

HAWAIIAN ELECTRIC CO INC
Form 10-Q
May 08, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2013

OR

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

Exact Name of Registrant as Specified in Its Charter	Commission File Number	I.R.S. Employer Identification No.
HAWAIIAN ELECTRIC INDUSTRIES, INC. and Principal Subsidiary	1-8503	99-0208097
HAWAIIAN ELECTRIC COMPANY, INC.	1-4955	99-0040500

State of Hawaii

(State or other jurisdiction of incorporation or organization)

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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

Hawaiian Electric Company, Inc. Large accelerated filer

Accelerated filer

Accelerated filer

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Non-accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company)

(Do not check if a smaller reporting company)

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 April 29, 2013
Hawaiian Electric Industries, Inc. (Without Par Value)	98,541,357 Shares
Hawaiian Electric Company, Inc. (\$6-2/3 Par Value)	14,665,264 Shares (not publicly traded)

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Hawaiian Electric Industries, Inc. and Subsidiaries

Hawaiian Electric Company, Inc. and Subsidiaries

Form 10-Q Quarter ended March 31, 2013

GLOSSARY OF TERMS

Terms	Definitions
AFTAP	Adjusted Funding Target Attainment Percentage
AFUDC	Allowance for funds used during construction
AOI	Accumulated other comprehensive income
ARO	Asset retirement obligation
ASB	American Savings Bank, F.S.B., a wholly-owned subsidiary of American Savings Holdings, Inc.
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

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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

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FORWARD-LOOKING STATEMENTS

This report and other presentations made by Hawaiian Electric Industries, Inc. (HEI) and Hawaiian Electric Company, Inc. (HECO) and their subsidiaries contain forward-looking statements, which include statements that are predictive in nature, depend upon or refer to future events or conditions, and usually include words such as expects, anticipates, intends, plans, believes, predicts, estimates or similar expressions. 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 (including the effects of sequestration), 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 climate change, such as more severe storms and rising sea levels), including their impact on Company operations and the economy;
- 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;

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- 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), 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;
- 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 continued availability to the electric utilities of other cost recovery mechanisms, including the purchased power adjustment clauses (PPACs), revenue adjustment mechanisms (RAMs) and pension and postretirement benefits other than pensions (OPEB) tracking mechanisms, and the continued decoupling of revenues from sales;
- the impact of fuel price volatility on customer satisfaction and political and regulatory support for the utilities;

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- 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 existing, new and 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 (including resulting compliance costs and risks of fines and penalties and/or liabilities), 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, 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);

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- the ability of the electric utilities 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.

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Hawaiian Electric Industries, Inc. and Subsidiaries

Consolidated Statements of Income (unaudited)

Three months ended March 31 (in thousands, except per share amounts)	2013	2012
Revenues		
Electric utility	\$ 719,273	\$ 749,610
Bank	64,756	65,252
Other	35	(2)
Total revenues	784,064	814,860
Expenses		
Electric utility	666,320	692,356
Bank	43,005	42,340
Other	4,082	4,348
Total expenses	713,407	739,044
Operating income (loss)		
Electric utility	52,953	57,254
Bank	21,751	22,912
Other	(4,047)	(4,350)
Total operating income	70,657	75,816
Interest expense other than on deposit liabilities and other bank borrowings	(19,788)	(18,539)
Allowance for borrowed funds used during construction	730	870
Allowance for equity funds used during construction	1,215	1,940
Income before income taxes	52,814	60,087
Income taxes	18,662	21,298
Net income	34,152	38,789
Preferred stock dividends of subsidiaries	473	473
Net income for common stock	\$ 33,679	\$ 38,316
Basic earnings per common share	\$ 0.34	\$ 0.40
Diluted earnings per common share	\$ 0.34	\$ 0.40
Dividends per common share	\$ 0.31	\$ 0.31
Weighted-average number of common shares outstanding	98,135	96,167
Net effect of potentially dilutive shares	405	394
Adjusted weighted-average shares	98,540	96,561

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

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Hawaiian Electric Industries, Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income (unaudited)

