



Hawaiian Electric Company



2010 CORPORATE
SUSTAINABILITY REPORT



Commitment

TABLE OF CONTENTS

Letter from the President	3
Generating Capability	4
Electricity Generation in Hawaii	6
Progressing Toward a Clean Energy Future	7
Encouraging Energy Conservation	16
Celebrating Our Natural Environment	18
Committed to Hawaii	20

Aloha,

With Hawaii relying on imported fossil fuels for 90 percent of energy for ground, sea, and air transportation as well as for electricity, our need to reduce this dependence could not be clearer. Importing millions of gallons of crude oil a year threatens our energy security, our economy and our environment.

We are blessed with diverse and abundant natural energy sources in Hawaii, and at Hawaiian Electric we are doing our part to advance the technologies to use them responsibly.

This report shares what our company has done in 2010, through partnerships with many others, to move Hawaii toward a clean energy future. Among our efforts: preparing our state for electric vehicles coming to market, installing smart grid technology to improve service to our customers, and supporting the University of Hawaii's College of Engineering to prepare the workforce for emerging jobs in clean energy technologies.

We are actively seeking new renewable generation projects as well as pursuing locally grown and processed biofuels for use in our existing generators. We are on the cutting edge of innovations such as renewable energy integration and energy storage.

We do all this while continuing to meet our core business demands to provide safe, reliable electric power to all our customers.

While the past year has seen a much faster pace of change, much more work is needed to reach our aggressive clean energy goal of 40 percent of electricity sales from clean, renewable sources and a 30 percent reduction in energy use through conservation and efficiency by the year 2030.

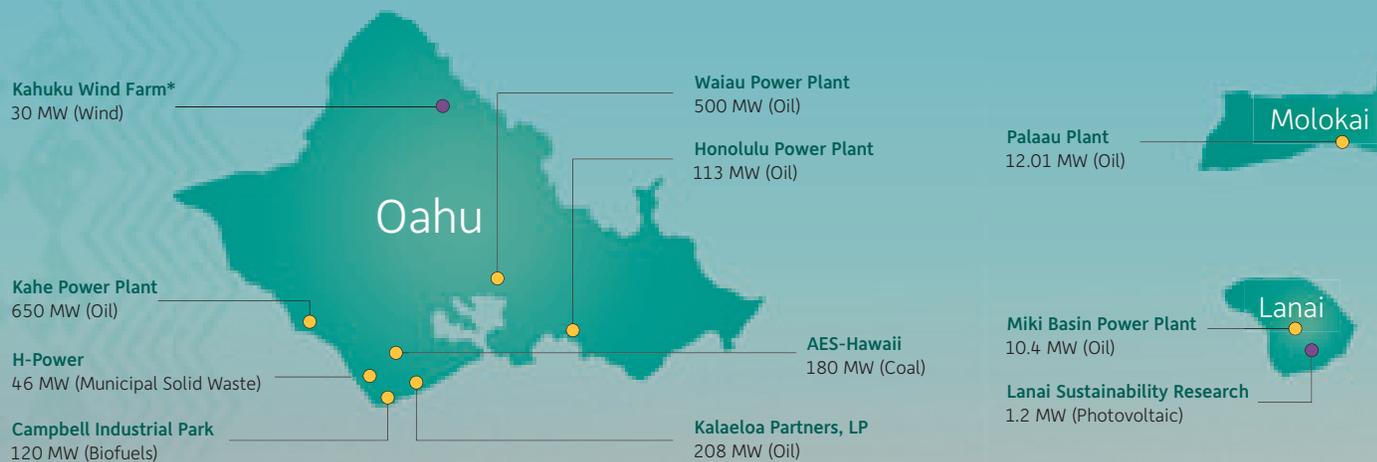
As we progress toward our clean energy future, we remain committed to our community, our customers, and the environment.

Sincerely,



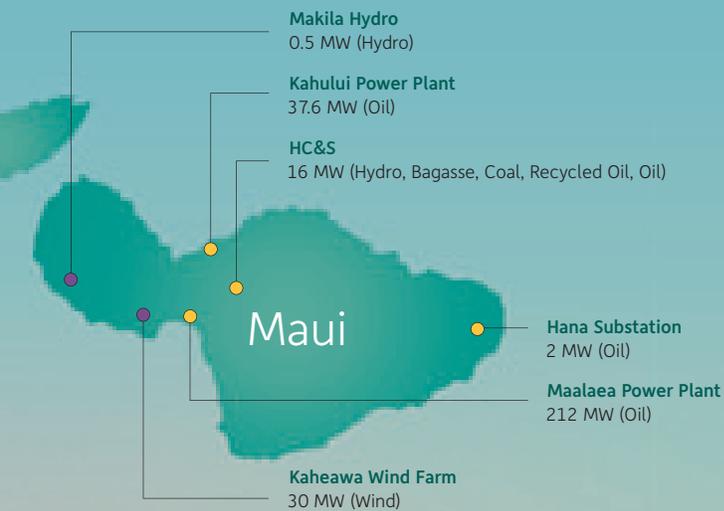
Richard M. Rosenblum
President & Chief Executive Officer

Generating Capability



For almost 120 years, Hawaiian Electric Company has provided the energy that has fueled the islands' development from a Hawaiian kingdom to a modern state. Hawaiian Electric Company (HECO) and its subsidiaries Maui Electric Company (MECO) and Hawaii Electric Light Company (HELCO) serve 95 percent of the state's 1.2 million residents on the islands of Oahu, Molokai, Lanai, Maui and Hawaii Island.

