by Fidelity Management & Research Company or any of its affiliates.

(bb) “NYSE”

“NYSE” means the New York Stock Exchange.

(cc) “Participant”

“Participant” means, with respect to the Plan, any employee, former employee or alternate payee with an account under the Plan, which has not yet been fully distributed and/or forfeited, and shall include the

designated beneficiary(ies) with respect to the account of any deceased employee, former employee, or alternate payee until such account has been fully distributed and/or forfeited.

(dd) "PIC"

"PIC" means the Hawaiian Electric Industries, Inc. Pension Investment Committee.

(ee) "PIN"

"PIN" means personal identification number.

(ff) "Plan"

"Plan" means the HEIRS Plan and the ASB 401(k) Plan, as they may be amended from time to time, (collectively and individually, the "Plan") and such other tax–qualified, defined contribution plans which are maintained by the Sponsor or any of its subsidiaries or affiliates for the benefit of their eligible employees as may be designated by the Sponsor in writing to the Trustee as a Plan hereunder. Each reference to "a Plan" or "the Plan" in this Agreement shall mean and include the Plan or Plans to which the particular provision of this Agreement is being applied or all Plans, as the context may require.

(gg) "Plan Administration Manual"

"Plan Administration Manual" means the document which sets forth the administrative and recordkeeping duties and procedures to be followed by the Trustee in administering the Plan, as such document may be amended and in effect from time to time.

(hh) "Reporting Date"

"Reporting Date" means the last day of each fiscal quarter of the Plan and, if not on the last day of a fiscal quarter, the date as of which the Trustee resigns or is removed or the Agreement terminates pursuant to Section 9 hereof.

(ii) "SEC"

"SEC" means the U.S. Securities and Exchange Commission.

(jj) "Specified Hierarchy"

"Specified Hierarchy" means the Stock Fund processing order set forth in Schedule D, that gives precedence to distributions, loans and withdrawals, and otherwise on a FIFO basis.

(kk) "Sponsor"

"Sponsor" means HEI with respect to the HEIRS Plan and ASB with respect to the ASB 401(k) Plan, (collectively and individually, the "Sponsor") or any successor of the respective entity to all or substantially all of the respective entity's businesses which, by agreement, operation of law or otherwise, assumes the responsibility of the Sponsor under this Agreement.

(ll) "Sponsor Stock"

"Sponsor Stock" means the common stock of HEI, or such other publicly traded stock of the Sponsor, or such other publicly traded stock of the Sponsor's affiliates as meets the requirements of section 407(d)(5) of ERISA with respect to the Plan.

(mm) "Stock Fund"

"Stock Fund" means the investment option consisting of Sponsor Stock or primarily of Sponsor Stock and cash or short term liquid investments.

(nn) "Trust"

"Trust" means the Hawaiian Electric Industries Retirement Savings Plan and American Savings Bank 401(k) Plan Master Trust, being the trust maintained by the Sponsor and the Trustee pursuant to the provisions of this Agreement.

(oo) "Trustee"

"Trustee" means Fidelity Management Trust Company, a Massachusetts trust company and any successor to all or substantially all of its trust business as described in Section 10(c). The term Trustee shall also include any successor trustee appointed pursuant to Section 10 to the extent such successor agrees to serve as Trustee under this Agreement.

(pp) "VRS"

"VRS" means Voice Response System.

Section 2 Trust

The Sponsor hereby continues the Trust with the Trustee pursuant to the terms of this amended and restated Master Trust Agreement. The Trust consists of such Plan assets held by the Trustee for the Plan at 12:00 a.m. on the Effective Date, and shall include such additional sums of money, Sponsor Stock or other property acceptable to the Trustee in its sole discretion, as shall from time to time be delivered to the Trustee under the Plan, all investments made therewith and proceeds thereof, and all earnings and profits thereon, less the payments that are made by the Trustee as provided herein, without distinction between principal and income. The Trustee hereby accepts the ongoing Trust on the terms and conditions set forth in this Agreement. In accepting this ongoing Trust, the Trustee shall be accountable for the assets held and received by it, subject to the terms and conditions of this Agreement. The Sponsor and Named Fiduciary retain the right to hold other Plan assets in a trust or insurance contract which shall be separate and apart from this Trust, and the Trustee shall have no responsibilities with respect to such trust or insurance contract except as specifically set forth herein.

Section 3 Exclusive Benefit and Reversion of Sponsor Contributions

Except as permitted under ERISA and/or other applicable law, no part of the Trust allocable to a Plan may be used for, or diverted to, purposes other than the exclusive benefit of the Participants in the Plan or their beneficiaries or the reasonable expenses of Plan administration. No assets of the Plan shall revert to the Sponsor, except as specifically permitted by the terms of the Plan and ERISA.

Section 4 Disbursements

The Trustee shall make disbursements as directed by the Participant or the Administrator, as applicable, in accordance with the provisions of the Plan Administration Manual. The Trustee shall have no responsibility to ascertain any direction's compliance with the terms of the Plan (except to the extent the terms of the Plan have been communicated to the Trustee in writing) or of any applicable law (unless it is clear on the direction's face that the actions to be taken under the direction would be contrary to ERISA or federal securities laws) or the direction's effect for tax purposes or otherwise; nor shall the Trustee have any responsibility to see to the application of any disbursement. The Trustee shall not be required to make any disbursement under a Plan in excess of the net realizable value of the assets of the Trust allocable to such Plan at the time of the disbursement.

For the purposes of this Agreement, where any Plan distribution exceeds the benefit due a Participant, the Participant shall be required to repay such amounts, and the Plan shall not be deemed to have incurred any loss in connection with any overpayment unless and until it has been determined that the Participant will not restore such amounts to the Plan. Consistent with the foregoing, the Trustee and Sponsor shall cooperate in making commercially reasonable attempts to recover such overpayment from the Participant prior to either the Trustee or the Sponsor restoring such amount to the Plan, provided that the reasonable expenses and fees incurred in such collection efforts shall be the responsibility of the party that caused the error.

Section 5 Investment of Trust

(a) Selection of Investment Options

The Trustee shall have no responsibility for the selection of investment options under the Trust and shall not render investment advice to any person in connection with the selection of such options.

(b) Available Investment Options

The Named Fiduciary with respect to the Plan shall direct the Trustee as to the investment options in which the Trust shall be invested. The investment options selected by the Named Fiduciary as of the Effective Date are identified on Schedule C attached hereto. The Trustee shall be responsible for providing services under this Agreement solely with respect to those investment options set forth on Schedule C, which have been designated by the Named Fiduciary in its sole discretion and with respect to such other or different investment options as are designated by the Named Fiduciary, accepted by the Trustee in writing and reflected on an amended Schedule C. Although the Named Fiduciary retains sole discretion as to the investment options for the Plan, the Trustee shall not, absent its written consent, be required to provide services with respect to other investment options that the Named Fiduciary seeks to add to the Trust. Except where stated otherwise in this Agreement by explicit reference to Plan assets being held outside the Trust, all obligations of the Trustee hereunder (including all services to be performed by the Trustee) with respect to the Plan shall be performed solely with respect to the investment options set forth on Schedule C (as amended by mutual agreement), and no other investments that may be held under a separate trust or insurance product with respect to the Plan shall be considered by the Trustee in its performance of such obligations. The Trustee shall be considered a fiduciary with investment discretion only with respect to Plan assets that are invested in stable value investments managed by the Trustee or collective investment funds maintained by the Trustee for qualified plans to the extent any such investments are listed on Schedule C (as amended by mutual agreement) as investment options.

(c) Participant Direction

As authorized under the Plan, each Participant shall direct the Trustee in which investment option(s) to invest the assets in the Participant's individual accounts. Such directions may be made by Participants by use of the telephone exchange system, the Internet or in such other manner as may be agreed upon from time to time by the Sponsor and the Trustee, and shall be processed in accordance with fund exchange provisions set forth in the Plan Administration Manual. The Trustee shall not be liable for any loss or expense that arise from a Participant's exercise or non–exercise of rights under this Section 5 over the assets in the Participant's accounts. In the event that the Trustee fails to receive a proper direction from the Participant, the assets shall be invested in the investment option set forth for such purpose on Schedule C, until the Trustee receives a proper direction.

(d) Mutual Funds

On the Effective Date, in lieu of receiving a printed copy of the prospectus for each Fidelity Mutual Fund selected by the Named Fiduciary as a Plan investment option or short–term investment fund, the Named Fiduciary hereby consents to receiving such documents electronically. The Named Fiduciary shall access each prospectus on the Internet after receiving notice from the Trustee that a current version is available online at a website maintained by the Trustee or its affiliate. The Trustee represents that on the Effective Date, a current version of each such prospectus is available at *http://www.fidelity.com/workplacedocuments* or such successor website as the Trustee may notify the Named Fiduciary of in writing from time to time. The Named Fiduciary represents that it has accessed/will access each such prospectus at *http://www.fidelity.com/workplacedocuments* or such successor website as the Trustee may notify the Named Fiduciary of in writing from time to time as of the Effective Date.

Trust investments in Mutual Funds shall be subject to the following limitations:

(i) **Execution of Purchases and Sales**

Purchases and sales of Mutual Funds (other than for exchanges) shall be made on the date on which the Trustee receives from the Participant and/or Administrator, as applicable, In Good Order all information, documentation and wire transfer of funds necessary to accurately effect such transactions. Exchanges of Mutual Funds shall be processed in accordance with the fund exchange provisions set forth in the Plan Administration Manual.

(ii) **Voting**

At the time of mailing of notice of each annual or special stockholders' meeting of any Mutual Fund, the Trustee shall send a copy of the notice and all proxy solicitation materials to each Participant who has shares of such Mutual Fund credited to the Participant's accounts, together with a voting direction form for return to the Trustee or its designee. The Participant shall have the right to direct the Trustee as to the manner in which the Trustee is to vote the shares credited to the Participant's accounts (both vested and unvested). The Trustee shall vote the shares as directed by the Participant. The Trustee shall not vote shares for which it has received no directions from the Participant.

The Named Fiduciary shall have the right to direct the Trustee as to the manner in which the Trustee is to vote any Mutual Funds shares held in a short–term investment fund for liquidity reserve. The Trustee shall not vote any Mutual Fund shares held in a short–term investment fund for liquidity reserve for which the Trustee has received no directions from the Named Fiduciary.

With respect to all rights other than the right to vote, the Trustee shall follow the directions of the Participant and if no such directions are received, the directions of the Named Fiduciary. The Trustee shall have no further duty to solicit directions from Participants or the Named Fiduciary.

(iii) **Fidelity Freedom K® Funds**

The Sponsor hereby acknowledges that eligibility for the Fidelity Freedom K® 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 $20 million in total defined contribution plan assets record–kept at Fidelity. The Sponsor further understands that in the event such business requirements are not met, the Plan may no longer be eligible for Fidelity Freedom K® Funds. The Trustee shall provide notice to the Sponsor if the Plan is no longer eligible for Fidelity Freedom K® Funds. If the Plan is no longer eligible, such positions will be liquidated and the proceeds will be invested at the direction of the Named Fiduciary. The timing of such liquidation will be mutually agreed upon by the Sponsor and the Trustee but shall in no event be permitted to extend more than ninety (90) days past the Trustee's notice of ineligibility.

(e) Sponsor Stock

Trust investments in HEI common stock shall be made via the Stock Fund. Investments in the Stock Fund shall consist primarily of shares of HEI common stock. The Stock Fund shall also include a target range of cash or short–term liquid investments, in accordance with this paragraph, in amounts designed to satisfy daily Participant exchange or withdrawal requests. Such holdings will include Colchester Street Trust: Money Market Portfolio: Class I or such other Mutual Fund or commingled money market pool as agreed to in writing by the Sponsor or Named Fiduciary and the Trustee. As of the Effective Date, the target range of cash and short–term liquid investments is 2%, ±0.2%, and may be changed as agreed to in writing between the Sponsor or Named Fiduciary and the Trustee via letter of direction. Subject to its ability to execute open–market trades in HEI common stock or to otherwise trade with the Sponsor, the Trustee shall be responsible for ensuring that the short–term investments held in the Stock Fund fall within the agreed–upon range over time. Each Participant's proportional interest in the Stock Fund shall be measured in units of participation, rather than shares of HEI common stock. Such units shall represent a proportionate interest in all of the assets of the Stock Fund, which includes shares of HEI common stock, short–term investments and at times, receivables and payables (such as receivables and payables arising out of unsettled stock trades). The Trustee shall determine a NAV for each unit outstanding of the Stock Fund. Valuation of the Stock Fund shall be based upon: (a) the Closing Price at the end of each Business Day or, if not available, (b) the price determined in good faith by the Trustee. The NAV shall be adjusted for gains or losses realized on sales of HEI common stock, appreciation or depreciation in the value of those shares owned, and interest on the short–term investments held by the Stock Fund, payables and receivables for pending stock trades, receivables for dividends not yet distributed, and payables for other expenses of the Stock Fund, including principal obligations, if any, and expenses that, pursuant to Sponsor direction, the Trustee accrues or pays from the Stock Fund.

Dividends on shares of HEI common stock held in the Stock Fund shall be: (A) paid to Participants in cash; or (B) retained by the Trustee in the Stock Fund and used to allocate additional units of such Stock Fund to the accounts of Participants who have elected to have dividends reinvested. In the absence of valid Participant direction to the contrary, the Participant shall be deemed to have directed the Trustee to reinvest the Participant's dividend in additional shares of the Stock Fund, and the Named Fiduciary directs the Trustee to reinvest the Participant's dividend accordingly. The Trustee shall pay out or reinvest the dividend in accordance with Schedule E, attached hereto.

(i) **Acquisition Limit**

Pursuant to the Plan, the Trust may be invested in HEI common stock to the extent necessary to comply with investment directions by Participants and beneficiaries in accordance with this Agreement. The Sponsor shall be responsible for providing specific direction on any acquisition limits required by the Plan or applicable law.

(ii) **Fiduciary Duty**

(A) The Named Fiduciary is responsible for offering the Stock Fund as an investment option under the Plan. The Trustee shall not be liable for any loss or expense which arises from the directions of the Named Fiduciary with respect to the acquisition and holding of HEI common stock, unless the recipient of the direction knew or should have known that the actions to be taken under those directions would be prohibited by ERISA or would be contrary to the terms of this Agreement.

(B) Each Participant with an interest in the Stock Fund is, for purposes of this section 5(e)(ii), hereby designated as a "named fiduciary" (within the meaning of section 402(a)(2) of ERISA), with respect to the units allocated to his or her account that were not purchased at his or her direction, and shall have the right to direct the Trustee as to the manner in which the Trustee is to vote or tender shares of HEI common stock attributable to the Participant's interest in the Stock Fund, including the right to direct the Trustee's conduct, in accordance with Section 5(e)(vi) below, by his or her failure to respond within the required time frame.

(iii) **Purchases and Sales of HEI Common Stock**

Unless otherwise directed by the Sponsor in writing pursuant to directions that the Trustee can administratively implement, the following provisions shall govern purchases and sales of HEI common stock.

(A) Open Market Purchases and Sales. Purchases and sales of HEI common stock shall be made on the open market in accordance with the Trustee's standard trading guidelines, as they may be amended by the Trustee from time to time, as necessary to honor exchange and withdrawal activity and to maintain the target cash percentage and drift allowance for the Stock Fund, provided that:

(1) If the Trustee is unable to purchase or sell the total number of shares required to be purchased or sold on such day as a result of market conditions; or

(2) If the Trustee is prohibited by the SEC, the NYSE or principal exchange on which the HEI common stock is traded, or any other regulatory body from purchasing or selling any or all of the shares required to be purchased or sold on such day,

then, under the circumstances set forth in either (1) or (2), the Trustee shall purchase or sell such shares as soon thereafter as administratively feasible.

(B) Purchases and Sales from or to Sponsor. If directed by the Sponsor in writing prior to the trading date, the Trustee may purchase or sell HEI common stock from or to the Sponsor if the purchase or sale is for adequate consideration (within the meaning of section 3(18) of ERISA) and no commission is charged. If Sponsor contributions (employer) or contributions made by the Sponsor on behalf of the Participants (employee) under the Plan are to be invested in HEI common stock, the Sponsor may transfer HEI common stock in lieu of cash to the Trust. In either case, the number of

shares to be transferred will be determined by dividing the total amount of HEI common stock to be purchased or sold by the Closing Price on the trading date. No fractional shares will be purchased or sold.

(C) Use of an Affiliated Broker. The Named Fiduciary hereby directs the Trustee to use Fidelity Capital Markets, a division of NFSLLC, to provide brokerage services in connection with any purchase or sale of HEI common stock on the open market, except in circumstances where the Trustee has determined, in accordance with its standard trading guidelines or pursuant to Sponsor direction, to seek expedited settlement of the trades. Fidelity Capital Markets shall execute such directions directly or through any of its affiliates. Fidelity Capital Markets or its affiliate shall seek best execution in provision of brokerage services in connection with the purchase and sale of Sponsor Stock. The provision of brokerage services shall be subject to the following:

(1) The Trustee will provide the Named Fiduciary with periodic reports which summarize all securities transaction–related charges incurred with respect to trades of HEI common stock for the Plan.

(2) Any successor organization of Fidelity Capital Markets, through reorganization, consolidation, merger or similar transactions, shall, upon consummation of such transaction, become the successor broker in accordance with the terms of this direction provision.

(3) The Trustee and Fidelity Capital Markets shall continue to rely on this direction provision until notified to the contrary. The Named Fiduciary reserves the right to terminate this direction upon written notice to Fidelity Capital Markets (or its successor) and the Trustee, in accordance with Section 11 of this Agreement.

(iv) **Execution of Purchases and Sales of Units in the Stock Fund**

Unless otherwise directed in writing pursuant to directions that the Trustee can administratively implement, purchases and sales of units in the Stock Fund shall be made as follows:

(A) Subject to subparagraphs (B) and (C) below, purchases and sales of units in the Stock Fund (other than for exchanges) shall be made on the date on which the Trustee receives from the Participant and/or Administrator, as applicable, In Good Order all information, documentation, and wire transfers of funds necessary to accurately effect such transactions. Exchange transaction requests received before the close of the market (generally 4:00 p.m. (ET)) on any Business Day will receive that day’s trade date if Available Liquidity is sufficient to honor the trade after Specified Hierarchy rules are applied. Requests received after the close of the market on any Business Day (or on any day other than a Business Day) will be processed on a next Business Day basis, subject to Available Liquidity for such day after application of Specified Hierarchy rules.

(B) Aggregate sales of units in the Stock Fund on any day shall be limited to the Stock Fund’s Available Liquidity for that day. In the event that the requested sales exceed the Available Liquidity, then transactions shall be processed giving precedence to distributions, loans and withdrawals, and otherwise on a FIFO basis, as provided in Schedule D (the “Specified Hierarchy”). So long as the Stock Fund is open for such transactions, sales of units that are requested but not processed on a given day due to insufficient Available Liquidity shall be suspended until Available Liquidity is sufficient to honor such transactions in accordance with the Specified Hierarchy.

(C) The Trustee shall close the Stock Fund to sales or purchases of units, as applicable, on any date on which trading in HEI common stock has been suspended or substantial purchase or sale orders are outstanding and cannot be executed.

(v) **Securities Law Reports**

HEI shall be responsible for filing all reports required under Federal or state securities laws with respect to the Trust's ownership of HEI common stock, including, without limitation, any reports required under section 13 or 16 of the Securities Exchange Act of 1934, and shall immediately notify the Trustee in writing of any requirement to stop purchases or sales of HEI common stock pending the filing of any report. The Trustee shall provide to the Sponsor such information on the Trust's ownership of HEI common stock as the Sponsor may reasonably request in order to comply with Federal or state securities laws.

(vi) **Voting and Tender Offers**

Notwithstanding any other provision of this Agreement, the provisions of this Section shall govern the voting and tendering of HEI common stock. The Sponsor shall pay for all printing, mailing, tabulation and other costs associated with the voting and tendering of HEI common stock. The Trustee, after consultation with the Sponsor, shall prepare the necessary documents associated with the voting and tendering of HEI common stock.

(A) Voting

(1) When the issuer of HEI common stock prepares for any annual or special meeting, the Sponsor shall notify the Trustee at least thirty (30) days in advance of the intended record date and shall cause a copy of all proxy solicitation materials to be sent to the Trustee. If requested by the Trustee, the Sponsor shall certify to the Trustee that the aforementioned materials represent the same information that is distributed to shareholders of HEI common stock. Based on these materials, the Trustee shall prepare a voting instruction form, and the Trustee shall provide to each Participant with an interest in HEI common stock held in the Trust a copy of all proxy solicitation materials together with the foregoing voting instruction form to be returned to the Trustee or its designee. The form shall show the proportional interest in the number of full and fractional shares of HEI common stock credited to the Participant's accounts held in the Stock Fund.

(2) Each Participant with an interest in the Stock Fund shall have the right to direct the Trustee as to the manner in which the Trustee is to vote (including not to vote) that number of shares of HEI common stock reflecting such Participant's proportional interest in the Stock Fund (both vested and unvested). Directions from a Participant to the Trustee concerning the voting of HEI common stock shall be communicated in writing, or by such other means as is agreed upon by the Trustee and the Sponsor. These directions shall be held in confidence by the Trustee and shall not be divulged to the Sponsor, or any officer or employee thereof, or any other person except to the extent that the consequences of such directions are reflected in reports regularly communicated to any such persons in the ordinary course of the performance of the Trustee's services hereunder. Upon its receipt of the directions, the Trustee shall vote the shares of HEI common stock reflecting the Participant's proportional interest in the Stock Fund as directed by the Participant. Except as otherwise required by law, the Trustee shall vote shares of HEI common stock credited to a Participant's account for which it has received no direction from the Participant in the same proportion on each issue as it votes those shares credited to Participants' accounts for which it has received voting directions from Participants. The voting instruction form shall inform each Participant how shares of HEI common stock for which the Trustee does not receive Participant direction will be voted.

(3) Except as otherwise required by law, the Trustee shall vote that number of shares of HEI common stock not credited to Participants' accounts in the same proportion on

each issue as it votes those shares credited to Participants' accounts for which it received voting directions from Participants.

(B) Tender Offers

(1) Upon commencement of a tender offer for any securities held in the Trust that are HEI common stock, the Sponsor shall timely notify the Trustee in advance of the intended tender date and shall cause a copy of all materials to be sent to the Trustee. The Sponsor shall certify to the Trustee that the aforementioned materials represent the same information distributed to shareholders of HEI common stock. Based on these materials, the Trustee shall prepare a tender instruction form, and the Trustee shall provide to each Participant with an interest in HEI common stock held in the Trust a copy of all tender materials together with the foregoing tender instruction form to be returned to the Trustee or its designee. The tender instruction form shall show the number of full and fractional shares of HEI common stock that reflect the Participant's proportional interest in the Stock Fund (both vested and unvested).

(2) Each Participant with an interest in the Stock Fund shall have the right to direct the Trustee to tender or not to tender some or all of the shares of HEI common stock reflecting such Participant's proportional interest in the Stock Fund (both vested and unvested). Directions from a Participant to the Trustee concerning the tender of HEI common stock shall be communicated in writing, or by such other means as is agreed upon by the Trustee and the Sponsor. These directions shall be held in confidence by the Trustee and shall not be divulged to the Sponsor, or any officer or employee thereof, or any other person except to the extent that the consequences of such directions are reflected in reports regularly communicated to any such persons in the ordinary course of the performance of the Trustee's services hereunder. However, the Trustee will provide to the Sponsor, as reasonably requested by the Sponsor, periodic reports indicating the number of shares tendered and not tendered. The Trustee shall tender or not tender shares of HEI common stock as directed by the Participant. Except as otherwise required by law, the Trustee shall not tender shares of HEI common stock reflecting a Participant's proportional interest in the Stock Fund for which it has received no direction from the Participant. The tender instruction form shall inform Participants that a Participant who does not provide direction to the Trustee with respect to the tendering of HEI common stock shall be deemed by the Participant's silence to have directed the Trustee not to tender HEI common stock attributable to the Participant's interest in the Stock Fund.

(3) Except as otherwise required by law, the Trustee shall tender that number of shares of HEI common stock not credited to Participants' accounts in the same proportion as the total number of shares of HEI common stock credited to Participants' accounts for which it has received instructions from Participants.

(4) A Participant who has directed the Trustee to tender some or all of the shares of HEI common stock reflecting the Participant's proportional interest in the Stock Fund may, at any time prior to the tender offer withdrawal date, direct the Trustee to withdraw some or all of the tendered shares reflecting the Participant's proportional interest, and the Trustee shall withdraw the directed number of shares from the tender offer prior to the tender offer withdrawal deadline. Prior to the withdrawal deadline, if any shares of HEI common stock not credited to Participants' accounts have been tendered, the Trustee shall redetermine the number of shares of HEI common stock that would be tendered under Section 5(e)(vi)(B)(3) if the date of the foregoing withdrawal were the date of determination, and withdraw from the tender offer the number of shares of HEI common stock not credited to Participants' accounts necessary to reduce the amount of tendered HEI common stock not credited to Participants' accounts to the amount so redetermined. A Participant shall not be limited as to the number of directions to tender or withdraw that the Participant may give to the Trustee.

(5) A direction by a Participant to the Trustee to tender shares of HEI common stock reflecting the Participant's proportional interest in the Stock Fund shall not be considered a written election under the Plan by the Participant to withdraw, or have distributed, any or all of the Participant's withdrawable shares. The Trustee shall credit to each proportional interest of the Participant from which the tendered shares were taken the proceeds received by the Trustee in exchange for the shares of HEI common stock tendered from that interest. Pending receipt of directions from the Participant or the Named Fiduciary, as provided in the Plan, as to which of the remaining investment options the proceeds should be invested in, the Trustee shall invest the proceeds in the investment option described in Schedule C.

(vii) **General**

With respect to all shareholder rights other than the right to vote, the right to tender, and the right to withdraw shares previously tendered, in the case of HEI common stock, the Trustee shall follow the directions of the Participant and, if no such directions are received, the directions of the Sponsor or Named Fiduciary.

(viii) **Conversion**

All provisions in this Section 5(e) shall also apply to any securities received as a result of a conversion of HEI common stock.

(f) Participant Loans

Loans shall be processed and administered in accordance with the Plan Administration Manual. The Administrator shall act as the Trustee's agent with regard to loans and as such shall (i) separately account for repayments of such loans and clearly identify such assets as Plan assets; and (ii) collect and remit all principal and interest payments to the Trustee. To the extent that the Participant is required to submit loan documentation to the Administrator for approval prior to the issuance of a loan, the Administrator shall also be responsible for (i) holding physical custody of and keeping safe the notes and other loan documents; and (ii) canceling and surrendering the notes and other loan documentation when a loan has been paid in full.

To facilitate recordkeeping, the Trustee may destroy the original of any proceeds check (including the promissory note) made in connection with a loan to a Participant under the Plan, provided that the Trustee or its agent first creates a duplicate by a photographic or optical scanning or other process yielding a reasonable facsimile of the proceeds check (including the promissory note) and the Participant's signature thereon, which duplicate may be reduced or enlarged in size from the actual size of the original.

(g) Trustee Powers

The Trustee shall have the following powers and authority:

(i) Subject to subsections (b), (c) and (e) of this Section 5, to sell, exchange, convey, transfer or otherwise dispose of any property held in the Trust, by private contract or at public auction. No person dealing with the Trustee shall be bound to see to the application of the purchase money or other property delivered to the Trustee or to inquire into the validity, expediency or propriety of any such sale or other disposition.

(ii) To cause any securities or other property held as part of the Trust to be registered in the Trustee's own name, in the name of one or more of its nominees or in the Trustee's account with the Depository Trust Company of New York and to hold any investments in bearer form, but the books and records of the Trustee shall at all times show that all such investments are part of the Trust.

(iii) To keep that portion of the Trust in cash or cash balances as the Named Fiduciary or Administrator may, from time to time, deem to be in the best interest of the Trust.

(iv) To make, execute, acknowledge, and deliver any and all documents of transfer or conveyance and to carry out the powers herein granted.

(v) To borrow funds from a bank not affiliated with the Trustee in order to provide sufficient liquidity to process Plan transactions in the Stock Fund in a timely fashion; provided that the cost of such borrowing shall be allocated to the Stock Fund. The Sponsor acknowledges that it has received the disclosure on the Trustee's line of credit program and credit allocation policy and a copy of the text of Prohibited Transaction Exemption 2002−55 prior to executing this Agreement if applicable.

(vi) To settle, compromise or submit to arbitration any claims, debts or damages due to or arising from the Trust; to commence or defend suits or legal or administrative proceedings; to represent the Trust in all suits and legal and administrative hearings; and to pay from the Trust all reasonable expenses arising from any such action if not paid by the Sponsor.

(vii) To employ legal, accounting, clerical and other assistance as may be required in carrying out the provisions of this Agreement and to pay their reasonable expenses and compensation from the Trust if not paid by the Sponsor.

(viii) To invest all or any part of the assets of the Trust in investment contracts and short term investments (including interest bearing accounts with the Trustee or money market mutual funds advised by affiliates of the Trustee) and in any collective investment trust or group trust, including any collective investment trust or group trust maintained by the Trustee, which then provides for the pooling of the assets of plans described in section 401(a) and exempt from tax under section 501(a) of the Code, or any comparable provisions of any future legislation that amends, supplements, or supersedes those sections, provided that such collective investment trust or group trust is exempt from tax under the Code or regulations or rulings issued by the Internal Revenue Service. The provisions of the document governing such collective investment trusts or group trusts, as it may be amended from time to time, shall govern any investment therein and are hereby made a part of this Trust Agreement.

(ix) To do all other acts, although not specifically mentioned herein, as the Trustee may deem necessary to carry out any of the foregoing powers and the purposes of the Trust.

Section 6 Recordkeeping and Administrative Services to Be Performed

(a) General

The Trustee shall perform those recordkeeping and administrative functions described in Schedule A attached hereto. These recordkeeping and administrative functions shall be performed within the framework of the Administrator's written directions regarding the Plan's provisions, guidelines and interpretations. The Sponsor acknowledges that the Trustee will be working to streamline and standardize its service model and agrees to reasonably cooperate with the Trustee in connection with those efforts. The Trustee will make the Sponsor aware of the service model changes in advance and will work with the Sponsor to determine the most efficient and effective methods of implementing the changes.

(b) Accounts

The Trustee shall keep accurate accounts of all investments, receipts, disbursements, and other transactions hereunder, and shall report the value of the assets held in the Trust as of each Reporting Date. Within thirty (30) days following each Reporting Date or within sixty (60) days in the case of a Reporting Date caused by the resignation or removal of the Trustee, or the termination of this Agreement, the Trustee shall file with the Administrator a written account setting forth all investments, receipts, disbursements and other transactions effected by the Trustee between the Reporting Date and the prior Reporting Date, and setting forth the value of the Trust as of the Reporting Date. Except as otherwise required under ERISA, upon the expiration of six (6) months from the date of filing such account, the Trustee shall have no liability or further accountability to the Administrator with respect to the propriety of its acts or transactions shown in such account (or any Participant level report provided to a Participant), except with respect to such acts or transactions as to which a written objection shall have been filed with the Trustee within such six (6) month period. Notwithstanding the foregoing, regardless of whether a written objection is filed with the Trustee within such six (6) month period, the Trustee shall not be released from liability or accountability for any item, matter or thing that (i) is attributable to the Trustee's fraud, criminal violation or willful misconduct, or (ii) could not have been discovered by a reasonably diligent review of the accounting.

(c) Inspection and Audit

The Trustee will provide to auditors (including third–party auditors and the Sponsor's internal audit staff) as the Sponsor may designate in writing, access to any Trustee owned or managed facility at which the services are being performed, to appropriate Trustee management personnel, and to the data and records (and other documentation reasonably requested by the Sponsor) maintained by the Trustee with respect to the services provided under this Agreement solely for the purpose of examining (i) transactional books and records maintained by the Trustee in order to provide the services, (ii) documentation of service level performance and (iii) invoices to the Sponsor. Any such audits will be conducted at the Sponsor's expense. The Sponsor and its auditors will first look to the most recent Service Organization Control I Report Type II ("Type II SOC"), formerly referred to as a Service Auditor's Report or SAS 70 Report, before conducting further audits. Type II SOC reports will be issued by the Trustee or its affiliate's independent public accounting firm in accordance with Statement on Standards for Attestation Engagements No. 16 ("SSAE 16"), Reporting on Controls at a Service Organization, or superseding standards set forth by the American Institute of Certified Public Accountants. Excepting audit requests from governmental or regulatory agencies, if a matter is not covered in such Type II SOC, then the Sponsor will provide the Trustee not less than ninety (90) days prior written notice of an audit and will provide a proposed detailed scope and timeframe of the audit requested by the Sponsor to the Trustee in writing at least sixty (60) days prior to the date of the audit. The Sponsor and its auditors will conduct such audits in a manner that will result in a minimum of inconvenience and disruption to the Trustee's operations. Audits may be conducted only during normal business hours and no more frequently than annually unless otherwise required as a matter of law or for compliance with regulatory or contractual requirements. Any audit assistance provided by the Trustee in excess of the number of audit hours per annum referenced in the fee schedule shall be provided on a fee–for–service basis. The Sponsor will reimburse the Trustee for any reasonable out of pocket expenses incurred by the Trustee in connection with an audit conducted pursuant to this section. The Sponsor and its auditors will not be entitled to review or audit (i) data or information of other customers or clients of the Trustee, (ii) any of the Trustee's proprietary data, or (iii) any other Confidential Information (defined in Section 18(a)) of the Trustee that is not relevant for the purposes of the audit. The Sponsor and its auditors will not be entitled to logical access to the Trustee's networks and systems, nor unrestricted physical access to the Trustee's facilities and personnel. Reviews of processes, controls and support documentation will be facilitated

with appropriate Trustee's personnel. The Trustee will use commercially reasonable efforts to cooperate in the audit, will make available on a timely basis the information reasonably required to conduct the audit and will assist the designated employees of the Sponsor or its auditors as reasonably necessary. To the maximum extent possible, audits will be designed and conducted (in such manner and with such frequency) so as not to interfere with the provision of the services outlined in this Agreement. The Sponsor will not use any competitors of the Trustee (or any significant subcontractor of the Trustee under this Agreement) to conduct such audits. The auditors and other representatives of the Sponsor will execute and deliver such confidentiality and non−disclosure agreements and comply with such security and confidentiality requirements as the Trustee may reasonably request in connection with such audits.

(d) Notice of Plan Amendment

The Trustee's provision of the recordkeeping and administrative services set forth in this Section 6 shall be conditioned on the Sponsor delivering to the Trustee a copy of any amendment to the Plan as soon as administratively feasible following the amendment's adoption and on the Administrator providing the Trustee, on a timely basis, with all the information the Trustee deems necessary for it to perform the recordkeeping and administrative services set forth herein, and such other information as the Trustee may reasonably request.