Three months ended March 31 (in thousands)	2013	2012
Net income for common stock	\$ 33,679	\$ 38,316
Other comprehensive income (loss), net of taxes:		
Net unrealized losses on securities:		
Net unrealized losses on securities arising during the period, net of tax benefits, of \$547 and \$149 for the three months ended March 31, 2013 and 2012, respectively	(828)	(226)
Derivatives qualified as cash flow hedges:		
Less: reclassification adjustment to net income, net of tax benefits of \$37 for the three months ended March 31, 2013 and 2012	59	59
Retirement benefit plans:		
Less: amortization of transition obligation, prior service credit and net losses recognized during the period in net periodic benefit cost, net of tax benefits of \$3,846 and \$2,473 for the three months ended March 31, 2013 and 2012, respectively	6,021	3,873
Less: reclassification adjustment for impact of D&Os of the PUC included in regulatory assets, net of taxes of \$3,384 and \$2,162 for the three months ended March 31, 2013 and 2012, respectively	(5,313)	(3,395)
Other comprehensive income (loss), net of taxes	(61)	311
Comprehensive income attributable to Hawaiian Electric Industries, Inc.	\$ 33,618	\$ 38,627

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

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Hawaiian Electric Industries, Inc. and Subsidiaries

Consolidated Balance Sheets (unaudited)

(dollars in thousands)	March 31, 2013	December 31, 2012
Assets		
Cash and cash equivalents	\$ 262,708	\$ 219,662
Accounts receivable and unbilled revenues, net	348,487	362,823
Available-for-sale investment and mortgage-related securities	659,400	671,358
Investment in stock of Federal Home Loan Bank of Seattle	95,152	96,022
Loans receivable held for investment, net	3,803,002	3,737,233
Loans held for sale, at lower of cost or fair value	5,351	26,005
Property, plant and equipment, net of accumulated depreciation of \$2,142,040 in 2013 and \$2,125,286 in 2012	3,640,308	3,594,829
Regulatory assets	874,151	864,596
Other	527,820	494,414
Goodwill	82,190	82,190
Total assets	\$ 10,298,569	\$ 10,149,132
Liabilities and shareholders' equity		
Liabilities		
Accounts payable	\$ 253,096	\$ 212,379
Interest and dividends payable	26,358	26,258
Deposit liabilities	4,312,620	4,229,916
Short-term borrowings - other than bank	133,937	83,693
Other bank borrowings	193,233	195,926
Long-term debt, net - other than bank	1,422,875	1,422,872
Deferred income taxes	459,249	439,329
Regulatory liabilities	325,527	322,074
Contributions in aid of construction	415,795	405,520
Retirement benefits liability	643,104	656,394
Other	471,217	526,613
Total liabilities	8,657,011	8,520,974
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: 98,471,405 shares in 2013 and 97,928,403 shares in 2012	1,413,700	1,403,484
Retained earnings	220,049	216,804
Accumulated other comprehensive income (loss), net of taxes		
Net unrealized gains on securities	\$ 9,933	\$ 10,761
Unrealized losses on derivatives	(701)	(760)
Retirement benefit plans	(35,716)	(26,484)
	(36,424)	(26,423)
Total shareholders' equity	1,607,265	1,593,865
Total liabilities and shareholders' equity	\$ 10,298,569	\$ 10,149,132

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

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Hawaiian Electric Industries, Inc. and Subsidiaries

Consolidated Statements of Changes in Shareholders Equity (unaudited)

(in thousands, except per share amounts)	Common stock		Retained Earnings	Accumulated other comprehensive loss	Total
	Shares	Amount			
Balance, December 31, 2012	97,928	\$ 1,403,484	\$ 216,804	\$ (26,423)	\$ 1,593,865
Net income for common stock			33,679		33,679
Other comprehensive loss, net of tax benefits				(61)	(61)
Issuance of common stock, net	543	10,216			10,216
Common stock dividends (\$0.31 per share)			(30,434)		(30,434)
Balance, March 31, 2013	98,471	\$ 1,413,700	\$ 220,049	\$ (26,484)	\$ 1,607,265
Balance, December 31, 2011	96,038	\$ 1,349,446	\$ 198,397	\$ (19,137)	\$ 1,528,706
Net income for common stock			38,316		38,316
Other comprehensive income, net of taxes				311	311
Issuance of common stock, net	503	13,434			13,434
Dividend equivalents paid on equity-classified awards			(95)		(95)
Common stock dividends (\$0.31 per share)			(29,817)		(29,817)
Balance, March 31, 2012	96,541	\$ 1,362,880	\$ 206,801	\$ (18,826)	\$ 1,550,855

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

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Hawaiian Electric Industries, Inc. and Subsidiaries

