HAWAIIAN ELECTRIC INDUSTRIES INC
Form 10-Q
May 07, 2014
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549
FORM 10-Q

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

For the quarterly period ended March 31, 2014
OR
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

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

State of Hawaii
(State or other jurisdiction of incorporation or organization)

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 x No o Hawaiian Electric Company, Inc. Yes x No o

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 x No o Hawaiian Electric Company, Inc. Yes x No o

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 o No x Hawaiian Electric Company, Inc. Yes o No x

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.

Large accelerated filer x	Large accelerated filer o

Hawaiian Electric Industries, Inc.		Hawaiian Electric Company, Inc.	
	Accelerated filer o Non-accelerated filer o (Do not check if a smaller reporting company) Smaller reporting company o		Accelerated filer o Non-accelerated filer x (Do not check if a smaller reporting company) Smaller reporting company o

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 30, 2014
Hawaiian Electric Industries, Inc. (Without Par Value)	101,477,616 Shares
Hawaiian Electric Company, Inc. ($6-2/3 Par Value)	15,429,105 Shares (not publicly traded)

Hawaiian Electric Industries, Inc. and Subsidiaries
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GLOSSARY OF TERMS

Terms	Definitions
AFTAP	Adjusted Funding Target Attainment Percentage
AFUDC	Allowance for funds used during construction
AOCI	Accumulated other comprehensive income/(loss)
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.
ASU	Accounting Standards Update
CIP CT-1	Campbell Industrial Park 110 MW combustion turbine No. 1
CIS	Customer Information System
Company	Hawaiian Electric Industries, Inc. and its direct and indirect subsidiaries, including, without limitation, Hawaiian Electric Company, Inc. and its subsidiaries (listed under Hawaiian Electric); 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 Hawaiian Electric, 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
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
federal	U.S. Government
FHLB	Federal Home Loan Bank
FHLMC	Federal Home Loan Mortgage Corporation
FNMA	Federal National Mortgage Association

FRB	Federal Reserve Board

GLOSSARY OF TERMS, continued

Terms	Definitions
GAAP	Accounting principles generally accepted in the United States of America
GHG	Greenhouse gas
GNMA	Government National Mortgage Association
HCEI	Hawaii Clean Energy Initiative
Hawaiian Electric	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 financing 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
Hawaii Electric Light	Hawaii Electric Light Company, Inc., an electric utility subsidiary of Hawaiian Electric Company, Inc.
HPOWER	City and County of Honolulu with respect to a power purchase agreement for a refuse-fired plant
IPP	Independent power producer
IRP	Integrated resource planning
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
Maui Electric	Maui Electric Company, Limited, an electric utility subsidiary of Hawaiian Electric Company, Inc.
MW	Megawatt/s (as applicable)
NAAQS	National Ambient Air Quality Standard
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 proposals
REIP	Renewable Energy Infrastructure Program
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
Utilities	

	Hawaiian Electric Company, Inc., Hawaii Electric Light Company, Inc. and Maui Electric Company, Limited
VIE	Variable interest entity

FORWARD-LOOKING STATEMENTS

This report and other presentations made by Hawaiian Electric Industries, Inc. (HEI) and Hawaiian Electric Company, Inc. (Hawaiian Electric) 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, ongoing conflicts in North Africa and the Middle East, terrorist acts, potential conflict or crisis with North Korea or Iran, and developments in the Ukraine);
- the effects of future actions or inaction of the U.S. government or related agencies, including those related to the U.S. debt ceiling and monetary policy;
- 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 the Company's and Utilities' 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 and the Utilities to access the credit and capital markets (e.g., to obtain commercial paper and other short-term and long-term debt financing, including lines of credit, and, in the case of HEI, to issue 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), and the fulfillment by the Utilities of their commitments under the Energy Agreement (given the Public Utilities Commission of the State of Hawaii (PUC) approvals needed; the PUC's potential delay in considering (and potential disapproval of actual or proposed) HCEI-related costs; reliance by the Utilities on outside parties such as the state, independent power producers (IPPs) and developers; potential changes in political support for the HCEI; and uncertainties surrounding wind power, proposed undersea cables, biofuels, environmental assessments and the impacts of implementation of the HCEI on future costs of electricity);
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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, delivery of adequate fuel by suppliers 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;

- 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 agreements for significant resources such as fuel supply contracts and collective bargaining agreements;
- new technological developments that could affect the operations and prospects of HEI, ASB and Hawaiian Electric and their subsidiaries or their competitors;
- cyber security risks and the potential for cyber incidents, including potential incidents at HEI, ASB and Hawaiian Electric and their subsidiaries (including at ASB branches and 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, Hawaiian Electric, ASB and their subsidiaries (including changes in taxation, increases in capital requirements, regulatory policy changes, 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 (OCC), 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);
- 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, Hawaiian Electric, 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 Hawaiian Electric 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 provision for loan losses, 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, Hawaiian Electric, ASB and their subsidiaries;
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- 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 Hawaiian Electric 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, Hawaiian Electric, ASB and their subsidiaries undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

	Three months ended March 31	
(in thousands, except per share amounts)	2014	2013
Revenues		
Electric utility	$720,062	$717,441
Bank	63,619	64,756
Other	68	35
Total revenues	783,749	782,232
Expenses		
Electric utility	649,396	666,320
Bank	41,996	43,005
Other	4,051	4,082
Total expenses	695,443	713,407
Operating income (loss)		
Electric utility	70,666	51,121
Bank	21,623	21,751
Other	(3,983)	(4,047)
Total operating income	88,306	68,825
Interest expense, net—other than on deposit liabilities and other bank borrowings	(19,456)	(18,731)
Allowance for borrowed funds used during construction	614	730
Allowance for equity funds used during construction	1,609	1,215
Income before income taxes	71,073	52,039
Income taxes	24,673	17,887
Net income	46,400	34,152
Preferred stock dividends of subsidiaries	473	473
Net income for common stock	$45,927	$33,679
Basic earnings per common share	$0.45	$0.34
Diluted earnings per common share	$0.45	$0.34
Dividends per common share	$0.31	$0.31
Weighted-average number of common shares outstanding	101,382	98,135
Net effect of potentially dilutive shares	783	405
Adjusted weighted-average shares	102,165	98,540

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

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

(in thousands)	Three months ended March 31 2014	2013
Net income for common stock	$45,927	$33,679
Other comprehensive income (loss), net of taxes:		
Net unrealized gains (losses) on securities:		
Net unrealized gains (losses) on securities arising during the period, net of (taxes) benefits of ($1,664) and $547 for the respective periods	2,520	(828)
Less: reclassification adjustment for net realized gains included in net income, net of taxes of $1,132 and nil for the respective periods	(1,715)	—
Derivatives qualified as cash flow hedges:		
Less: reclassification adjustment to net income, net of tax benefits of $37 for both periods	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 $1,796 and $3,846 for the respective periods	2,813	6,021
Less: reclassification adjustment for impact of D&Os of the PUC included in regulatory assets, net of taxes of $1,598 and $3,384 for the respective periods	(2,510)	(5,313)
Other comprehensive income (loss), net of taxes	1,167	(61)
Comprehensive income attributable to Hawaiian Electric Industries, Inc.	$47,094	$33,618

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

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

(dollars in thousands)	March 31, 2014		December 31, 2013	
Assets				
Cash and cash equivalents		$269,120		$220,036
Accounts receivable and unbilled revenues, net		324,433		346,785
Available-for-sale investment and mortgage-related securities		517,534		529,007
Investment in stock of Federal Home Loan Bank of Seattle		86,697		92,546
Loans receivable held for investment, net		4,147,537		4,110,113
Loans held for sale, at lower of cost or fair value		4,363		5,302
Property, plant and equipment, net of accumulated depreciation of $2,206,650 and $2,192,422 at the respective dates		3,908,392		3,865,514
Regulatory assets		579,963		575,924
Other		537,841		512,627
Goodwill		82,190		82,190
Total assets		$10,458,070		$10,340,044
Liabilities and shareholders’ equity				
Liabilities				
Accounts payable		$210,511		$212,331
Interest and dividends payable		28,520		26,716
Deposit liabilities		4,477,987		4,372,477
Short-term borrowings—other than bank		136,369		105,482
Other bank borrowings		244,642		244,514
Long-term debt, net—other than bank		1,492,945		1,492,945
Deferred income taxes		538,321		529,260
Regulatory liabilities		350,916		349,299
Contributions in aid of construction		438,020		432,894
Defined benefit pension and other postretirement benefit plans liability		284,043		288,539
Other		475,575		524,224
Total liabilities		8,677,849		8,578,681
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: 101,477,616 shares and 101,259,800 shares at the respective dates		1,491,338		1,488,126
Retained earnings		270,173		255,694
Accumulated other comprehensive loss, net of tax benefits				
Net unrealized losses on securities	$(2,858)		$(3,663)	
Unrealized losses on derivatives	(466)		(525)	
Retirement benefit plans	(12,259)	(15,583)	(12,562)	(16,750)
Total shareholders’ equity		1,745,928		1,727,070
Total liabilities and shareholders’ equity		$10,458,070		$10,340,044

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

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

	Common stock		Retained	Accumulated other comprehensive	
(in thousands, except per share amounts)	Shares	Amount	Earnings	income (loss)	Total
Balance, December 31, 2013	101,260	$1,488,126	$255,694	$(16,750)	$1,727,070
Net income for common stock	—	—	45,927	—	45,927
Other comprehensive income, net of taxes	—	—	—	1,167	1,167
Issuance of common stock, net	218	3,212	—	—	3,212
Common stock dividends ($0.31 per share)	—	—	(31,448)	—	(31,448)
Balance, March 31, 2014	101,478	$1,491,338	$270,173	$(15,583)	$1,745,928
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

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

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

Three months ended March 31	2014	2013
(in thousands)		
Cash flows from operating activities		
Net income	$46,400	$34,152
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation of property, plant and equipment	43,181	39,726
Other amortization	1,609	935
Provision for loan losses	995	1,858
Loans receivable originated and purchased, held for sale	(46,998)	(79,224)
Proceeds from sale of loans receivable, held for sale	48,720	102,254
Increase in deferred income taxes	6,298	19,967
Excess tax benefits from share-based payment arrangements	(164)	(414)
Allowance for equity funds used during construction	(1,609)	(1,215)
Change in cash overdraft	(1,038)	—
Changes in assets and liabilities		
Decrease in accounts receivable and unbilled revenues, net	22,352	14,335
Increase in fuel oil stock	(34,260)	(29,272)
Increase in regulatory assets	(9,258)	(17,746)
Increase (decrease) in accounts, interest and dividends payable	(9,307)	38,148
Change in prepaid and accrued income taxes and utility revenue taxes	(19,474)	(50,933)
Decrease in defined benefit pension and other postretirement benefit plans liability	(818)	(702)
Change in other assets and liabilities	(27,208)	(23,550)
Net cash provided by operating activities	19,421	48,319
Cash flows from investing activities		
Available-for-sale investment and mortgage-related securities purchased	(79,912)	(26,705)
Principal repayments on available-for-sale investment and mortgage-related securities	15,597	36,504
Proceeds from sale of available-for-sale investment securities	79,564	—
Net increase in loans held for investment	(37,887)	(66,934)
Proceeds from sale of real estate acquired in settlement of loans	1,429	3,046
Capital expenditures	(65,829)	(71,041)
Contributions in aid of construction	6,958	11,710
Other	5,848	869
Net cash used in investing activities	(74,232)	(112,551)
Cash flows from financing activities		
Net increase in deposit liabilities	105,510	82,704
Net increase in short-term borrowings with original maturities of three months or less	30,887	50,244
Net increase (decrease) in retail repurchase agreements	141	(2,680)
Proceeds from issuance of long-term debt	—	50,000
Repayment of long-term debt	—	(50,000)
Excess tax benefits from share-based payment arrangements	164	414
Net proceeds from issuance of common stock	3,054	4,703
Common stock dividends	(31,435)	(24,394)
Preferred stock dividends of subsidiaries	(473)	(473)
Other	(3,953)	(3,240)
Net cash provided by financing activities	103,895	107,278
Net increase in cash and cash equivalents	49,084	43,046
Cash and cash equivalents, beginning of period	220,036	219,662