(e) Returns, Reports and Information

Except as set forth on Schedule A, the Administrator shall be responsible for the preparation and filing of all returns, reports and information required of the Trust or Plan by law. The Trustee shall provide the Administrator with such information as the Administrator may reasonably request to make these filings. The Administrator shall also be responsible for making any disclosures to Participants required by law, except such disclosure as may be required under federal or state truth−in−lending laws with regard to Participant loans, which shall be provided by the Trustee or the Administrator, as applicable.

(f) Allocation of Interests

All transfers to, withdrawals from, or other transactions regarding the Trust shall be conducted in such a way that the proportionate interest in the Trust of each Plan and the fair market value of that interest may be determined at any time. Whenever the assets of more than one Plan are commingled in the Trust or in any investment option, the undivided interest therein of each such Plan shall be debited or credited (as the case may be) (i) for the entire amount of every contribution received on behalf of such Plan, every benefit payment or other expense attributable solely to such Plan, and every other transaction relating only to such Plan; and (ii) for its proportionate share of every item of collected or accrued income, gain or loss, and general expense, and of any other transactions attributable to the Trust or that investment option as a whole.

(g) Performance Standards

The performance standards, which measure performance levels for the delivery of certain services by the Trustee to the Plan, are appended to and made part of this Agreement as Schedule F. The Trustee and the Sponsor agree and acknowledge that (i) the performance standards are included in this Agreement for the sole purpose of determining whether certain fee offsets may apply and, if so, the amount of such fee offsets, and (ii) any failure on the part of the Trustee to satisfy such performance standards shall not constitute a breach of the terms of this Agreement by the Trustee. The Trustee's performance shall be measured on a quarterly basis. The Trustee and the Sponsor shall: (i) review and discuss performance; (ii) problem solve any issues that have arisen in the delivery of the services; and (iii) discuss any proposed

improvements in delivery of the services.

Section 7 Compensation and Expenses

The Sponsor shall pay to the Trustee, within thirty (30) days of receipt of the Trustee's bill, the fees for services in accordance with Schedule B. Fees for services are specifically outlined in Schedule B and are based on all of the assumptions identified therein. The Trustee shall maintain its fees for three (3) years, with the opportunity at the end of the first three years for the Sponsor to review and direct the Trustee to extend the maintenance of its fees for an additional two (2) years; provided, however in the event the Plan characteristics referenced in the assumptions outlined in Schedule B change significantly by either falling below or exceeding current or projected levels, such fees may be subject to revision, upon mutual renegotiation. To reflect increased operating costs, Trustee may once each calendar year, but not prior to April 2, 2017, amend Schedule B with the Sponsor's consent, which may not be unreasonably withheld, upon one hundred eighty (180) days prior notice to the Sponsor.

All reasonable expenses of Plan administration as shown on Schedule B attached hereto, as amended from time to time, shall be a charge against and paid from the appropriate Participants' accounts, except to the extent such amounts are paid by the Sponsor in a timely manner.

Any overcharge by the Trustee, or underpayment of fees or expenses by the Sponsor that is the result of a good−faith fee dispute, shall bear interest until paid by the appropriate party with such interest determined by calculating the average of the prime rates reported in the Wall Street Journal from the date of overpayment or underpayment until such corrective payment is made by the appropriate party. Any underpayment of fees or expenses by the Sponsor that is not the subject of a good−faith fee dispute shall bear interest until paid at the rate of the lesser of (i) 1½% per month or (ii) the maximum amount permitted by law.

All expenses of the Trustee relating directly to the acquisition and disposition of investments constituting part of the Trust, all taxes of any kind whatsoever that may be levied or assessed under existing or future laws upon or in respect of the Trust or the income thereof, and any other reasonable expenses of Plan administration as determined and directed by the Administrator, shall be a charge against and paid from the appropriate Participants' accounts, if not otherwise paid by the Sponsor in a timely manner.

The Named Fiduciary hereby agrees and acknowledges that it has received the Statement of Services and Compensation (the "Statement"), which is intended by the Trustee to satisfy the requirements of Department of Labor ("DOL") Regulation Section 2550.408b−2(c)(1). The Named Fiduciary further acknowledges that such Statement was provided to the Named Fiduciary reasonably in advance of execution of this Agreement, and that the Named Fiduciary had a reasonable opportunity to consider the information contained in the Statement and ask questions with respect thereto before completing the amendment and restatement of this Agreement.

Section 8 Directions, Indemnification and Data Conditions

(a) Identity of Administrator and Named Fiduciary

The Trustee shall be fully protected in relying on the fact that the Named Fiduciary and the Administrator under the Plan are the individuals or entities named as such above or such other individuals or persons as the Sponsor may notify the Trustee in writing.

(b) Directions from Administrator

Whenever the Administrator provides a direction to the Trustee, the Trustee shall not be liable for any loss or expense arising from the direction if the direction is contained in a writing provided by any individual whose name has been submitted (and not withdrawn) in writing to the Trustee by the Administrator, unless the recipient of the direction knew or should have known that the actions to be taken under the direction would be prohibited by the fiduciary duty rules of section 404(a) of ERISA or would be contrary to the terms of this Agreement. The Trustee may rely without further duty of inquiry on the authority of any such individual to provide direction to the Trustee on behalf of the Administrator.

For purposes of this Section, such direction may also be made via EDT, facsimile or such other secure electronic means in accordance with procedures agreed to by the Administrator and the Trustee and, in any such case, the Trustee shall be fully protected in relying on such direction as if it were a direction made in writing by the Administrator.

(c) Directions from Named Fiduciary or Sponsor

Whenever the Named Fiduciary or Sponsor provides a direction to the Trustee, the Trustee shall not be liable for any loss or expense arising from the direction if the direction is contained in a writing provided by any individual whose name has been submitted (and not withdrawn) in writing to the Trustee by the Named Fiduciary or Sponsor, unless the recipient of the direction knew or should have known that the actions to be taken under the direction would be prohibited by the fiduciary duty rules of section 404(a) of ERISA or would be contrary to the terms of this Agreement. The Trustee may rely without further duty of inquiry on the authority of any such individual to provide direction to the Trustee on behalf of the Named Fiduciary or Sponsor.

For purposes of this Section, such direction may also be made via EDT, facsimile or such other secure electronic means in accordance with procedures agreed to by the Named Fiduciary or Sponsor and the Trustee and, in any such case, the Trustee shall be fully protected in relying on such direction as if it were a direction made in writing by the Named Fiduciary or Sponsor.

(d) Co–Fiduciary Liability

In any other case, the Trustee shall not be liable for any loss or expense arising from any act or omission of another fiduciary under the Plan except as provided in section 405(a) of ERISA.

(e) Indemnification

The Sponsor shall indemnify the Trustee against, and hold the Trustee harmless from, Losses that may be incurred by, imposed upon, or asserted against the Trustee by reason of any claim, regulatory proceeding, or litigation arising from any act done or omitted to be done by any individual or person with respect to the Plan or Trust, excepting only any and all Losses arising from the Trustee's negligence, bad faith, breach of applicable fiduciary duty under ERISA, violation of applicable laws to which the Trustee is subject as a provider of the services outlined in the Agreement, or breach of the terms of this Agreement.

The Trustee shall indemnify the Sponsor, as permitted by applicable law, the Plan and the Trust against, and hold the Sponsor, the Plan and the Trust harmless from, any and all Losses that may be incurred by, imposed upon or asserted against the Sponsor, the Plan or the Trust by reason of any claim, regulatory proceeding or litigation arising from the Trustee's negligence, bad faith, breach of applicable fiduciary duty under ERISA, violation of applicable laws to which the Trustee is subject as a provider of the services outlined in the Agreement, or breach of the terms of this Agreement.

The Trustee agrees to indemnify and hold harmless the Sponsor for (i) any loss incurred by the Sponsor, a Participant or a beneficiary due to a trading error caused by the Trustee on any investment option included on Schedule C and (ii) any loss related to balance discrepancies between the Participant balances maintained by the Trustee and the balance maintained by any outside fund provider for any Plan investment option included on Schedule C. The Trustee agrees to compensate the Sponsor, Participant, or a beneficiary for the cost of any adjustments due to any such error.

The Trustee shall indemnify the Sponsor, as permitted by applicable law, the Plan and the Trust against, and hold the Sponsor, the Plan and the Trust harmless from, any and all Losses that may be incurred by, imposed upon or asserted against the Sponsor, the Plan or the Trust solely as a result of i) any defects in the investment methodology embodied in the target asset allocation or model portfolio provided through Portfolio Review (described in Schedule "A"), except to the extent that any such Losses arise from information provided by a Participant, the Sponsor or third parties; or ii) any prohibited transactions resulting from the provision of Portfolio Review by the Trustee.

(f) Data Conditions

The Sponsor represents that all data and documentation, including employee data and/or Participant data (the "Data"), provided by the Sponsor, Administrator or Named Fiduciary to the Trustee to be used in performing the services under this Agreement shall be provided in a timely manner, in good condition, correct and complete, and shall be submitted in accordance with the Trustee's reasonable specifications (such specifications to be provided to the Sponsor by the Trustee from time to time). The Trustee shall be entitled to rely on the accuracy and completeness of such Data and shall have (i) no liability for inaccuracies in Data originating from the Sponsor, the Participants or third party service providers appointed or engaged by the Sponsor and (ii) no duty to verify such information except where the Data is clearly erroneous on its face. If any Data is not submitted in accordance with these requirements, or if the Trustee detects errors or omissions in the Data submitted, the Trustee shall promptly notify the Sponsor and return such Data to the Sponsor for correction and modification unless (A) the Sponsor and Trustee agree, in writing, that the Trustee is to make corrections or modifications to the Data for an additional fee or (B) the Sponsor provides prompt direction as necessary to correct any errors or omissions in the Data. For purposes of these requirements and except to the extent such treatment would be inconsistent with applicable law, the Trustee may treat scanned electronic copies of paper records as the official records.

(g) Exclusion of Damages

Neither party shall be liable to the other party for any indirect, special, consequential or punitive damages, including, but not limited to, loss of business or loss of profits, regardless of the form of action, which may arise from the performance, nonperformance, default or other breach of this Agreement.

Section 9 Resignation or Removal of Trustee; Termination of Agreement

(a) Resignation and Removal

The Trustee may resign at any time in accordance with the notice provisions set forth below. The Sponsor may remove the Trustee at any time in accordance with the notice provisions set forth below.

(b) Termination

This Agreement may be terminated in full or with respect to only a portion of the Plan (i.e., a "partial deconversion") at any time by the Sponsor upon prior written notice to the Trustee in accordance with the notice provisions set forth below.

(c) Notice Period

In the event either party desires to terminate this Agreement or any services hereunder, the party shall provide at least one hundred eighty (180) days prior written notice of the termination date to the other party; provided, however, that the receiving party may agree, in writing, to a shorter notice period.

(d) Transition Assistance

Upon the resignation or removal of the Trustee or the termination of this Agreement, the Trustee shall provide to the Sponsor, at no expense to the Sponsor, in the format regularly provided to the Sponsor, a statement of each Participant's accounts as of the date of the resignation, removal or termination, and the Trustee shall provide to the Sponsor or the Plan's new recordkeeper such further records as may be reasonably requested, at the Sponsor's expense. In the event of termination of this Agreement if requested by the Sponsor, the Trustee shall assist the Sponsor in developing a plan for the orderly transition of the Plan data, cash and assets then constituting the Trust and services provided by the Trustee hereunder to the Sponsor or its designee. The Trustee shall provide such assistance for a period not extending beyond sixty (60) days from the termination date of this Agreement. The Trustee shall provide to the Sponsor, or to any person designated by the Sponsor, at a mutually agreeable time, one file of the Plan data prepared and maintained by the Trustee in the ordinary course of business, in the Trustee's format. The Trustee may provide other or additional transition assistance as mutually determined for additional fees, which shall be due and payable by the Sponsor prior to any termination of this Agreement.

(e) Failure to Appoint Successor

If, by the termination date, the Sponsor has not notified the Trustee in writing as to the individual or entity to which the assets and cash are to be transferred and delivered, the Trustee may bring an appropriate action or proceeding for leave to deposit the assets and cash in a court of competent jurisdiction. The Trustee shall be reimbursed by the Sponsor for all costs and expenses of the action or proceeding including, without limitation, reasonable attorneys' fees and disbursements.

Section 10 Successor Trustee

(a) Appointment

If the office of Trustee becomes vacant for any reason, the Sponsor may in writing appoint a successor trustee under this Agreement. The successor trustee shall have all of the rights, powers, privileges, obligations, duties, liabilities and immunities granted to the Trustee under this Agreement. The successor trustee and predecessor trustee shall not be liable for the acts or omissions of the other with respect to the Trust.

(b) Acceptance

As of the date the successor trustee accepts its appointment under this Agreement, title to and possession of the Trust assets shall immediately vest in the successor trustee without any further action on the part of the predecessor trustee, except as may be required to evidence such transition. The predecessor trustee shall execute all instruments and do all acts that may be reasonably necessary and requested in writing by the Sponsor or the successor trustee to vest title to all Trust assets in the successor trustee and to deliver all Trust assets, including all Plan data, to the successor trustee.

(c) Corporate Action

Any successor to the Trustee or successor trustee, either through sale or transfer of the business or trust department of the Trustee or successor trustee, or through reorganization, consolidation or merger, or any similar transaction of either the Trustee or successor trustee, shall, upon consummation of the transaction, become the successor trustee under this Agreement. Any successor trustee that becomes a successor trustee as the result of a corporate action described in this paragraph shall be liable for the acts or omissions, consistent with the terms and conditions of this Agreement, of the Trustee or successor trustee that it replaces.

Section 11 Resignation, Removal, and Termination Notices

All notices of resignation, removal or termination under this Agreement must be in writing and mailed to the party to which the notice is being given by certified or registered mail, return receipt requested, to the Sponsor c/o Executive Vice President, Chief Financial Officer and Treasurer, Hawaiian Electric Industries, Inc., 1001 Bishop Street, Suite 2900, Honolulu, Hawaii 96813, and to the Trustee c/o Fidelity Workplace Services LLC, PWI Risk & Compliance, 82 Devonshire Street, V6D, Boston, Massachusetts 02109, or to such other addresses as the parties have notified each other of in the foregoing manner.

Section 12 Duration

This Trust shall continue in effect without limit as to time, subject, however, to the provisions of this Agreement relating to amendment, modification, and termination thereof.

Section 13 Amendment or Modification

This Agreement may be amended or modified at any time and from time to time only by an instrument executed by both the Sponsor and the Trustee.

Section 14 Electronic Services

(a) The Trustee may provide Electronic Services, including, but not limited to NetBenefits, eWorkplace and Fidelity Plan Sponsor WebStation. The Sponsor agrees to use such Electronic Services only in the course of reasonable administration of or participation in the Plan and to keep confidential and not alter, publish, copy, broadcast, retransmit, reproduce, frame–in, link to, commercially exploit or otherwise redisseminate the Electronic Services, any content associated therewith, or any portion thereof (including, without limitation, any trademarks and service marks associated therewith), without the written consent of the Trustee. Notwithstanding the foregoing, the Trustee acknowledges that certain Electronic Services may, by their nature, be intended for non–commercial, personal use by Participants or their beneficiaries, with respect to their participation in the Plan, or for their other retirement or employee benefit planning purposes, and certain content may be intended or permitted to be modified by the Sponsor in connection with the administration of the Plan. In such cases, the Trustee will notify the Sponsor of such fact and any requirements or guidelines associated with such usage or modification no later than the time of initial delivery of such Electronic Services. To the extent permission is granted to make Electronic Services available to administrative personnel designated by the Sponsor, it shall be the responsibility of the Sponsor to keep the Trustee informed as to which of the Sponsor personnel are authorized to have such access. Except to the extent otherwise specifically agreed by the parties, the Trustee reserves the right, upon notice when reasonably feasible, to modify or discontinue Electronic Services, or any portion thereof, at any time.

(b) Without limiting the responsibilities of the Trustee or the rights of the Sponsor stated elsewhere in this Agreement, Electronic Services shall be provided to the Sponsor without acceptance of

legal liability related to or arising out of the electronic nature of the delivery or provision of such Electronic Services. To the extent that any Electronic Services utilize Internet services to transport data or communications, the Trustee will take, and the Sponsor agrees to follow, reasonable security precautions. However, the Trustee disclaims any liability for interception of any such data or communications. The Trustee reserves the right not to accept data or communications transmitted electronically or via electronic media by the Sponsor, its agent or a third party if it determines that the method of delivery does not provide adequate data security or if it is not administratively feasible for the Trustee to use the data security provided. Likewise, the Sponsor reserves the right not to accept data or communications transmitted electronically or via electronic media by the Trustee or its agent if it determines that the method of delivery does not provide adequate data security or if it is not administratively feasible for the Sponsor to use the data security provided. The Trustee shall not be responsible for, and makes no warranties regarding access, speed or availability of Internet or network services, or any other service required for electronic communication, nor does the Trustee make any warranties, express or implied and specifically disclaims all warranties of merchantability, fitness for a particular purpose or non infringement. The Trustee shall not be responsible for any loss or damage related to or resulting from any changes or modifications to the Electronic Services made in violation of this Agreement.

(c) The Sponsor acknowledges that certain web sites through which the Electronic Services are accessed may be protected by passwords or require a login and the Sponsor agrees that the Sponsor will not obtain or attempt to obtain unauthorized access to such Electronic Services, or to any other protected materials or information, through any means not intentionally made available by the Trustee for the specific use of the Sponsor. To the extent that a PIN is necessary for access to the Electronic Services, the Sponsor and/or its Participants, as the case may be, are solely responsible for all activities that occur in connection with such PINs.

(d) The Trustee will provide to Participants the FullView® service via NetBenefits, through which Participants may elect to consolidate and manage any retirement account information available through NetBenefits as well as External Account Information. To the extent not provided by the Trustee or its affiliates, the data aggregation service will be provided by Yodlee.com, Inc. or such other independent provider as the Trustee may select, pursuant to a contract that requires the provider to take appropriate steps to protect the privacy and confidentiality of information furnished by users of the service. The Sponsor acknowledges that Participants who elect to use FullView® must provide passwords and PINs to the provider of data aggregation services. The Trustee will use External Account Information to furnish and support FullView® or other services provided pursuant to this Agreement, and as otherwise directed by the Participant. The Trustee will not furnish External Account Information to any third party, except pursuant to subpoena or other applicable law. The Sponsor agrees that the information accumulated through FullView® shall not be made available to the Sponsor, provided, however, that the Trustee shall provide to the Sponsor, upon request, aggregate usage data that contains no personally identifiable information.

Section 15 Assignment

This Agreement, and any of its rights and obligations hereunder, may not be assigned by any party without the prior written consent of the other party(ies), and such consent may be withheld in any party's sole discretion. Notwithstanding the foregoing, Trustee may assign this Agreement in whole or in part, and any of its rights and obligations hereunder, to a subsidiary or affiliate of Trustee without consent of the Sponsor. All provisions in this Agreement shall extend to and are binding upon the parties hereto and their respective successors and permitted assigns.

Section 16 Proprietary Material

The Trustee, its vendors and assignees shall retain title to any systems, methods, know–how and materials used in providing the services contemplated herein (including without limitation hardware, software and other procedures and methods, documents or scripts, whether written or electronic) (collectively, "Trustee and Third Party Intellectual Property"). The Sponsor acknowledges that any such Trustee and Third Party Intellectual Property developed or used by the Trustee, its vendors or assignees in providing the services is the proprietary and confidential property of the respective party.

Section 17 Force Majeure

No party shall be deemed in default of this Agreement to the extent that any delay or failure in performance of its obligation(s) results, without its fault or negligence, solely from any cause beyond its reasonable control, such as acts of God, acts of civil or military authority, acts of terrorism, whether actual or threatened, quarantines, embargoes, epidemics, war, riots, insurrections, fires, explosions, earthquakes, floods, unusually severe weather conditions, power outages or strikes. This Section shall not excuse any of the parties to the Agreement from any liability which results from failure to have in place reasonable disaster recovery and safeguarding plans adequate for protection of all data each of the parties to the Agreement are responsible for maintaining for the Plan and Trust.

Section 18 Confidentiality; Safeguarding of Data

(a) Confidential Information

In connection with this Agreement, each of the parties has disclosed and may continue to disclose to the other party information that relates to the disclosing party's business operations, financial condition, employees, former employees, eligible dependents and beneficiaries of such employees and former employees, customers, business associates, products, services or technical knowledge. Except as otherwise specifically agreed in writing by the parties, the Trustee and the Sponsor each agree that from and after the Effective Date (i) all information communicated to it before or after the Effective Date by the other and identified as confidential or proprietary, (ii) all information identified as confidential or proprietary to which it has access in connection with the services provided under this Agreement, whether such access was before or after the Effective Date, (iii) all information communicated to it that reasonably should have been understood by the receiving party to be proprietary and confidential to the disclosing party, including without limitation technical, trade secret or business information, financial information, business or marketing strategies or plans, product development or customer information and (iv) the terms and conditions of this Agreement (collectively, the "Confidential Information") will be used only in accordance with this Agreement**.**

(b) Ownership of Information/Safeguarding Information

Each party's Confidential Information will remain the property of that party except as otherwise expressly provided in this Agreement. Each party will use at least the same degree of care to safeguard and to prevent disclosing to third parties the Confidential Information of the other as it employs to avoid unauthorized disclosure or publication of its own information (or information of its customers) of a similar nature and, in any event, no less than reasonable care. Each party may use and disclose relevant aspects of the other party's Confidential Information to its employees, affiliates, subcontractors and agents to the extent such disclosure is reasonably necessary for the performance of its obligations under this Agreement or the enforcement of its rights under this Agreement; provided, however, that the disclosing party shall ensure that such parties agree to be bound by confidentiality provisions at least as restrictive as those set forth in this section; and provided, further, that in no event shall the Sponsor

disclose such Confidential Information to direct competitors of the Trustee. Each party will be responsible for any improper disclosure of Confidential Information by such party's employees, affiliates, subcontractors or agents. Neither party will (i) make any use or copies of the Confidential Information of the other except as contemplated by this Agreement or (ii) sell, assign, lease or otherwise commercially exploit the Confidential Information (or any derivative works thereof) of the other party. Neither party will withhold the Confidential Information of the other party (including in the case of the Sponsor, the Personal Data (as defined in Section 18(f)) or refuse for any reason (including due to the other party's actual or alleged breach of this Agreement) to promptly return to the other party its Confidential Information (including copies thereof) if requested to do so.

(c) Return of Information

Upon expiration or any termination of this Agreement and completion of a party's obligations under this Agreement, each party will return or destroy, as the owner may direct, all documentation in any medium that contains or refers to the other party's Confidential Information; provided, however, that each party may retain copies of Confidential Information of the other party solely to the extent required for the administration of the Plan or compliance with applicable professional standards or applicable law.

(d) Exceptions to Confidential Treatment

Sections 18(a), (b) and (c) shall not apply to any particular information that either party can demonstrate (i) was, at the time of disclosure to the receiving party, (a) already known to the receiving party (and not subject to a pre–existing confidentiality agreement) or (b) publicly known; (ii) after disclosure to the receiving party, becomes publicly known through no fault of the receiving party; (iii) was received after disclosure to the receiving party from a third party who did not indicate that the information was to be treated as confidential in connection with the disclosure or (iv) was independently developed by the receiving party without use of the Confidential Information of the disclosing party. In addition, a party will not be considered to have breached its obligations under this section for disclosing Confidential Information of the other party to the extent required to satisfy any valid subpoena, court order, litigation or regulatory request, or any other legal requirement of a competent governmental authority, provided that following receipt of any such request, or making a determination that disclosure is legally required, and to the extent that it may legally do so, such party advises the other party prior to making such disclosure in order that the other party may object to such disclosure, take action to ensure confidential treatment of the Confidential Information, or take such other action as it considers appropriate to protect the Confidential Information. In addition, the Trustee will not be considered to have breached its obligations under this section for using or disclosing Confidential Information to the extent the Trustee or an affiliate of the Trustee is specifically authorized by an individual to use that individual's personal information (including Plan–related and account–related information applicable only to that individual) in connection with any other Trustee products or services.

(e) No Duty to Disclose

Nothing contained in this Section will be construed as obligating a party to disclose its Confidential Information to the other party, or as granting to or conferring on a party, expressly or impliedly, any rights or license to the Confidential Information of the other party, provided that the Trustee shall be excused from its obligations to perform hereunder to the extent the Sponsor fails to provide any such information as is reasonably necessary for the Trustee to perform the services and otherwise meet its obligations hereunder.

(f) Personal Data

In order to fulfill its obligations under this Agreement, the Trustee may receive in connection with this Agreement or the services provided hereunder personal data, including compensation, benefits, tax, marital/family status and other similar information about Participants ("Personal Data"). The Trustee acknowledges that it is receiving Personal Data only in connection with the performance of its services, and the Trustee will not use or disclose Personal Data without the permission of the Sponsor for any purpose other than as permitted in this Agreement and in fulfilling its obligations under this Agreement, unless disclosure is required or permitted under this Agreement or by applicable law. With respect to Personal Data it receives under this Agreement, the Trustee agrees to (i) safeguard Personal Data in accordance with its privacy policy and (ii) exercise at least the same standard of care in safeguarding such Personal Data that it uses to protect the personal data of its own employees. Notwithstanding the foregoing, and except as otherwise provided in this Agreement, the Sponsor may monitor the Trustee's interactions with Participants. Nothing in this Agreement shall affect in any way other product or service arrangements entered into separately by the Trustee or its affiliates and the Sponsor and/or Participants.

(g) Foreign Data Protection Laws

The Sponsor is responsible for any and all activities necessary to ensure compliance with applicable laws regarding data protection outside of the United States and for ensuring that the transfer of Personal Data to the Trustee is in compliance with such laws when the Sponsor is transferring Personal Data to the Trustee from outside the United States. The Sponsor will not transfer any Personal Data to the Trustee from outside the United States unless the Sponsor has satisfied such laws, such as through the use of consents. The Trustee will be entitled to presume that, unless notified to the contrary by the Sponsor, activities necessary to ensure compliance with such laws have been satisfied by the Sponsor with respect to all Personal Data furnished to the Trustee from outside the United States. The Trustee will have no obligation to process any Personal Data if the Trustee is on notice that compliance with such laws has not been met.

Section 19 Resolution of Disputes

(a) Informal Dispute Resolution

In the event that there is a dispute, claim, question or difference arising out of or relating to this Agreement or any alleged breach hereof (a "Dispute") (except to the extent such Dispute is covered by Section 19(c) hereof), prior to the initiation of any action in a court of law, the parties will use reasonable efforts to settle such Dispute. During the course of such discussions, all reasonable requests made by one party to another for non–privileged information, reasonably related to the Dispute, will be honored in order that each of the parties may be fully apprised of the other's position. The specific format for such discussions will be left to the discretion of the parties, but may include the preparation of agreed–upon statements of fact or written statements of position.

(b) Non–Binding Mediation

Except as expressly provided otherwise in this Agreement, if the parties do not reach a solution pursuant to the provisions of Section 19(a) within a period of twenty (20) business days, then upon written notice by a party to the other party, the parties will attempt in good faith to resolve the Dispute by non–binding mediation. If the Trustee initiates the Dispute, a mediator shall be selected which is located in Honolulu, Hawaii, and any mediation proceedings shall take place in Honolulu, Hawaii. If the Sponsor initiates the Dispute, a mediator shall be selected which is located in Boston, Massachusetts, and any mediation proceedings shall take place in Boston, Massachusetts. Formal proceedings for the resolution of a

Dispute may not be commenced until the earlier of (i) the good−faith determination by the appropriate senior executives of each party that amicable resolution through continued negotiation of the matter does not appear likely; or (ii) thirty (30) days following the date that the Dispute was first referred to the mediator.

(c) Exceptions to Dispute Resolution Procedure

The provisions of this Section 19 will not be construed to prevent a party from (i) seeking a temporary restraining order or injunctive or other equitable relief with respect to a breach (or attempted or threatened breach) of this Agreement or ERISA by the other party or (ii) making any claim or asserting any defense in litigation or other formal proceedings to the extent necessary (A) to avoid the expiration of any applicable limitations period, (B) to preserve a superior position with respect to other creditors or (C) in the case of claims involving third parties, to allow for an expeditious and orderly presentation of a party's claims or defenses.

Section 20 General

(a) Performance by Trustee, its Agents or Affiliates

The Sponsor acknowledges and authorizes that the services to be provided under this Agreement shall be provided by the Trustee, its agents or affiliates, including but not limited to FIIOC, FBSLLC or the successor to any of them, and that certain of such services may be provided pursuant to one or more separate contractual agreements or relationships.

(b) Delegation by Participating Employer

By authorizing the assets of any Plan as to which it is a participating employer to be deposited in the Trust, each participating employer, other than the Sponsor, hereby irrevocably delegates and grants to the Sponsor full and exclusive power and authority to exercise all of the powers conferred upon the Sponsor and each participating employer by the terms of this Agreement, and to take or refrain from taking any and all action which such participating employer might otherwise take or refrain from taking with respect to this Agreement, including the sole and exclusive power to exercise, enforce or waive any rights whatsoever which such participating employer might otherwise have with respect to the Trust, and irrevocably appoints the Sponsor as its agent for all purposes under this Agreement. The Trustee shall have no obligation to account to any such participating employer or to follow the instructions of or otherwise deal with any such participating employer, the intention being that the Trustee shall deal solely with the Sponsor.

(c) Entire Agreement

This Agreement, together with the Schedules referenced herein, contains all of the terms agreed upon between the parties with respect to the subject matter hereof. This Agreement supersedes any and all other agreements, written or oral, made by the parties with respect to the services provided under this Agreement.

(d) Waiver

No waiver by either party of any failure or refusal to comply with an obligation hereunder shall be deemed a waiver of any other obligation hereunder or any subsequent failure or refusal to comply with any obligation hereunder.

(e) Successors and Assigns

The stipulations in this Agreement shall inure to the benefit of, and shall bind, the successors and assigns of the respective parties.

(f) Partial Invalidity

If any term or provision of this Agreement or the application thereof to any person or circumstances shall, to any extent, be invalid or unenforceable, the remainder of this Agreement, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

(g) Section Headings

The headings of the various sections and subsections of this Agreement have been inserted only for the purposes of convenience and are not part of this Agreement and shall not be deemed in any manner to modify, explain, expand or restrict any of the provisions of this Agreement.

(h) Communications

(i) **Content**

The Sponsor shall provide all information reasonably requested by the Trustee to help it prepare Participant communications necessary to allow the Trustee to meet its obligations under this Agreement and to comply with applicable law (including section 404(c) of ERISA and the Sarbanes−Oxley Act requirements for “blackout” notices). The Sponsor represents that Participant communications prepared by the Sponsor will include any information required by applicable regulations to afford Plan fiduciaries protection under section 404(c) of ERISA. The Trustee will assist the Sponsor in meeting its responsibility to comply with 404(c) regulations through (i) providing a recordkeeping platform that accommodates a range of investment options with materially different risk/reward characteristics and (ii) making available to participants information concerning the Plan’s investment options such as prospectuses, fund descriptions and investment performance. The Trustee shall have no responsibility or liability for any Losses resulting from the use of information provided by or from communications prepared by the Sponsor.

(ii) **Delivery**

In the event that the Sponsor retains any responsibility for delivering Participant communications to some or all Participants and beneficiaries, the Sponsor agrees to furnish the communications to such Participants in a timely manner as determined under applicable law (including section 404(c) of ERISA and the Sarbanes−Oxley Act requirements for “blackout” notices). The Sponsor also represents that such communications will be delivered to such Participants and beneficiaries in a manner permitted by applicable law, including electronic delivery that is consistent with applicable regulations regarding electronic transmission (for example, DOL Regulation §2520.104b−1). The Trustee and its affiliates shall have no responsibility or liability for any Losses resulting from the failure of the Sponsor to furnish any such communications in a manner which is timely and consistent with applicable law.

(i) Survival

The Trustee's and the Sponsor's respective obligations under this Agreement, which by their nature would continue beyond the termination of this Agreement, including but not limited to those contained in Sections titled "Indemnification" and "Confidentiality; Safeguarding of Data", shall survive any termination of the Agreement.

(j) Duty to Mitigate Damages

Each party has a duty to mitigate the damages that would otherwise be recoverable from the other party pursuant to this Agreement by taking appropriate, commercially reasonable actions to reduce or limit the amount of such damages.

(k) Sponsor Authorization

The Sponsor understands, acknowledges and agrees that, (i) the Trustee utilizes omnibus accounts at unaffiliated banks for money movement into and out of investment options in defined contribution plans and (ii) the Trustee acts as agent for the Plan with respect to such accounts and generally invests the funds awaiting settlement of transactions or clearance of disbursements in short−term investments.

The Sponsor hereby authorizes the Trustee, in accordance with the foregoing process, to (i) commingle funds in transit to or from the Plan with other plans' funds for transaction accounts, (ii) invest overnight omnibus transaction account balances in short−term investments, (iii) use float earnings to pay bank fees and make other required adjustments and (iv) subject to disclosure from the Trustee with respect to the retention of float earnings that meets the requirements of ERISA, retain net float earnings attributable to the Plan. However, under no circumstances shall the Trustee make investments that contravene the rules of ERISA or federal tax rules that govern the tax qualification of the Plan. The Trustee shall be responsible for paying any bank fees that are not covered by earnings generated by the omnibus accounts.

For purposes of the foregoing, net float earnings shall be determined by subtracting from gross float earnings any fees charged by the banks in connection with such accounts. Gross float earnings will also be subject to adjustments arising in connection with an omnibus trading process.

Neither the Sponsor nor the Plan shall be liable for any diminution in the value of such overnight investments. Provided that the Sponsor has provided timely funding, neither the Sponsor nor the Plan shall be responsible for any failure to settle or clear from such omnibus accounts any proper or timely trade or disbursement if such failure results from a decrease in the value or temporary inaccessibility of funds attributable to either the use of a specific bank or the overnight investment of balances from such accounts.

Section 21 No Assignment or Alienation of Benefits

Except as otherwise required by a "qualified domestic relations order," as defined in section 414(p)(1)(A) of the Code, or as otherwise permitted under section 401(a)(13) of the Code, the benefits or proceeds of any allocated or unallocated portion of the assets of the Trust and any interest of any Participant arising out of or created by the Plan either before or after the Participant's retirement shall not be subject to execution, attachment, garnishment or other legal or judicial process whatsoever by any person, whether creditor or otherwise, claiming against such Participant. Except as provided under section 401(a)(13) of the Code, no Participant shall have the right to alienate, encumber or assign any of the payments or proceeds or any other interest arising out of or created by the Plan, and any action purporting to do so shall be void. The provisions of this Section shall apply to all Participants regardless of their citizenship or place of residence.

Section 22 Governing Law

(a) Massachusetts Law Controls

This Agreement is being made in the Commonwealth of Massachusetts, and the Trust shall be administered as a Massachusetts trust. The validity, construction, effect and administration of this Agreement shall be governed by and interpreted in accordance with the laws of the Commonwealth of Massachusetts, except to the extent those laws are superseded under section 514 of ERISA.

(b) Trust Agreement Controls

The Trustee is not a party to the Plan and, in the event of any conflict between the provisions of the Plan and the provisions of this Agreement, the provisions of this Agreement shall control with respect to the duties and responsibilities of the Trustee.