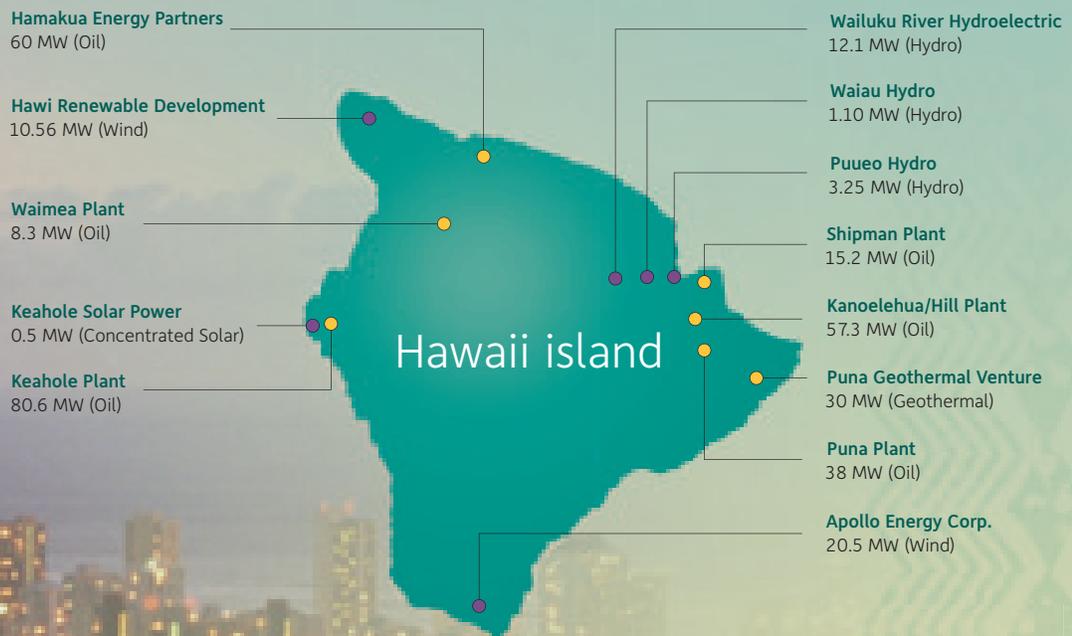




This map shows the maximum potential amount of electric power (in Megawatts) that can be produced at each of the generating facilities in our service area.

- **Firm Generation**
Electricity from a source that is available and reliable on demand, whenever needed.
- **As Available Generation**
Electricity from a source that is not accessible all the time. Examples include certain renewable energy sources such as solar and wind because they only provide electricity when the sun shines or the wind blows.

*In service as of March 2011.



Electricity Generation IN HAWAII

These tables and graphs provide a breakdown of the mix of fuels used to generate electricity in 2010, based on the amount of electricity generated by the Hawaiian Electric companies and purchased from independent power producers (IPPs).

Electricity by Fuel Source (MEGAWATT HOURS)

AS OF 12/31/10

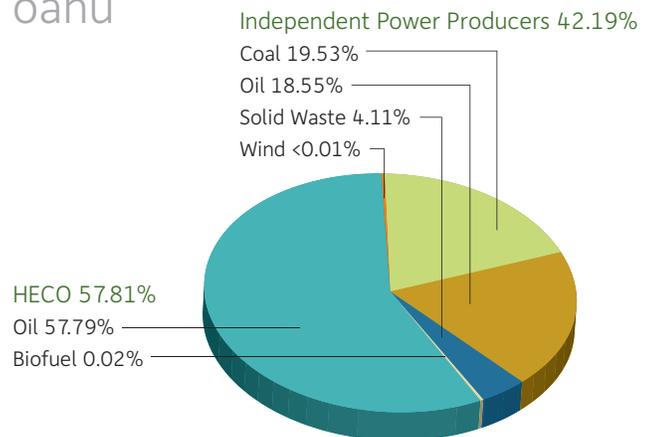
Hawaiian Electric Companies

	HECO	HELCO	MECO
Biofuel	1,574.92	—	1,577.88
Hydro	—	16,719.78	—
Oil	4,424,900.91	536,171.43	1,072,653.23
Wind	—	—	—
Total Utility	4,426,475.83	552,891.21	1,074,231.11
Utility Consolidated Total			6,053,598.14
Percentage of Utility Generation			60%