Cash and cash equivalents, end of period	$269,120	$262,708

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

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

	Three months ended March 31	
(in thousands)	2014	2013
Revenues	$720,062	$717,441
Expenses		
Fuel oil	286,300	305,100
Purchased power	164,916	153,364
Other operation and maintenance	88,606	101,813
Depreciation	41,603	38,280
Taxes, other than income taxes	67,971	67,763
Total expenses	649,396	666,320
Operating income	70,666	51,121
Allowance for equity funds used during construction	1,609	1,215
Interest expense and other charges, net	(15,723)	(14,519)
Allowance for borrowed funds used during construction	614	730
Income before income taxes	57,166	38,547
Income taxes	21,247	13,619
Net income	35,919	24,928
Preferred stock dividends of subsidiaries	229	229
Net income attributable to Hawaiian Electric	35,690	24,699
Preferred stock dividends of Hawaiian Electric	270	270
Net income for common stock	$35,420	$24,429

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

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

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

	Three months ended March 31	
(in thousands)	2014	2013
Net income for common stock	$35,420	$24,429
Other comprehensive income, net of taxes:		
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 $1,605 and $3,395 for the respective periods	2,519	5,331
Less: reclassification adjustment for impact of D&Os of the PUC included in regulatory assets, net of taxes of $1,598 and $3,384 for the respective periods	(2,510)	(5,313)
Other comprehensive income, net of taxes	9	18
Comprehensive income attributable to Hawaiian Electric Company, Inc.	$35,429	$24,447

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

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

(dollars in thousands, except par value)	March 31, 2014	December 31, 2013
Assets		
Property, plant and equipment		
Utility property, plant and equipment		
Land	$51,845	$51,883
Plant and equipment	5,762,899	5,701,875
Less accumulated depreciation	(2,134,460)	(2,111,229)
Construction in progress	148,602	143,233
Utility property, plant and equipment, net	3,828,886	3,785,762
Nonutility property, plant and equipment, less accumulated depreciation of $1,224 and $1,223 at respective dates	6,566	6,567
Total property, plant and equipment, net	3,835,452	3,792,329
Current assets		
Cash and cash equivalents	17,359	62,825
Customer accounts receivable, net	164,016	175,448
Accrued unbilled revenues, net	131,864	144,124
Other accounts receivable, net	16,690	14,062
Fuel oil stock, at average cost	168,347	134,087
Materials and supplies, at average cost	60,089	59,044
Prepayments and other	32,299	52,857
Regulatory assets	77,455	69,738
Total current assets	668,119	712,185
Other long-term assets		
Regulatory assets	502,508	506,186
Unamortized debt expense	9,124	9,003
Other	67,386	67,426
Total other long-term assets	579,018	582,615
Total assets	$5,082,589	$5,087,129
Capitalization and liabilities		
Capitalization		
Common stock ($6 2/3 par value, authorized 50,000,000 shares; outstanding 15,429,105 shares)	$102,880	$102,880
Premium on capital stock	541,449	541,452
Retained earnings	961,337	948,624
Accumulated other comprehensive income, net of income taxes-retirement benefit plans	617	608
Common stock equity	1,606,283	1,593,564
Cumulative preferred stock — not subject to mandatory redemption	34,293	34,293
Long-term debt, net	1,206,545	1,206,545
Total capitalization	2,847,121	2,834,402
Commitments and contingencies (Note 3)		
Current liabilities		
Current portion of long-term debt	11,400	11,400
Short-term borrowings from non-affiliates	34,996	—
Accounts payable	182,826	189,559
Interest and preferred dividends payable	24,100	21,652
Taxes accrued	193,734	249,445

Regulatory liabilities	1,437	1,916
Other	62,476	63,881
Total current liabilities	510,969	537,853
Deferred credits and other liabilities		
Deferred income taxes	515,041	507,161
Regulatory liabilities	349,479	347,383
Unamortized tax credits	75,544	73,539
Defined benefit pension and other postretirement benefit plans liability	257,601	262,162
Other	88,814	91,735
Total deferred credits and other liabilities	1,286,479	1,281,980
Contributions in aid of construction	438,020	432,894
Total capitalization and liabilities	$5,082,589	$5,087,129

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

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

(in thousands)	Common stock Shares	Amount	Premium on capital stock	Retained earnings	Accumulated other comprehensive income (loss)	Total
Balance, December 31, 2013	15,429	$102,880	$541,452	$948,624	$ 608	$1,593,564
Net income for common stock	—	—	—	35,420	—	35,420
Other comprehensive income, net of taxes	—	—	—	—	9	9
Common stock dividends	—	—	—	(22,707)	—	(22,707)
Common stock issue expenses	—	—	(3)	—	—	(3)
Balance, March 31, 2014	15,429	$102,880	$541,449	$961,337	$ 617	$1,606,283
Balance, December 31, 2012	14,665	$97,788	$468,045	$907,273	$ (970)	$1,472,136
Net income for common stock	—	—	—	24,429	—	24,429
Other comprehensive income, net of taxes	—	—	—	—	18	18
Common stock dividends	—	—	—	(20,070)	—	(20,070)
Balance, March 31, 2013	14,665	$97,788	$468,045	$911,632	$ (952)	$1,476,513

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

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

Three months ended March 31,	2014	2013
(in thousands)		
Cash flows from operating activities		
Net income	$35,919	$24,928
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation of property, plant and equipment	41,603	38,280
Other amortization	1,621	957
Increase in deferred income taxes	20,344	17,975
Change in tax credits, net	2,032	1,382
Allowance for equity funds used during construction	(1,609)	(1,215)
Change in cash overdraft	(1,038)	—
Changes in assets and liabilities		
Decrease in accounts receivable	8,804	38,703
Decrease (increase) in accrued unbilled revenues	12,260	(1,317)
Increase in fuel oil stock	(34,260)	(29,272)
Increase in materials and supplies	(1,045)	(3,345)
Increase in regulatory assets	(9,258)	(17,746)
Increase (decrease) in accounts payable	(16,024)	38,934
Change in prepaid and accrued income taxes and utility revenue taxes	(47,526)	(53,666)
Decrease in defined benefit pension and other postretirement benefit plans liability	(205)	(47)
Change in other assets and liabilities	(10,981)	(1,050)
Net cash provided by operating activities	637	53,501
Cash flows from investing activities		
Capital expenditures	(64,462)	(67,915)
Contributions in aid of construction	6,958	11,710
Net cash used in investing activities	(57,504)	(56,205)
Cash flows from financing activities		
Common stock dividends	(22,707)	(20,070)
Preferred stock dividends of Hawaiian Electric and subsidiaries	(499)	(499)
Net increase in short-term borrowings from non-affiliates and affiliate with original maturities of three months or less	34,996	43,052
Other	(389)	2
Net cash provided by financing activities	11,401	22,485
Net increase (decrease) in cash and cash equivalents	(45,466)	19,781
Cash and cash equivalents, beginning of period	62,825	17,159
Cash and cash equivalents, end of period	$17,359	$36,940

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1 · Basis of presentation
The accompanying unaudited consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (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 and Hawaiian Electric's Form 10-K for the year ended December 31, 2013.
In the opinion of HEI's and Hawaiian Electric's management, the accompanying unaudited consolidated financial statements contain all material adjustments required by GAAP to fairly state the Company's and Hawaiian Electric's financial position as of March 31, 2014 and December 31, 2013, the results of its operations and its cash flows for the three months ended March 31, 2014 and 2013. 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.
Reclassifications and revisions. In the fourth quarter of 2013, Hawaiian Electric changed its consolidated statements of income for 2013 and prior comparative periods from a utility presentation to a commercial company presentation, under which all operating revenues and expenses (including non-regulated revenues and expenses) are included in the determination of operating income. Additionally, income tax expense, which was previously included partially in operating expenses and partially in other income (deductions), is now entirely presented directly above net income in income taxes and includes income taxes related to non-regulated revenues and expenses.
In making the change to a commercial company presentation, the Company discovered that interest on the Utilities' uncollected revenue balancing accounts and the income tax gross-up adjustment for AFUDC-equity were incorrectly included in HEI consolidated revenues and is revising its previously filed quarterly Consolidated Statements of Income for 2013 to move the amounts to "Interest expense, net-other than on deposit liabilities and other bank borrowings" and income taxes, respectively. Such quarterly amounts were not considered to be material to previously filed financial statements.
The Company and the Utilities have also revised their property, plant and equipment as of December 31, 2013 to correct for an error that excluded Hawaiian Electric consolidated non-utility property plant and equipment amounts. These amounts were not considered to be material to previously filed financial statements.
The table below illustrates the effects of the revisions on the previously filed financial statements:

(in thousands)	As previously filed	As revised	Difference
HEI consolidated			
Three months ended March 31, 2013			
Consolidated Statements of Income			
Revenues	$784,064	$782,232	$(1,832)
Operating income	70,657	68,825	(1,832)
Interest expense, net—other than on deposit liabilities and other bank borrowings	(19,788)	(18,731)	1,057
Income before income taxes	52,814	52,039	(775)
Income taxes	18,662	17,887	(775)

December 31, 2013			
Consolidated Balance Sheets			
Property, plant and equipment, net of accumulated depreciation	3,858,947	3,865,514	6,567
Accumulated depreciation	(2,191,199)	(2,192,422)	(1,223)
Other assets	519,194	512,627	(6,567)
Hawaiian Electric consolidated			
Consolidated Balance Sheets			
Other assets	73,993	67,426	(6,567)

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The reclassifications and revisions made to prior periods' financial statements for the three months ended March 31, 2013 and as of December 31, 2013 to conform to the presentation for the three months ended, and as of, March 31, 2014 did not affect previously reported net income and cash flows.

2 · Segment financial information

(in thousands)	Electric utility	Bank	Other	Total
Three months ended March 31, 2014				
Revenues from external customers	$720,056	$63,619	$74	$783,749
Intersegment revenues (eliminations)	6	—	(6)	—
Revenues	720,062	63,619	68	783,749
Income (loss) before income taxes	57,166	21,624	(7,717)	71,073
Income taxes (benefit)	21,247	7,085	(3,659)	24,673
Net income (loss)	35,919	14,539	(4,058)	46,400
Preferred stock dividends of subsidiaries	499	—	(26)	473
Net income (loss) for common stock	35,420	14,539	(4,032)	45,927
Assets (at March 31, 2014)	5,082,589	5,371,483	3,998	10,458,070
Three months ended March 31, 2013				
Revenues from external customers	$717,435	$64,756	$41	$782,232
Intersegment revenues (eliminations)	6	—	(6)	—
Revenues	717,441	64,756	35	782,232
Income (loss) before income taxes	38,547	21,752	(8,260)	52,039
Income taxes (benefit)	13,619	7,597	(3,329)	17,887
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 December 31, 2013)	5,087,129	5,243,824	9,091	10,340,044

Intercompany electricity sales of the 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 the Utilities, 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 Utilities 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 segment

Revenue taxes. The Utilities' operating revenues include amounts for the recovery of various Hawaii state revenue taxes. Revenue taxes are generally recorded as an expense in the period the related revenues are recognized. However, the Utilities' 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 three months ended March 31, 2014 and 2013, the Utilities included approximately $65 million and $64 million, respectively, of revenue taxes in "operating revenues" and in "taxes, other than income taxes" expense.