(c) Situs of Trust

The Trustee shall hold, manage, administer and maintain the Trust as a domestic trust in the United States. Except as permitted under ERISA, no indicia of ownership of any of the Trust's assets shall be maintained at locations outside the jurisdiction of the district courts of the Unites States.

Section 23 Compliance with Laws

It is intended that the Plan, this Agreement and the services provided by the Trustee hereunder be in full compliance with the applicable requirements of ERISA and the Code. This Agreement shall be construed and administered consistent with such intent. The Trustee shall comply with all laws applicable to it as a provider of the services hereunder, including without limitation the requirements of ERISA applicable to a directed trustee. The Trustee further represents that its operations, employment and general business practices are in compliance with all laws applicable to the Trustee, which includes the provision of any disclosures that may be required of the Trustee in regulations issued under ERISA section 408(b)(2).

Section 24 Plan Qualification

The Sponsor hereby represents that (1) the Plan is intended to be qualified under section 401(a) of the Code, and the Trust established hereunder is intended to be tax−exempt under section 501(a) of the Code, and (2) to the extent Participants are able to instruct the investment of their individual accounts, the Plan is intended to satisfy the requirements set forth in section 404(c) of ERISA and related regulations.

Except as otherwise provided in this Agreement, the Sponsor has the sole responsibility for ensuring the Plan's qualified status and full compliance with the applicable requirements of ERISA and the Code. The Sponsor shall take appropriate actions to file with the IRS, as and when required, determination letter requests and make such reasonable changes to the Plan document as are suggested by the IRS as being necessary for maintaining the Plan's qualified status. The Sponsor shall provide copies of any updated determination letters with respect to the Plan to the Trustee. If any Plan ceases to be qualified within the meaning of section 401(a) of the Code, the Sponsor shall notify the Trustee as promptly as is reasonable. Upon receipt of such notice, the Trustee shall promptly segregate and withdraw from the Trust the assets which are allocable to such disqualified Plan and shall dispose of such assets in the manner directed by the Sponsor.

In that the assets are in part invested in common stock issued by the Sponsor or an affiliate, the Sponsor further represents that its legal counsel has confirmed that (i) the Plan is an "eligible individual account plan" (as defined under section 407(d)(3) of ERISA), (ii) the shares of common stock of the Company held and to be purchased under the Plan are "qualifying employer securities" (as defined under section 407(d)(5) of ERISA) and (iii) interests in the Plan are not required to be registered under the Securities Act of 1933, as amended, or, if such registration is required, that such interests are effectively registered under said Act.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers as of the day and year first above written. By signing below, the undersigned represent that they are authorized to execute this Agreement on behalf of the respective parties. Each party may rely without duty of inquiry on the foregoing representation.

HAWAIIAN ELECTRIC INDUSTRIES, INC. AND AMERICAN SAVINGS BANK, F.S.B.

BY: HAWAIIAN ELECTRIC INDUSTRIES, INC. PENSION INVESTMENT COMMITTEE

By: /s/ James A. Ajello 8/24/12
James A. Ajello Date
Chairman

By: /s/ Chester A. Richardson 8/24/12
Chester A. Richardson Date
Secretary

FIDELITY MANAGEMENT TRUST COMPANY

By: /s/ Jennifer Bennett
FMTC Authorized Signatory

Name: Jennifer Bennett

Title: Senior Vice President

Date: 8/31/2012

SCHEDULES

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 the 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

(a) Establishment and maintenance of Participant account and election percentages.

(b) Maintenance of the Plan investment options set forth on Schedule C.

(c) Maintenance of the money classifications set forth in the Plan Administration Manual.

Participant Services

(a) Participant service representatives are available each Business Day at the times set forth in the Plan Administration Manual via toll free telephone service for Participant inquiries and transactions.

(b) Through the automated voice response system and on–line account access via the World Wide Web, Participants have virtually 24 hour account inquiry capabilities. Through on–line account access via the World Wide Web, Participants also have virtually 24 hour transaction capabilities.

(c) For security purposes, all calls are recorded. In addition, several levels of security are available including the verification of a PIN or such other personal identifier as may be agreed to from time to time by the Sponsor and the Trustee.

(d) The following services are available via the telephone or such other electronic means as may be agreed upon from time to time by the Sponsor and the Trustee:

(i) Process Participant enrollments, in accordance with the procedures set forth in the Plan Administration Manual.

(ii) Provide Plan investment option information.

(iii) Provide and maintain information and explanations about Plan provisions as set forth in, but not limited to, the Plan Administration Manual.

(iv) Respond to requests for literature.

(v) Allow Participants to change their contribution election percentage(s) and establish/change catch–up contributions, if applicable. Provide updates via EDT for the Sponsor to apply to its payrolls accordingly.

(vi) Maintain and process changes to Participants' contribution allocations for all money sources.

(vii) Process exchanges (transfers) between investment options on a daily basis, in accordance with the procedures set forth in the Plan Administration Manual.

(viii) Process in–service withdrawals, hardship withdrawals, and full distributions in accordance with the procedures set forth in the Plan Administration Manual.

(ix) Consult with Participants on various loan scenarios and process loan requests (including loans for the purchase of a primary residence, if applicable) in accordance with procedures set forth in the Plan Administration Manual.

Plan Accounting

(a) Process consolidated payroll contributions according to the Sponsor's payroll frequency via EDT or Fidelity Plan Sponsor Webstation®. The data format will be provided by the Trustee.

(b) Maintain and update employee data necessary to support Plan administration. The data will be submitted according to payroll frequency.

(c) Provide daily Plan and Participant level accounting for all Plan investment options.

(d) Provide daily Plan and Participant level accounting for all money classifications for the Plan.

(e) Audit and reconcile the Plan and Participant accounts daily.

(f) Reconcile and process Participant withdrawal requests and distributions in accordance with the procedures set forth in the Plan Administration Manual. All requests are paid based on the current market values of Participants' accounts, not advanced or estimated values. A distribution report will accompany each check.

(g) Track individual Participant loans; process loan withdrawals; re–invest loan repayments; and prepare and deliver comprehensive reports to the Sponsor to assist in the administration of Participant loans.

(h) Maintain and process changes to Participants' deferral percentage and prospective and existing investment mix elections.

Participant Reporting

(a) Provide confirmation to Participants of all Participant initiated transactions either online or via the mail. Online confirms are generated upon submission of a transaction and mail confirms are available by mail within three to five calendar days of the transaction.

(b) Provide Participant account statements in accordance with the procedures set forth in the Plan Administration Manual.

(c) The Trustee agrees to develop communications/notices that the Sponsor may utilize to assist in complying with its responsibilities set forth under section 2550.404a–5 of DOL Regulations. The Trustee shall provide details related to such communications/notices as soon as administratively feasible.

(d) Provide Participants with required Code Section 402(f) notification for distributions from the Plan. This notice advises Participants of the tax consequences of their Plan distributions.

(e) Provide Participants with required Code Section 411(a)(11) notification for distributions from the Plan. This notice advises Participants of the normal and optional forms of payment of their Plan distributions and of the Plan's cashout rules.

Plan Reporting

Prepare, reconcile and deliver a monthly Trial Balance Report presenting all money classes and investments. This report is based on the market value as of the last business day of the month. The report will be delivered not later than twenty (20) calendar days after the end of each month in the absence of unusual circumstances.

Government Reporting

Process year–end tax reports for Participants — such as Forms 1099–R, as well as financial reporting to assist in the preparation of Form 5500.

Communication & Education Services

(a) Design, produce and distribute a customized comprehensive communications program for employees. The program may include multimedia informational materials, investment education and planning materials, access to Fidelity's homepage on the Internet and STAGES magazine. Additional fees for such services may apply as mutually agreed upon between Sponsor and Trustee.

(b) Provide 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.

(c) Where feasible, the Sponsor to provide advanced notification of pending corporate actions including notice and the ability for the Trustee to review Sponsor initiated communications that may include language specific to the services performed by the Trustee. In all cases, the Sponsor will provide notice to the Trustee of a corporate action within a reasonable time after such corporate action.

Other

(a) Fidelity Plan Sponsor Webstation® (“PSW®”): The Fidelity Participant Recordkeeping System is available on–line to the Sponsor via the Fidelity Plan Sponsor Webstation®. PSW® is a graphical, Windows–based application that provides current Plan and Participant–level information, including indicative data, account balances, activity and history. The Sponsor agrees that PSW® access will not be granted to third parties without the prior consent of the Trustee.

(b) Change of Address by Telephone: The Trustee shall allow Participants, as documented in the Plan Administration Manual, to make address changes via Fidelity’s toll–free telephone service.

(c) Roll–In Processing: The Trustee shall process the qualification of rollover contributions to the Trust. 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 further explanation as to why the request cannot be processed. If the Sponsor or the Trustee determine that a request is not a valid rollover, the full amount of the requested rollover will be distributed to the Participant.

(d) Minimum Required Distributions: Monitor and process minimum required distribution (“MRD”) amounts as follows: the Trustee will notify the MRD Participant and, upon notification from the MRD Participant, will use the MRD Participant’s information to process their distributions. If the MRD Participant does not respond to the Trustee’s notification, the Sponsor directs the Trustee to automatically begin the required distributions for the MRD Participant.

(e) Qualified Domestic Relations Order Processing: The Trustee will provide Qualified Domestic Relations Order support by supplying interested parties with Plan and benefit information, suspending payments upon notification that a domestic relations order has been submitted, and executing all administrative action required by that order after it has been qualified by the Administrator.

(f) Prospectus Delivery: Participants will receive prospectuses either electronically or in paper form upon request or when making an initial investment in a Mutual Fund.

(g) Participant Disclosure Service: The Trustee will provide the Participant Disclosure Service, which has been developed by the Trustee to assist the Sponsor in meeting its responsibilities under Department of Labor Regulation §2550.404a–5 (the “Regulation”) to provide certain disclosures to Participants and eligible employees for the Plan under the following terms:

(i) The service consists of (i) the Initial and Annual Notice, (ii) Quarterly Disclosures, (iii) Website Information, and (iv) Additional Information Available Upon Request.

(A) The Initial and Annual Notice: The Trustee will produce a notice in a standard format which will include both plan–related and investment–

related information for the Plan (the "Notice"). The plan–related information in the Notice will be obtained from information on FPRS, Trustee's billing systems, and any direction that the Trustee receives from the Sponsor in a form and manner acceptable to the Trustee. For each investment option recordkept on FPRS for the Plan, the investment–related information in the Notice will be obtained from Fidelity Investments in the case of Fidelity mutual funds and from third–party sources, including without limitation Morningstar®, investment managers, trustees, and other service providers, with respect to investment options other than Fidelity mutual funds. To the extent the investment option is not recordkept on FPRS, or the Trustee does not have or has not timely received data about such investment options on FPRS, the Notice will not include such information.

(B) Quarterly Disclosures: The Trustee will include an itemization of certain fees that are deducted from Participant accounts during the quarter and other required disclosure on Participant account statements, unless the Sponsor requests that such disclosure not appear.

(C) Website Information: Through NetBenefits or other Trustee–maintained plan website, the Trustee will provide internet access to a glossary of terms as well as supplemental information for each investment option on FPRS to the extent such information has been received by the Trustee. If a Participant or eligible employee requests this information in writing, the Trustee will print the content from the website and mail it to them.

(D) Additional Information Available Upon Request: To the extent the Trustee has been provided information that Participants and eligible employees have the right to request under Section 404a–5(d)(4) of the Regulation, it will make such information available on the website and/or mail paper copies to Participants and eligible employees upon their request.

(ii) Delivery of Initial and Annual Notices: Reasonably in advance of a date determined between the Trustee and the Sponsor for the commencement of delivery of Notices under this service, the Trustee will provide the Sponsor with the standard format Notice that has been populated with the Plan's plan–related and investment–related content for the Sponsor's review and approval (or deemed approval upon notification). The Sponsor shall be responsible for ensuring that the Notice is accurate and complete for purposes of the Regulation. Upon approval or deemed approval, the Notice will be delivered to Participants and eligible employees as described below.

(A) Initial Notices will be delivered to all Plan Participants and eligible employees for whom the Trustee has been provided indicative data elements on or about a mutually agreed upon delivery date. Thereafter, Initial Notices will be delivered to newly eligible employees as soon as administratively feasible upon the Trustee receiving indicative data elements for such individuals.

(B) Annual Notices will be delivered to Participants and eligible employees for whom the Trustee has been provided indicative data elements on mutually agreed upon delivery date.

(C) The Notice will be continually accessible on NetBenefits or other Trustee–maintained plan website and the plan–related and investment related content will be updated periodically; at a minimum, investment performance will be updated to reflect the most recently completed calendar year. It shall be the responsibility of the Sponsor to review such updates for completeness and accuracy.

(D) The Trustee will deliver approved Notices electronically in a manner that satisfies applicable regulatory guidance in effect at the time of such delivery to Participants and eligible employees for whom the Trustee has been provided valid indicative data elements. If the Notice cannot be delivered electronically, or if electronic delivery is returned or is undeliverable, a paper copy of the Notice will be mailed to the Participant or eligible employee if the Trustee has been provided with a valid address.

(iii) Change Notifications: Upon the Sponsor's direction and request in a form and manner acceptable to the Trustee and subject to mutual agreeable terms, the Trustee will produce and deliver to Participants and eligible employees notices to communicate changes as required under the Regulation (a "Change Notification"), which may include changes to the Plan's investment options, plan rules and/or fees and expenses.

(iv) Fees: There is no additional charge for utilizing the service to create the Plan's Disclosure Notice, although the Trustee reserves the right to pass through costs to the Sponsor for printing and postage for delivering the Notice as described above. Fees for Change Notifications may apply and will be determined upon request.

(v) Data Accuracy: The Trustee is not responsibility for the accuracy of data and information provided by third parties.

HAWAIIAN ELECTRIC INDUSTRIES, INC. AND AMERICAN SAVINGS BANK, F.S.B.

BY: HAWAIIAN ELECTRIC INDUSTRIES, INC. PENSION INVESTMENT COMMITTEE

FIDELITY MANAGEMENT TRUST COMPANY

By:	/s/ James A. Ajello	8/24/12	By:	/s/ Jennifer Bennett
	James A. Ajello Chairman	Date		FMTC Authorized Signatory
			Name:	Jennifer Bennett
By:	/s/ Chester A. Richardson	8/24/12	Title:	Senior Vice President
	Chester A. Richardson Secretary	Date	Date:	8/31/2012

SCHEDULE B — *Fee Schedule*

Recordkeeping Fee

7 basis points of total Plan assets as of March 31, 2012 shall be pro rated for the calendar year of 2012, subject to the offsets below. Effective January 1, 2013 and for each year thereafter, 7 basis points of total Plan assets as of December 31 of the prior year, billed and payable quarterly, subject to the following offsets:

(a) Offsets for Fidelity investment products: Balances held and settled in Fidelity investment products in the Plan as of December 31 of the prior year, multiplied by the following rates respectively:

(i) Actively managed (non Class K) Fidelity equity Mutual Funds: 35 basis points per annum;

(ii) Actively managed (non Class K) Fidelity Freedom® Funds: 35 basis points per annum;

(iii) Actively managed (Class K) Fidelity equity Mutual Funds: 20 basis points per annum;

(iv) Actively managed Fidelity Freedom® K Funds: 20 basis points per annum;

(v) Fidelity Enhanced Equity Index Funds: 10 basis points per annum;

(vi) Actively managed Fidelity fixed income and money market Mutual Funds, except for certain Fidelity institutional money market Mutual Funds (e.g. FIMM Funds): 20 basis points per annum;

(vii) Managed Income Portfolio I: 20 bps per annum;

(viii) Actively managed Fidelity and Pyramis commingled pools (excluding stable value commingled pools): 10 basis points per annum.

(b) Offsets for Non–Fidelity investment products: Balances held in Non–Fidelity investment products in the Plan as of December 31 of the prior year multiplied by the annual rate that the Non–Fidelity investment products vendor has agreed to use to determine payments to FIIOC.

(c) The amount of net float earnings allocated to the Plan during the prior calendar year.

(d) No offsets are available for assets held in BrokerageLink®.

Any remaining balance after the application of the offsets (described above) to the Recordkeeping Fee shall be due and payable to the Trustee. To the extent the offsets exceed the Recordkeeping Fee due to the Trustee, the resulting amount (“a Revenue Credit”), if any, will be provided in accordance with the Revenue Credit section below.

Loan Fee	Establishment fee of $35.00 per loan account; annual fee of $15.00 per loan account.
Minimum Required Distribution Fee	$25.00 per Participant per distribution year.
Overnight Fee	$25.00 per transaction
In−Service Withdrawal Fee	$25.00 per withdrawal. – **WAIVED**
Return of Excess Contribution Fee	$25.00 per Participant, one−time charge per calculation and check generation. – **WAIVED**

Payments made directly to Fidelity Investments Institutional Operations Company, Inc. (FIIOC) or its affiliates by Non−Fidelity Mutual Fund vendors shall be posted and updated quarterly on Fidelity Plan Sponsor Webstation® at http://psw.fidelity.com or a successor site.

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.

Dividend Pass−Through Fee	$8,000.00 per year per Plan, payable pro rata quarterly – **WAIVED** $6.00 for each dividend check that is cut $3 for each Electronic Funds Transfer wire

This fee is based on the following assumptions, in addition to those set forth in the *Note* paragraph below:

(a) Dividends will be distributed quarterly

(b) The default option for receiving dividends will be reinvestment into the Stock Fund.

Other Fees

Separate charges may apply for optional non−discrimination testing, extraordinary expenses resulting from large numbers of simultaneous manual transactions, from errors not caused by the Trustee, reports

not contemplated in this Agreement, corporate actions, audit support in excess of the standard 35 hours per annum and customary hours allotted for the annual financial statement audit, or the provision of communications materials in hard copy which are also accessible to participants via electronic services in the event that the provision of such material in hard copy would result in an additional expense deemed to be material. The Administrator may withdraw reasonable administrative fees from the Trust by written direction to the Trustee.

Stock Administration Fee

To the extent that assets are invested in Sponsor Stock, 0.10% of such assets in the Trust payable pro rata quarterly on the basis of such assets as of the calendar quarter's last valuation date, but no less than $10,000.00 nor more than $35,000.00 per year per Plan.

Commissions

Fidelity Capital Markets shall be entitled to remuneration in an amount of no more than $.01 commission on each share of Sponsor Stock. Any increase in such remuneration may be made only by a signed agreement between the Sponsor and the Trustee.

Note

These fees are based on the Plan characteristics, asset configuration, net cash flow, fund selection and number of Participants existing as of the date of this Agreement. In the event that one or more of these factors changes significantly, fees may be subject to change after discussion and mutual agreement of the parties. Significant changes in the legal and regulatory environment could also prompt discussion and potential fee changes.

Revenue Credit

For the period of January 1, 2012 through March 31, 2012, the Trustee made a one–time payment in the amount of $18,750 which was spread pro rata across each Plan governed by this Agreement based on each Plan's assets as of the prior month end (the "Revenue Credit Account"). Effective April 1, 2012, the Trustee shall make a payment in the amount of the Revenue Credit calculated annually by Plan to a suspense account in each Plan (the "Revenue Credit Account") under the following terms:

(a) Funding: The Trustee shall fund quarterly in arrears the pro rata portion of the annual Revenue Credit as soon as administratively feasible (generally within 15 Business Days) after the quarterly invoice has been issued and sent.

(b) Investment: The Revenue Credit Account shall be invested in the fund specified for such purpose on Schedule C.

(c) Application of Account: The Administrator or Named Fiduciary may direct the Trustee to use amounts held in the Revenue Credit Account to reimburse the Sponsor for reasonable fees and expenses associated with services necessary to the operation of the Plan, or pay such vendors, including the Trustee or third parties, directly. Effective October 1, 2012, amounts unused for expenses may be allocated to participant accounts in accordance with this section, provided that such allocation shall not occur more frequently than quarterly. Procedures attached as Schedule B–1, as it may be amended from time to time, shall govern payment of third parties as well as any allocation to participant accounts.

(d) Directions: The Administrator or Named Fiduciary shall provide direction to the Trustee when it wishes to use amounts held in the Revenue Credit Account for the payment of Plan expenses or allocation to participants. In providing any direction to pay expenses or to allocate amounts to participant accounts, the Administrator or Named Fiduciary shall have concluded that the payments or allocations are permissible under the Plan and meet the requirements of applicable laws, including ERISA and the Code.

(e) To the extent any Revenue Credits are deemed to be attributable to investments in Fidelity Mutual Funds that have adopted a plan pursuant to Rule 12b–1 under the Investment Company Act of 1940 ("1940 Act") at the time such Revenue Credits are made, such Revenue Credits shall be made available pursuant to such plan ("12b–1 Payments"), and the following conditions shall apply:

(i) The obligation to make 12b–1 Payments shall continue in effect for one year from the Effective Date of this amendment, and shall continue for successive annual periods only upon at least annual approval by a vote of the majority of the Trustees for each of those Fidelity Mutual Funds that have adopted such plans, including a majority of those Trustees that are not "interested persons" (as defined in the 1940 Act) of such Mutual Funds and who have no direct or indirect financial interest in the operation of the plan or any agreement related thereto ("Qualified Trustees").

(ii) Notwithstanding any provision hereof to the contrary, the obligation to make these 12b–1 Payments with respect to any plan may be terminated without penalty at any time, upon either a vote of a majority of the Qualified Trustees, or upon a vote of a majority of the outstanding voting securities (as defined in the 1940 Act) of the applicable Fidelity Mutual Fund to terminate or not continue the plan for the applicable Fidelity Mutual Fund.

(iii) Upon assignment of this Agreement, the obligation to make 12b–1 Payments shall automatically terminate.

Performance Payments

(a) Performance Payments Terms: The Trustee shall make payments to a Performance Account, as defined below, in the event that the Trustee fails to meet performance standards set forth in Schedule F in accordance with the following terms ("Performance Payments"):

(i) Fees for Fidelity–provided Services: Performance Payments shall be first used to offset any cost of services provided by the Trustee to the Plan that would otherwise be payable pursuant to this Agreement, as it may be amended from time to time, ("Fees") and that are initially billed at the time that the Performance Payments are assessed. Outstanding due and payable Fees will not be offset when Performance Payments are assessed; however, the Trustee reserves the right to offset such Fees with amounts from the Performance Account as defined below. If there is more than one Plan for which Performance Payments are made, the amounts for each Plan will be held and accounted for in separate Performance Accounts.

(ii) Performance Account: If no Fees are to be initially billed at the time that

Performance Payments are assessed, then the Performance Payments shall be credited to a suspense account in the Plan to be used to defray reasonable Plan expenses (the "Performance Account") that shall be maintained by the Trustee. Amounts credited to the Performance Account shall be invested in the Fidelity Money Market Trust Retirement Money Market Portfolio.

(iii) Application of the Performance Account: Amounts held in the Performance Account shall be used as described in this subsection (a)(iii), and shall be subject to all the provisions of this "Performance Payments" section, and upon receipt of proper directions consistent with subsection (a)(iv) from the Administrator or Named Fiduciary, amounts held in the Performance Account shall be used, as follows:

(A) Fees for Services: The Administrator or Named Fiduciary may direct the Trustee to debit the Plan's Performance Account for the payment of outstanding amounts owed to the Trustee for services provided to the Plan.

(B) Payment to Sponsor: The Administrator or Named Fiduciary may direct the Trustee to debit the Plan's Performance Account and use such amounts to reimburse the Sponsor for expenses incurred by the Sponsor on behalf of the Plan within the prior 12 months. For purposes of this "Performance Payments" section, an expense is incurred as of the date of the invoice, or if earlier the date on which the Sponsor paid for the service.

(C) Payments to Third Parties: Nothing in this subsection (a)(iii) shall obligate the Trustee to make payments to any entity other than the Sponsor under the terms hereof. Notwithstanding the foregoing, subject to the Trustee approval, the Administrator or Named Fiduciary may request and the Trustee may agree to pay third party vendor invoices subject to the terms of the Performance Account Procedures herein, and in accordance with separate letter of direction from the Administrator or Named Fiduciary to the Trustee.

(D) No Allocation to Participant Accounts: Amounts held in the Performance Account may not be allocated to participant accounts.

(E) Termination of Agreement: Upon termination of this Agreement, the balance in the Performance Account shall be transferred, in cash, to the successor trustee in accordance with the directions of the Administrator or Named Fiduciary. The Trustee and its affiliates shall have no rights to any amounts in the Performance Account except as specifically provided in this Agreement.

(iv) The Administrator or Named Fiduciary shall provide direction to the Trustee when it wishes to use amounts held in the Performance Account for the payment of Plan expenses. A Letter of Direction with instructions for reimbursement or offset shall include certification from the Administrator or Named Fiduciary, that: (1) the Plan allows for payment of such expenses from the Plan and absent the Performance Payments arrangement, the Administrator or Named Fiduciary

would pay such expenses from Plan assets; (2) such expenses are reasonable, necessary and direct expenses of such Plan within the meaning of ERISA, and (3) the services for which payment or offset is requested (a) were rendered to the Plan after the Effective Date of this Agreement in which the performance standards outlined in Schedule F are in effect, and/or (b) paid or incurred by the Sponsor on behalf of the Plan within the prior 12 months; and (4) the receipt of such payment does not violate, to the knowledge of the Administrator or Named Fiduciary, any applicable state or federal law (including, without limitation, the prohibited transaction provisions of ERISA or the Code). Neither the Trustee nor any of its affiliates shall have any responsibility to make or verify any certification provided by the Administrator or Named Fiduciary under this subsection (a)(iv). The Sponsor acknowledges that reasonable, necessary and direct expenses of the Plan shall not include any operating expenses paid by Mutual Fund shareholders generally that are reflected in the net asset values of such Mutual Fund shares held by the Plan.

(v) Any debits or payments pursuant to section (b) shall be limited to the amount of the Performance Account for the Plan at the time the direction is submitted to the Trustee, and shall be subject to the Performance Payment Procedures set forth below in section (b).

(vi) A Performance Payment cannot be used to offset, reimburse or pay: (i) expenses that have been deducted from Participant accounts; (ii) expenses that are accrued in the net asset value or mil rate of an investment option; or (iii) fees for Fidelity–provided investment management services. The Trustee reserves the right to exclude additional expenses and/or services from eligibility for offset or reimbursement from the Performance Account.

(b) Performance Payments Procedures: The following procedures govern the use of amounts held in the Performance Account to offset the cost of services provided by the Trustee or its affiliate(s), to reimburse the Sponsor for other Plan expenses or to pay third–party invoices at the Administrator's or Named Fiduciary's direction. The Trustee reserves the right to amend the procedures in this section (b). at any time, upon notice to the Sponsor.

(i) If the Administrator or Named Fiduciary has directed the Trustee to use amounts to offset the costs of Fidelity–provided services that are due and payable, the Trustee will apply such amounts, to the extent available, at the time such direction is received. Any Fees for Fidelity–provided services not offset by Performance Payment amounts will remain due and payable pursuant to ordinary invoice and contract terms.

(ii) If the Administrator or Named Fiduciary has directed the Trustee to reimburse amounts from the Performance Account, the Trustee will reimburse the amount directed to the extent available. If the submitted expenses exceed the balance in the Performance Account, the Trustee will reimburse the Sponsor to the extent of the available balance of the Performance Account. If additional amounts are credited to the Performance Account, the excess expenses will not be reimbursed to the Sponsor without additional direction from the Administrator or Named Fiduciary to do so.

(iii) The Trustee will use amounts held in the Performance Account at the time

written direction is received In Good Order. Such direction shall be provided to the Plan's relationship or client service manager consistent with established procedures. The Trustee will promptly notify the Administrator or Named Fiduciary if the Direction is not In Good Order, but it shall be the responsibility of the Administrator or Named Fiduciary to correct and resubmit the required documentation

(iv) The Trustee is not responsible for any late charges, interest or penalties that may accrue owing to untimely submission to the Trustee of directions In Good Order. The Trustee shall use amounts held in the Performance Account to defray such late charges, interest or penalties only if expressly directed to do so.

(v) The Trustee will make payments from the Performance Account to the extent that amounts are available in the account at the time direction and documentation is submitted In Good Order through a General Service Request via Fidelity Plan Sponsor Webstation ®. All inquiries regarding application of any amount in the Performance Account should be directed to your service team.

(vi) Fidelity shall maintain the Performance Account balance and shall report any such balance to the Sponsor, upon Sponsor's request.

HAWAIIAN ELECTRIC INDUSTRIES, INC. AND AMERICAN SAVINGS BANK, F.S.B.

BY: HAWAIIAN ELECTRIC INDUSTRIES, INC. PENSION INVESTMENT COMMITTEE

By: /s/ James A. Ajello — 8/24/12
James A. Ajello — Date
Chairman

By: /s/ Chester A. Richardson — 8/24/12
Chester A. Richardson — Date
Secretary

FIDELITY MANAGEMENT TRUST COMPANY

By: /s/ Jennifer Bennett
FMTC Authorized Signatory

Name: Jennifer Bennett

Title: Senior Vice President

Date: 8/31/2012

SCHEDULE B–1 – ***Procedures Governing Revenue Credit Account***

The following procedures govern the funding and use of the Revenue Credit Account, including any allocation to participants. The Trustee reserves the right to amend the procedures in this Schedule B–1 at any time, upon notice to the Sponsor.

For purposes of Participant Revenue Credit ("PRC") allocations only, Eligible Participant means any participant or beneficiary (exclusive of those with Status Codes listed on the separate letter of direction provided by the Named Fiduciary or Administrator to the Trustee) with a balance greater than zero on the business day immediately preceding the Crediting Date (as defined below). Status Codes describe various populations of participants that can be excluded, at Sponsor direction, from the process to allocate Revenue Credit to participant accounts.

Payment to Third Parties

(a) Upon receipt of payment instructions In Good Order from an authorized signer for the Administrator or Named Fiduciary, the Trustee shall redeem shares or units of investment options held in the Revenue Credit Account necessary to make such payments, and shall issue payment as soon as administratively feasible thereafter (typically within 5 business days).

(b) The Trustee shall have no obligation to process payment instructions that alone, or in aggregate with other instructions issued on the same date or already pending, exceed the amount of the Revenue Credit Account. The Trustee will promptly notify the Named Fiduciary and/or Administrator if the direction is not In Good Order or if the payment has been returned, but it shall be the responsibility of the party providing the direction to correct and resubmit any requested payment instructions.

(c) The Revenue Credit Account may not be used to offset, reimburse or pay: (i) expenses that have been deducted from participant accounts; or (ii) expenses that are accrued in the net asset value or mil rate of an investment option.

(d) The directing party shall have the sole responsibility to issue timely payment instructions. The Trustee is not responsible for any late charges, interest or penalties that may accrue owing to untimely submission to the Trustee of directions In Good Order. The Trustee shall not be responsible for calculating amounts owed for any Plan payment (other than amounts owed to the Trustee or its affiliates) and shall not use amounts held in the Revenue Credit Account to defray amounts requiring calculation (such as late charges, interest or penalties) unless such charges have been calculated and included in a specific amount the Trustee has been directed to pay.

(e) Directions to make payment from the Revenue Credit Account shall be submitted through the Trustee's internet application for Sponsors.

Payment to the Trustee

The Administrator or Named Fiduciary may direct the Trustee to use Revenue Credits, to the extent available, to pay invoices for the Trustee provided services that are necessary to the operation of the Plan. Any charges for the Trustee provided services not offset by Revenue Credits shall be due and payable pursuant to ordinary invoice and contract terms.

Allocation to Participants

The Trustee shall perform a PRC allocation to Eligible Participant accounts as soon as administratively feasible after receipt of items (1) and (2) below (and in no event no later than 15 calendar days) (the "Crediting Date"), provided such items are received by the Trustee In Good Order.

No more frequently than once per calendar quarter, the Named Fiduciary or Administrator may direct the Trustee to perform a PRC allocation to Eligible Participant accounts; provided, however, that the balance in the Revenue Credit Account, if divided among Eligible Participants, would exceed $1 per participant on average. In such event, the following process shall apply:

(a) Dollar Amount of PRC: The Named Fiduciary or Administrator shall submit a service request which shall include the dollar amount elected from the Revenue Credit Account for PRC allocation, provided such election does not exceed the assets held in the Revenue Credit Account. Such request must be received by the Trustee In Good Order no later than 15 calendar days prior to the Crediting Date.

(b) Division of PRC among Eligible Participant Accounts: The dollar amount elected from the Revenue Credit Account for a PRC allocation shall be divided among Eligible Participant accounts pro rata based on Eligible Participant account balances, exclusive of outstanding loan balances, as of the business day immediately preceding the Crediting Date. Such method shall apply to each PRC allocation unless otherwise agreed in writing by the parties no less than 60 calendar days prior to a Crediting Date.

(c) Investment of PRC among Eligible Participant Accounts: The PRC allocation shall be invested in an Eligible Participant's account in accordance with the direction provided by the Named Fiduciary or Administrator to the Trustee, In Good Order, via a letter of direction (or such other method of direction acceptable to the Trustee). Such direction shall apply to each PRC allocation directed by the Named Fiduciary or Administrator, unless the Named Fiduciary or Administrator provides a superseding direction to the Trustee, In Good Order, via a letter of direction (or such other method of direction acceptable to the Trustee) contemporaneously with the Named Fiduciary or Administrator's submission of a service request described in (1) above.

SCHEDULE C — *Investment Options*

In accordance with Section 5(b), the Named Fiduciary hereby directs the Trustee that Participants' individual accounts may be invested in the following investment options:

– 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® 2055 Fund

– Fidelity Freedom K® Income Fund

– Fidelity Money Market Trust Retirement Money Market Portfolio

– Fidelity Puritan® Fund — Class K

– 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)

– Invesco Van Kampen Comstock Fund Class Y

– Morgan Stanley Institutional International Equity Fund Class I

– Nuveen Mid Cap Growth Opportunities Fund Class I

– PIMCO Total Return Fund Institutional Class

– Spartan® 500 Index Fund — Institutional Class

– Spartan® Extended Market Index Fund — Advantage Class

– Spartan U.S. Bond Index Fund – Institutional Class

– T. Rowe Price Growth Stock Fund

– T. Rowe Price Small–Cap Stock Fund

– Vanguard Total International Stock Index Fund Signal Shares

– Virtus Mid–Cap Value Fund Class I

The Sponsor hereby directs the Trustee to add any additional Fidelity Freedom K® Funds as permissible investment options as they are launched, such funds being available to Participants as of the open of trading on the NYSE on their respective inception dates or as soon thereafter as administratively possible, unless otherwise directed by the Sponsor.

The Named Fiduciary hereby directs that for Plan assets allocated to a Participant's account, the investment option referred to in Section 5(c) shall be the Fidelity Freedom K® Fund determined according to a methodology selected by the Named Fiduciary and communicated to the Trustee in writing. In the case of unallocated Plan assets, the termination or reallocation of an investment option, or Plan assets described in Section 5(d)(vi)(B)(5), the Plan's default investment shall be the Fidelity Money Market Trust Retirement Money Market Portfolio or such other investment option as the Named Fiduciary may designate by letter of direction to the Trustee.