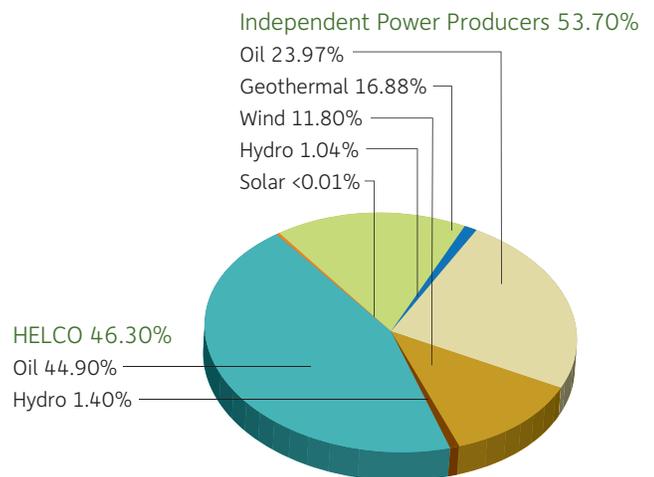
Independent Power Producers

	HECO	HELCO	MECO
Biofuel	—	—	7.49
Biomass	—	—	44,238.01
Coal	1,495,540.93	—	16,798.16
Geothermal	—	201,586.56	—
Hydro	—	12,469.26	6,701.25
Oil	1,420,365.04	286,258.71	1,238.31
Solar	—	16.81	1,770.15
Solid Waste	314,613.69	—	—
Wind	23.00	140,956.11	120,226.97
Total IPP	3,230,542.66	641,287.45	190,980.33
IPP Consolidated Total			4,062,810.44
Percentage of IPP Generation			40%

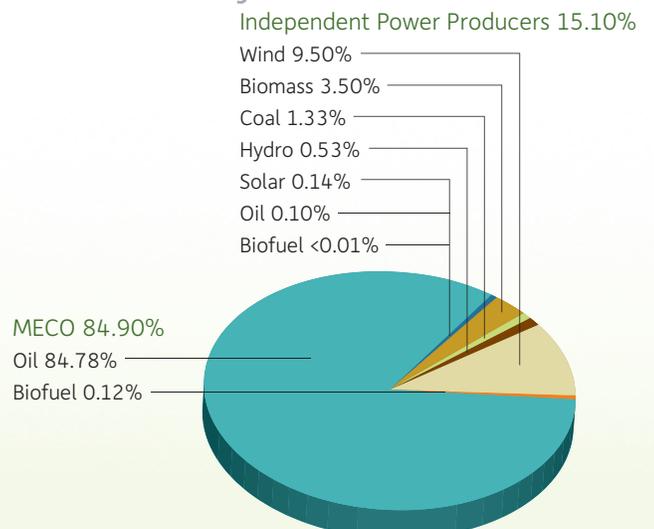
oahu



hawaii island



maui county



Progressing TOWARD A CLEAN ENERGY FUTURE

Hawaii State law establishes a Renewable Portfolio Standard that requires the utility to use renewable energy resources to generate electricity. The law specifies goals for amounts of renewable energy to be generated for target years.

YEAR	MANDATED % FROM RENEWABLE ENERGY SOURCES	HAWAIIAN ELECTRIC RPS	EXCEEDS GOAL
2005	8%	11%	3%
2006	—	13.8%	—
2007	—	16.1%	—
2008	—	18%	—
2009	—	19%	—
2010	10%	20%	10.7%
<i>Energy efficiency and solar water heating are no longer included in RPS</i>			
2015	15%	—	—
2020	25%	—	—
2030	40%	—	—

THE CURRENT LAW REQUIRES THE FOLLOWING:

Year 2010 — 10 percent of the company's sales must be met by using renewable energy resources to generate electricity and energy savings brought about by technologies such as energy efficiency programs and solar water heaters.

Year 2015 — 15 percent of the company's sales must be generated from renewable resources. The law establishes a separate Energy Efficiency Portfolio Standard, and therefore energy efficiency savings from solar water heating and energy efficiency technologies will no longer count toward the RPS.

Year 2020 — 25 percent of the company's sales must be generated from renewable resources.

Year 2030 — 40 percent of the company's sales must be generated from renewable resources.

2010 Renewable Portfolio Standard Status Report

(IN NET MEGAWATT HOURS) AS OF 12/31/10

As of December 2010, the Hawaiian Electric companies exceeded the RPS requirement with a 20.7 percent RPS. To meet the 2015 RPS requirement, which will no longer include savings from energy efficiency and solar water heating, the utilities will have to dramatically increase the amount of energy generated from renewable resources.