Recent tax developments. In September 2013, the Internal Revenue Service (IRS) issued final regulations addressing the acquisition, production and improvement of tangible property, which were effective January 1, 2014. Management is currently evaluating the impact of these new regulations, but does not expect a material impact on the Utilities since specific guidance on network (i.e., transmission and distribution) assets and generation property had already been received. The IRS also proposed regulations addressing the disposition of property.

The Utilities adopted the safe harbor guidelines with respect to network assets in 2011 and in June 2013, the IRS released a revenue procedure relating to deductions for repairs of generation property, which provides some guidance (that is elective) for taxpayers that own steam or electric generation property. This guidance defines the relevant components of generation property to be used in determining whether such component expenditures should be deducted as repairs or capitalized and depreciated by taxpayers. The revenue procedure also provides an extrapolation methodology that could be used by taxpayers in determining deductions for prior years' repairs without going back to the specific documentation of those years. The guidance does not provide specific methods for determining the repairs amount. Management intends to adopt this guidance through an election in its 2014 tax return.

In March 2014, HEI filed with the IRS an application, which requested a change in the method of accounting for revenues recorded to the Utilities' revenue balancing accounts (RBAs) (from an accrual basis to a cash collections basis) for income tax purposes. On April 28, 2014, the Utilities received approval for this change from the IRS, effective January 1, 2014. HEI expects to execute a consent agreement with the IRS and will include the effects of this change in its estimated income tax payments for 2014. This change will result in improved cash flows by deferring the payment of income taxes on the RBA revenues recognized until the revenues are collected and reduce the interest to be accrued on the RBA balance as proposed by the Consumer Advocate.

Unconsolidated variable interest entities.

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 Hawaiian Electric, (ii) investing the proceeds of these trust securities in 2004 Debentures issued by Hawaiian Electric in the principal amount of $31.5 million and issued by Hawaii Electric Light and Maui Electric 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 the Utilities under an expense agreement and Hawaiian Electric's obligations under its trust guarantee and its guarantee of the obligations of Hawaii Electric Light and Maui Electric under their respective debentures, are the sole assets of Trust III. Taken together, Hawaiian Electric's obligations under the Hawaiian Electric debentures, the Hawaiian Electric indenture, the subsidiary guarantees, the trust agreement, the expense agreement and trust guarantee provide, in the aggregate, a full, irrevocable and unconditional guarantee of payments of amounts due on the Trust Preferred Securities. Trust III has at all times been an unconsolidated subsidiary of Hawaiian Electric. Since Hawaiian Electric, as the holder of 100% of the trust common securities, does not absorb the majority of the variability of Trust III, Hawaiian Electric 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 sheet as of March 31, 2014 and December 31, 2013 each consisted of $51.5 million of 2004 Debentures; $50 million of 2004 Trust Preferred Securities; and $1.5 million of trust common securities. Trust III's income statement for the three months ended March 31, 2014 and 2013 consisted of $0.8 million of interest income received from the 2004 Debentures; $0.8 million of distributions to holders of the Trust Preferred Securities; and $25,000 of common dividends on the trust common securities to Hawaiian Electric. So long as the 2004 Trust Preferred Securities are outstanding, Hawaiian Electric 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 Hawaiian Electric in the performance of its obligations under the 2004 Debentures or under its Guarantees, or in the event any of the Utilities elect to defer payment of interest on any of their respective 2004 Debentures, then Hawaiian Electric 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 March 31, 2014, the Utilities had six PPAs for firm capacity and several other PPAs with variable generation independent power producers (IPPs) and Schedule Q providers (i.e., customers with cogeneration and/or small power production facilities with a capacity of 100 kilowatts (kWs) 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 were as follows:

	Three months ended March 31	
(in millions)	2014	2013
AES Hawaii	$33	$23
Kalaeloa	67	65
HEP	12	12
HPOWER	16	15
Other IPPs	37	38
Total IPPs	$165	$153

Some of the IPPs provided sufficient information for Hawaiian Electric 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. Other IPPs, including the three largest, declined to provide the information necessary for Hawaiian Electric to determine the applicability of accounting standards for VIEs.

Since 2004, Hawaiian Electric has continued its efforts to obtain from the IPPs the information necessary to make the determinations required under accounting standards for VIEs. In each year from 2005 to 2013, the Utilities sent letters to the identified IPPs requesting the required information. All of these IPPs declined to provide the necessary information, except that Kalaeloa later agreed to provide the information pursuant to the amendments to its PPA (see below) and an entity owning a wind farm provided information as required under its PPA. Management has concluded that the consolidation of two entities owning wind farms was not required as Hawaii Electric Light and Maui Electric do not have variable interests in the entities because the PPAs do not require them to absorb any variability of the entities. 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 in the Consolidated Financial Statements. The consolidation of any significant IPP could have a material effect on the Consolidated Financial Statements, including the recognition of a significant amount of assets and liabilities and, if such a consolidated IPP were operating at a loss and had insufficient equity, the potential recognition of such losses. If the Utilities determine they are required to consolidate the financial statements of such an IPP and the consolidation has a material effect, the Utilities would retrospectively apply accounting standards for VIEs.

Kalaeloa Partners, L.P. In October 1988, Hawaiian Electric entered into a PPA with Kalaeloa, subsequently approved by the PUC, which provided that Hawaiian Electric would purchase 180 megawatts (MW) of firm capacity for a period of 25 years beginning in May 1991. In October 2004, Hawaiian Electric and Kalaeloa entered into amendments to the PPA, subsequently approved by the PUC, which together effectively increased the firm capacity from 180 MW to 208 MW. The energy payments that Hawaiian Electric makes to Kalaeloa include: (1) a fuel component, with a fuel price adjustment based on the cost of low sulfur fuel oil, (2) a fuel additive component, with an adjustment based on changes in the Gross National Product Implicit Price Deflator, and (3) a non-fuel component, with an adjustment based on changes in the Gross National Product Implicit Price Deflator. The capacity payments that Hawaiian Electric makes to Kalaeloa are fixed in accordance with the PPA. Kalaeloa also has a steam delivery cogeneration contract with another customer, the term of which coincides with the PPA. The facility has been certified by the Federal Energy Regulatory Commission as a Qualifying Facility under the Public Utility Regulatory Policies Act of 1978.

Pursuant to the current accounting standards for VIEs, Hawaiian Electric is deemed to have a variable interest in Kalaeloa by reason of the provisions of Hawaiian Electric’s PPA with Kalaeloa. However, management has concluded that Hawaiian Electric is not the primary beneficiary of Kalaeloa because Hawaiian Electric does not have the power to direct the activities that most significantly impact Kalaeloa’s economic performance nor the obligation to absorb Kalaeloa’s expected losses, if any, that could potentially be significant to Kalaeloa. Thus, Hawaiian Electric has not consolidated Kalaeloa in its consolidated financial statements. A significant factor affecting the level of expected losses Hawaiian Electric could potentially absorb is the fact that Hawaiian Electric’s exposure to fuel price variability is limited to the remaining term of the PPA as compared to the facility’s remaining useful life. Although Hawaiian Electric absorbs fuel price variability for the remaining term of the PPA, the PPA does not currently expose Hawaiian Electric to losses as the fuel and fuel related energy payments under the PPA have been approved by the PUC for recovery from customers through base electric rates and through Hawaiian Electric’s ECAC to the extent the fuel and fuel related energy payments are not included in base energy rates. As of March 31, 2014, Hawaiian Electric’s accounts payable to Kalaeloa amounted to $23 million.

Commitments and contingencies.

Environmental regulation. The Utilities 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 Hawaiian Electric'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. The EPA has delayed issuance of the final section 316(b) rule.

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 Hawaiian Electric'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, Hawaiian Electric 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 and avoid the reduction in operational flexibility imposed by emissions control equipment. Hawaiian Electric requested and received a one-year extension, resulting in a MATS compliance date of April 16, 2016. Hawaiian Electric also has pending with the EPA a Petition for Reconsideration and Stay dated April 16, 2012, and a Request for Expedited Consideration dated August 14, 2013. The submittals ask the EPA to revise an emissions standard for non-continental oil-fired EGUs on the grounds that the promulgated standard was incorrectly derived. The Petition and Request submittals to the EPA included additional data to demonstrate that the existing standard is erroneous. Hawaiian Electric has been in contact with the EPA regarding the status of its Petition and does not expect a decision before the end of 2014.

On February 6, 2013, the EPA issued a guidance document titled "Next Steps for Area Designations and Implementation of the Sulfur Dioxide National Ambient Air Quality Standard," which outlines a process that will provide the states additional flexibility and time for their development of one-hour sulfur dioxide National Ambient Air Quality Standard (NAAQS) implementation plans. The EPA expects to publish a proposed data requirements rule for the one-hour sulfur dioxide NAAQS in the Federal Register in May 2014. Hawaiian Electric will work with the Department of Health of the State of Hawaii (DOH) and the EPA in the rulemaking process for these implementation plans to ensure development of cost-effective strategies for NAAQS compliance. Based on the February 6, 2013 EPA guidance document, current estimates of the compliance date for the one-hour sulfur dioxide NAAQS is in the 2022 or later timeframe. Pending litigation may result in an accelerated timeframe, but the impact of the litigation cannot be predicted at this time.

Depending upon the final outcome of the CWA 316(b) regulations, the specific measures required for MATS compliance, and the rules and guidance developed for implementation of more stringent National Ambient Air Quality Standards, the Utilities 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 or deactivate certain generating units earlier than anticipated.

Hawaiian Electric, Hawaii Electric Light and Maui Electric, 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. The Utilities believe the costs of responding to such releases identified to date will not have a material adverse effect, individually or in the aggregate, on Hawaiian Electric's consolidated results of operations, financial condition or liquidity.

Potential Clean Air Act Enforcement. On July 1, 2013, Hawaii Electric Light and Maui Electric received a letter from the U.S. Department of Justice (DOJ) asserting potential violations of the Prevention of Significant Deterioration (PSD) and Title V requirements of the Clean Air Act involving the Hill and Kahului Power Plants. The EPA referred the matter to the DOJ for enforcement based on Hawaii Electric Light's and Maui Electric's responses to information requests in 2010 and 2012. The letter expresses an interest in resolving the matter without the issuance of a notice of violation. The parties had preliminary discussions in February 2014, and plan to continue working toward resolving the matter. Hawaii Electric Light and Maui Electric cannot currently estimate the amount or effect of a settlement, if any.

Former Molokai Electric Company generation site. In 1989, Maui Electric 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 Maui Electric never operated at the Site and operations there had stopped four years before the merger, in discussions with the EPA and the DOH, Maui Electric 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 Maui Electric contractor of the Adjacent Parcel identified environmental impacts, including elevated polychlorinated biphenyls (PCBs) in the subsurface soils. In cooperation with the DOH and EPA, Maui Electric 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, Maui Electric accrued an additional $3.1 million (reserve balance of $3.6 million as of March 31, 2014) 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. Maui Electric received DOH and EPA comments on a draft site investigation plan for site characterization in the fourth quarter of 2013. Management concluded that these comments did not require a change to the reserve balance. Maui Electric provided written responses to the agencies' comments in March 2014, and is currently awaiting approval of those responses by both agencies prior to revising the draft site investigation plan accordingly.

Global climate change and greenhouse gas emissions reduction. National and international concern about climate change and the contribution of greenhouse gas (GHG) emissions (including carbon dioxide emissions from the combustion of fossil fuels) to climate change 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 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 DOH GHG rule also tracks 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. Hawaiian Electric submitted comments on the proposed regulations in January 2013. In October 2013, the DOH announced that it intends to issue a final rule that would change the required emission reduction from 25% to 16% and delay the accrual of GHG emissions fees until after the rule is promulgated, among other changes, but the final rule has not yet been formally approved or released. Hawaiian Electric continues to monitor this rulemaking proceeding and will participate in the further development of the regulations.

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 through 2013 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' EGUs.