The Sponsor hereby directs the Trustee to update the methodology (i.e., date ranges) as additional Fidelity Freedom K® Funds are launched and added in accordance with the above. Such updates will be made to the service as soon as administratively feasible following the launch of future Fidelity Freedom K® Funds, unless otherwise directed by the Sponsor.

The Named Fiduciary hereby directs that for assets allocated to the Revenue Credit Account, the investment options referred to in Schedule B shall be the Fidelity Money Market Trust Retirement Money Market Portfolio.

HAWAIIAN ELECTRIC INDUSTRIES, INC. AND AMERICAN SAVINGS BANK, F.S.B.

BY: HAWAIIAN ELECTRIC INDUSTRIES, INC. PENSION INVESTMENT COMMITTEE

By: /s/ James A. Ajello 8/24/12
James A. Ajello Date
Chairman

By: /s/ Chester A. Richardson 8/24/12
Chester A. Richardson Date
Secretary

SCHEDULE D — *Available Liquidity Procedures for Unitized Stock Fund*

The following procedures shall govern sales of the Stock Fund units requested for a day on which Available Liquidity is insufficient:

(a) Loans, withdrawals and distributions will be aggregated and placed first in the hierarchy. If Available Liquidity is sufficient for the aggregate of such transactions, all such loans, withdrawals and distributions will be honored. If Available Liquidity is not sufficient for the aggregate of such transactions, then such transactions will be suspended, and no transactions requiring the sale of Stock Fund units shall be honored for that day.

(b) If Available Liquidity has not been exhausted by the aggregate of loans, withdrawals and distributions, then all remaining transactions involving a sale of Stock Fund units (exchanges out) shall be grouped on the basis of when such requests were received, in accordance with standard procedures maintained by the Trustee for such grouping as they may be amended from time to time. To the extent of Available Liquidity, groups of exchanges out of the Stock Fund units shall be honored, by group, on a FIFO basis. If Available Liquidity is insufficient to honor all exchanges out within a group, then none of the exchanges out in such group shall be honored, and no exchanges out in a later group shall be honored.

(c) Transactions not honored on a particular day due to insufficient Available Liquidity shall be honored, using the hierarchy specified above, on the next Business Day on which there is Available Liquidity.

SCHEDULE E — *Dividend Pass−Through Program Operating Procedures for Processing Dividends*

The Sponsor and the Trustee and FIIOC (collectively, “Fidelity”) hereby agree that the dividend pass−through program with respect to the Stock Fund shall be administered in accordance with the following procedures.

Definitions

“Dividend Payable Date” shall mean the business day Fidelity receives funding for the Stock Fund dividends from the Sponsor’s transfer agent.

Procedures

(a) Fidelity shall establish and maintain procedures for Participants who have elected to invest portions of their account balances in the Stock Fund to make and periodically amend elections to reinvest dividends or receive dividend payments from the Stock Fund in cash. Such procedures shall be provided to the Sponsor for review and approval prior to implementation. The procedures may be amended from time to time by Fidelity with the prior approval of the Sponsor, such approval not to be unreasonably withheld, or at the reasonable request of the Sponsor.

(b) The Sponsor shall, as soon as practicable prior to each dividend payment on the Sponsor’s common stock held in the Stock Fund, inform Fidelity of the expected dividend dates (record date, ex−dividend date and payment date) and the anticipated amount of the dividend per share.

(c) Fidelity shall determine the amount of dividends attributable to each Participant who is eligible to elect to receive Stock Fund dividends in cash under the terms of the Plan as communicated in writing by the Sponsor to Fidelity, and who is invested in the Stock Fund on the ex−dividend date, as follows: Fidelity shall calculate the dividend per unit in the Stock Fund by dividing the total dividend received for shares held within the Stock Fund by the total number of units of the Stock Fund outstanding on the ex−dividend date. The amount of dividend attributable to each eligible Participant shall be determined by multiplying the dividend per unit by the number of units held by each eligible Participant on the ex−dividend date.

(d) On the Dividend Payable Date, Depository Trust Company shall wire to Fidelity the funding for the dividends paid to the Plan, on shares of Sponsor Stock held in the Stock Fund.

(e) Fidelity shall issue checks to each Participant for the Participant’s allocated share of dividends paid to the Stock Fund (determined in accordance with Section 3 above) if the Participant (i) holds balances in the Stock Fund on the ex−dividend date and (ii) has elected (and has not rescinded such election in a timely manner) to receive Stock Fund dividends in accordance with the procedures established pursuant to Section 1 above. If the amount of any dividend is less than $10.00, Participants who do not have electronic funds transfer will be deemed to have elected to reinvest the dividend in the Stock Fund. Processing of such checks shall begin on the business day following the Dividend Payable Date, and checks shall be issued as promptly as administratively feasible thereafter.

(f) Fidelity shall issue IRS Form 1099–DIV to each Participant who receives dividends in cash no later than January 31 of the year following the year in which the cash dividends were paid to the Participant.

HAWAIIAN ELECTRIC INDUSTRIES, INC. AND AMERICAN SAVINGS BANK, F.S.B.

BY: HAWAIIAN ELECTRIC INDUSTRIES, INC. PENSION INVESTMENT COMMITTEE

By: /s/ James A. Ajello 8/24/12
James A. Ajello Date
Chairman

By: /s/ Chester A. Richardson 8/24/12
Chester A. Richardson Date
Secretary

FIDELITY MANAGEMENT TRUST COMPANY

By: /s/ Jennifer Bennett
FMTC Authorized Signatory

Name: Jennifer Bennett

Title: Senior Vice President

Date: 8/31/2012

FIDELITY INVESTMENTS INSTITUTIONAL OPERATIONS COMPANY, INC.

By: /s/ Jennifer Bennett
FIIOC Authorized Signatory

Name: Jennifer Bennett

Title: Senior Vice President

Date: 8/31/2012

SCHEDULE F — *Performance Standards*

All measures are reported on a quarterly basis, except where otherwise noted.

Standards that are not met for reasons outside of the Trustee's control are excluded from any calculation of fees at risk. Service level agreements will be suspended when unusual market or employer activity leads to unanticipated volume increases (10% above normal volumes).

The Trustee is willing to guarantee our administrative services contractually and place fees at risk in the event we fail to meet our service commitments. We do this using a set of mutually agreed–upon performance standards.

The Trustee developed a set of standards in cooperation with our clients and the consulting community that we trust measures effectively the quality of service we currently deliver, and will continue to deliver, to you and to your employees.

All measures are reported on a quarterly basis, except where otherwise noted.

Category Standard Description	Definition	Performance Standard/Measurement
1. Availability		
Call Abandonment Rate	*An abandoned call is defined as a call that is disconnected by the caller after the call is transferred to the (Customer Service Associate) representative queue from the Voice Response System (VRS).* ***Note:** Excludes any calls abandoned before 20 seconds*	**Service Level Requirement: <= 4%** This measurement is calculated as the number of abandoned calls divided by the total number of telephone calls. **Note:** Measured at the DC product level. **Fees at Risk**: 1%
Voice Response System (VRS)	*Availability of the Voice Response System, 24 hours a day, 7 days a week.*	**Service Level Requirement: 99%** Availability is calculated as a percentage of time per month functions are available excluding reserved maintenance windows and scheduled application update activities. **Note:** Measured within the Fidelity firewall and at the DC product level. **Fees at Risk**: 1%

Category Standard Description	Definition	Performance Standard/Measurement
Fidelity NetBenefits®	*Availability of the NetBenefits® system, 24 hours a day, 7 days a week.*	**Service Level Requirement: 99%** Availability is calculated as a percentage of time per month functions are available excluding reserved maintenance windows and scheduled application update activities. **Note:** Measured within the Fidelity firewall and at the DC product level. **Fees at Risk**: 1%
Fidelity Plan Sponsor WebStation® (PSW®)	*Availability of the Plan Sponsor WebStation® system, 24 hours a day, 7 days a week.*	**Service Level Requirement: 99%** Availability is calculated as a percentage of time per month functions are available excluding reserved maintenance windows and scheduled application update activities. **Note:** Measured within the Fidelity firewall and at the DC Product level. **Fees at Risk:** 1%
Quarterly Online Statements	*Availability of online statements on NetBenefits®, 24 hours a day, 7 days a week.*	**Service Level Requirement: 99%** Availability is calculated as a percentage of time per month functions are available excluding reserved maintenance windows and scheduled application update activities. **Note:** Measured within the Fidelity firewall and at the DC product level. **Fees at Risk**: 1%
2. Responsiveness		
Average Speed to Answer	*The average time for a Customer Service Associate to answer calls.*	**Service Level Requirement: 30 Seconds** Customer Service Associates (CSAs) will answer calls within a 30 second average after the call is transferred to the CSA queue from the VRS. **Note:** Measured at the DC product level. **Fees at Risk**: 1%

Category Standard Description	Definition	Performance Standard/Measurement
First Call Response Rate (One and Done)	*The ability to successfully resolve a customer−stated issue during the customer's first call. (Note: Reported as a percentage.)*	**Service Level Requirement: 90%** 90% of calls will be closed at first contact. **Note:** Fees at risk if performance falls below 85% of calls closed at first contact. Measured at the client level. **Fees at Risk:** 1%
Case Management — Work Item Resolution	*The percentage of work items resolved within the standard after receipt of necessary information from Employer or third parties.* ***Excludes:*** *Death benefits, check copies, and plan−level requests.*	**Service Level Requirement:** 95% within 5 business days This measure is calculated as the number of work items reported and resolved within the standard, divided by the total number of participant issues tracked through Fidelity's work item system within the quarter. **Note:** If the number of work items for a specific employer falls below 100 items per quarter, fees at risk will be suspended. Measured at the client level. **Fees at Risk:** 1%
Case Management — Work Item Resolution	*The percentage of work items resolved within the standard after receipt of necessary information from Employer or third parties.* ***Excludes:*** *Death benefits, check copies, and plan−level requests.*	**Service Level Requirement:** 99% within 10 business days This measure is calculated as the number of work items reported and resolved within the standard, divided by the total number of participant issues tracked through Fidelity's work item system within the quarter. **Note:** If the number of work items for a specific employer falls below 100 items per quarter, fees at risk will be suspended. Measured at the client level. **Fees at Risk**: 1%
Quarterly Hardcopy Statements	*Quarterly measurement of the timely mailing of participant−elected hardcopy statements.*	**Service Level Requirement:** 100% of statements mailed by the 20th calendar day after end of reporting period. **Note:** Measured at the client level. **Fees at Risk**: 1%

3. Quality/Accuracy		
Transaction Processing — Accuracy	*Number of processing defects divided by the total number of participant transactions*	**Service Level Requirement: 99%** 99% of participant transactions will be processed without reported errors. **Note:** Measured at the client level. **Fees at Risk:** 1%
Quarterly Statements — Accuracy	*Number of participant statements without defects divided by the total number of participant statements produced.*	**Service Level Requirement: 99.9%** 99.9% of participant statements will be produced without reported errors. **Note:** Measured at the client level. Excludes third–party investment data used by Fidelity as directed. **Fees at Risk**: 1%
4. Satisfaction		
Participant Satisfaction	*Employee satisfaction rating*	**Service Level Requirement: 80%** 80% of respondents will rate their service experience (Satisfaction with phone service experience) in the top two boxes (4/5). On a scale of 1–5 (Very Satisfied, Somewhat Satisfied, Neither Satisfied nor Dissatisfied, Somewhat Dissatisfied, Very Dissatisfied) **Note:** No fees at risk for this measure. Measured at the DC product and client level.
Plan Sponsor Satisfaction — Plan Sponsor Service Model Material Review	*Delivery of Plan Sponsor Administration / Fiduciary Support*	**Service Level Requirement: Annually** Materials will be reviewed at a minimum of once per year. 1. Investment Review 2. Service Review 3. Business Planning 4. Business Plan Scorecard Review 5. Value/Fee Review 6. Plan Administration Review 7. Annual Service Recap Letter **Note:** Measured at the client level and reported by the client team. **Fees at Risk**: 1%

Service Level Agreement Definitions

Term	Description
Adjustment Methodology	A “Pass/Fail” method will be employed when non–performance triggers an adjustment. Under this method, any measure below the performance standard will trigger full “payment” of the full amount of the percent of the fees assigned to the standard. <u>For example:</u> Issue Resolution standard = 90% of work items will be resolved within 5 business days. If Fees at risk = 1% (*example*) When only 89.9% of work items are resolved within 5 business days, this would be determined to be a “Fail” and the full 1% of recordkeeping/administration fees would be credited on a subsequent invoice.
Business Day	Business day is defined as any day that the New York Stock Exchange is open.
Calculation of Adjustment	Failure to perform against standard, (as determined during the quarterly evaluation) will trigger an adjustment against that quarter’s proportion of the annual per participant recordkeeping/administration fees.
Exclusions — Circumstances Beyond Fidelity’s Control	Standards that are not met for reasons outside of Fidelity’s control are excluded from any calculation of fees at risk.
Exclusions — Volatility	Service level agreements will be suspended when unusual market or employer activity leads to unanticipated volume increases (10% above normal volumes).
Operations and Issue Resolution — Minimum Number of Work Items	If the number of work items for a specific client falls below 100 items per quarter, fees at risk will be suspended.
Payment	Payments will be made in accordance with the Performance Payments Procedures in Schedule B.
Reporting	Fidelity will measure standards monthly and report on a quarterly basis by averaging scores.
Weighting & Caps	The weighting of individual performance measures will be determined by dividing the total amount of fees at risk (10%) by the number of performance measurement standards. No individual standard will be weighted more than 1% except in the case that there are fewer than 10 standards. The sum total of all individual standards will not exceed 10%.

FORM OF INDEMNITY AGREEMENT

This Indemnity Agreement ("Agreement") is made as of , 20 , by and between Hawaiian Electric Industries, Inc., a Hawaii corporation ("Company"), and ("Indemnitee"), an officer and/or director of the Company.

Recitals

A. Indemnitee is currently serving as an officer and/or director of the Company and in such capacity has rendered valuable services to the Company.

B. Section 414–250 of the Hawaii Business Corporation Act provides that indemnification by a Hawaii corporation of directors, officers and others which is authorized by that section shall not be exclusive of any other right to which those indemnified may be entitled under any bylaw, agreement, vote of shareholders or disinterested directors, or otherwise, and paragraph (f) of Article Twelfth of the Company's Articles of Incorporation provides that the right to indemnification as provided in Article Twelfth shall not be exclusive of any other right to which those seeking indemnification or those indemnified may be entitled.

C. The above statutory provision and the above provision of the Articles of Incorporation of the Company specifically provide that they are not exclusive and thereby contemplate that agreements may be entered into between the Company and directors and officers of the Company with respect to indemnification.

D. In order to induce experienced and capable persons such as Indemnitee to serve, or continue to serve, as an officer and/or director of the Company, the Board of Directors has determined, after due consideration and investigation of the terms and provisions of this Agreement and the various other options available to the Company and Indemnitee in lieu hereof, that this Agreement is reasonable and prudent and necessary and appropriate to promote and ensure the best interests of the Company and its shareholders.

NOW, THEREFORE, in consideration of the premises and the services of Indemnitee and in order to induce Indemnitee to serve, or continue to serve, as an officer and/or director of the Company, the Company and Indemnitee do hereby agree as follows:

1. **Definitions.** As used in this Agreement:

(a) "Assessed Amounts" include, without limitation, the amount of any judgments, fines, penalties, ERISA excise taxes or other amounts of any nature whatsoever assessed or levied against Indemnitee in, arising out of or otherwise with respect to any Proceeding. The term "Assessed Amounts" does not include Expenses.

(b) "Expenses" include, without limitation, all expenses of any nature in connection with any Proceeding, attorneys' fees, disbursements and retainers, accounting and witness fees, travel and deposition costs, expenses of investigations, judicial or administrative proceedings and appeals, amounts paid in settlement by or on behalf of Indemnitee, and any

expenses of establishing a right to indemnification, pursuant to this Agreement or otherwise, including reasonable compensation for time spent by Indemnitee in connection with the investigation, defense or appeal of a Proceeding or action for indemnification for which Indemnitee is not otherwise compensated by the Company or any third party. The term “Expenses” does not include Assessed Amounts.

(c) “Proceeding” includes, without limitation, any threatened, pending or completed action, suit or proceeding, formal or informal, whether brought in the name of the Company or otherwise and whether of a civil, criminal or administrative or investigative nature, and includes all appeals, by reason of the fact that Indemnitee is or was an officer and/or director of the Company, or is or was serving at the request of the Company as a director, officer, employee or agent of another enterprise, whether or not Indemnitee is serving in such capacity at the time any liability or expense is incurred for which indemnification or reimbursement is to be provided under this Agreement.

2. **Indemnification.** Subject only to the exceptions provided for in Section 6 of this Agreement, the Company shall indemnify Indemnitee if Indemnitee is a party to or threatened to be made a party to or is involved in any Proceeding as a witness or participant or is otherwise involved in any Proceeding, including a Proceeding by or in the name of the Company to procure a judgment in its favor, by reason of the fact that Indemnitee is or was an officer and/or director of the Company (or is or was serving at the request of the Company as a director, officer, employee or agent of another enterprise) against all Expenses and Assessed Amounts actually and reasonably incurred by Indemnitee in connection with any such Proceeding, including, without limitation, the defense or settlement of any such Proceeding; provided that any settlement of a Proceeding (other than a Proceeding by or in the name of the Company to procure a judgment in its favor) be approved in writing by the Company.

3. **Advances of Expenses.** The Expenses incurred by Indemnitee in any Proceeding shall be paid promptly by the Company in advance of the final disposition of the Proceeding at the written request of Indemnitee; provided that Indemnitee shall undertake in writing to repay any such advances if a final judgment or other final adjudication by a court having jurisdiction in the matter shall determine that Indemnitee is not entitled to indemnification under this Agreement.

4. **Partial Indemnification.** If a final judgment or other final adjudication by a court having jurisdiction in the matter shall determine that Indemnitee is entitled under this Agreement to indemnification by the Company for only a portion of the Expenses or Assessed Amounts actually and reasonably incurred by Indemnitee in any Proceeding but not, however, for the total amount of Indemnitee’s Expenses or Assessed Amounts, the Company shall indemnify Indemnitee for the portion of Expenses or Assessed Amounts to which Indemnitee is entitled.

5. **Indemnification Procedure.**

(a) Promptly after receipt by Indemnitee of notice of the commencement of any Proceeding, Indemnitee shall, if a claim in respect thereof is to be made against the Company under this Agreement, notify the Company of the commencement thereof in writing;

provided, however, that the failure to give such notice shall not constitute a waiver of any right of Indemnitee (1) to any advance or indemnification hereunder except to the extent that the Company may be prejudiced by the failure of Indemnitee to give such notice, but then only to the extent of such prejudice, or (2) to release the Company from any obligation to indemnify Indemnitee which the Company may otherwise have to Indemnitee. The Indemnitee shall give the Company such information and cooperation as the Company may reasonably require and as shall be within the Indemnitee's power.

(b) If a claim for indemnification or advances under this Agreement is not paid by the Company within 30 days of receipt of written notice, the rights provided by this Agreement shall be enforceable by Indemnitee in any court of competent jurisdiction in the State of Hawaii. The Company shall have the burden of proving by clear and convincing evidence that Indemnitee is not entitled to indemnification or advances under the Agreement.

(c) Indemnitee's Expenses incurred in connection with any Proceeding concerning Indemnitee's right to indemnification or advances in whole or in part pursuant to this Agreement shall also be indemnified by the Company regardless of the outcome of such a Proceeding.

(d) With respect to any Proceeding for which indemnification is requested, the Company will be entitled to participate therein at its own expense and, except as otherwise provided herein, to the extent that it may wish, the Company may assume the defense thereof, with counsel selected by the Company and approved by the Indemnitee, which approval shall not be unreasonably withheld. After notice from the Company to Indemnitee of its election to assume the defense of a Proceeding, the Company will not be liable to Indemnitee under this Agreement for any Expense subsequently incurred by Indemnitee in connection with the defense thereof, except as otherwise provided herein. Indemnitee shall have the right to employ Indemnitee's own counsel in any Proceeding, but the fees and expenses of such counsel incurred after notice from the Company of its assumption of the defense of the Proceeding shall be at the expense of Indemnitee, unless (i) the employment of counsel by Indemnitee has been authorized by the Company, (ii) Indemnitee shall have reasonably concluded that there may be a conflict of interest between the Company and Indemnitee in the conduct of the defense of a Proceeding, or (iii) the Company shall not in fact have employed counsel to assume the defense of a Proceeding, in each of which cases the fees and expenses of Indemnitee's counsel shall be advanced by the Company. The Company shall not be entitled to assume the defense of any Proceeding brought by or on behalf of the Company or as to which Indemnitee has reasonably concluded that there may be a conflict of interest between the Company and Indemnitee.

6. **Exceptions to Indemnification.** The Company shall not be liable under this Agreement to pay any amount or otherwise be obligated under this Agreement:

(a) To indemnify or advance funds to Indemnitee for Expenses with respect to Proceedings initiated or brought voluntarily by Indemnitee and not by way of defense, except with respect to Proceedings brought to establish or enforce a right to indemnification under this Agreement, but such indemnification or advancement of Expenses may be provided by the Company in specific cases if the Board of Directors of the Company determines it to be appropriate;

(b) To indemnify Indemnitee for any Expenses or Assessed Amounts in any Proceeding for which payment is actually made to Indemnitee under a valid and collectible insurance policy, except in respect of any excess beyond the amount of payment under such insurance policy;

(c) To indemnify Indemnitee for any Expenses or Assessed Amounts in any Proceeding to the extent Indemnitee has otherwise actually received payment (under an insurance policy or otherwise) of amounts otherwise indemnified or payable hereunder;

(d) To indemnify Indemnitee for any Expenses or Assessed Amounts in any Proceeding for an accounting of profits made from the purchase or sale by Indemnitee of securities of the Company pursuant to the provisions of Section 16(b) of the Securities Exchange Act of 1934, the rules and regulations promulgated thereunder and amendments thereto or similar provisions of any federal or state statute;

(e) To indemnify Indemnitee for any Expenses or Assessed Amounts in any Proceeding on account of Indemnitee's conduct which is determined by a final judgment or other final adjudication by a court having jurisdiction in the matter to have been knowingly fraudulent, deliberately dishonest or a result of willful misconduct; or

(f) If a final judgment or other final adjudication by a court having jurisdiction in the matter finally determines that indemnification hereunder is not permitted by law.

7. **Subrogation.** In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of the Indemnitee, who shall execute all papers required and shall do everything that may be necessary to secure such rights, including the execution of such documents necessary to enable the Company effectively to bring suit to enforce such rights.

8. **Indemnification Not Exclusive; Additional Indemnification.** The indemnification provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may be entitled under the Articles of Incorporation, By–Laws, any agreement, vote of shareholders or disinterested directors, provision of Hawaii law, or otherwise, both as to action in Indemnitee's official capacity and as to action in another capacity on behalf of the Company while holding such office.

Notwithstanding any other provision of this Agreement, the Company agrees to indemnify the Indemnitee to the fullest extent permitted by law notwithstanding that such indemnification is not specifically authorized by the other provisions of this Agreement, the Company's Articles of Incorporation, the Company's By–Laws or by statute. In the event of any changes after the date of this Agreement in any applicable law, statute or rule which expand the right of a Hawaii corporation to indemnify its directors or officers or other person serving in a capacity set forth in Section 2, the Indemnitee's rights and the Company's obligations under this Agreement shall be expanded to the full extent permitted by such changes. In the event of any changes in any applicable law, statute or rule which narrow the right of a Hawaii corporation to indemnify a director or officer or other person serving in any capacity as provided in Section 2,

such changes to the extent not otherwise required by such law, statute or rule to be applied to this Agreement shall have no effect on this Agreement or the parties' rights and obligations hereunder.

9. **Consent to Jurisdiction.** The Company and the Indemnitee each hereby irrevocably consent to the jurisdiction of the courts of the State of Hawaii for all purposes in connection with any action or proceeding which arises out of or relates to this Agreement and agree that any action instituted under this Agreement shall be brought only in a state court of the State of Hawaii.

10. **Successors and Assigns.** This Agreement shall be binding upon, and shall inure to the benefit of Indemnitee and Indemnitee's heirs, executors, administrators and assigns, whether or not Indemnitee has ceased to be a director or officer, and the Company and its successors and assigns.

11. **Severability.** Each and every provision of this Agreement is separate and distinct so that, if any provision hereof shall be held to be invalid or unenforceable for any reason, such invalidity or unenforceability shall not affect the validity or enforceability of any other provision hereof. To the extent required, any provision of this Agreement may be modified by a court having jurisdiction of the matter to preserve its validity and to provide Indemnitee with the broadest possible indemnification permitted under Hawaii law.

12. **Savings Clause.** If this Agreement or any provision hereof is invalidated on any ground by any court having jurisdiction of the matter, the Company shall nevertheless indemnify Indemnitee as to any Expenses and Assessed Amounts incurred with respect to any Proceeding to the full extent permitted by any applicable provision of this Agreement that has not been invalidated or by any other applicable provision of Hawaii law.

13. **Interpretation; Governing Law.** Headings in this Agreement are for convenience only and shall not be used in construing meaning. This Agreement shall be governed and interpreted in accordance with the laws of the State of Hawaii. It is understood that the parties hereto intend this Agreement to be interpreted and enforced so as to provide indemnification to the Indemnitee to the fullest extent permitted by law.

14. **Amendments.** No amendment, waiver, modification, termination or cancellation of this Agreement shall be effective unless signed by the parties against whom enforcement is sought. The indemnification rights afforded to Indemnitee hereby are contract rights and may not be diminished, eliminated or otherwise affected by amendments to the Articles of Incorporation, By–Laws or by other agreements, including insurance policies.

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

INDEMNITEE

____

HAWAIIAN ELECTRIC INDUSTRIES, INC.

By ____

Its

Hawaiian Electric Industries, Inc. and Subsidiaries
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(unaudited)

Nine months ended September 30 **(dollars in thousands)**	**2012 (1)**	**2012 (2)**	**2011 (1)**	**2011 (2)**
Fixed charges				
Total interest charges (3)	$ 62,434	$ 67,449	$ 68,390	$ 75,536
Interest component of rentals	5,325	5,325	3,518	3,518
Pretax preferred stock dividend requirements of subsidiaries	2,202	2,202	2,193	2,193
Total fixed charges	$ 69,961	$ 74,976	$ 74,101	$ 81,247
Earnings				
Pretax income from continuing operations	$ 194,748	$ 194,748	$ 161,705	$ 161,705
Fixed charges, as shown	69,961	74,976	74,101	81,247
Interest capitalized	(2,451)	(2,451)	(1,731)	(1,731)
Earnings available for fixed charges	$ 262,258	$ 267,273	$ 234,075	$ 241,221
Ratio of earnings to fixed charges	3.75	3.56	3.16	2.97

Years ended December 31 **(dollars in thousands)**	**2011 (1)**	**2011 (2)**	**2010 (1)**	**2010 (2)**	**2009 (1)**	**2009 (2)**
Fixed charges						
Total interest charges (3)	$ 87,592	$ 96,575	$ 87,191	$ 101,887	$ 85,827	$ 119,873
Interest component of rentals	4,757	4,757	4,282	4,282	5,339	5,339
Pretax preferred stock dividend requirements of subsidiaries	2,914	2,914	3,001	3,001	2,868	2,868
Total fixed charges	$ 95,263	$ 104,246	$ 94,474	$ 109,170	$ 94,034	$ 128,080
Earnings						
Pretax income from continuing operations	$ 214,162	$ 214,162	$ 181,357	$ 181,357	$ 126,934	$ 126,934
Fixed charges, as shown	95,263	104,246	94,474	109,170	94,034	128,080
Interest capitalized	(2,498)	(2,498)	(2,558)	(2,558)	(5,268)	(5,268)
Earnings available for fixed charges	$ 306,927	$ 315,910	$ 273,273	$ 287,969	$ 215,700	$ 249,746
Ratio of earnings to fixed charges	3.22	3.03	2.89	2.64	2.29	1.95

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)**	**2008 (1)**	**2008 (2)**	**2007 (1)**	**2007 (2)**
Fixed charges				
Total interest charges (3)	$ 120,083	$ 181,566	$ 156,575	$ 238,454
Interest component of rentals	5,354	5,354	5,367	5,367
Pretax preferred stock dividend requirements of subsidiaries	2,894	2,894	2,899	2,899
Total fixed charges	$ 128,331	$ 189,814	$ 164,841	$ 246,720
Earnings				
Pretax income from continuing operations	$ 139,256	$ 139,256	$ 131,057	$ 131,057
Fixed charges, as shown	128,331	189,814	164,841	246,720
Interest capitalized	(3,741)	(3,741)	(2,552)	(2,552)
Earnings available for fixed charges	$ 263,846	$ 325,329	$ 293,346	$ 375,225
Ratio of earnings to fixed charges	2.06	1.71	1.78	1.52

(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.

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 September 30, 2012 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: November 8, 2012

/s/ Constance H. Lau
Constance H. Lau
President and Chief Executive Officer

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 September 30, 2012 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: November 8, 2012

/s/ James A. Ajello
James A. Ajello
Executive Vice President, Chief Financial Officer and Treasurer

HEI Exhibit 32.1

Hawaiian Electric Industries, Inc.

Certification Pursuant to
18 U.S.C. Section 1350

In connection with the Quarterly Report of Hawaiian Electric Industries, Inc. (HEI) on Form 10−Q for the quarter ended September 30, 2012, as filed with the Securities and Exchange Commission on the date hereof (the Report), we, Constance H. Lau and James A. Ajello, Chief Executive Officer and Chief Financial Officer, respectively, of HEI, certify, pursuant to 18 U.S.C. Section 1350, that to the best of our knowledge:

(1) The Report fully complies with the requirements of section 13(a) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of HEI and its subsidiaries as of, and for, the periods presented in this report.

Date: November 8, 2012

/s/ Constance H. Lau
Constance H. Lau
President and Chief Executive Officer

/s/ James A. Ajello
James A. Ajello
Executive Vice President,
Chief Financial Officer and Treasurer

A signed original of this written statement has been provided to HEI and will be retained by HEI and furnished to the Securities and Exchange Commission or its staff upon request.

HECO Exhibit 10.2

LOW SULFUR FUEL OIL SUPPLY CONTRACT

BETWEEN

CHEVRON PRODUCTS COMPANY, A DIVISION OF CHEVRON U.S.A. INC.

AND

HAWAIIAN ELECTRIC COMPANY, INC.

Dated as of August 24, 2012

LOW SULFUR FUEL OIL SUPPLY CONTRACT

This Low Sulfur Fuel Oil Supply Contract ("Contract") is deemed entered into as of August 24, 2012 ("Effective Date"), by and between Chevron Products Company, a division of Chevron U.S.A. Inc. ("Chevron"), a Pennsylvania corporation, and Hawaiian Electric Company, Inc. ("HECO"), a Hawaii corporation, for the sale and purchase of low sulfur fuel oil ("LSFO"). Chevron and HECO are each a "party" and collectively the "parties" to this Contract. This Contract shall become effective as provided in Article 2 (Term of Contract) below.

RECITALS

A. Chevron is a supplier of fuel products and owns and operates a refinery ("Refinery") on the island of Oahu, State of Hawaii.

B. HECO is in the business of generation, transmission and distribution of electrical power on the island of Oahu, State of Hawaii.

C. In consideration of the exchange of mutual promises and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree to be bound by the terms of this Contract.

AGREEMENT

1. **DEFINITIONS AND EXHIBITS**

1.1 **Definitions.** Unless the context otherwise requires, the following terms shall have the meanings assigned to them, and the terms defined elsewhere in this Contract by inclusion in quotation marks shall have the meanings so ascribed to them.

(A) "Additional Volume" means a certain volume of LSFO agreed by the parties in writing to be sold by Chevron and purchased by HECO during a month in excess of a daily rate of [– – –] multiplied by the number of days in the Nomination month in question.

(B) "Affiliate" means with respect to any specified Person, any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" (including, with correlative meanings, "controlling," "controlled by," and "under common control with") means the power to direct or cause the direction of the management and policies of such Person, directly or indirectly, whether through the ownership of a majority of voting securities, by contract or otherwise, and it being understood and agreed that with respect to a corporation, limited liability company or partnership, control shall mean direct or indirect ownership of

equal to or more than 50% of the voting stock or limited liability company interest or general partnership interest or voting interest in any such corporation, limited liability company or partnership.

(C) "API" or "API Gravity" refers to the American Petroleum Institute's standard measurement of gravity for petroleum products using ASTM test methods.

(D) "ASTM" means the American Society for Testing and Materials whose standards are utilized in this Contract with respect to fuel specifications, quantitative measurements, sampling and testing.

(E) "barrel" or "bbl" means 42 American bulk gallons at 60 degrees Fahrenheit.

(F) "BPTF" means HECO's Barbers Point Tank Farm, a fuel receiving, storage and distribution facility located in Barbers Point area of Oahu, in Campbell Estate Industrial Park, Kapolei, Hawaii.

(G) "BTU" and "BTU content" means British Thermal Unit and refers to the standard assessment of fuel's gross heating value or gross heat content.

(H) "Business Day" shall mean Monday through Friday, except for a day as to which physical locations of commercial banks in Honolulu, Hawaii are closed for business to the public due to a scheduled holiday.

(I) "Certificate of Quality" or "Quality Certificate" means the formal document recording the Chevron laboratory determinations of the quality and BTU content of a particular sample which represents a specific Delivery, said laboratory determinations having been performed in accordance with the standard test methods described herein.

(J) "Change Notice" has the meaning set forth in Section 2.3(A).

(K) "Commencement Date" has the meaning set forth in Section 2.1.

(L) "Contingency" has the meaning set forth in Section 11.1.

(M) "day" means a calendar day.

(N) "Deliver," "Delivery," "Deliveries" or "Delivered" refers to the transfer of title or physical movement of LSFO or [– – –] sold by Chevron and purchased by HECO.

(O) "Delivery Status Against Ratable" means the calculated figure equal to cumulative Deliveries of LSFO as of a specific day in a month where said Deliveries for the month which includes the specified day less the

cumulative Nominations on a Contract–to–date basis as of that same specific day in a month

(P) "Effective Date" has the meaning set forth in the Preamble.

(Q) "Extension" means any Contract period in addition to and after the Original Term, each of which is a twelve (12) month period beginning January 1.

(R) "Full Documentation" has the meaning set forth in Section 10.1(A).

(S) "Gallon", "gal" or "gallon" means a United States gallon of 231 cubic inches at 60 degrees Fahrenheit.

(T) "Governmental Authority" means any international, foreign, federal, state, regional, county, or local Person having governmental or quasi–governmental authority or subdivision thereof, including recognized courts of Law, or other body or entity of competent jurisdiction.

(U) "G.S.V." means gross standard volume in U.S. barrels at 60 degrees Fahrenheit.

(V) "Independent Inspector" means a qualified third–party petroleum inspection contractor acceptable to both parties providing petroleum sampling, measurement and other services before, during and after a Delivery.

(W) "Invoiced Deliveries" means Deliveries which have been invoiced in accordance with Article 10.