The Hawaiian Electric companies are committed to meeting and exceeding the RPS with a two-part strategy that involves developing and incorporating a diversity of renewable energy resources and using biofuels to displace fossil fuels in new and existing generating units.

Electrical Energy Generated Using Renewable Energy Sources

	HECO	HELCO	MECO	TOTAL
Biomass	314,614	—	44,238	358,852
Geothermal	—	201,587	—	201,587
Photovoltaic	—	17	1,770	1,787
Hydro	—	29,189	6,701	35,890
Wind	23	140,956	120,227	261,206
Biofuels	1,575	—	1,585	3,160
Subtotal	316,212	371,749	174,521	862,482

Electrical Energy Savings Using Renewable Displacement Technologies

	HECO	HELCO	MECO	TOTAL
Photovoltaic Systems	28,597	11,873	8,039	48,509
Solar Water Heating				
Utility*	115,359	18,427	28,602	162,388
PBFA**†	7,422	1,145	1,081	9,668
Subtotal	151,398	31,445	37,722	220,565

Electrical Energy Savings Using Energy Efficiency Technologies

	HECO	HELCO	MECO	TOTAL
Pre-2010 Participants				
Utility*	644,566	48,843	87,007	780,416
PBFA**†	7,489	226	115	7,830
2010 Participants (PBFA)	86,282	13,290	11,691	111,263
Subtotal	738,337	62,359	98,813	899,509
TOTAL	1,205,947	465,553	311,056	1,982,556
TOTAL SALES	7,277,229	1,109,783	1,191,559	9,578,571
RPS PERCENTAGE	16.6%	41.9%	26.1%	20.7%

* Data from the Utility until June 30, 2009

** Data from the PBFA from July 1, 2009 through 2010

† The Public Benefits Fee Administrator (PBFA) in 2009 through 2010 is Hawaii Energy (R.W. Beck/SAIC).

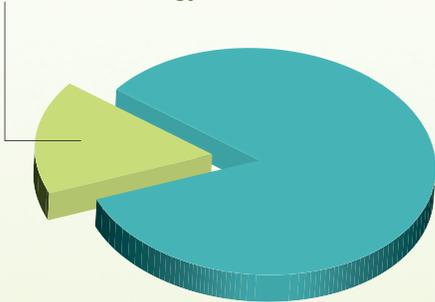
energy

Energy from Renewable Sources

(AS A PERCENTAGE OF TOTAL SALES) AS OF 12/31/10

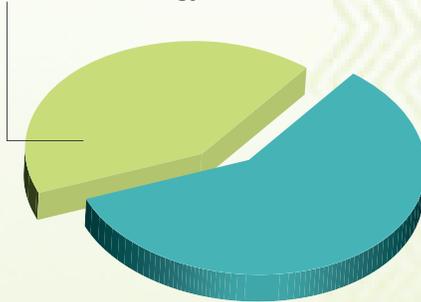
Hawaiian Electric Company

16.6% Renewable Energy



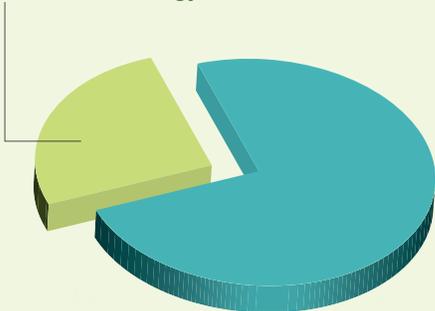
Hawaii Electric Light Company

41.9% Renewable Energy



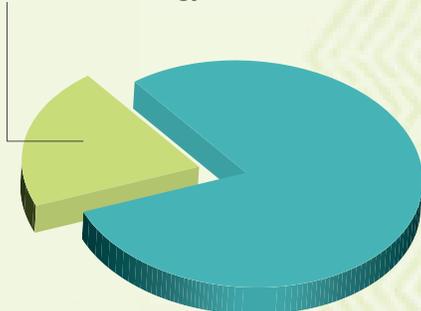
Maui Electric Company

26.1% Renewable Energy



Consolidated Total

20.7% Renewable Energy



Building

THE FOUNDATION

The year 2010 marked two years since Hawaiian Electric's agreement with the State of Hawaii as part of the Hawaii Clean Energy Initiative to move Hawaii away from imported fossil fuels for almost all its energy needs toward diverse local energy sources.

The following measures are helping to build a strong regulatory foundation to support the integration of new renewable energy and improve energy efficiency.

Decoupling

In August 2010, the Public Utilities Commission (PUC) approved a change to the financial model of electric utilities to better support the integration of more renewable energy and energy conservation by breaking the link between energy sales and utility revenues.

Feed-In Tariff

In October 2010, the PUC approved a Feed-in Tariff (FIT) for the Hawaiian Electric companies to facilitate the use of more renewable energy. FIT provides standardized pricing, procedures, and terms and conditions to provide renewable energy developers with clear, consistent guidelines and assurance of adequate compensation. Applications and more information are available at www.hecofitio.com.