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. On January 8, 2014, the EPA published in the Federal Register its new proposal for New Source Performance Standards for GHG from new generating units. This proposed rule on GHG from new EGUs does not apply to oil-fired combustion turbines or diesel engine generators, and is not otherwise expected to have significant impacts on the Utilities. President Obama also directed the EPA Administrator to issue proposed standards, regulations, or guidelines for GHG emissions from existing, modified and reconstructed power plants by no later than June 1, 2014, and final standards no later than June 1, 2015. Hawaiian Electric will participate in the federal GHG rulemaking process. The Utilities will continue to evaluate the impact of proposed GHG rules and regulations as they develop. Final regulations may impose significant compliance costs, and may require reductions in fossil fuel use and the addition of renewable energy resources in excess of the requirements of the RPS law.

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 Utilities. For example, severe weather could cause significant harm to the Utilities' physical facilities.

The Utilities 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 Hawaiian Electric's CIP CT-1, using biodiesel for startup and shutdown of selected Maui Electric generating units, and testing biofuel blends in other Hawaiian Electric and Maui Electric generating units. The Utilities are also working with the State of Hawaii and other entities to pursue the use of liquefied natural gas as a cleaner and lower cost fuel to replace, at least in part, the petroleum oil that would otherwise be used. 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 Utilities' carbon footprint and meeting GHG reduction goals that will ultimately emerge.

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. The Utilities' 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 the Utilities 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 Hawaiian Electric's balance sheet were as follows:

	Three months ended March 31	
(in thousands)	2014	2013
Balance, beginning of period	$43,106	$48,431
Accretion expense	370	124
Liabilities incurred	—	—
Liabilities settled	(2,240)	(642)
Revisions in estimated cash flows	—	—
Balance, end of period	$41,236	$47,913

Decoupling. In 2010, the PUC issued an order approving decoupling, which was implemented by Hawaiian Electric on March 1, 2011, by Hawaii Electric Light on April 9, 2012 and by Maui Electric 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 certain O&M expenses and rate base changes. 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 below PUC-allowed returns.

On May 31, 2013, as provided for in its original order issued in 2010 approving decoupling and citing three years of implementation experience for Hawaiian Electric, the PUC opened an investigative docket to review whether the decoupling mechanisms are functioning as intended, are fair to the Utilities and their ratepayers, and are in the public interest. The PUC affirmed its support for the continuation of the sales decoupling (RBA) mechanism and stated its interest in evaluating the RAM to ensure it provides the appropriate balance of risks, costs, incentives and performance requirements, as well as administrative efficiency, and whether the current interest rate applied to the outstanding RBA balance is reasonable. The Utilities and the Consumer Advocate are named as parties to this proceeding and filed a joint statement of position that any material changes to the current decoupling mechanism should be made prospectively after 2016, unless the Utilities and the Consumer Advocate mutually agree to the change in this proceeding. The PUC granted several parties' motions to intervene. In October 2013, the PUC issued orders that bifurcated the proceeding (Schedule A and Schedule B) and identified issues and procedural schedules for both Schedules. The schedule B part of the proceeding is intended to take place over a longer period, with panel hearings scheduled for August 2014.

Schedule A issues include:

- for the RBA, the reasonableness of the interest rate related to the carrying charge of the outstanding RBA balance and whether there should be a risk sharing adjustment to the RBA;
- for the RAM, whether it is reasonable to true up all actual prior year baseline projects, which are those capital projects less than $2.5 million, at year end or implement alternative methods to calculate the RAM rate base;
- whether a risk sharing mechanism should be incorporated into the RBA;

- whether performance metrics should be determined and reported; and
- whether other factors should be considered if potential changes to existing RBA and RAM provisions are required.

Schedule B issues include:

- whether performance metrics and incentives (rewards or penalties) should be implemented to control costs and encourage the Utilities to make necessary or appropriate changes to strategic and action plans;

- whether the allocation of risk as a result of the decoupling mechanism is fairly reflected in the cost of capital allowed in rates;
- changes or alternatives to the existing RAM; and
- changes to ratemaking procedures to improve efficiency and/or effectiveness.

Oral arguments on Schedule A issues were held in January 2014. On February 7, 2014, the PUC issued a D&O on the Schedule A issues, which made certain modifications to the decoupling mechanism. Specifically, the D&O requires:

- An adjustment to the Rate Base RAM Adjustment to include 90% of the amount of the current RAM Period Rate Base RAM Adjustment that exceeds the Rate Base RAM Adjustment from the prior year, to be effective with the Utilities’ 2014 decoupling filing.
- Effective March 1, 2014, the interest rate to be applied on the outstanding RBA balances to be the short term debt rate used in each Utilities last rate case (ranging from 1.25% to 3.25%), instead of the 6% that had been previously approved.

The D&O requires the Utilities to immediately investigate the possibility of deferring the payment of income taxes on the accrued amounts of decoupling revenue, and to report the results with recommendations to the PUC within 120 days. The PUC reserves the right to determine in the next decoupling and rate case filings whether each Utilities’ allowed income taxes should be adjusted for this change.

As required, the Utilities developed websites to present certain Schedule A performance metrics and proposed additional performance metrics, which are all currently being reviewed by the PUC and the parties and, after PUC approval, will be available to the public. The Utilities also updated the PUC on their progress in investigating the tax treatment of the revenues included in the RBA balances and provided information to the PUC concerning the application to the IRS for an accounting methods change. On April 28, 2014, the Utilities received approval for this change from the IRS, effective January 1, 2014. HEI expects to execute a consent agreement with the IRS and will include the effects of this change in its estimated income tax payments for 2014. This change will reduce the amount of interest to be accrued on the RBA balance as proposed by the Consumer Advocate (see "Recent tax developments" above).

The Schedule A issues on whether it is reasonable to automatically include all actual prior year capital expenditures on baseline projects in the Rate Base RAM and whether a risk sharing mechanism should be incorporated into the RBA, particularly with respect to the PUC’s concerns regarding maintaining and enhancing the Utilities' incentives to control costs and appropriately allocating risk and compensation for risk, will be addressed in the Schedule B proceedings.

Management cannot predict the outcome of the proceedings or the ultimate impact of the proceedings on the results of operation of the Utilities.

April 2014 regulatory orders. In April 2014, the PUC issued four orders that collectively address certain key policy, resource planning and operational issues for the Utilities. The four orders are as follows:

Integrated Resource Planning. The PUC did not accept the Utilities’ Integrated Resource Plan and Action Plans submission, and, in lieu of an approved plan, has commenced other initiatives to enable resource planning. The PUC also terminated the Utilities' integrated resource planning (IRP) cycle, including the filing of a mid-cycle evaluation report, and formally concluded the IRP advisory group. The PUC directed each of Hawaiian Electric and Maui Electric to file within 120 days its respective Power Supply Improvement Plans (PSIPs). The PSIPs will be reviewed by the PUC in a new docket. The PUC also directed the Utilities to file within 90 days a Demand Response Portfolio Plan. The PUC also provided its inclinations on the future of Hawaii’s electric utilities in an exhibit to the order. The exhibit provides the PUC’s perspectives on the vision, business strategies and regulatory policy changes required to align the Utilities' business model with customers’ interests and the state’s public policy goals.

Reliability Standards Working Group. The PUC ordered the Utilities (and in some cases the Kauai Island Utility Cooperative (KIUC)) to take timely actions intended to lower energy costs, improve system reliability and address emerging challenges to integrate additional renewable energy. In addition to the PSIPs mentioned above, the PUC ordered certain filing requirements which include the following:

- Distributed Generation Interconnection Plan to be filed within 120 days.
-

Plan to implement an on-going distribution circuit monitoring program to measure real-time voltage and other power quality parameters to be filed within 60 days. The plan shall achieve full implementation of the distribution circuit monitoring program within 180 days.

- Action Plan for improving efficiencies in the interconnection requirements studies to be filed within 30 days. The Utilities are to file monthly reports providing details about interconnection requirements studies.
- Proposal to implement an integrated interconnection queue for each distribution circuit for each island grid to be filed within 120 days.

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The PUC also stated it would be opening new dockets to address (1) reliability standards, (2) the technical, economic and policy issues associated with distributed energy resources and (3) the Hawaii electricity reliability administrator, which is a third party position which the legislature has authorized the PUC to create by contract to provide support for the PUC in developing and periodically updating local grid reliability standards and procedures and interconnection requirements and overseeing grid access and operation.

Policy Statement and Order Regarding Demand Response Programs. The PUC provided guidance concerning the objectives and goals for demand response programs, and ordered the Utilities to develop within 90 days an integrated Demand Response Portfolio Plan that will enhance system operations and reduce costs to customers.

Maui Electric Company 2012 Test Year Rate Case. The PUC acknowledged the extensive analyses provided by Maui Electric in its System Improvement and Curtailment Reduction Plan filed in September 2013. The PUC stated that it is encouraged by the changes in Maui Electric’s operations that have led to a significant reduction in the curtailment of renewables, but stated that Maui Electric has not set forth a clearly defined path that addresses integration and curtailment of additional renewables. The PUC directed Maui Electric to present a PSIP within 120 days to address present and future system operations so as to not only reduce curtailment, but to optimize the operation of its system for its customers’ benefit.

Collectively, these orders confirm the energy policy and operational priorities that will guide the Utilities' strategies and plans going forward.

Consolidating financial information. Hawaiian Electric is not required to provide separate financial statements or other disclosures concerning Hawaii Electric Light and Maui Electric to holders of the 2004 Debentures issued by Hawaii Electric Light and Maui Electric to HECO Capital Trust III (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 Hawaiian Electric. Consolidating information is provided below for Hawaiian Electric and each of its subsidiaries for the periods ended and as of the dates indicated.

Hawaiian Electric also unconditionally guarantees Hawaii Electric Light’s and Maui Electric’s obligations (a) to the State of Hawaii for the repayment of principal and interest on Special Purpose Revenue Bonds issued for the benefit of Hawaii Electric Light and Maui Electric, (b) under their respective private placement note agreements and the Hawaii Electric Light notes and Maui Electric notes issued thereunder and (c) relating to the trust preferred securities of Trust III. Hawaiian Electric is also obligated, after the satisfaction of its obligations on its own preferred stock, to make dividend, redemption and liquidation payments on Hawaii Electric Light’s and Maui Electric’s preferred stock if the respective subsidiary is unable to make such payments.