Consolidated Statements of Cash Flows (unaudited)

Three months ended March 31 (in thousands)	2013	2012
Cash flows from operating activities		
Net income	\$ 34,152	\$ 38,789
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation of property, plant and equipment	39,726	37,911
Other amortization	935	1,419
Provision for loan losses	1,858	3,546
Loans receivable originated and purchased, held for sale	(79,224)	(89,087)
Proceeds from sale of loans receivable, held for sale	102,254	85,252
Change in deferred income taxes	19,967	21,260
Change in excess tax benefits from share-based payment arrangements	(414)	(44)
Allowance for equity funds used during construction	(1,215)	(1,940)
Changes in assets and liabilities		
Decrease in accounts receivable and unbilled revenues, net	14,335	37,562
Increase in fuel oil stock	(29,272)	(14,458)
Increase in regulatory assets	(17,746)	(13,948)
Increase (decrease) in accounts, interest and dividends payable	38,148	(36,991)
Change in prepaid and accrued income taxes and utility revenue taxes	(50,933)	(41,126)
Contributions to defined benefit pension and other postretirement benefit plans	(21,476)	(26,815)
Change in other assets and liabilities	(2,776)	(17,046)
Net cash provided by (used in) operating activities	48,319	(15,716)
Cash flows from investing activities		
Available-for-sale investment and mortgage-related securities purchased	(26,705)	(53,931)
Principal repayments on available-for-sale investment and mortgage-related securities	36,504	46,355
Net increase in loans held for investment	(66,934)	(34,212)
Proceeds from sale of real estate acquired in settlement of loans	3,046	3,371
Capital expenditures	(71,041)	(65,300)
Contributions in aid of construction	11,710	22,855
Other	869	
Net cash used in investing activities	(112,551)	(80,862)
Cash flows from financing activities		
Net increase in deposit liabilities	82,704	55,172
Net increase in short-term borrowings with original maturities of three months or less	50,244	87,467
Net decrease in retail repurchase agreements	(2,680)	(379)
Proceeds from issuance of long-term debt	50,000	
Repayment of long-term debt	(50,000)	(57,500)
Change in excess tax benefits from share-based payment arrangements	414	44
Net proceeds from issuance of common stock	4,703	5,940
Common stock dividends	(24,394)	(23,855)
Preferred stock dividends of subsidiaries	(473)	(473)
Other	(3,240)	(3,757)
Net cash provided by financing activities	107,278	62,659
Net increase (decrease) in cash and cash equivalents	43,046	(33,919)
Cash and cash equivalents, beginning of period	219,662	270,265
Cash and cash equivalents, end of period	\$ 262,708	\$ 236,346

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

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Hawaiian Electric Industries, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1 • Basis of presentation

The accompanying unaudited consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) for interim financial information, the instructions to SEC Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheet and the reported amounts of revenues and expenses for the period. Actual results could differ significantly from those estimates. The accompanying unaudited consolidated financial statements and the following notes should be read in conjunction with the audited consolidated financial statements and the notes thereto in HEI's Form 10-K for the year ended December 31, 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 March 31, 2013 and December 31, 2012 and the results of its operations and cash flows for the three months ended March 31, 2013 and 2012. All such adjustments are of a normal recurring nature, unless otherwise disclosed in this Form 10-Q or other referenced material. Results of operations for interim periods are not necessarily indicative of results for the full year. When required, certain reclassifications are made to the prior period's consolidated financial statements to conform to the current presentation.

Table of Contents**2 • Segment financial information**

(in thousands)	Electric utility	Bank	Other	Total
Three months ended March 31, 2013				
Revenues from external customers	\$ 719,267	\$ 64,756	\$ 41	\$ 784,064
Intersegment revenues (eliminations)	6		(6)	
Revenues	719,273	64,756	35	784,064
Income (loss) before income taxes	39,322	21,752	(8,260)	52,814
Income taxes (benefit)	14,394	7,597	(3,329)	18,662
Net income (loss)	24,928	14,155	(4,931)	34,152
Preferred stock dividends of subsidiaries	499		(26)	473
Net income (loss) for common stock	24,429	14,155	(4,905)	33,679
Assets (at March 31, 2013)	5,174,235	5,116,385	7,949	10,298,569
Three months ended March 31, 2012				
Revenues from external customers	\$ 749,574	\$ 65,252	\$	