Integrated Resource Planning (IRP)

The PUC approved a redesigned framework by which the electric utility company plans to meet future energy needs. The revised inclusive process continues to be referred to as Integrated Resource Planning.

Clean Energy Infrastructure Surcharge

The PUC approved the use of a surcharge on a case-by-case basis to help obtain more timely cost recovery for projects that support more renewable generation by third party developers.

Moving FORWARD

The Hawaiian Electric companies are continuing to progress toward a clean energy future through valuable partnerships and new initiatives.

Biofuels

Liquid biofuels provide a source of renewable energy that can be readily used in existing generation facilities. Rather than abandoning billions of dollars of existing facilities and building from scratch, resources can be saved by switching from “black” oil to “green” biofuels made from biomass, algae, waste animal fat, palm oil, and other energy crops.

In 2010, Hawaiian Electric’s Campbell Industrial Park Generating Station began running entirely on renewable biodiesel. Hawaiian Electric also began a search to establish long-term contracts for locally-grown and produced biofuels for its other units. In early 2011, Hawaii Electric Light Company signed the first such contract with the Hawaii-based company, Aina Koa Pono which plans to grow and process biofuel in the Kau district for use in Keahole Power Plant on Hawaii Island, pending PUC approval.

Tests have been conducted to determine an optimal biofuel mix in existing steam generating units at Hawaiian Electric’s Kahe Power Plant and to test full use of biodiesel at Maui Electric’s Maalaea Power Plant. In addition, planning continued on the 8-MW Honolulu International Airport Emergency Facility with four biodiesel-fueled generators to provide emergency generation for the State Department of Transportation and at other times for Oahu’s electric grid starting in 2012.

Hawaiian Electric also helped to create the Hawaii Biofuels Foundation, a not-for-profit organization dedicated to promoting a sustainable Hawaii-based biofuels industry using locally-grown energy crops or agricultural waste. The foundation promotes research and development, assessment, and demonstration projects. It has already sponsored

workshops around the state to discuss biofuels in Hawaii’s future and establish strong standards for sustainability.

Funding from Hawaiian Electric continues to support research on Hawaii-grown biofuel feedstocks by the Hawaii Agriculture Research Center and the University of Hawaii at Manoa and at University of Hawaii at Hilo agricultural departments.





Wind

Wind energy offers great potential, but also presents challenges to grid stability. New technologies and knowledge gained from over 30 years of experience in Hawaii and around the world now converge to open doors to more projects that can effectively harness this powerful resource.

In early 2011, the PUC approved a power purchase agreement for Kaheawa Wind Farm II, a 21-MW addition to the 30-MW Kaheawa Wind Farm that was developed by First Wind on Maui. In May 2010, the PUC approved a power purchase agreement for Hawaiian Electric to purchase up to 30 MW of wind energy from Kahuku Wind planned by First Wind. Completed and in service as of March 2011, Kahuku Wind is currently the only wind energy project on Oahu and one of the two largest wind farms in the state. First Wind is also planning to develop the Kawailoa Wind Farm on the ridges above Haleiwa on Oahu.

Maui Electric Company also plans to buy 21 MW from the future Auwahi wind farm to be developed by Sempra Wind Power on Ulupalakua Ranch in East Maui.

Progress continues on technical, environmental, and community outreach for the Interisland Wind project which proposes to import up to 400 MW of wind power from Molokai and Lanai to Oahu by way of an undersea cable. In 2010, the State of Hawaii initiated work on an environmental impact statement for the undersea cable.

In early 2011, Castle & Cooke and Hawaiian Electric agreed upon pricing terms and a community benefits package for the proposed 200-MW Lanai wind farm, the first step toward negotiation of a power purchase agreement. A 200-MW wind farm on Molokai is in an earlier stage of development.

Solar

Hawaii is a national leader in solar water heating installations and in photovoltaic (PV) penetration, with more solar watts and more projects per capita than any other state. The year 2010 was a banner year for solar power with almost 4,000 solar power systems connected with Hawaiian Electric utilities on Oahu, Hawaii Island,



progress

and Maui County compared to half the amount in 2009. Integrating solar electricity from both distributed customer sites and utility scale projects will continue to grow and help propel Hawaii toward its clean energy goals.

In support of the growing solar industry and other smaller scale renewable projects, the Feed-In Tariff offers simplified and price-certain contracts for renewable energy developers to sell power to the utilities. Customers can also export renewable energy to the utility through Net Energy Metering (NEM) which enables residential and commercial customers to export surplus electricity to the grid and receive credits to offset future electricity purchases. In response to growing participation in this program, the PUC approved Hawaiian Electric's proposal to remove island-wide caps on the amount of NEM generation. In order to protect reliability to all customers, some circuits will require interconnection studies before customer-sited renewable energy in excess of 15 percent of peak load on the circuit can be added.