Hawaiian Electric Company, Inc. and Subsidiaries
Consolidating Statement of Income (unaudited)
Three months ended March 31, 2014

(in thousands)	Hawaiian Electric	Hawaii Electric Light	Maui Electric	Other subsidiaries	Consolidating adjustments	Hawaiian Electric Consolidated
Revenues	$512,455	104,931	102,693	—	(17)	$ 720,062
Expenses						
Fuel oil	203,547	31,500	51,253	—	—	286,300
Purchased power	123,969	29,491	11,456	—	—	164,916
Other operation and maintenance	58,515	14,047	16,044	—	—	88,606
Depreciation	27,301	8,975	5,327	—	—	41,603
Taxes, other than income taxes	48,184	9,763	10,024	—	—	67,971
Total expenses	461,516	93,776	94,104	—	—	649,396
Operating income	50,939	11,155	8,589	—	(17)	70,666
Allowance for equity funds used during construction	1,472	65	72	—	—	1,609
Equity in earnings of subsidiaries	8,917	—	—	—	(8,917)	—
Interest expense and other charges, net	(10,487)	(2,748)	(2,505)	—	17	(15,723)
Allowance for borrowed funds used during construction	559	25	30	—	—	614
Income before income taxes	51,400	8,497	6,186	—	(8,917)	57,166
Income taxes	15,710	3,202	2,335	—	—	21,247
Net income	35,690	5,295	3,851	—	(8,917)	35,919
Preferred stock dividends of subsidiaries	—	134	95	—	—	229
Net income attributable to Hawaiian Electric	35,690	5,161	3,756	—	(8,917)	35,690
Preferred stock dividends of Hawaiian Electric	270	—	—	—	—	270
Net income for common stock	$35,420	5,161	3,756	—	(8,917)	$ 35,420

Hawaiian Electric Company, Inc. and Subsidiaries
Consolidating Statement of Comprehensive Income (Loss) (unaudited)
Three months ended March 31, 2014

(in thousands)	Hawaiian Electric	Hawaii Electric Light	Maui Electric	Other subsidiaries	Consolidating adjustments	Hawaiian Electric Consolidated
Net income for common stock	$35,420	5,161	3,756	—	(8,917)	$ 35,420
Other comprehensive income (loss), net of taxes:						
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	2,519	344	253	—	(597)	2,519
Less: reclassification adjustment for impact of D&Os of the PUC included in regulatory assets, net of taxes	(2,510)	(344)	(253)	—	597	(2,510)
Other comprehensive income, net of taxes	9	—	—	—	—	9

Comprehensive income attributable to common shareholder	$35,429	5,161	3,756	—	(8,917)	$ 35,429

Hawaiian Electric Company, Inc. and Subsidiaries
Consolidating Statement of Income (unaudited)
Three months ended March 31, 2013

(in thousands)	Hawaiian Electric	Hawaii Electric Light	Maui Electric	Other subsidiaries	Consolidating adjustments	Hawaiian Electric Consolidated
Revenues	$507,058	106,012	104,399	—	(28)	$ 717,441
Expenses						
Fuel oil	221,967	32,936	50,197	—	—	305,100
Purchased power	111,155	30,122	12,087	—	—	153,364
Other operation and maintenance	72,418	14,888	14,507	—	—	101,813
Depreciation	24,707	8,547	5,026	—	—	38,280
Taxes, other than income taxes	48,144	9,691	9,928	—	—	67,763
Total expenses	478,391	96,184	91,745	—	—	666,320
Operating income	28,667	9,828	12,654	—	(28)	51,121
Allowance for equity funds used during construction	983	138	94	—	—	1,215
Equity in earnings of subsidiaries	10,985	—	—	—	(10,985)	—
Interest expense and other charges, net	(9,590)	(2,855)	(2,102)	—	28	(14,519)
Allowance for borrowed funds used during construction	568	92	70	—	—	730
Income before income taxes	31,613	7,203	10,716	—	(10,985)	38,547
Income taxes	6,914	2,649	4,056	—	—	13,619
Net income	24,699	4,554	6,660	—	(10,985)	24,928
Preferred stock dividends of subsidiaries	—	134	95	—	—	229
Net income attributable to Hawaiian Electric	24,699	4,420	6,565	—	(10,985)	24,699
Preferred stock dividends of Hawaiian Electric	270	—	—	—	—	270
Net income for common stock	$24,429	4,420	6,565	—	(10,985)	$ 24,429

Hawaiian Electric Company, Inc. and Subsidiaries
Consolidating Statement of Comprehensive Income (Loss) (unaudited)
Three months ended March 31, 2013

(in thousands)	Hawaiian Electric	Hawaii Electric Light	Maui Electric	Other subsidiaries	Consolidating adjustments	Hawaiian Electric Consolidated
Net income for common stock	$24,429	4,420	6,565	—	(10,985)	$ 24,429
Other comprehensive income (loss), net of taxes:						
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	5,331	759	657	—	(1,416)	5,331
Less: reclassification adjustment for impact of D&Os of the PUC included in regulatory assets, net of taxes	(5,313)	(761)	(656)	—	1,417	(5,313)

Other comprehensive income (loss), net of taxes	18	(2)	1	—	1	18
Comprehensive income attributable to common shareholder	$24,447	4,418	6,566	—	(10,984)	$ 24,447

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Hawaiian Electric Company, Inc. and Subsidiaries
Consolidating Balance Sheet (unaudited)
March 31, 2014

(in thousands)	Hawaiian Electric	Hawaii Electric Light	Maui Electric	Other subsidiaries	Consoli-dating adjustments	Hawaiian Electric Consolidated
Assets						
Property, plant and equipment						
Utility property, plant and equipment						
Land	$43,367	5,462	3,016	—	—	$51,845
Plant and equipment	3,606,787	1,141,789	1,014,323	—	—	5,762,899
Less accumulated depreciation	(1,234,520)	(459,712)	(440,228)	—	—	(2,134,460)
Construction in progress	127,187	9,657	11,758	—	—	148,602
Utility property, plant and equipment, net	2,542,821	697,196	588,869	—	—	3,828,886
Nonutility property, plant and equipment, less accumulated depreciation	4,953	82	1,531	—	—	6,566
Total property, plant and equipment, net	2,547,774	697,278	590,400	—	—	3,835,452
Investment in wholly owned subsidiaries, at equity	526,020	—	—	—	(526,020)	—
Current assets						
Cash and cash equivalents	12,952	2,442	1,864	101	—	17,359
Advances to affiliates	19,500	100	—	—	(19,600)	—
Customer accounts receivable, net	114,517	26,004	23,495	—	—	164,016
Accrued unbilled revenues, net	96,721	17,330	17,813	—	—	131,864
Other accounts receivable, net	19,007	4,320	2,840	—	(9,477)	16,690
Fuel oil stock, at average cost	134,673	13,012	20,662	—	—	168,347
Materials and supplies, at average cost	37,707	7,270	15,112	—	—	60,089
Prepayments and other	17,931	2,707	12,958	—	(1,297)	32,299
Regulatory assets	62,643	6,958	7,854	—	—	77,455
Total current assets	515,651	80,143	102,598	101	(30,374)	668,119
Other long-term assets						
Regulatory assets	378,608	64,379	59,521	—	—	502,508
Unamortized debt expense	6,195	1,533	1,396	—	—	9,124
Other	42,110	11,351	13,925	—	—	67,386
Total other long-term assets	426,913	77,263	74,842	—	—	579,018
Total assets	$4,016,358	854,684	767,840	101	(556,394)	$5,082,589
Capitalization and liabilities						
Capitalization						
Common stock equity	$1,606,283	277,022	248,897	101	(526,020)	$1,606,283
Cumulative preferred stock—not subject to mandatory redemption	22,293	7,000	5,000	—	—	34,293
Long-term debt, net	830,546	189,999	186,000	—	—	1,206,545
Total capitalization	2,459,122	474,021	439,897	101	(526,020)	2,847,121
Current liabilities						
Current portion of long-term debt	—	11,400	—	—	—	11,400
Short-term borrowings from non-affiliates	34,996	—	—	—	—	34,996

Short-term borrowings from affiliate	100	—	19,500	—	(19,600)	—
Accounts payable	151,818	18,953	12,055	—	—	182,826
Interest and preferred dividends payable	16,400	3,882	3,826	—	(8)	24,100
Taxes accrued	133,801	31,545	29,685	—	(1,297)	193,734
Regulatory liabilities	1,135	—	302	—	—	1,437
Other	47,374	9,950	14,621	—	(9,469)	62,476
Total current liabilities	385,624	75,730	79,989	—	(30,374)	510,969
Deferred credits and other liabilities						
Deferred income taxes	365,668	80,454	68,919	—	—	515,041
Regulatory liabilities	236,468	78,142	34,869	—	—	349,479
Unamortized tax credits	46,658	14,457	14,429	—	—	75,544
Defined benefit pension and other postretirement benefit plans liability	199,070	27,750	30,781		—	257,601
Other	61,762	13,985	13,067	—	—	88,814
Total deferred credits and other liabilities	909,626	214,788	162,065	—	—	1,286,479
Contributions in aid of construction	261,986	90,145	85,889	—	—	438,020
Total capitalization and liabilities	$4,016,358	854,684	767,840	101	(556,394)	$5,082,589

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Hawaiian Electric Company, Inc. and Subsidiaries
Consolidating Balance Sheet (unaudited)
December 31, 2013

(in thousands)	Hawaiian Electric	Hawaii Electric Light	Maui Electric	Other subsidiaries	Consoli-dating adjustments	Hawaiian Electric Consolidated
Assets						
Property, plant and equipment						
Utility property, plant and equipment						
Land	$43,407	5,460	3,016	—	—	$51,883
Plant and equipment	3,558,569	1,136,923	1,006,383	—	—	5,701,875
Less accumulated depreciation	(1,222,129)	(453,721)	(435,379)	—	—	(2,111,229)
Construction in progress	124,494	7,709	11,030	—	—	143,233
Utility property, plant and equipment, net	2,504,341	696,371	585,050	—	—	3,785,762
Nonutility property, plant and equipment, less accumulated depreciation	4,953	82	1,532	—	—	6,567
Total property, plant and equipment, net	2,509,294	696,453	586,582	—	—	3,792,329
Investment in wholly owned subsidiaries, at equity	523,674	—	—	—	(523,674)	—
Current assets						
Cash and cash equivalents	61,245	1,326	153	101	—	62,825
Advances to affiliates	6,839	1,000	—	—	(7,839)	—
Customer accounts receivable, net	121,282	28,088	26,078	—	—	175,448
Accrued unbilled revenues, net	107,752	17,100	19,272	—	—	144,124
Other accounts receivable, net	16,373	4,265	2,451	—	(9,027)	14,062
Fuel oil stock, at average cost	99,613	14,178	20,296	—	—	134,087
Materials and supplies, at average cost	37,377	6,883	14,784	—	—	59,044
Prepayments and other	29,798	8,334	16,140	—	(1,415)	52,857
Regulatory assets	54,979	6,931	7,828	—	—	69,738
Total current assets	535,258	88,105	107,002	101	(18,281)	712,185
Other long-term assets						
Regulatory assets	381,346	64,552	60,288	—	—	506,186
Unamortized debt expense	6,051	1,580	1,372	—	—	9,003
Other	42,163	11,270	13,993	—	—	67,426
Total other long-term assets	429,560	77,402	75,653	—	—	582,615
Total assets	$3,997,786	861,960	769,237	101	(541,955)	$5,087,129
Capitalization and liabilities						
Capitalization						
Common stock equity	$1,593,564	274,802	248,771	101	(523,674)	$1,593,564
Cumulative preferred stock—not subject to mandatory redemption	22,293	7,000	5,000	—	—	34,293
Long-term debt, net	830,547	189,998	186,000	—	—	1,206,545
Total capitalization	2,446,404	471,800	439,771	101	(523,674)	2,834,402
Current liabilities						
Current portion of long-term debt	—	11,400	—	—	—	11,400
Short-term borrowings from affiliate	1,000	—	6,839	—	(7,839)	—
Accounts payable	145,062	24,383	20,114	—	—	189,559

Interest and preferred dividends payable	15,190	3,885	2,585	—	(8)	21,652
Taxes accrued	175,790	37,899	37,171	—	(1,415)	249,445
Regulatory liabilities	1,705	—	211	—	—	1,916
Other	48,443	9,033	15,424	—	(9,019)	63,881
Total current liabilities	387,190	86,600	82,344	—	(18,281)	537,853
Deferred credits and other liabilities						
Deferred income taxes	359,621	79,947	67,593	—	—	507,161
Regulatory liabilities	235,786	76,475	35,122	—	—	347,383
Unamortized tax credits	44,931	14,245	14,363	—	—	73,539
Defined benefit pension and other postretirement benefit plans liability	202,396	28,427	31,339	—	—	262,162
Other	63,374	14,703	13,658	—	—	91,735
Total deferred credits and other liabilities	906,108	213,797	162,075	—	—	1,281,980
Contributions in aid of construction	258,084	89,763	85,047	—	—	432,894
Total capitalization and liabilities	$3,997,786	861,960	769,237	101	(541,955)	$5,087,129

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Hawaiian Electric Company, Inc. and Subsidiaries
Consolidating Statement of Changes in Common Stock Equity (unaudited)
Three months ended March 31, 2014