(X) "Invoice Date" means the billing or invoice issue date as shown on the invoice which is after completion of the Delivery in question.

(Y) "Kahe Pipeline" means HECO's 10–inch pipeline running from Barbers Point to the Kahe Power Plant which is used for transporting LSFO to the fuel receiving and storage facilities at HECO's Kahe Power Plant.

(Z) "Law" means any law, decree, directive, judgment, order, decision, interpretation, enforcement, statute, code, ordinance, rule, regulation, treaty, convention or any action, direction or intervention or other requirement of any Governmental Authority.

(AA) [– – –]

[– – –]

(BB) "LSFO" means Low Sulfur Fuel Oil of the quality specified at Exhibit A (LSFO Specifications).

(CC) "Marine Delivery" or "Marine Deliveries" means a Delivery of LSFO and/or the components thereof, including blend stock, all or part of which are Delivered by Chevron from a marine vessel to HECO's receiving and storage tanks.

(DD) "MM" means million when used in conjunction with a unit of measure such as BTU (*e.g.*, MM BTU means million BTU).

(EE) "month" means a calendar month.

(FF) "Nominated" or "Nomination" means the amount of LSFO specified by HECO in writing to be sold and Delivered by Chevron and purchased and received by HECO for a specified month.

(GG) "Person" means an individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture, Governmental Authority or other entity.

(HH) "Pipeline Delivery" or "Pipeline Deliveries" means a Delivery of LSFO or [– – –] from the Refinery either (i) to HECO's petroleum receiving and storage tanks at BPTF via the Refinery's pipelines; (ii) where or if there exists a direct connection between the Refinery's pipelines and HECO's Kahe Pipeline, to HECO's petroleum receiving and storage tanks at Kahe; or (iii) where or if there exists a direct connection between the Refinery's pipelines and HECO's Waiau Pipeline, Delivery of LSFO or [– – –] from the Refinery to HECO's petroleum receiving and storage tanks at Waiau.

(II) "Representatives" of a party shall mean the respective officers, directors, members, managers, employees and agents of such party or its Affiliates.

(JJ) "Supply Deficit Position" has the meaning set forth in Section 3.2(G).

(KK) "Waiau Pipeline" means HECO's 8–inch Waiau fuel pipeline running from Barbers Point to HECO's fuel receiving and storage facilities at HECO's Waiau Power Plant.

1.2 **Exhibits.** The Exhibits identified in this Contract are incorporated herein by reference and made a part of this Contract.

2. **TERM OF CONTRACT**

2.1 [– – –]

2.2 [– – –]

[– – –]

2.3 **Length of Term; HECO Change Notice**. Subject to Section 2.3(A)–(D), this Contract shall be for a term beginning on the Commencement Date through and including December 31, 2016 ("Original Term"), and continuing thereafter for one or more Extensions, each such Extension a period of twelve (12) months, beginning each successive January 1, unless HECO or Chevron gives written notice of termination [– – –].

(A) If during the term of this Contract HECO makes a good faith decision to reduce its use of LSFO below the minimum volume of LSFO to be purchased hereunder so as to comply with a direction of Governmental Authority or a change in Law that has been directed or promulgated prior to the Effective Date (collectively, "Grounds"), then HECO may provide Chevron with a written notice ("Change Notice") [– – –] in advance of any such reduction in Nominations. Any such Change Notice shall specify: (1) the law or Governmental Authority direction constituting the Grounds; (2) HECO's proposed reduced minimum volume of LSFO to be purchased hereunder; (3) [– – –]; and (4) the effective date of the reduction in LSFO Nominations [– – –].

(B) [– – –]

(C) [– – –]

[– – –]

(D) [– – –]

[– – –]

3. PURCHASE VOLUMES AND DELIVERY RATES

3.1 **Purchase Volumes**. Beginning with the month of the Commencement Date, Chevron shall sell and Deliver to HECO and HECO shall purchase and receive from Chevron, LSFO at a reasonably uniform rate during each month. This monthly volume [– – –] which is no less than the minimum nor more than the maximum set out in Exhibit B (Volume Band).

(A) If the parties agree in writing at the time, Chevron will sell and Deliver and HECO shall purchase and receive Additional Volume.

3.2 **Delivery Rates**.

(A) HECO shall provide Chevron with written notice of HECO's Nominated volume of Delivery for each month at least [– – –] days prior to the beginning of that month. In addition to the volume Nomination, HECO shall also provide a written indication of the volume HECO anticipates purchasing for the calendar month following the month in which the Nomination is provided.

(B) No later than ten (10) days prior to the beginning of each month, Chevron will, in writing, provide HECO with a proposed schedule of Pipeline Deliveries and Marine Deliveries ("Delivery Schedule") to be made for the following three (3) months. The proposed Delivery Schedule shall specify the type of Delivery, whether Pipeline Delivery or Marine Delivery, approximate quantity and the approximate date. The Deliveries are to be made at reasonably regular intervals. HECO shall notify Chevron of its acceptance or rejection of the proposed Delivery Schedule within three (3) Business Days of receipt. Should HECO fail to provide notice to Chevron of its acceptance, conditional acceptance or rejection of the Delivery Schedule prior to the end of this three (3) Business Day period, HECO shall be deemed to have accepted the Delivery Schedule. If

HECO rejects the proposed Delivery Schedule because the date or volume of an individual Delivery is unacceptable, HECO shall advise Chevron in writing as soon as possible thereafter of a satisfactory alternate Delivery date or alternate Delivery quantity.

(C) Chevron shall notify HECO in writing of any change in the accepted Delivery Schedule due to any of the following causes with respect to each individual Delivery as soon as practicable after it shall become known to Chevron**:**

(1) A change in the volume of an individual Pipeline Delivery, if such change is [– – –] of the previously advised Delivery volume or a change in the volume of an individual Marine Delivery, if such change is [– – –] of the previously advised Delivery volume; or

(2) A change in the date of an individual Delivery, if such change is greater than two (2) days from the previously advised date.

(D) HECO shall not be required to take Delivery of more than 75% of a month's Nominated volume in any ten (10) consecutive day period. Chevron shall not be required to make Delivery of more than 50% of a month's Nominated volume in any ten (10) consecutive day period. Chevron will make commercially reasonable efforts to plan its Pipeline Deliveries and Marine Deliveries such that it shall have a Delivery Status Against Ratable of approximately zero ([– – –]) at month–end for the third month of the accepted Delivery Schedule. Scheduled Marine Deliveries can be made plus or minus seven (7) days from the date shown on the accepted Delivery Schedule.

(E) Chevron and HECO shall make commercially reasonable efforts to coordinate their separate marine and pipeline shipments into and out of HECO's BPTF to minimize operational difficulties and costs, including but not limited to tankage availability and vessel demurrage.

(F) Unless waived by HECO and subject to tank availability, the physical volume of Chevron's Marine Deliveries of LSFO shall be [– – –] of any month, except during months when Chevron's LSFO production facilities at the Refinery are not operating or when HECO's Nominated rate of Delivery for the month of the Marine Delivery is in excess of the maximum quantity specified in Exhibit B (Volume Band).

(G) If due to reasons other than a Contingency, Chevron's anticipated Pipeline Deliveries and Marine Deliveries of LSFO shall reasonably indicate that the cumulative quantity of its Deliveries to HECO during a given period of

this Contract will result in a Delivery Status Against Ratable in excess of [– – –] Chevron shall be deemed to be in a "Supply Deficit Position" and shall promptly give notice of the same to HECO.

(H) In the event that Chevron gives notice that it is in a Supply Deficit Position, Chevron and HECO shall thereafter immediately confer in good faith on the steps to be taken to minimize the impact of any Supply Deficit Position on HECO. Within three (3) Business Days of tendering notice of Supply Deficit Position to HECO, Chevron shall propose a written plan ("Supply Plan") detailing how Chevron will make Deliveries of LSFO to HECO to address the Supply Deficit Position. HECO shall have seven (7) days to accept or reject Chevron's proposed Supply Plan in writing. [– – –] Notwithstanding the foregoing, in the event that Chevron has other term contract buyers for LSFO, Chevron may ratably allocate its sale of LSFO to all such buyers on the basis of actual sales to each such buyer over the prior 12–month period.

4. **FUEL QUALITY**

4.1 **Fuel Specifications**. LSFO sold and Delivered by Chevron to HECO hereunder shall conform to the specifications contained in Exhibit A (LSFO Specifications).

4.2 **Limited Warranty. EXCEPT AS SET FORTH IN SECTION 4.1, CHEVRON MAKES NO OTHER WARRANTY CONCERNING THE LSFO SOLD AND DELIVERED HEREUNDER, WHETHER EXPRESSED OR IMPLIED IN FACT OR BY LAW, OR AS TO THE MERCHANTABILITY OR FITNESS OF THE LSFO FOR ANY PARTICULAR PURPOSE**.

5. **PRICE**

5.1 **Price Per Physical Barrel**. The price of LSFO sold and Delivered by Chevron to HECO hereunder shall be determined as set forth in Exhibit C (LSFO Pricing).

5.2 **Flexibility in Supply Source**. To provide the flexibility needed by Chevron to meet its obligations to HECO, [– – –]

5.3 **Taxes and Fees**.

(A) In addition to all other amounts payable by HECO under this Contract, HECO shall reimburse Chevron for all taxes, assessments, levies and imposts of whatsoever kind or nature imposed on Chevron by any governmental or quasi–governmental body, as adjusted, modified or revised from time to time, including without limitation the Hawaii General Excise Tax, the Hawaii Use Tax, the Hawaii Environmental Response Tax and [– – –]. Notwithstanding the foregoing and any illustrative schedule of prices herein, HECO shall not be required to reimburse Chevron under this Section 5.3 for any tax measured by or based on the net income of Chevron or for real property taxes or to duplicate any item of expense of Chevron which is recovered by Chevron under the billing price under Section 5.1 or for any item expressly mentioned by the applicable price reporting service or confirmed by the applicable price reporting service in writing upon inquiry by either Chevron or HECO, as being included in a price used to compute the billing price under Section 5.1.

(B) As to the reimbursement of Chevron for [– – –]. during in the calendar quarter immediately preceding the calendar quarter of the Nominated month of Delivery. If the foregoing is [– – –] during the calendar quarter in question. The accuracy of the reimbursement per barrel payable by HECO pursuant to this Section 5.3(B) may upon written request be verified by an independent auditor chosen by Chevron and subject to HECO's acceptance, such acceptance not to be unreasonably withheld. Chevron and HECO shall share equally the cost of such independent verification to the extent that such

verification would not otherwise have been routinely performed for Chevron by the independent auditor.

(C) As of the Effective Date of this Contract, the governmental fees, etc. which are currently in effect are the Hawaii Use Tax (0.5%), [– – –], the Hawaii Environmental Response Tax ($1.05 per barrel), the Federal Oil Spill Recovery Fee ($0.08 per barrel), and the Hawaii General Excise Tax (4.712%) on applicable items and amounts under the Law, all of which will be added to the invoiced price. The Hawaii Environmental Response Tax is not subject to the Hawaii General Excise Tax.

5.4 **Rounding of Index Averages**. All prices, index averages, adjustments thereto and other sums payable hereunder shall be stated in the nearest thousandth of a dollar.

5.5 **Successor Publications**. All [– – –]

6. **INDEMNITY**

6.1 **Scope of Indemnity**. Except as provided herein, each party to this Contract shall with respect to the other party's "Indemnitees" (consisting of the other party, its Affiliates and each of their respective directors, officers, employees, agents, representatives, and the successors and assigns of any of the foregoing), defend, indemnify, release, reimburse and hold harmless the Indemnitees for, from and against any claims, demands, expenses (including penalties, interest and reasonable attorneys' fees), and causes of action asserted against them by any third Person (including without limitation employees of either party or any Governmental Authority) for personal injury or death, or the loss or damage to property, to the extent resulting from operations or performance hereunder and the willful or negligent acts or omissions of the indemnifying party or from the indemnifying party's failure to comply with Laws relevant and applicable to the Delivery or receipt of LSFO. Where such personal injury, death or loss of or damage to property is the result of the negligence or misconduct of both the parties hereto, the parties expressly agree to indemnify in proportion to each party's share of such negligence or misconduct.

6.2 **Notice of Claims**. Each party agrees to promptly notify the other of any matter as to which rights are asserted under this Article 6 and to provide the other party with information to the extent reasonably requested and reasonable assistance related to any such matter, including the defense thereof.

6.3 **Indemnitee's Right to Control its Defense**. At its election, an Indemnitee who is entitled hereunder to a defense of a matter may control that defense (including the selection of qualified counsel) and the party responsible hereunder for indemnification in the matter shall pay for and reimburse the Indemnitee for reasonable defense expenses, including attorneys' fees, arbitration related fees, expert witness fees and other defense costs.

6.4 **Survival of Provisions**. The provisions of this Article 6 shall survive the termination or expiration of this Contract to the extent they apply to events which occurred during the term of this Contract.

7. **PIPELINE DELIVERY**

7.1 **LSFO Delivery**.

(A) Pipeline Delivery of LSFO, [– – –] or [– – –] shall be made by pipeline from the Refinery into HECO's BPTF. Title and risk of loss of such LSFO, [– – –] and [– – –] shall pass to HECO where Refinery pipelines interconnect with HECO's BPTF pipelines at the point where the pipelines intersect the boundary line between the Refinery property and HECO's BPTF property.

(B) [– – –].

7.2 **Determination of Quality**.

(A) The quality and BTU content of the LSFO Delivered by Pipeline Delivery to HECO shall be determined on the basis of a volumetric weighted average composite of samples drawn from Chevron's issuing tank(s) at the Refinery in such a manner as to be representative of each individual Pipeline Delivery ("Tank Final Sample").

(B) The Tank Final Sample shall be divided into a minimum of three (3) parts as follows:

(1) One part shall be provided to the Refinery's laboratory for analysis to determine BTU content per barrel and quality determination.

(2) One part shall be provided to HECO's laboratory for analysis to determine BTU content per barrel and for the purpose of verifying Chevron's determinations.

(3) At least one part shall be sealed and retained by the Independent Inspector for a period of not less than three (3) months.

(C) Chevron agrees to provide HECO and the Independent Inspector each with a copy of Chevron's Certificate of Quality representing the Tank Final Sample and shall make commercially reasonable efforts to provide such quality documentation no later than the day of the completion of the Pipeline Delivery. If the completed Certificate of Quality is not available the day of the completion of the Pipeline Delivery, Chevron will advise HECO and the Independent Inspector, by the day of the completion of the Pipeline Delivery, the final determination of API gravity, flash point, sulfur content and sediment and water representing the Tank Final Sample.

(D) The official BTU content determination shall be based upon an average of Chevron's and HECO's laboratory analyses, provided that such analyses fall within the ASTM reproducibility standard (currently 0.4 MJ/kg which the parties shall deem to be equivalent to a fixed standard of 60,000 BTU per barrel) for Test D 240. Chevron and HECO will make commercially reasonable efforts to evaluate the BTU content of the Tank Final Sample and exchange results within three (3) Business Days. In the event the difference between HECO's and Chevron's laboratory determination of BTU content falls outside said reproducibility standard, the sealed part of the Tank Final Sample in the possession of the Independent Inspector shall be provided to an independent testing laboratory for an official determination, which shall be final. In cases of disagreement or excessive delays in HECO's determination of BTU content, Chevron shall have the right to invoice the sale using a provisional BTU content of [– – –]

[– – –] with any required adjustments made after final determination is made. Chevron and HECO shall share equally the cost of independent tests and determinations.

(E) [– – –].

7.3 **Measurement of Quantity**.

(A) Quantities of LSFO [– – –] shipped between the facilities by pipeline including quantities of same Delivered by Pipeline Delivery hereunder shall be determined at the time of the Pipeline Delivery by gauging Chevron’s tanks before and after pumping under the supervision of the Independent Inspector. Quantities of LSFO [– – –] pumped, sold or Delivered by Chevron and purchased or received by HECO hereunder shall be calculated in accordance with the current measurement standards adopted by industry, ASTM, API and other recognized standard–setting bodies as are applicable in the opinion of the Independent Inspector and shall be expressed in G.S.V., U.S. barrels at 60 degrees Fahrenheit.

(B) Both HECO and Chevron agree that if measurement of Chevron’s tanks is, in the opinion of the Independent Inspector, considered to have been rendered inaccurate for any reason including, but not limited to operational constraints, physical loss of LSFO [– – –] or inadvertent transfer of LSFO [– – –] within Chevron’s facilities, then the quantity of LSFO [– – –] may be determined by gauging HECO’s tanks before and after pumping under the supervision of the Independent Inspector.

7.4 **Disputes Regarding Quality**.

(A) If either Chevron or HECO has reason to believe that the quality of LSFO [– – –] stated for a particular Pipeline Delivery or Marine Delivery per Article 7 or Article 8 is incorrect, that party shall within sixty (60) days after the issuance date of the complete Certificate of Quality, present the other party with documents supporting such dispute and the parties will confer on the causes for the discrepancy and shall proceed to correct such causes and adjust the quality, if justified, for the

Pipeline Delivery or Marine Delivery in question. In the event of an unresolved difference between Chevron and HECO, the sealed part of the relevant sample in the possession of the Independent Inspector shall be provided to an independent testing laboratory for an official determination, which shall be final. Chevron and HECO shall share equally the cost for such independent laboratory determination.

(B) If the quality of the LSFO received by HECO from Chevron fails to conform to specifications in Article 4 of this Contract, both Chevron and HECO shall minimize, if possible, the impact of any quality problem on HECO by specification waiver if the use of the LSFO will not cause harm to HECO, or by Chevron Delivering higher quality LSFO in a timely manner to produce a specification quality blend in HECO's receiving and storage tank(s) containing the non−specification LSFO. If all such, and similar, efforts fail to resolve the quality problem, then HECO may return non−specification LSFO to Chevron, in which case Chevron shall replace the non−specification LSFO in a timely manner. All costs and expenses, including HECO's handling costs incurred in returning and replacing non−specification LSFO, shall be paid by Chevron.

7.5 **Independent Inspection**. Chevron and HECO will make commercially reasonable efforts to ensure that all measurements taken and determinations made with respect to the provisions of this Contract shall be under the supervision of an Independent Inspector, and the costs thereof shall be shared equally by Chevron and HECO. If, in the interest of time, Chevron personnel rather than the Independent Inspector take measurements, such measuring shall be performed in accordance with accepted industry standards approved by an Independent Inspector.

8. **MARINE DELIVERY**

8.1 **Notification of Marine Delivery**. Chevron shall provide HECO with updates on the anticipated arrival date of its vessel and expected date for commencing the Marine Delivery and otherwise comply with the notice provisions of Section 3.2(b) and Section 3.2 (c) herein.

8.2 [− − −]

8.3 **Delivery of Marine Cargo**.

(A) Chevron may Deliver LSFO, [– – –] or [– – –] from Chevron's vessel into BPTF. The volume of Chevron's Marine Delivery shall conform to the provisions of Section 3.2(f) herein unless it has received prior written approval from HECO.

(B) [– – –].

8.4 **Title and Risk of Loss for a Marine Delivery**.

(A) Title to the LSFO and the risk of loss of the LSFO [– – –] Delivered from Chevron's vessel or from the Refinery in conjunction with a Marine Delivery shall pass from Chevron to HECO at the BPTF as soon as the quality of the LSFO so Delivered is determined by Chevron to meet the specifications set forth in Article 4 herein, subject to HECO's timely verification, or at HECO's option, HECO's verbal notice to Chevron allowing release for shipment prior to verification.

(B) Title and risk of loss of the [– – –] Delivered from Chevron's vessel or from the Refinery in conjunction with a Marine Delivery shall pass in accordance with Section 7.1(B).

8.5 **Determination of Quantity and Quality**. The quantity and quality Delivered by marine vessel shall be determined in the manner specified in Section 7.2, Section 7.3 and Section 7.4 of this Contract, except as follows:

(A) Chevron agrees to advise the Independent Inspector, prior to commencing a Marine Delivery of LSFO [– – –] from Chevron's vessel, the API gravity and flash point in degrees Fahrenheit shown on the

port of loading Quality Certificate representing the quality of said LSFO [– – –].

(B) In order to reduce the likelihood of Chevron's Marine Delivery of LSFO, [– – –] resulting in quality problems occurring in HECO's receiving tank(s), Chevron agrees to test a volumetric weighted average composite of samples representative of the LSFO, [– – –] or component thereof to be shipped to HECO's receiving tanks ("Precautionary Sample"). The Precautionary Sample shall be drawn after the arrival of the vessel in Hawaii state waters, but prior to the commencement of the Marine Delivery, and shall be tested by Refinery's laboratory. Chevron agrees that should a pre–discharge computer blend simulation representing the quality of a volumetric weighted average mixture of the Precautionary Sample, components of the Marine Delivery in questions previously shipped to HECO's receiving tanks and other LSFO [– – –] or components available to be shipped from the Refinery reasonably indicate the Marine Delivery in question will not conform to the quality specified in Article 4, Chevron will instruct the vessel operator not to commence Delivery of its cargo to HECO's receiving tanks without HECO's express permission.

(C) In order to reduce the likelihood of Chevron's Marine Delivery of [– – –] resulting in quality problems occurring in HECO's receiving tank(s), Chevron agrees to test a volumetric weighted average composite sample of the [– – –] cargo [– – –] to ensure that the product meets specifications. The sample ("Precautionary Sample") shall be divided into three (3) parts, one of which is to be tested by Chevron's laboratory, one to be sent [– – –] to HECO for the purpose of verifying Seller's test results, and one part sealed and retained by the Independent Inspector, to be retained for a period of not less than three (3) months. Chevron agrees to provide HECO and the Independent Inspector with the results of its determinations representing the quality of the Precautionary Sample.

(D) The quality and BTU content of the LSFO Delivered shall be determined on the basis of a volumetric weighted average composite of samples drawn from HECO's receiving tank(s) in such manner as to be representative of the entire Marine Delivery (also "Tank Final Sample"). The Tank Final Sample shall be divided and otherwise handled in accordance with the provisions of Section 7.2.

(E) Quantity of the LSFO Delivered via a Marine Delivery shall be determined at the time of each Marine Delivery by gauging HECO's tank(s) before and after pumping. Quantities sold and Delivered pursuant

to this Section 8.5 shall be calculated in accordance with the current measurement standards adopted by industry, ASTM, API and other recognized standard–setting bodies as are applicable in the opinion of the Independent Inspector and shall be expressed in G.S.V., U.S. barrels at 60 degrees Fahrenheit.

8.6 **Disputes Regarding Quality**. If Chevron or HECO has reason to believe that the quality of LSFO stated for an individual Marine Delivery is not in conformance with the qualities described in Article 4, Chevron and HECO shall attempt to resolve the quality problem pursuant to the provisions of Section 7.4.

9. **[– – –]**

10. **INVOICING AND PAYMENT**

10.1 **Invoices**.

(A) Invoices, which will show the price per physical barrel of LSFO, [– – –] sold will be prepared and dated following Delivery. Invoices shall be accompanied by the applicable Certificate of Quality, report of the Independent Inspector, and price calculation (collectively, "Full Documentation"). The invoices shall also show as a separate item the estimated amounts of any reimbursements to which Chevron is entitled pursuant to Section 5.3.

(B) If an invoice incorporating an item other than a BTU content adjustment is found to be in error or is otherwise disputed by HECO, then HECO shall pay the undisputed portion of such invoice when due and thereupon have the option to withhold payment of the disputed portion of said invoice without penalty until such error or dispute is resolved and HECO shall have received a corrected invoice, debit or credit. HECO shall notify Chevron's designated Representatives as soon as any such error or item of

dispute is discovered to expedite resolution and correction. HECO shall make payment for such corrected invoice or debit in accordance with Section 10.3.

(C) If Chevron's or HECO's final laboratory result for BTU content is unavailable or if Chevron's laboratory result is disputed by HECO, Chevron may issue a provisional invoice pursuant to Section 7.2. HECO shall in such case make payment for such provisional invoice in accordance with the provisions of Section 10.3.

(D) Chevron will transmit an original of the invoice to HECO by first class mail to the address in Section 18.8 or as otherwise instructed. The invoice shall also be sent to HECO by facsimile or electronic mail on the same day.

10.2 [– – –].

10.3 [– – –].

10.4 **Method of Payment**. Payments of Chevron's invoices shall be tendered by HECO to Chevron by means of an automated clearinghouse (ACH) debit transfer initiated by Chevron of a bank account of HECO designated for the purpose. The parties shall coordinate such ACH debit transfer payments, the timing of which shall be in accordance with Section 10.3. If funds are not made available by HECO on the due date, or should the ACH debit transfer fail to be executed because such funds cannot be accessed by Chevron through no fault of Chevron's, HECO shall then cancel the ACH debit transfer and make immediate payment in full to Chevron by Fedwire funds transfer of immediately available funds to such bank and account as Chevron may designate for credit to the account of the payee. Such Fedwire funds transfer shall reference the relevant customer account number from the rejected ACH draft notification (*i.e.*, the EFT acknowledgment notice).

HECO shall by email or fax provide Chevron's designated Representatives with written documentation evidencing the specific invoices being paid.

10.5 [– – –].

[– – –].

11. **CONTINGENCIES**

11.1 [– – –]

[– – –].

11.2 **Obligation to Sell**. Chevron shall not be obligated to sell or Deliver LSFO to the extent that performance of this Contract is prevented, restricted or delayed by a Contingency [– – –].

11.3 **Obligation to Purchase**. HECO shall not be obligated to purchase, receive or use LSFO to the extent that performance of this Contract in the customary manner is prevented, restricted or delayed by a Contingency. [– – –]

12. **EFFECT OF SUSPENSION OR REDUCTION**

12.1 **Notices Regarding Suspension or Reduction**. Any party which relies upon Article 11 shall give the other party prompt notice thereof specifying the anticipated amount and duration of any suspension or reduction of Deliveries. It shall also give prompt notice when it no longer expects to rely on Article 11 and Deliveries shall be reinstated subject to all conditions of this Contract, unless this Contract has been terminated previously under Section 12.3.

12.2 **Undelivered Volumes**. In the event of any suspension or reduction of sales and Deliveries under Article 11, Chevron shall not be obligated to sell and HECO shall not be obligated to buy, after the period of suspension or reduction, the undelivered quantity of LSFO which normally would have been sold and Delivered hereunder during the period of suspension or reduction.

12.3 [– – –].

12.4 **Payment Owed During Period of Suspension or Reduction**. Nothing in Article 11 shall relieve HECO of the obligation to pay in full in United States currency

for the LSFO sold and Delivered hereunder and for other amounts due by HECO to Chevron under this Contract.

12.5 **Substitute Suppliers**. [− − −]

13. WAIVER AND NON−ASSIGNABILITY

13.1 **Waiver**. Waiver by one party of the other's breach of any provision of this Contract shall not be deemed a waiver of any subsequent or continuing breach of such provisions or of the breach of any other provision or provisions hereof.

13.2 **Non−Assignability**. Neither party may transfer or assign its rights and obligations under this Contract without the prior written consent of the other party (which consent shall not be unreasonably withheld, conditioned or delayed), except, a party may transfer or assign its rights and obligations hereunder in whole or in part, upon written notice, without needing to request consent, if (A) to an Affiliate, provided such entity shall be bound by the terms hereof, (B) pursuant to any merger, consolidation or otherwise by operation of Law, or (C) to the successor or assignee of all or substantially all of the assets and/or facilities which primarily benefit from or support the party's performance under this Contract.

14. DEFAULT

14.1 **Notice of Default**. If HECO or Chevron considers the other party to be in default of any obligation under this Contract, such party shall give the other party notice thereof. Such other party shall then have thirty (30) days in which to remedy such default. If the default is not remedied, the other party may, without prejudice to any other right or remedy of such party in respect of such breach, terminate its obligations under this Contract, except for HECO's obligation to pay undisputed amounts in full in United States currency for the LSFO sold and Delivered hereunder and for other amounts due by HECO to Chevron under this Contract, by forty−five (45) days' written notice to the party in breach. Any termination shall be without prejudice to accrued rights. All rights and remedies hereunder are independent of each other and election of one remedy shall not exclude another.

14.2 **Limitation of Liability. NOTWITHSTANDING ANY OTHER PROVISION OF THIS CONTRACT, IN NO EVENT SHALL EITHER PARTY BE LIABLE TO THE OTHER FOR, AND EACH PARTY SHALL RELEASE**

THE OTHER PARTY FROM AND AGAINST, ANY PUNITIVE DAMAGES, EXEMPLARY DAMAGES, LOST USE, LOSS OF PROFITS OR REVENUE, LOSS OF OPPORTUNITY, LOSS OF PRODUCTION, OR ANY INDIRECT, CONSEQUENTIAL, SPECIAL, INCIDENTAL OR CONTINGENT DAMAGES OF ANY KIND WHETHER BASED IN CONTRACT, TORT (INCLUDING WITHOUT LIMITATION NEGLIGENCE OR STRICT LIABILITY), WARRANTY OR OTHERWISE WHICH MAY BE SUFFERED BY SUCH PARTY IN CONNECTION WITH THIS CONTRACT; THIRD PARTY DAMAGES SUBJECT TO INDEMNIFICATION UNDER ARTICLE 6 ARE NOT LIMITED BY THIS SECTION.

15. **CONFLICTS OF INTEREST**

15.1 **Prohibition**. Conflicts of interest related to this Contract are strictly prohibited. Neither party nor any director, employee or agent of a party shall give to or receive from any director, employee or agent of the other party any gift, entertainment or other favor of significant value, or any commission, fee or rebate. Likewise, neither party nor any director, employee or agent of a party shall enter into any business arrangement with any director, employee or agent of the other party (or any Affiliate), unless such person is acting for and on behalf of the other party, without prior written notification thereof to the other party. Neither a party nor its directors, employees, agents or subcontractors, or their directors, employees or agents, shall make any payment or give anything of value to any official of any government or public organization (including any officer or employee of any government department, agency or instrumentality) to influence a decision, or to gain any other advantage for a party in connection with this Contract.

15.2 **Option to Terminate**. In the event of any violation of Section 15.1, including any violation occurring prior to the Effective Date of this Contract which resulted directly or indirectly in one party's consent to enter into this Contract with the other party, such party may, at its sole option, terminate this Contract at any time and, except for obligations to pay in full in United States currency for the outstanding payment obligations hereunder, shall be relieved of any further obligation under this Contract.

15.3 **Notice of Violation**. Both parties agree to immediately notify the other of any violation of Section 15.1.

16. **APPLICABLE LAW AND DISPUTE RESOLUTION**

16.1 **Applicable Law; Venue**. This Agreement shall be construed in accordance with, and all disputes arising hereunder shall be determined in accordance with, the Laws of the State of Hawaii and, subject to Section 16.2, all disputes shall be resolved in the U.S. District Court for the District of Hawaii.

16.2 **Arbitration**. Except for claims equal to or [– – –] or a claim for equitable relief, any dispute, claim or controversy between Chevron and HECO arising out of, or relating to this Contract, the interpretation or performance of, or the relationship created by, all or any part of this Contract, shall be finally decided by arbitration in accordance with the Commercial Arbitration Rules and the expedited procedures then in effect of the Dispute Prevention and Resolution Inc. by a single arbitrator appointed in accordance with such rules. Such arbitration shall be held in Honolulu, Hawaii. The decision of the arbitrator shall be in writing and shall contain the findings of fact and conclusions of Law on which the decision is based. The award rendered by the arbitrator shall be final and judgment may be entered upon it at any court having jurisdiction, unless the award equals or [– – –] in which case it may be appealed or brought to a court of competent jurisdiction for trial de novo. Each party agrees that no award, decision or judgment resulting or arising from such arbitration shall include any type or measure of damages released under Section 14.2 and the arbitrator shall have no authority to make an award of any such damages. Each party shall bear its own costs of counsel, witnesses and related costs. The costs of the arbitration services shall be shared equally by the parties.

17. **NO PUBLIC USE**

17.1 **No Use as a Public Utility**. This Contract is made by Chevron as an accommodation to HECO and in no event shall Chevron's services hereunder, nor shall any use in connection with this Contract of any terminal, pipelines, facilities or equipment owned or contracted by Chevron, be deemed to be those of a public utility or common carrier. If any action is taken or threatened by any Governmental Authority to declare the usage herein granted to HECO a public use, then and in that event, at the option of Chevron, and upon HECO's receipt of Chevron's written notice, Chevron may restructure and restate the Contract provided that such restructuring and restatement does not increase the charges that HECO is obligated to pay hereunder or, in the alternative, Chevron may terminate the Contract upon ninety (90) days' written notice to HECO.

18. **MISCELLANEOUS**

18.1 [– – –]

[− − −]

18.2 **Data Privacy**. The parties will comply with all reasonable requests to protect personal data of the other party's employees, customers, and suppliers. The parties will implement adequate security measures to protect such personal data. The parties will not disclose such personal data to any third party without written permission and will comply with all applicable data privacy laws.

18.3 **Certain Grounds for Termination**. Notwithstanding any other provision of this Contract, and without limiting other grounds for termination hereunder, Chevron shall have the right to terminate this Contract on the basis of:
[− − −]

18.4 **Renegotiation**.

(A) **Change in Law.** If at any time after the Effective Date, there is a new Law or a change in existing Law which has implications for [– – –]. Events subject to Section 2.3(A)–(D) shall be exclusively governed by those provisions and are not grounds for Contract renegotiation or termination under this Section.

(B) [– – –].

[– – –]

18.5 **Headings**. The headings or captions contained in this Contract are inserted for convenience only and do not affect in any way the meaning or interpretation of this Contract.

18.6 **Entire Agreement**. This Agreement contains the entire understanding between the parties covering the subject matter herein. There are no other agreements which constitute any part of the consideration, for or any condition to, either party's compliance with its obligations under this Contract.

18.7 **Contract is Not an Asset**. This Contract shall not be deemed to be an asset in, and, at the option of a party, shall terminate in the event of any voluntary or involuntary receivership, bankruptcy or insolvency proceedings affecting the other party.

18.8 **Notices.**

(A) **Addresses.** Except as provided in Section 18.8(C), all notices, requests, demands, and other communications hereunder shall be given in writing to the addresses listed below or to such other address as specified by notice to the other party pursuant to this Section 18.8:

If to Chevron:	Chevron Products Company Attn: VCO Coordinator 91–480 Malakole Street Kapolei, HI 96707–1807 Facsimile: (808) 682–2375
If to HECO:	Hawaiian Electric Company, Inc. PO Box 2750 Honolulu, HI 96840–0001 Attn: Director of Fuels Resources Mail Stop CIP–IF Facsimile: (808) 203–1815

(B) **Means of Giving Notice.** Notice shall be deemed to have been given when received if personally delivered, upon electronic confirmation of receipt, if transmitted by facsimile, or one (1) Business Day after deposit for overnight delivery by a nationally recognized overnight delivery service (*e.g.*, FedEx) if paid in advance and properly addressed.

(C) **Routine Communications.** The parties may from time to time by notice hereunder designate Persons to whom routine communications may be directed, including via email, with a view to facilitating mutual and expeditious performance by the parties hereunder.