In early 2011, Hawaiian Electric signed a power purchase agreement for two separate 5-MW solar farms on Oahu. The first will be developed by IC Sunshine at Campbell Industrial Park on a 20-acre parcel provided by Tesoro Corporation. The second project would be developed by SunPower on 40 acres leased from the Department of Hawaiian Home Lands in Kalaheo. This project would help to generate revenues for the important work of the Hawaiian Home Lands department on behalf of native Hawaiians. Both projects are pending PUC approval.

The Hawaiian Electric companies also actively support efforts like Sopogy's Holaniku project, a 500 kW concentrating solar power farm with thermal energy storage at the Natural Energy Laboratory of Hawaii Authority on Hawaii Island.

Efforts continue to increase the amount of solar power that can be integrated while still maintaining grid reliability. Among other smart grid demonstration projects, Maui Electric and Hawaii Electric Light companies entered into a contract with DBEDT's energy division to use federal stimulus funds for projects that will increase renewable energy, primarily photovoltaic (PV), on island grids. The Hawaiian Electric companies also seek approval for an amended PV Host pilot program to allow the utility to rent roofs or open space, contract with a PV developer to install, own and operate a maximum-sized PV array, and accept generated electricity to the grid.

Looking Ahead

The potential to develop clean energy in Hawaii is tremendous, and our support continues for research on new technologies such as ocean thermal energy conversion, wave energy, and concentrating solar power. As we move forward, the Hawaiian Electric companies are continuing to address community and cultural concerns about geothermal expansion, negotiate garbage-to-energy projects, work with biofuel and biomass developers, and further support Honolulu Seawater Air Conditioning.

Paving the Road for Green Transportation

A central part of reducing our dependence on fossil fuels at state and national levels includes transportation and the role of electric vehicles (EV). Since 1995, the Hawaiian Electric companies have actively partnered on EV projects to learn more about the advancing technology.

In 2010, the Hawaiian Electric companies gained PUC approval for a discount EV Charging Rates pilot designed to encourage early adoption of electric vehicles and make Hawaii EV-ready. Optional lower rates are offered from 9 p.m. to 7 a.m. to promote charging vehicles during off-peak hours which better utilize renewable energy sources. The discount EV charging rate pilot is in effect for three years and is open to 1,000 customers on Oahu, 300 in Maui County and 300 on Hawaii Island for charging highway-capable, four-wheeled electric vehicles.

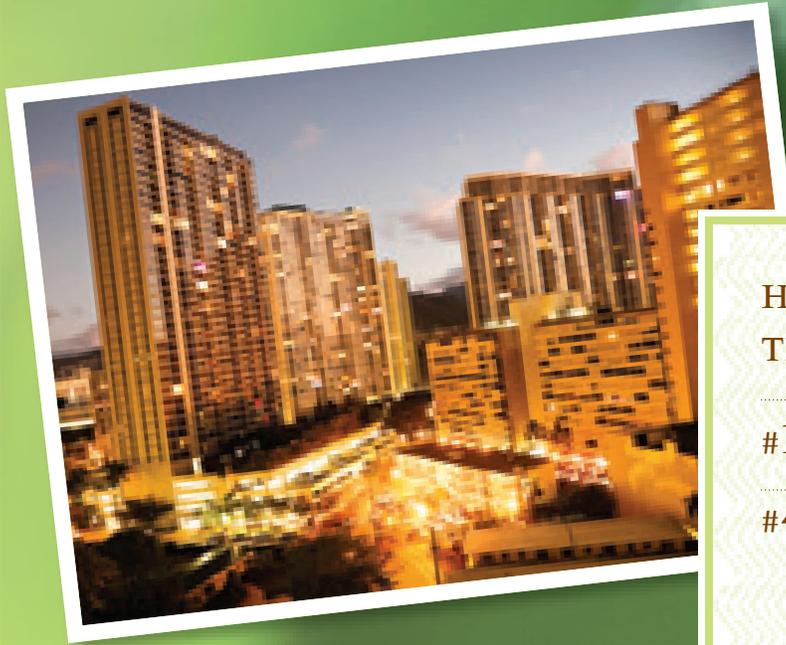
Hawaiian Electric sponsored the 2010 First Hawaiian International Auto Show to promote EV awareness.

Better Place, Sheraton Waikiki Resort, and Hawaiian Electric are also collaborating on a demonstration project that will deploy seven electric vehicles and several charge stations across Oahu to evaluate vehicle performance, battery-charging metrics, the impact on the electrical grid, driver behaviors, and software systems that manage the charging network.