(in thousands)	Hawaiian Electric	Hawaii Electric Light	Maui Electric	Other subsidiaries	Consolidating adjustments	Hawaiian Electric Consolidated
Balance, December 31, 2013	$1,593,564	274,802	248,771	101	(523,674)	$1,593,564
Net income for common stock	35,420	5,161	3,756	—	(8,917)	35,420
Other comprehensive income, net of taxes	9	—	—	—	—	9
Common stock dividends	(22,707)	(2,941)	(3,629)	—	6,570	(22,707)
Common stock issuance expenses	(3)	—	(1)	—	1	(3)
Balance, March 31, 2014	$1,606,283	277,022	248,897	101	(526,020)	$1,606,283

Hawaiian Electric Company, Inc. and Subsidiaries
Consolidating Statement of Changes in Common Stock Equity (unaudited)
Three months ended March 31, 2013

(in thousands)	Hawaiian Electric	Hawaii Electric Light	Maui Electric	Other subsidiaries	Consolidating adjustments	Hawaiian Electric Consolidated
Balance, December 31, 2012	$1,472,136	268,908	228,927	104	(497,939)	$1,472,136
Net income for common stock	24,429	4,420	6,565	—	(10,985)	24,429
Other comprehensive income (loss), net of taxes	18	(2)	1	—	1	18
Common stock dividends	(20,070)	(3,610)	(3,442)	—	7,052	(20,070)
Balance, March 31, 2013	$1,476,513	269,716	232,051	104	(501,871)	$1,476,513

Hawaiian Electric Company, Inc. and Subsidiaries
Consolidating Statement of Cash Flows (unaudited)
Three months ended March 31, 2014

(in thousands)	Hawaiian Electric	Hawaii Electric Light	Maui Electric	Other subsidiaries	Consolidating adjustments	Hawaiian Electric Consolidated
Cash flows from operating activities						
Net income	$35,690	5,295	3,851	—	(8,917)	$35,919
Adjustments to reconcile net income to net cash provided by (used in) operating activities:						
Equity in earnings of subsidiaries	(8,942)	—	—	—	8,917	(25)
Common stock dividends received from subsidiaries	6,595	—	—	—	(6,570)	25
Depreciation of property, plant and equipment	27,301	8,975	5,327	—	—	41,603
Other amortization	235	501	885	—	—	1,621
Increase in deferred income taxes	17,123	862	2,359	—	—	20,344
Change in tax credits, net	1,741	217	74	—	—	2,032
Allowance for equity funds used during construction	(1,472)	(65)	(72)	—	—	(1,609)
Change in cash overdraft	—	—	(1,038)	—	—	(1,038)
Changes in assets and liabilities:						
Decrease in accounts receivable	4,131	2,029	2,194	—	450	8,804
Decrease (increase) in accrued unbilled revenues	11,031	(230)	1,459	—	—	12,260
Decrease (increase) in fuel oil stock	(35,060)	1,166	(366)	—	—	(34,260)
Increase in materials and supplies	(330)	(387)	(328)	—	—	(1,045)
Increase in regulatory assets	(8,188)	(881)	(189)	—	—	(9,258)
Decrease in accounts payable	(837)	(6,032)	(9,155)	—	—	(16,024)
Decrease in prepaid and accrued income and utility revenue taxes	(39,581)	(2,791)	(5,154)	—	—	(47,526)
Decrease in defined benefit pension and other postretirement benefit plans liability	(103)	—	(102)	—	—	(205)
Change in other assets and liabilities	(10,874)	1,041	(698)	—	(450)	(10,981)
Net cash provided by (used in) operating activities	(1,540)	9,700	(953)	—	(6,570)	637
Cash flows from investing activities						
Capital expenditures	(49,432)	(7,530)	(7,500)	—	—	(64,462)
Contributions in aid of construction	4,541	1,121	1,296	—	—	6,958
Advances from (to) affiliates	(12,661)	900	—	—	11,761	—
Net cash used in investing activities	(57,552)	(5,509)	(6,204)	—	11,761	(57,504)
Cash flows from financing activities						
Common stock dividends	(22,707)	(2,941)	(3,629)	—	6,570	(22,707)
Preferred stock dividends of Hawaiian Electric and subsidiaries	(270)	(134)	(95)	—	—	(499)
Net increase in short-term borrowings from non-affiliates and affiliate with	34,096	—	12,661	—	(11,761)	34,996

original maturities of three months or less						
Other	(320)	—	(69)	—	—	(389)
Net cash provided by (used in) financing activities	10,799	(3,075)	8,868	—	(5,191)	11,401
Net increase (decrease) in cash and cash equivalents	(48,293)	1,116	1,711	—	—	(45,466)
Cash and cash equivalents, beginning of period	61,245	1,326	153	101	—	62,825
Cash and cash equivalents, end of period	$ 12,952	2,442	1,864	101	—	$ 17,359

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Hawaiian Electric Company, Inc. and Subsidiaries
Consolidating Statement of Cash Flows (unaudited)
Three months ended March 31, 2013

(in thousands)	Hawaiian Electric	Hawaii Electric Light	Maui Electric	Other subsidiaries	Consolidating adjustments	Hawaiian Electric Consolidated
Cash flows from operating activities						
Net income	$24,699	4,554	6,660	—	(10,985)	$24,928
Adjustments to reconcile net income to net cash provided by operating activities:						
Equity in earnings of subsidiaries	(11,010)	—	—	—	10,985	(25)
Common stock dividends received from subsidiaries	7,052	—	—	—	(7,052)	—
Depreciation of property, plant and equipment	24,707	8,547	5,026	—	—	38,280
Other amortization	(8)	358	607	—	—	957
Increase in deferred income taxes	13,572	2,755	1,648	—	—	17,975
Change in tax credits, net	1,299	(17)	100	—	—	1,382
Allowance for equity funds used during construction	(983)	(138)	(94)	—	—	(1,215)
Changes in assets and liabilities:						
Decrease (increase) in accounts receivable	34,652	(13)	3,495	—	569	38,703
Decrease (increase) in accrued unbilled revenues	(1,707)	(2,091)	2,481	—	—	(1,317)
Decrease (increase) in fuel oil stock	(30,155)	2,056	(1,173)	—	—	(29,272)
Increase in materials and supplies	(1,853)	(614)	(878)	—	—	(3,345)
Increase in regulatory assets	(13,071)	(2,464)	(2,211)	—	—	(17,746)
Increase (decrease) in accounts payable	44,887	(903)	(5,050)	—	—	38,934
Change in prepaid and accrued income and utility revenue taxes	(41,093)	(8,078)	(4,495)	—	—	(53,666)
Increase (decrease) in defined benefit pension and other postretirement benefit plans liability	—	(57)	10	—	—	(47)
Change in other assets and liabilities	(4,413)	2,464	1,493	—	(569)	(1,025)
Net cash provided by operating activities	46,575	6,359	7,619	—	(7,052)	53,501
Cash flows from investing activities						
Capital expenditures	(47,709)	(10,118)	(10,088)	—	—	(67,915)
Contributions in aid of construction	7,816	3,432	462	—	—	11,710
Advances from (to) affiliates	(3,600)	1,400	—	—	2,200	—
Net cash used in investing activities	(43,493)	(5,286)	(9,626)	—	2,200	(56,205)
Cash flows from financing activities						
Common stock dividends	(20,070)	(3,610)	(3,442)	—	7,052	(20,070)
Preferred stock dividends of Hawaiian Electric and subsidiaries	(270)	(134)	(95)	—	—	(499)
Net increase in short-term borrowings from non-affiliates and affiliate with	41,652	—	3,600	—	(2,200)	43,052

original maturities of three months or less						
Other	2	—	—	—	—	2
Net cash provided by (used in) financing activities	21,314	(3,744)	63	—	4,852	22,485
Net increase (decrease) in cash and cash equivalents	24,396	(2,671)	(1,944)	—	—	19,781
Cash and cash equivalents, beginning of period	8,265	5,441	3,349	104	—	17,159
Cash and cash equivalents, end of period	$32,661	2,770	1,405	104	—	$36,940

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

(in thousands)	Three months ended March 31 2014	2013
Interest and dividend income		
Interest and fees on loans	$43,682	$42,603
Interest and dividends on investment and mortgage-related securities	3,035	3,464
Total interest and dividend income	46,717	46,067
Interest expense		
Interest on deposit liabilities	1,225	1,312
Interest on other borrowings	1,405	1,164
Total interest expense	2,630	2,476
Net interest income	44,087	43,591
Provision for loan losses	995	1,858
Net interest income after provision for loan losses	43,092	41,733
Noninterest income		
Fees from other financial services	5,128	7,643
Fee income on deposit liabilities	4,421	4,314
Fee income on other financial products	2,290	1,794
Mortgage banking income	628	3,346
Gain on sale of securities	2,847	—
Other income, net	1,588	1,592
Total noninterest income	16,902	18,689
Noninterest expense		
Compensation and employee benefits	20,286	20,088
Occupancy	3,953	4,123
Data processing	3,060	2,987
Services	2,273	2,103
Equipment	1,645	1,774
Other expense	7,153	7,595
Total noninterest expense	38,370	38,670
Income before income taxes	21,624	21,752
Income taxes	7,085	7,597
Net income	$14,539	$14,155

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

(in thousands)	Three months ended March 31 2014	2013
Net income	$14,539	$14,155
Other comprehensive income (loss), net of taxes:		
Net unrealized gains (losses) on securities:		
Net unrealized gains (losses) on securities arising during the period, net of (taxes) benefits, of ($1,664) and $547 for the respective periods	2,520	(828)
Less: reclassification adjustment for net realized gains included in net income, net of taxes, of $1,132 and nil for the respective periods	(1,715)	—

Retirement benefit plans:		
Less: amortization of prior service credit and net losses recognized during the period in net periodic benefit cost, net of tax benefits of $144 and $1,424 for the respective periods	219	2,157
Other comprehensive income, net of taxes	1,024	1,329
Comprehensive income	$ 15,563	$ 15,484

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

(in thousands)	March 31, 2014		December 31, 2013	
Assets				
Cash and cash equivalents (including $40 million of securities purchased under resale agreements at March 31, 2014)		$251,083		$156,603
Available-for-sale investment and mortgage-related securities		517,534		529,007
Investment in stock of Federal Home Loan Bank of Seattle		86,697		92,546
Loans receivable held for investment		4,188,460		4,150,229
Allowance for loan losses		(40,923)		(40,116)
Loans receivable held for investment, net		4,147,537		4,110,113
Loans held for sale, at lower of cost or fair value		4,363		5,302
Other		282,079		268,063
Goodwill		82,190		82,190
Total assets		$5,371,483		$5,243,824
Liabilities and shareholder’s equity				
Deposit liabilities—noninterest-bearing		$1,284,957		$1,214,418
Deposit liabilities—interest-bearing		3,193,030		3,158,059
Other borrowings		244,642		244,514
Other		120,324		105,679
Total liabilities		4,842,953		4,722,670
Commitments and contingencies (see “Litigation” below)				
Common stock		336,617		336,054
Retained earnings		203,086		197,297
Accumulated other comprehensive loss, net of tax benefits				
Net unrealized losses on securities	$(2,858)		$(3,663)	
Retirement benefit plans	(8,315)	(11,173)	(8,534)	(12,197)
Total shareholder’s equity		528,530		521,154
Total liabilities and shareholder’s equity		$5,371,483		$5,243,824
Other assets				
Bank-owned life insurance		$130,977		$129,963
Premises and equipment, net		67,628		67,766
Prepaid expenses		4,617		3,616
Accrued interest receivable		13,119		13,133
Mortgage-servicing rights		11,757		11,687
Low-income housing equity investments		24,730		14,543
Real estate acquired in settlement of loans, net		542		1,205
Other		28,709		26,150
		$282,079		$268,063
Other liabilities				
Accrued expenses		$26,003		$19,989
Federal and state income taxes payable		43,110		37,807
Cashier’s checks		25,363		21,110

Advance payments by borrowers	6,084	9,647
Other	19,764	17,126
	$120,324	$105,679

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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.
ASB invests, as a limited partner, in Low-Income Housing Tax Credit (LIHTC) investment partnerships formed for the purpose of providing funding for affordable multifamily rental properties. These properties are rented to qualified low-income tenants, pursuant to Section 42 of the Internal Revenue Code, allowing the properties to be eligible for federal and, for some properties, state tax credits. ASB realizes a return on its investment through reductions in income tax expense that result from tax credits and the deductibility of the operating losses of these partnerships. The partnership agreements are typically structured to meet a required 15-year period of occupancy by qualified low-income tenants. ASB's exposure is limited to the amount of its investment.