18.9 **Unenforceable Terms**. Whenever possible, each provision of this Contract shall be interpreted in such a manner as to be effective and valid under applicable Law. If any term or provision, or any part of any term or provision, of this Contract is held by any court or other competent authority to be illegal or unenforceable, the remaining terms, provisions, rights and obligations shall not be affected.

18.10 **Successors and Assigns**. This Contract shall be binding upon and shall inure to the benefit of the parties and their respective successors and permitted assigns.

18.11 **Third Parties**. Nothing in this Contract, express or implied, is intended to confer upon any Person, other than the parties, and their respective successors and assigns, any rights or remedies under or by reason of this Contract. Nor is anything in the Contract intended to relieve or discharge the obligation or liability of any third Person to any party, nor will any provision herein be construed so as to give any third Person any right of subrogation or action over against any party.

18.12 **Relationship of the Parties**. Nothing in this Contract shall be construed to constitute either party as a joint venturer, co−venturer, joint lessor, joint operator, or partner of the other party. In performing services under this Contract, Chevron is acting solely as an independent contractor maintaining complete control over its employees and operations. Unless otherwise provided in this Contract, neither HECO nor Chevron is authorized to take any action in any way whatsoever for or on behalf of the other.

18.13 **Survival of Provisions**. Expiration or earlier termination of this Contract shall not impair or affect any liability or obligation of Chevron or HECO which has accrued on or before the date of expiration or earlier termination of this Contract, including for Deliveries hereunder. Furthermore, unless otherwise specifically provided in this Contract, all provisions of this Contract which by their nature contemplate performance after the expiration or earlier termination hereof, including all provisions that contain obligations of indemnity and defense, shall survive such expiration or earlier termination of this Contract.

18.14 **Construction**. The parties have participated jointly in the negotiation and drafting of this Contract. If an ambiguity is found regarding the meaning of any aspect of this Contract or a question of intent or interpretation arises, this Contract will be construed as if drafted jointly by the parties, and no presumption or burden of proof will arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Contract. Unless the context otherwise requires, (A) any reference to any federal, state, local or foreign statute or Law will be deemed also to refer to all rules and regulations promulgated thereunder, (B) the use of the

singular will include the plural, the use of the masculine will include the feminine, and vice versa, (C) all references to Articles, Sections or Exhibits are to the Article, Sections and Exhibits of this Contract, (D) the word “including” will mean including without limitation, and (E) any definition of or reference to any agreement, exhibit, contract, document, instrument or other record herein shall be construed as referring to such agreement, contract, document, instrument or other record as from time to time amended, supplemented, restated or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein).

18.15 **Amendment.** Except as provided herein, this Contract may be amended or modified only by a written instrument duly executed by Chevron and HECO that makes specific reference to this Contract.

18.16 **Confidentiality**.

(A) The parties shall treat as strictly confidential and shall not disclose to any third party information that relates to the pricing, volume, duration or other commercial terms under this Contract (collectively, “Confidential Commercial Information”); *provided, however*, that a party may disclose Confidential Commercial Information if, but only to the extent, the disclosure: (A) is required by Law; (B) is required to enable a party to enforce its rights or remedies under this Contract; (C) is made to a party’s officers, directors, employees, professional advisors, independent contractors or consultants, who are subject to a duty of confidentiality; (D) is to a third party who is required to maintain the confidentiality of the information under a written confidentiality agreement and the disclosure is made in connection with a potential (i) sale of the stock or partnership interests in a party, as applicable, or (ii) sale or other disposition of all or substantially all of the assets or facilities which would primarily benefit from or support performance of the Contract; or (E) is to a third party who is required to maintain the confidentiality of the information under Law or a written confidentiality agreement and the disclosure is made to prospective lenders or actual lenders.

(B) Notwithstanding any provision herein to the contrary, the parties may submit Confidential Commercial Information to the Commission, the Consumer Advocate, and/or any other governmental regulatory agency with notice to, but without need of prior consent from the other party, provided that the submitting party takes reasonable steps to submit the Confidential Commercial Information under seal or under other procedures designed to preserve the confidentiality of the Confidential Commercial Information.

(C) Except as provided in Section 18.16(B), in the event that a party becomes legally required to disclose any of the Confidential Commercial Information, the party must use reasonable commercial efforts to protect the Confidential Commercial Information from public disclosure by securing a protective order or other appropriate remedy and the disclosing party must provide the other party with prompt written notice so as to provide the other party with a reasonable opportunity to object to such disclosure or obtain assurance that the Confidential Commercial Information will be accorded confidential treatment.

(D) The provisions of this Section 18.16 shall remain in full force and effect for the term of the Contract and for a period of thirty−six (36) months thereafter.

18.17 **Counterparts**. This Contract may be executed in counterparts, including through electronically exchanged signature pages (*e.g.*, emailed PDFs), each of which will be deemed an original, and all of which together will constitute one and the same instrument; provided that neither party will be bound to this Contract unless and until both parties have executed a counterpart. Electronically exchanged signature pages are fully binding on the parties and effective for all purposes; they will be treated the same as physically exchanged signatures.

[Signatures follow on next page]

[Signatures to Low Sulfur Fuel Oil Supply Contract]

The parties have executed this Contract as evidenced by the following signatures of authorized Representatives of the parties:

CHEVRON PRODUCTS COMPANY, **a division of Chevron U.S.A. Inc.**	**HAWAIIAN ELECTRIC COMPANY, INC.**
Signature:	**Signature:**
/s/ Michael W. Woody	**/s/ Dan V. Giovanni**
Name: Michael W. Woody	**Name: Dan V. Giovanni**
Title: Assistant Secretary	**Title: Vice President, Energy Delivery**
HAWAIIAN ELECTRIC COMPANY, INC.	**HAWAIIAN ELECTRIC COMPANY, INC.**
Signature:	**Signature:**
/s/ Ronald R. Cox	**/s/ Robert A. Alm**
Name: Ronald R. Cox	**Name: Robert A. Alm**
Title: Vice President, Power Supply	**Title: Executive Vice President**

EXHIBIT A

(LSFO SPECIFICATIONS)

LSFO Delivered hereunder shall comply with the following specification limits:

Test Property	Test Method	Unit of Measure	Min	Max
GRAVITY @ 60 DEGREES F.	ASTM D–4052	Degrees API	12	24
VISCOSITY	ASTM D–445, D–2161	SSU at 210 DF	100	450
HEAT VALUE, GROSS	ASTM D–240, D–4868	MM BTU/BBL	6.0	
FLASH POINT	ASTM D–93	Degrees F.	150	
POUR POINT	ASTM D–97, D–5949	Degrees F.		125
ASH	ASTM D–482	Percent, Weight		0.05
SEDIMENT & WATER	ASTM D–1796	Percent, Weight		0.50
SULFUR	ASTM D–4294	Percent, Weight		0.50
NITROGEN	ASTM D–4629, D5762	Percent, Weight		0.50
VANADIUM	ASTM D–5863, AES	PPM, Weight		50.0

EXHIBIT B

[– – –]

Beginning with the month of the Commencement Date, Chevron shall sell and Deliver to HECO and HECO shall purchase and receive from Chevron, LSFO at a reasonably uniform rate. [– – –]

[– – –]	[– – –]
[– – –]	[– – –]

[– – –]

EXHIBIT C

(LSFO PRICING)

For the monthly cumulative volume, the price of LSFO Delivered hereunder shall be determined as follows:

[– – –]

EXHIBIT D

[– – –]

EXHIBIT E

[– – –]

HECO Exhibit 10.3

SUPPLY CONTRACT FOR LOW SULFUR FUEL OIL

This Supply Contract for Low Sulfur Fuel Oil ("LSFO") (the "Contract") is entered into as of this 28th day of August, 2012 ("Execution Date"), by and between HAWAIIAN ELECTRIC COMPANY, INC., a Hawaii corporation, ("HECO"), with principal place of business at 900 Richards Street, Honolulu, Hawaii 96813, and TESORO HAWAII CORPORATION, a Delaware corporation, ("SELLER"), with principal place of business and mailing address at 19100 Ridgewood Parkway, San Antonio, Texas 78259. HECO and SELLER are each a "Party" and collectively the "Parties" to this Contract. This Contract shall become effective as provided in Section 2.3 (Effective Date) below.

WHEREAS, HECO is in the business of generation, transmission and distribution of electrical power on the island of Oahu, State of Hawaii; and

WHEREAS, HECO desires Low Sulfur Fuel Oil ("LSFO") for use at Kahe Power Plant, Kapolei, Hawaii ("KPP"); Waiau Power Plant, Pearl City, Hawaii ("WPP") and Honolulu Power Plant, Honolulu, Hawaii ("HPP"); and

WHEREAS, SELLER is a supplier of LSFO with delivery and transportation capabilities and desires to supply and deliver to HECO LSFO that meets HECO's requirements as set forth herein; and

WHEREAS, SELLER represents that it is currently equipped and currently has the ability to supply LSFO of such suitable type and quality and in a quantity sufficient to meet HECO's requirements; and

WHEREAS, SELLER is willing to sell and deliver such suitable LSFO to HECO and HECO is willing to purchase and receive such fuel from SELLER under the terms and conditions set forth hereinafter; and

WHEREAS, Seller and HECO agree that this is a fuel purchase contract and HECO shall only pay for LSFO delivered in accordance with the terms and conditions set forth hereinafter; and

WHEREAS, based on the arrangement under the terms and conditions set forth herein, HECO is willing to enter into this Contract based, in part, on the Parties' understanding that FASB ASC 810 (as defined below) would not be triggered and based on a preliminary assessment this Contract would not be considered a capital lease under FASB ASC 840 (as defined below).

NOW, **THEREFORE**, it is mutually agreed by the parties hereto as follows:

ARTICLE I
DEFINITIONS

Except where otherwise indicated, the following definitions shall apply throughout this Contract.

1.1 "affiliate", except where otherwise expressly provided, means a corporation, limited liability company, limited partnership or other legal entity controlling, controlled by or under common control with SELLER or HECO, as the case may be.

1.2 "API" means American Petroleum Institute, a long–established petroleum industry organization.

1.3 "ASTM" means the American Society for Testing and Materials, a long–established source of standard testing and evaluation methods for petroleum.

1.4 "Barrel" means 42 United States bulk gallons at 60°F.

1.5 "Blend Stock" means material sometimes used to blend with Product in order to meet desired contract specifications.

1.6 "BPTF" means HECO's Barbers Point Tank Farm, a fuel receiving, storage and distribution facility located in Barbers Point area of Oahu, in Campbell Industrial Park, Kapolei, Hawaii.

1.7 "BTU" and "BTU content" means British Thermal Unit and refers to the standard assessment of fuel's gross heating value or gross heat content.

1.8 "Certificate of Quality" or "Quality Certificate" means the formal document by Seller recording the SELLER's laboratory determination of quality and BTU content of a particular sample which represents a specific Delivery, said laboratory determinations having been performed in accordance with the test methods specified in Attachment A— Product Specifications.

1.9 "Commencement Date" is defined in Section 2.1 (Term) below.

1.10 "Commission" means the State of Hawaii Public Utilities Commission

1.11 "Commission Approval Order" is defined in Section 2.2 (Regulatory Approval) below.

1.12 "Commission Approval Order Date" is the date the Commission files the Commission Approval Order.

1.13 "Consumer Advocate" means the Division of Consumer Advocacy of the Department of Commerce and Consumers Affairs of the State of Hawaii.

1.14 "Contract" means this Low Sulfur Fuel Oil Supply Contract between SELLER and HECO.

1.15 “Day” or “Days” means a calendar day of 24 hours.

1.16 “Default” and “Defaulting Party” shall have the meaning set forth in Article XIII (Default).

1.17 “Deliver”, “Delivery”, “Deliveries” or “Delivered” refers to the transfer of title or physical movement of LSFO by SELLER and purchased by HECO.

1.18 “Delivery Status against Ratable” means the volume by which actual Barrels of Product Deliveries within a specified period vary above or below the volume that would have been delivered ratably pursuant to HECO’s Nomination within the minimum and maximum daily average volumes for such period.

1.19 “DF” means degrees Fahrenheit.

1.20 “Discharge Pier” means the pier or wharf at Kalaeloa Harbor where a Marine Delivery is discharged.

1.21 “DOT” means the Department of Transportation of the State of Hawaii and/or of the United States, as the case may be.

1.22 “Effective Date” is defined in Section 2.3 (Effective Date) below.

1.23 “ETA” means estimated time of arrival.

1.24 “Execution Date” has the meaning set forth in the Preamble.

1.25 “Extension” means any Contract term in addition to and after the Original Term, as may be mutually agreed upon by the Parties.

1.26 “Failure to Supply Position” is defined in Section 6.5 (Failure to Supply) below.

1.27 “gallon” means a United States liquid gallon of 231 cubic inches at 60°F.

1.28 “G.S.V.” means gross standard volume in U.S. Barrels at 60 DF.

1.29 “Independent Inspector” means a qualified third–party petroleum inspection contractor acceptable to both parties providing petroleum sampling, measurement and other services before, during and after a Delivery.

1.30 “HECO’s Facility” means the facilities designated for receipt of LSFO at HECO’s Barbers Point Tank Farm, Campbell Industrial Park, Oahu, Hawaii.

1.31 “Kalaeloa Harbor” means the public port and pier facilities operated by the State of Hawaii at Barber’s Point, Oahu, Hawaii, USA.

1.32 “LSFO” means Low Sulfur Fuel Oil meeting customary industry fuel oil specifications and having a sulfur content not greater than 0.5%.

1.33 “Marine Delivery” or “Marine Deliveries” means a Delivery of LSFO and/or the components thereof, including Blend Stock, all or part of which are Delivered by SELLER from a marine vessel at Kalaeloa Harbor to HECO’s receiving and storage tanks.

1.34 “Month” means a calendar month.

1.35 “Nominate”, “Nomination”, and “Nominated” means the amount of Product specified by HECO to be sold and Delivered by SELLER and purchased and received by HECO for a specified Month pursuant to the procedures set forth herein.

1.36 “Original Term” is defined in Section 2.1 (Term) below.

1.37 “Party” and “Parties” are defined in the first paragraph above.

1.38 “Pipeline Blend” means a mixture of SELLER’s [– – –] and Product.

1.39 “Pipeline Delivery” or “Pipeline Deliveries” means a Delivery of LSFO and/or the components thereof, including Blend Stock, all or part of which are Delivered by SELLER to HECO’s receiving and storage tanks at BPTF.

1.40 [– – –].

1.41 “Product” means Low Sulfur Fuel Oil suitable for use as a boiler fuel in conformance with the quality Specifications set forth in Attachment A—Product Specifications.

1.42 “Purchase Deficit Position” is defined in Section 6.4 (Purchase Deficit) below.

1.43 “Reverse Line Displacement” means an operation where HECO pumps HECO’s LSFO into the pipeline that SELLER uses to Deliver Product to HECO in order to displace SELLER’s [– – –].

1.44 “Specifications” means the fuel quality specifications applicable to LSFO Product as set forth in Attachment A.

1.45 “SPM” means SELLER’s offshore Single–Point Mooring off Barbers Point, Oahu.

1.46 “Tank Final Sample” is defined in Section 6.6 (Pipeline Delivery) below.

1.47 “USD” means currency denominated in U.S. dollars.

1.48 “Year” means a calendar year.

1.49 “Law” means any law, judgment, order, decision, interpretation, enforcement, statute, code, ordinance, rule, regulation, decree, grant, accounting standards accepted in the United States of America, concession, franchise, permit, treaty, convention or any action,

direction, directive, restriction or intervention or other requirement of any Governmental Authority having the force of law.

1.50 "Change in Law" shall have the meaning set forth in Section 14.1(A) (Change in Law).

ARTICLE II
TERM

Section 2.1: **Term**. The term of this Contract (the "Original Term") shall be from May 1, 2013 ("Commencement Date") through December 31, 2014, and shall continue in succession thereafter for an Extension, each a period of 12–Months, beginning each successive January 1, unless HECO or SELLER gives written notice of termination at least one hundred twenty (120) Days before the beginning of an Extension.

Section 2.2: **Regulatory Approval**.

(a) HECO will file an application with the Commission requesting approval of this Contract following its execution. This Contract is contingent upon the issuance of a decision and order by the Commission that (i) approves this Contract and its pricing and terms and conditions, (ii) is in a final form deemed to be reasonable by HECO in its sole discretion, and (iii) allows HECO to include the reasonable costs incurred by HECO pursuant to this Contract in its revenue requirements for ratemaking purposes and for the purposes of determining the reasonableness of HECO's rates and/or for cost recovery above those fuel costs included in base rate through HECO's Energy Cost Adjustment Clause. A decision and order by the Commission satisfying these conditions is, hereinafter, referred to as the "Commission Approval Order".

(b) SELLER understands that the decision and order may not be in a final form deemed to be final and/or reasonable to HECO if it (i) is not an unconditional approval, (ii) denies or defers ruling on any part of HECO's Application, (iii) contains terms and conditions deemed to be unacceptable to HECO, in its sole discretion, or (iv) is not final, or deemed to be final by HECO, in its sole discretion, because HECO is not satisfied that no party to the proceeding in which the decision and order is issued, or other aggrieved person with the right to appeal, intends to seek a change in such decision and order through motion or appeal.

(c) If HECO has not received the Commission Approval Order in a final form acceptable to HECO within 180 Days prior to the Commencement Date of this Contract, or if HECO's request for Commission approval of this Contract is denied, then either SELLER or HECO may terminate this Contract by providing written notice of such termination delivered to the other prior to the Effective Date, as it is defined in Section 2.3 (Effective Date). In such event of termination, each Party shall bear its own respective fees, costs and expenses incurred prior to termination, if any, in preparation for performance hereunder, and the Parties shall have no further obligation to each other with respect to this Contract except for indemnity and any confidentiality obligations assumed by the Parties hereunder.

(d) SELLER, at its own cost, shall promptly cooperate with HECO's reasonable requests for support of HECO's efforts to prepare and file the Application and obtain the Commission Approval Order.

Section 2.3: **Effective Date**. This Contract shall become effective (the "Effective Date") upon (a) receipt by HECO of the Commission Approval Order and (b) notice from HECO to SELLER that HECO deems the Commission Approval Order to be reasonable and in a final form. HECO shall immediately notify SELLER when the Commission's decision and order is published. HECO shall then have a period of ten (10) business days to advise the SELLER whether it deems the Commission's decision and order to be final and reasonable. If HECO fails to respond within that period, then it shall be presumed that HECO deems the Commission Approval Order to be final and reasonable. If HECO provides notice of concern that the Commission's decision and order may not be final or reasonable, then the Parties may negotiate for an appropriate extension of the Effective Date or Commencement Date to address those concerns. Alternatively, the Parties may mutually agree in writing that some other date shall be deemed the Effective Date. Except for the obligations and provisions described herein, neither Party shall have any binding obligations under this Contract until the Effective Date, except that the Parties agree upon execution of this Contract to be bound by Section 2.2 (Regulatory Approval), Section 10.1 (Force Majeure), Section 11.1 (Compliance with laws and regulations), and all provisions in Article XVI (General Provisions).

ARTICLE III
QUANTITY

Section 3.1: **Quantity of Product To Be Supplied/Delivered**. Subject to the terms and conditions herein, SELLER shall sell and Deliver to HECO, and HECO shall purchase and receive from SELLER, Product as Nominated by HECO, within the volume and Delivery ranges provided hereunder. It is estimated that the quantity of Product required for this Contract will be [– – –].

Section 3.2: [– – –]

[– – –]

ARTICLE IV
QUALITY

Section 4.1: **Quality Of Product To Be Supplied/Delivered**. The quality of Product to be sold and Delivered hereunder shall comply with the Specifications attached hereto as "Attachment A – HECO Product Specification" and made a part hereof (the "Specifications"), and shall meet all Applicable Laws.

ARTICLE V
PRICE

Section 5.1: **Pricing**. The price paid for all Product delivered hereunder shall be determined as follows.

[– – –]

[– – –]

Section 5.2: [– – –]

ARTICLE VI
DELIVERY

Section 6.1: **Notification**.

(a) Subject to the minimum and maximum quantities specified in Section 3.2 (Purchase Volumes), HECO shall provide written notification to SELLER of the Nominated rate of Delivery for each Month [– – –] Days prior to the first Day of said Month. SELLER shall notify HECO within five (5) Days if it will be unable comply with HECO's Nomination for Product Delivery.

(b) The Parties shall mutually coordinate the Delivery of Product. SELLER shall provide HECO a proposed three (3) Day shipment period or window for Delivery of Product no later than sixty (60) Days prior to the first Day of the proposed shipment period ("60–Day Notice"). HECO shall use reasonable efforts to accommodate SELLER's proposed three (3) Day shipment period, however, should HECO be unable to accommodate SELLER's proposed three (3) Day shipment period:

(1) HECO may reject SELLER's proposed three (3) Day shipment period upon providing SELLER notice no later than three (3) business days from the receipt of SELLER's notification. In the event HECO rejects such period, HECO shall provide an explanation of the reason for such rejection, and any conditions such as ratability, tank restrictions or operational issues that require such rejection. HECO shall not unreasonably discriminate against SELLER in favor of other providers of LSFO when rejecting a proposed shipment period.

(2) SELLER may propose an alternate three (3) Day shipment period, where such alternate shipment period is within five (5) Days of the date of SELLER's first proposed three (3) Day shipment period. Notice may be given by electronic mail or telephone.

(3) SELLER shall provide HECO the intended volume of the Product to be Delivered to HECO, subject to a variation of plus or minus five percent (5%) with respect to the actual physical volume Delivered, and a proposed one (1) Day shipment period or window which is to be within the previous 3–Day shipment period no later than fifteen (15) Days prior to the proposed 1–Day shipment period. Notices may be given by electronic mail or telephone.

Section 6.2: **Coordination**.

(a) No later than ten (10) Days prior to the beginning of each Month, SELLER shall provide HECO with a proposed schedule of Pipeline Deliveries and/or Marine Deliveries ("Delivery Schedule") to be made by SELLER for the following two (2) Months. The proposed Delivery Schedule shall specify the type of each such Delivery (Pipeline Delivery or Marine Delivery), the approximate quantity, the approximate Delivery date and a characterization of the approximate viscosity, either low (100 — 200 SSU at 210°F), medium (201 — 350 SSU at 210°F), or high (350 — 450 SSU at 210°F), for each individual Delivery. The Delivery Schedule should reflect that planned Deliveries are to be made at reasonably regular intervals, provided that Pipeline Deliveries and Marine Deliveries may have different scheduling parameters. HECO shall promptly notify SELLER of any objections or requested changes to the Delivery Schedule provided by SELLER.

(b) SELLER shall notify HECO of any change outside the following parameters in the Delivery Schedule with respect to any Delivery when it shall become known to SELLER:

(1) A change in the volume of an individual Pipeline Delivery if such change is in excess of [– – –] of the previously advised Delivery volume, or a change in the volume of an individual Marine Delivery if such change is in excess of [– – –] of the previously advised Delivery volume; or

(2) A change in the previously advised viscosity characterization of a Delivery; or

(3) A change in the date of an individual Delivery, if such change is greater than two (2) Days from the previously advised date; subject to such notice, and further subject to Force Majeure, scheduled Marine Deliveries may be made plus or minus seven (7) Days from the date shown on the accepted Delivery Schedule.

(c) HECO shall make its Nominations in accordance with the Delivery Schedule. In the event HECO needs to make Nominations that vary from the Delivery Schedule, HECO shall promptly notify Seller of such changes, and subject to Section 3.1 (Quantity of Product To Be Supplied/Delivered), the Parties shall cooperate to make required changes. SELLER shall not be required to make changes in the Delivery Schedule for Marine Deliveries for which Seller has purchased cargoes for resale and Delivery to HECO.

Section 6.3: **Delivery Rates**.

(a) HECO shall not be required to take Delivery, and SELLER shall not be required to make Delivery of [– – –]. SELLER shall make reasonable good faith efforts to plan its Pipeline Deliveries and Marine Deliveries such that it shall have a rolling three Month Delivery Status Against Ratable of approximately zero at Month–end for the third Month of each Delivery Schedule. HECO shall use reasonable commercial efforts to make conforming Nominations to facilitate such planning.

(b) Unless waived in advance by HECO, and subject to HECO tank availability, the physical volume of SELLER's Deliveries of Product shall be [– – –] for any individual Marine Delivery.

Section 6.4: **Purchase Deficit**.

[– – –]

Section 6.5: **Failure to Supply**.

[– – –]

[– – –]

Section 6.6: **Pipeline Delivery**.

(a) Pipeline Deliveries shall be made by SELLER from SELLER's local on–island supply through SELLER's pipelines to HECO at HECO's BPTF. Title to Product and the risk of loss of Product Delivered by Pipeline Delivery shall pass from SELLER to HECO as per Article IX (Title, Custody And Risk Of Loss).

(b) The Parties shall mutually coordinate Pipeline Deliveries of Product into HECO's BPTF to minimize operational difficulties and costs.

(c) All samples, measurements and determinations drawn, taken and made, respectively, under this Section 6.6 (Pipeline Delivery) shall be under the supervision of the Independent Inspector. SELLER and HECO shall share equally the cost of the inspections.

(d) The quality and BTU Content of the Product Delivered by Pipeline Delivery shall be determined on the basis of a volumetric weighted average composite of samples drawn by the Independent Inspector from SELLER's issuing tank(s) in such manner as to be representative of each individual Pipeline Delivery ("Tank Final Sample").

(e) The Tank Final Sample shall be divided into a minimum of three (3) parts as follows:

(1) One part shall be provided to SELLER's laboratory for analysis to determine quality including BTU Content per Barrel.

(2) One part shall be provided to HECO for the purpose of verifying SELLER's determinations.

(3) At least one part shall be sealed and provided to the Independent Inspector to be retained for a period of at least three (3) Months.

(f) SELLER agrees to provide HECO and the Independent Inspector with a copy of SELLER's preliminary laboratory analyses of the Tank Final Sample ("Pre–shipment Report") and shall provide this Pre–shipment Report prior to shipment of the Product.

(g) SELLER agrees to provide HECO and the Independent Inspector with the Certificate of Quality representing the Tank Final Sample and will make a reasonable good faith effort to provide this Certificate of Quality no later than twenty–four (24) hours after the

completion of the Pipeline Delivery. If the completed Certificate of Quality is not available within said 24–hour period, SELLER will advise HECO and the Independent Inspector, within said 24–hour period, will provide the final determination of API gravity, flash point, sulfur content and sediment and water representing the Tank Final Sample.

(h) HECO shall have the right to perform laboratory analyses in order to verify the results of SELLER's laboratory analyses; provided however, that such verification analyses shall be performed in a timely manner. SELLER and HECO will make reasonable good faith efforts to evaluate BTU Content and exchange results within three (3) business days of the completion of the Pipeline Delivery.

(i) In order to eliminate or minimize the volume of SELLER's [– – –] received by HECO in the course of a Pipeline Delivery operation, HECO shall have the option to perform a Reverse Line Displacement whereby SELLER's [– – –] is displaced to SELLER using HECO's Product at the commencement of Pipeline Delivery operations.

(j) If HECO elects not to commence Pipeline Delivery operations by displacing SELLER's [– – –] with HECO's LSFO, or if such displacement is operationally unfeasible or impractical for any other cause, SELLER and HECO recognize that the Product received by HECO in a Pipeline Delivery may be a blend which includes some amount of SELLER's [– – –] ("Pipeline Blend"). In such instance, the specification of SELLER's [– – –] shall be determined by SELLER on the basis of SELLER's samples representative of the contents of the storage tank from which SELLER's [– – –] was issued. SELLER agrees to provide HECO, HECO's representative and the Independent Inspector with a copy of its laboratory analysis of the quality of SELLER's [– – –] prior to commencing the Pipeline Delivery.

(k) To provide an early warning of any quality problems with the Product Delivered via a Pipeline Blend, SELLER agrees to perform a pre–shipment computer blend simulation representing the quantity and quality of SELLER's Product from the issuing tank(s) as indicated in the relevant Certificates of Quality or preliminary laboratory analyses of the Tank Final Samples and the quantity and quality of SELLER's [– – –] as indicated in the relevant laboratory analyses. The computer blend simulation shall provide preliminary confirmation of the Pipeline Blend's conformance with the limits for API gravity, viscosity and percent by weight sulfur content specified in Article IV (Quality). SELLER agrees to provide HECO or HECO's representative and the Independent Inspector a copy of the computer blend simulation results prior to shipment. SELLER agrees that under no circumstances shall it make a Pipeline Delivery of Product to HECO should the computer blend simulation or any other information available to SELLER indicate a quality problem with the Pipeline Blend that would cause a Pipeline Delivery to not conform to the Specifications, without HECO's express written permission.

(l) The quantity of Product in a Pipeline Delivery shall be determined at the time of each Pipeline Delivery by gauging SELLER's issuing tank(s) immediately before and after pumping under the supervision of the Independent Inspector. Should HECO elect to perform a Reverse Line Displacement, the total quantity of Product Delivered to HECO shall be reduced by

reference to the rise in SELLER's tank(s) receiving SELLER's [– – –], determined by gauging such tank(s) immediately before and after pipeline displacement under the supervision of the Independent Inspector. Both HECO and SELLER agree that if measurement of SELLER's tank(s) is, in the opinion of the Independent Inspector, considered to have been rendered inaccurate for reasons including, but not limited to, operational constraints or inadvertent transfer of Product or of SELLER's [– – –] within SELLER's facilities, then the quantity of Product or SELLER's [– – –] may be determined by gauging HECO's receiving tank(s) before and after pumping under the supervision of the Independent Inspector.

(m) Quantities of Product sold and Delivered by SELLER and purchased and received by HECO hereunder shall be calculated in accordance with the current measurement standards adopted by industry, ASTM, API and other recognized standard–setting bodies as are applicable in the opinion of the Independent Inspector and shall be expressed in G.S.V., U.S. Barrels @ 60 DF.

Section 6.7: **Marine Delivery**.

(a) Product shall be Delivered in bulk vessel(s) inside customs passing the outboard flange of SELLER's Delivering vessel's cargo discharge hose connected to a nominated Discharge Pier at Kalaeloa Harbor, capable of receiving petroleum products. HECO shall not be deemed to warrant the safety of public channels, fairways, approaches thereto, anchorages or other publicly maintained areas either inside or outside the Kalaeloa Harbor area where the Discharge Pier is located. Neither HECO nor SELLER shall be liable for any loss, damage, injury or delay resulting from conditions at the Discharge Pier or Kalaeloa Harbor or any berth, dock, or anchorage not caused by such Party's gross negligence or which could have been avoided by the exercise of reasonable care on the part of SELLER's nominated vessel's master. Product shall be Delivered by SELLER to HECO at a temperature above the pour point of the Product or at the loaded temperature, whichever is higher. Title to Product and the risk of loss of Product Delivered by Marine Delivery shall pass from SELLER to HECO as per Article IX (Title, Custody And Risk Of Loss).

(b) SELLER and HECO shall mutually coordinate scheduling Marine Deliveries of Product from SELLER's nominated vessel. SELLER shall provide HECO with all required Delivery information no later than thirty (30) Days prior to the anticipated Delivery date. SELLER shall provide HECO with a ten (10) Day Delivery window prior to the date of the anticipated Delivery, with vessel's estimated time of arrival ("ETA") and will notify HECO of any ETA changes if greater than twelve (12) hours variance to ETA. HECO shall promptly advise SELLER of any scheduling conflicts or other conditions within such ten (10) day window known to HECO that could delay SELLER's vessel from obtaining access to the appropriate Discharge Pier at Kalaeloa Harbor and commencing deliveries into the pipeline for Delivery to the BPTF. SELLER shall then provide HECO with all required Delivery information no later than fifteen (15) Days prior to the anticipated Delivery date. SELLER shall provide HECO with a three (3) Day window prior to the date of the anticipated Delivery, with vessel's ETA and will notify HECO of any ETA changes if greater than three (3) hours variance to ETA. If at any time HECO learns of any potential scheduling conflicts or other conditions within such window known to HECO that could delay SELLER's vessel from obtaining access to the appropriate

Discharge Pier at Kalaeloa Harbor and commencing Deliveries into the pipeline for Delivery to the BPTF, HECO will promptly notify SELLER accordingly. SELLER shall be responsible to reserve the appropriate cargo discharge pier at Kalaeloa Harbor on the agreed upon dates through the customary channel in the State of Hawaii Department of Transportation — Harbor's Division. HECO shall not be responsible for any demurrage, penalties or other fees as a result of any delay of the docking of the vessel and/or unloading of the fuel shipment unless caused by HECO's failure or inability to accept Deliveries of Product into the BPTF, or as a result of SELLER's failure to obtain pier reservations in a timely manner unless caused by HECO's wrongful failure to provide notice of any scheduling conflicts known to HECO that prevent the vessel from obtaining access to the Discharge Pier. Vessels originating from outside of the United States may be subject to customs inspection from the U.S. Coast Guard and/or U.S. Immigration and SELLER shall be solely responsible for coordination with these government agencies. SELLER's notices and advice may be given to HECO by electronic mail or telephone.

(c) SELLER shall be responsible for any dues, fees or other charges imposed on SELLER's nominated vessel. SELLER shall employ and be responsible for costs of any support vessels, pilots, mooring masters or line handlers required at the Discharge Pier. HECO shall not be responsible for any losses, damages, delays or liabilities resulting from any negligence, incompetence or incapacity of any tug, pilot or line handler required at the Discharge Pier.

(d) SELLER agrees to provide HECO a copy of the complete Certificate of Quality issued by a competent testing laboratory on the basis of composite vessel loaded samples taken by an independent inspector at the port of loading that are reflective of the Product to be Delivered to HECO within 48 hours from date of vessel loading.

(e) Upon arrival at Kalaeloa Harbor in Hawaii and before Delivery to HECO, an Independent Inspector will collect composite vessel loaded samples to test Product quality. Samples shall be split into three composites, and one shall be delivered to and tested by SELLER, one shall be delivered to and tested by HECO, and one shall be preserved by the Independent Inspector. Testing of samples will take place at an analytical laboratory of each Party's choosing.

(f) All samples, measurements and determinations referenced in this Section 6.7 (Marine Delivery) shall be drawn, taken and made, respectively, under the supervision of the Independent Inspector. SELLER and HECO shall share equally the cost of independent inspections.

(g) In order to reduce the likelihood of SELLER's Marine Delivery resulting in quality problems arising in the receiving tank(s) at HECO's BPTF, SELLER agrees to test a volumetric weighted average composite of samples of the relevant marine cargo of Product, or component thereof ("Precautionary Sample"). The Precautionary Sample shall be drawn under the supervision of the Independent Inspector from SELLER's vessel's tanks in such a manner as to be representative of the relevant cargo after the arrival of the vessel at Kalaeloa Harbor, but prior to commencement of the Marine Delivery, SELLER agrees that should its laboratory, or a laboratory mutually acceptable to SELLER and HECO, testing of the Precautionary Sample indicate a potential quality problem, including but not limited to, a quality as determined which

materially differs from that specified on the port of loading quality document or does not conform to the quality specification limits in Article IV (Quality), the vessel operator shall not be instructed to commence Delivery of its cargo to HECO's BPTF until such time as the loaded Product or component thereof is determined to meet the port of loading quality specifications or is otherwise in conformity with the specification limits in Article IV (Quality). Attachment C lists the testing to be performed on Precautionary Sample.