Hawaiian Electric continues to garner insight on EV technology and is participating in the Edison Electric Institute Transportation Task Force with nearly two-dozen leading publicly owned utilities across the country.



impact



HONOLULU IS ONE OF THE CLEANEST CITIES

#1 for least ozone air pollution

#4 for least year-round particle pollution

Reducing and Monitoring Our Impact

While our contribution to greenhouse gas emissions may be small, as an island state Hawaii is among the most vulnerable places on earth to the consequences of global climate change. The Hawaiian Electric companies take the issue of climate change seriously, and in 2007 adopted a company policy to mitigate greenhouse gas contributions from electricity production. In December 2009, the Greenhouse Gas Task Force established by the State Legislature unanimously recommended that the Hawaii Clean Energy Initiative be supported to meet state goals to reduce greenhouse gas emissions.

Since 2006, Hawaiian Electric has voluntarily participated in the Carbon Disclosure Project, an independent not-for-

profit organization that operates a global climate change reporting system. Through 2009, Hawaiian Electric voluntarily reported its greenhouse gas emissions to the U.S. Department of Energy—Energy Information Administration. Emissions for 2010 will be reported later this year under the U.S. Environmental Protection Agency's new mandatory reporting regulations.

Hawaiian Electric collects data from air quality monitoring stations located along the Leeward coast. Real-time data for these stations are available at www.westohauair.com. Hawaiian Electric also surveys changes to fish communities and populations off the shores of West Oahu. For the latest copy of the report, visit www.heco.com.

Encouraging

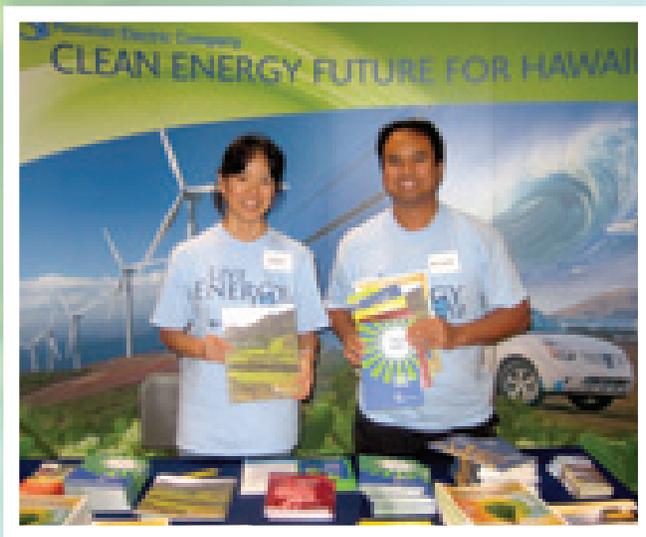
ENERGY CONSERVATION

The Hawaiian Electric companies are dedicated to supporting our customers and achieving clean energy goals by providing useful information on wise electricity use. Throughout our service area, our companies engage in many activities, including organizing and participating in community events to help customers learn how to save electricity and save money at home.

Customers also use practical energy saving tips from our guides year-round. In addition to Power to Save, 101 Ways to Save, Energy Tips and Choices, and Cool Tips, Hawaiian Electric launched three new publications in 2010, the Energy Detective guide for kids, Power to Save for Small Business, and Ways to Save at Work. For these guides and more information, visit www.heco.com.

Throughout the year, Honolulu Community Action Program (HCAP) provided families with Power to Save and 101 Ways to Save. Through HCAP's Weatherization Assistance Program, low-income individuals and families reduce energy consumption and utility costs through free energy saving devices such as solar water heater systems, and through energy conservation education.

Hawaiian Electric also supported an increase in the Public Benefit Fund Surcharge to 1.5 percent of utility revenues. This fee provides essential funding for energy efficiency and conservation programs and rebates by Hawaii Energy, the PUC's public benefit fund administrator. For more information on incentives for qualified Energy Star® appliances, solar water heaters and other energy efficient equipment and measures, visit www.hawaiienergy.com.



Every October, Hawaiian Electric brings families together to celebrate Energy Awareness Month and learn about ways to lower their utility bills through conservation.

Building Energy Awareness For Our Future

In 2010, five elementary schools won a total of \$14,000 in the Home Energy Challenge sponsored by the state Department of Education and Hawaiian Electric Company. The six-month challenge encouraged students and families to make energy conservation a lifestyle by consciously making good choices every day. Among eight schools and over 4,400 participating students, Sunset Beach Elementary School received the grand prize for the greatest home energy reduction.

The Energy Conservation Project provides an alternative activity for schools. First place winner Hahaione Elementary School partnered with Kaiser High School's Communication Arts & Technology Center to produce a public service announcement with the message, "if we do this together, we can keep the world forever." This message was shared with neighboring schools in the complex, extending viewership to over 3,500 students.



Kamiloiki Elementary School students participated in a CFL Halloween Costume Art Contest as part of the Home Energy Challenge.