Other borrowings consisted of securities sold under agreements to repurchase and advances from the Federal Home Loan Bank (FHLB) of Seattle of $145 million and $100 million, respectively, as of March 31, 2014 and December 31, 2013.
Securities sold under agreements to repurchase are accounted for as financing transactions and the obligations to repurchase these securities are recorded as liabilities in the balance sheet. All such agreements are subject to master netting arrangements, which provide for conditional right of set-off in case of default by either party; however, ASB presents securities sold under agreements to repurchase on a gross basis in the balance sheet. The following tables present information about the securities sold under agreements to repurchase, including the related collateral received from or pledged to counterparties:

(in millions)	Gross amount of recognized liabilities	Gross amount offset in the Balance Sheet	Net amount of liabilities presented in the Balance Sheet
Repurchase agreements			
March 31, 2014	$145	$—	$ 145
December 31, 2013	145	—	145

		Gross amount not offset in the Balance Sheet		
(in millions)	Net amount of liabilities presented in the Balance Sheet	Financial instruments	Cash collateral pledged	Net amount
March 31, 2014				
Financial institution	$50	$50	$—	$—
Commercial account holders	95	95	—	—
Total	$145	$145	$—	$—
December 31, 2013				
Financial institution	$51	$51	$—	$—
Commercial account holders	94	94	—	—
Total	$145	$145	$—	$—

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:

(in thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value	Gross unrealized losses Less than 12 months Fair value	Amount	12 months or longer Fair value	Amount
March 31, 2014								
U.S. Treasury and federal agency obligations	$87,916	$489	$(1,885)	$86,520	$44,700	$(1,508)	$4,402	$(377)
Mortgage-related securities- FNMA, FHLMC and GNMA	434,364	4,769	(8,119)	431,014	229,667	(5,807)	49,547	(2,312)
Municipal bonds	—	—	—	—	—	—	—	—
	$522,280	$5,258	$(10,004)	$517,534	$274,367	$(7,315)	$53,949	$(2,689)
December 31, 2013								
Federal agency obligations	$83,193	$174	$(2,394)	$80,973	$70,779	$(2,394)	$—	$—
Mortgage-related securities- FNMA, FHLMC and GNMA	374,993	4,911	(10,460)	369,444	228,543	(8,819)	19,655	(1,641)
Municipal bonds	76,904	1,826	(140)	78,590	14,478	(140)	—	—
	$535,090	$6,911	$(12,994)	$529,007	$313,800	$(11,353)	$19,655	$(1,641)

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 basis 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 basis, which may be at maturity, ASB did not consider these investments to be other-than-temporarily impaired at March 31, 2014.

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 have the right to prepay obligations with or without prepayment penalties.

March 31, 2014 (in thousands)	Amortized cost	Fair value
Due in one year or less	$—	$—
Due after one year through five years	34,456	34,446
Due after five years through ten years	32,321	32,370
Due after ten years	21,139	19,704
	87,916	86,520
Mortgage-related securities-FNMA,FHLMC and GNMA	434,364	431,014
Total available-for-sale securities	$522,280	$517,534

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 (balances and changes) and financing receivables were as follows:

(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
Three months ended March 31, 2014										
Allowance for loan losses:										
Beginning balance	$5,534	$5,059	$5,229	$1,817	$2,397	$19	$15,803	$2,367	$1,891	$40,116
Charge-offs	(266)	—	—	(6)	—	—	(124)	(561)	—	(957)
Recoveries	341	—	11	86	—	—	100	231	—	769
Provision	(134)	656	729	(322)	666	5	(187)	279	(697)	995
Ending balance	$5,475	$5,715	$5,969	$1,575	$3,063	$24	$15,592	$2,316	$1,194	$40,923
Ending balance: individually evaluated for impairment	$906	$1,544	$—	$1,102	$—	$—	$2,133	$—	$—	$5,685
Ending balance: collectively evaluated for impairment	$4,569	$4,171	$5,969	$473	$3,063	$24	$13,459	$2,316	$1,194	$35,238
Financing Receivables:										
Ending balance	$1,985,812	$452,303	$764,483	$15,906	$66,578	$16,474	$786,611	$108,202	$—	$4,196,369
Ending balance: individually evaluated for impairment	$20,141	$4,558	$1,164	$10,351	$—	$—	$19,399	$18	$—	$55,631
Ending balance: collectively evaluated for impairment	$1,965,671	$447,745	$763,319	$5,555	$66,578	$16,474	$767,212	$108,184	$—	$4,140,738
Three months ended March 31, 2013										
Allowance for loan losses:										
Beginning balance	$6,068	$2,965	$4,493	$4,275	$2,023	$9	$15,931	$4,019	$2,202	$41,985
Charge-offs	(210)	—	(670)	(227)	—	—	(426)	(645)	—	(2,178)
Recoveries	192	—	194	137	—	—	392	150	—	1,065

Provision	(39)	3,691	540	(1,442)	(151)	3	(934)	131	59	1,858
Ending balance	$6,011	$6,656	$4,557	$2,743	$1,872	$12	$14,963	$3,655	$2,261	$42,730
Ending balance: individually evaluated for impairment	$454	$3,169	$—	$1,943	$—	$—	$2,285	$—	$—	$7,851
Ending balance: collectively evaluated for impairment	$5,557	$3,487	$4,557	$800	$1,872	$12	$12,678	$3,655	$2,261	$34,879
Financing Receivables:										0
Ending balance	$1,915,207	$391,679	$648,904	$23,894	$40,698	$8,275	$699,918	$127,260	$—	$3,855,835
Ending balance: individually evaluated for impairment	$25,320	$10,662	$1,259	$17,618	$—	$—	$19,302	$21	$—	$74,182
Ending balance: collectively evaluated for impairment	$1,889,887	$381,017	$647,645	$6,276	$40,698	$8,275	$680,616	$127,239	$—	$3,781,653

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 dual ten-point risk rating system is used to reflect the probability of default (borrower risk rating) and loss given default (transaction risk rating). The borrower risk rating addresses risk presented by the individual borrower and is 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. Separately, the transaction risk rating addresses risk in the transaction and is a function of specific loan attributes which impact the ultimate collectability of the loan such as collateral, loan structure, guarantees, and other structural support or enhancements to the loan.

The numerical representation of the risk categories are:

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

(in thousands)	March 31, 2014 Commercial real estate	Commercial construction	Commercial	December 31, 2013 Commercial real estate	Commercial construction	Commercial
Grade:						
Pass	$393,888	$66,578	$708,268	$375,217	$52,112	$703,053
Special mention	25,651	—	20,315	33,436	—	17,634
Substandard	29,014	—	55,079	28,020	—	59,663
Doubtful	3,750	—	2,949	3,770	—	3,038
Loss	—	—	—	—	—	—
Total	$452,303	$66,578	$786,611	$440,443	$52,112	$783,388

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
March 31, 2014							
Real estate loans:							
Residential 1-4 family	$4,209	$1,635	$14,321	$20,165	$1,965,647	$1,985,812	$—
Commercial real estate	71	—	3,750	3,821	448,482	452,303	—
Home equity line of credit	640	98	928	1,666	762,817	764,483	—
Residential land	96	191	2,223	2,510	13,396	15,906	52
Commercial construction	—	—	—	—	66,578	66,578	—
Residential construction	—	—	—	—	16,474	16,474	—
Commercial loans	1,794	5,050	2,406	9,250	777,361	786,611	—
Consumer loans	431	187	163	781	107,421	108,202	—
Total loans	$7,241	$7,161	$23,791	$38,193	$4,158,176	$4,196,369	$52
December 31, 2013							
Real estate loans:							
Residential 1-4 family	$2,728	$622	$15,411	$18,761	$1,987,246	$2,006,007	$—
Commercial real estate	—	—	3,770	3,770	436,673	440,443	—
Home equity line of credit	765	312	960	2,037	737,294	739,331	—
Residential land	184	48	2,756	2,988	13,188	16,176	—
Commercial construction	—	—	—	—	52,112	52,112	—
Residential construction	—	—	—	—	12,774	12,774	—
Commercial loans	1,668	612	3,026	5,306	778,082	783,388	—
Consumer loans	436	158	304	898	107,824	108,722	—
Total loans	$5,781	$1,752	$26,227	$33,760	$4,125,193	$4,158,953	$—

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

(in thousands)	March 31, 2014 Nonaccrual loans	March 31, 2014 Accruing loans 90 days or more past due	December 31, 2013 Nonaccrual loans	December 31, 2013 Accruing loans 90 days or more past due
Real estate loans:				
Residential 1-4 family	$18,795	$—	$19,679	$—
Commercial real estate	4,395	—	4,439	—
Home equity line of credit	2,060	—	2,060	—
Residential land	3,136	52	3,161	—
Commercial construction	—	—	—	—
Residential construction	—	—	—	—
Commercial loans	17,641	—	18,781	—
Consumer loans	310	—	401	—
Total	$46,337	$52	$48,521	$—

The total carrying amount and the total unpaid principal balance of impaired loans, with and without recorded allowance for loan losses and combined, were as follows:

(in thousands)	March 31, 2014 Recorded investment	March 31, 2014 Unpaid principal balance	March 31, 2014 Related Allowance	Three months ended March 31, 2014 Average recorded investment	Three months ended March 31, 2014 Interest income recognized*
With no related allowance recorded					
Real estate loans:					
Residential 1-4 family	$9,573	$11,874	$—	$10,480	$88
Commercial real estate	—	—	—	—	—
Home equity line of credit	641	1,205	—	649	3
Residential land	3,080	4,047	—	3,016	56
Commercial construction	—	—	—	—	—
Residential construction	—	—	—	—	—
Commercial loans	3,320	4,613	—	3,381	—
Consumer loans	18	18	—	18	—
	16,632	21,757	—	17,544	147
With an allowance recorded					
Real estate loans:					
Residential 1-4 family	6,764	6,784	906	5,605	103
Commercial real estate	4,558	4,668	1,543	4,573	2
Home equity line of credit	—	—	—	—	—
Residential land	7,271	7,442	1,102	7,168	132
Commercial construction	—	—	—	—	—
Residential construction	—	—	—	—	—
Commercial loans	16,079	19,235	2,134	16,550	44
Consumer loans	—	—	—	—	—
	34,672	38,129	5,685	33,896	281
Total					
Real estate loans:					
Residential 1-4 family	16,337	18,658	906	16,085	191
Commercial real estate	4,558	4,668	1,543	4,573	2

Home equity line of credit	641	1,205	—	649	3
Residential land	10,351	11,489	1,102	10,184	188
Commercial construction	—	—	—	—	—
Residential construction	—	—	—	—	—
Commercial loans	19,399	23,848	2,134	19,931	44
Consumer loans	18	18	—	18	—
	$51,304	$59,886	$5,685	$51,440	$428

(in thousands)	December 31, 2013 Recorded investment	Unpaid principal balance	Related allowance	Year ended December 31, 2013 Average recorded investment	Interest income recognized*
With no related allowance recorded					
Real estate loans:					
Residential 1-4 family	$9,708	$12,144	$—	$11,674	$386
Commercial real estate	—	—	—	802	—
Home equity line of credit	672	1,227	—	623	2
Residential land	2,622	3,612	—	6,675	482
Commercial construction	—	—	—	—	—
Residential construction	—	—	—	—	—
Commercial loans	3,466	4,715	—	4,837	12
Consumer loans	19	19	—	20	—
	16,487	21,717	—	24,631	882
With an allowance recorded					
Real estate loans:					
Residential 1-4 family	6,216	6,236	642	6,455	372
Commercial real estate	4,604	4,686	1,118	5,745	152
Home equity line of credit	—	—	—	—	—
Residential land	7,452	7,623	1,332	6,844	409
Commercial construction	—	—	—	—	—
Residential construction	—	—	—	—	—
Commercial loans	17,759	20,640	2,246	15,635	139
Consumer loans	—	—	—	—	—
	36,031	39,185	5,338	34,679	1,072
Total					
Real estate loans:					
Residential 1-4 family	15,924	18,380	642	18,129	758
Commercial real estate	4,604	4,686	1,118	6,547	152
Home equity line of credit	672	1,227	—	623	2
Residential land	10,074	11,235	1,332	13,519	891
Commercial construction	—	—	—	—	—
Residential construction	—	—	—	—	—
Commercial loans	21,225	25,355	2,246	20,472	151
Consumer loans	19	19	—	20	—
	$52,518	$60,902	$5,338	$59,310	$1,954

* Since loan was classified as impaired.