(h) The quality and BTU Content of the Product Delivered by Marine Delivery shall be determined on the basis of a volumetric weighted average composite of samples drawn by the Independent Inspector from the vessel's tank(s) in such a manner as to be representative of the entire Marine Delivery ("Vessel Tank Final Sample").

(i) The Vessel Tank Final Sample shall be divided into a minimum of three (3) parts as follows:

(1) One part shall be provided to SELLER's laboratory for analysis to determine quality and BTU Content per Barrel.

(2) One part shall be provided to HECO for the purpose of verifying SELLER's determinations.

(3) At least one part shall be sealed and provided to the Independent Inspector to be retained for a period of not less than three (3) Months.

(j) SELLER agrees to provide HECO and the Independent Inspector with the Certificate of Quality issued by a competent testing laboratory on the basis of the composite vessel loaded samples representing the Vessel Tank Final Sample and will make reasonable good faith efforts to provide this Certificate of Quality no later than twenty−four (24) hours after SELLER's laboratory determines the Product Delivered by Marine Delivery is in conformance with the specification limits in Article IV (Quality). If the completed Certificate of Quality is not available within said 24−hour period, SELLER will advise HECO and the independent Inspector, within said 24−hour period, will provide the final determination of API gravity, flash point, sulfur content and sediment and water representing the Vessel Tank Final Sample.

(k) HECO shall have the right to perform laboratory analyses in order to verify the results of SELLER's laboratory analyses; provided however, that such verification analyses shall be performed in a timely manner. SELLER and HECO will make reasonable good faith efforts to evaluate BTU Content and exchange results within three (3) working days of SELLER's laboratory determining the Product Delivered by Marine Delivery is in conformance with the specification limits in Article IV (Quality).

(l) Quantities of the Product Delivered via a Marine Delivery hereunder shall be determined at the time of each Marine Delivery by gauging HECO's tank(s) immediately before and after pumping under the supervision of the Independent Inspector. If there is Reverse Line Displacement involved in a Marine Delivery, then the Quantities may be further adjusted in accordance with Paragraph 6.6(l), as appropriate.

(m) Quantities of Product sold and Delivered by SELLER and purchased and received by HECO hereunder shall be calculated in accordance with the current measurement standards adopted by industry, ASTM, API and other recognized standard–setting bodies as are applicable in the opinion of the Independent Inspector and shall be expressed in G.S.V., U.S. Barrels @ 60 DF.

Section 6.8: **Disputes Regarding Quality or Quantity.**

(a) **Quantity Disputes.** If HECO or SELLER has reason to believe that the quantity of Product for a particular Delivery is incorrect, the Party shall, as promptly as reasonably possible, but no later than within thirty (30) Days of the date of Delivery, present the other Party with documentation supporting such determination, and the Parties will confer, in good faith, on the causes for the discrepancy and shall proceed to correct such causes and adjust the quantity, if justified, for the Delivery in question as specified in Section 6.6 (Pipeline Delivery) or Section 6.7 (Marine Delivery).

(b) **Quality Disputes.**

(1) SELLER shall provide HECO with a Certificate of Quality of each batch or Marine Shipment of Product Delivered by the SELLER. For Marine Deliveries, such Certificate shall conform to the one provided to SELLER by its supplier of LSFO. Final determination of quality shall be made as otherwise provided herein.

(2) The official BTU Content determination shall be as reported in SELLER's Certificate of Quality, provided that the arithmetic difference between SELLER's and HECO's laboratory results is equal to or less than the then existing ASTM reproducibility standard (currently 0.4 MJ/kg, which the Parties shall deem to be equivalent to a fixed standard of 60,000 BTU per Barrel) for test D–4868. If the difference between SELLER's and HECO's determinations of BTU Content should fall outside the ASTM reproducibility standard for ASTM test D–4868 the sealed sample in the possession of the Independent Inspector shall be provided to a mutually acceptable independent laboratory for an official determination, which shall be binding upon the Parties. SELLER and HECO shall share equally the costs of independent tests and determinations.

(3) If SELLER or HECO has reason to believe that the quality of Product stated for a specific Delivery fails to conform to the Specification in Article IV (Quality) or Attachment A of this Contract, that Party shall as promptly as reasonably possible, but no later than within thirty (30) Days of the later of the date of the completed Certificate of Quality or the date of the final determination of BTU Content, present the other Party with documents supporting such determination and the Parties will confer, in good faith, on the causes for the discrepancy and shall proceed to correct such causes and adjust the quality, if justified, for the Delivery in question. In the event of an unresolved difference between SELLER and HECO, the sealed part of the representative sample in the possession of the Independent Inspector shall be provided to an independent laboratory for an official determination, which shall be final. SELLER and HECO shall share equally the cost for such independent laboratory determination.

(4) If the quality of the Product received by HECO fails to conform to the quality Specification in Article IV (Quality) or Attachment A of this Contract, both HECO and SELLER shall attempt to minimize the impact of any quality problem. At HECO's reasonable discretion, such efforts may include a Specification waiver if the use of the Product will not unreasonably cause harm to HECO. Or, SELLER may attempt to remedy the quality problem by Delivering higher quality Product in a timely manner to produce a Specification quality blend in HECO's storage tank(s) at HECO's BPTF or at HECO's Oahu generating plants. If all such and similar efforts fail to resolve the quality problem, then HECO may return non−Specification Product to SELLER, in which case SELLER shall replace the non−Specification Product by Delivering an equal volume of HECO verified on−Specification Product to HECO in a timely manner. Notwithstanding the preceding, HECO shall always have the right to refuse Delivery of any Product with prior written notice to SELLER or its permitted agents if HECO in good faith shall have reason to believe that the LSFO tendered for Delivery does not meet the Specification. Such Notice shall provide a full explanation of the basis for HECO's belief that the LSFO so tendered does not meet Contract Specifications, together with appropriate documentation of the testing that determined that it is off−Specification. If SELLER disputes HECO's analysis, then SELLER shall promptly notify HECO, and the Parties shall proceed to determine the quality in accordance with Section 6.8(b)(3) above. HECO may, at its option, seek other supplies of LSFO if in HECO's reasonable discretion the Delivery of non−conforming LSFO may not be remedied in time to prevent a possible interruption of HECO's operations. All costs and expenses of remedying the Delivery of non−conforming LSFO, or arising from non−conforming LSFO (including, without limitation, the testing, transportation, re−refining, and handling costs incurred in returning, replacing or otherwise correcting off−Specification LSFO, the emptying and cleaning of storage tanks containing non−conforming LSFO shall be paid by SELLER. Any remedy of non−conforming LSFO accepted by HECO under this Section 6.8 (Disputes Regarding Quality or Quantity) shall not operate or be construed to remedy any similar non−conforming LSFO or to change the Specification of LSFO acceptable to HECO under the terms of this Contract.

Section 6.9: **Records/Right to Audit.** SELLER shall retain any and all documents and records regarding the Delivery, quantity and quality of Product sold and purchased under the terms of this Contract for the twelve (12) Months after the date of the invoice for such Product, or until any dispute regarding such Delivery, quantity and quality is resolved. SELLER shall promptly make such records available for review to HECO at its request.

Section 6.10: **Inspection.** HECO may be represented and participate in all sampling, quality, inspection, measurements and tests of Product which may be conducted pursuant to this Contract and to inspect any equipment owned or controlled by SELLER and used in determining the quantity, quality or heat content of Product, provided that any such participation by HECO shall not materially interfere with or otherwise disrupt such inspection, measurement and tests conducted by SELLER. HECO may, upon reasonable notice to SELLER and during normal business hours and at HECO's expense, inspect and audit any sample analysis of Product, including records and data used in the preparation of such analysis.

Section 6.11: **Independent Inspector.** HECO and SELLER shall agree on a list of

Independent Inspectors which shall be attached hereto as “Attachment D – Independent Inspectors List” containing the names of Independent Inspectors which both Parties agree are fully qualified to perform the Independent Inspector functions under this Section 6.11 (Independent Inspector).

ARTICLE VII
SELLER'S REPRESENTATIONS AND WARRANTIES

Section 7.1: **SELLER's Representations and Warranties**. HECO is willing to purchase the Product on the condition that SELLER agrees, represents and warrants as follows:

(a) **Ability to Supply**. During the Term, SELLER shall commit to supply Product that meets the Specifications, in accordance with the terms of this Contract.

(b) **Ability to Deliver**.

(1) For Pipeline Deliveries, SELLER shall own, lease or have the right to use facilities sufficient to meet SELLER's Delivery obligations under this Contract.

(2) For Marine Deliveries, SELLER's nominated vessel employed to Deliver Product to HECO shall comply with all regulations, pier operator's standards for vessel acceptance quality, pollution mitigation, required pollution liability, P&I and other insurance coverages, pier operators Operations Manual and accept liability for dues and other charges on said vessel.

ARTICLE VIII
INVOICING AND PAYMENT

Section 8.1: **Invoicing**.

(a) Invoices, which will show the price [– – –]. Original invoices shall include full documentation, as approved by both Parties including Certificate of Quality, report of the Independent Inspector, and price calculation; such documentation may, however, be provided by SELLER to HECO separately.

(b) Invoices will be prepared and dated following Delivery of Product to HECO and shall be sent by mail to HECO at the following address:

Hawaiian Electric Company
P.O. Box 2750
Honolulu, HI 96840–0001
Attn: Director of Fuel Resources, mailstop CIP–IF

(c) Invoices, invoice documentation, laboratory analyses and other documents having to do with the quality, quantity and Delivery of Product or otherwise with the Product sold and

purchased hereunder may be sent by first class mail, postage prepaid, by electronic transmission (facsimile or electronic mail, with receipt confirmed) or by personal delivery. Each Party may substitute other addresses upon the giving of proper notice to the other Party. Correspondence and documents of a similar nature regarding the above matters may be sent to SELLER to the following address or as otherwise instructed:

[– – –]

Section 8.2: **Payment**.

(a) Payment of SELLER's invoices shall be made in USD. [– – –]

(b) [– – –]

(c) [– – –]

(d) [– – –]

Section 8.3: **Method of Payment**. [– – –]

[– – –]

ARTICLE IX
TITLE, CUSTODY AND RISK OF LOSS

Section 9.1: **Title, Custody and Risk of Loss**.

(a) Title to Product and the risk of loss of Product Delivered by Pipeline Delivery shall pass from SELLER to HECO at the connection between the flange of SELLER's pipeline and HECO's pipeline at HECO's BPTF.

(b) Title to Product Delivered by Marine Delivery shall pass from SELLER to HECO at the BPTF as soon as the quality of the Product so Delivered is determined by SELLER to meet the Specification limits in Article IV (Quality), subject to HECO's timely verification, or at HECO's option, HECO's verbal notice to SELLER allowing release for shipment prior to verification.

(c) The risk of loss of Product or the components thereof Delivered by Marine Delivery shall pass from SELLER to HECO at the connection between the flange of SELLER's pipeline and HECO's nominated pipeline at HECO's BPTF; provided, however, that in the event an actual physical loss of Product or the components thereof is caused by properties of the Product or the components thereof, e.g. low flash point causing a fire, or due to SELLER's gross negligence or willful misconduct, SELLER shall bear the risk of loss.

ARTICLE X
FORCE MAJEURE

Section 10.1: **Force Majeure**.

(a) Neither Party shall be liable in any manner for failure to Deliver or to receive Product hereunder or any other failure to perform or delay in performing any obligations herein imposed in this Contract for the time and to the extent such failure or delay is caused by an event or act of force majeure, which shall be defined as [– – –].

[– – –]

(b) The Party claiming force majeure agrees to give the other Party prompt written notice of an act or event of force majeure, specifying the anticipated effect and duration of any suspension or reduction of Deliveries of Product arising there from. The Party claiming force majeure shall use due diligence to cure any act or event of force majeure, and shall give the other Party prompt notice when it expects the act or event of force majeure to terminate.

(c) [– – –].

Section 10.2: [– – –].

ARTICLE XI
COMPLIANCE WITH LAWS AND REGULATIONS

Section 11.1: **Compliance with Laws and Regulations**.

(a) This Contract is subject to all applicable present and future laws, statutes, orders, rules, and regulations of governmental or quasi–governmental authorities having jurisdiction over the Parties. SELLER shall fully comply with all statutes, ordinances, rules, regulations, and requirements of all city, county, state, federal and other applicable government authorities which are now or may hereafter be in force.

(b) [– – –]

[– – –]

Section 11.2: **Inspection and Financial Responsibility of Delivering Vessel**. SELLER's nominated vessel for Marine Delivery of the Product to HECO shall be subject to inspection by the U.S. Coast Guard, any local Port Authority and, at HECO's option, by HECO or HECO's representative. Any such inspection of SELLER's nominated vessel shall not relieve SELLER of any obligation or liability hereunder including, without limitation, responsibility for the safe operation of SELLER's nominated vessel. Prior to the discharge of the Product, SELLER's nominated vessel shall furnish to HECO and HECO's representative evidence of sufficient insurance and other financial responsibility to cover oil spill cleanup costs and other potential liability, such evidence of financial responsibility to be in such amount and in such form as HECO's and HECO's representative may reasonably require. If SELLER's nominated vessel fails an inspection or fails to provide satisfactory evidence of financial responsibility, HECO or HECO's representative may refuse to accept Delivery of the Product, without liability of any kind to SELLER for any delay or other cost, and without being in breach of this Contract. SELLER's nominated vessel shall have no right to utilize the facilities of HECO, the receiving pipeline operator or HECO's third–party facility and shall not be entitled to demurrage during any period while SELLER's nominated vessel is correcting any deficiency or awaiting evidence of financial responsibility.

Section 11.3: **U.S. Coast Guard/Port of Delivery Compliance.** Seller shall fully comply with all U.S. Coast Guard and other regulations of state and local authorities which pertain to the port of Delivery which directly or indirectly affect the Product sold and to be Delivered hereunder, or any Delivery, transportation, handling and storage of Product sold hereunder including without limitation requirements or recommendations at the Port of Delivery such as those pertaining to fire, spillage or loss of Product. In the event any Contract, or any action or obligation imposed upon a Party thereby, shall at any time be in conflict with any such regulation, requirement or recommendation, the Contract, action or obligation so adversely affected shall immediately be modified to conform to the requirements of the regulation, requirement or recommendation, and all other provisions of the Contract shall remain effective. SELLER shall be responsible for ensuring that SELLER and SELLER's nominated vessel comply with all such regulations, requirements and recommendations which directly or indirectly affect the Delivery, handling or storage of the Product, whether they relate to vessel operations, health, safety or the environment, including, but not limited to, a requirement that SELLER's nominated vessel have an officer fluent in English present at all times during the Delivery of the Product. SELLER's nominated vessel shall also comply with cargo discharging practices recommended by its P&I Club or by the operator of the shore–side receiving pipeline or third–party facility. SELLER's nominated vessel shall provide the personnel of the shore–side pipeline or third–party Receiving Facility, as the case may be, with safe access to SELLER's nominated vessel for the purpose of conducting a pre–transfer conference, whether or not same is specifically required by U.S. Coast Guard regulations. SELLER's nominated vessel shall comply with all safety and other procedures of the Receiving Facility. If SELLER's nominated vessel fails to comply with this Section 11.3, or if Delivery would otherwise be in violation of any federal, state, or local law or regulation, HECO may refuse to receive the Product, without liability of any kind to SELLER (including without limitation demurrage), and without being in breach of this Contract.

Section 11.4: **Material Safety Compliance.** SELLER warrants that it is fully informed concerning the nature and existence of risks posed by transporting, storing, using, handling and being exposed to LSFO. SELLER shall furnish to HECO health, safety and environmental information (including without limitation Material Safety Data Sheets, "HSE Data") concerning health, safety and environmental aspects of the LSFO purchased by HECO, including health, safety and environmental warnings, if any, required by applicable law. SELLER shall not be entitled to rely upon such HSE Data as being an inclusive presentation of all potential health, safety and environmental risks associated with the LSFO to be Delivered. SELLER shall furnish HSE Data to, and otherwise inform, SELLER's nominated vessel of all such risks, and the ship's master shall advise and instruct all crew, seamen and employees about the hazards, if any, associated with LSFO and the safe and proper methods of handling and storing LSFO. Compliance by the SELLER with recommendations in HSE Data shall not excuse the SELLER from its obligations under Article XIII (Default) and this Section 11.4 (Material Safety Compliance).

Section 11.5: **Permits and Licenses.** SELLER shall secure and pay for all required permits and licenses, and shall comply with all federal, state and local statutes, regulations and public ordinances applicable to SELLER's performance under this Contract, (including the provisions of the Occupational Safety and Health Act of 1970 and all amendments thereto, and the DOT Hazardous Materials Regulations), and shall indemnify, defend and save HECO harmless from any and all liability, fines, damage, cost and expense, including but not limited to reasonable attorneys' fees and costs, arising from SELLER's failure to do so.

ARTICLE XII
RELEASES

Section 12.1: **Spills/Environmental Pollution**. In the event any spill or discharge occurs from any nominated vessel, vehicle, pipeline, or tank utilized by SELLER in the performance of this Contract, or if any spill, discharge, or pollution damage is caused by or is threatened in connection with the loading, transportation or Delivery of Product by SELLER, then all regulatory notifications and filings, as well as all efforts and costs of containment and clean up shall be the sole responsibility of SELLER, except to the extent that such spill, discharge, or pollution damage is directly attributable to the sole negligence, gross negligence, comparative negligence, inadequate or defective equipment or willful misconduct of HECO, in which case HECO shall then participate in the efforts and costs of containment and cleanup. Nothing contained herein shall be construed to limit the claims SELLER or HECO may have against the vessel or its owners, charters, operators or insurers with respect to any spill, discharge or pollution damage.

Section 12.2: **Pollution Mitigation.**

(a) When an escape or discharge of oil or any polluting substance occurs in connection with or is caused by SELLER's or its agent's vessel or occurs from or is caused by discharging operations, SELLER or vessel and their agents shall promptly take whatever measures are necessary or reasonable to prevent or mitigate environmental damage, without

regard to whether or not said escape or discharge was caused by the negligence or willful misconduct of SELLER's equipment, or SELLER or HECO or others. Failing such action by SELLER or its agents, HECO, on SELLER's behalf, may promptly take whatever measures are reasonably necessary to prevent or mitigate pollution damage and notify SELLER as soon as practicable thereafter of such actions. Each Party in good faith shall keep the other advised of the nature and results of the measures taken, and if time permits, the nature of the measures intended to be taken.

(b) The cost of all such measures taken shall be borne by SELLER except to the extent such escape or discharge was caused or contributed to by the sole negligence, gross negligence, comparative negligence, inadequate or defective equipment or willful misconduct of HECO, and prompt reimbursement shall be made as appropriate; provided, however, that should SELLER or its agents give notice to HECO to discontinue said measures (and to the extent government authorities allow HECO to discontinue said measures) the continuance of HECO's actions will no longer be deemed to have been taken pursuant to the provisions of this clause. Each Party in good faith shall provide written notice to the other of such actions and measures taken.

(c) Notwithstanding any other provision in this Contract, the foregoing provisions shall be applicable only between SELLER and HECO and shall not affect, as between SELLER and HECO, any liability that either SELLER or HECO shall have to any third parties, including the State of Hawaii and the U.S. Government, if either Party shall have such liability.

Section 12.3: **Release Liability.** Should HECO incur any liability under Chapter 128D of the Hawaii Revised Statutes as a result of a spill from SELLER's nominated vessel during discharge, SELLER shall indemnify and hold HECO harmless to the extent not caused by HECO's sole negligence, gross negligence, comparative negligence, inadequate or defective equipment or willful misconduct.

Section 12.4: **Operational Contacts**. In the event of any accident, spill, or reportable incident incurred under the performance of this Contract, the following individuals shall be immediately contacted:

HECO	**Name**	**Position**	**Phone**	**Cellular**
Primary	Director, Fuels Resources		808–543–4350	
Backup				
SELLER				
Primary	[– – –]		[– – –]	
Backup	[– – –]		[– – –]	[– – –]

ARTICLE XIII
DEFAULT

Section 13.1: **Default**.

(a) Material breach by SELLER of any of its representations and warranties in this Contract or failure of either Party to promptly perform any material obligation under this Contract shall constitute Default. If HECO or SELLER considers the other Party (the “Defaulting Party”) to be in Default under this Contract, such Party (the “Non−Defaulting Party”) shall give the Defaulting Party prompt notice thereof, describing the particulars of such Default. [− − −]

(b) [− − −]

Section 13.2: **Consequential Damages**. In no event shall either Party be liable to the other for any prospective profits, or special, indirect, incidental or consequential damages of any kind, whether based in contract, tort (including negligence or strict liability) or otherwise.

Article XIV
RENEGOTIATION

Section 14.1: **Renegotiation.**

[− − −]

[– – –]

[– – –]

ARTICLE XV
NOTICE

Section 15.1 **Notices**. Except as otherwise expressly provided in this Contract, all notices shall be given in writing, by facsimile, electronic mail with receipt confirmed or first class mail, postage prepaid, to the following addresses, or such other address as the parties may designate by notice:

To SELLER:

Tesoro Hawaii Corporation
19100 Ridgewood Parkway
San Antonio, Texas 78259

[– – –]

With a copy to:

Tesoro Hawaii Corporation
91–325 Komohana Street
Kapolei, Hawaii 96707
[– – –]

To HECO:

Hawaiian Electric Company, Inc.
PO Box 2750
Honolulu, HI 96840–0001
Attention: Director of Fuels Resources — mailstop CIP–IF
Facsimile: (808) 203–1815

Notice shall be deemed to have been Delivered upon the earlier to occur of actual receipt or two business (2) Days after sending, provided receipt is confirmed.

ARTICLE XVI
GENERAL PROVISIONS

Section 16.1: **Waiver and Severability**. If any section or provision of this Contract or any exhibit or rider hereto is held by any court or other competent authority or be illegal, unenforceable or invalid, the remaining terms, provisions, rights and obligations of this Contract shall not be affected. The failure of a Party hereunder to assert a right or enforce an obligation of the other Party shall not be deemed a waiver of such right or obligation. In no event shall any waiver by either Party of any default under this Contract operate as a waiver of any further default.

Section 16.2: **Assignment**. This Contract shall extend to and be binding upon the successors and assigns of HECO and SELLER, provided, however, that no assignments of this Contract shall be made by HECO or SELLER without the prior written consent of the other Party.

Section 16.3: **Conflicts of Interest**. Conflicts of interest related to this Contract are strictly prohibited. Except as otherwise expressly provided herein, no Party, nor any director, employee, or agent of a Party shall give to or receive from any director, employee or agent of the other party any gift, entertainment or other favor of significant value, or any commission, fee or rebate. Likewise, no Party nor any director, employee or agent of a Party shall enter into any business arrangement with any director, employee or agent of the other Party (or any affiliate), unless such person is acting for and on behalf of the other Party, without prior written notification thereof to the other Party.

Section 16.4: **Applicable Law/Venue**. This Contract shall be construed in accordance with, and all disputes arising hereunder shall be determined in accordance with, the law of the State of Hawaii, U.S.A. Hawaii shall be the exclusive venue for any litigation arising hereunder. Each Party agrees and consents that any dispute, litigation, action or proceeding arising out of this Contract, however defined, shall be brought exclusively in the State of Hawaii in a court of competent jurisdiction. Except as specifically provided in Article II (Term) hereof, nothing in this Contract shall be viewed an acknowledgement or representation that performance or enforcement of this Contract is within the primary jurisdiction of the Hawaii Public Utilities Commission.

Section 16.5: **Entire Agreement/Modification**. This Contract shall constitute the entire understanding between the Parties with respect to all matters and things herein mentioned. It is expressly acknowledged and agreed by and between the Parties that neither Party is now relying upon any collateral, prior or contemporaneous agreement, assurance, representation or warranty, written or oral, pertaining to the subject matter contained herein. This Contract shall not be modified or changed except by written instrument executed by the duly authorized representatives of the Parties hereto.

Section 16.6: **Contract Is Not an Asset**. This Contract shall not be deemed to be an asset of either Party, and, at the option of a Party, shall terminate in the event of any voluntary or involuntary receivership, bankruptcy or insolvency proceedings affecting the other Party.

Section 16.7: **Status of the Parties**. Nothing in this Contract shall be construed to constitute either Party as a joint venturer, co−venturer, joint lessor, joint operator or partner of the other. In performing services pursuant to this Contract, SELLER is acting solely as an independent contractor maintaining complete control over its employees and operations. Unless otherwise provided in this Contract, neither HECO nor SELLER is authorized to take any action in any way whatsoever for or on behalf of the other.

Section 16.8: **Headings**. The headings or captions are for convenient reference only and have no force or effect or legal meaning in the construction or enforcement of this Contract.

Section 16.9: **Confidentiality and Non−Disclosure**.

(a) Each Party may have a proprietary interest or other need for confidentiality in non−public information that may be furnished to the other pursuant to this Agreement ("Confidential Information"). The Party disclosing such Confidential Information shall be referred to in this Section 16.9 (Confidentiality and Non−Disclosure) as the "Disclosing Party," and the Party receiving such Confidential Information shall be referred to as the "Receiving Party."

(b) The Receiving Party will hold in confidence and, without the consent of the Disclosing Party, will not use, reproduce, distribute, transmit, or disclose, directly or indirectly, the Confidential Information of the Disclosing Party except as permitted herein. The Receiving Party may only disclose the Confidential Information to its officers, directors, employees, professional advisors and independent contractors and consultants with a direct need to know the information for the implementation or exercise of rights and/or performance of obligations under or arising from this Contract, provided that such persons/entities (other than officers, directors and employees) are bound to confidentiality with terms and conditions that is no less restrictive than those contained in this Section 16.9 (Confidentiality and Non−Disclosure). Without limiting the foregoing, the Receiving Party agrees that it will exercise at least the same standard of care in protecting the confidentiality of the Disclosing Party's Confidential Information as it does with its own Confidential Information of a similar nature, but in any event, no less than reasonable care.

(c) Confidential Information for purposes of this Contract shall not include information if and only to the extent that the Receiving Party establishes that the information: (i) is or becomes a part of the public domain through no act or omission of the Receiving Party; (ii) was in the Receiving Party's lawful possession prior to the disclosure and had not been obtained by the Receiving Party either directly or indirectly from the Disclosing Party; or (iii) is lawfully disclosed to the Receiving Party by a third party without restriction on disclosure. Confidential Information may also be disclosed by the Receiving Party pursuant to a requirement of a governmental agency, regulatory body or by operation of law, provided that the recipient shall disclose only that part of the Confidential Information that it is required to disclose and shall notify the Disclosing Party prior to such disclosure in a timely fashion in order to permit the Disclosing Party to lawfully attempt to prevent or restrict such disclosure should it so elect, and shall take all other reasonable and lawful measures to ensure the continued confidential treatment of the same by the party to which the Confidential Information is disclosed.

(d) Any provision herein to the contrary notwithstanding, HECO may disclose Confidential Information to the Commission, the Consumer Advocate, and/or any other governmental regulatory agency with notice to, but without need of prior consent by SELLER, provided that HECO takes reasonable steps to obtain approval to submit the same under seal or under other procedures designed to preserve the confidentiality of the Confidential Information.

Section 16.10 [– – –]

Section 16.11: **Miscellaneous.** No use of the pipelines, facilities or equipment used in connection with this Contract shall be construed as having been dedicated to public use and it is hereby acknowledged by the Parties that the owner of any pipelines used to transport Product under this Contract retains the rights to determine who, other than the Parties to this Contract, shall use said pipelines, facilities, and equipment.

Section 16.12: **Attorneys' Fees.** If there is a dispute between the Parties and either Party institutes a lawsuit, arbitration, or other proceeding to enforce, declare, or interpret the terms of this Contract, the prevailing Party shall be awarded its reasonable attorneys fees and costs.

Section 16.13: **Offsets.** In the event that a Party owes the other Party ("Offsetting Party") any amount under this Contract, the Offsetting Party owed such amount may at any time offset any and all amounts that are due and owed to the other Party against such amount that the other Party owes the Offsetting Party. The Offsetting Party asserting an offset shall provide a prompt written explanation of the amount and the basis for the offset.

Section 16.14: **Counterparts**. This Contract may be executed in as many counterparts as desired by the Parties, any one of which shall have the force and effect of any original but all of which together shall constitute the same instrument. This Contract may also be executed by exchange of executed copies via facsimile or other electronic means, such as PDF, in which case — but not as a condition to the validity of the Contract — each Party shall subsequently send the other Party by mail the original executed copy. A Party's signature transmitted by facsimile or similar electronic means shall be considered an "original" signature for purposes of this Contract.

IN WITNESS WHEREOF, the Parties hereto have executed this Contract on the day and year first above written.

HAWAIIAN ELECTRIC COMPANY, INC.

By: /s/ Dan V. Giovanni
Signature Dan V. Giovanni

Vice President, Energy Delivery
Title

By: /s/ Robert A. Alm
Signature Robert A. Alm

Executive Vice President
Title

By: /s/ Ronald R. Cox
Signature Ronald R. Cox

Vice President, Power Supply
Title

(Signatures Continued on following page)

TESORO HAWAII CORPORATION

By: /s/ David K. Kirshner
Signature David K. Kirshner

Senior Vice President, Commerical
Title

ATTACHMENT A — Product Specification

LOW SULFUR FUEL OIL (LSFO) SPECIFICATIONS

Test Property	Test Method	Unit of Measure	Min	Max
GRAVITY @ 60 DEGREES F.	ASTM D–4052	Degrees API	12	24
VISCOSITY	ASTM D–445, D–2161	SSU at 210 DF	100	450
		SSU at 212 DF	97	429
HEAT VALUE, GROSS	ASTM D–240, D–4868	MM BTU/BBL	6.0 million	
FLASH POINT	ASTM D–93	Degrees F.	150	
POUR POINT	ASTM D–97, D–5949	Degrees F.		125
ASH	ASTM D–482	Percent, Weight		0.05
SEDIMENT & WATER	ASTM D–1796	Percent, Weight		0.50
SULFUR	ASTM D–4294	Percent, Weight		0.50
NITROGEN	ASTM D–4629, D5762	Percent, Weight		0.50
VANADIUM	ASTM D–5863, AES	PPM, Weight		50

ATTACHMENT B — THC LSFO Price Sample

[– – –]

[– – –]

40–42

ATTACHMENT C — Precautionary Sample Tests

Marine Deliveries — Product Specifications

Test Property	Test Method	Unit of Measure	Min	Max
Gravity @ 60 Degrees F.	ASTM D–4052	Degrees API	12	24
Viscosity	ASTM D–445, D–2161	SSU at 210 DF	100	450
		SSU at 212 DF	97	429
Flash Point	ASTM D–93	Degrees F.	150	
Sediment and Water	ASTM D–1796	Percent, Weight		0.50
Sulfur	ASTM D–4294	Percent, Weight		0.50

ATTACHMENT D

Independent Inspectors List

Preferred by Tesoro and HECO:
Petrospect Inc.
499 Nimitz Hwy, Pier 21
Honolulu, HI 96817
808−536−6626

Alternate:
Intertek Caleb Brett
91−110 Hanua Street, #204
Kapolei, HI 96707−1702
808−682−2532

SECOND AMENDMENT TO
INTER–ISLAND INDUSTRIAL FUEL OIL AND DIESEL FUEL SUPPLY CONTRACT
BY AND BETWEEN
BHP PETROLEUM AMERICAS REFINING INC. (nka, TESORO HAWAII CORPORATION)
AND
HAWAIIAN ELECTRIC COMPANY, INC.;
MAUI ELECTRIC COMPANY, LIMITED;
AND
HAWAII ELECTRIC LIGHT COMPANY, INC.

This Second Amendment to Inter–Island Industrial Fuel Oil and Diesel Fuel Supply Contract ("Amendment"), is entered into as of January 31st, 2012 by and between Tesoro Hawaii Corporation fka BHP Petroleum Americas Refining Inc., a Hawaii corporation (hereinafter referred to as "Tesoro" or "SELLER") and Hawaiian Electric Company, Inc. ("HECO"), and its wholly–owned subsidiaries Maui Electric Company, Limited ("MECO"), and Hawaii Electric Light Company, Inc. ("HELCO"), each a Hawaii corporation (HECO, MECO and HELCO hereinafter collectively referred to as "BUYER"). This Second Amendment shall become effective as provided in section K below.

WHEREAS, SELLER and BUYER entered into that certain Inter–Island Industrial Fuel Oil and Diesel Fuel Supply Contract dated November 14, 1997 ("Contract"), which was amended by that certain First Amendment to the Contract entered on March 29, 2004 ("First Amendment") and

WHEREAS, the Contract, as amended by the First Amendment, addresses the sale by SELLER and purchase by BUYER of Industrial Fuel Oil No. 6 ("Fuel Oil") and Diesel Fuel Oil No. 2 ("Diesel No. 2"); and

WHEREAS, BUYER desires to purchase Ultra Low Sulfur Diesel ("ULSD"), in addition to Fuel Oil and Diesel No. 2 from SELLER;

WHEREAS, SELLER desires to sell ULSD, in addition to Fuel Oil and Diesel No. 2, to BUYER;

and

WHEREAS, the parties mutually desire to further amend the Contract and seek approval from the Public Utilities Commission of the State of Hawaii ("PUC") for the same as provided herein:

NOW THEREFORE, for good and valuable consideration, receipt of which is hereby acknowledged, SELLER and BUYER agree as follows:

A. <u>ARTICLE I – DEFINITIONS</u>

1. Section 1.1, as amended by the First Amendment, is hereby further amended as follows:

i. The definition of "BUYER's Petroleum Products" in paragraph 12 is hereby deleted and replaced in its entirety with the following:

12. "BUYER's Petroleum Products" means third−party supplied diesel and/or fuel oil owned by BUYER which are shipped by BUYER through SELLER's B.P. Pipelines, meeting the specifications in Exhibits A, B, and/or B−1, respectively, and shall not be dyed red or contain any other dye or additive for the pipeline throughput.

ii. The definition of "Certificate of Quality " in paragraph 14 is hereby deleted and replaced in its entirety with the following:

14. "Certificate of Quality" means the formal document recording SELLER's laboratory determination of the quality and BTU Content of a particular sample which represents a specific Delivery of Product, said laboratory determinations having been performed in accordance with the test methods specified in Exhibits A, B and B−1.

iii. The definition of "Deliver," "Delivery," "Deliveries," or "Delivered" in paragraph 18 is hereby deleted and replaced in its entirety with the following:

18. “Deliver,” Delivery,” Deliveries,” or “Delivered” refers to the physical movement of Product or transfer of title attendant upon the sale of Product by SELLER and its receipt and purchase by BUYER which commences at the initiation of pumping from SELLER’s Refinery tank(s), SELLER’s Nominated Terminal issuing tank(s), or SELLER’s Nominated Barge cargo tank(s) to BUYER’s Nominated Barge, BUYER’s Nominated Truck(s) or BUYER’s Nominated Marine Terminal and ends with the subsequent cessation of pumping of the Product. BUYER shall be responsible for providing SELLER approved trucks, barges, vessels, or pipelines to connect to SELLER’s infrastructure to receive any Deliveries from SELLER.

iv. The definition of “Diesel” or “Diesel Fuel” in paragraph 20 is deleted and replaced in its entirety with the following:

20. “Diesel” or “Diesel Fuel” means Diesel No. 2 and ULSD, meeting the specifications in Exhibits B and B−1, respectively.

v. The definition of “Product” in paragraph 39 is hereby deleted and replaced in its entirety with the following:

39. “Product” means Fuel Oil and Diesel, meeting the specifications in Exhibits A, B, and B−1.

vi. The definition of “SELLER’s Nominated Terminal” in paragraph 51 is hereby deleted and replaced in its entirety with the following:

51. “SELLER’s Nominated Terminal” means a petroleum storage and distribution terminal facility designated by SELLER from which Diesel is Delivered to BUYER into BUYER’s Nominated Marine Terminal, BUYER’s Nominated Barge, or to BUYER’s Nominated Truck(s).

vii. The definition of “BUYER’s Nominated Truck(s)” is hereby added as paragraph 57 as follows:

57. “BUYER’s Nominated Truck(s)” means one or more tanker trucks designated by BUYER to receive Diesel Delivered by SELLER at SELLER’s Kahului Terminal, SELLER’s Hilo Terminal or SELLER’s Honolulu Terminal. BUYER’s Nominated Trucks and drivers must be pre−approved by SELLER, as they must meet SELLER’s, industry and government regulations and requirements.

viii. The definition of “Pipeline Segment(s)” is hereby added as paragraph 58 as follows:

58. “Pipeline Segment(s)” means the respective portion of each of SELLER’s pipelines extending from Kalaeloa Harbor to a location in the vicinity of the junction box interconnection with a pipeline extending to BUYER’s BPTF, or such other destination as may be agreed to by the parties.

ix. The definition of “SELLER’s Honolulu Terminal” is hereby added as paragraph 59 as follows:

59. “SELLER’s Honolulu Terminal” means SELLER’s marine petroleum storage and distribution terminal facilities located in Honolulu Hawaii.

x. The definition of “ULSD” is added as paragraph 60 as follows:

60. “ULSD” means Ultra Low Sulfur Diesel fuel that conforms to the specifications set forth in Exhibit B−1.