The Sustainable Saunders Initiative is a hands-on collaboration of students, faculty and staff that aims to make the social sciences building on the University of Hawaii at Manoa campus a model for 'green' living. With help from Hawaiian Electric Company and the Electric Power Research Institute, cash prizes were

awarded in a competition to save the most energy among the seven floors in Saunders Hall. A web-based data monitoring system gave contestants immediate feedback on energy use. While the first round yielded positive results, cash prizes offered in the second round boosted energy savings by an additional 65 percent.

Celebrating

OUR NATURAL ENVIRONMENT

Throughout the year, the Hawaiian Electric companies present signature events for the community to learn from experts on energy and the environment while enjoying local entertainment and activities.

Hawaiian Electric celebrates Earth Day in April with the Grow Hawaiian Festival, an event focusing on Hawaii's native plants, island environment, and clean energy future. The popular Arbor Day Tree Giveaway in November is held at several sites on Oahu, Maui and Hawaii Island, including Hawaiian Electric facilities to highlight the role of trees in protecting the environment.



Above: Working in partnership with Papahana Kuaola, Hui o Koolaupoko and Hui Ku Maoli Ola, about 85 Hawaiian Electric volunteers helped clear and restore Heeiea Stream.

Below: Alongside volunteers from Hakipuu Learning Center and Koolaupoko Hawaiian Civic Club, about 60 Hawaiian Electric volunteers helped to eradicate non-native limu (seaweed) that threatens Hawaii's marine ecosystems off Kualoa Park on Oahu.





Every year, students from Kua o Ka La public charter school grow native plants to be given away in honor of Arbor Day, with the support of Hawaii Electric Light Company and Kaulunani Urban and Community Forestry Program. The students also develop educational material on the cultural significance and proper care for each plant.

Hawaiian Electric employees regularly volunteer in community service projects to raise awareness about environmental issues.

Supporting Natural Resource Management

Since 2005, a donation from Hawaiian Electric to the Ka Papa O Kakuhihewa Fund, has granted more than \$303,500 to non-profit organizations promoting natural resource conservation through environmental education, media projects, hands-on natural resource stewardship projects, and renewable energy projects in West Oahu.

Protecting Seabirds

The Hawaiian Electric companies continue to cooperate with community organizations and government agencies to increase public awareness of seabirds. In 2010, Hawaiian Electric, Maui Electric and Hawaii Electric Light Company provided \$15,000 to the Hawaii Wildlife Center to support the completion of a 4,500-square-foot facility in North Kohala for the treatment of sick, injured, or orphaned native birds from throughout the state.

In addition, Maui Electric implemented mandatory seabird awareness training for its employees and continues to participate in the ongoing program, Save our Seabirds, to reduce harm to protected birds and recover injured seabirds for rehabilitation.

Committed TO HAWAII

As one of Hawaii's oldest and largest companies, Hawaiian Electric and its subsidiaries Maui Electric and Hawaii Electric Light Company are deeply committed to our customers, neighbors and friends. Our companies contribute through corporate grants and gifts, educational partnerships and programs, and through our employees' time and talent.

Supporting Our Communities

Through the HEI Charitable Foundation and individual company support, over 300 organizations received financial support and in-kind assistance from the Hawaiian Electric companies. In addition, employees from all three companies raised more than

\$501,000 in personal pledges and fundraisers for the 2010 Aloha United Way campaign. Throughout the year, 2,270 employees volunteered 8,600 hours in support of more than 80 community events and organizations.

Hawaii Electric Light Company volunteers gather before cleaning a stretch of Kanoehua Avenue in Hilo as part of the Adopt-a-Highway program.





A grant from Maui Electric helped to expand the Digital Bus program by adding a new “green bus” to demonstrate the latest in clean, renewable technology including solar panels and biodiesel power. The Digital Bus features mobile laboratories designed to stimulate interest in science and technology among public school students.



Walking for Diabetes

More than 700 Hawaiian Electric, Maui Electric, and Hawaii Electric Light Company employees, retirees, family and friends took part in the 11th annual American Diabetes Association Step Out Walk to Fight Diabetes at Kapiolani Park. They were among 2,500 walkers who raised an estimated \$509,000 for diabetes research, prevention, and education. Dick Rosenblum, Hawaiian Electric president and CEO, served as the lead corporate sponsor for the 2010 walk.





Environmental Benefits Statement

This report is printed on 100 percent postconsumer waste material. It is Forest Stewardship Council™ certified, processed chlorine free, alkaline pH, and meets the credibility of American National Standards Institute (ANSI) for longevity.

By using this paper, Hawaiian Electric Company saved the following resources:

Trees 23 fully grown*
Water 9,991 gallons
Energy 6,920,340 million BTU
Solid Waste 633 pounds
Greenhouse Gases 844 pounds

The savings are based on a quantity of 3,000 reports. Environmental impact estimates were made using the Environmental Defense Paper calculator.

For more information, visit <http://www.papercalculator.org>.

*Fully matured at 25 years.



Hawaiian Electric Company

www.heco.com