Troubled debt restructurings. A loan modification is deemed to be a troubled debt restructuring (TDR) when ASB grants a concession it would not otherwise consider were it not for the borrower's financial difficulty. When a borrower experiencing financial difficulty fails to make a required payment on a loan or is in imminent default, ASB takes a number of steps to improve the collectability of the loan and maximize the likelihood of full repayment. At times, ASB may modify or restructure a loan to help a distressed borrower improve its financial position to eventually be able to fully repay the loan, provided the borrower has demonstrated both the willingness and the ability to fulfill 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, extended amortization of principal, temporary deferral of principal payments, and temporary interest rate reductions. ASB rarely grants principal forgiveness in its TDR modifications. Residential loan modifications generally involve interest rate reduction, extending the amortization period, or capitalizing certain delinquent amounts owed not to exceed the original loan balance. Land loans at origination 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 up to five 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, extending the amortization period, and temporary deferral of principal payments. ASB generally does not reduce the interest rate on commercial loan TDR modifications. Occasionally, additional collateral and/or guaranties are obtained.

All TDR loans are classified as 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 cost 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 March 31, 2014			Three months ended March 31, 2013		
	Number of	Outstanding recorded investment		Number of	Outstanding recorded investment	
(dollars in thousands)	contracts	Pre-modification	Post-modification	contracts	Pre-modification	Post-modification
Troubled debt restructurings						
Real estate loans:						
Residential 1-4 family	5	$921	$ 935	4	$1,122	$ 1,063
Commercial real estate	—	—	—	—	—	—
Home equity line of credit	—	—	—	4	462	215
Residential land	7	1,133	1,133	3	924	868
Commercial loans	3	473	473	—	—	—
Consumer loans	—	—	—	—	—	—
	15	$2,527	$ 2,541	11	$2,508	$ 2,146

There were no loans modified in TDRs that experienced a payment default of 90 days or more in the first quarters of 2014 and 2013, and for which the payment default occurred within one year of the modification.

If loans modified in a TDR subsequently default, ASB evaluates the loan for further impairment. Based on its evaluation, adjustments may be made in the allocation of the allowance or partial charge-offs may be taken to further write-down the carrying value of the loan. Commitments to lend additional funds to borrowers whose loans have been designated impaired or whose terms have been modified in TDRs totaled $0.3 million as of March 31, 2014.

Amortized intangible assets. The table below presents the gross carrying amount, accumulated amortization, valuation allowance and net carrying amount of ASB's mortgage servicing assets as of March 31, 2014 and 2013:

March 31	2014				2013			
(in thousands)	Gross carrying amount	Accumulated amortization	Valuation allowance	Net carrying amount	Gross carrying amount	Accumulated amortization	Valuation allowance	Net carrying amount
Mortgage servicing assets	$26,097	(14,138)	(202)	$11,757	$24,150	(12,399)	(351)	$11,400

Changes in the valuation allowance for mortgage servicing assets were as follows:

(in thousands)	2014	2013
Valuation allowance, January 1	$251	$498
Provision (recovery)	(35)	(107)
Other-than-temporary impairment	(14)	(40)
Valuation allowance, March 31	$202	$351

ASB recognizes a mortgage servicing asset when a mortgage loan is sold with servicing rights retained. This mortgage servicing right (MSR) is initially capitalized at its presumed fair value based on market data at the time of sale and accounted for in subsequent periods at the lower of amortized cost or fair value. The MSR is amortized in proportion to and over the period of estimated net servicing income and assessed for impairment at each reporting date.

ASB stratifies the MSR based on predominant risk characteristics of the underlying loans including loan type and note rate. For each stratum, fair value is calculated by discounting expected net income streams using discount rates that reflect industry pricing for similar assets. Expected net income streams are estimated based on industry assumptions regarding prepayment expectations and income and expenses associated with servicing residential mortgage loans for others.

Impairment is recognized through a valuation allowance for each stratum when the carrying amount exceeds fair value, with any associated provision recorded as a component of loan servicing fees included in ASB’s noninterest income. A direct write-down is recorded when the recoverability of the valuation allowance is deemed to be unrecoverable.

Key assumptions used in estimating the fair value of the bank’s mortgage servicing rights were as follows:

	March 31, 2014		March 31, 2013	
Unpaid principal balance (000s)	$1,382,731		$1,305,811	
Weighted average note-rate	4.07	%	4.11	%
Weighted average discount rate	9.8	%	9.7	%
Weighted average prepayment speed	8.7	%	10.8	%

Derivative Financial Instruments. ASB enters into interest rate lock commitments with borrowers, and forward commitments to sell loans or to-be-announced mortgage-backed securities to investors to hedge against the inherent interest rate and pricing risk associated with selling loans.

ASB enters into interest rate lock commitments (IRLCs) for residential mortgage loans, which commit ASB to lend funds to a potential borrower at a specific interest rate and within a specified period of time. IRLCs that relate to the origination of mortgage loans that will be held for sale are considered derivative financial instruments under applicable accounting guidance. Outstanding IRLCs expose ASB to the risk that the price of the mortgage loans underlying the commitments may decline due to increases in mortgage interest rates from inception of the rate lock to the funding of the loan. The IRLCs are free-standing derivatives which are carried at fair value with changes recorded in mortgage banking income.

ASB enters into forward commitments to hedge the interest rate risk for rate locked mortgage applications in process and closed mortgage loans held for sale. These commitments are primarily forward sales of to-be-announced mortgage backed securities. Generally, when mortgage loans are closed, the forward commitment is liquidated and replaced with a mandatory delivery forward sale of the mortgage to a secondary market investor. In some cases, a best-efforts forward sale agreement is utilized as the forward commitment. These commitments are free-standing derivatives which are carried at fair value with changes recorded in mortgage banking income.

Changes in the fair value of IRLCs and forward commitments subsequent to inception are based on changes in the fair value of the underlying loan resulting from the fulfillment of the commitment and changes in the probability that the loan will fund within the terms of the commitment, which is affected primarily by changes in interest rates and the passage of time.

The notional amount and fair value of ASB’s derivative financial instruments as of March 31, 2014 and December 31, 2013 were as follows:

	March 31, 2014		December 31, 2013	
(dollars in thousands)	Notional amount	Fair value	Notional amount	Fair value
Interest rate lock commitments	$17,871	$194	$25,070	$464
Forward commitments	19,693	33	26,018	139

The following table presents ASB’s derivative financial instruments, their fair values, and balance sheet location as of March 31, 2014 and December 31, 2013:

Derivative Financial Instruments Not Designated as Hedging Instruments [1]	March 31, 2014		December 31, 2013	
(dollars in thousands)	Derivative asset	Derivative liability	Derivative asset	Derivative liability
Interest rate lock commitments	$199	$5	$488	$24
Forward commitments	35	2	141	2
	$234	$7	$629	$26

[1] Derivative assets are included in other assets and derivative liabilities are included in other liabilities in the balance sheets.

The following table presents ASB's derivative financial instruments and the amount and location of the net gains or losses recognized in the statements of income for the three months ended March 31, 2014 and 2013.

Derivative Financial Instruments Not Designated as Hedging Instruments (dollars in thousands)	Location of net gains (losses) recognized in the Statement of Income	Three months ended March 31 2014	2013
Interest rate lock commitments	Mortgage banking income	$(270)	$—
Forward commitments	Mortgage banking income	(106)	—
		$(376)	$—

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. ASB filed a motion to dismiss the lawsuit on the basis that as a bank chartered under federal law, ASB believes its business practices are governed by federal regulations established for federal savings banks and not by state law. In July 2011, the Circuit Court denied ASB's motion and ASB appealed that decision. ASB's appeal is currently pending before the Hawaii Supreme Court. The probable outcome and range of reasonably possible loss remains indeterminable 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.

5 · Retirement benefits

Defined benefit pension and other postretirement benefit plans information. For the first three months of 2014, the Company contributed $15 million ($14 million by the Utilities) to its pension and other postretirement benefit plans, compared to $21 million ($21 million by the Utilities) in the first three months of 2013. The Company's current estimate of contributions to its pension and other postretirement benefit plans in 2014 is $59 million ($58 million by the Utilities, $1 million by HEI and nil by ASB), compared to $83 million ($81 million by the Utilities, $2 million by HEI and nil by ASB) in 2013. In addition, the Company expects to pay directly $2 million ($1 million by the Utilities) of benefits in 2014, compared to $2 million ($1 million by the Utilities) paid in 2013.

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 or the Utilities' 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 improved the plans' Adjusted Funding Target Attainment Percentage (AFTAP) for funding and benefit distribution purposes and thereby reduced the 2012 minimum funding requirement and lifted the restrictions on accelerated distribution options (which restrictions were in effect from April 1, 2011 to September 30, 2012) for HEI and the Utilities. MAP-21 caused the minimum required funding under Employee Retirement Income Security Act of 1974 (as amended) to be less than the net periodic cost for 2013 and is expected to have the same effect in 2014; therefore, to satisfy the requirements of the Utilities pension and OPEB tracking mechanisms, the Utilities expect to contribute the net periodic cost in 2014.

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 met the threshold requirements in each of 2012 and 2013 so that the more conservative assumptions did not apply for either the 2013 or 2014 valuation of plan liabilities for purposes of calculating the minimum required contribution. Other factors could cause changes to the required contribution levels.

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

	Pension benefits		Other benefits	
Three months ended March 31	2014	2013	2014	2013
(in thousands)				
HEI consolidated				
Service cost	$12,127	$14,089	$883	$1,049
Interest cost	18,001	16,106	2,160	1,931
Expected return on plan assets	(20,347)	(18,085)	(2,708)	(2,562)
Amortization of net prior service loss (gain)	22	(24)	(448)	(448)
Amortization of net actuarial loss (gain)	5,038	9,819	(3)	521
Net periodic benefit cost (credit)	14,841	21,905	(116)	491
Impact of PUC D&Os	(3,011)	(8,866)	445	(397)
Net periodic benefit cost (adjusted for impact of PUC D&Os)	$11,830	$13,039	$329	$94
Hawaiian Electric consolidated				
Service cost	$11,697	$13,603	$856	$1,014
Interest cost	16,436	14,676	2,079	1,861
Expected return on plan assets	(18,171)	(16,090)	(2,663)	