The definition of “Displacement Stock” is hereby added as paragraph 61 as follows:

61. “Displacement Stock” means, collectively for this purpose, Fuel Oil, Diesel No. 2 or ULSD, or such other agreed upon fuels, to displace the transfer of liquid fuels, which includes biofuels, biodiesels, and/or low sulfur fuel oil with specifications as may be mutually agreed to between SELLER and BUYER, through SELLER’s designated pipeline into BUYER’s Nominated Tank or BUYER’s Nominated Vessel.

. The definition of “BUYER’s Nominated Tank” is hereby added as paragraph 62 as follows:

62. “BUYER’s Nominated Tank” means petroleum or liquid fuels storage tank or tanks designated by BUYER to receive Fuel Oil, Diesel No. 2 or ULSD.

2. Section 1.2 (“BUYER”) is hereby deleted and replaced in its entirety with the following:

As to any purchase of Product by MECO, the term “BUYER” shall exclude HELCO and HECO, as to any purchase of Product by HELCO, the term “BUYER” shall exclude MECO and HECO, and as to any purchase of Product by HECO, the term “BUYER” shall exclude MECO and HELCO. Furthermore, for purposes of this Contract (excluding any payments due from, and liabilities and indemnities attributable to, a BUYER) the term “BUYER” shall be deemed to mean MECO, HELCO, or HECO, as applicable, and its authorized agent(s) for this purpose, unless otherwise specified or clearly inappropriate in the context.

B. ARTICLE III – QUANTITY

Section 3.1 (“Minimum and Maximum Annual Quantities”), as amended by the First Amendment, is hereby further amended as follows:

1. By replacing the heading “1999–2014/Additional Term” of the quantity tables in parts I and II with the heading “1999–2011”.

2. By adding the following new sections III and IV which set forth the minimum and maximum quantities of Fuel Oil, Diesel No. 2, and ULSD for the years 2012, 2013, 2014 and any Additional Term.

III. FUEL OIL

2012–2014/Additional Term	Minimum	Maximum
HELCO	[– – –]	[– – –]
MECO	[– – –]	[– – –]
TOTAL	[– – –]	[– – –]

IV. DIESEL NO. 2 & ULSD

	ULSD		DIESEL NO. 2	
2011	**Minimum**	**Maximum**	**Minimum**	**Maximum**
HELCO	[– – –]	[– – –]	[– – –]	[– – –]
MECO	[– – –]	[– – –]	[– – –]	[– – –]
	[– – –]	[– – –]	[– – –]	[– – –]
2012–2014/Additional Term	**Minimum**	**Maximum**	**Minimum**	**Maximum**
HELCO	[– – –]	[– – –]	[– – –]	[– – –]
MECO	[– – –]	[– – –]	[– – –]	[– – –]
HECO	[– – –]	[– – –]	[– – –]	[– – –]
	[– – –]	[– – –]	[– – –]	[– – –]

3. By deleting the second paragraph and replacing it in its entirety with the following:

Upon prior written notice to SELLER, HECO, HELCO and MECO may modify their individual minimum and maximum annual physical quantities of Fuel Oil and Diesel No. 2, and ULSD provided that the total minimum annual physical quantities of Fuel Oil, Diesel No.2, and ULSD which shall be sold and Delivered by SELLER and purchased and received by BUYER collectively, shall fall within the combined limits specified in this Section 3.1. The weekly allowed volume of ULSD to be Delivered by SELLER at SELLER’s Nominated Terminal into BUYER’S Nominated Truck(s) shall be up to [– – –] of the average weekly volume per BUYER, unless otherwise mutually agreed by BUYER and SELLER. The per shipment minimum volume of ULSD to be Delivered by SELLER from SELLER’s Refinery tank(s) to BUYER’s Nominated Barge is [– – –], and is required to be Delivered together with Diesel No. 2, unless otherwise mutually agreed by BUYER and SELLER.

C. <u>ARTICLE IV – QUALITY</u>

Article IV (Quality) is deleted and hereby replaced in its entirety with the following:

SELLER shall sell and Deliver and each respective BUYER shall purchase and receive Fuel Oil and Diesel No.2, and ULSD that shall conform to the specifications

set forth in Exhibits A, B and B−1, attached hereto and incorporated herein by reference. Such Diesel No. 2 and ULSD, excluding Displacement Stock, shall be dyed in accordance with State and Federal requirements for tax−exempt, off−road diesel fuel. Dyeing will be done at SELLER's Nominated Terminal truck rack and at BUYER's Nominated Barge at the time of loading.

With respect to the receipt of Diesel No. 2 and ULSD, excluding Displacement Stock, by BUYER at any other Delivery location, as mutually agreed to between SELLER and BUYER, BUYER shall coordinate with SELLER, and BUYER shall be responsible for the cost of the design, installation, maintenance and operation of the red dye, lubricity, and any other injection systems the installation of which is required for the Delivery of Diesel to BUYER having a quality in accordance with this Article IV.

D. **ARTICLE V – PRICE, BTU DETERMINATION**

Section 5.2 ("Diesel Price"), as amended by the First Amendment, is hereby further amended as follows:

1. By replacing the term "Diesel" with "Diesel No. 2" in the first full paragraph and in the last full paragraph.

2. By adding the following immediately after the first full paragraph::

[− − −]

ULSD Premium* for 2012 — 2014/Additional Term:

[− − −]

The per gallon premium applicable to ULSD sold and Delivered by SELLER and purchased and received by BUYER for 2014 shall also apply to ULSD sold and Delivered by SELLER and purchased and received by BUYER during each Year of any Additional Term, unless otherwise mutually agreed.

All prices, price formula, including their averages and factors, adjustments thereto and other sums payable with respect to ULSD hereunder shall be stated in the nearest ten−thousandth of a dollar unless specifically stated otherwise.

3. By adding the following at the end of Section 5.2:

Exhibit E (“Ultra Low Sulfur Diesel Example Price Calculation”), attached hereto and included herein by reference, contains an illustrative schedule of prices for ULSD calculated pursuant to this Section 5.2.

E. ARTICLE VI – PAYMENT

1. In Section 6.1 (“Invoices”), the second paragraph is hereby deleted and replaced in its entirety with the following:

Invoices which have been so prepared shall be sent to the respective BUYER at the following addresses:

HELCO – Hawaii Electric Light Co., Inc.
P.O. Box 1027
Hilo, Hawaii 96721−1027
Attention: Accounting Division
Facsimile: 808 969−0150

MECO – Maui Electric Company, Ltd.
P.O. Box 398
Kahului, Hawaii 96732
Attention: Derek Onaga/Production Department
Facsimile: 808 442−4975

HECO – Hawaiian Electric Co., Inc.
P.O. Box 2750
Honolulu, Hawaii 96840−0001
Attention: Jeff Aicken/Fuels Department
Facsimile: 808 203−1815

2. Section 6.2 (“Method of Payment”), as amended by the First Amendment, is hereby further amended as follows: “Bank One, Chicago, Illinois” is replaced with “J.P. Morgan Chase, Chicago, Illinois”. All other payment information remains the same.

F. ARTICLE VII – DELIVERIES, TITLE AND RISK OF LOSS

1. Section 7.1 (“Delivery, Title and Risk of Loss”) is deleted and replaced in its entirety with the following:

SECTION 7.1: Delivery, Title and Risk of Loss

1. Deliveries to BUYER’s Nominated Barge

SELLER agrees to Deliver and BUYER agrees to receive Fuel Oil, Diesel No. 2, and ULSD into BUYER’s Nominated Barge pursuant to Section 7.4 at either: (i) SELLER’s Loading Pier, (ii) a Third–Party Pier, or (iii) SELLER’s SPM. Title, custody and risk of loss of Fuel Oil, Diesel No. 2 and ULSD so Delivered shall pass from SELLER to BUYER at the flange of the receiving hoses of BUYER’s Nominated Barge at SELLER’s Loading Pier or Third–Party Pier, or the receiving flange of BUYER’s Nominated Barge for loadings at SELLER’s SPM. Diesel No. 2 and ULSD shall be dyed by SELLER in accordance with State and Federal requirements for tax–exempt, off–road diesel fuel.

2. Diesel No. 2 Bulk Deliveries to BUYER’s Nominated Marine Terminals

On a when–available basis and when the date is mutually agreed to, SELLER may sell and Deliver and BUYER may purchase and receive Diesel No. 2 in bulk into BUYER’s Nominated Marine Terminal at Kahului, Maui, Kapolei or Honolulu, Oahu, and Hilo or Kawaihae, Hawaii, respectively. Title, custody and risk of loss of Diesel No. 2 so Delivered, shall pass from SELLER to BUYER at the connection flange of the receiving pipeline at BUYER’s Nominated Marine Terminal.

3. Pipeline Deliveries of Displacement Stock to BUYER’s Nominated Tank or BUYER’s Nominated Vessel

SELLER agrees to Deliver and BUYER agrees to receive Fuel Oil, Diesel No. 2 or ULSD as Displacement Stock through SELLER’s designated pipeline into BUYER’S Nominated Tank or BUYER’s Nominated Vessel:

i) BUYER’s Nominated Tank – For Fuel Oil Delivered by SELLER to BUYER’s Nominated Tank, title, custody and risk of loss shall pass from SELLER to BUYER at the flange of the Pipeline Segment interconnection junction between SELLER and BUYER. For Diesel

No. 2 or ULSD used as Displacement Stock, Delivered to BUYER's Nominated Tank, risk of loss shall pass from SELLER to BUYER at the flange of the Pipeline Segment interconnection junction between SELLER and BUYER, and title and custody shall pass after the dye, lubricity and any other injection system, installed, operated, and maintained by BUYER.

ii) BUYER's Nominated Vessel – For Fuel Oil Delivered by SELLER to BUYER's Nominated Vessel, title, custody and risk of loss shall pass from SELLER to BUYER at the flange of the receiving hoses of BUYER's Nominated Vessel. For Diesel No. 2 or ULSD used as Displacement Stock, Delivered by SELLER to BUYER's Nominated Vessel, risk of loss shall pass from SELLER to BUYER at the flange of the receiving hoses of BUYER's Nominated Vessel, and title and custody shall pass after the dye, lubricity and any other injection system, if any, installed, operated, and maintained by BUYER

4. Deliveries at SELLER's Nominated Terminals

SELLER agrees to Deliver and BUYER agrees to receive ULSD from SELLER's Nominated Terminal into BUYER's Nominated Truck(s). For ULSD Delivered by SELLER into BUYER's Nominated Truck(s), title, custody and risk of loss of ULSD so Delivered shall pass from SELLER to BUYER at the flange connecting the loadrack arm/hose at SELLER's Nominated Terminal's truck loading facility to the receiving equipment of BUYER's Nominated Truck(s) and ULSD shall be dyed by SELLER in accordance with State and Federal requirements for tax−exempt, off−road diesel fuel.

2. Section 7.2 ("Delivery of Diesel and Fuel Oil to MECO & HELCO") is hereby revised by replacing the term "Diesel" with "Diesel No. 2".

3. Add Section 7.2.1 ("Delivery of ULSD to MECO for Molokai").

The gross volume of ULSD per individual Delivery to BUYER's Nominated Barge for MECO's shipment to Molokai shall be limited to a minimum of [– – –] and a maximum of [– – –], and is required to be Delivered together with Diesel No. 2, unless otherwise mutually agreed by BUYER and SELLER. SELLER may load ULSD and Fuel Oil concurrently on the same shipment of BUYER's Nominated Barge for MECO, provided that BUYER's Nominated Barge is capable of receiving same.

4. Section 7.3 ("Forecast and Notice of Delivery") is hereby amended by deleting the first sentence in its entirety and replacing it with the following:

Prior to the 20th Day of each Month, BUYER shall give SELLER a forecast of the total volume of each respective BUYER's liftings of Diesel No. 2, ULSD, and Fuel Oil for each of the subsequent three (3) Months; such forecast shall include ULSD to be Delivered at SELLER's Nominated Terminal and received into BUYER's Nominated Truck(s).

G. **ARTICLE VIII – MEASUREMENT, SAMPLING AND TESTING**

1. Section 8.2 ("Determination of Quantity") is hereby amended to replace "Diesel" with "Diesel No. 2" in the second full paragraph, to replace "Diesel" with "Diesel No. 2 and ULSD" in the third paragraph, and to add the following paragraph immediately after the second full paragraph:

Quantity of ULSD sold and Delivered at SELLER's Nominated Terminal to BUYER's Nominated Truck(s) shall be determined at the time of each Delivery by SELLER's calibrated loadrack meters, converted in each instance to volume at 60 degrees Fahrenheit by the automated rack control system. Meters shall be calibrated on an annual basis or as required and agreed by SELLER and BUYER. BUYER shall have the right at its expense, and in accordance with procedures at SELLER's Nominated Terminal to independently certify said calibration. BUYER and SELLER shall have the right to have one representative present to witness such meter calibration.

2. Section 8.3 ("Sampling And Determination of Quality") of the Contract is hereby amended as follows:

i. By replacing "Diesel" with "Diesel No. 2".

ii. By adding the following paragraph at the end of Section 8.3:

With respect to ULSD Delivered from SELLER's Refinery tank(s) or SELLER's Nominated Terminal to BUYER's Nominated Barge or to BUYER's Nominated Marine Terminal, the quality of the ULSD shall be determined on the basis of a volumetric weighted average composite of samples drawn by an Independent Inspector or SELLER Representative from SELLER's Refinery or Nominated Terminal issuing tank(s) in such a manner as to be representative of the volume of the tank inventory. Such samples of ULSD shall be divided into a minimum of two (2) parts one of which shall be sealed and dated and retained by SELLER, or an Independent Inspector at the option of SELLER, for a period of not less than three (3) Months.

H. <u>ARTICLE XV – ENTIRE AGREEMENT, WAIVER AND ILLEGALITY</u>

Section 15.2 ("Notices"), as amended by the First Amendment, is hereby amended by deleting the address for SELLER and replacing it in its entirety with the following:

Tesoro Hawaii Corporation
91–325 Komohana Street
Kapolei, Hawaii 96707
Attn: Manager Utility Fuel Sales
Facsimile: (808) 547–3145

I. **Exhibit B–1** ("Ultra Low Sulfur Diesel Specifications") is attached hereto and incorporated by reference.

J. **Exhibit E** ("Ultra Low Sulfur Diesel Example Price Calculation") is attached hereto and incorporated by reference.

K. **<u>Effective Date</u>**: The parties agree that this Second Amendment is subject to and conditioned upon approval by the Public Utilities Commission of the State of Hawaii ("Commission") as follows:

(a) BUYER will file an application ("Application") with the Commission requesting approval of this Amendment following its execution. This Amendment is contingent upon the issuance of a decision and order by the Commission that (i) approves this Amendment and its pricing and terms and conditions, (ii) is in a final form deemed to be reasonable by BUYER in its sole discretion, and (iii) allows BUYER to include the costs incurred by BUYER pursuant to this Amendment in its revenue requirements for ratemaking purposes and for the purposes of determining the reasonableness of BUYER'S rates and/or for cost recovery above those fuel costs included in base rate through BUYER'S Energy Cost Adjustment Clause. A decision and order by the Commission satisfying these conditions is hereinafter referred to as the "Commission Approval Order".

(b) SELLER understands that the decision and order may not be in a form deemed to be final and/or reasonable to BUYER if (i) it is not an unconditional approval, (ii) it denies or defers ruling on any part of BUYER's Application, (iii) it contains terms and conditions deemed to be unacceptable to BUYER, in its sole discretion, or (iv) BUYER, in its sole discretion, is not satisfied that the decision and order will not be appealed.

(c) If BUYER has not received the Commission Approval Order in a final form acceptable to BUYER within 180 Days of the date of this Amendment, or if BUYER's request for Commission approval of this Amendment is denied, then either SELLER or BUYER may terminate this Amendment by providing written notice of such termination delivered to the other. In such event of termination, each party shall bear its own respective fees, costs and expenses incurred prior to termination, if any, in preparation for performance hereunder, and the parties shall have no further obligation to each other with respect to this Amendment except for indemnity and any confidentiality obligations assumed by the parties hereunder. Such termination shall be effective only as to this Amendment and shall not be deemed to affect the status of or terminate the Contract, as amended by the First Amendment.

(d) SELLER, at its own cost, shall promptly cooperate with BUYER's reasonable requests for support of BUYER's efforts to prepare and file the Application and obtain the Commission Approval Order.

(e) This Amendment shall become effective (the "Effective Date") upon (a) receipt by BUYER of the Commission Approval Order and (b) notice from BUYER to SELLER that BUYER deems the Commission Approval Order to be reasonable and in a final form. BUYER shall immediately notify SELLER when the Commission Approval Order is issued. BUYER shall then have a period of ten (10) business days to advise SELLER whether it deems the Commission Approval Order to be final and reasonable. If BUYER fails to respond within that period, then it shall be presumed that BUYER deems the Commission Approval Order to be final and reasonable. If BUYER provides notice of concern that the Commission Approval Order may not be final or reasonable, then the parties may negotiate for an appropriate extension of the Effective Date to address those concerns. Alternatively, the parties may mutually agree in writing that some other date shall be deemed the Effective Date. Except for the obligations and provisions described herein, neither party shall have any binding obligations under this Amendment until the Effective Date.

L. **Addendum No. 2, Section 17, Required Insurance**, as amended by the First Amendment, is hereby amended by deleting and replacing it in its entirety with the following:

Section 17: Required Insurance. Without in any way limiting BUYER's liability pursuant to this Contract, BUYER shall maintain and require any carrier to maintain the following insurance and all insurance that may be required under the Applicable Laws, ordinances and regulations of any Governmental Authority.

(a) At all times during the term of this Contract and for a period of 2 years after termination of this Contract for any coverage maintained on a "claims–made" basis, BUYER shall maintain at its own expense the below listed insurance. Such insurance shall provide coverage to Tesoro and its affiliates, irrespective of whether Article XVIII Indemnity in the Contract is enforceable, in any state. Each policy shall provide that it is

primary to and not contributory with any other insurance, including any self–insured retention, maintained by Tesoro or its affiliates (which shall be excess) and each policy shall provide the full coverage required by this Contract. All such insurance shall be written with carriers and underwriters acceptable to Tesoro and having and maintaining an A.M. Best financial strength rating of no less than "A–" and financial size rating no less than "VII".

(i) Worker's Compensation Insurance as required by Hawaii State Law. Such insurance shall include a waiver of the insurer's rights of subrogation against Tesoro and its affiliates.

(ii) Employer's Liability Insurance with a minimum limit of [– – –] for each accident, covering injury or death to any employee which may be outside the scope of the worker's compensation statute of the jurisdiction in which the worker's service is performed, and in the aggregate as respects occupational disease. Such insurance shall include a waiver of the insurer's rights of subrogation against Tesoro and its affiliates.

(iii) Commercial General Liability Insurance, including contractual liability insurance covering BUYER's indemnity obligations under this Contract, with minimum limits of [– – –] combined single limit per occurrence for bodily injury and property damage liability, or such higher amounts as may be required by Tesoro or by Applicable Law from time to time. This policy shall include Broad Form Contractual Liability insurance coverage which shall specifically apply to the obligations assumed in this Contract by BUYER. Such insurance shall include Tesoro and its affiliates as an additional insured and shall include a waiver of any rights of subrogation against Tesoro and its affiliates.

(iv) Automobile Liability Insurance covering all owned, non–owned, and hired vehicles with minimum limits of [– – –] combined single limit per occurrence for bodily injury and property damage liability, or such higher amounts as may be required by Tesoro or Applicable Law from time to time. Such insurance shall name Tesoro and its affiliates as an additional insured and shall include a waiver of any rights of subrogation against Tesoro and its affiliates.

(b) With respect to the insurance coverage requirements specified in Subparagraphs (ii) through (iv) above, BUYER may comply with such requirements by combining coverage between a primary insurer and an excess insurer or insurers. In such event, however, Tesoro and its affiliates shall be named as an additional insured on all such policies (except as noted in Subparagraph (i) above), and all policies of insurance shall include a waiver of any rights of subrogation in favor of Tesoro and its affiliates.

(c) The above insurance shall include the requirement that the insurer provide BUYER with thirty (30) days notice (10 days notice for non–payment of premium), prior to the effective date of any cancellation or material change of the insurance. BUYER shall provide such notice to Tesoro within two (2) business days. The insurance specified in Subparagraphs (i) through (iv) shall contain a waiver of subrogation in favor of Tesoro and an assignment of statutory lien, if applicable.

(d) The insurance specified in Subparagraphs (iii) and (iv) shall include Tesoro as an additional insured provided that the insurance is primary in coverage with respect to all policies of insurance that may be applicable, and contains a standard cross–liability endorsement or severability of interest clause.

(e) The insurance requirements set forth herein do not in any way limit BUYER'S liability or responsibility under any other provision of this Contract or at law.

(f) BUYER shall be solely responsible for any deductibles or self–insured retention.

(g) BUYER'S failure to comply with any or all requirements of this Section 17 shall constitute a material breach and cause for immediate termination of this Contract by Tesoro. Tesoro's acceptance of furnished evidence of insurance shall not modify the above insurance requirements.

(h) Before Tesoro shall be obliged to perform under this Contract as described herein, BUYER shall provide Tesoro with certificates or other documentary evidence satisfactory to Tesoro of the insurance coverages and endorsements.

(i) Without in any way limiting Tesoro's liability, Tesoro shall obtain from any carrier related to this Contract the insurance coverage and endorsements set forth in this Section 17 except that both Tesoro and BUYER shall be named as an additional insured.

Tesoro reserves the right to change insurance requirements periodically upon reasonable notice to BUYER.

For the purposes of this Contract, "Applicable Law" means any and all applicable present and future laws, statutes, rules, regulations, ordinances, orders, codes, judgments, decrees, or requirements, by any Governmental Authority. "Governmental Authority" means any federal, state, territorial, municipal or other governmental or quasi–governmental authority, agency, court, or other body or entity of competent jurisdiction.

M. **Addendum No. 2, Seller's Facilities on Maui and Hawaii, Section 19, Notices,** as amended by the First Amendment, is hereby amended by deleting and replacing it in its entirety with the following:

Tesoro Hawaii Corporation

Terminal Supervisor
140–A Hobron Avenue
Kahului, Hawaii 96732
Telephone (808) 871–0817
Facsimile (808) 871–0728

Maui Electric Company, Ltd.
Power Supply Dept.
P.O. Box 398
Kahului, Hawaii 96733–6898
Telephone (808) 442–4914
Facsimile (808) 442–4975

HAWAII: Tesoro Hawaii Corporation
Terminal Supervisor
700 Kalanianaole Avenue
Hilo, Hawaii 96720
Telephone (808) 961–3177
Facsimile (808) 969–1085

Hawaii Electric Light Co., Inc.
Production Department
P.O. Box 1027
Hilo, Hawaii 96721–1027
Telephone (808) 969–0423
Facsimile (808) 969–0425

OAHU: Tesoro Hawaii Corporation
Supervisor Pipeline & Terminal Operations
431 Kuwili Street
Honolulu, Hawaii 96817
Telephone (808) 547–3842
Facsimile (866) 947–3995

Hawaiian Electric Co., Inc.
Director, Fuels Resources Department
P.O. Box 2750
Honolulu, Hawaii 96840
Telephone (808) 543–4350
Facsimile (808) 203–1805

N. Except as expressly amended in this Second Amendment, the provisions of the Contract, as amended by the First Amendment, shall remain in full force and effect, exactly as written.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment to the Contract as of the day and year first written above.

TESORO HAWAII CORPORATION
("SELLER")

By: /s/ Claude P. Moreau

Its: Senior Vice President, Marketing

Date: January 27, 2012

HAWAIIAN ELECTRIC COMPANY, INC.
("BUYER")

By: /s/ Ronald R. Cox

Its: Vice President, Power Supply

Date: January 31, 2012

By: /s/ Colton K. Ching

Its: Vice President, System Operation & Planning

Date: February 3, 2012

HAWAIIAN ELECTRIC COMPANY, INC.
("BUYER")

By: /s/ Robert A. Alm

Its: Executive Vice President

Date: February 3, 2012

MAUI ELECTRIC COMPANY, LTD.
("BUYER")

By: /s/ Edward L. Reinhardt

Its: President

Date: January 31, 2012

By: /s/ Lyle J. Matsunaga

Its: Assistant Treasurer

Date: January 31, 2012

HAWAII ELECTRIC LIGHT COMPANY, INC.
("BUYER")

By: /s/ Jay M. Ignacio

Its: President

Date: February 7, 2012

By: /s/ Julie Payne

Its: Assistant Treasurer

Date: February 9, 2012

EXHIBIT B

DIESEL SPECIFICATIONS

Specification – Test Item	Measurement Unit	Limits	ASTM Method
GRAVITY @ 60 DEGREES F.	Degrees API	30.0 Min.	D–1298, D–4052–86
SPECIFIC GRAVITY @ 60 DEGREES F.	n/a	0.88 Max.	D–1298, D–4052–86
VISCOSITY	SSU At 104 DF	32.3 Min. 39.4 Max.	D–445, D–7042 D–2161
	SSU At 100 DF	32.6 Min. 40.1 Max.	D–445, D–7042 D–2161
	cSt At 100 DF	1.9 Min. 4.29 Max.	D–445, D–7042 D–2161
	cSt At 104 DF	1.9 Min. 4.07 Max.	D–445, D–7042 D–2161
FLASH POINT, PM	Degrees F.	150 Min.	D–93, D–6450
* POUR POINT	Degrees F.	35	D–97, D–5949
ASH	PPM, Wt.	100 Max.	D–482
CETANE INDEX	n/a	40 Min.	D–4737
CARBON RESIDUE, 10% RESIDUUM	Percent, Wt.	0.35 Max.	D–524, D–4530[#]
SEDIMENT & WATER	Percent, Volume	0.05 Max.	D–1796
SULFUR	Percent, Weight	0.40 Max.	D–1552, D–2622, D–4294
* VANADIUM	PPM, Weight	0.8	D–3605, AES, D–6728
DISTILLATION, 90% RECOVERED	Degrees F.	540 – 650	D–86
SODIUM+POTASSIUM	PPM, Wt.	0.5 Max.	D–3605, AES, D–6728

SODIUM+POTASSIUM+LITHIUM	PPM, Wt.	Report	D−3605, AES, D−6728
* NITROGEN	PPM, Wt.	120	D−4629, D−5762
* HEAT VALUE, GROSS	MM BTU/BBL	5.86	D−240, D−4868
HEAT VALUE, NET	MM BTU/BBL	Report	D−240, D−4868

* Typical value is shown; value is not a specification limit.
# Alternate test method ASTM D−4530 for Carbon Residue has a limit of 0.30 Max.

EXHIBIT B–1

ULTRA LOW SULFUR DIESEL SPECIFICATIONS

Specification – Test Item	Measurement Unit	Limits	ASTM Method *
APPEARANCE	Visual	2 Max.	D–4176 proc. 2
ASH	% mass	0.01 Max	D–482
Ramsbottom CARBON RESIDUE on 10% distillation residue	% mass	0.35 Max^	D–524 or D–4530#
CETANE INDEX		40 Min.	D–976 or D–4737
COPPER STRIP CORROSION 3 hrs @ 212 DF		No. 3 Max.	D–130
DISTILLATION TEMPERATURE, 90% recovered	Degrees C.	282 Min. 338 Max.	D–86
	Degrees F.	540 Min. 640 Max.	D–86
FLASH POINT, PMCC	Degrees C. Degrees F.	52 Min. 125 Min.	D–93
GRAVITY, API	Degrees API	Report	D–4052, D–287
+LUBRICITY, HFRR @ 60ºC, WSD	Microns	520 Max.	D–6079
+CONDUCTIVITY	pS/m (C.U.)	25 Min.	D–2624, D–4308
SULFUR	ppm by Wt.	15 Max.	D–5453, D–7039
VISCOSITY: Kinematic @ 40ºC	cSt At 104 DF	1.9 Min. 4.1 Max.	D–445, D–7042
WATER & SEDIMENT	%vol	0.05 Max	D–2709, D–1796

* Use of the most recent ASTM test methods must be employed.
+Test monthly per external lab report; for Lubricity, truck sample is considered to be representative. Shipments of ULSD to MECO (for Molokai) will be sampled by an Independent Inspector mutually agreeable to both BUYER and SELLER with all other fuels on BUYER's barge.
#Alternate test method ASTM D–4530 for Carbon Residue has a limit of 0.30 Max.

EXHIBIT E

ULTRA LOW SULFUR DIESEL EXAMPLE PRICE CALCULATION

Illustrative Price Calculation

[– – –].

[– – –].

Hawaiian Electric Company, Inc. and Subsidiaries
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(unaudited)

(dollars in thousands)	Nine months ended September 30 2012	Nine months ended September 30 2011	Years ended December 31 2011	2010	2009	2008	2007
Fixed charges							
Total interest charges	$ 46,592	$ 46,430	$ 60,031	$ 61,510	$ 57,944	$ 54,757	$ 53,268
Interest component of rentals	1,996	1,578	2,152	1,857	2,499	2,211	2,250
Pretax preferred stock dividend requirements of subsidiaries	1,102	1,107	1,468	1,461	1,452	1,458	1,438
Total fixed charges	$ 49,690	$ 49,115	$ 63,651	$ 64,828	$ 61,895	$ 58,426	$ 56,956
Earnings							
Net income attributable to HECO	$ 95,861	$ 74,982	$ 101,066	$ 77,669	$ 80,526	$ 93,055	$ 53,236
Fixed charges, as shown	49,690	49,115	63,651	64,828	61,895	58,426	56,956
Income taxes (see note below)	58,429	46,446	61,584	46,868	47,776	55,763	30,937
Allowance for borrowed funds used during construction	(2,451)	(1,731)	(2,498)	(2,558)	(5,268)	(3,741)	(2,552)
Earnings available for fixed charges	$ 201,529	$ 168,812	$ 223,803	$ 186,807	$ 184,929	$ 203,503	$ 138,577
Ratio of earnings to fixed charges	4.06	3.44	3.52	2.88	2.99	3.48	2.43
Note:							
Income taxes are comprised of the following:							
Income tax expense relating to operating income from regulated activities	$ 58,291	$ 46,630	$ 65,988	$ 48,053	$ 48,212	$ 56,307	$ 34,126
Income tax expense (benefit) relating to results from nonregulated activities	138	(184)	(4,404)	(1,185)	(436)	(544)	(3,189)
	$ 58,429	$ 46,446	$ 61,584	$ 46,868	$ 47,776	$ 55,763	$ 30,937

For purposes of calculating the ratio of earnings to fixed charges, “earnings” represent the sum of (i) pretax income before preferred stock dividends of HECO and before adjustment for undistributed income or loss from equity investees and (ii) fixed charges (as hereinafter defined, but excluding the allowance for borrowed funds used during construction). “Fixed charges” represent the sum of (i) interest, whether capitalized or expensed, (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 preferred stock dividend requirements of HELCO and MECO, increased to an amount representing the pretax earnings required to cover such dividend requirements.

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)

I, Richard M. Rosenblum, certify that:

1. I have reviewed this report on Form 10–Q for the quarter ended September 30, 2012 of Hawaiian Electric Company, 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: November 8, 2012

/s/ Richard M. Rosenblum

Richard M. Rosenblum
President and 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)

I, Tayne S. Y. Sekimura, certify that:

1. I have reviewed this report on Form 10–Q for the quarter ended September 30, 2012 of Hawaiian Electric Company, 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: November 8, 2012

/s/ Tayne S. Y. Sekimura
Tayne S. Y. Sekimura
Senior Vice President and Chief Financial Officer

HECO Exhibit 32.2

Hawaiian Electric Company, Inc.

Certification Pursuant to
18 U.S.C. Section 1350

In connection with the Quarterly Report of Hawaiian Electric Company, Inc. (HECO) on Form 10−Q for the quarter ended September 30, 2012, as filed with the Securities and Exchange Commission on the date hereof (the HECO Report), we, Richard M. Rosenblum and Tayne S. Y. Sekimura, Chief Executive Officer and Chief Financial Officer, respectively, of HECO, certify, pursuant to 18 U.S.C. Section 1350, that to the best of our knowledge:

(1) The HECO Report fully complies with the requirements of section 13(a) of the Securities Exchange Act of 1934, as amended; and

(2) The HECO information contained in the HECO Report fairly presents, in all material respects, the financial condition and results of operations of HECO and its subsidiaries as of, and for, the periods presented in this report.

Date: November 8, 2012

/s/ Richard M. Rosenblum
Richard M. Rosenblum
President and Chief Executive Officer

/s/ Tayne S. Y. Sekimura
Tayne S. Y. Sekimura
Senior Vice President and Chief Financial Officer

A signed original of this written statement has been provided to HECO and will be retained by HECO and furnished to the Securities and Exchange Commission or its staff upon request.